

Integrated Report 2023

Year Ended March 31, 2023

OMRON



90 years of Empowering People Through Automation

About Integrated Report 2023

“Integrated Report 2023” (hereinafter referred to as “this issue”), like the integrated report for the previous fiscal year, is structured so that OMRON’s material sustainability issues are linked with chapters, aiming to show the path of value creation under the long-term vision “SF2030” to synchronize sustainability of society with sustainability of OMRON. The editorial characteristics of this issue include the following five points.

Firstly, the manifestation of the transition process to the new management team, centering on the change of the President and CEO. This issue provides an in-depth, multifaceted description of the succession process that led to the selection of the new President and CEO. Specifically, in the “Governance” section, the Chairman of the Board, Outside Directors, and Outside Audit & Supervisory Board Members discuss the succession process from their respective positions and perspectives. Moreover, the Global Core Position Strategy, which is a system to develop future management team successors, is introduced in the “People” section.

Secondly, in order to include information on the takeover bid (TOB) for JMDC Inc. in this issue, publication was postponed by one month. As has already been reported in the press, on September 8, 2023, OMRON announced a TOB for JMDC. This TOB will have a significant impact

on OMRON’s value creation story, including the future business portfolio and cash allocation. So, in order for this issue to remain an effective medium for constructive dialogue with our stakeholders over the next year, we thought that it should include content on management’s decision-making regarding this TOB. Therefore, we swiftly prepared a new manuscript for publication in early September incorporating as much of the information available at the time of the disclosure of the TOB as possible.

Thirdly, inclusion of a “Sustainability” section for the first time in the Integrated Report in line with the enhancement of sustainability information in the annual securities report from the current fiscal year. Accordingly, we have significantly enhanced the content of our report from the previous fiscal year, particularly with regard to “respecting human rights in the value chain,” a topic for which the international community is expected to demand broader and deeper initiatives from now on. Fourthly, our attempt to clarify the connectivity between financial and non-financial information. Following the release of the “Guidelines on Visualization of Human Capital” by the Cabinet Office in August 2022, we tested our hypothesis on the correlation between the performance indicators of our human capital measures and financial indicators in the “Sustainability” section of this issue. For those indicators that were identified as

material as a result of the verification, details of the status of implementation of the related measures are described in the “People” section.

Fifthly, change of the layout of the Integrated Report to a horizontal format starting with this issue. By making it easy to view the report on a PC, tablet, or other device, we aim to contribute to paperless reporting, which is one of OMRON’s non-financial goals.

Lastly, in the production of this issue, the Board of Directors, the Audit & Supervisory Board, and executive divisions worked closely together and engaged in a series of discussions. Moreover, regarding key non-financial indicators, we obtained assurance from an independent third-party evaluation organization to enhance the reliability. I hereby state that I, as the Publisher and Editor-in-Chief of the Integrated Report, certify that the production process for this issue was legitimate and honest, and that the information contained herein is accurate.

We will continue to place great value on dialogue with our stakeholders. We look forward to hearing your frank opinions.

Managing Executive Officer
Senior General Manager, Global Investor & Brand
Communications HQ and Sustainability Executive
Tsutomu Igaki

Editorial Policy

OMRON positions the Integrated Report as “a medium for promoting constructive dialogue with all stakeholders.” Based on this concept, since the publication of the first issue in 2012, we have sought to create a virtuous cycle of fostering mutual understanding through dialogue with all stakeholders and enhancing our management by referring to the “International Integrated Reporting Framework” recommended by the IIRC, WICI, and others, as well as the “Guidance for Collaborative Value Creation” issued by the Ministry of Economy, Trade and Industry. From fiscal 2022, through full application of the “Guidance for Collaborative Value Creation 2.0,” we are striving to strengthen communication of OMRON’s value creation story in an integrated manner encompassing all corporate reporting, centering on the Integrated Report, while also endeavoring to enhance the quality of dialogues.

Covered Organizations

As a general rule, this report covers 163 companies in the OMRON Group, consisting of OMRON Corporation, 117 consolidated subsidiaries, and 45 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2023).

Covered Period

Fiscal 2022 (April 1, 2022 through March 31, 2023). However, this report includes some disclosure items and business activities that were initiated after April 2023.

Caution Concerning Performance Forecasts Statements

Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors. See “Outlook for Fiscal 2023” when using the projection of results and conditions of assumptions for the results.



Integrated Report 2023

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About the Cover

OMRON’s fundamental purpose is to “create social value through business and continue to contribute to the development of society.” This is nothing less than the OMRON Principles in practice, and all our employees are committed to accomplishing this purpose. Based on this concept, the cover of the OMRON Integrated Report features OMRON Group employees around the world. Since this issue is published in OMRON’s 90th anniversary year, OMRON’s founder, Kazuma Tateishi, is at the center of a group of employees representing OMRON’s global operations who embody the spirit that has shone brightly ever since the company’s founding. They are leaders of the teams commended for best practices at the 10th OMRON Global Awards (TOGA, FY2021). TOGA is OMRON’s unique program focused on self-driven practice of the OMRON Principles. Held every year since fiscal 2012, TOGA aims to foster a culture in which employees are encouraged to set their own goals for solving social issues and to put the OMRON Principles into practice. The present-day employees have inherited the founder’s passion and aspirations through TOGA activities and in other ways. Integrated Report 2023 features a new design as part of the brand transformation to realize SF2030. The concept is “Sparks of Creation.” The key to achieving SF2030 lies in the challenge each one of us at OMRON will take on. Each employee creates innovation driven by social needs, thus putting the OMRON Principles into practice to create a sustainable society. “Sparks of Creation” expresses that will and the creativity unleashed. We will continue to create “innovation driven by social needs” through automation to empower people.



TOGA
website



The OMRON Principles

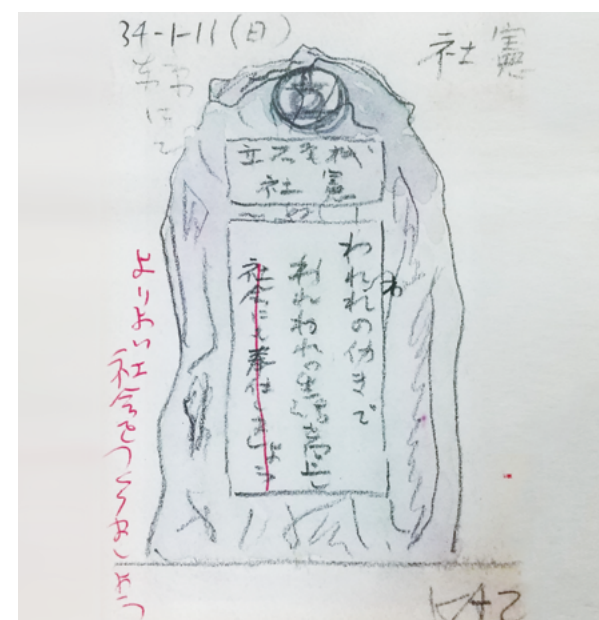
OMRON's history began in 1933 with the passion and ambition of Kazuma Tateishi.

Over the 90 years since then, OMRON has continued to take on the challenge of anticipating future social needs and has grown by creating various innovations as a pioneer. The foundation of this centripetal force and the driving force for OMRON's development is the Corporate Mission, "to improve lives and contribute to a better society," established by our founder in 1959.

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 other is the "to take the initiative as pioneer." The establishment of the Corporate Mission created a sense of unity throughout the company, which led to subsequent dramatic growth.



Kazuma Tateishi (1900-1991)



Sketch by the founder

Those of us working at OMRON today inherit the spirit of the Corporate Mission. The OMRON Principles were established in 1990, building on the Corporate Mission. Subsequently, following revisions in 1998 and 2006 to meet the changing times, the current OMRON Principles were established in 2015. At the same time, the Management Philosophy was introduced that indicates OMRON’s management stance and approach to sustainable enhancement of corporate value, putting the corporate principles into practice. We, the employees of OMRON, will thus continue to put our corporate principles into practice, always striving to contribute to the development of society while enhancing corporate value. Indeed, practice of the corporate principles has been included in the articles of incorporation since fiscal 2022.

OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

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

Management Philosophy

We believe a business should create value for society through its key practices. We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision and solve social issues through our business.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

Articles of Incorporation

Article 2

In the spirit of Our Mission, which is “to improve lives and contribute to a better society,” the Company will put our corporate principles into practice, contribute to the development of society through its business, and strive to increase its value.

SINIC* Theory: Predicting the Future Through the Interrelationships of Science, Technology, and Society

Our founder, Kazuma Tateishi, believed that solving social issues through business to create a better society required the ability to anticipate future social needs. He believed that a company needed a compass to help predict the future. As our compass, Mr. Tateishi formulated the SINIC predictive theory, which analyzes the cycle of interrelationships between Science, Technology, and Society from the beginning of human history and projects the future. OMRON first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has always been our compass for projecting into the future.

The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds of electronic control technologies, programming, and other technology. These technologies gave rise to the PC and the internet, leading to the advent of the Cybernation Society. Society demanded more data, along with more accurate and rapid data analysis. These demands forced us to produce CPUs and GPUs

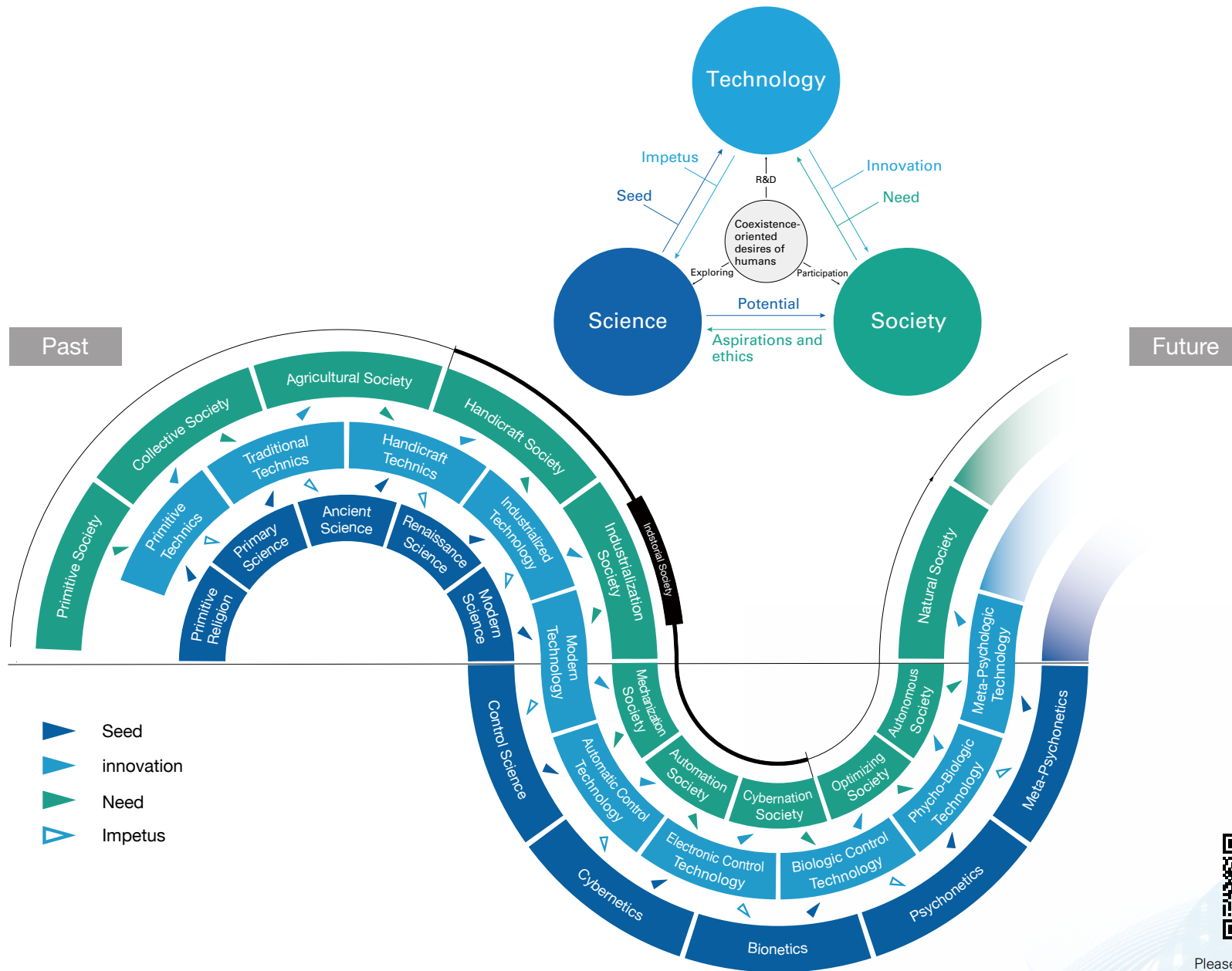
with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science.

The current Optimization Society is in a period characterized by a paradigm shift from the Industrial Society to the Autonomous Society. The world is now experiencing the conflict and chaos of the Optimization Society—wars and conflicts erupt, infectious diseases strike without warning, large-scale natural disasters attributable to climate change occur, the limits of economic growth systems oriented to mass production, mass consumption, and mass disposal become evident, and AI and robotics are sources of anxiety. So, apprehension and pessimism about the future are prominent worldwide. In the Optimization Society, the need to eliminate the negative legacy that the Industrial Society has been unable to resolve, has become a major social issue to which the SDGs are a response. However, the Optimization Society is not only about resolving legacy issues. It is also important to anticipate future social needs, preparing for a soft landing in the Autonomous Society in which autonomous individuals will be able to pursue creative lifestyles by relying on

and helping one another while fully demonstrating their own abilities. The hallmark of the Optimization Society is the drive to resolve sustainability issues while simultaneously creating value with an eye to future possibilities. With the SINIC Theory as its management compass, OMRON is working to create an autonomous and decentralized future and a better society by developing technologies that integrate “individuals and society;” “people and nature,” and “people and machines” while maintaining an optimal balance dynamically.

On the other hand, in the near future as the development of science and technology and the pace of social change accelerate, it will be difficult for a single company or organization to realize a better society alone, though it may have been possible in the past. Co-creation initiatives in which autonomous companies collaborate to create will be important. Therefore, it is essential to have a vision of the future with “empathy” to connect partners for co-creation at its core. At OMRON, we openly share the vision of the SINIC Theory and promote co-creation of a better future society by expanding the circle of empathy.

* SINIC: Seed-Innovation to Need-Impetus Cyclic Evolution



Please visit our website to learn more about the SINIC Theory.

History of Innovation

1933

Tateisi Electric Manufacturing Co. established

1959

Our Mission established

1970

SINICTheory announced

1990

Company name changed to OMRON
OMRON Principles established
Long-term vision "Golden '90s Plan"
(1990-2000)

1998

OMRON Principles revised

1948 Company name changed to Tateisi Electronics Co.

1974 Tateisi Institute of Life Science

1991

Yokohama Laboratory and Kumamoto Laboratory established

1994

Regional controlling company for Greater China established in China

1955

Referred to as "The first year of Automation."
Full-scale launch of the automation business

1988

Regional controlling company for Europe established in the Netherlands
Regional controlling company for the Asia-Pacific region established in Singapore

1989

Regional controlling company for North America established in the U.S.

1973

Programmable controller developed

1987

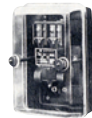
World's first ultra-high-speed fuzzy logic controller developed

1995

Industry's first vision sensor developed

1934

General-purpose electromagnetic relay developed



1966

MY mechanical relay developed



1973

OMRON's first blood pressure monitor debuted

1980

Digital thermometer for home use developed

1991

Fuzzy logic-based blood pressure monitor developed

1943

Japan's first microswitch developed



1960

World's first non-contact switch developed



1963

Japan's first meal ticket vending machine developed

1971

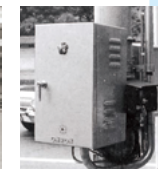
World's first online automated cash dispenser developed

1964

World's first automated traffic signal developed

1967

World's first unmanned train station system realized



1994

Power conditioner for photovoltaic power generation systems launched

2001

Long-term vision "Grand Design 2010" (2001-2010)

2006

OMRON Principles revised

2011

Long-term vision "Value Generation 2020" (2011-2020)

2015

OMRON Principles revised

2022

The corporate principles incorporated in the articles of incorporation Long-term vision "Shaping the Future 2030" (2022-2030)

1999

Internal company system introduced

2003

Global R&D hub, Keihanna Technology Innovation Center, established

2005

OMRON R&D Collaborative Innovation Center (Shanghai) opened

2014

OMRON VENTURES CO., LTD. established

2018

Innovation Exploring Initiative HQ (IXI) established

2000

Japan's first digital fiber sensor developed

2007

World's first real-color three-dimensional vision sensor developed

2016

World's first SCARA robot with predictive maintenance functions developed

2020

World's first integrated controller launched

Industrial Automation Business



2017

AI-incorporated machine automation controller developed

2018

World's first high-performance smart camera with multi-color light launched

2003

OMRON RELAY & DEVICES Co., Ltd. established



2010

OMRON SWITCH & DEVICES Co., Ltd. established

2010

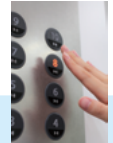
OMRON Automotive Electronics Co., Ltd. established

2016

Environmental sensor that measures temperature, humidity, air pressure, illuminance, ultraviolet rays, sound pressure, and acceleration developed

2020

Touchless hybrid elevator switch launched



Device & Module Solutions Business

2003

OMRON HEALTHCARE Co., Ltd. established



2004

Fully automatic Spot Arm blood pressure monitor

2010

World's first on-vehicle sensor using artificial intelligence (AI) developed

2019

Sold Automotive Electronic Components Business

2019

World's first wearable blood pressure monitor developed

2018

Connected wrist blood pressure monitor launched



2019

Japan's first blood pressure monitor + ECG



Healthcare Business

2011

OMRON SOCIAL SOLUTIONS Co., Ltd. established

2015

Automated ticket gate system that allows the use of both QR Code tickets and IC card tickets began operation

2018

DriveKarte® driver management service for safe driving launched Entered the automation business for the hotel industry. Smare® self-check-in terminals launched

Social Systems, Solutions and Service Business

2009

"ene-brain" CO₂ visualization system launched, world's first system capable of automatically analyzing areas for potential energy conservation

2011

Industry's first power conditioner equipped with anti-islanding control technology (AICOT®) launched

2019

Japan's first Mobility as a Service (MaaS) application combining private vehicle-for-hire by residents and public transportation such as bus and taxi started

Long-term Vision “Shaping the Future 2030”

In light of OMRON’s fundamental purpose and the changes in society toward the year 2030, OMRON launched a new long-term vision, “Shaping the Future 2030 (SF2030),” in fiscal 2022. SF2030 expresses OMRON’s desire for all OMRON employees to put the OMRON Principles into practice as they work together with stakeholders to create a sustainable society by applying OMRON’s core technologies, “Sensing & Control + Think.”

| OMRON’s fundamental purpose

OMRON’s fundamental purpose is “to create social value through business and continue to contribute to society.” This is OMRON Principles in action and we will remain true to those principles regardless of changes in society.

| Society in 2030 Envisioned by OMRON

We have attained material wealth through an “Industrial Society” that values and pursues efficiency and productivity. However, people’s sense of value is shifting dramatically from material wealth to spiritual wealth. For example, people’s awareness of environmental issues and the values shaping their attitude to work have changed dramatically. As well as choosing sustainable products and lifestyles, people are increasingly rethinking their work-life balance as they seek work that allows them to demonstrate their abilities.

OMRON believes that the transition to a new social and economic system over the next decade will inevitably lead to clashes between old and new values, strain the current social and economic systems, and lead to the emergence of new social

issues. OMRON will continue to create social value by resolving these social issues and contribute to the realization of a society where individual fulfillment is compatible with the society’s affluence.

| Social Value to be Created by OMRON

At OMRON, we view the coming decade, in which existing social issues will become more pressing and new ones will arise, as a great opportunity to create new markets and businesses. Under SF2030, in order to be sure to seize this opportunity, we have identified three priority change factors: “The Aging of Population,” “Climate Change,” and “Increasing Economic Disparities among Individuals.” Based on these three change factors, we have identified three social issues that OMRON should address, namely, “Achievement of Carbon neutrality,” “Realization of a Digital Society,” and “Extension of Healthy Life Expectancies.” We selected these three issues in view of their huge impact on society and from the perspective of leveraging OMRON’s strengths in automation, our customer assets, and business assets.

For the achievement of carbon neutrality, we will contribute to the creation of energy systems that strike a balance between safety, security, convenience, and the natural environment. For the realization of a digital society, we will contribute to manufacturing and infrastructure that will free people from all restrictions, regardless of age or wealth, and realize an enjoyable, creative, and sustainable society. And for the extension of healthy life expectancy, we will tackle the problems of the aging society by building healthcare systems that enable people to lead healthy, prosperous, and independent lives.

To address these three social issues, we revised the OMRON Group’s business domains and set four domains, namely “Industrial Automation,” “Healthcare Solutions,” “Social Solutions,” and “Device & Module Solutions,” defining social value corresponding to these domains.

Through Industrial Automation, we aim to contribute to the advancement of manufacturing that will support a sustainable society. Through Healthcare Solutions, we aim to contribute to the achievement of “Zero Events” for cardiovascular diseases. Through Social Solutions, we aim to contribute to the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society. In addition, through Device & Module Solutions, we aim to contribute to the spread of new energy and high-speed communications.

| Direction of OMRON’s Evolution

OMRON is changing the way it perceives value creation, shifting its emphasis from “products” to “products and services” in order to create social value. We pursue realization of value not only through products and other goods but also through combinations of products and services that help solve the fundamental problems confronting society. When intrinsic value is reconsidered at a turning point in society and markets, implementation of value is not limited to products and can be in services, such as consulting services, operation support services, and upgrading services of i-BELT in the Industrial Automation Business. In addition, we will promote co-creation with partners, rather than relying exclusively on our own resources, to enhance the speed of execution and feasibility. To deliver value through the combination of products and services and co-creation with partners, establishment of a data platform to

serve as a base is necessary. We will develop a data platform that links data generated by OMRON devices and services with our partners' data and leverage the data in development of new solutions through the combination of products and services. Based on this concept, the OMRON Group will transform its business structure over the medium to long term, transitioning to a revenue structure that includes a recurring service model in addition to a business model centering on products.

Material Sustainability Issues

Under SF2030, our aim is to maximize corporate value by creating social value and economic value through business. To this end, we identified material sustainability issues for the first time under the long-term vision.

OMRON's fundamental purpose is "to create social value through business and continue to contribute to the development of society." It will endure, regardless of how society changes. In order to remain true to this purpose, material sustainability issues are fully reflected in SF2030 and the medium-term management plan "SF 1st Stage." In identifying material sustainability issues, we adopted three viewpoints: "the OMRON Principles and fundamental purpose," "backcasting from a society envisioned for 2030 and beyond," and "calls on companies to contribute to environmental and social sustainability." Five material issues were identified as a result of a series of management discussions, reflecting suggestions gained through internal discussion and dialogues with external experts.

For OMRON, sustainability means pursuing the sustainability of both society and the company. We will continue to strive for the sustainable development of society and the sustainable growth of OMRON.

Material Sustainability Issues under SF2030

- 1** **Resolving Social Issues through Our Business**
 Creating social value and driving OMRON's sustainable growth by resolving social issues through our business
- 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
- 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
- 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
- 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

SF2030 Goals

- The state of contributing to the sustainable development of society by resolving the social issues tackled Group-wide, 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
- 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
- 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
- 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^{*1}: 65% cut vs. FY2016
 - Scope 3, Category 11^{*2}: 18% cut vs. FY2016
- 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

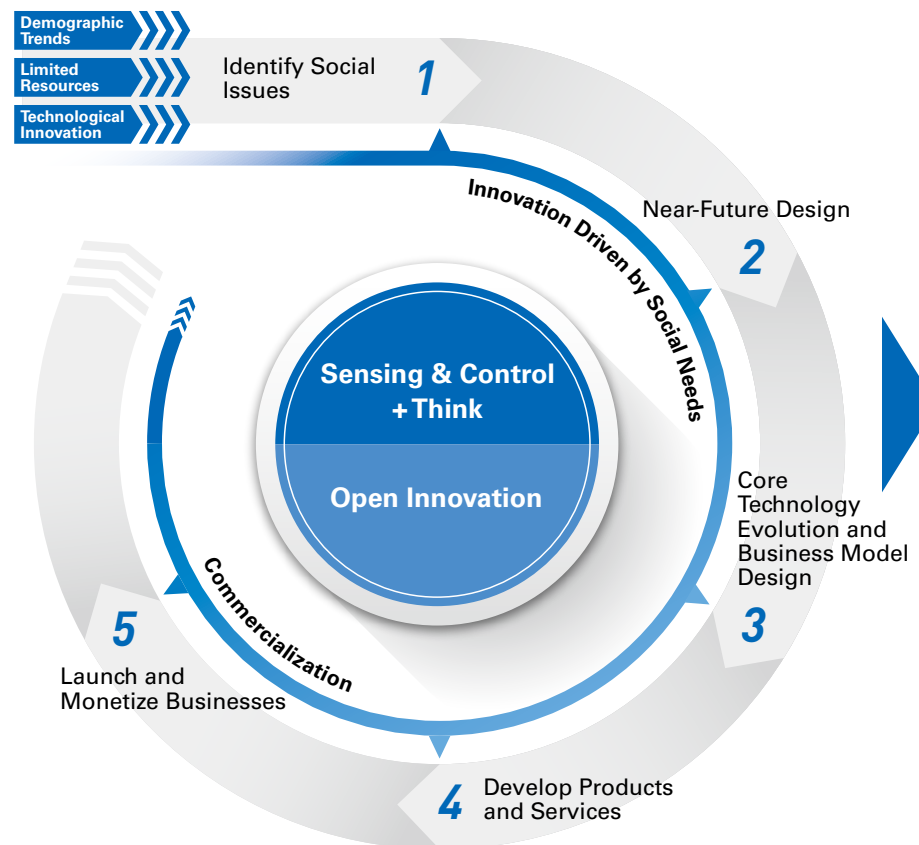
*1 Scope 1 and 2: Direct and indirect GHG emissions from the company

*2 Scope 3, Category 11: Scope 3 corresponds to GHG emissions from the company's value chain. Category 11 of Scope 3 corresponds to emissions from use of manufactured/sold products, services, etc.

Value Creation Model

Input		
Management Capital	→	
Financial Capital	Shareholders' equity ¥728.5 billion (As of March 31, 2023) Rating AA- (R&I) A (S&P) (As of March 31, 2023)	Operating cash flow ¥250.0 billion (Plan under SF 1st Stage) Growth Investment ¥200.0 billion (including M&A) (Plan under SF 1st Stage)
Manufactured Capital	Number of production sites worldwide 26 sites (As of March 31, 2023)	Capital expenditures ¥130.0 billion (Plan under SF 1st Stage)
Intellectual Capital	Number of patents held 12,908 patents (As of March 31, 2023)	R&D expenses ¥165.0 billion (Plan under SF 1st Stage)
Human Capital	Number of employees 28,034 employees (As of March 31, 2023)	Investment in human resources development ¥6.0 billion (Plan under SF 1st Stage)
Natural Capital	Energy consumption: 249,189 MWh (As of March 31, 2023) Resources recycled in house: 591 tons of materials (As of March 31, 2023)	Water resource intake: 1,047 km ³ (As of March 31, 2023)
Social and Relationship Capital	Number of Countries where OMRON products are sold: Over 130 Countries (As of March 31, 2023) Investment in startups: Invested in 23 startups (cumulative total) (As of March 31, 2023)	Brand value (converted to financial value) USD1.5 billion (Plan under SF 1st Stage)

Business Creation Process at OMRON



The OMRON Principles

	Output		Outcome
Material Sustainability Issues	Domains	Focus Businesses	Social Value
1) Resolving Social Issues through Our Business	Industrial Automation Industrial Automation Business (IAB)	Digital, environmental mobility (NEV), food and daily goods, logistics, and medical (+ robotics and service business)	Establishment of manufacturing sites where both harmony with the global environment and worker satisfaction are achieved and that will support a sustainable future
	Healthcare Solutions Healthcare Business (HCB)	Cardiovascular, respiratory, pain management, remote patient monitoring services	Realization of healthier and more comfortable lives for people around the world, including extension of healthy life expectancy and reduction of medical expenditures
	Social Solutions Social Systems, Solutions and Service Business (SSB)	(Residential / industry / mobility) energy management and services, network protection	Realization of a better society in which people around the world can continue to live in a safer, more secure and comfortable society by expanding renewable energy and providing people-friendly next-generation systems
	Device & Module Solutions Device & Module Solutions Business (DMB)	Direct current (DC) drive equipment, DC infrastructure equipment, high-frequency devices, and remote/VR devices	Contribution to the improvement of human life on the planet and the development of society through the spread of new energy and high-speed communications
2) Maximizing the Capability to Innovate Driven by Social Needs	Innovation Exploring Initiative HQ (IXI)	Creating new businesses	Through pursuit of “automation to empower people” to resolve the three social issues, realization of the Autonomous Society that embodies our founder’s management philosophy: “People should leave what machines can do to machines and enjoy activities in more creative areas.”
	Technology and Intellectual Property HQ	Development of core technologies in 4 areas of technological focus: Robotics, Sensing, Power Electronics, and AI and Data Analysis	
	Global Corporate Venturing Office (CVC)	Acceleration of open innovation through investment in startups and co-creation	
3) Generating diverse talent taking on the challenge of value creation	<ul style="list-style-type: none"> Ratio of non-Japanese in key managerial positions overseas: 80% or more Ratio of women in managerial roles: 17.4% or higher (OMRON Group worldwide) Realize employment of persons with disabilities at 26 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan VOICE SEI: 70P or higher 		Each employee practices the resolving of social issues through business
4) Achieving de-carbonization and lower environmental impact	<ul style="list-style-type: none"> Scope 1 and 2: 53% cut vs. FY2016 Scope 2: Achieve Carbon Zero at all 76 sites in Japan Scope 3, Category 11: Implement energy-saving designs for new products Implement business model transformation, environmentally friendly design, collection and recycling, and sustainable procurement in response to transition to a circular economy 		Contribution to the creation of a sustainable society by establishing a system to ensure the effectiveness of initiatives for “reducing greenhouse gas (GHG) emissions,” “transitioning to a circular economy,” and “coexisting with nature”
5) Respecting Human Rights in the Value Chain	<ul style="list-style-type: none"> Conduct human rights due diligence in line with the UNGP Establish human rights redress mechanisms into the value chain globally 		Mitigate human rights risks throughout the value chain. Ensure that a culture and system are in place that do not permit or cause human rights violations

Medium-term Management Plan “SF 1st Stage” (2022-2024)

| SF 1st Stage Overall Policy

The overall policy we pursue under SF 1st Stage is “taking on the challenge of value creation by accelerating transformation.” The three years from fiscal 2022 will be a period with plenty of growth opportunities along with changes in social and industrial structures. To promote strong growth and enhance the sustainability of the growth, we will implement three Group strategies.

The first is “Transformation of Business.” We will promote three initiatives to resolve increasingly complex and sophisticated customer issues and to gain the ability to achieve sustainable growth. Specifically, we will promote evolution of four core businesses, expansion of customer asset-type service businesses, and creation of new businesses sparked by social issues. The second is “Transformation of Corporate Management and Organizational Capabilities.” In order to achieve transformation of corporate management and organizational capabilities to keep creating value while adapting to change in the business environment, we will promote acceleration of diversity and inclusion, data-driven enterprise operations through digital transformation (DX), and enhancement of supply chain resilience.

The third is “Strengthening of Sustainability Initiatives.” We will pursue reduction of greenhouse gas (GHG) emissions for decarbonization, minimizing environmental impacts, and striving to ensure thorough respect for human rights throughout the global value chain.

| Transformation of Business

▶ Evolution of four core businesses

In order to create social value defined by SF 2030, each of the four core businesses reappraised and clarified their focus business fields so as to evolve the business portfolio. To seize new growth opportunities in each

focus business field, we will make full use of assets and capabilities we cultivated during the VG period (from fiscal 2011) and the business transformation period (fiscal 2020 and fiscal 2021). 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.

▶ Expanding customer asset type service businesses

By approaching fundamental issues of customers from a service value perspective, rather than from a product value perspective, we aim to create and expand new service businesses by leveraging customer assets, such as field knowledge and data, we have cultivated to date. We will continue to connect with customers by offering new value through the combination of products and services and implement a cycle of identifying issues of customers and resolving them.

▶ Creation of new businesses sparked by social issues

We will set business themes sparked by social issues in fields where OMRON’s strengths can be utilized and promote business conceptualization and business development as well as development of automation technology in an integrated manner. We are committed to creating three new businesses by fiscal 2024, by increasing the probability of new business creation.

| Transformation of Corporate Management and Organizational Capabilities

To adapt to changes in the business environment and enhance the sustainability of value creation, we will evolve our corporate management and organizational capabilities. To this end, we have identified three areas to be transformed from three viewpoints: “OMRON Group,” “Society,” and “The Business Environment”

Firstly, from the viewpoint of the OMRON Group, we will take on the challenge of new value creation. Under SF 1st Stage, we will take on difficult challenges, such as creation of service businesses and new businesses, in addition to strengthening of competitiveness in focus businesses. This will require us to equip ourselves with new capabilities. Secondly, from the viewpoint of society, OMRON has long promoted initiatives to contribute to a sustainable society. Meanwhile, demands from society for companies to contribute to a sustainable society are becoming stronger and wider in scope. In the course of business activities, we need to shift to corporate management and business operations emphasizing contribution to stakeholders. From the viewpoint of the business environment, uncertainty, such as natural disasters and geopolitical risks, is expected to be the norm. Based on the assumption that a business environment with a high degree of uncertainty will continue, such as frequent extreme weather events and friction between the U.S. and China, it is necessary to build a business foundation on which we can continue to create value even in such an environment.

Based on these three viewpoints, we have identified three key areas to be focused: “Acceleration of Diversity and Inclusion,” “Data-driven Enterprise Operations through Digital Transformation,” and “Enhancement of Supply Chain Resilience.”

▶ Acceleration of diversity and inclusion (D&I)

In accelerating D&I, we aim to ensure that the OMRON Group continues to attract diverse talented people who aspire to resolve social issues and encourage each individual to seize the initiative and demonstrate their abilities. To achieve this goal, we will expand measures to attract human resources and unleash the passion and ability of each individual, such as “continuing global hiring of specialist human resources,” “vigorous investment in individuals keen

to grow,” “implementation and expansion of diverse career, employment status and work style options,” and “introduction of a job-based HR system worldwide.”

▶ Data-driven enterprise operations through DX

With the aim of expanding added value and improving operational efficiency, we will promote DX in four key business operations to accelerate the shift to data-driven enterprise operations. Specifically, we will work to “increase business speed and gain cost improvement capabilities through consolidation of information (value chain),” “enhance corporate value through timely management of growth drivers and business risks (business administration),” “maximize organizational capabilities by assigning the right people to the right jobs through visualization of skills and capabilities of all employees of the OMRON Group worldwide (talent management),” and “achieve both governance and productivity at the level of an excellent global company (governance).” Our aim is to achieve business implementation in Europe by 2024 so as to be ready for global implementation under SF 2nd Stage.

▶ Enhancement of supply chain resilience

The environment surrounding the supply chain is undergoing significant changes, including heightened geopolitical risks, the persisting high cost of logistics, and increasing demands for carbon neutrality and respect for human rights. We will reestablish a flexible and productive supply chain that can adapt to these changes in the business environment and provide products and services to customers in a timely manner.

| Strengthening Sustainability Initiatives

The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas (GHG) emissions for decarbonization and lower environmental impacts

while thoroughly addressing human rights issues on a global basis. As well as achieving sustainable business growth, society expects OMRON to contribute to the sustainable development of society. Under SF2030, OMRON has set “achieving decarbonization and reducing environmental impacts” and “respecting human rights in the value chain” as key sustainability issues. On March 1, 2022, we established the OMRON Environmental Policy and the OMRON Human Rights Policy as important guidelines for promoting and achieving these goals under SF2030 and SF 1st Stage. Going forward, in accordance with these policies, OMRON will strive to meet the expectations of its stakeholders, thereby enhancing its corporate value.

▶ Reduction of GHG emissions for decarbonization and lower environmental impacts

Having set OMRON Carbon Zero in July 2018 with the goal of reducing GHG emissions in Scope 1 and 2 to zero by 2050, OMRON is promoting reduction of GHG emissions. Under SF2030, with the aim of realizing a carbon-zero society and transitioning to a circular economy, we accord the top priority to reducing GHG emissions throughout the value chain and building a resource recycling model. Major initiatives under SF 1st Stage are as follows:

- Reduction of GHG Emissions (Scope 1 and 2: Emissions from OMRON)
- Reduction of GHG Emissions (Scope 3, Category 11: Emissions from use of manufactured/sold products, services, etc.)
- Transitioning to a circular economy

▶ Thoroughly addressing human rights issues on a global basis

OMRON has conducted human rights risk assessments and implemented countermeasures by using sustainability self-assessment, etc. of its own production sites and major suppliers. In addition to these efforts, under SF 1st Stage, we aim to establish

a global human rights governance system by expanding the scope to include the entire value chain and promoting efforts in accordance with the OMRON Human Rights Policy and the United Nations Guiding Principles on Business and Human Rights (UNGPs). Major initiatives under SF 1st Stage are as follows:

- Execution of human rights due diligence in line with the UNGP
- Establishment of a human rights remedy mechanism appropriate to each country and region

OMRON believes that enabling people involved in its value chain to work and live without being exposed to human rights risks is the foundation of sustainable business and will lead to a better society. Through these initiatives, we will enhance OMRON’s growth potential.

| Management Targets

Under SF2030, we aim to maximize corporate value by maximizing social value and economic value. As milestones, under SF 1st Stage, we set non-financial targets as management targets for the first time, in addition to financial targets. Our financial targets are net sales of ¥930 billion, operating income of ¥120 billion, ROIC of at least 10% and ROE of at least 10% in fiscal 2024. As well as realizing high sales and profit growth, we intend to create value with ROIC of over 10% so as to enhance corporate value.

In terms of non-financial targets, we have set 10+1 goals that indicate the social value to be created by the OMRON Group and secure our ability to compete in the future. Three of the ten non-financial targets were determined by global employee vote. All employees will take action, driven by the targets they set. The +1 target is a declaration of commitment to community-based social contribution activities in each region in accordance with OMRON’s Sustainability Policy. We will work to achieve each of the 10+1 targets.

We have established strategic objectives, key objectives of the OMRON Group’s initiatives, leading to achievement of these financial and non-financial targets.

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 <small>(Excludes impact of transfer of the Automotive Electronics Components Business)</small>	¥ 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 [Operating Income Margin]	¥ 76.3 billion [18.2%]	¥ 104.0 billion [20.2%]
Healthcare Business (HCB)	Net Sales	¥ 132.9 billion	¥ 180.0 billion
	Operating Income [Operating Income Margin]	¥ 18.5 billion [14.0%]	¥ 28.0 billion [15.6%]
Social Systems, Solutions and Service Business (SSB)	Net Sales	¥ 87.7 billion	¥ 100.0 billion
	Operating Income [Operating Income Margin]	¥ 6.5 billion [7.4%]	¥ 10.0 billion [10.0%]
Device & Module Solutions Business (DMB)	Net Sales	¥ 121.0 billion	¥ 125.0 billion
	Operating Income [Operating Income Margin]	¥ 10.1 billion [8.3%]	¥ 13.0 billion [10.4%]

(Note) Some products in the Industrial Automation Business have been reclassified to the Device & Module Solutions Business

SF 1st Stage Non-financial Targets

- Increase sustainability-related sales*1, an indicator of contributions to the resolution of the three social issues, by 45% vs. FY2021
- Increase the ratio of women in managerial roles to 18% or higher (OMRON Group worldwide)
- Realize employment of persons with disabilities at 28 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan
- Reduce Scope 1 & 2 GHG emissions by 53% vs. FY2016
- Achieve Carbon Zero at all 76 sites in Japan
- Conduct human rights due diligence in line with the UNGP and build a human rights remedy mechanism into the value chain
- Continue implementing sustainability initiatives steadily to maintain our listing in the Dow Jones Sustainability World Index (DJSI World)
- 100% participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources
- In all regions, introduce a training program covering the basic knowledge required for DX: statistics, data analytics, AI and others
- Make full use of digital tools to reduce use of paper
- Top management of each region declares their commitment to their host community in accordance with the OMRON Sustainability Policy (Please refer to P16)

*1 Net sales of focus domains that lead to "achievement of carbon neutrality," "realization of a digital society," and "extension of healthy life expectancy"

*2 Targets 8 to 10 were decided by employee vote.

SF 1st Stage Strategic Objectives

Industrial Automation Business (IAB) Number of customers using innovative-Automation 5000 companies <small>(2X vs. FY2021)</small>	Healthcare Business (HCB) Global blood pressure monitor sales 94 million units <small>(3-year total)</small>	Number of telemedicine service users 600000 users <small>(cumulative total)</small>
Social Systems, Solutions and Service Business (SSB) Connected energy management devices 50000 units <small>(3-year total)</small>	Device & Module Solutions Business (DMB) Sales volume for products contributing to the spread of new energy and high-speed communications Products for DC equipment 60 million units <small>(3-year total)</small>	
Expanding Customer Asset-type Service Businesses Ratio of service business sales >10%	Creating New Businesses New businesses created 3 or more	
Diversity & Inclusion Human creativity +7% (vs. FY2021) Investment in human resources development ¥ 6.0 billion (3-year total) VOICE SEI >70 points	Enhancing Profit Generating Capability Gross Profit Margin >47.0%	

Social Contribution Activities in Each Region	
The Americas	Engage in volunteer activities that reflect the diverse values of our employees to address issues of local communities
Europe	Support the employability of the disabled and socially vulnerable (refugees, minority groups and others)
Asia	Engage in volunteer activities for local communities in countries in the region Implement internship program to raise employability, enabling disabled and disadvantaged individuals to acquire technical expertise and skills
Greater China	Engage in volunteer activities, such as setting up school libraries and donating PCs, to redress educational inequality in impoverished areas
South Korea	Engage in volunteer activities that promote wellness, address labor shortages, and support the economically disadvantaged
Japan	Create an environment combining physical and remote tools allowing individual employees to participate in activities supporting local communities based on their personal values from anywhere

Case 1 **Activities to Achieve Employee's Daily Goals Contribute to Environmental Conservation**

With the world's largest population of approximately 1.43 billion, India continues to face serious environmental problems in addition to large income disparities and regional disparities. OMRON Automation India, which is responsible for sales and marketing of control equipment in the country, is implementing Sustainability Heroes, its unique program in which each employee sets health promotion and skill-raising goals and points are granted to employees who take actions toward their daily goals. Under this program, one tree is planted for every 500 points earned by employees, helping them achieve their goals while also contributing to environmental conservation. More than 30 trees have been planted within six months from the launch of the program. In addition to tree-planting activities, OMRON Automation India also donated food to orphanages, rehabilitation centers, NGOs for the visually impaired, nursing homes for the elderly, and other facilities. Going forward, each employee will continue to take action to fulfill their commitment to the local community.



Case 2 **Equal Learning Opportunities for Children in Rural Areas!**

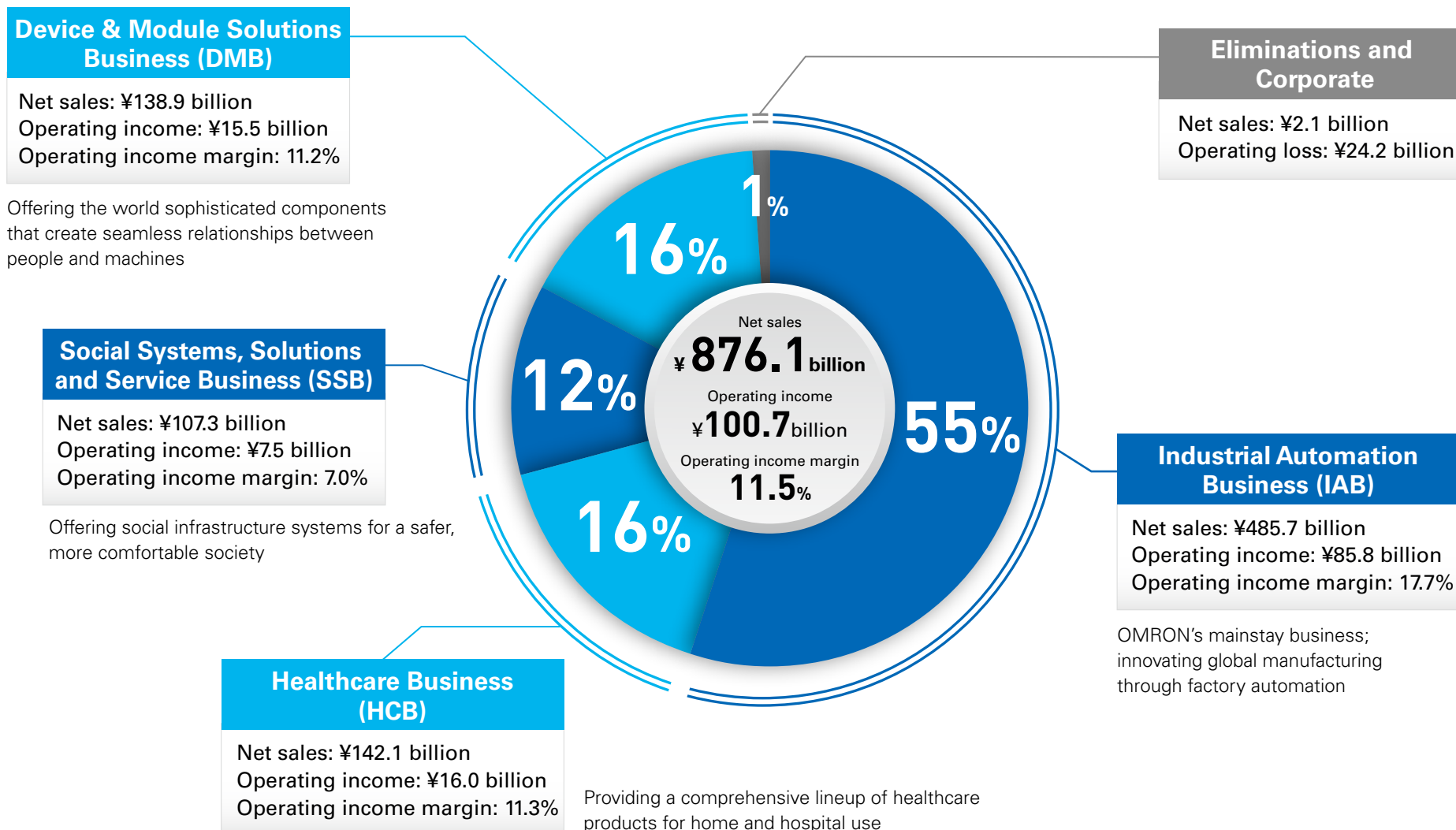
For China, with a population of 1.4 billion in a vast land, providing equal educational opportunities to all of its people is one of the nation's top priorities. A 2022 survey* found that rural elementary school children have fewer books and there is a gap in children's reading opportunities between urban and rural areas. OMRON China, in cooperation with the China Guanghua Foundation, has launched a public welfare project, Fostering Fairness in Education and Brightening the Child's Heart, with the aim of improving and revitalizing rural education. Via the foundation, OMRON China donated 21068 books to primary schools in Jiange County, Sichuan Province, and 23913 books to primary schools in Zhengfeng County, Guizhou Province. In the spirit of Our Mission to "contribute to a better society," OMRON will continue to enrich people's lives.

* "2022 Rural Primary School Reading Status Survey Report" released by Nanwang Zhixing Education, Development Fund and Chinese Academy of Press and Publication



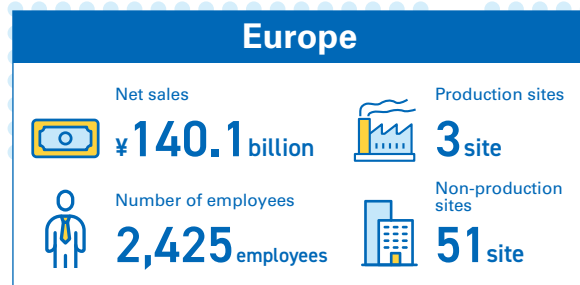
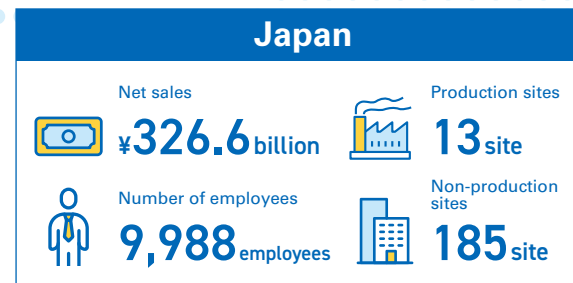
OMRON's Business and Fiscal 2022 Results

FY2022 Consolidated Sales by Business Segment



OMRON Carries Out Business in Over 130 Countries

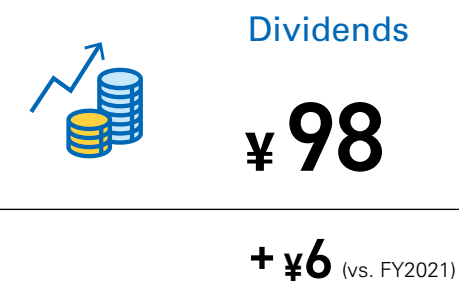
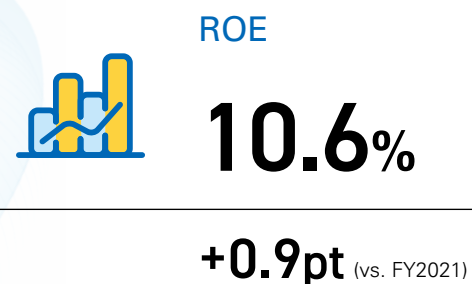
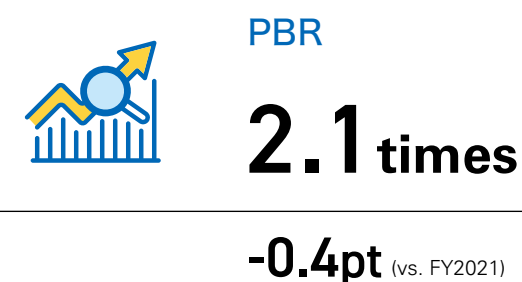
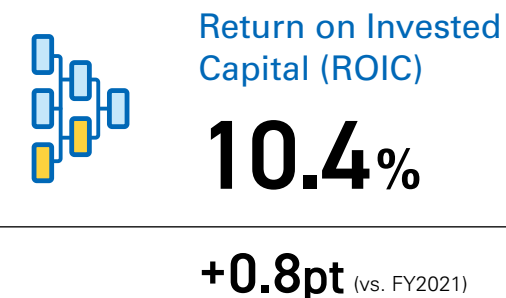
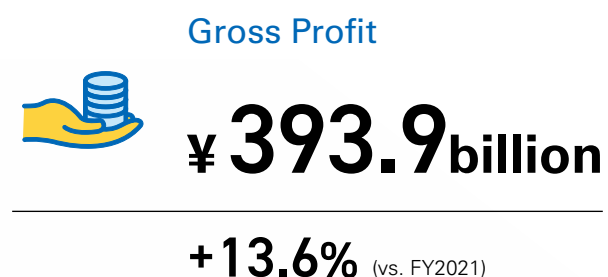
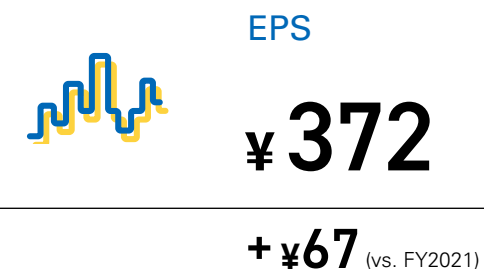
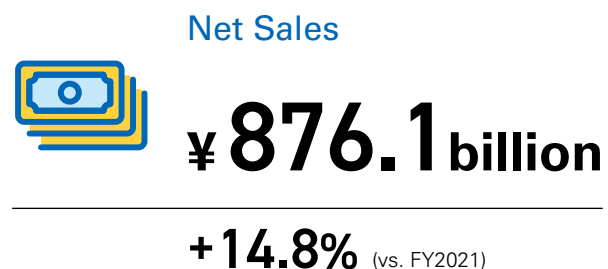
FY2022 Net Sales, Number of Employees, Number of Production Sites, Number of Non-production Sites in Each Region



* Regional categories are defined as follows:
 Americas: U.S., Canada, Brazil Europe: Netherlands, U.K., Germany, France, Italy, Spain Greater China: China, Hong Kong, Taiwan Asia Pacific: Singapore, Korea, India, Australia
 * As of March 31, 2023



Financial Highlights



Non-Financial Highlights



Sustainability Sales

¥ **417.8 billion**

+28% (vs. FY2021)



Number of Overseas Sites
Employing Employees
with Disabilities

27 sites

±0 (vs. FY2021)



Reduction in GHG
Emissions in Scope 1
and 2 (vs. FY2016)

62% reduction

+12pt (vs. FY2021)



New Businesses
Created

**37 candidates
created**

(calculation started in FY2022)



Ratio of Women in
Managerial Roles
(OMRON Group worldwide)

16.6%

-0.3pt (vs. FY2021)



Number of Carbon Zero
Sites in Japan

10 sites

+5 sites (vs. FY2021)



Ratio of Non-Japanese
in Key Managerial
Positions Overseas★

80% maintained

±0 (vs. FY2021)



Employee Engagement
Score

**76 points
maintained**

±0 (vs. FY2020)



Reduction of Paper
Consumption
(vs. FY2019)

44% reduction

+8pt (vs. FY2021)

★ Indicates assurance performed by KPMG AZSA Sustainability Co., Ltd.

Outlook for Fiscal 2023

We expect the business environment for the OMRON Group over the next fiscal year (ending March 31, 2024) to remain uncertain, especially in the first half, due to such factors as rising inflation and growing geopolitical risks. We do believe, however, 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 evolve, as identified in our long-term vision, SF2030. These changes include social issues (achievement of carbon neutrality, realization of a digital society, extension of healthy life expectancy) and the restructuring of global supply chains in light of geopolitical risks.

Given this business environment of mixed opportunities and risks, the OMRON Group intends to implement the strategies we described in the medium-term management plan "SF 1st Stage." In this way, we will aim to strengthen our earnings structure further and achieve steady growth. In addition, we will aggressively invest in growth, centering on the Industrial Automation Business and Healthcare Business, to create new value in line with the 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, plans call for net sales of ¥890.0 billion (up 1.6% year on year), operating income of ¥102.0 billion (up 1.3% year on year), and a gross profit margin of 46.6% (up 1.6 percentage points year on year).

(Billions of yen, except exchange rate data and percentages)

	FY2022	FY2023	Change
Net sales	¥876.1	¥890.0	+1.6%
Gross profit (Gross profit margin)	¥393.9 (45.0%)	¥414.5 (46.6%)	+5.2% [+1.6pt]
Operating income (Operating income margin)	¥100.7 (11.5%)	¥102.0 (11.5%)	+1.3% [+0.0pt]
Net income attributable to OMRON shareholders	¥73.9	¥74.5	+0.9%
Average USD exchange rate (Yen)	¥135.2	¥130.0	-¥5.2
Average EUR exchange rate (Yen)	¥140.9	¥140.0	-¥0.9
Average RMB exchange rate (Yen)	¥19.7	¥19.0	-¥0.7

	Net sales			Operating income		
	FY2022	FY2023	Change	FY2022	FY2023	Change
Industrial Automation Business (IAB)	¥485.7	¥490.0	+0.9%	¥85.8 (17.7%)	¥88.0 (18.0%)	+2.5% [+0.3pt]
Healthcare Business (HCB)	¥142.1	¥146.0	+2.7%	¥16.0 (11.3%)	¥17.0 (11.6%)	+6.1% [+0.4pt]
Social Systems, Solutions and Service Business (SSB)	¥107.3	¥114.0	+6.3%	¥7.5 (7.0%)	¥9.0 (7.9%)	+20.2% [+0.9pt]
Device & Module Solutions Business (DMB)	¥138.9	¥139.0	+0.1%	¥15.5 (11.2%)	¥15.5 (11.2%)	+0.0% [-0.0pt]
Eliminations and Corporate	¥2.1	¥1.0	-52.0%	¥(24.2)	¥(27.5)	—
Risk of performance fluctuations	—	—	—	—	—	—
Total	¥876.1	¥890.0	+1.6%	¥100.7 (11.5%)	¥102.0 (11.5%)	+1.3% [+0.0pt]

Industrial Automation Business (IAB)	
Net Sales	Although demand for capital investment in 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. In these circumstances, we will alleviate the large order backlogs and continue to accelerate the expansion of our solutions business, particularly in our focus industries. Through these initiatives, we expect sales of ¥490.0 billion, a year-on-year increase of 0.9%.
Operating Income	We expect operating income for the next fiscal year to increase to ¥88.0 billion, a year-on-year increase of 2.5%, through efforts to increase sales and raise productivity.
Healthcare Business (HCB)	
Net Sales	As the global increase in the number of 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 of personal consumption in China. By boosting sales through growing online channels in every region and capturing expanding demand in emerging countries, we expect sales of ¥146.0 billion, a year-on-year increase of 2.7%.
Operating Income	Despite the continued impact of soaring materials costs, we expect increased sales and ongoing price optimization will lead to operating income of ¥17.0 billion, a year-on-year increase of 6.1%.
Social Systems, Solutions and Service Business (SSB)	
Net Sales	We expect demand for renewable energy-related products in the residential and industrial domains of the Energy Solutions Business to remain firm given soaring energy prices and ongoing subsidies. The Public Transportation System Business should benefit from customers' continued robust capital investment as the number of rail passengers recovers. By responding quickly to these demands and providing solutions that combine products and services, we expect sales of ¥114.0 billion, a year-on-year increase of 6.3%.
Operating Income	We expect operating income for the next fiscal year to increase significantly to ¥9.0 billion, a year-on-year increase of 20.2%, through efforts to increase sales and raise productivity.
Device & Module Solutions Business (DMB)	
Net Sales	We expect demand from the consumer sector to be sluggish, particularly during the first half of the fiscal year. On the other hand, sales for the next fiscal year are likely to remain unchanged, 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, and in the semiconductor inspection equipment-related industries. We expect sales of ¥139.0 billion, a year-on-year increase of 0.1%.
Operating Income	Despite the continuing impact of soaring raw materials prices and other factors, operating income for the next fiscal year is likely to remain unchanged, owing to continued efforts to optimize prices and improve productivity. We expect operating income of ¥15.5 billion, a year-on-year increase of 0.0%.

CEO Message



Enhance Corporate Value by Evolving into an Enterprise Achieving Autonomous Growth

President and CEO

Junta Tsujinaga

| On Assuming the Office of President

My name is Junta Tsujinaga and I have recently been appointed President and CEO. Since joining OMRON (then Tateishi Electric) in 1989, I have always worked in the Industrial Automation Business. I started my career in sales, was also involved in product planning and development, and have had assignments overseas. The experience of innovating manufacturing together with customers, suppliers, and co-workers around the world throughout my career is a great asset for me.

In 2021, I was appointed Company President of the Industrial Automation Company. After assuming office, the Industrial Automation Business faced various difficulties, including shortages of semiconductors and other components and disruptions in logistics associated with the impact of the COVID-19 pandemic, as well as heightened geopolitical risks. In these circumstances, based on my motto, “the frontline comes first,” I gathered feedback from the field to quickly identify changes in the environment and aimed to offer value centering on solutions. Despite a challenging environment, the Industrial Automation Business achieved record results for two consecutive years. As the leader of a group of professionals comprising some 10000 people worldwide, this achievement gave me great confidence. This confidence is also rooted in an appreciation of the potential inherent in individual employees and organizations.

As I lead the entire OMRON Group, I will inherit and strengthen management based on the OMRON Principles, our corporate philosophy, which is both the origin of OMRON’s unifying and driving force of our development. And I will raise OMRON’s growth stage to the next level by thoroughly implementing the action plan to realize our long-term vision, “Shaping the Future 2030” (SF2030). To this end, I believe it is essential to evolve OMRON into a company capable of achieving autonomous growth.

| To Achieve SF2030

“Business Transformation” for the Next Growth Stage

My vision of an enterprise that achieves autonomous growth is shaped by the insight that the current era of drastic change is rich in opportunities for sustainable growth. It is an era in which we can continue to refine the strengths and assets we have cultivated over the years while continuing to create new value by quickly grasping social needs. So that OMRON can resolve the three social issues defined in SF2030 and become an enterprise that achieves autonomous growth, we will transform our business model from one that emphasizes “product value” to one that emphasizes “essential value” to accelerate “data-driven value creation.” On September 8, OMRON announced the conclusion of an agreement with JMDC Inc. concerning expansion of the scope of the capital/business tie-up with JMDC and commencement of a tender offer for JMDC shares to make JMDC a consolidated subsidiary. This is designed to accelerate transformation of the business model.* There are three main objectives in making JMDC a subsidiary.

The first objective is to expand OMRON's data solution business in the healthcare solution domain. The second is to expand the data solution business of the entire OMRON Group, including the industrial automation and social solution domains. By creating a new business model for the entire OMRON Group, we aim to raise OMRON's growth stage to the next level. The third is to combine JMDC's growth potential with OMRON's assets and capabilities to further expand OMRON's corporate value.

* As of this writing (September 15, 2023), the tender offer to make JMDC a consolidated subsidiary has not yet closed. The share acquisition is scheduled to be executed on October 16, 2023.

[P9 Long-term Vision →](#) [P29 Message from the CFO →](#)

Summary of Capital/Business Tie-up with JMDC

The partnership between OMRON and JMDC began in February 2022. OMRON acquired 33.0% of JMDC shares and entered into a capital/business tie-up agreement with the aim of creating new value in the healthcare solution domain and accelerating digital transformation (DX) of the OMRON Group. Since then, the top management of the two companies engaged in dialogue, OMRON dispatched one director to JMDC, and the partners promoted various collaborative projects and achieved results that OMRON could not have achieved on its own. Specifically, development of new services for health promotion and prevention of severe illness is underway, including the building of a one-of-a-kind "health data platform" that combines JMDC's medical data such as health insurance claims and medical check-up data with vital data OMRON possesses. In addition to the healthcare solution domain, OMRON has also made significant progress in new business concepts in the social solution domain in an effort to accelerate DX in OMRON's existing businesses. Through co-creation with JMDC over the past 18 months, I have witnessed firsthand the excellence of JMDC.

JMDC has one of the largest and most diverse healthcare data assets in Japan, centering on the data on 16 million insured people. JMDC also has data management capabilities to structure non-standard data into a usable data platform. And JMDC also has the ability to develop solutions that turn data into value. We recognized that these assets and capabilities are indispensable for OMRON's growth. Welcoming JMDC to the OMRON Group will give us more opportunities than ever to utilize its capabilities and expertise. I am convinced that this will lead to enhancement of the growth potential of the healthcare solution domain and the entire OMRON Group.

[P29 Message from the CFO →](#) [P63 Innovation Exploring Initiative HQ →](#)

OMRON's Pursuit of Transformation from "Product Value" to "Essential Value"

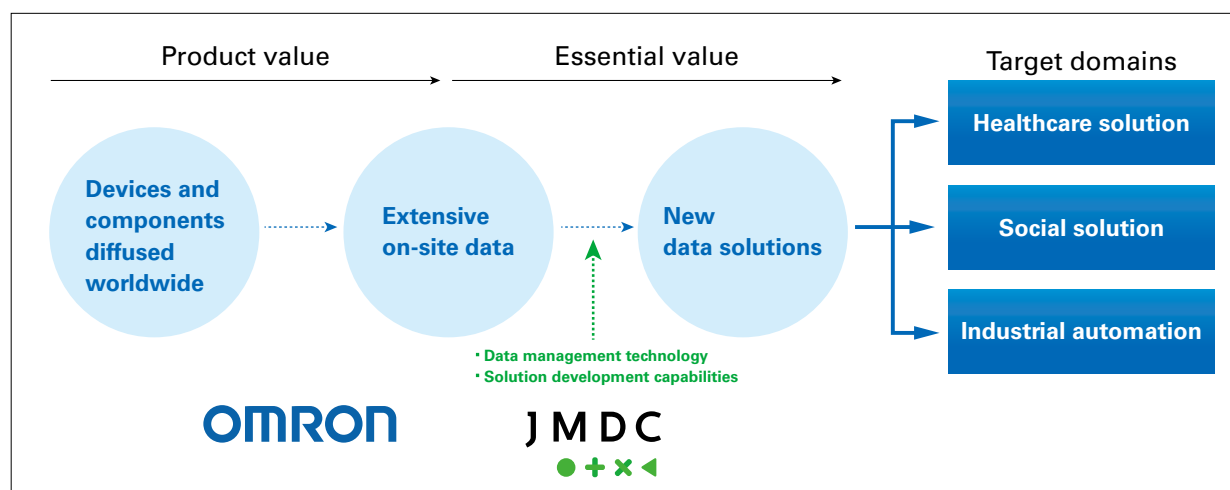
OMRON has achieved a strong position in the market with its business model of diffusing devices and components globally. The customer assets we have accumulated and the business foundation we have

laid as a result are the source of OMRON's competitive advantage. However, in order to resolve the future social issues identified in SF2030, there is a limit to the solutions that can be created organically within the framework of the existing business model. The key to overcoming this limit and resolving social issues is value creation based on a new business model utilizing data generated by devices and components. OMRON possesses a large amount of field data collected by various devices and components that each of its businesses has diffused. However, the ability to convert these data into value and develop data solutions has been a challenge. Making JMDC a subsidiary is a move to overcome this challenge, accelerate value creation from an essential value perspective by utilizing data in each business, and establish a new business model.

Data Solutions to be Created

Specifically, we intend to establish a business model for services for health promotion and prevention of

<Acceleration of OMRON's Transformation>



severe illness based on a “health data platform.” OMRON’s initiatives are mainly focused on cardiovascular diseases and asthma. However, there are many diseases in the world that need to be addressed, and the need to prevent their aggravation into severe illness is increasing. In order to respond to these needs, we will provide preventive solutions for a wider range of target diseases based on the health data platform we have established. Utilization of the health data platform centering on JMDC’s medical data will enable prediction with a high degree of accuracy of the risk of disease developing within a few years. We will use this predictive model to create preventive solutions (devices + services). We will share the benefits of these solutions through the activities of the Health & Productivity Management Alliance established on June 30, 2023, so as to contribute to extension of healthy life expectancy. We will also accelerate the development and social implementation of data-based solutions in the social solution domain and the industrial automation domain. In the social solution domain, we intend to establish data utilization services in the management & service business that serves the retail and restaurant industries, including major chains of convenience stores and coffee shops. Currently, various management issues are emerging in the retail and restaurant industries, such as the increasing burden of IT equipment management and rising operating costs due to soaring gas and electricity prices, in addition to worsening labor shortages. In order to resolve these issues, we offer operational support for store operations and based on the “one-stop repair and maintenance services” concept we undertake the repair and maintenance of the equipment and facilities of different manufacturers used in commercial facilities. Moreover, taking advantage of 1200 maintenance and service personnel at 140 sites

in Japan, we provide uniform maintenance services nationwide regardless of the geographical area. Various on-site data can be collected by centrally managing stores across Japan and equipment and facilities of different manufacturers. We are developing new data solutions, utilizing such on-site data. A typical example of this is “solutions to achieve optimized operations and energy conservation throughout stores.” Data obtained from stores across Japan, including data on attributes, such as store floor area, and electricity usage data for each type of equipment, are combined to predict standard electricity usage of each store. This will allow us to calculate the energy saving potential of each store and support electricity cost reduction. Going forward, we will further expand the solutions, utilizing such on-site data to the maximum extent, and contribute to resolving management issues in the retail and restaurant industries. In the industrial automation domain, manufacturers need to improve their market competitiveness globally and respond to environmental challenges associated with decarbonization. At manufacturing sites, labor shortages, dependence on skilled workers, and maintenance of stable production systems are emerging as important management issues for companies. The trump card for resolving these issues is DX of manufacturing. OMRON’s Industrial Automation Business launched the “i-BELT” service in 2017 and accelerated initiatives to utilize data from manufacturing sites. i-BELT is a service that analyzes and utilizes the vast amount of data collected from the control devices of OMRON and its partner companies at frontline manufacturing operations. We are providing comprehensive solutions, ranging from diagnosis of issues at manufacturing sites to visualization, analysis, and control of issues using data, and operation and improvement support

services to maintain and evolve the impacts of these solutions, and have steadily accumulated a track record. Today, i-BELT is the core of our service business, which is expanding steadily in the Industrial Automation Business. However, it is difficult to collect data from manufacturing sites and difficult to handle the data in a uniform manner due to variations in data from each item of equipment and each process, making it necessary to respond to each company on an individual basis. In order to further accelerate DX of manufacturing and ensure the scalability of services that can be widely applied, it is necessary to establish industry standards and build a more versatile database that can be applied to manufacturing processes. These needs can be addressed by utilizing JMDC’s capabilities in data structuring and standardization as well as data cleansing. By leveraging JMDC’s technology and expertise, we will provide highly versatile industry solutions and help resolve management issues common to many of our manufacturing customers. We will strengthen data utilization services to realize the transformation of the Industrial Automation Business.

[P63 Innovation Exploring Initiative HQ →](#)

New Group Structure and Expected Financial Impact

In order to offer a stream of data solutions, once the TOB for JMDC shares is completed, we plan to establish Data Solutions Business HQ as a new organization that will directly report to the President. Human resources to promote the data business at each of OMRON’s business companies will be assigned to this new organization. Through co-creation with JMDC, the Data Solution Business HQ will develop service solutions in each domain and lead the promotion and execution of each project. The synergy generated by the collaboration with JMDC will lead to the emergence of a new business field for the future.

Specifically, we aim to generate sales of ¥100.0 billion in fiscal 2027, including the impact of the inclusion of JMDC in the scope of consolidation. This amount is the sum of the projected sales of JMDC, which will be added through consolidation, and the projected sales of OMRON's new data solution business in the three domains. Going forward, we will further strengthen our relationship with JMDC and expand the data solution business in each of OMRON's domains to accelerate the speed of growth of the OMRON Group and raise the growth stage to the next level.

“Reinforce Execution Ability” and “Create a Company where Each Employee Works Enthusiastically”

I emphasize to “reinforce execution ability” and “create a company where each employee works enthusiastically” as initiatives with a critical bearing on OMRON's ability to evolve into an enterprise that achieves autonomous growth. This is because in the recent rapidly changing business environment, we need to strengthen our ability to execute more than ever before. At the same time, an enterprise that achieves autonomous growth is built by individual employees who bring their capabilities into full play. To strengthen execution capabilities, OMRON is committed to implementing high cycle management. High cycle management is an initiative to maximize customer value in the shortest possible time by increasing the speed of the business cycle through accelerated execution or reducing the time required for execution of processes for value creation and internal operations. High cycle management can be pursued company-wide or by each business company or each workplace. The point of high cycle management is not to focus on achieving great results

in a single attempt, but to shorten the time spent in a single cycle by changing the way work is performed, such as by streamlining operations through DX and deciding what to eliminate, and to run more cycles. By doing so, we can increase the number of attempts without increasing the intensity of work, and even if we fail, we can learn from our failures and apply the lessons learned to the next attempt, thereby enhancing value creation. We have introduced high cycle management throughout OMRON in the current fiscal year and some businesses are already getting good results. Achievements of high cycle management at each business are described in the “Strategy & Business” section.

[P33 Strategy & Business →](#)

To be a company where every employee works with vigor, we are pursuing “human creativity” to cultivate workplaces where employees can demonstrate their capabilities as well as their individuality and passion. Individual employees at OMRON fulfill vital roles for achieving autonomous growth and resolving the social issues identified in SF2030. I believe that people have tremendous potential. As part of our company-wide commitment to the pursuit of human creativity, we established a new position, Chief Human Resources Officer (CHRO), from the current fiscal year. As the CEO, I have delegated authority to the CHRO, who on my behalf assumes overall responsibility for the human capital strategy to enhance human creativity. In order to further accelerate the implementation of the OMRON Principles by our employees and encourage them to take on new challenges, we have also defined three actions that we expect of all employees. This was established after more than a year of discussions by the management team. Starting this year, we will incorporate these action

guidelines into the evaluation of management by objectives (MBO), aiming to further enhance human creativity.

<Action Guidelines That All OMRON Employees Embody>

- “Create value based on individual Will”.**
Take action driven by the aspiration to resolve social issues, big and small.
- “Continue ‘Try & Learn’ without fear of risk.”**
Take the ownership and continue to try proactively and create value by making the most of what you learn.
- “Unleash the passion and talent of every individual to value up together .”**
Maximize individual growth and organizational performance by leveraging diverse ideas.

On this year's OMRON Founder's day, I sent a message to all employees on how we will accelerate our initiatives to unleash our own creativity as well as that of everyone on the team, and requested OMRON employees worldwide to discuss these three actions. Employees commented that it was a good opportunity for them to think about their “Will” and the importance of “Try & Learn.”

I always tell people no matter how big or small, having a “Will” is what matters the most. I want each employee to first express their own “Will” to resolve social issues, and then take on challenges without being intimidated by the fear of failure. We believe that employees who have a strong desire to take on challenges with their colleagues will work with enthusiasm and contribute to growth. We, the management team, want to provide our employees with opportunities to take on challenges and be there to support them. Committed to these three actions, each employee will create value needed by society

while demonstrating their creativity, and moreover contribute to OMRON's continuous growth.

[P33 Strategy & Business →](#) [P75 People →](#)

Progress of Long-term Vision “SF2030” and Medium-term Management Plan “SF 1st Stage”

Fiscal 2022 Results

In April 2022, OMRON launched its long-term vision, SF2030, which started with a three-year mid-term plan, SF 1st Stage. Looking back on fiscal 2022, the first year of these plans, we were exposed to various changes in the external environment, such as the lockdowns in Shanghai as COVID-19 countermeasures and rising geopolitical risk, notably the situation in Ukraine. Despite such adversity, OMRON achieved a significant increase in net sales, a year-on-year increase of 14.8% to ¥876.1 billion. Above all “sustainability sales,” which is the total sales of the focus businesses that are responsible for resolving the three social issues, increased 28% year on year to ¥417.8 billion, far exceeding the initial target of a 15% increase. We achieved sales expansion by fully demonstrating our two strengths: growth potential and the ability to effectively respond to change. Operating income also exceeded the forecast, which was upwardly revised in the report of the results for the second quarter. OMRON's operating income surged 12.7% year on year, surpassing the ¥100.0 billion mark for the first time. The operating income margin remained high at 11.5% due to sales growth and ongoing price optimization efforts. In fiscal 2022, we promoted transformation of the business and higher growth by seizing emerging business opportunities. Among the businesses, the Industrial Automation

Business and the Device & Module Solutions Business posted record-high results, while the Social Systems, Solutions and Service Business also reported increases in both sales and income. The Healthcare Business reported an increase in sales but a decrease in income. This was the result of steady implementation of growth investment for the future. Our investments for future growth included the development of innovative applications in the Industrial Automation Business and the strengthening of marketing in the Healthcare Business, as well as human resources skill development training. In this way, in fiscal 2022 we solidified the earnings base, responding to change in the environment, while at the same time we made steady progress in preparing for growth in the next fiscal year and beyond. On the other hand, demand associated with digital and environment-related investments, such as semiconductors and EVs, far exceeded actual end-market demand, especially in the Industrial Automation Business, and provided a tailwind. This resulted in a high order backlog that supported net sales in fiscal 2022. We will objectively assess this impact and reflect the findings in management in the current fiscal year and beyond.

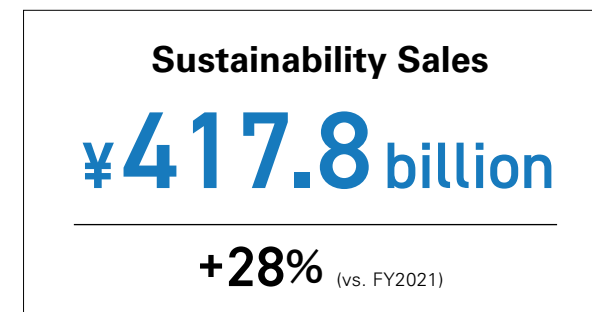
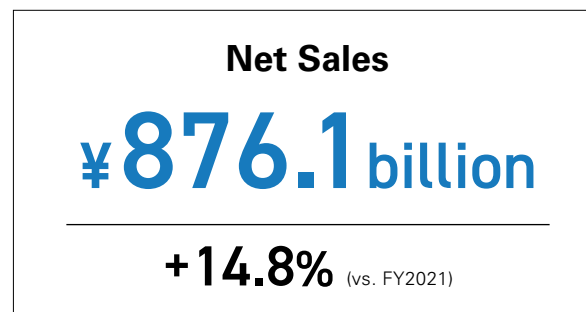
We made steady progress in terms of non-financial targets, which we set together with financial targets. In SF2030, we set 10+1 non-financial targets in order

to fulfill our responsibility for the environment and society. The 10+1 targets consist of 10 targets to be addressed throughout the OMRON Group and the +1 target, which is a declaration of our commitment to community-based social contribution activities in each region. In fiscal 2022, we made gratifying progress for almost all these targets. Among the 10+1 targets, I am particularly interested in the activities in which employees worldwide are engaged in their respective regions. For these activities, the top management of OMRON Group companies in each region declares the intention to contribute to the resolution of social issues faced by the region and communities in which they operate, and works together with employees in the region. For example, in China, to reduce the growing inequality in children's education between urban and rural areas, we established a public benefit project in cooperation with a local foundation and donated about 45000 children's books to primary schools in impoverished areas. These activities help to not only build a partnership with host communities but also increase employee motivation.

[P17 Fiscal 2022 Results →](#) [P33 Strategy & Business →](#)

Progress in Fiscal 2023

Based on the results for fiscal 2022, our plan for fiscal 2023 calls for increases in both net sales and profit for the third consecutive year and record highs for the



second consecutive year. The plan also calls for increases in both net sales and profit of all business companies. We expect the business environment in fiscal 2023 to become increasingly uncertain due to accelerating inflation, particularly in Europe and the U.S., and heightened geopolitical risks. Against this backdrop, the first quarter results were a mixture of strong performance as planned at the beginning of the period and stronger headwinds. In the Healthcare Business, demand for blood pressure monitors recovered in Europe and other regions. In the Social Systems, Solutions and Service Business, we captured the growing demand for renewable energy. In the Industrial Automation Business, amid sluggish demand for capital investment in manufacturing industry, the company stepped up solutions proposals to growing industries and increased product supply to eliminate order backlogs, resulting in year-on-year increases in both sales and profit. Despite the uncertain business environment, each business seized growth opportunities and sales progressed as planned. The gross profit margin (GP ratio), which indicates the earnings power, also increased compared to fiscal 2022. We will continue to operate in a difficult business environment in the second quarter and beyond. However, there are a number of markets with growth potential. To ensure that we capture these opportunities, we will enhance our ability to effectively respond to change in the external environment and execute actions for growth through high cycle management.

Fiscal 2023 is an important year as it marks the midpoint of SF 1st Stage. Although the uncertain environment persists, we will continue to promote initiatives to strengthen our growth potential.

[P21 Outlook for Fiscal 2023 →](#)

[P33 Strategy & Business →](#)

Accelerate Resolution of Social Issues by Strengthening Sustainability Initiatives

OMRON's purpose is to create social value through business and continuously contribute to the development of society. Under SF2030, OMRON aims to maximize its corporate value by achieving both "sustainability of society" and "sustainability of OMRON." One of the reasons why we set non-financial management targets in SF 1st Stage was to make our commitment to corporate social responsibility crystal clear, namely, that OMRON will always be a company that creates social value for a sustainable society.

As part of our efforts to maximize corporate value through sustainability initiatives, in fiscal 2022 OMRON became the first Japanese manufacturer to join the EP100, and declared its commitment to doubling "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. At the Matsusaka Factory, which is the Healthcare Business' production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and the Healthcare Business are working together to create a system to double production while reducing energy consumption. By sharing the know-how gained through these initiatives not just within OMRON but also with the world, we will contribute to the decarbonization of manufacturing industry and society. At the same time, we are focusing on "decarbonization and reduction of environmental impacts" and "respect for human rights in the value chain" as aspects of our corporate social responsibility. Through backcasting, we have identified themes to be dealt with by 2030 and are progressing step by step. OMRON will cease to exist

if we run away from solving social issues. With our level of determination, we will continue to do our utmost to advance toward a better society.

[P83 Sustainability →](#)

To Our Stakeholders

Aiming to Further Enhance Corporate Value through Management based on the OMRON Principles

Since assuming the position of President and CEO, I have had the opportunity to take a fresh look at OMRON in the course of dialogue with the heads of each business, many employees of the OMRON Group around the world, and various stakeholders outside OMRON. From dialogues with the stakeholders, I have recognized afresh that OMRON has a wealth of experience, assets, and technologies that can contribute to resolving social issues. I also realized the importance of my motto, "the frontline comes first." That is, no business can exist without cultivating relationships rooted in trust. Our stakeholders' cooperation and support are essential for OMRON's sustainable growth. Building win-win relationships between OMRON and all its stakeholders is indispensable for enhancing corporate value. I will continue to value open dialogue with our employees, customers, and other stakeholders, as we seek to develop businesses that create a better society in the spirit of my motto, "the frontline comes first." By co-creating new value with our stakeholders, OMRON will evolve into an enterprise that can continue to grow autonomously and maximize its corporate value. OMRON is shaping an exciting future, please look forward to it.

CFO Message



Greater Sophistication of Financial Management and Capital Allocation for Growth to Further Expand Corporate Value

Managing Executive Officer, CFO and
Senior General Manager, Global Strategy HQ

Seiji Takeda

I was appointed CFO and Senior General Manager of the Global Strategy HQ in April 2023. In my career with OMRON to date, I have had various opportunities to gain experience, including management of the healthcare business in China, the U.S., and Latin America, execution of M&A, and formulation and promotion of the medium to long-term strategy of the OMRON Group.

Going forward, leveraging my experience and the valuable assets built up by the previous management team, I will work to unleash OMRON's full potential in terms of both the Group's growth strategy and its financial strategy, taking on new challenges toward the management goal of "maximization of corporate value" set forth in long-term vision SF2030 launched in fiscal 2022.

Your cooperation will be greatly appreciated.

Progress of the Medium-term Management Plan

In fiscal 2022, the first year of the medium-term management plan "SF 1st Stage," we promoted transformation of business and growth and expansion by seizing emerging business opportunities. We operated in a highly volatile environment throughout fiscal 2022, including tight supply of parts and materials associated with a sharp increase in demand in the post-COVID-19 era, factory shutdowns due to Shanghai lockdowns, and the rise in inflation worldwide. However, we achieved higher sales in all segments. Consolidated net sales were ¥876.1 billion,

an increase of 14.8% year on year, and operating income was ¥100.7 billion, an increase of 12.7% year on year, setting new records. We demonstrated our ability to effectively respond to change and to generate profit, which we have been strengthening. In addition, I believe business transformation is gradually bearing fruit.

In particular, in the Industrial Automation Business, which is driving the growth of the OMRON Group, the number of customers adopting the innovative-Automation concept has more than quadrupled from approximately 900 in fiscal 2016 to approximately 3700, and the ratio of the solutions business has expanded to 35%. This is the result of development of innovative applications essential for resolving customer issues, and continuous investment in systems engineers (SEs) who propose the value of the application to customers and implement it, and front-end human resources centering on solution sales. I feel that the format of the solution business is taking shape.

In the course of achieving these results, certain issues became clear. Firstly, self-propelled growth. I think we need an objective assessment of our record performance in fiscal 2022. This is because in fiscal 2022, in addition to medium to long-term demand arising from changes in social and industrial structures, associated with digital and environment-related investments, such as for EVs, there was a temporary rebound in demand associated with supply chain disruption due to the emergence of geopolitical risks and the abating of the COVID-19 pandemic. As a result, demand significantly exceeded the actual end-market demand, particularly in the Industrial

Automation Business. This led to a high order backlog, supporting net sales in fiscal 2022. From that perspective, I do not think OMRON's growth potential has reached the level we target. Our aim is to achieve growth that outperforms market growth. For this purpose, it is essential to enhance the ability to identify customers' issues, propose solutions, and fully implement them. Secondly, supply chain management. In the face of continued tight supply of parts and materials worldwide, we implemented measures, including the use of EMS and parallel production, and managed to rapidly increase our product supply capacity. However, working capital levels rose as inventories built up in the value chain. As a result, we were unable to increase operating cash flow although profit levels were at an all-time high. We view this as a matter of great regret. In the current fiscal year, we will further enhance the linkage between the timing of revenue recognition and production plans, as well as strengthen supply chain management using new IT systems. Lastly, business transformation is still ongoing. Each

of our businesses is promoting initiatives for the shift from "products" to the "combination of products and services" and for value creation utilizing data. Going forward, we will appropriately implement capital allocation in accordance with the execution stage of each business to further enhance our execution capabilities and accelerate transformation.

Tender Offer for Shares of JMDC Inc.

OMRON commenced a tender offer for shares of JMDC Inc. (JMDC) on September 11, 2023. The aim is to accelerate the Group's transformation and increase its overall growth potential, not only in the healthcare domain but also in the industrial automation and social solutions. We had a scenario for medium-term growth of the Group through co-creation with JMDC in mind when we took a 33% equity stake in JMDC in fiscal 2021. Although we were greatly attracted by JMDC's growth potential from the beginning, it was difficult to judge the feasibility of creating synergy as well as the differences between the two companies in terms of their business models and corporate cultures based

on desktop analysis alone. Thus, we started with a capital/business tie-up to secure an opportunity to test our hypothesis. In the 18 months since then, we have been able to achieve a lot, as we disclosed in September 2023. I am pleased that we have progressed from initial hypothesis testing to the tender offer.

Meanwhile, the internal review team and the Board of Directors had various discussions until we made the decision. In the course of a year and a half, the business concept in the healthcare solutions domain became more tangible, and we confirmed JMDC's data management capability and its capability to convert data into value, as well as the potential for deploying such capabilities in the OMRON Group. On the other hand, there was a need for thorough deliberation on governance after making JMDC a consolidated subsidiary and concerning recoupment of our investment totaling approximately ¥210.0 billion. Regarding the evaluation of investments, some people may have misunderstood OMRON's approach. Although we have been implementing management based on return on invested capital (ROIC), ROIC is not the only indicator we use for evaluating individual investments. Conventionally, in evaluating investment, with an eye to the market's growth potential and opportunities for synergy, we conduct risk verification based on multiple performance simulations, and calculate corporate value by adopting a multifaceted approach, using discounted cash flow (DCF), comparable multiples valuation, and so on, and incorporating third-party evaluation as well. Since the data solutions business field is in the market formation stage and it is difficult to forecast long-term operating cash flows, we have also conducted verification using the internal rate of return (IRR) based on a market approach. Specifically, we set the cost of capital in the industry as a hurdle rate,

<Consolidated Financial Results>

	FY2021 Results	FY2022 Results	Y/Y
Net Sales	¥762.9 billion	¥876.1 billion	+ 14.8%
Gross Profit Margin	45.5%	45.0%	- 0.5pt
Operating Income	¥89.3 billion	¥100.7 billion	+ 12.7%
Net Income	¥61.4 billion	¥73.9 billion	+ 20.3%
ROIC	9.6%	10.4%	+ 0.8pt
ROE	9.7%	10.6%	+ 0.9pt

evaluated the synergy to be created by considering the exit value, and discussed appropriateness of the investment in view of the impact on ROIC as well as on P/L and /B/S after the investment. At present, our target is net sales of ¥100.0 billion in 2027 as the effect of making JMDC a consolidated subsidiary, but I feel that we may be able to do even better by exploiting the potential for expansion through co-creation.

Expanding the data solutions business is a medium to long-term initiative. I believe that it is vital to execute sufficient upfront investment at the optimum time to maximize this growth potential. This is because although the potential market size in this field is very large, the field is still in its infancy, and it is important to gain a strong market position. We will continue to accelerate collaboration and share the progress and achievements with you.

* As of this writing (September 15, 2023), the tender offer to make JMDC a consolidated subsidiary has not closed. The share acquisition is scheduled to be executed on October 16, 2023.

Evolution of Management Systems to Expand Corporate Value

As I have discussed so far, OMRON is promoting a number of initiatives to increase corporate value. I believe that the most important issue is “to expand profit through sales expansion.” In other words, we need to shift the driver of the expansion of corporate value from “improvement of profitability” to “profit growth through sales growth.” Of course, we will continue our initiatives to improve profitability through ROIC management, which has so far supported the expansion of OMRON’s corporate value. This is because reinforcement of the earnings base is essential for achieving new growth.

However, OMRON’s goal under SF2030 is to create significant social value and economic value by seizing business opportunities arising from changes in social

and industrial structures. This means that we aim to generate significant profit through sales growth that exceeds the previous cruising speed. To accomplish this goal, we intend to establish a management system that will use earnings per share (EPS) and return on equity (ROE) in addition to ROIC as key performance indicators for operation of the Group. While we will continue to use ROIC to improve investment capital efficiency and profitability, we will use EPS and ROE for evaluation of the Group’s growth strategy and implement appropriate measures. I think EPS is a suitable indicator for managing the expansion of corporate value not only because of its inherent nature as a direct profit indicator attributable to shareholders but also from the perspective of more accurately measuring the Group’s actual performance after deducting minority interests in JMDC. The reason for our focus on ROE is that we intend to grow through the use of leverage with a certain degree of discipline. Leveraging may lower ROIC levels in the short term, but it is an important option indispensable for expanding future operating cash flows, and I believe ROE is suitable for evaluating medium to long-term value creation initiatives.

Moreover, regarding operation of the Group, we will emphasize the following three perspectives. Firstly, strengthening of investment discipline. The three social issues defined by the OMRON Group are linked to markets with medium to long-term growth potential, and we expect many growth opportunities to emerge in the future. In order to be sure to seize these growth opportunities, we must make necessary investments in a timely manner, with a view to utilizing debt. However, in order to realize the expansion of corporate value, probability of achieving returns on those investments must be high. OMRON has conducted individual evaluations for each case of M&A and each business investment. However, I think we

must evolve the format of investment evaluation in order to maximize the return on limited management resources. Specifically, the indicators of decision-making used in investment evaluation will be unified as NPV and IRR, and hurdle rates will be set in a manner that considers the characteristics of the business field and market stage. While each executive department is responsible for formulating the business plan, the corporate organization is responsible for setting the hurdle rate, thereby clarifying the level of return required for the business and enhancing the objectivity of investment evaluation.

Secondly, strengthening of financial discipline. Looking back, OMRON had a long period of debt-free management. We have been maintaining a high level of financial soundness, with a shareholders’ equity ratio of 73% at the end of fiscal 2022. On the other hand, this partly reflects insufficient reinvestment for the purpose of business growth, and we recognize this as a management issue. Going forward, we will vigorously execute investment, focusing on growth fields, with an eye to debt utilization when good investment opportunities arise. However, this requires mechanisms to maintain a healthy balance sheet. As a result of the tender offer for JMDC shares, interest-bearing debt will amount to approximately ¥85.0 billion. Even though we still have spare capacity for investment, failure to exercise proper financial discipline would risk causing significant harm to operations of the existing businesses. In order to seize investment opportunities in a rapidly changing business environment in a timely manner without overlooking them, we will practice management that is both “aggressive” and “defensive” by constantly maintaining a financial base that enables flexible and smooth financing.

Thirdly, reduction of the cost of capital. Reducing the cost of capital is another important factor in expanding corporate value. OMRON’s weighted average cost of

capital (WACC) at the end of fiscal 2022 was around 8%. In light of the increasing level of beta as well as the impact of the recent increase in interest rates, it is necessary to promote initiatives for improvement from now on. Our basic approach is to reduce the cyclicity of the stock price by promoting business transformation and increasing the sustainability of profit growth. But that is not enough. Even if we are affected by short-term market fluctuations, I think it is essential to ensure that as many investors as possible understand OMRON's medium to long-term growth potential and intrinsic value and support OMRON's value creation initiatives. I would like to vigorously disseminate OMRON's equity story to the market through transparent disclosure.

Capital Allocation to Increase Growth Potential

From SF 1st Stage, OMRON set operating cash flow as a management indicator. This is because we view operating cash flow as a source of growth investment and a key indicator that has a significant impact on increasing corporate value. Operating cash flow for

fiscal 2022 was ¥53.5 billion, having declined from ¥67.4 billion for fiscal 2021, owing to a decrease in the efficiency of working capital. In the current fiscal year we will continue to strengthen our ability to generate profit and steadily implement measures to optimize inventory levels to enhance our cash generation capabilities.

In the current fiscal year, we plan to execute the tender offer for JMDC shares through borrowings, but there is no change in our policy on the use of funds, which accords the highest priority to business investment and the two fields we have designated as growth fields, industrial automation and healthcare solutions. As the uncertain business environment is expected to continue, we will be selective in implementing growth investments. In addition to business investments, we will steadily make necessary investments in human resources, the environment, and other areas associated with sustainability that are strongly demanded by society. With regard to shareholder returns, our policy is to maintain continuous and stable dividend payment with dividends on equity (DOE) of around 3%, similar

to fiscal 2022, so as to achieve medium to long-term enhancement of corporate value.

To Our Shareholders

As social and industrial structures undergo significant changes, OMRON views these changes as business opportunities as it seeks to transform itself and take on the challenge of creating new value. Maximizing corporate value is our target for 2030, and management targets for 2024 are set as milestones along the path that we are taking. OMRON's goal is to become an enterprise that resolves social issues and achieves sustainable growth. To this end, all employees are working as one under the medium-term management plan. I believe that it is essential to engage in a series of dialogues with shareholders, receive their valuable opinions, and make the most of them as we vigorously pursue our initiatives. We will continue to make transparent disclosures, listen sincerely to the voice of the market, and co-create the future of OMRON with our shareholders. I look forward to the continued support of our shareholders.

<Cash Allocation Policy during SF 1st Stage>

- 1) Aiming to maximize corporate value through the realization of the long-term vision, OMRON prioritizes the necessary investment to create new value from a medium to long-term perspective. During SF 1st Stage, priority will be accorded to investments in human resources and R&D with a view to resolving social issues and pursuing innovation driven by social needs; capital investments in production capacity increases and digital transformation (DX); investment in growth initiatives such as M&A&A (mergers acquisitions, and alliances); 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.
- 2) Such investment for value creation and shareholder returns will be, in principle, sourced from internal reserves and operating cash flows that are generated continually, with appropriate financing facilities used as necessary. We will maintain a degree of financial soundness that allows us to seek financing regardless of the current financial situation.

<Shareholder Return Policy during SF 1st Stage>

- 1) With priority accorded to the investment necessary for value creation over the medium to 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.
- 2) 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.

Industrial Automation Business (IAB)

Contribute to the Advancement of Manufacturing That Will Support a Sustainable Society by Strengthening Solutions

Managing Executive Officer Company President, Industrial Automation Business Company

Motohiro Yamanishi



— You were appointed the president of the Industrial Automation Business (IAB) this year.

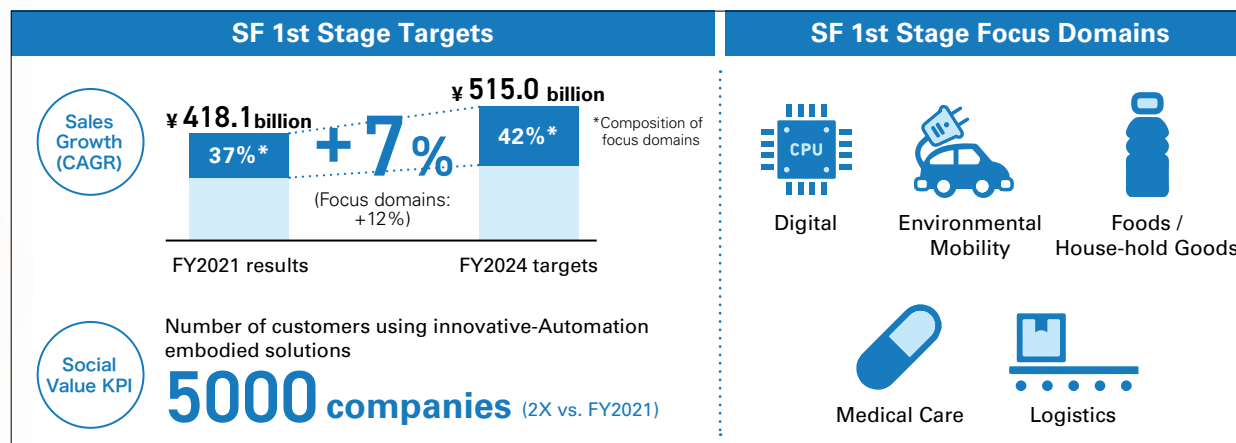
What is your vision?

IAB’s vision under SF2030 is “Enriching the Future for People, Industries and the Globe by Innovative-Automation.” I inherited the assets that support this vision from my predecessor. As the advancement of industries proceeds, it will be necessary to consider the global environment and ensure the satisfaction of people working at manufacturing sites. I believe this is a mission that IAB should fulfill. As companies are increasingly called upon to help realize a sustainable society, resolving our customers’ issues requires that we go beyond improvements in production processes and extend the value proposition to our customers’ supply chain and the entire engineering chain. Through the creation of new value by leveraging what we have accumulated to date, we will contribute to the resolution of social issues by making proposals more rapidly in response to customer needs. As Company President, I will seek to resolve issues together with our customers so as to maximize the value proposition, which in turn will lead to the realization of our vision.

— Fiscal 2022 was the first year of the SF 1st Stage. What kind of year was fiscal 2022?

In fiscal 2022, demand for capital investment in the entire manufacturing industry showed an increasing risk of slowdown in the near term. On the other hand, demand remained steady for our focus market sectors including the semiconductor production equipment, electric vehicles (EVs), rechargeable batteries, etc. In these circumstances, our employees joined forces to overcome the Shanghai lockdowns imposed in the first quarter. From the second quarter onward, we promoted initiatives to strengthen supply capacity to alleviate the heavy order backlog. Despite a challenging year, we were able to shift IAB to a strong growth trajectory, with net sales of ¥485.7 billion and operating income of ¥85.8 billion, both well above the previous year’s figures. The results for fiscal 2022 show that our strategy in SF 1st Stage has been effective.

Since 2016, IAB has been pursuing the “innovative-Automation” concept for innovation in manufacturing as a growth driver. For the various problems that are emerging at manufacturing sites, we contribute to resolving social issues with the OMRON’s unique solutions that fuse the three approaches to innovation



in automation: “integrated (control evolution),” “intelligent (development of intelligence by ICT),” and “interactive (new harmonization between people and machines).”

In SF 1st Stage, as a social value KPI designed to spread not only the economic value of advancement of manufacturing, but also the social value of job satisfaction and consideration for the global environment, we set the number of customers using innovative-Automation at 5,000. The number of customers using innovative-Automation has grown from 900 at the beginning of fiscal 2016 to 3,700 in fiscal 2022, far exceeding the interim target. As a result, the ratio of innovative-Automation solutions sales increased to 35% of sales (16% for fiscal 2016). We will continue to tackle increasingly complex customer issues and refine the value proposition so that more customers will adopt innovative-Automation.

— In order to achieve the goals of SF 1st Stage and thus realize sustainable growth, what are IAB's strengths that you would like to develop, and what are the challenges for IAB?

IAB has three strengths. Firstly, the unique automation technology that combines cutting-edge technologies such as AI, IoT, and robotics with control technology for factory automation, based on the innovative-Automation concept. The number of innovative

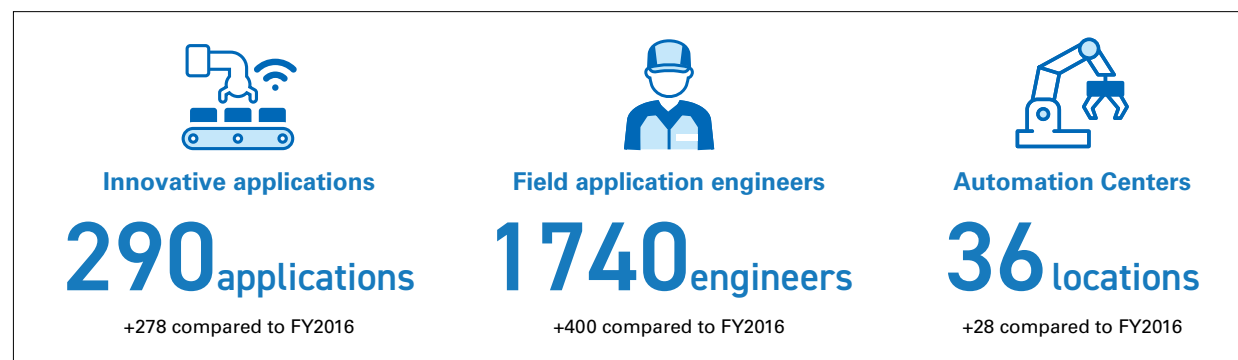
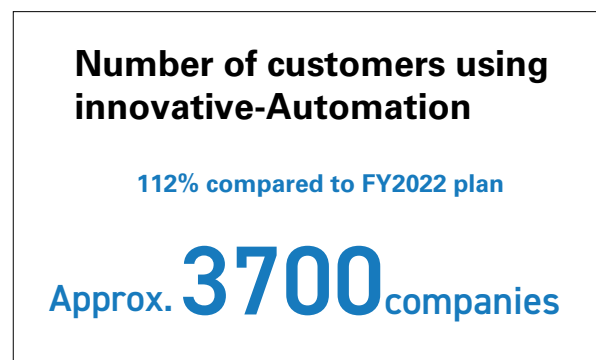
applications we have developed using this automation technology has grown to over 290. They are being used to resolve issues and make improvements at many customer’s sites. We have also recently incorporated advanced digitization technologies such as virtualization and 3D simulation to continuously accelerate the creation of innovative applications. Secondly, based on our own factory practices and customer feedback, the accumulated wealth of knowledge (expertise and know-how) that we utilize to maintain and improve our customers’ manufacturing sites. This knowledge has been organized as explicit knowledge in the form of five different service programs, which are a focus of high expectations, in view of shortage of skilled workers at sites. Thirdly, a service network comprising more than 150 locations in some 40 countries and regions worldwide. Together with our production and logistics bases, we offer high QCDS (Quality, Cost, Delivery and Service) throughout the world as a basic requirement for industrial automation devices manufacturers. Meanwhile, the challenge is to enhance the speed of value transfer by channeling these strengths into solutions optimized for individual customer issues. We have already increased the number of field application engineers engaged in on-site implementation of innovative applications and provision of technical services to more than 1,700 worldwide. Moreover, we

have established 36 Automation Centers (ATCs) where the suitability of our solutions for customer issues can be verified and demonstrated using actual equipment. Furthermore, in SF 1st Stage, we aim to significantly accelerate value transfer by expanding partnerships with system integrators that have unique strengths in each focus industry.

“Innovative-Automation” is a concept indicating the direction in which the value OMRON provides is heading. We are tackling manufacturing innovation based on three approaches: “automation beyond human abilities” to maximize on-site productivity from a new global perspective, “advanced collaboration between people and machines” where people and machines grow and evolve together, and “digital engineering transformation” to seamlessly connect manufacturing sites and facilities in digital space.

— OMRON announced an investment in Kirin Techno-System Company, Limited (KTS) in fiscal 2022. What is your objective?

The objective is to accelerate innovative-Automation in the food and beverage industry, one of our focus sectors. By incorporating KTS’ optical technology and high-speed transport technology, we will create new value, leading to business growth through the realization of safe, secure, and fulfilling food. Co-creation with external partners that possess technology is essential for enhancing execution and value-creation capabilities. We will continue to consider the acquisition of important technologies for enhancing the competitiveness of our business and resolving social issues, as necessary.



— As manufacturing sites increasingly face social issues such as achieving carbon neutrality and human resource shortage, need for services to resolve these issues is increasing. How is IAB's service business progressing?

In recent years, the challenges faced by manufacturers have become increasingly complex as they have been compelled to respond to the growing labor shortage as well as the demand for environmentally friendly business operations, in parallel with conventional initiatives for productivity and quality improvement. To meet these challenges, we must anticipate changes in society and create and offer new services with added value. The "i-BELT" service that utilizes on-site data and the "Industrial Automation Academy (IA Academy)" human resources education service are highly acclaimed.

The former i-BELT is a service for collaborative creation with our customers to resolve their issues by combining customers' knowledge of manufacturing with our improvement know-how and the technologies that we have practiced in our factories. First, we conduct on-site diagnostics of the customer, and then evolve our initiatives together with the customer through repeated monitoring and improvement. Even if customers themselves recognize a problem, without the know-how to identify the cause, it is difficult to resolve essential issues and achieve specific targets for improving on-site issues, such as quality improvement. To provide concrete solutions, our service experts, who are well versed in production sites, work with customers to identify the causes and consider countermeasures using data analysis and AI. I-BELT is highly regarded and is continuing to grow as the core of our service business. Therefore, in order to respond to the many inquiries we receive, we are expediting fostering of field application engineers and service experts who work on the frontline. Furthermore, we aim to realize highly versatile data solutions through synergy with JMDC. We will also

accelerate our evolution as a solution provider capable of creating new added value. The latter IA Academy was launched in April 2023 to address the challenge posed by manufacturing sites lacking sufficient engineers and other human resources to ramp up production. We have systematized the implementation support curriculum, which was previously region-specific, into an integrated educational program so that trainees can receive various levels of engineering education worldwide. Another advantage is that experienced instructors, including engineers in active service, are directly involved in provision of the education. Although this service has just been launched, it has been well received because the curriculum can be customized according to customer needs. We hope to grow it into a service that will drive business growth in the future.

— Energy productivity solutions have proven to be an important concept for many manufacturing sites. Against this backdrop, in the last fiscal year, OMRON became the first Japanese manufacturer to join EP100, an international corporate initiative led by The Climate Group.

During our discussions on initiatives for the realization of sustainable manufacturing, we joined EP100, which aims to double energy productivity. This decision reflected the voices of employees working in the field. Employees at production sites that had been working for many years to improve energy productivity expressed their view that contributing to reduced energy consumption by improving productivity and quality, which are the "essence of production," would motivate them. Salespeople who interface with customers commented that they would be able to take ownership of customers' issues and address them in a more purposeful manner. I feel that, through EP100, management and frontline personnel are united in promoting environmental management and the resolution of social issues.

OMRON will promote carbon neutrality at its own sites to achieve EP100 and contribute to resolving the issues through the OMRON Group's products and services. Energy productivity at IAB's main sites in fiscal 2022 was 111% higher than in fiscal 2021 and 1.3 times higher compared to fiscal 2016, as a result of the progress of vigorous energy saving initiatives of the Ayabe Factory and other efforts. Solutions demonstrated at the OMRON Group's factories are offered as part of the i-BELT service to customers who promote environmentally conscious business operations. By combining IoT, AI analysis, and data utilization, we visualize our customers' factories and help them create sites where productivity and quality are both enhanced.

For example, in a case of co-creation with Okayama Murata Manufacturing Co., Ltd., OMRON analyzed data on particles in the clean room as well as temperature, humidity, and other environmental data. The results of the analysis showed that energy efficiency could be improved by controlling the operation of the air conditioning system in the clean room. With an eye to continuously improving the quality of energy management, Okayama Murata Manufacturing has set a goal of reducing electricity costs by an amount equivalent to 200 tons of CO₂ emissions per year as a first step.

— What are the main features of IAB's business plan and what is the outlook for fiscal 2023?

Demand for capital investment in manufacturing industry as a whole in fiscal 2023 remains uncertain due to inflation and other factors. Nevertheless, customers related to megatrends, including semiconductor production equipment, that is, those whose business concerns electric vehicles (EVs), rechargeable batteries, and solar cells, continue to make capital investments. Furthermore, in view of geopolitical risks and automation spurred by labor shortage, we see potential demand for investment in

diversification of production sites. To seize these business opportunities and expand sales, we are focusing on three initiatives.

Firstly, we are further concentrating our resources on focus industries. Having carefully identified the markets, areas, and customers on which our expectations of strong demand are centered, we have increased our sales resources to a level that is 1.4 times higher than in the previous fiscal year. We have a structure in place that enables us to quickly grasp changes in our customers' needs and propose solutions.

Secondly, we are strengthening strategic investment in value creation through innovative-Automation. To accelerate the creation of highly competitive innovative applications that address our customers' essential issues, regardless of changes in the market environment, we are developing new products by refining our AI/IoT and robotics technologies and enhancing value co-creation activities with our leading global customers.

Thirdly, we are further strengthening the service business. As mentioned earlier, even amid uncertain market conditions, there are evident needs in the service space, such as for energy productivity, quality improvement using on-site data, and human resources training to overcome the serious shortage

of advanced production skills. We will continue to evolve our services and promote solutions for all on-site issues.

— **What measures will IAB implement to further increase profitability?**

The key to achieving a further increase in profitability is for IAB to accelerate the shift to a solutions business based on innovative-Automation and to unleash the creativity of its workforce. Customers using solutions embodying innovative-Automation have recognized the higher added value inherent in our proposals for increasingly complex issues, which go way beyond the conventional provision of components. In other words, a further increase in the number of customers using innovative-Automation will lead to higher profitability. To accomplish this, it is important to enhance proposal capabilities of individual employees, such as employees engaged in global sales and field application engineers, who provide value to customers. Moreover, we are stepping up investments in IT systems and other environmental improvements and capacity development in order to provide customers with applications and services embodying innovative-Automation. As the progress of inflationary economy increases the value of each individual, we are addressing enhancement of individuals' capabilities as the top priority so that a higher level of human creativity can be demonstrated.

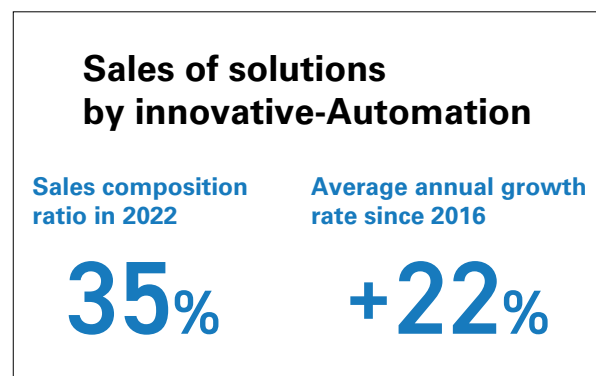
— **OMRON is committed to high-cycle management. What results have you achieved so far at IAB?**

In a rapidly changing business environment, it is necessary to respond swiftly to solve the various problems that arise at customers' sites. In this regard, I feel that the speed with which value proposition is created and delivered to the site is still insufficient. It is important to implement high cycle management to

meet customer expectations and realize our vision. IAB promotes high cycle management in three major layers. Firstly, initiatives are pursued by executives who exercise leadership as the flag bearers of high cycle management. We are vigorously investing in AI and IT systems to transform our approach to value creation and improve the working environment for employees. In particular, in pursuit of value creation, we accord the highest priority to cultivation of an environment conducive to co-creation. Using software, functions can be added during prototyping in order to quickly respond to customer requests. Whereas in the past we proceeded with development by envisioning every aspect of usage after receiving a request, optimization can now be performed more quickly.

Secondly, high cycle management is promoted by some 1000 managers who exercise leadership at the frontline worldwide. They decide their own themes and promote activities at a higher cycle. Unique initiatives pursued through collaboration between these managers and employees at the frontline are already advancing in several countries. In South Korea, initiatives are underway to revitalize the organization. For example, thanks to the cultivation of a supportive ambience in the workplace, people who take on challenges will receive positive recognition even if the results fall short of the goal and measures have been introduced that encourage employees to collaborate and take decisive action.

Thirdly, we are pursuing transformation of the entire culture of IAB by accelerating the "biological clock" of IAB employees. Whereas there is a tendency to spend too much time on preparation, I encourage our people to get everyone on board and advance boldly without undue hesitation. We cannot achieve stellar results overnight, but I want to seize the initiative and proceed with tenacity while relishing the changing atmosphere of IAB.



Case 1

Contributing to Resolving Human Resource Issues in Manufacturing Industry through the IA Academy Education Service

In manufacturing industry, human capital is becoming increasingly important as ESG management attracts growing interest. At manufacturing sites, the evolution of manufacturing has become a pressing issue. For example, it is imperative to keep pace with technological progress and to make each production site self-reliant through greater local production for local consumption. Therefore, shortage of human resources at manufacturing sites, especially technical personnel essential for maintaining and updating production facilities, is an urgent management issue. OMRON has long contributed to resolving human resources issues through the provision of educational services. Combining the experience and know-how of our field application engineers worldwide with the knowledge of the OMRON Group's factories, we provide educational services for approximately 210,000 people annually. In April 2023, we systematized our previous regional curriculum and opened the Industrial Automation Academy (IA Academy), which provides uniform educational services at all our sites throughout the world. Since conventional educational services in the factory automation industry focus on seminars and equipment training for customers who have purchased the company's products, there have been few educational services supporting the development of skilled engineers. IA Academy offers not only conventional training on how to use OMRON products but also engineer education services that are optimized for each company based on a curriculum tailored to the human resources development issues and needs of manufacturing companies. We have established 10 different engineering courses corresponding to the skills required at manufacturing sites. Courses can be selected flexibly from a curriculum systematized to match the level of proficiency and career development

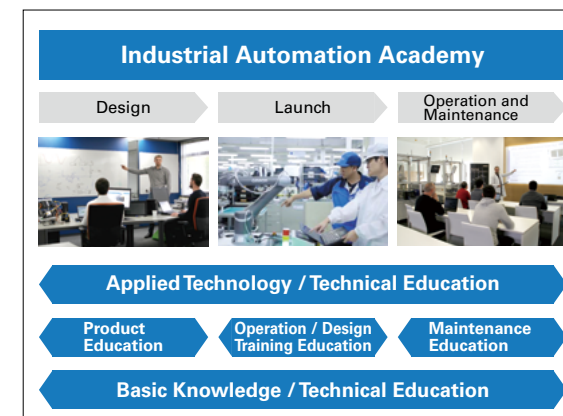
of trainees. Customers use OMRON's IA Academy for basic training of new employees so that they will quickly become able to work effectively and for reskilling operators on the production floor as well as other staff. For companies operating globally, the need to establish a sustainable supply chain geared to local production for local consumption is an important management issue, in view of rising geopolitical risks. Addressing this issue necessarily involves the recruitment and training of excellent engineers at sites around the world. Taking advantage of OMRON's global network, IA Academy offers educational programs in 13 languages at more than 150 sites in 40 countries and regions worldwide. At IA Academy, more than 1700 field application engineers, all of whom are experienced in optimizing solutions and supporting the start-up of equipment at customer sites, serve as instructors for engineer education. Adopting the customer's perspective, they share the know-how for improvement and innovation that they themselves have cultivated in the field. We provide a hands-on, practical learning environment using actual equipment, capitalizing on our Training Centers and 36 Automation Centers around the world. Through IA Academy's provision of educational services, OMRON is tackling the shortage of human resources, one of the most important management issues in manufacturing industry. One of the world's leading e-commerce and logistics companies has selected OMRON IA Academy to provide part of the curriculum for the Apprenticeship Program, its training program for new employees. Through a 24-month training program, this company fosters engineers in-house. The engineers gain advanced expertise in automation, robotics, IT, and other cutting-edge technology fields. As the customer's partner in establishing a long-term advanced engineer training process and for the provision of learning experiences directly linked to on-site operations, OMRON is helping enhance its employees' on-site practical skills.

Employee Comments

Through IA Academy, we respond to various needs, ranging from basic education for engineers to the training of specialist engineers. Training is tailored to the needs of each customer's sites. IA Academy offers a curriculum that is always abreast of technological advances concerning such themes as human-machine coordination, analysis and utilization of on-site data, and cyber security for control systems. We are delighted to see the trainees develop the skills they need to make a difference in customers' businesses and advance their own careers. Going forward, we will continue to provide systematic educational services that address customers' issues while supporting the career development of trainees.

Business Development Manager
OMRON Europe

Gaetano Fusillo

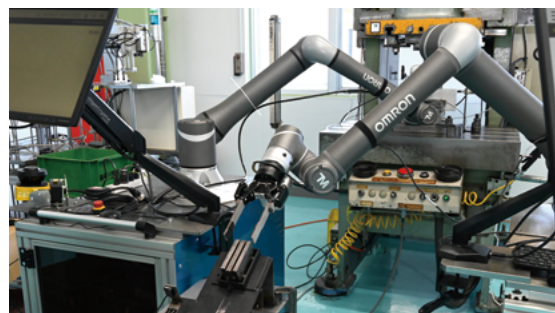


Case
2

Automation by Introducing Collaborative Robots Contributes to the Creation of Safe and Attractive Workplaces

For Japan's broadly based manufacturing industry, shortage of engineers and production workers are becoming increasingly severe as the country's workforce continues to age and shrink, reflecting a declining birthrate and population aging. In order to resolve various on-site issues caused by labor shortage, there is a growing interest in automation employing collaborative robots that can safely work with humans even in limited spaces. To help realize sustainable manufacturing sites, through a partnership with Techman Robot, Inc. (Taiwan) since 2018, OMRON has been offering the TM series of collaborative robots, which can work in the same space as humans without safety barriers. A camera is mounted as standard equipment at the end of the robot arm, and by utilizing landmarks, quick calibration can be performed by accurately determining the position of the arm in relation to the workbench. An intuitive motion program generation function is also available. Presented below is a case study of an automated production line optimized for high-mix/low-volume production by utilizing these collaborative robots. ARIKAWA WORKS .Co., Ltd. designs and manufactures metal molds for weaving machines, machine tools, and semiconductor production equipment, carries out metal press work, and fabricates metal items indispensable for each of these types of equipment. In recent years, labor shortage has made it difficult for the company to hire enough people. The company introduced collaborative robots not only to increase productivity but also to create a more comfortable working environment. OMRON, in cooperation with its local distributor Yamazaki Electric Corp., conducted preliminary verification of press operation automation and quality inspection, and established an optimal support system for introduction of the robots to meet the needs of ARIKAWA WORKS. Expert engineers supported the sophisticated coordination of robots by using safety sensors that detect people and the intrusion of objects, and supported the start-up of

quality inspection by deploying image sensors. The press operation was automated by controlling two collaborative robots. The task of insertion into the die was divided into a series of steps, making it possible for robots to perform the task in a manner similar to that of a human. For quality inspection, a single collaborative robot works in combination with image sensors to capture images of each machined surface, and advanced image processing technology is used to detect defects and sort defective products according to the quality of their surface, thereby contributing to a significant reduction in the workload. We also support process improvement to ensure flexibility for accommodating changes in products and in-house fostering of system integrators for expanded utilization of collaborative robots. Since the introduction of collaborative robots, ARIKAWA WORKS has been able to reduce the time required for simple tasks while increasing the number of personnel engaged in high-value-added tasks. Implementation of innovative-Automation is spreading across the production operations of various companies. We will package our initiatives for supporting introduction of collaborative robots at ARIKAWA WORKS as a solution that our seven branches in Japan will propose to their customers as a way of resolving social issues. Utilizing our extensive knowledge of automation, based on a customer-oriented approach, we will continue to contribute to the creation of comfortable workplaces where people and machines collaborate with one another.



Press working process automated by two collaborative robots

Comments from Our Partner

"I see you are still making things by hand." That is what a student who was interested in joining our company said to me during a visit to our factory, a comment that prompted me to endeavor to create a more attractive workplace. This was accomplished through automation using collaborative robots, which we started introducing in fiscal 2020. These robots are valuable assets of our factory where high-mix/low-volume production is performed in a limited space. Since there is no need to place a fence around these robots, their introduction still leaves sufficient space for people to move around, and the layout can be flexibly changed according to the nature of the work. When we expanded the scope of automation from press work to quality inspection, OMRON supported us with its superior image processing technological capabilities, and we were able to further improve operational efficiency. Going forward, we will consider further automation by increasing the number of collaborative robots and connecting processes. I am pleased that we introduced the system. Besides achieving higher equipment utilization rates and improved quality, we received very positive feedback on the initiative from our employees and outside parties. Some business partners indicated their willingness to support us because they were inspired by our new initiatives. In fact, automation has enabled us to win new business and has also had a positive impact on recruitment, helping us hire several new employees since the introduction of the system. I recognize various benefits of the investment that go beyond automation. Through the exhibition space that we opened to the public in 2023, I hope to connect with many companies and share our experiences to further expand the circle of automation.

Representative Director
ARIKAWA WORKS .Co., Ltd.

Fuki Arikawa



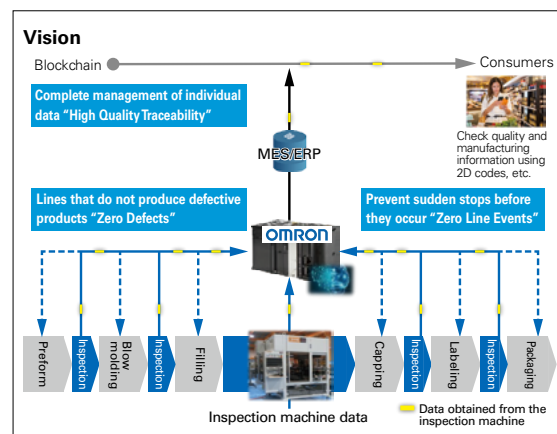
Case 3

Establishment of OMRON KIRIN TECHNO-SYSTEM CO., LTD. to Realize Safe, Secure and Fulfilling “Food”

Labor shortage in manufacturing industry is becoming more acute with every passing year. In the food and beverage industry, there is a growing need for automation that achieves sophisticated quality control and inspection without excessive reliance on manual labor, thereby ensuring the safety and security of products. In addition, in view of the need to reduce energy consumption and plastic usage so as to protect the global environment, the challenges facing manufacturing industry have become more complex in recent years. OMRON established OMRON KIRIN TECHNO-SYSTEM CO., LTD. (OKTS) on April 3, 2023, to create optimal beverage inspection solutions by leveraging its knowledge of manufacturing industry. As a leading Japanese manufacturer of inspection machines for the beverage industry, OKTS possesses advanced optical, transportation, and image processing technologies that support industry-leading high-speed inspection, as well as the ability to propose solutions corresponding to the know-how of diverse manufacturing sites. Kirin Techno-System Company, Limited, the predecessor of OKTS, has contributed to stable supply of products to the beverage industry through appearance inspection of PET bottle caps, labels, etc., inspection of the content of beverages and detection of foreign matter, and so on. The combination of OMRON’s advanced control technology cultivated by innovative-Automation with OKTS’s inspection machine technology will create synergy. OMRON and OKTS are currently working on the development of a “zero-defect” solution as the first step in creating synergy between the two companies. Conventionally, beverage production lines have inspection machines installed between each process to establish a high-quality production system that prevents defective products from progressing to the next

process. This results in items to be discarded at each process, which not only reduces productivity but also causes extra energy consumption and increased plastics waste. Through linkage of the information processing network with each inspection machine by means of automation controllers and AI, the new solution under development will enable rapid analysis and identification of the causes of defects. For example, in the case of a PET bottle blow molding machine*, the judgment as to the parameters that are problematic and causing defects, which used to depend on the skills, tricks, and experience of skilled workers, will be automated. By applying similar control to the entire beverage line, a zero-defect line can be achieved. New co-creation solutions will help maintain production quality, increase energy productivity, and reduce plastics consumption. OKTS will continue to create innovative solutions and contribute to production innovations that improve safety and quality in the food and beverage industry worldwide. By increasing productivity, OKTS will lead the way in realizing sustainable manufacturing sites that help protect the global environment.

* Equipment that blows air into molten resin (PET bottles, etc.) to inflate and mold it.



Employee Comments

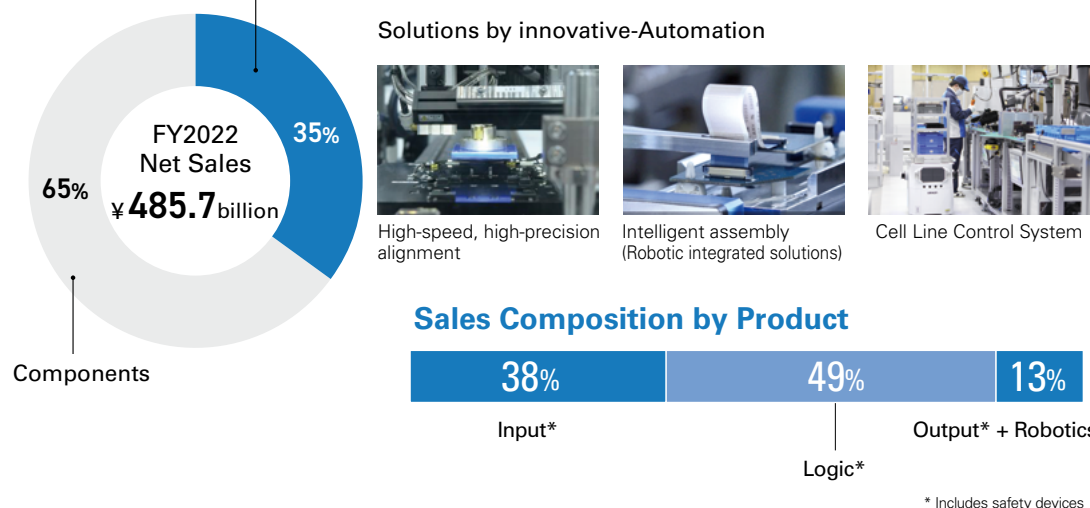
Since the establishment of Kirin Techno-System in 1990, the company has provided inspection solutions to many beverage manufacturers. We realize that customers’ needs for automated inspection are further increasing as the labor shortage worsens. In joining the OMRON Group, we will take on the challenge of creating new solutions that combine our technologies with innovative-Automation and maximize the value proposition to our customers. OKTS currently has a large share of the Japanese market for inspection machines for the beverage industry. We intend to increase our presence in the rapidly growing global beverage market, especially in Asia. In South Korea and Thailand, we have already started to propose inspection solutions to local beverage producers in cooperation with OMRON sales departments in each country. While there is robust demand for high-quality inspection in Japan, demand for machines that offer ease of use and are backed by meticulous local services is high elsewhere in Asia. Business development should be in tune with the needs of each market. While leveraging our strengths in technology, we will develop new inspection machines equipped with OMRON’s image processing technology that will enable sales departments in each country to provide services. By combining our products with OMRON’s applications and solutions and by leveraging its sales channels, we will strive to offer value that meets the expectations of our customers worldwide so as to contribute to the safety and security of “food” for people around the world.

President
OMRON KIRIN TECHNO-SYSTEM
CO., LTD.

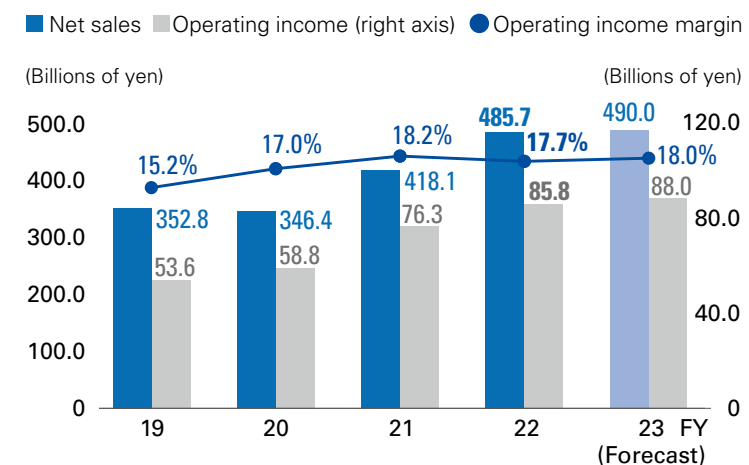
Hironobu Hosokawa



Sales Composition by Business Domains



Net Sales / Operating Income / Operating Income Margin



INPUT

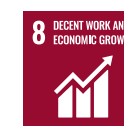
- R&D cost: ¥27.0 billion (results for FY2022)
- Capital expenditures: ¥9.3 billion (results for FY2022)
- Started joint development with NTT Communications Corporation of DX solutions in the IT/OT (factory automation) domain to realize decarbonization in manufacturing (September 2022)
- Committed to doubling “energy productivity” with the Healthcare Business upon joining the EP100 international initiative (November 2022)
- Invested in Kirin Techno-System Company, Limited, a manufacturer of comprehensive inspection machines for the beverage industry. Became a subsidiary as OMRON KIRIN TECHNO-SYSTEM CO., LTD. (April 2023)
- Launched i-BELT service using the i-BELT Data Management Platform (August 2022)
- Launched the K7DD-PQ series of motor condition monitoring devices that automate the monitoring of abnormalities at manufacturing sites, replacing human workers (February 2023)
- Launched the NX502 controller with advanced control of information and safety (April 2023)
- Launched the Green Concept aimed at reducing environmental impact by reducing the carbon footprint of control panel manufacturing (June 2023)
- Launched the MD-650 mobile robot, which contributes to optimizing transportation efficiency at production sites (July 2023)

OUTPUT

- Net sales: ¥485.7 billion (+16.2% YoY)
- Operating income: ¥85.8 billion (+12.6% YoY)
- Number of customers using innovative-Automation: 3717 companies (112% vs. plan)
- Sales of the solutions business as a proportion of total sales of IAB: 35% (+2% percentage points YoY)
- Created innovative applications: 290 (+40 from the previous year)
- Obtained certification for the IEC 62443-4-1 international standard for industrial control system security (May 2023)

OUTCOME

- Established manufacturing sites that support a sustainable future in which symbiosis with the global environment is achieved and workers experience job satisfaction



SDGs 8.2.1



SDGs 9.2.1



SDGs 17.16

Healthcare Business (HCB)

To advance health and empower people worldwide to live life to the fullest

Managing Executive Officer President and CEO
OMRON HEALTHCARE Co., Ltd.

Ayumu Okada



— You were appointed the president of the Healthcare Business (HCB) this year. What is your vision?

HCB's SF2030 vision is "Going for ZERO, Preventive Care for Health of Society." To address the social issue of preventing the onset of chronic disease events, we are working on 3 Zeros within these domains: "Zero cerebrovascular and cardiovascular events," "Zero aggravation of respiratory diseases," and "Zero restrictions of daily activities due to chronic pain." Worldwide, there are approximately 1.4 billion patients with hypertension, approximately 250 million with asthma, and approximately 1.5 billion with chronic pain. I believe that by promoting preventive medicine through our business, we can contribute to the creation of a society in which people around the world can live healthier and more comfortable lives.

— What are the strengths you have inherited from your predecessor? In terms of achieving sustainable growth, what do you perceive as the challenges?

I value the strong organizational capabilities that my predecessor has cultivated. It is a driving force toward one unified goal, while respecting individual freedom. I would like to further develop those strengths. I also inherited a robust global business, which is a hardware based business, centering on the cardiovascular disease management. Under SF2030, we are taking on the challenge of achieving a transformation of the business structure to one that emphasizes "product + experience" value. In promoting preventive medicine, solutions are needed that utilize vital data measured at home for diagnosis and treatment. For us to achieve this, we need to take a new approach. In addition to the development of new technologies and the evolution of services, we are also required to quickly respond to increasingly complex changes, including deregulation and geopolitical risks. We will further strengthen our organizational capabilities to swiftly respond to the

changes by equipping ourselves with skills for conceptualization, execution, business planning, and technology to create a business that emphasizes "product + experience" value.

— In fiscal 2022, net sales grew 6.9% year on year to ¥142.1 billion, while operating income declined 14% to ¥16 billion. What are the factors accounting for these results?

Consumer purchasing sentiment declined owing to increasing inflation worldwide and restrictions on travel from China during the COVID-19 pandemic. Despite these circumstances, we steadily captured the needs associated with growing health consciousness and quickly responded to improvements in logistics, resulting in steady net sales growth. The decline in operating income was a consequence of higher-than-expected costs for parts and materials and logistics, as well as continued investment for growth, such as in remote medical care.

— In SF 1st Stage, HCB is focusing its efforts on three business domains—"cardiovascular," "respiratory," and "pain management"—as well as "Remote Patient Monitoring(RPM) services." What can you tell us about each of HCB's businesses?

In the cardiovascular business, we are focusing on the development of devices and services such as blood pressure monitors with electrocardiographs (ECG) and portable ECGs that are useful for early detection and treatment of atrial fibrillation (AFib), which is a risk factor for stroke and often associated with hypertension. Through collaboration with our partners, we continue to strive to make ECG recording at home part of everyday culture. AliveCor, Inc., a U.S. company, and Tricog Health India Private Limited (Tricog), an Indian company, are among our partners. AliveCor is a developer of mobile ECGs that are easy to carry and can be used whenever one wishes. It provides support services for diagnosis and treatment of AFib via a remote monitoring platform

enabling physicians to monitor patients. Tricog provides cloud-based ECG analytical service. Blood pressure monitors with ECG are devices necessary for Going for ZERO, our vision under SF2030. We will focus on blood pressure monitors with ECG as the second pillar of devices alongside blood pressure monitors. Meanwhile, we are working to expand our device business in China and India, where further market expansion is expected due to economic growth and the increasing number of hypertensive patients in line with population aging. India, in particular, is thought to have 300 million hypertensive patients, and has high potential. The Indian blood pressure monitor market is expected to reach approximately 14 million units in fiscal 2030. However, the level of awareness of the importance of home blood pressure monitoring is low among both physicians and patients. The penetration rate of home blood pressure monitors remains at 5%. In response to this situation, our focus is on promoting home blood pressure monitoring. For patients, we hold in-store blood pressure measurement and awareness-raising events. For physicians, we are working with the Indian Medical Association to establish guidelines for home blood pressure monitoring. We also announced that we will establish a production facility in India. The new plant is scheduled to start operation in fiscal 2025.

In the respiratory business, net sales for fiscal 2022 were 133% of the plan due to a recovery in the nebulizer market, which had been affected by the COVID-19 pandemic, with brisk sales in Europe, South America, and Asia Pacific due to increased interest in respiratory diseases as a result of the pandemic. In China, where more than 100 million people suffer from respiratory diseases, we expanded our product lineup. The expansion included oxygen concentrators, for which there is a unique demand in China, in addition to the launch of a quiet nebulizer to meet the local needs, and an innovative wheezing sensor. In collaboration with pharmaceutical companies we have set up “Nebulizer Rooms” in major hospitals, utilizing

the medical channel, which is one of our strengths, to promote and raise awareness of nebulizers. Regarding pain management, we have started cultivating a new market in Japan, sports recovery, for use in post-exercise care, in addition to the existing TENS devices for shoulder and back pain relief. Sports recovery device is beginning to spread mainly among professional athletes, but we hope that in the future the general public will use it for care at home. We would also like to focus on electrotherapy bands to alleviate knee pain. Utilizing a network of regenerative medical startups, we are working to build a channel of orthopedic clinics and hospitals to sell these devices to their patients. It is estimated that 30 to 50 million people worldwide suffer from osteoarthritis of the knee, and we believe these devices will lead to an increase in healthy life expectancy, including the prevention of patients becoming bedridden.

Regarding RPM service, we launched VitalSight^{*1} in the U.S. in 2020, and Hypertension Plus^{*2} in the U.K. in 2021. These services are designed to prevent cardiovascular disease events by allowing physicians to continuously monitor blood pressure data measured by patients at home and intervene as needed. In the U.S., through verification of the

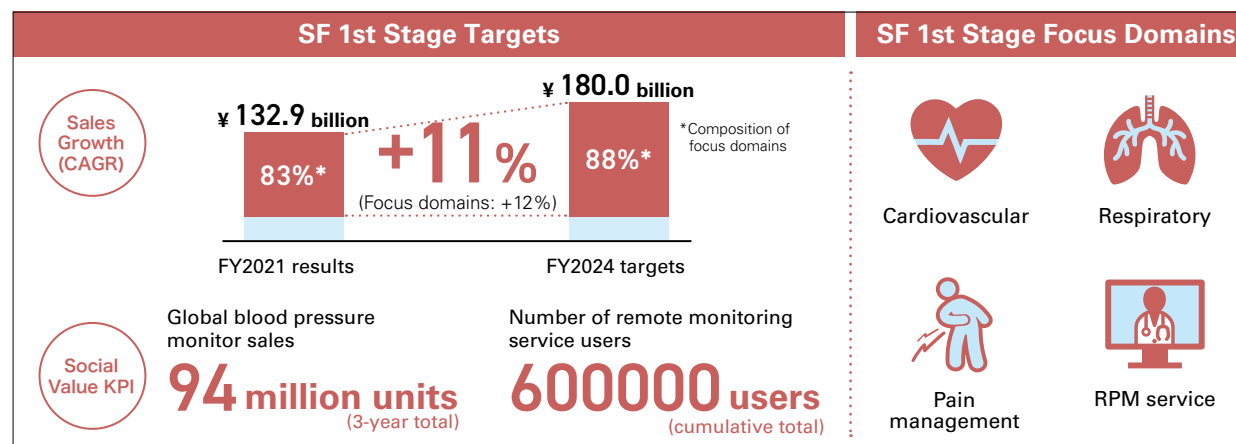
effectiveness of the treatment of the service users, the effect of blood pressure control was confirmed, with an average decrease of 7.8 points in systolic blood pressure. Moreover, 94% of the users are satisfied with the service. In fiscal 2022, we focused on maintaining the billable rate, one of the KFS of this business. In the U.S., the criterion for eligibility for reimbursement under insurance policies is a minimum number of measurements per month. Initially, we are concentrating on this point and establishing services to ensure that patients would meet this number. In the U.K., we are developing a system that is easy to use for medical professionals and reduces workload once introduced on site. Following the completion of development, which is scheduled for September 2023, we will work to increase the number of users.

^{*1} VitalSight: A remote monitoring service launched in North America in September 2020. Sharing patients' data measured at home with physicians realizes efficient and effective treatment.

^{*2} Hypertension Plus: A remote monitoring service launched in the U.K. in April 2021 that features recommendation of customized medication plans to patients, and uses blood pressure data measured at home.

— The RPM service appears to be one of the symbols of the transition to “product + experience” value businesses. I think it has a lot of potential as a business, but how do you see it developing in Japan?

At present, we are focusing on establishing services



in the U.S. and the U.K. as successful cases, thereby laying the foundation for a business model capable of generating profit. In Japan, we are working steadily with some hospitals and local governments to verify the effectiveness of RPM. We expect it to be included in the health management schemes of companies, organizations, and local governments, such as in medical checkups. The environment surrounding RPM services, such as insurance systems and medical systems, differs among countries and regions. However, we would like to create a business environment and expand our services in various countries in the future.

— How is HCB progressing with the social value KPIs set under SF 1st Stage?

HCB's social value KPIs under SF 1st Stage are global blood pressure monitor sales of 94 million units, a cumulative total for three years, and for remote monitoring services, our new initiatives, 600,000 service users. In fiscal 2022, the first year of SF 1st Stage, global blood pressure monitor sales totaled 22.06 million units, and the number of users of remote monitoring services grew steadily.

— Can you tell us about HCB's business plan for fiscal 2023 and prospects for medium- and long-term growth?

Our targets for fiscal 2023 are net sales of ¥146.0

billion and operating income of ¥17.0 billion yen, which we plan to achieve by reinforcing sales of devices, the foundation of our business, with a focus on blood pressure monitors. In fiscal 2022, facing logistics issues attributable to the COVID-19 pandemic, we concentrated our efforts on resolving the supply issues. In fiscal 2023, aiming for further growth, we are committed to ensuring the supply of products to our customers.

Specifically, in the cardiovascular business, we will strive to resume growth of our share of the global blood pressure monitor market. This year is the 50th anniversary of the launch of OMRON's first blood pressure monitor. We will also increase the number of countries where we sell blood pressure + ECG monitor and portable ECG, and spread the culture of home ECG recording.

The market of the respiratory business is growing, especially in India and China, having many patients. We will continue to focus on the introduction of products that meet market needs while increasing the recognition of nebulizers and strengthening the business through collaboration with pharmaceutical companies and medical professionals.

Regarding RPM, we will promote efforts to maintain the billable rate in the U.S. and establish a system in the U.K. that decreases the workload on healthcare professionals, and shift to the next stage where we see the scale up of the business.

— What do you consider to be HCB's advantages over its competitors?

I think HCB has three competitive advantages. Firstly, we have the know-how in obtaining regulatory approval as medical equipment. We sell medical devices in more than 130 countries, having obtained regulatory approval as medical equipment in 97 countries.

Secondly, we have earned the trust of the medical community. Home blood pressure readings are used by physicians as the basis for diagnosis and to determine the treatment policy for hypertension. We have enabled patients to monitor their blood pressure more easily and accurately at home. OMRON's blood pressure monitors are highly trusted by the medical community for their accuracy. Furthermore, we have been striving since the 1970s to promote greater awareness of the importance of home blood pressure monitoring and have developed blood pressure monitors while deepening the relationship with healthcare professionals. STRIDE BP (an international scientific non-profit organization founded by hypertension experts) lists 103 OMRON blood pressure monitor models as validated devices on its website (as of January 2023, survey by OMRON HEALTHCARE). Because physicians trust OMRON, users also trust OMRON products. I will cherish this trust that we have cultivated over the years, which is the source of our brand power.

Acquisition of regulatory approvals

97 countries

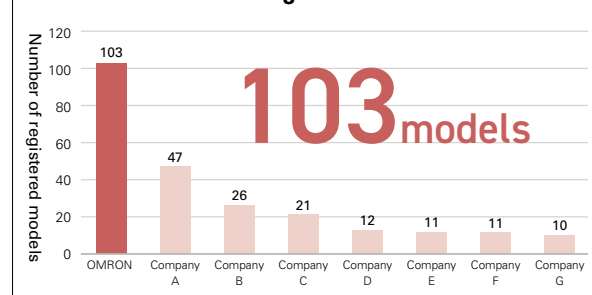
Over 130 countries and regions where OMRON health and medical equipment is sold

Global Sales Network

600000 sales channels

+160000 sales channels compared to fiscal 2015

Number of models that gained STRIDE BP validation



Thirdly, we have solid sales channels. We gained regulatory approval as medical equipment in each country and have developed business over the years. As a result, we now have a sales network comprising 600,000 sales channels worldwide, enabling us to deliver our products quickly and reliably. At the same time, “OMRON Connect,” a health management app for the customer base, is distributed in more than 130 countries and regions worldwide. We will create personalized insights for users and design algorithms to gather data from the customer base, both of which are essential for preventive medicine.

— What do you think of the current revenue structure? Please share your thoughts, including on the future strategy.

We will focus on our “capability of generating profit” based on our core businesses such as blood pressure monitors and nebulizers. Then, using the resources generated by the core businesses, we will invest in the creation of businesses that will have a social impact, such as innovative devices and services necessary to realize HCB’s vision under SF2030. We intend to create such a virtuous cycle. In emerging countries, the penetration rate of home blood pressure monitoring is still low, so activities to heighten awareness and presence in the healthcare sector are necessary. I expect we will continue investing in these areas for some time to further generate sales and profit.

On the other hand, our initiatives to achieve carbon neutrality, which is a social issue, constitute a criterion that consumers consider when choosing companies, products, and services. It is also a matter of corporate responsibility. We are working to establish carbon neutral production lines, make product packaging environmentally friendly, and design products that minimize power consumption. The Matsusaka Factory has started procurement within Japan of major parts for blood pressure monitors. This will reduce parts procurement lead times and reduce the amount of

storage space required, which is expected to result in a reduction of approximately 3.4 tons*³ in CO₂ emissions. We will vigorously invest in these measures as well.

*³ Based on calculations by OMRON HEALTHCARE

— What transformations are needed to achieve SF2030? What assets and capabilities are necessary for sustainable growth?

I would like to enhance HCB’s ability to anticipate and prepare for change as well as respond to change quickly and flexibly. To anticipate change, it is important to capture not only market data, but also the voice of the customer. We want to cultivate sensitivity that will enable us to find value in the voice of the customer. The data may not show it apparently, but I would like us to articulate it and create new value out of it. Moreover, the key to enhancing product planning as well as technical and sales capabilities is to cultivate the culture and atmosphere of the organization that anchors the business. For this purpose, we have formulated the “Global Human Resources Policy” that indicates the way forward for our employees. The keyword is “connect.” By transcending divisions and connecting more strongly, we would like to enhance our ability to anticipate change and flexibly, quickly, and effectively respond to change. Beyond that, I believe that we can see “OMRON becoming synonymous with chronic diseases management.”

— OMRON is committed to high cycle management. What is HCB pursuing and what results have been achieved?

Specifically, I would like to raise the level of HCB’s ability to set goals as an organization. For this purpose, rather than setting a solid achievable goal, we should set a medium to long-term goal that can lead to resolution of a social issue. It is important to have the ability to identify the bottlenecks along the path to achievement of the goal and to formulate a

scenario eliminating the bottlenecks.

For VitalSight, a RPM service in the U.S., we have defined the medium to long-term goal and the path to it. We review progress monthly and run the latest iteration of the “trial & learning” cycle. In addition, we have created an HCB version of the guide to high cycle management. In order to deepen employees’ understanding in preparation for implementation of high cycle management throughout HCB, all employees are engaged in ongoing discussions. I have had many discussions with managers in Japan and around the world. Stakeholders’ expectations of HCB are growing. We must foster a mindset among all employees that predisposes them to boldly take on challenges without fear of change or failure, and to share and learn from any failures as an organization. By doing so, I believe we will increase awareness of the need to attain higher goals, which will lead to the strengthening of both the organization and individuals.

— Finally, as president, how do you aim to manage the organization?

As I said at the outset, my aim is to enhance HCB’s ability to effectively respond to change and make HCB a stronger and more agile organization. I would like HCB to be a team whose diverse members with their different personalities and specialties advance boldly toward the same goal. Sharing the mission of helping people around the world be healthy, all of us at HCB can take pride in our work. I believe that it is the president’s job to help every employee realize their full potential. As for contributing to the resolution of social issues, I would like all our employees to experience this, and moreover to achieve growth of HCB as an organization.

Case Initiatives in India

India is estimated to have about 300 million hypertensive patients. The blood pressure monitor market is also projected to expand from 1.19 million units in fiscal 2020 to 14 million units in 2030, an approximately 12-fold increase. However, the use of home blood pressure readings in medical treatment and the practice of patients measuring their blood pressure at home have yet to become common practice, and the penetration rate of home blood pressure monitors is still only 5%. Moreover, about 80% of the medical institutions still use aneroid blood pressure monitor (aneroid blood pressure monitor that measure blood pressure by listening to arterial sounds called Korotkoff sounds with a stethoscope), and replacement demand for digital blood pressure monitors is expected. Therefore, we are taking on the challenge of publicizing home blood pressure monitoring and encouraging its mass adoption by promoting activities to raise awareness and product recognition for physicians and patients.

OMRON Academy Supporting the Use of Home Blood Pressure Readings in Medical Treatment

We are pursuing collaboration and dialogue to promote awareness among healthcare professionals of the importance of home blood pressure monitoring. Moreover, we are working with key opinion leaders to develop evidence-based guidelines derived from data obtained through home blood pressure monitoring among the Indian population so that home blood pressure readings can be used for hypertension diagnosis and treatment. Furthermore, we offer the OMRON Academy, an educational program for healthcare professionals, to highlight the importance of home blood pressure monitoring. We invite a key opinion leader as a lecturer for the OMRON Academy and raise awareness among the audience of the importance of home blood pressure monitoring in the treatment of hypertension, using original content

featuring data on Indians as teaching materials. In fiscal 2022, we held the OMRON Academy in 12 cities in which 2950 healthcare professionals participated.

Experience Centers Promoting Home Blood Pressure through “Hands-on” Experience

From 2018, OMRON began rolling out Experience Centers where customers can get hands-on experience of blood pressure measurement and other OMRON products and services, including guidance on how to use a nebulizer. Experience Centers are also equipped with customer service functions including repair. Starting from major cities, we are expanding the network of Experience Centers step by step to strengthen our points of contact with customers. There are three types of Experience Centers: an exclusive OMRON shop with all three functions of hands-on experience, service and pick-up; a shop-in-shop in a corner of a pharmacy or other location; and a mini-experience corner that focuses on hands-on experience and sales of products and provision of service. We have opened Experience Centers according to the needs of the area and the business environment. Approximately 26000 customers have visited Experience Centers. We address the different user needs and consumer behavior in each region in our marketing, having grasped these characteristics by listening directly to our customers. We plan to open 17 Experience Centers by fiscal 2023. By making it possible for customers to familiarize themselves with our products and services, and to experience the joy of selecting products and the satisfaction of the fastest repair service, we hope customers visiting Experience Centers will become lifelong OMRON fans.

OMRON Healthcare India
Gagan Saxena



Exclusive OMRON shop in Ludhiana

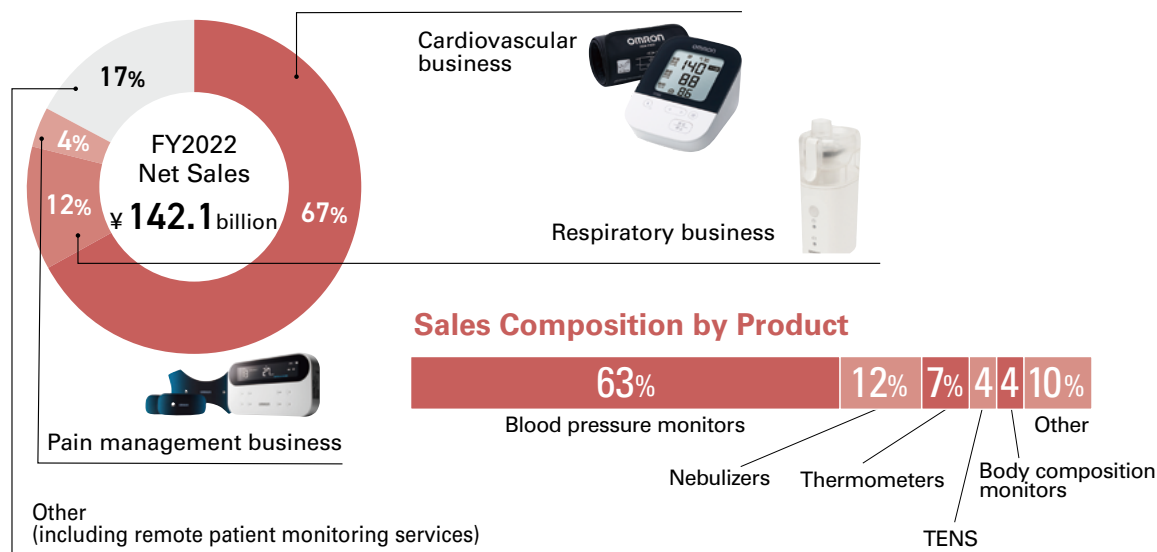


Exclusive OMRON shop in Gurgaon

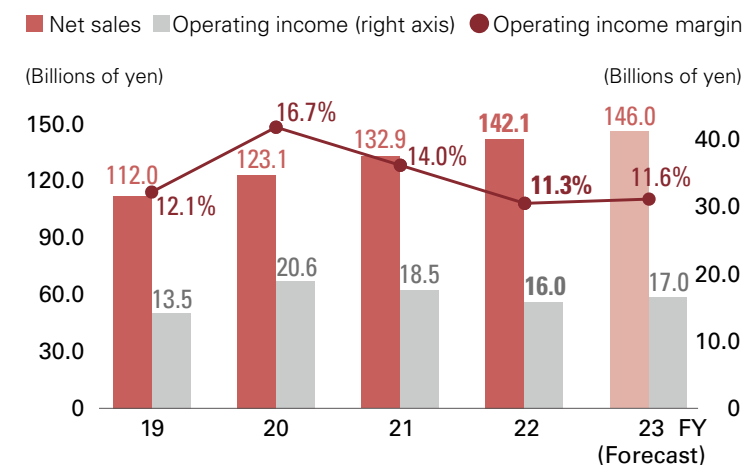


Shop-in-shop in Chennai

Sales Composition by Business Domains



Net Sales / Operating Income / Operating Income Margin



INPUT

- R&D cost: ¥7.9 billion (results for fiscal 2022)
- Capital expenditure: ¥6.6 billion (results for fiscal 2022)
- Committed to doubling “energy productivity” with the Healthcare Business upon joining the EP100 international initiative (November 2022)
- Changed the packaging for thermometers from plastic to environmentally friendly paper package
- Implemented a Pharmacists Recommendation Model, an ECG-based medical consultation recommendation model, in cooperation with the Smart Health Care Association at dispensing pharmacies and drugstores
- Launched a blood pressure + ECG monitor and a portable ECG in Japan
- Collaboration with Tricog Health India Private Limited (Tricog), which develops and provides cloud-based ECG analytical service in India

OUTPUT

- Net sales: ¥142.1 billion (+6.9% YoY)
- Operating income: ¥16.0 billion (-13.6% YoY)
- Cumulative global sales of blood pressure monitors: 22.06 million units (fiscal 2022)
- Number of remote patient monitoring service users: 75000
- Began development of a remote patient monitoring service utilizing Tricog’s cloud-based ECG analytical service and HCB’s ECGs.

OUTCOME

- Contribute to advance health and empower people worldwide to live life to the fullest by creating eco-systems for preventive medicine to decrease the onset of chronic disease events



SDGs 3.4.1

Social Systems, Solutions and Service Business (SSB)

Create a Society Where People Can Experience Happiness at All Times

Managing Executive Officer
President and CEO OMRON SOCIAL SOLUTIONS Co., Ltd.
Katsuhiro Shikata



— You were appointed the president of the Social Systems, Solutions and Service Business (SSB) this year. What is your vision?

SSB's vision is "Design Next Social Structure – Creating 'Social Good' by Organically Linking People and Society through Social Automation." 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. We are endeavoring to "design" next-generation social systems to create a society where people can experience happiness at all times.

— Net sales for fiscal 2022 were ¥107.3 billion yen. What is your analysis of the factors that enabled SSB to exceed the target for fiscal 2024?

There are two factors. First, despite parts shortage, we ensured the supply of products in response to the growing demand for storage batteries arising from soaring electricity costs in the energy market as well as the increasing need for renewable energy due to the expansion of subsidies. The other is that we captured the demand associated with the recovery of customers' investment in line with the recovery of the number of rail passengers, which had fallen during the COVID-19 pandemic.

— What are SSB's strengths that you would like to develop in order to achieve sustainable growth, and what do you think are the challenges for SSB?

SSB has two strengths. Firstly, we are able to cover the entire business value chain from development to manufacturing, maintenance, and operation. We support social infrastructure throughout Japan with the organizational strength of 130 bases nationwide and approximately 1200 engineers. Secondly, we have gained trust and a high market share through our long history of providing products that support social systems, such as railway public transportation system and traffic and road management system. Many of our products have the first or second largest market

share in their respective fields.

On the other hand, SSB has two challenges. The first is to further strengthen the energy business. The demand for renewable energy is increasing in view of the overriding need to achieve carbon neutrality and the recent hike in electricity costs. We have gained a high market share in PV inverters and storage battery systems, which are indispensable for solar power generation. I believe there is room to further leverage such strength. As the need for renewable energy expands, we will strive to expand our energy business through smart control using energy management systems (EMS) and smart integration of distributed energy resources.

The second is the transformation from "1 solution x 1 market" to "N solutions x N markets." In particular, we will work on "4x4 multilayered value proposition" as the flagship, which involves proposing solutions to four issues in four markets. Our solutions have a high market share and a presence rooted in their respective markets and industries, but the issue is that we are offering only one solution in one market. Therefore, we will work to achieve transformation of our value proposition so that we can offer multiple solutions to multiple markets and industries and customers in a multilayered manner. For example, in the railway market, our solutions are focused on labor saving and manpower saving, such as automation of station ticket gates, support for various transactions (tickets, cards, etc.), and reliable fare collection. Going forward, we will strive to deliver value in a multilayered manner by implementing various strategies that leverage our strengths, such as proposing solutions for energy saving in the railway market. Going beyond resolving on-site issues through the provision of existing equipment and services, we aim to resolve customers' management issues by working together with them, while leveraging the expertise SSB has accumulated.

— To achieve SF2030, SSB is promoting "provision of control systems that stabilize power generation," "management and service systems that support efficient use of on-site systems," and

“enhancement of operational efficiency of the social infrastructure business.” Can you give us a progress report?

We have some major achievements to our credit. Regarding provision of control systems that stabilize power generation, the number of connected energy management devices, which is a social value KPI, was 24000 units in fiscal 2022, whereas the target is 50000 units connected by 2024. As of the end of the first quarter of fiscal 2023, the number of connected energy management devices has already reached 43000 units. Moreover, regarding the energy management system (EMS), in January 2023 self-consignment of electricity began from the OMRON Miyazu Solar Panel Plant (Miyazu City, Kyoto) to the Keihanna Technology Innovation Center (Kizugawa City, Kyoto), a business site at a distance of 100 km. Thanks to this EMS control technology, while maximizing the use of renewable energy generated in-house, the Keihanna Technology Innovation Center can satisfy around 30% of its annual electricity demand with the electricity supplied by the power generation facility in Miyazu City. Regarding management and service systems that support efficient use of on-site systems, we have enhanced our integrated maintenance services. In addition to multi-vendor support, which means we accept requests for inspection and repair of products even if they are made by other manufacturers, we have expanded logistics, kitting, and reporting agency services. In February 2023, we launched “assessment & design services” for companies facing challenges in maintenance management and facility operation. Using digital technology, the new services optimize business processes through “business process assessment” and “business process design.” Regarding enhancement of operational efficiency of the social infrastructure business, we have promoted “predictive maintenance,” which involves collecting on-site equipment operating data to grasp equipment conditions, and analyzing and utilizing such data to ensure that the necessary personnel are dispatched to provide maintenance services whenever needed.

Going forward, while continuing initiatives to improve operational efficiency, we will seize business opportunities, such as needs for digitization of tickets, including QR codes in the railway market and needs for labor saving for efficient management and operation of traffic flow in the transportation market.

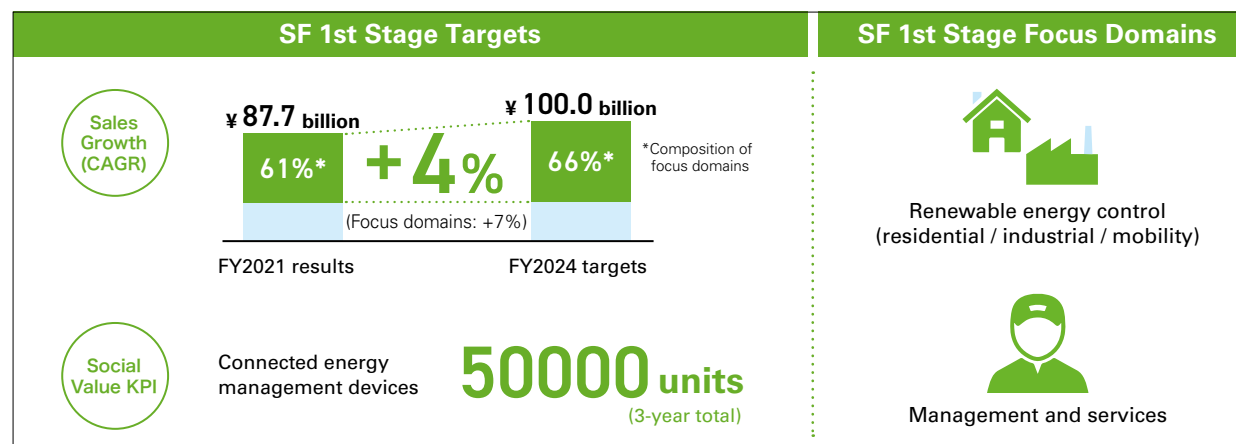
— Could you speak about SSB’s business plan for fiscal 2023 and prospects for medium- and long-term growth?

We expect the business environment to be generally firm due to rising demand in the energy business and the recovery of investment in the railway-related business. We have positioned fiscal 2023 as a year to “establish a foundation of sustainable growth” and “further strengthen the revenue base” toward “complete practical application of our strengths” for the medium to long term. In the energy business, our priority focus domain, we will strive to expand provision of distributed energy equipment, such as PV inverters and storage batteries for homes and small stores, and connect them to systems through a network. In the industrial domain, we will expand the introduction of systems combining large storage batteries with EMS, which efficiently manage renewable energy in response to electricity

demand. Need for efficient use of solar and other natural energy will increase in order to increase the ratio of renewable energy. Thus, I think technology to control energy equipment and systems will be important.

— What are SSB’s competitive advantages in the energy domain?

We have three competitive advantages in the energy business. Firstly, our grid connection control technology. By connecting solar power generation systems to a power company’s grid, OMRON’s unique control technology ensures stable connection. Even in the case of an increase in the grid, transmission and distribution lines will not become unstable and stable sales of electricity to the power company will be maintained. Secondly, we have the ability to swiftly provide uniform maintenance services anywhere in Japan. Thirdly, the versatility of our PV inverters and storage batteries, which can be linked with products from various manufacturers in a system. This allows for optimal configurations to match the needs of the demand side in terms of usage, performance, cost, etc. We will add “ability to provide services through EMS” to these three competitive advantages to minimize power generation losses and provide long-term stable operation, thus encouraging greater use of renewable energy.



— How do you envision the future of energy management? In what ways do you plan to strengthen the energy business?

Thanks to the advent of storage batteries, renewable energy generated by solar panels can now be efficiently controlled. That energy is portable, as typified by EVs. We expect stable and flexible electricity distribution to become possible by 2030 through integrated control and management of these distributed energy resources. In Japan, it is becoming increasingly difficult to find suitable sites available for installation of solar panels. Maximizing the efficiency of renewable energy use will be the key to achieving carbon neutrality. We will leverage our strength in components, such as PV inverters and storage batteries, and our PPA services for companies, which will increase the ratio of in-house consumption through conclusion of power purchase agreements, as a way to secure a foothold. We will promote initiatives to build an energy business that provides value for various power systems, such as by adjusting the supply-demand balance and avoiding output curtailment of renewable energy sources through EMS-based control, integration, and networking of distributed energy resources. As EMS is a field that will continue to expand, many companies are preparing to enter the market. In these circumstances, we are expanding the range of our EMS services, such as self-consignment of electricity from the OMRON Miyazu Solar Panel Plant and the use of large storage batteries for energy control. In May 2023, we launched a V2X system to enter the field of energy control using EVs, in anticipation of the future mass adoption of EVs.

— What is your view of transformation for growth?

Pursuing what we call “4+1+1 transformation,” we will work on four transformations in terms of business and one each in terms of human resources and organizational culture. For business, firstly, we are pursuing transformation from “1 solution x 1 market” to “N solutions x N markets,” which I mentioned earlier is a challenge. Secondly, transformation to the

“essential value perspective.” In addition to providing value targeting customers’ current issues, i.e. “on-site x short-term” issues, we will work to create value for future issues, i.e. issues related to “management and industry x mid-term” from the essential value perspective. Thirdly, creation of a recurring revenue model. By increasing the ratio of recurring revenue business for which multi-year contracts and future revenue can be expected, we will shift from providing value in a single year to providing value over the medium to long-term. Fourthly, transformation to a “solution cycle.” This involves transformation of our position from an outsider, that is, one who listens to customers’ explanations of their on-site issues and provides value targeting certain functions (implementation, operation), to an insider who identifies business issues together with customers and provides value targeting every phase of their operations (planning, implementation, operation, improvement). Regarding human resources, we are aiming to “develop human resources who will play a key role in creating businesses from the essential value perspective and in achieving recurring revenue,” SSB has defined four model human resources: producers who can create business that will drive growth from the essential value perspective; influencers for maintaining and strengthening OMRON’s influence and position in the industry; experts with specialized skills necessary for business continuity, enhancement, and evolution; and management for maximization of organizational results. SSB is currently developing all these human resources. Regarding the organizational culture, we aim to create an organization where management and all employees enhance one another through interactive relationships, rather than a top-down or bottom-up approach of one-way relationships between management and employees.

— What is your view of the current revenue structure?

In terms of ROIC, we aim to increase both return on sales and invested capital turnover by increasing the ratio of subscription-based business (recurring

revenue). At the same time, in order to maintain and improve ROIC, we will increase investment in assets that generate higher returns. For the Miyazu power plant that I mentioned earlier, we adopted a PPA* business model: we leased the land, invested in construction of the power plant, including installation of solar panels and storage batteries, and are recouping our investment by selling the generated renewable energy to OMRON.

*PPA: Power Purchase Agreement in which a business leases the roof or idle land of a site owned by a company or municipality and installs power generation equipment free of charge, and the company or municipality uses the electricity generated at the site and pays a service fee for the electricity consumed to the business.

— How does SSB practice and promote high cycle management?

We are applying high cycle management in the “4x4 multilayered value proposition” initiative, which I mentioned earlier. When working to resolve issues at the customer’s frontline, we simultaneously propose the various solutions that SSB can offer. Then, decision-making among top management will accelerate the prioritization of proposals, trial implementation, and decisions as to which proposals should be pursued. High cycle management is becoming entrenched at each workplace. I see that more and more people are engaged in high cycle management. They are considering and discussing how best it can be applied in their work.

— On becoming president, you made a promise to your employees, didn’t you?

I promised to cultivate an organizational culture in which employees can bring their capabilities into full play based on a high level of psychological safety, and then to build an organization equipped with outstanding execution capabilities and competitiveness based on that culture. Such an organization allows employees to speak up and challenge higher goals while respecting one another’s diversity. I am convinced that a flat culture with a supportive atmosphere will lead to high execution capabilities and greater competitiveness.

Case 1

Utilizing Self-Consignment System to Accelerate the Introduction of Renewable Energy

OMRON announced its medium- to long-term environmental target, OMRON Carbon Zero, with the goal of reducing Scope 1 and 2* greenhouse gas (GHG) emissions to zero by 2050. To achieve this goal, we are working to achieve zero GHG emissions at all 76 sites in Japan. OMRON FIELD ENGINEERING Co., Ltd. (OFE), a member of the OMRON Group, which provides engineering, field service, and operation management services to customers nationwide, is participating in a project to introduce renewable energy at sites in Japan in furtherance of the OMRON Group's carbon zero initiatives.

In order to continue business activities while reducing GHG emissions, it is vital to utilize electricity generated from renewable energy sources at solar power plants. However, it is difficult to find sufficient space for such a facility at offices in urban areas. Meanwhile, if we turn our eyes to more rural areas, we can still find spaces large enough for installation of power generation facilities. OFE has come up with the idea of supplying electricity from renewable energy sources in rural areas via "self-consignment." Self-consignment is a scheme that allows companies to transmit electricity generated at their own facility at a remote location to their own factories and offices through the transmission/distribution network. There are only a few examples of self-consignment in Japan so far. By taking advantage of this scheme, OFE has realized supply of power to OMRON's R&D base, Keihanna Technology Innovation Center, from the OMRON Miyazu Solar Panel Plant (Miyazu City, Kyoto), located at a distance of approximately 100 km. As a result, approximately 670 MWh of electricity per annum, which accounts for around 30% of the electric power consumed at the site, will be supplied from a remote location, enabling a reduction of approximately 200 tons of GHG emissions per year. The biggest challenge for enabling self-consignment

was "keeping energy production equal to energy demand (balancing)." To stabilize power transmission and distribution networks, self-consignment service providers are required to submit their prediction of the power generation volume and consumption volume to electric power companies beforehand and ensure that the planned value coincides with the actual value, a process demanding high-precision energy management. To achieve this precise control, OFE introduced an original energy management system (EMS) using large storage batteries. The EMS predicts the power generation volume with a unique algorithm that incorporates meteorological data from the Japan Meteorological Agency and private weather information services and past power generation data, as well as know-how gained from the experience of working with over 2000 power generation facilities. By controlling energy based on these predictions, OFE developed a system that minimizes errors between planned and actual values by charging storage batteries when the power generation volume exceeds the planned value and discharging when it is below. Many Japanese companies are introducing facilities generating electricity from renewable energy sources as they endeavor to achieve carbon neutrality by 2050, giving rise to high expectations for the use of self-consignment schemes. OFE will continue to take on the challenge of adopting such a new scheme and developing the related technologies so as to contribute to the achievement of carbon neutrality.

* Scope 1: Direct GHG emissions from the company's use of fuels
 Scope 2: Indirect GHG emissions from the use of electricity/heat purchased by the company
 Scope 3: GHG emissions from the company's value chain

Energy Management HQ
 OMRON FIELD ENGINEERING Co., Ltd.

Noriaki Hayakawa



Employee Comments

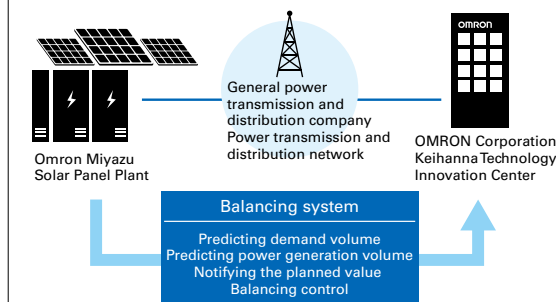
Keihanna Technology Innovation Center has been working to reduce GHG emissions, centering on Scope 2, to achieve OMRON Carbon Zero. However, the use of renewable energy relevant to Scope 2 was limited to a small amount of electricity generated by a solar power generation system at the Center, and there was no prospect for further progress. In these circumstances, the adoption of "electricity supply via self-consignment" that OFE is promoting has led to significant progress in the introduction of renewable energy. Following the start of the operation of the power generation facility, approximately 30% of the electricity consumed at the Center in the first quarter of fiscal 2023 was covered by electricity supplied via self-consignment and solar power generation at the Center, contributing significantly to the reduction of GHG emissions. Going forward, we will promote energy saving by upgrading to energy-efficient facilities and contribute to the carbon neutrality of society through our R&D outcomes.

Renewable Energy Introduction
 Project member
 OMRON Keihanna Technology
 Innovation Center

Kenichi Nishikawa



Self-consignment system linking power generation facilities in remote locations with business sites



Case 2 **Creating New Services with OMRON Product Users**

Companies are working to decarbonize their operations in order to achieve a carbon neutral society by 2050. However, since many companies are finding it difficult to achieve their goals through energy conservation and the introduction of renewable energy alone, decarbonization is a major challenge for management. On the other hand, electricity generated at home and consumed at home has been overlooked instead of being recognized as something that could fulfill a significant role in reducing CO₂ emissions. In January 2022, OMRON SOCIAL SOLUTIONS (OSS) launched a new service, "Our Eco Life Circle," to leverage the environmental value inherent in this electricity. This service covers users of solar power generation and storage systems provided by OSS. OSS collects data on self-consumption of power generated by solar power systems at the homes of the users of this service and converts it into environmental value credits, utilizing the J-Credit Scheme*, a global warming countermeasure of the Japanese government. Credits can be reported as the amount of renewable energy procured through initiatives such as RE100 and SBT, and companies can promote environmental management by utilizing the credits to make up for the portion they cannot achieve by energy saving and energy generation efforts. Users of this service will also receive points that can be exchanged for various types of electronic money and gifts according to the amount of self-consumption. NTT SMILE ENERGY, Inc. (NTTSE), which provides remote monitoring services for solar power generation, operates this point reward service. NTTSE does not simply reward users with points, but also utilizes its expertise in promoting interest and concern for the environment in order to encourage users to become

more environmentally aware. As a result, users not only experience an environmentally friendly lifestyle based on renewable energy, but also have a stronger sense that their actions at home are connected to the realization of a carbon-neutral society. A society that aims for carbon neutrality, users who are the driving force of society, and OMRON and its partners are connected in a virtuous circle to create a better society. This concept is reflected in the name of our service. Since its launch in January 2022, the service has been well received and currently has over 15,000 users. Our target is to collect 36 GWh of self-consumption of solar power generated as environmental value in three years from the launch of the service. As of August 2023, the amount had reached 25 GWh, far exceeding the plan, and has already reduced emissions by 11,000 tons of CO₂ equivalent. With OMRON Carbon Zero as its long-term vision, OMRON is working to decarbonize all its 76 sites in Japan. In fiscal 2022, with the addition of energy generation and energy saving at each site, five sites achieved carbon zero by utilizing this service. Through the service, OSS will fulfill its social responsibility as a company that promotes carbon neutrality and decarbonization, and contribute to the creation of a sustainable society.

* J-Credit Scheme: Under this scheme, the Japanese government certifies the amount of emission reductions and absorption of CO₂ and other greenhouse gases through initiatives such as introduction of energy-saving equipment and forest management as "credits."

Emergent Strategy Dept., Energy Solutions
Business HQ
OMRON SOCIAL SOLUTIONS Co., Ltd.

Shoko Kambayashi



Comments from Our Partner

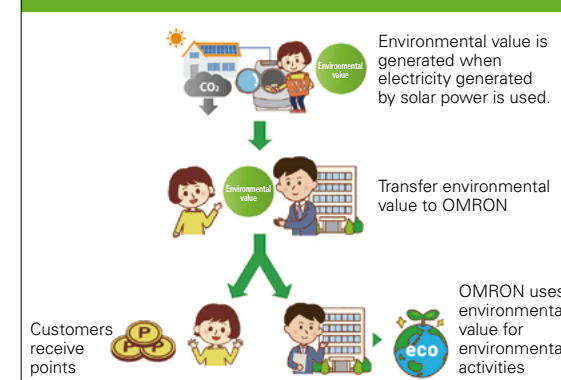
OSS and NTTSE have collaborated on sales of PV inverters, storage batteries, and other products, but there have been no cases of collaboration on business development. In the renewable energy industry, where a sense of speed is required, business development through collaboration is indispensable, and I am pleased that NTTSE was able to contribute with its speedy development capabilities and create an exemplary case study. The business in which customers are rewarded for environmental value is a precursor of the virtual power plant (VPP) business that will take off in the coming years. This is a new challenge for OSS, which aims to evolve from a manufacturer to a service provider, effectively utilizing users' resources and promoting carbon neutrality and decarbonization together with users. We at NTTSE are also taking on this challenge together with OSS so as to achieve business expansion of the two companies.

Business Development Department
NTT SMILE ENERGY, Inc.

Keiichiro Umeda



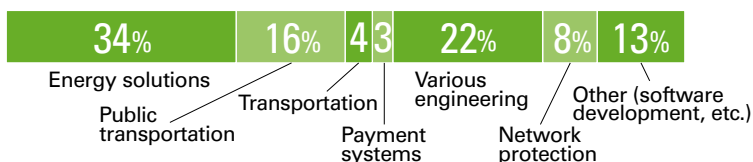
How Our Eco Life Circle Works



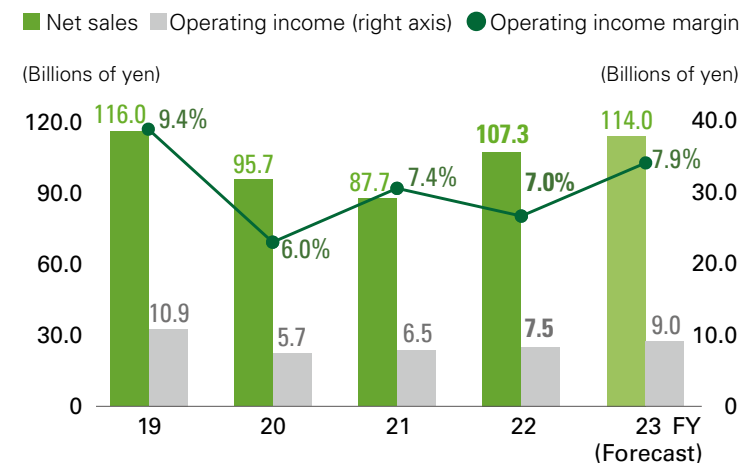
Sales Composition by Business Domains



Sales Composition by Product



Net Sales / Operating Income / Operating Income Margin



INPUT OUTPUT OUTCOME

- R&D cost: ¥3.5 billion (results for fiscal 2022)
- Capital expenditure: ¥3.4 billion (results for fiscal 2022)
- Started verification experiment of robotics, mobility, and building facility coordination service to save labor by introducing robots (September 2022)
- New entry into energy solution business for electric vehicles (EVs and PHEVs), launch of EV charging control service (November 2022) and V2X system (May 2023)
- Launched “assessment & design services” for management of maintenance and operation of chain stores, etc. (February 2023)
- Launched PPA services for companies and municipalities for on-site solar power generation and storage (April 2023)
- Launched storage battery remote control service for retail electric power companies (September 2023)

*V2X (Vehicle to X): Technology that collectively refers to the connection or interconnection of an electric vehicle with something (X)
*PPA: Power Purchase Agreement, Power Purchase Agreement using the third-party model

- Net sales: ¥107.3 billion yen (+22.3% YoY)
- Operating income: ¥7.5 billion (+15.1% YoY)
- Connected energy management devices: 24000 units
- Cumulative shipped capacity of solar power systems: 11.3 GW
- Cumulative shipped capacity of storage battery systems: 1.1 GWh
- Cumulative total of certified credits through carbon offset services utilizing J-Credit Scheme: 25 GWh (as of August 2023)
- Started operation of “meemo,” a community-based MaaS, in Maizuru City, Kyoto (June 2022)
- Started operation of “self-consignment” of electricity generated by renewable energy sources for sites in Japan (January 2023)

- Contributed to realization of a better society in which people around the world can continue to live in a safer, more secure and comfortable society by expanding renewable energy and providing people-friendly next-generation systems



Device & Module Solutions Business (DMB)

Shift from a Style That Supplies Components to a Style That Creates Its Own Solutions Starting from Social Issues

Managing Executive Officer
Company President, Device & Module Solutions Company

Masahiko Ezaki



— You were appointed the president of the Device & Module Solutions Business (DMB) this year. What is your vision?

DMB's vision under SF2030 is to "Resolve Social Issues with Customers" by leveraging DMB's strength in "connecting" and "switching" technologies. Based on this vision, I recognize my mission is to transform DMB into a business that can achieve sustainable growth. The basic thrust of SF2030 is to shift DMB's style of business from supplying components that resolve individual customers' issues to creating new value by considering the optimum solutions starting from social issues, working together with customers and partners, and implementing those solutions.

— Please tell us about fiscal 2022.

Under SF2030, we are focusing on four domains— devices for DC (direct drive) drive, devices for DC infrastructure, high-frequency devices, and remote/VR devices—that are expected to grow further with migration to DC to ease environmental burdens and digitalization of society. Moreover, we are also sharpening our focus on new ways of delivering value corresponding to "Green," "Digital," and "Speed," attributes that will become increasingly important in the future, in order to realize a sustainable society. In fiscal 2022, while strong demand continued, there were difficulties in procurement of components worldwide and changes in customer requirements due to the impact of the COVID-19 pandemic. In these circumstances, we ensured the supply of products to meet customer requirements through flexible production changes and timely changes of suppliers. In our focus domains, we tackled more themes related to energy, such as solar power generation and storage batteries, and semiconductor inspection equipment, and demand remained strong. As a result, net sales increased 14.8% year on year to ¥138.9 billion, and operating income rose 54% to ¥15.5 billion, a record high. Regarding social value KPIs, sales volumes of products for DC equipment and products for high-frequency devices amounted to 10 million units and 60 million units, respectively. We will

continue to strengthen our offerings of various products that create social value.

— What do you want to develop as DMB's strengths to achieve SF 1st Stage, and what do you think are the challenges for DMB?

Under the previous medium-term management plan (VG2.0), we promoted structural reforms, such as strengthening quality control and consolidating production bases, and established a strong business foundation. That is why we are now boldly steering DMB into a growth phase. Our organizational strength has made this possible. We have established an organizational structure that allows all our functional departments to work as one team toward a goal and sharpens their effectiveness. While focusing on "creating new value" by maximizing the strength of the business foundation we have laid and the organizational capabilities underlying it, we aim to transform DMB into a sustainable growth business through "organizational management that takes on the challenge of maximizing output."

Meanwhile, the challenges are "speed" and "maximization of the business opportunities we capture." In terms of speed, in order to respond more swiftly to the needs of society, it is essential to accelerate every phase from value creation, planning, and commercialization through to value proposition by linking a series of cycles, and to give customers the speed they want. We need to establish a quick and flexible business process according to the needs of the targeted market. To this end, in December 2022, we concentrated development engineers, who previously were dispersed around Japan, at the Okayama Office to develop relays, switches, modules, and other basic technologies. We aim to cut development lead times to less than half what they were in the past through a cross-functional (concurrent) structure in which departments gather together to discuss and co-create from the upstream stage of manufacturing.

In order to maximize the business opportunities we capture, going beyond "point-by-point" activities for

promoting our products to individual customers, we will expand business opportunities by “covering the ground,” which means addressing customers in an industry that share attributes, casting our net wider to cover entire industries, planning product groups, and horizontally deploying them for new applications. We will also work to strengthen our ability to respond to customers based on a structure attuned to concurrent activities, including not only personnel from sales but also from marketing and product divisions in each area, as well as product development.

— What is your strategy for fiscal 2023 for medium- to long-term growth?

During the COVID-19 pandemic, demand associated with home nesting boosted sales. Now, the market environment has stabilized, and sluggish global consumer demand persists. As distributor inventories in the market remain high, we expect it will take more time for demand to recover.

On the other hand, there are certainly areas where growth is expected, such as energy-related industries and the semiconductor inspection equipment industry. In fiscal 2023, we will emphasize the proposing of solutions to capture demand in such growth markets and cultivation of customers in the target industries and accelerate the offering of

applications for other industries where there is commonality, thus establishing a structure for growth. Specifically, we will focus on “expansion and strengthening of the four focus domains,” “strengthening of the core business through new value proposition,” and “strengthening of the revenue structure.”





Regarding expansion and strengthening of the four focus domains, we will focus on domains where demand is expected to increase due to changes in society, aiming for year-on-year growth of 108%. To ease environmental burdens, the shift to DC power supply and electrification of products and infrastructure equipment are progressing rapidly, as is the trend toward higher-capacity energy-related applications, such as solar power generation. We will promote high-capacity relays necessary to facilitate the spread of such DC products, and modules for EV charging infrastructure that contribute to the realization of a carbon-neutral society. Furthermore, we will continue to approach customers in the gas industry with a view to developing the applications necessary to realize a hydrogen economy, since hydrogen is widely viewed as a promising next-generation energy source. Regarding high-frequency devices, demand for products for inspection applications for semiconductors and electronic devices is increasing quickly, spurred by the spread of high-speed

communication. To meet this demand, we will offer high-frequency-compatible relays and inspection modules so as to achieve sales growth. For remote/VR devices, we will combine sensors and other devices with IoT communication platform technology to create the modules necessary for realization of a digital society. We intend to achieve business growth by swiftly releasing products developed in cooperation with customers that will resolve social issues. Such products include new weather IoT sensors jointly developed with Weathernews Inc., which help mitigate risks associated with extreme weather events, and EV charging smart plug modules developed in cooperation with Ubiden, Inc. With respect to strengthening of the core business through new value proposition, we are working to create new value based on “Green, Digital, and Speed.” For example, regarding “Green,” we aim to expand the range of decarbonized products that contribute to reduction of CO₂ emissions. Also, we intend to contribute to decarbonization throughout the supply chain by shifting factories to electricity derived from clean energy and introducing visualization of the carbon footprint of each product. Finally, we are strengthening our revenue structure. We restructured our business foundation principally by improving product quality and through structural reform

Number of products supplied in focus domains

Products for DC equipment
10 million units

Products for high-frequency devices
61 million units

SF 1st Stage Targets		SF 1st Stage Focus Domains
 <p>Sales Growth (CAGR)</p>	<p>¥ 121.0 billion</p> <p>23%*</p> <p>+ 1%</p> <p>(Focus domains: +3%)</p> <p>¥ 125.0 billion</p> <p>24%*</p> <p>*Composition of focus domains</p> <p>FY2021 results</p> <p>FY2024 targets</p>	 <p>DC equipment</p>
 <p>Social Value KPI</p>	<p>Sales volume for products contributing to the spread of new energy and high-speed communication (cumulative total for 3 years)</p> <p>Products for DC equipment 60 million units</p> <p>Products for high-frequency devices 170 million units</p>	 <p>High-frequency devices</p>

of production, under the previous medium-term management plan. On the other hand, we recognize the need to establish a more stable revenue base to prepare for prolonged inflation as regards labor, material, and energy costs. We intend to improve the GP ratio by emphasizing a product mix oriented toward high-value-added products, production and inventory management with high turnover, and production efficiency improvement through further automation of production and use of digital technology. We will also promote the computerization of indirect operations to improve operational efficiency. Through these measures, we will establish a strong revenue structure capable of maintaining ROIC of 10% or more.

— What transformations are needed to achieve SF2030? What assets and capabilities should be incorporated for sustainable growth?

We will engage in three transformative initiatives to achieve the transformation of our business structure. Firstly, we will pursue business transformation. We feel confident about the cases in which co-creation themes have been launched by communicating DMB's vision, "aiming for a business that resolves social issues," internally and externally and gaining the empathy from customers. The key is to shift from a "customer-oriented" style of providing products that satisfies customer needs to a "social-oriented" style of proposing and creating products to customers that contributes to resolving social issues. Secondly, transformation of the focus domain. In pursuit of business growth, we are shifting our resources to four focus domains. These four domains are at the intersection where we can leverage our strengths and social changes create opportunities. Thirdly, the new value proposition and how we deliver it. In terms of "Green," we are emphasizing the offering of products that contribute to reduction of CO₂ emissions. In terms of "Digital," we are focusing on conversion of design and production data into value. And in terms of "Speed," we are shifting to SCM that will make timely delivery a competitive advantage and is expected to lead to benefits in the

medium to long-term, in addition to concurrent development that reduces development lead time. I recognize that the acquisition of new customers and the creation of new products are necessary to realize these goals. We will strengthen marketing and commercialization for this purpose.

— What are OMRON DMB's competitive advantages?

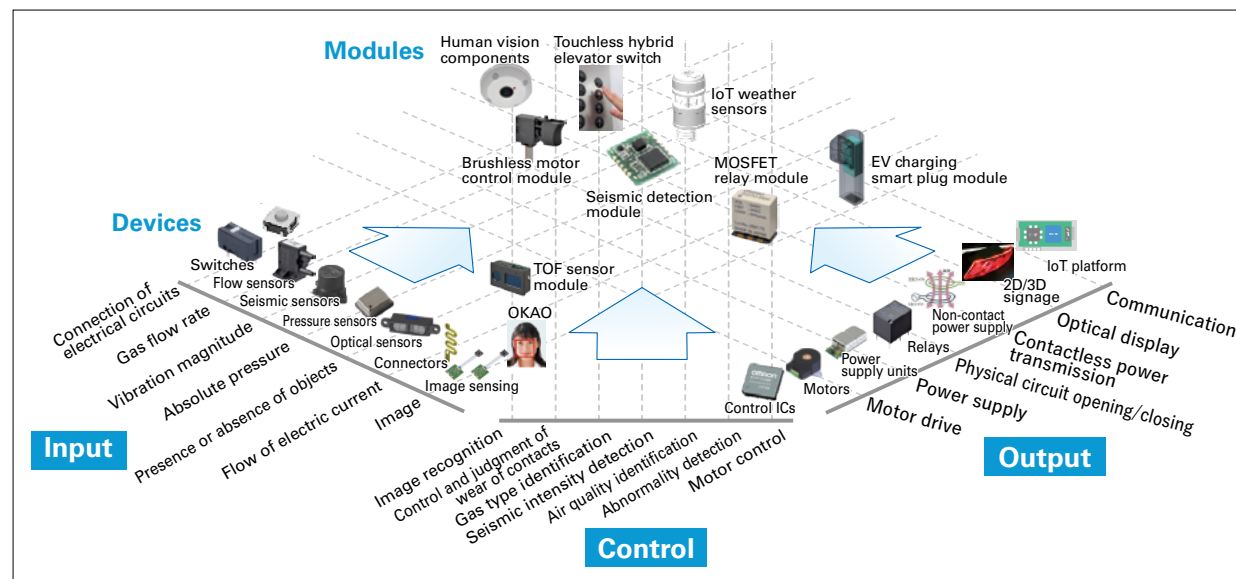
There are three principal ones. Firstly, customer assets. Our customers are leading companies in a wide range of industries. Having quickly identified social changes and needs, we have been able to develop and provide products ahead of the competition. Secondly, quality, which we have continued to refine in the course of transactions with leading companies. Thirdly, connecting and switching technologies. In addition to the fine mechanical engineering (microfabrication technology) that we have cultivated since our founding, we possess a broad lineup of technologies. Through smart sizing

(combination technology) for compact packaging of multiple functions, we can create unique, highly functional devices and modules that differ from those of specialist manufacturers.

— OMRON is committed to high cycle management. What initiatives is DMB pursuing?

Aiming to make proposals ahead of the competition, we practice high cycle management to "strengthen our ability to make proposals and realize them quickly" and "improve our ability to effectively respond to change through data-driven decisions." Specifically, our aim is to shorten the lead time to product releases by 50% through concurrent activities and to quadruple the speed of business control of procurement, production, and sales (from monthly to weekly). We seek to improve customer satisfaction and maximize business opportunities by accelerating the cycle of value delivery in both the upstream process of creating new value and the downstream process of mass production.

<DMB's extensive technology lineup>



Case 1 **Concurrent Co-creation with Customers to Create Solutions that Support the Spread of EV Charging Infrastructure**

In recent times, there has been an increased push for the spread of EVs and charging infrastructure to achieve decarbonization. With the aim of creating an environment where anyone to charge EVs anywhere, OMRON, in cooperation with Ubiden, the operator of the WeCharge EV charging service, has developed a module that can be retrofitted to EV charging outlets and measure the amount of charge per user. By combining Ubiden's cloud system that bills each user according to the amount of EV charging and OMRON's power control and sensing technology that measures the amount of charge along with IoT communication functions that transmit data to the cloud, we can provide seamless EV charging services. We aim to establish the service as soon as possible through concurrent activities integrating OMRON's development, production, and sales with Ubiden, to promote the introduction of EV charging and billing services to small-scale commercial facilities and



EV charging smart plug module (top) installed in an EV charging outlet to provide an EV charging and billing service

apartment buildings, thereby contributing to the accelerated spread of EV vehicles. Going forward, we will continue to address social issues and create new value by co-creating solutions based on our device & modules.



Development members

Comments from Our Partner

Ubiden's WeCharge service supports the realization of sustainable mobility through the development of EV charging infrastructure. Drawing on its outstanding technological capabilities and unique approach, OMRON provided us with valuable support as we tackled the challenge of simultaneously achieving stable product supply and reliable system operation to meet the needs of the rapidly increasing number of EVs. Our cloud system and OMRON's expertise and knowledge encompassing power control, electricity metering, and the IoT platform for transmitting electricity data, as well as its passion, have enabled rapid product development. By creating an electricity grid that allows everyone to freely use their preferred electricity, anywhere, anytime through WeCharge, we will work to realize a decarbonized society friendly to the Earth and people.

General Manager, Platform Development Department
Technical Development Division, Ubiden, Inc.

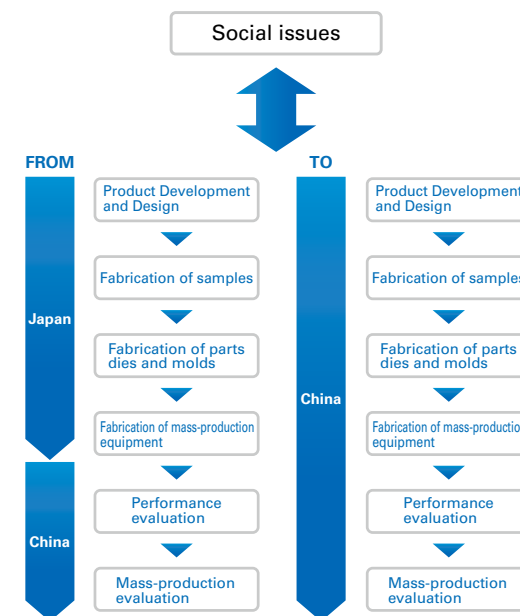
Yasutaka Kosugi



Case 2 **Achieving Speedy Value Proposition in China**

OMRON Electronic Components (Shenzhen) Ltd. (OMZ) is engaged in "Team China" activities to speedily create new solutions in China under a concurrent system. In fiscal 2022, OMZ established an engineering department. As a result, a system is in place that enables OMZ to carry out a series of processes required for new product development—product design, fabrication of parts dies and molds, fabrication of mass production facilities, and performance evaluation—all in one go. By using 3D printers and 3D measuring equipment, OMZ has shortened the time required to provide product samples to customers to less than one-third of that required in the past, thus accelerating the speed of response to customers.

<New Product Development System at OMZ>



Increasing the speed of value proposition through a one-stop system in China

As a result, China took the lead in developing relays for data centers that contribute to the spread of high-speed communications through concurrent activities involving development members in Japan. Furthermore, in June 2023, OMZ obtained CNAS*1 certification, an international laboratory accreditation standard. This enables OMZ to provide evaluation test reports bearing the ILAC/CNAS logo to its customers. Test reports certified by a third-party certification body are testaments to the reliability of the test results, confirming the quality of the products across China and enabling customers to simplify evaluation tests. Through these initiatives, OMZ is accelerating the speed of product provision to the market. OMRON will continue creating value through concurrent, high cycle activities to provide solutions faster than other companies and achieve autonomous growth.

*1 CNAS is an abbreviation for the China National Accreditation Service for Conformity Assessment. A system in which CNAS examines testing laboratories to determine whether they conform to the requirements of ISO/IEC 17025 standards for testing laboratories specified by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), which are equivalent to those of the International Laboratory Accreditation Cooperation (ILAC), and accredits the testing laboratories that satisfy the requirements.



For more information



Case 3 Delivering an Integrated Solution to Realize a Sustainable Society

The demand for improving efficient energy management in battery-based applications and reducing GHG emissions is growing rapidly these days. OMRON contributes to achieving carbon neutrality with customers and secure people's lives through providing high-capacity relays with low heat generation developed by using its core "connecting" and "switching" technologies. Schneider Electric (SE), a multinational corporation specializing in energy management and automation solutions, offers fully integrated Uninterruptible Power Supply (UPS) solutions that provide highest levels of availability*2, reduced total cost of ownership (TCO)*3 and improved energy efficiency. For more than 20 years, OMRON has been facilitating SE with sophisticated, high-quality devices adding unique values in different applications. As the demand for higher efficiency in energy utilization continues to grow, UPS systems are required to operate at higher capacity with secure functioning while reducing its footprint and generating less heat. Sympathizing with the vision of solving social issues, engineers from both companies across regions came together for brainstorming sessions focusing on the end results. The mutual knowledge exchange on ways to make applications more energy efficient and SE's clear vision for UPS accelerated the development. As a result, the UPS series Galaxy VS reduced energy losses while at the same time optimizing the physical size and material consumption. A key contributor to the project's success



UPS series Galaxy VS; used in industrial and datacenter applications

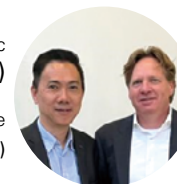
OMRON High-Capacity Relays (G7EB series)

were OMRON's high-capacity power relays offering low contact resistance that suppress heat generation. The benefits of OMRON relays can be adopted in a wide range of energy applications which will create an even bigger impact in reducing carbon footprint. Working together, OMRON and SE will continue providing solutions for highly efficient energy management and create new value to contribute to a safer society.

*2 Availability: be able to use all the time
*3 Total Cost of Ownership (TCO): Total cost from purchase to disposal

Sales Director, Asia Pacific
Foo Su Peng (left)

Sales Manager, Benelux & Denmark, Europe
Patrick Lof (right)



Comments from Our Partner

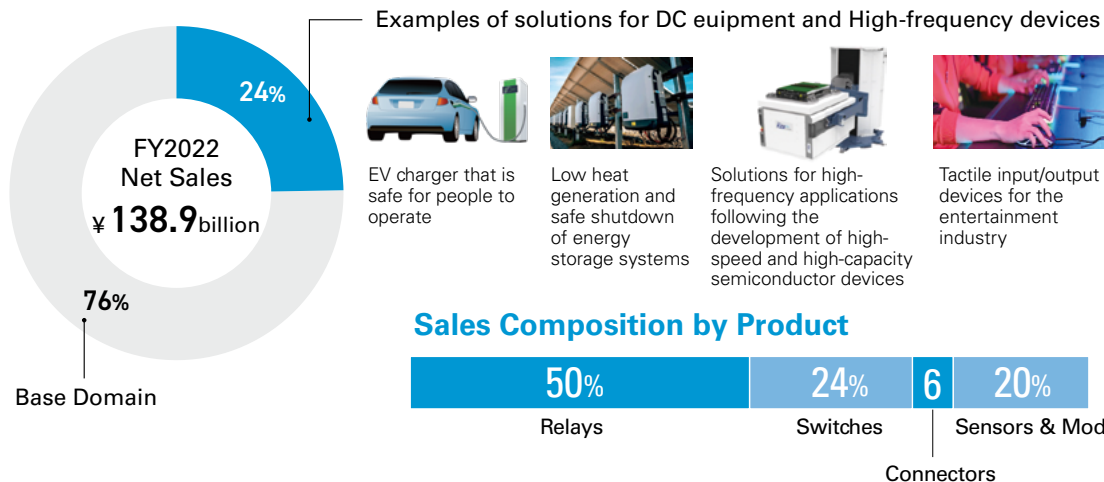
We chose OMRON as partner for our latest UPS development project since OMRON is considered one of the leading manufacturers of PCB-mounted relays. Due to tight footprint and energy efficiency constraints, we had to push the limits of power capacity and efficiency, without compromising reliability. With the G7EB relay series, OMRON fulfilled all the requirements for our applications, and we were able to reduce size, cost and losses compared to a conventional contactor-based solution. During the development phase, we had close collaboration with OMRON, not only to meet the project timeline, but also highly technical discussions related to capacitive load switching capability and physical positioning of the relay. After a successive product launch with the G7EB relay, we strived to push the technical limits even further. We challenged OMRON to increase the carry current capability, and this has resulted in the recent release of the G7EB-1A-E series where carry current is increased from 100A to 120A which aligns perfectly with our latest project development.



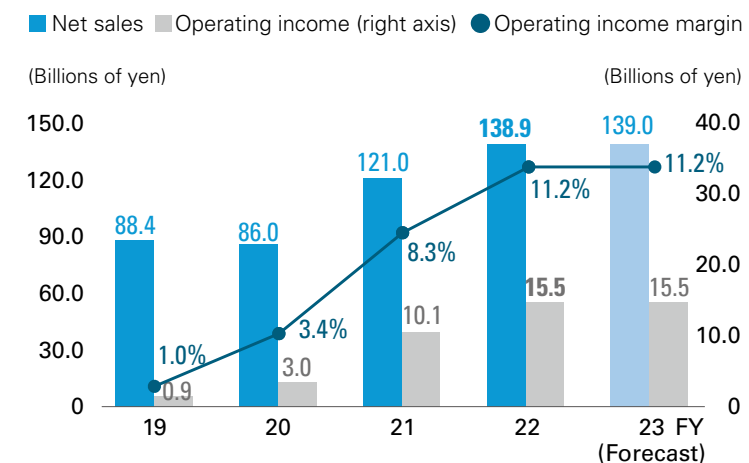
Senior Electronic Engineer
Jonas Mouridsen



Sales Composition by Business Domains



Net Sales / Operating Income / Operating Income Margin



INPUT

- R&D cost: ¥5.3 billion (results for FY2022)
- Capital expenditure: ¥9.6 billion (results for FY2022)
- Strengthened R&D system
Consolidated development bases (from 6 to 1) with the aim of reducing product release speed by 50% or more.
Established an engineering department at Shenzhen Plant in China (FY2022)
- Installed solar power generation systems at all five production sites in Japan
- Launched the DMS GREEN PROJECT, a project to promote activities that contribute to carbon neutrality initiatives through business (FY2022)

OUTPUT

- Net sales: ¥138.9 billion (+14.8% YoY)
- Operating income: ¥15.5 billion (+54% YoY)
- Development of technologies and products that contribute to achievement of carbon neutrality and realization of a digital society
- Commercialization of a new type of IoT weather sensor that helps mitigate climate change and disaster risk
- Expansion of the product lineup of high-capacity relays with low heat generation that contribute to achievement of carbon neutrality
- Expansion of clean energy production
Replacing electricity used at production sites in Japan with renewable energy is expected to reduce CO₂ emissions by approximately 1,200 tons per year (estimated).
- Number of products sold that contribute to the diffusion of renewable energy and high-speed communication
For DC equipment: 10 million units
For high-frequency devices: 61 million units

OUTCOME

- Contributed to the improvement of human life on the planet and the development of society through the diffusion of new energy and high-speed communications
Social value KPI: 10 million units for DC equipment, 60 million units for high-frequency devices (results for FY2022)



SDGs 9.4.1

CTO Message



Technology Management for Self-Driven Innovation Driven by Social Needs

Representative Director, Executive Officer and Executive Vice President, CTO

Kiichiro Miyata

An Era Full of Opportunities for Innovation Driven by Social Needs

In its management of technology, OMRON defines social issues to be resolved and, backcasting from the desired image of society, formulates and implements business, technology, and intellectual property strategies. Since assuming the position of CTO, I have taken on the challenge of creating organizations and systems to realize “innovation driven by social needs” by drawing growth scenarios based on what I call “near-future design,” which is a concrete depiction of our desired near-future social vision. This is an attempt to continuously pursue as an organization the essence of what our founder Kazuma Tateishi, who was an outstanding engineer and manager, practiced. Two years since the start of the long-term vision “SF2030,” technology management based on backcasting from the near-future design has begun to produce various results useful for resolving the three social issues OMRON is addressing under SF2030.

Firstly, I would like to reflect a bit on the past.

In the 1960s, when OMRON was poised for major growth, our founder was convinced that strengthening research and development was essential to prepare for changes in society and for addressing growing market needs. So he invested an amount equivalent to four times the company’s capital at that time to establish the Central R&D Laboratory. Then, he hired a large number of engineers to pursue development of systems and software in addition to development of components for automation such as switches and relays. The background to this was that the founder

predicted the future cashless era and believed that the technological development of systems and software would be crucial in the course of a shift toward a cashless society. OMRON thus expanded its business format from a component manufacturer to a system manufacturer and achieved dramatic growth. OMRON was able to make such a bold decision at that time because of the founder’s conviction that “management means anticipating the needs of future society” and his recognition of the necessity of practicing “R&D-driven management to create a market.”

The founder and his team then developed a theory of future prediction in order to develop a concrete vision of future society and explore business opportunities, presenting it at the International Future Research World Congress in 1970. This is the SINIC Theory. OMRON continues to position the SINIC Theory as a management compass in its initiatives for innovation driven by social needs.

According to the SINIC Theory, year 2023 corresponds to the Optimization Society and is in a transition period leading to the Autonomous Society. There were transition periods in the past. OMRON achieved dramatic growth in the period from late 1960s to the 1970s. It was the transition period from the Automation Society to the Cybernation Society. It was a time when Japan’s high economic growth led to social issues such as traffic congestion caused by the advent of motorization and congestion at train stations due to the concentration of population in urban areas. At its Central R&D Laboratory, OMRON developed a stream of world-first products and systems, such as automated traffic signals, unmanned train station systems, and online automated cash dispensers, bringing about major changes in the way people lived and worked.

The Optimization Society in which we live at present is also a transition period in which population aging and widening economic disparities are creating strains in social and economic systems, and a number of social issues have arisen due to confusion and conflict in the context of much debate concerning the sustainability of life on Earth. In the past few years, the spread of COVID-19 has brought about major changes in our values and ways of working, and the rapid evolution of AI and other digital technologies is changing our lives and our society. Generative AI is now within everyone’s reach, and the ongoing debate around the world about its use and regulation reflects this. We are in a period of great change, with technology, science, and society interacting with one another, in which there are abundant opportunities for innovation driven by social needs.

Three Approaches and Four Organizations to Self-sustaining Innovation Driven by Social Needs in the Runup to the Autonomous Society

In order to ensure that we seize the opportunities, as CTO, I have been focusing on development of organizations, mechanisms, and human resources to implement strategies based on near-future design. These tasks had to be accomplished in order to transform the tacit knowledge of technology management practiced by the founder into explicit knowledge and organizational knowledge enabling OMRON to continuously engage in innovation driven by social needs. Specifically, we have established four organizations to approach the three elements of the SINIC Theory, “science,” “technology,” and “society,” as well as interaction of these elements and upgraded our approaches. (See [Figure 1](#) and [Table 1](#))

First, we established the Innovation Exploring Initiative HQ (IXI) in 2018 for “establishment of a business creation process,” an approach whose starting point is “society.” As a platform for the OMRON Group’s innovation, IXI is committed to the ongoing creation of new businesses. In the same year, we also established OMRON SINIC X Corporation (OSX) for “core technology evolution,” an approach that takes “science” and “technology” as its starting points. OSX is responsible for the creation of innovative technologies through open innovation from a broad “scientific” perspective based on a vision of society in the near future. The Technology and Intellectual Property HQ, which is responsible for social implementation of technology, has defined focus domains and directions for strengthening development of core technologies, and reviewed development themes in close cooperation with IXI,

Figure 1

<Relationships between the SINIC Theory and the Organizations>

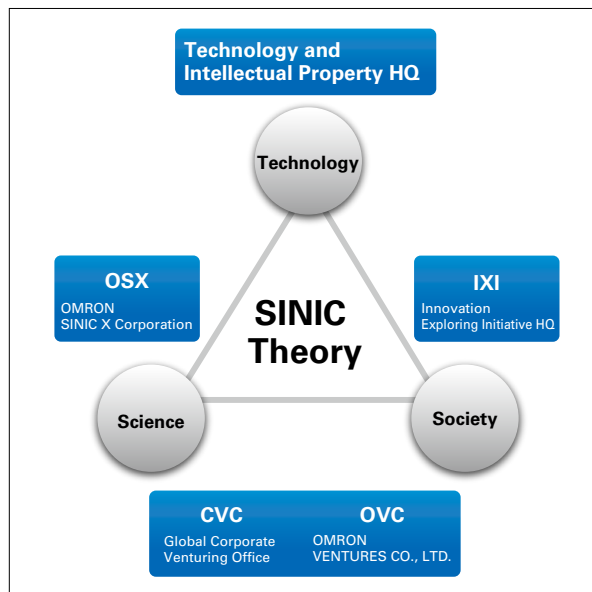


Table 1

<Three approaches to social needs creation by four organizations>

<p>Approach 1: Establishment of a business creation process: IXI</p> <ul style="list-style-type: none"> ● Company-wide platform for management commitment to new business creation and business development ● Implement the founder’s “7:3 Principle” as a business creation process ● Classify the types of human resources needed for new businesses, attract such talented people from inside and outside OMRON, foster them, and return them to the organizations from which they come
<p>Approach 2: Evolution of core technologies: Technology and Intellectual Property HQ, OSX</p> <ul style="list-style-type: none"> ● Identify areas of technological focus and strengthen “Sensing & Control +Think” ● Develop technologies for “substitution,” “collaboration,” and “harmony” to achieve social implementation of “automation to empower people.” ● Attract talent through creation and dissemination of innovative technologies from a scientific perspective based on near-future design and co-create ● Formulate a policy for utilization of intangible assets company-wide and implement IP strategy
<p>Approach 3: Co-creation with startups: CVC, OVC</p> <ul style="list-style-type: none"> ● Invest in promising startups with high growth potential that address social issues ● Co-create with business divisions, IXI, Technology and Intellectual Property HQ, and startups for creation of new markets and business innovation ● Implement the acceleration program to quicken business growth through involvement in the startups in which OMRON invests

business divisions, and OSX. The third approach, “co-creation with startups,” which takes “science” and “society” as its starting points, is carried out by OMRON VENTURES CO., LTD. (OVC) and the Global Corporate Venturing Office (CVC). OVC and CVC are taking on the challenge of pioneering social implementation of cutting-edge technologies, and are working to accelerate open innovation through investment in and co-creation with startups to create innovation driven by social needs.

Human Resources Development to Create Innovation Driven by Social Needs

Human resources are the key to these initiatives to create innovation driven by social needs through near-future design. I have been paying particular attention to the development of human resources capable of continuously creating innovation driven by social needs. Having classified the types of human resources needed in the business creation process, IXI has focused on fostering “architects” capable of drafting comprehensive business plans (architecture) linking business, technology, and intellectual property. Architects fostered at IXI have returned to business divisions, the Technology and Intellectual Property HQ, etc., to lead new businesses and strategies, or have been dispatched to government agencies, etc., to support their digital transformation (DX). The Technology and Intellectual Property HQ, a source of “core technology talents,” established a specialist system for engineers, defined skill levels, and launched a training system ahead of the rest of the OMRON Group, creating an environment where all employees can fully demonstrate their abilities.

New Social Needs for Resolution of Social Issues

Eight years since the start of technology management based on near-future design, I am sensing that innovation driven by social needs is becoming self-sustaining. This is because the four organizations,

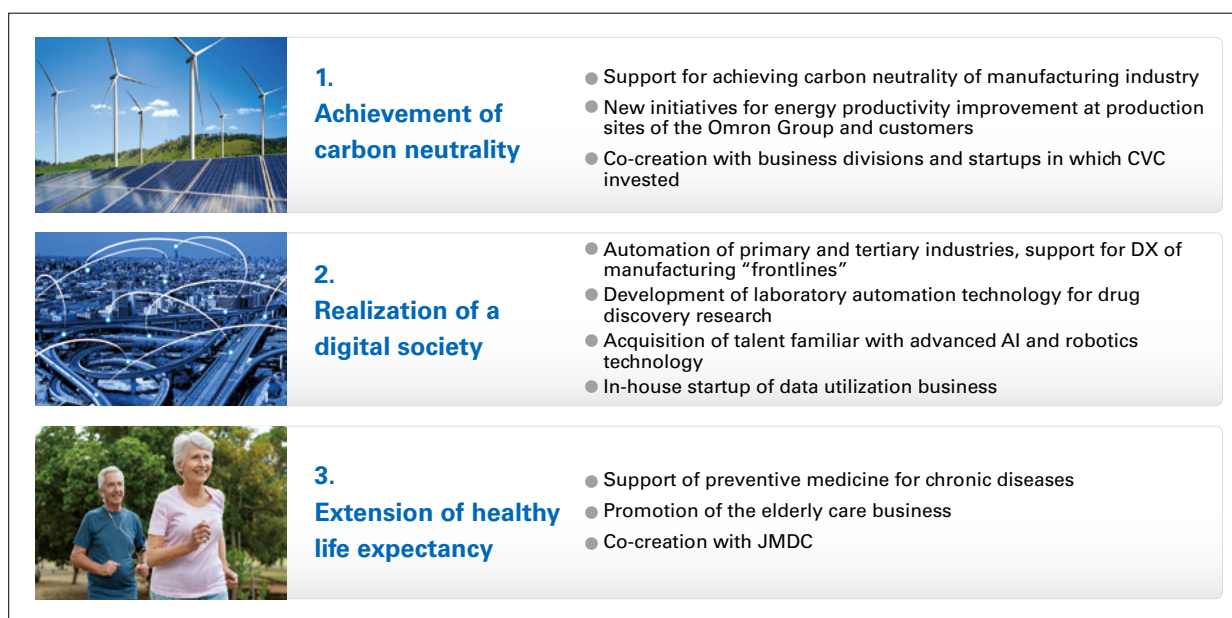
three approaches, and human resources implementing the near-future design are beginning to produce results, such as new businesses and development of core technologies, in the focus domains to resolve the three social issues defined under SF2030. (See [Figure 2](#))

For “achievement of carbon neutrality,” our near-future vision is to achieve carbon neutrality of manufacturing sites and entire factories. In addition to the development of products and systems, and services in the business divisions and the Technology and Intellectual Property HQ, co-creation with startups in which OMRON has invested has also begun. Attempts are underway to quickly link the latest technologies possessed by startups to social implementation.

With regard to “realization of a digital society,”

adoption of our services to support utilization of data at manufacturing sites is widening, especially by small and medium-sized companies whose manufacturing sites have impeded promotion of DX in manufacturing industry. From the current fiscal year, OMRON’s first in-house startup to emerge from IXI has begun full-scale business activities for these data utilization support services. The Technology and Intellectual Property HQ and its research subsidiary OSX are developing AI and robots that assist people and enhance their potential and creativity, with the aim of realizing a “people-centric society” in which everyone can play an active role through the use of AI and robots, in addition to data utilization. The joint research with Chugai Pharmaceutical Co., Ltd. in the field of drug discovery, which began in July 2023, is an attempt to create “innovative technology to evolve the

Figure 2 <Focus Domains for Innovation Driven by Social Needs and Achievements>



relationship between humans and machines” toward realization of the Autonomous Society, and will trigger innovation in the field of drug discovery research. In addition, OSX brings together world-class researchers in the AI and robotics fields who have been inspired by OMRON’s vision. Through open innovation, they are developing unique advanced technologies that will contribute to the realization of the Autonomous Society. More than 40 papers have been presented by OSX and accepted for publication at prestigious international conferences, indicating our technological capabilities for development of AI and robotics. Nowadays, OSX is visited by people from many research institutes and different industries, and many co-creation themes are proposed to OSX. Regarding data-driven healthcare for “extension of healthy life expectancy,” IXI is promoting development of a new business. As population aging accelerates and various issues related to nursing care emerge, a service to support the independence of the elderly, which focuses on “preventing nursing care itself” rather than supporting nursing care, is in the final stages of verification for commercialization. In addition, as we enter the era of 100-year life expectancy and the need for a society in which people can continue to work in good health, issues such as the financial soundness of corporate health insurance associations and the curbing of ever-increasing medical expenses are becoming more pressing. In order to concretize a future vision of data-driven healthcare that will resolve such social issues, IXI has taken the lead in various co-creation projects to create new value in the healthcare solution field with JMDC, with which OMRON entered into a capital and business alliance in March 2022, and is accelerating digital transformation of the OMRON Group. Going forward, as well as making JMDC a consolidated subsidiary*, OMRON plans to develop IXI into a new organization, the Data Solution Business HQ, so as to apply JMDC’s capabilities throughout the OMRON

Group. The Data Solution Business HQ will directly report to the President and CEO. These moves are proof that OMRON is beginning to demonstrate its ability to create innovation driven by social needs in the transition period to the Optimization Society. OMRON’s founder advocated that “To the machine, the work of the machine, to man the thrill of further creation” Inspired by the OMRON Principles and this management philosophy bequeathed by our founder, we are always thinking about a near future in which people can become more creative and fulfill their potential. OMRON is able to take on the challenge of creating innovation driven by social needs because everyone involved, including our employees, sympathize and resonate with this idea. This allows us to continue to advance vigorously as an autonomous organization, bringing together leaders and engineers from around the world who are passionate about resolving social issues by applying their capabilities and shaping the future.

* As of this writing (September 15, 2023), the tender offer to make JMDC a consolidated subsidiary has not yet closed. The share acquisition is scheduled to be executed on October 16, 2023.

Capturing the Tide of Discontinuous Technological Innovation and Creating Innovation Driven by Social Needs

In this way, I have been implementing technology management that anticipates the needs of future society and promotes R&D-driven market creation, as our founder did, through creation of organizations and structures and human resources development, but many issues remain to be addressed. Specifically, in order to realize innovation driven by social needs in a period of great change as we progress toward the Autonomous Society, we need to “search for the seeds that will become themes,” which are essential to the implementation of near-future design, “gain insight into technological innovations taking place around the world,” and “further strengthen the human resources” who will engage in these initiatives.

This is because the degree of change in all areas of society, science, and technology is greater and more complex today than it was when the founder and his team were striving to create innovation driven by social needs. Not only the rapid spread of generative AI since the beginning of 2023, but also materials science that produces innovative new materials, quantum computers that exceed the performance limits of conventional computers, and biotechnology such as genome editing and regenerative medicine, could potentially have a tremendous impact on society and transform people’s lives. In the course of implementing these technologies in society, various issues, such as those related to ethics and economic rationality arise, and the new technologies are disruptive because they do not fit existing social systems and values. In order to capture the tide of discontinuous technological innovation, continuously create new businesses and innovations, and achieve sustainable growth, it is not sufficient to simply envision a future society in which technology has become diffused. For bringing the future society into sharper focus, defining specific issues, and resolving them, an individualistic approach will not work. It is necessary to collaborate with organizations and individuals worldwide at the forefront of every field in order to envision a society we aspire. We also require human resources capable of grasping the ebb and flow of society, science, and technology, and of finding the seeds that emerge and cultivating them one after another. As CTO, I will continue to achieve “value-up” of our technology management while endeavoring to enhance each employee’s ability to create innovation driven by social needs in pursuit of sustainable growth. I will take on the challenge of realizing “automation to empower people” for the benefit of the new society, the Autonomous Society embodying the management philosophy of our founder, working together with our diverse stakeholders.

Innovation Exploring Initiative HQ (IXI)

“Takeoff” From Business Validation to Business Launch

Executive Officer Senior General Manager, Innovation Exploring Initiative HQ

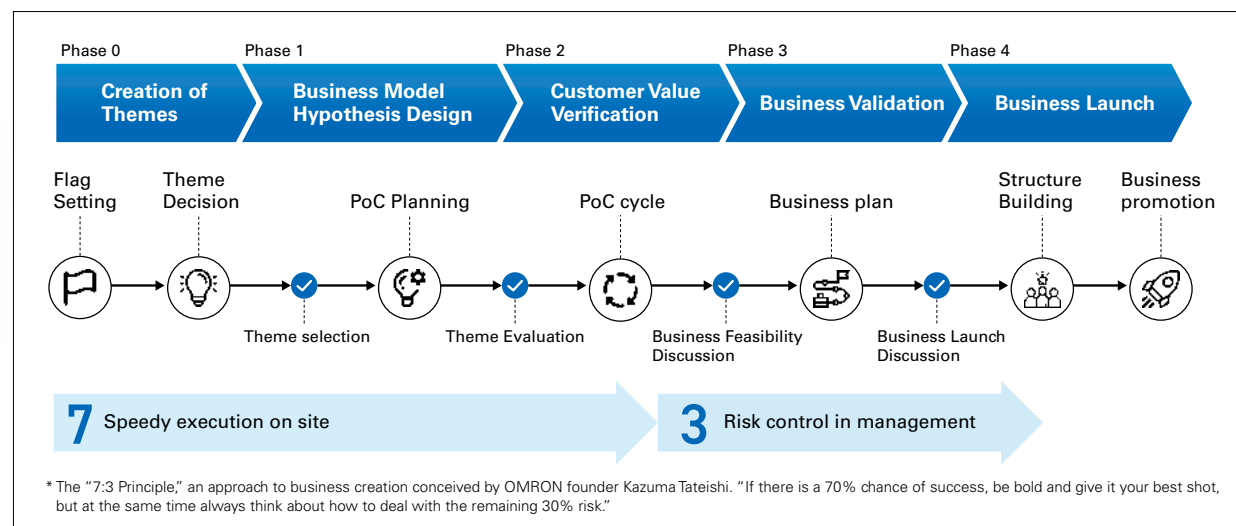
Hidetaka Ishihara

The Innovation Exploring Initiative HQ (IXI) aims to be an organization that anticipates new rapidly emerging social issues, including the trajectory of the ongoing technological evolution as well as social needs likely to emerge in the near future, and to be a source of new businesses corresponding to the opportunities and challenges inherent in these developments. In the five years since its inception in 2018, IXI has established a “Business Creation Process” for launching new businesses with high reproducibility. This is a “mechanism enabling an organization to operate autonomously.” (See [Figure 1](#)) We have built a solid foundation (organization, processes, and human resources) for our execution of high-potential themes.

Fiscal 2023, the sixth year of IXI, is an important year for us in which we intend to make a big leap toward the achievement of SF2030. We got off to a flying start. For example, the on-site data utilization support solution business (pengu), for which we have been conducting business validation ahead of other themes, was launched in the current fiscal year as an internal start-up. In addition, the elderly care solution business and the agri-automation business have advanced to the final stage of business validation and are scheduled for launch in fiscal 2024. Regarding collaboration with JMDC Inc. (JMDC), with which OMRON formed a capital and business alliance in February 2022, IXI led the planning and promotion of

the Health & Productivity Management Alliance aimed at enhancing the competitiveness of Japanese companies and securing the sustainability of corporate health insurance through improvement of employee health. The Health & Productivity Management Alliance was established on June 30, 2023, with seven lead managing companies. (See P66.) Leveraging the Health & Productivity Management Alliance as a corporate health platform, we will co-create various healthcare solutions. The relationship with JMDC will be further deepened by making it a consolidated subsidiary*. Each of OMRON’s businesses possesses vast amounts of data not only in the healthcare solution domain, but also in the social solution domain and the industrial automation domain. IXI will lead the creation of a new data solution business by leveraging JMDC’s outstanding data management technology and solution development expertise to transform all the data held by each business of OMRON into value. These fascinating themes are about to blossom.

Figure 1 <Format of Value Verification>



Fiscal 2023 will be a year in which the themes we have been working on take-off as businesses addressing social issues.

* As of this writing (September 15, 2023), the tender offer to make JMDC a consolidated subsidiary has not yet closed. The share acquisition is scheduled to be executed on October 16, 2023.

Five New Business Fields Envisioned by IXI

In order for businesses to take off one after another over the medium to long term, it is essential to compile a portfolio of well-developed themes. IXI has identified five new business fields that will contribute to resolving the three social issues OMRON is addressing under SF2030, namely, “achievement of carbon neutrality,” “realization of a digital society,” and “extension of healthy life expectancy.” They are “data-driven healthcare,” “automation for food industry,” “support for achieving carbon neutrality of manufacturing industry,” “support for DX of manufacturing sites,” and “decent work.” (See Figure 2) Based on these five themes, we will compile a portfolio of themes and create groups of

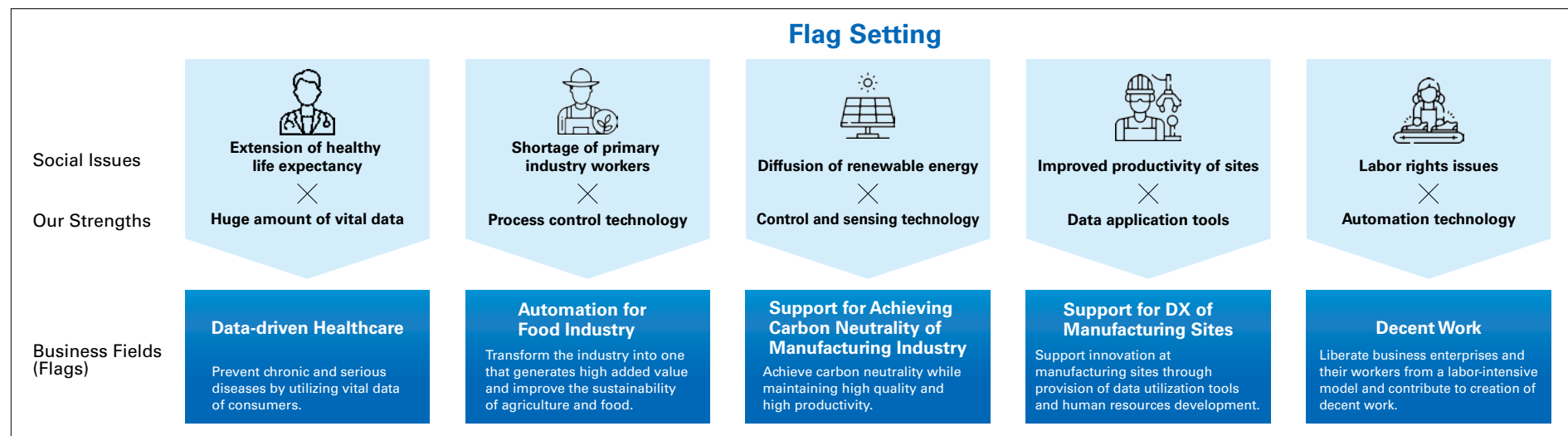
businesses through investment in startups, collaboration with other companies, and development of solutions utilizing OMRON’s business assets.

“Business Creation Process” and “Architects” Supporting IXI’s Creation of New Businesses

The most difficult aspect of creating a new business concerns decision-making to “go” or “stop” while making and testing hypotheses and changing directions repeatedly. The larger the organization, the more rigid it becomes and the more difficult it is to be agile. IXI has established the “business creation process” as a “mechanism enabling an organization to operate autonomously.” In this process, senior executives who make investment decisions, the managers who lead the projects, and the members of the project team have a shared recognition of the actual difficulties, discuss what should be considered and decided in each phase, and create new businesses with a high degree of reproducibility

through iterative “trial and learning.” This process is never-ending and is evolving day by day. Over and above that, the business creation process hinges on human resources. As the business creation process proceeds to a new phase, the capabilities and skills required for a project team become more diverse. The success of a new business depends on the ability to manage this diversity so that it strengthens the team’s capabilities. Among the diverse capabilities and skills, IXI has focused on improving capabilities and skills of “architects.” Specifically, they are capabilities and skills to repeatedly test hypotheses, identify intrinsic value for customers, and shape a business model. Through mid-career hiring and development of internal human resources, IXI has developed more than 60 “architects” over the past five years. Several people have returned to the business companies and are demonstrating their capabilities in the business field as leaders in the evolution of the business models of existing businesses.

Figure 2 <Five Flags Planted by IXI>



IXI's First New Business: Support for DX of Manufacturing Sites

The first in-house startup originated from IXI, the "pengu" business, which provides support for DX of manufacturing sites, was launched in March 2023. Many companies are investing in "management" DX such as the introduction of enterprise systems for their organizations. Meanwhile, in order to increase organizational productivity and maximize business output, "on-site" DX is also essential. On-site DX[®] (See [Figure 3]) is an innovation that creates value by dramatically evolving the triggers for improvement that emerge from day-to-day operations through the combination of business operation automation tools and training programs. If frontline personnel are equipped with IT skills to automate and streamline routine tasks such as voucher entries at each site, devote more time to new tasks, and increase productivity, this will lead to on-site DX[®] that will take management to new heights. IXI Data Utilization Solution Business Department not only provides and supports "on-site" DX itself but also a mechanism to connect "on-site" and "management" through pengu. We currently provide services to customers in a broad range of manufacturing industry, including automotive parts, machinery and electrical

products, electronic components and devices, materials and processed materials, semiconductor-related equipment, food, cosmetics, and consumer goods. We are challenging to further expand our services.

Services to Meet the Challenges of Manufacturing Sites

Another feature of pengu is training support. Besides introduction of pengu, we offer training of on-site personnel according to their skill levels in order to upgrade their skills so that they will be able to create automation tools tailored to their tasks and improve business operations.

Milbon Co., Ltd. is a cosmetics manufacturer that manufactures and sells hair care products and hair colorants exclusively for beauty salons. Milbon's factories were experiencing a growing need for data aggregation. In view of the urgent necessity of implementing effective measures, Milbon decided to introduce OMRON's pengu because of its attractive characteristic of "no special skills required for use." Mika Onoda and Miho Maekawa, who are using pengu at Milbon's Yumegaoka Factory, gave us some feedback.

"In my department, I am in charge of logistics. I have automated the Excel-based daily warehousing

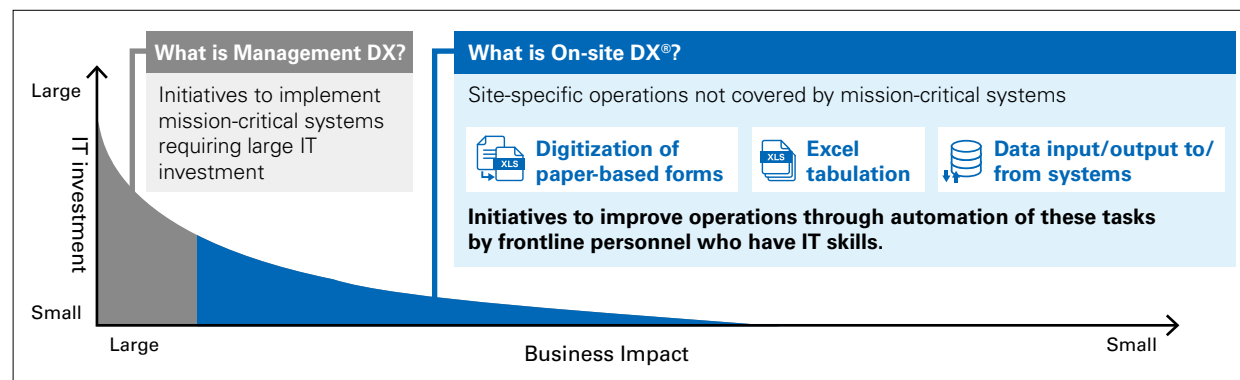
operations, using pengu's SUISUI ETL. Previously, I had to manually calculate and update the Excel file based on the daily changing inventory status, which took several hours. Utilizing pengu saves me a great deal of time and effort." (Onoda)

"I am engaged in labeling. Using SUISUI RPA, I can now automatically print labels to be attached to packages. This has also eradicated errors attributable to manual input." (Maekawa)

They both say that the key to mastering the tools was the support they received from OMRON. "People from OMRON repeatedly instructed us in the basics, helping us master the tools. We appreciate the in-depth support, not only on how to operate the tools, but also on organizing and reviewing the best way for us to proceed based on OMRON's understanding of our business operations." (Onoda and Maekawa)

Terukazu Takahashi, General Manager, has high expectations for the impacts of automation. "If we can improve issues one by one, we will be able to identify the appropriate number of personnel and their allocation. But reducing the number of people deployed isn't our ultimate goal. This is a process enabling us to tackle new themes. In our quest for optimization, we have great expectations of OMRON's support tailored to our on-site needs."

Figure 3 <On-site DX>



Elderly Care Solutions centering on Nursing Care Prevention

The “supporting elderly care business” is the second in-house startup originating from IXI that is now in the final stage of business validation. Japan is facing a super-aged society ahead of the rest of the world. In Japan, a country where there is a shortage of caregivers for the growing numbers of elderly people who require nursing care, the need to extend healthy life expectancy, enabling people to lead healthy and independent lives, has become a social issue. It is known that about half of those with light needs for long-term care are in such conditions due to a decline in physical and mental functions attributable to inactive lifestyles. Such conditions are preventable and there is high possibility of improvement.

Promotion of nursing care prevention, that is, helping these people regain physical and mental functions so that they can be independent in their daily life and participate in society, is also a great opportunity to create new businesses. IXI Supporting Elderly Care Business Promotion Department has developed solutions that enable unskilled caregivers to provide support on a par with that available from skilled caregivers. Know-how based on skilled caregivers’ experience and insights is presented in the form of text and charts and implemented on an ICT system. By combining this system with human support, it has become possible to improve operational efficiency and raise the skill level.

To verify the effectiveness of our solutions, we are currently collaborating with several municipalities that are working to support the elderly so they can live independently and endeavoring to prevent progression of the level of care required. Through verification in municipalities with different regional characteristics, the effectiveness of solutions combining ICT and human-based support is steadily being demonstrated. Specifically, by homing in on the difficulties that the elderly experience in their daily life and the causes of

those difficulties, it is now possible to identify elderly people who may be able to lead independent lives. As a result, we are able to help determine the most appropriate support plan for each individual, and thus for three consecutive years we have helped a growing number of the elderly improve their life functions and regain their independence. It has also become clear that by utilizing data on the elderly and the community accumulated in the ICT system, we can contribute to community development through support of independence. We have presented these results at academic conferences. Through exchanges of opinions with experts and municipalities throughout Japan, we are also working to expand recognition of our initiatives.

In fiscal 2023, we will complete verification of business profitability and scalability. We aim to launch the business in fiscal 2024.

Launch of the Health & Productivity Management Alliance in Collaboration with JMDC

In addition to creating new businesses organically based on our business creation process, we are also working on creation of businesses through M&A (alliances) based on the business strategy. As a first step, we formed a capital and business alliance with JMDC in 2022. “Extension of healthy life expectancy” and “realization of a sustainable healthcare system” are two goals universally desired in the healthcare field. As society becomes more mature, the issues they involve become more pressing and yet the difficulty of achieving both goals simultaneously become starkly apparent. OMRON is accumulating vital data of consumers and patients in their everyday lives. On the other hand, JMDC possesses medical and healthcare data, such as health insurance claims and health check-up data, which OMRON does not possess. By combining these data, we develop and

provide preventive solutions for chronic illness and for worsening conditions so as to “extend healthy life expectancy” and “realize a sustainable healthcare system.”

In the business alliance with JMDC, seven working groups have been established to promote collaboration. One of the major achievements was the launch of the Health & Productivity Management Alliance on June 30, 2023, with the vision of “revitalizing Japanese companies and securing the sustainability of company-run health insurance societies by promoting employees’ well-being.” As of September 30, 2023, 244 companies and organizations have participated. Nine companies (Ajinomoto Co., Inc., SCSK Corporation, OMRON Corporation, Kirin Holdings Company, Limited, Shimadzu Corporation, JMDC Inc., Nippon Life Insurance Company, Nomura Research Institute, Ltd., and Sumitomo Mitsui Banking Corporation) from across the economy are lead managing companies. They are working with companies in the Alliance to practice health & productivity management and share and accumulate know-how. The Alliance will also promote collaboration with government and academia, aiming to contribute to optimization of ever-expanding healthcare costs, going forward.



Management of the eight lead managing companies of the Health & Productivity Management Alliance

Creation of Solutions to Prevent Disease Aggravation using a Health Data Platform

The initiatives of the Health & Productivity Management Alliance go beyond the practice of health & productivity management and the sharing and accumulation of know-how. The Alliance also aims to develop and provide solutions for health promotion and prevention of disease aggravation, thus benefitting companies and health insurance associations engaged in health & productivity management, and to develop a co-creation platform to verify the effectiveness of those solutions. OMRON's initiatives have been primarily focused on solutions for cardiovascular diseases and asthma. However, many diseases in the world need to be addressed and the need to prevent their aggravation is increasing. In order to meet these social needs, OMRON will expand the range of diseases it targets based on the health data platform it has built and provide more preventive solutions. Through the Health & Productivity Management Alliance, we will promote development of three preventive solutions for disease areas that cause significant losses to management. (See [Figure 4](#))

An example of these initiatives is the “hypertension improvement program.” As a demonstration experiment, we have been conducting field testing of the effectiveness of the program at OMRON since June 2023. Specifically, OMRON identified those at high risk of severe hypertension from the results of health checkups and solicited their participation in the hypertension improvement program. Through three months of blood pressure monitoring and interviews with doctors and healthcare professionals, many of the participants were able to achieve their antihypertensive goals as a result of improved diet, exercise, and lifestyle modifications. By contacting those who are neglecting to receive treatment at an early stage, it is expected to be possible to prevent the development of severe cerebral and cardiovascular diseases whose origin is hypertension. This will not only help individuals maintain health but also lead to the maintenance and stability of the company's workforce. Another example is “health support for women.” As women are expected to play more active roles, many companies are aware of the challenges they face with regard to their health. Facing social issues, OMRON

and companies participating in the Health & Productivity Management Alliance are collaborating to develop solutions. The demonstration experiment will utilize OMRON Healthcare's basal thermometers. By providing health information reflecting the data on changes in basal body temperature, a vital rhythm unique to women, and tailored to the changes that women experience with the passage of time, as well as online health consultation services, behavioral changes in working women and changes in their performance will be verified. These services are expected to help women play active roles in the workplace and reduce labor losses due to ill health. Through the Health & Productivity Management Alliance, we will address social issues related to health and develop preventive solutions to improve the quality of life (QOL) of employees for diseases and conditions that result in major losses for management, such as prevention of aggravation of hypertension, health support for women, and mental health-related support, thereby contributing to the extension of healthy life expectancy.

Figure 4 <Health Data Platform-based Solutions for Companies to Prevent Disease Aggravation>

Contribute to the Health & Productivity Management Alliance by developing preventive solutions to improve employees' QOL for diseases that result in major losses for management		
	Needs of employees and management	Business summary
Prevention of aggravation of hypertension	Prevention of severe cerebral and cardiovascular diseases caused by hypertension	Screening for high-risk individuals + RPM Providing risk screening and remote patient monitoring (RPM) services for high-risk individuals using medical examination/billing data and, in future, vital data such as blood pressure
Health support for women (Femtech)	Improvement of presenteeism and absenteeism caused by women's health issues	Women's health support services Supporting women's success by providing one-stop services ranging from awareness-raising through seminars, basal body temperature management apps, and self-care/RPM services
Mental health prevention and improvement support	Improvement of presenteeism and absenteeism caused by mental disorders	Mental health support services Early detection of at-risk individuals through stress checks, pulse surveys, etc., and provision of mental risk intervention solutions using sleep data

Creation of a Data Solution Business Going beyond the Healthcare Solution Domain

In the social solution domain, we are collaborating with OMRON FIELD ENGINEERING Co., Ltd. (OFE), an OMRON Group company, on its management & service business. Taking advantage of its 140 sites throughout Japan and 1,200 maintenance and service personnel, OFE provides operation, maintenance, design, and construction services nationwide in wide-ranging fields, including finance, rail and road transportation, manufacturing, and distribution, as well as operational support related to store operations.

Currently, the retail and restaurant industries, including major convenience stores and coffee shops, are facing various social issues, such as the increasing burden of IT equipment management and rising operating costs due to soaring gas and electricity costs, in addition to worsening labor shortages. To resolve these issues, we are working with JMDC on "solutions to achieve optimized operations and energy conservation throughout stores," using data collected from stores.

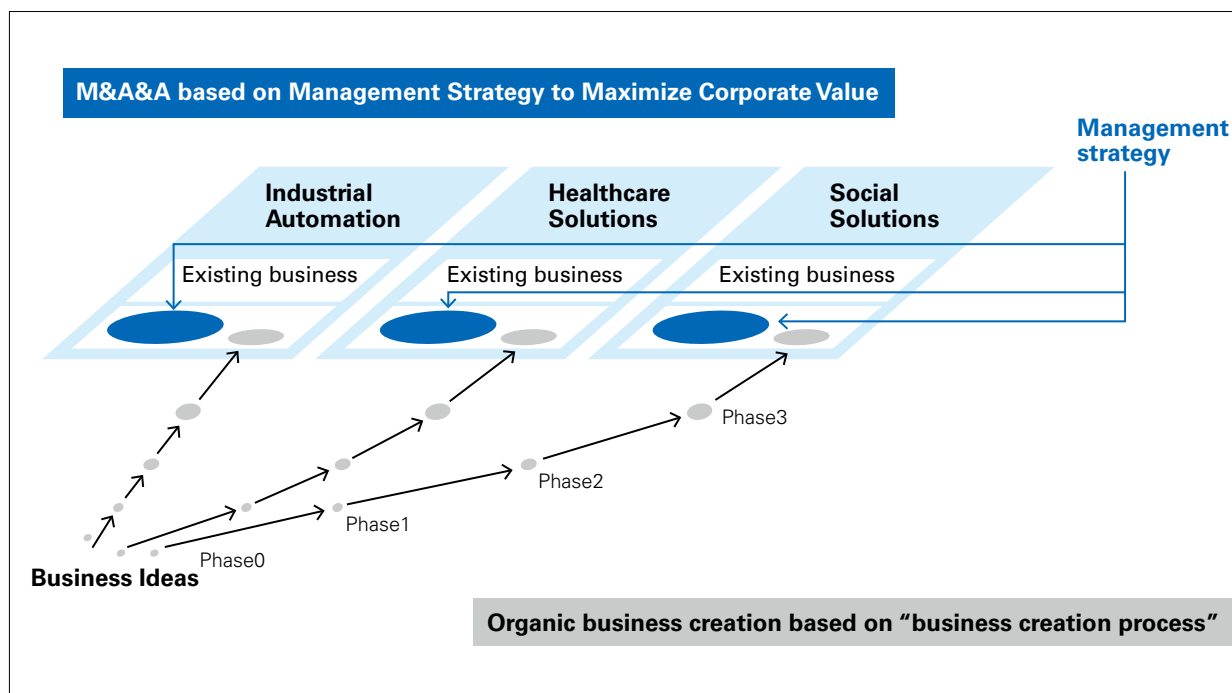
To accelerate solutions through the use of on-site data, we are also working on "one-stop repair and maintenance services." For one-stop services, it is necessary to manage all the repairs as well as all the equipment and facilities of different manufacturers used in commercial facilities across industries. Through integrated management of the equipment and facilities of different manufacturers used in commercial facilities, it will become possible to collect a greater variety of on-site data than ever before. Co-creation with JMDC based on these collected data will enable us to accelerate the development of new data solutions to resolve our customers' issues.

Toward Creation of Even Greater Results and Evolution of IXI

There are two keys to IXI's further advancement from now on. The first is to strengthen the human resources portfolio and increase the engagement of each employee. The organic approach based on the business creation process and the inorganic approach utilizing M&A&A (alliances) differ greatly in terms of the skills required for business creation and the corresponding jobs. In addition to strengthening the recruitment of diverse human resources with different skills, we will create an environment in which people with high aspirations and strong motivation can maximize their abilities.

Another key is to implement through "high cycle management." The essence of high cycle management lies in the hypothesis testing cycle, that is, how quickly the hypothesis can be formulated, tested and pivoted to maximize the value created. Although the value created per cycle may be small, the value is exponentially amplified as the number of cycles run increases. In other words, it is like the power of compound interest. IXI's business creation process is truly a process that enables high cycle management. We will create even greater results through repeated hypothesis testing and continuous "trial and learning."

<M&A&A based on Management Strategy to Maximize Corporate Value>



Technology and Intellectual Property HQ

Pioneer in Creating Innovation Driven by Social Needs

Executive Officer, Senior General Manager, Technology and Intellectual Property HQ, OMRON Corporation; President and CEO, OMRON SCINIC X Corporation

Masaki Suwa

Direction of Evolution of Core Technologies to be Continuously Refined

Our core technologies “Sensing & Control + Think” are the source of our unceasing “innovation driven by social needs.” At the launch of SF2030, we set “Robotics,” “Sensing,” “Power Electronics,” and “AI and Data Analysis” as core technology areas of focus, and are promoting technological development for social implementation based on “near-future design.” Moreover, we have formulated a policy on the direction in which we will seek to advance as we continue to refine and evolve our core technologies in pursuit of technological development. In SF2030, from the “essential value perspective,” we set the direction of evolution of core technologies that we will

continuously refine in order to evolve the business. This involves “On-site edge sensing & local distributed autonomous control technology” and “Data and signal management technology for data analysis,” and close linkage of these two themes.

For example, regarding “extension of healthy life expectancy,” the sensing of diverse vital data of individuals in their daily lives is becoming increasingly important in the healthcare business. This is because vital data in daily life is the key to prevention of disease, including presymptomatic disease. However, opportunities to obtain vital data with medical device-level accuracy are few and infrequent. A major reason for this is that sensors that allow vital data to be easily obtained anytime, anywhere have yet to be fully realized. For example, if a sensor that captures vital data is a wearable, in practice it is difficult to obtain the necessary vital data because they are buried in a flood of information (“noise” in vital data sensing)

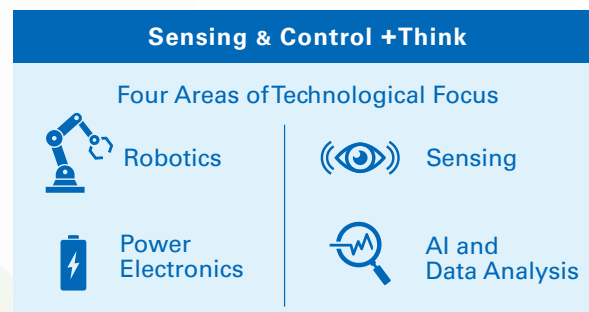
generated by the activities of daily life. Therefore, we are tackling the challenge of developing technology to efficiently extract only necessary vital data from sensor data buried among the noise of daily life by integrating sensing technology with AI and data analysis technology. Evolution of on-site edge sensing technology is the direction in which evolution of core technologies is heading.

However, the ability to obtain large amounts of vital data is in and of itself insufficient to create value. In order to agilely detect changes from diverse and ever-changing data by monitoring indicators linked to expert knowledge and to discover causal structures that human experts would not notice, we need to continue refining our data and signal management technology, including through smarter collection and analysis of data and signals and their translation into customer value. This is the second direction in which core technologies are evolving. By closely linking on-site edge sensing and data and signal management technology, we intend to facilitate innovation driven by social needs to achieve the “extension of healthy life expectancy.”

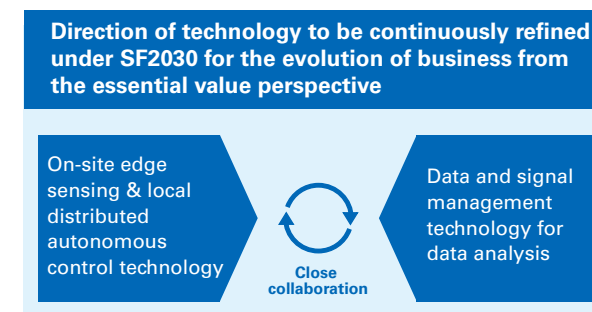
Our initiatives for “realization of a digital society” include the development of a next-generation lab automation system with Chugai Pharmaceutical Co., Ltd. announced in July 2023. The aim is to automate a



<OMRON's Core Technologies and Four Areas of Technological Focus>



<Direction of Evolution of Core Technologies>



series of lab experiments conducted in drug discovery research, thereby freeing up time for researchers to conduct more creative research. In order to automate lab tasks, robots are needed that can flexibly and autonomously perform atypical tasks previously performed by researchers, such as preparing chemicals and operating analytical equipment. Then, based on the data obtained from each successive experiment, data analysis needs to be managed and a plan for the next experiment formulated. Chugai, OMRON, and OMRON SINIC X (OSX) are tackling the great challenge of achieving lab automation through co-creation. The examples introduced here indicate how we are continuing to evolve our core technologies. To address the three social issues as a pioneer in creating innovation driven by social needs, we are working on various themes, including the following.

▶ **“Achievement of carbon neutrality**

- Technology for miniaturization of power conditioners in Vehicle to Home (V2H) that realizes a hybrid energy network
- High efficiency and miniaturization technology for industrial power supplies

▶ **“Realization of a digital society”**

- Lab automation technology to automate drug discovery experiments, etc. through innovation in robotics

- Data analysis technology at development sites and head office divisions that support the OMRON Group’s DX
- ▶ **“Extension of healthy life expectancy”**
- Biometric sensing technology to support personalized healthcare

Initiatives to Further Evolve Core Technologies

In order to pioneer the creation of innovation driven by social needs, it is essential to look beyond the boundaries of existing businesses and technological development. Five years have passed since we established OMRON SINIC X Corporation (OSX) as a new approach to “near-future design” from such a broad perspective. OSX is a research subsidiary that develops innovative technologies from a scientific perspective by focusing on society and technology. Since its establishment, OSX has been attracting superior researchers in robotics and AI technologies who empathize with the OMRON Principles and OMRON’s vision of the future. More than 40 papers have been accepted for publication at major international conferences, and OSX has gained recognition both in Japan and internationally as a unique corporate research institute. In 2022, “AI & Robots that Harmonize with Humans to Create Knowledge and Cross Its Borders” (Yoshitaka Ushiku, Project Manager, OSX) was selected as an R&D

project for the Moonshot R&D Program promoted by the Japan Science and Technology Agency (JST). The theme envisages the realization by 2050 of a world where humans (researchers) and machines (AI robots) interact harmoniously to produce Nobel Prize-level research outcomes. Synergy between OSX and technological development at OMRON Corporation is also beginning to emerge. The lab automation theme transpired as result of a challenge at World Robot Challenge (WRC), in which OSX participated, and developed into joint research. Collaboration with the Technology and Intellectual Property HQ is also underway in areas such as autonomous mobility robot technology and AI technology.

Comments from Our Partner

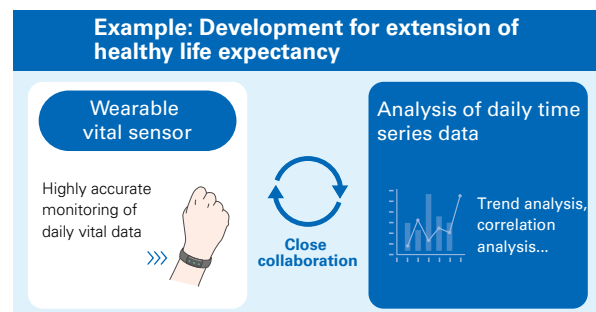
Chugai’s co-creation with OMRON and OSX on the next-generation lab automation system was prompted by an OSX researcher’s presentation on the product assembly challenge at World Robot Challenge held in 2020. We were impressed by OSX’s technology and the concept of developing a robot capable of working flexibly appealed to us and so we developed a relationship with OSX. By automating complex, non-routine tasks previously doable only by humans, and enabling experiments to continue without interruption throughout the night, on holidays, and at other times when researchers are not in the lab, we aim to liberate researchers so that they can enhance their productivity and unleash their creativity. I am pleased that we are able to promote co-creation activities based on empathy for the targeted technological development.

Biological Technology Dept.
Research Division, Chugai
Pharmaceutical Co., Ltd.

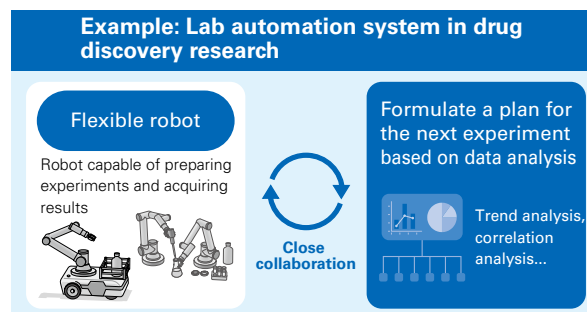
Shogo Kamikawaji



<Development for “Extension of Healthy Life Expectancy”>



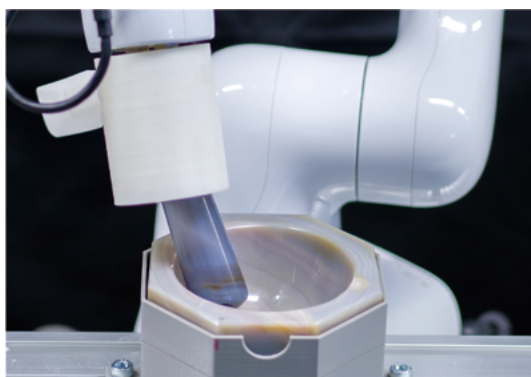
<Development for “Realization of a Digital Society”>



Case 1 Realization of a Robot to Automate Experiments in Materials Science

For materials science experiments, it is typically necessary to grind powder into finer textures, which is a time-consuming process as it is generally performed manually. Therefore, we are developing a robot that can automate the process of grinding powder for experimental use. The robot equipped with a camera recognizes the state of the powder inside the mortar and automatically determines whether to gather the powder or proceed with further grinding. Furthermore, we are developing a robot with a soft jig that can perform powder grinding using simple position control. We are conducting this research in collaboration with Osaka University, and presented a paper at IROS2022*, a major conference in the field of robotics.

* IEEE/RSJ International Conference on Intelligent Robots and Systems

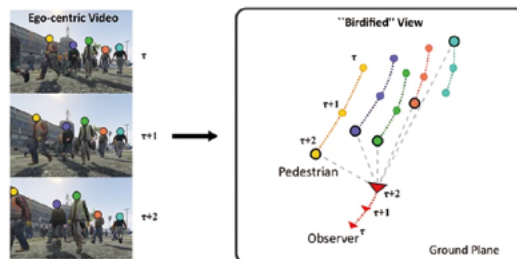


Senior Researcher
OMRON SINIC X Corporation
Masashi Hamaya



Case 2 Realization of an Autonomous Mobility Robot capable of Moving through Crowds

For robots to move autonomously in environments where people come and go freely, such as airports, train stations, and event venues, they require technology to accurately estimate their own location. With conventional technology, a robot estimates its own position based on surrounding objects such as buildings, but this is difficult in crowded areas because people in the vicinity are also constantly moving. Therefore, we are developing a technology that enables a robot to estimate its own position by converting the robot's viewpoint into a bird's-eye view (view birdification), just like a bird watching from the sky, based on the robot's own movements and the movements of people around it. This development was conducted in collaboration with Kyoto University, and the results have been published in the International Journal of Computer Vision (IJCV), the foremost journal for computer vision.



Senior Researcher
OMRON SINIC X Corporation
Mai Nishimura



Evolution of Intellectual Property/Intangible Assets Initiatives

In recent years, intellectual property and intangible assets have accounted for an increasing proportion of corporate value and become increasingly important management resources as a source of competitiveness. The governance of intellectual property and intangible assets is overseen by the Intellectual Property Center of the Technology and Intellectual Property HQ, which is responsible for formulating, implementing, and supervising intellectual property strategies for OMRON's technology development, new business creation, and existing businesses. In fiscal 2022, in order to accomplish SF2030, our policy was to promote concretization of business models as a value creation story linked to the utilization of intellectual property and intangible assets, and to execute "ambidextrous IP activities" by combining "monopolistic exclusive type" and "sharing and inclusion type" in an optimal balance.

In execution, we regard IP/intangible assets initiatives as a value driver for enhancing corporate value, and are pursuing IP/intangible assets initiatives whose scope has been widened from conventional IP activities centering on patents to include technological know-how and human resources capabilities. For example, we are adopting the perspective of "advanced technology development efficiency," that is, how efficiently R&D investments are converted into competitive technologies; the perspective of "social implementation rate," that is, to what extent the intellectual property and intangible assets created are linked to OMRON's business growth and business advantages; and the perspective of "human resources capability," that is, to what extent human resources capabilities are improved as a result of development activities. Within the framework of these considerations, the Intellectual Property Center is promoting intellectual property and intangible assets

initiatives as a pioneer in the continuous creation of innovation driven by social needs to achieve sustainable enhancement of corporate value.

Implementing the Mission and Vision of the Intellectual Property Center

The Intellectual Property Center has established a mission and vision for the creation and delivery of new value through intellectual property to set OMRON on a path of sustainable growth. Below are examples of IP activities to achieve our mission. Firstly, we have introduced "IP landscaping."* Based on "near-future design," using IP information, we analyze the needs of prospective customers and structure technological issues, formulate business hypotheses, and establish development themes. In this way, we are efficiently running a cycle of hypothesis testing. Moreover, we verify the synergy between IP owned by co-creation partners and IP owned by OMRON and the feasibility of new applications and businesses through citation analysis, etc., and formulate IP strategy from the perspectives of exclusivity and partnering strategies. Furthermore, the perception of value in business is changing from a product value perspective to an essential value

perspective and the base of inventors is expanding. Therefore, we are encouraging not only engineers but also people in non-development divisions, such as planning divisions, to invent essential value businesses capable of resolving customer issues and social issues. Secondly, as the business environment and social environment continue to change, the scope of use of the "OMRON" trademark, the heart of our corporate brand, continues to expand. The Intellectual Property Center, in cooperation with IP departments and local subsidiaries in the U.S., Europe, China, and Asia-Pacific, files applications for the OMRON trademark in various countries around the world, monitors brand infringement by third parties, detects infringement cases early, and implements countermeasures in view of the circumstances, laws, and systems in each country. The cases to be dealt with range from unauthorized use of company names to fake accounts on social media. In particular, there has been a marked increase in the sale of counterfeit products via the Internet, and we are working with e-commerce sites and the customs authorities of various countries to address this issue. We are also implementing a strategy-driven "IP cycle" that seamlessly links application to utilization. We do

not tolerate infringement of IP rights and issue warnings and file lawsuits against companies that infringe our patents and other IP rights, whether in Japan or overseas. As business divisions propose new solutions to customers, they also communicate that OMRON's products and services are protected by rights to intellectual property and intangible assets, and work to ensure that customers understand that only OMRON can create greater value added through co-creation with them. In recognition of these IP activities, OMRON has been selected as one of the "Top 100 Global Innovators" by Clarivate, which selects the world's most innovative companies and research institutions, for seven consecutive years. In this way, the Technology and Intellectual Property HQ will pioneer the creation of innovation driven by social needs based on the areas of technology focus identified for the core technologies, the direction of evolution of core technologies to be continuously refined, and the evolution of IP/intangible assets initiatives.

* IP landscaping: A method involving analyzing IP information such as patents, non-IP information, and internal information from a bird's-eye view, utilizing such information as strategic information for management decision-making, and feeding it back to business and technology strategies to promote strategy formulation and execution.

OMRON Intellectual Property Center Mission

We deliver unique value for people around the world by leveraging our core assets of intellectual property.

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.

OMRON Intellectual Property Center Vision

We bring the IP specialists together from diverse fields and continue to create innovation.

We defy stereotypes.

We create a new paradigm of connections.

We strive to increase the trust from the management team.



Top 100 Global Innovators award ceremony

Global Corporate Venturing Office (CVC)

OMRON's Evolving Corporate Venture Capital Initiatives

Senior General Manager, Global Corporate Venturing Office; CEO, OMRON VENTURES CO., LTD.

Tomoko Inoue

The vision of the Global Corporate Venturing Office (CVC), which is responsible for OMRON's corporate venturing function, is to "become a 'booster' accelerating the transformation of OMRON and society in the evolution from the Autonomous Society to the Natural Society." Based on this vision, we are working with entrepreneurs and investors around the world who have the power to change the world by accelerating innovation driven by social needs to resolve the social issues that OMRON is addressing, namely, "achievement of carbon neutrality," "realization of a digital society," and "extension of healthy life expectancy."

CVC has invested in three startups through OVC II Investment Limited Partnership (OVC Second Fund), which invests in startups that seek to create value by addressing social issues. CVC's first investment in fiscal 2022 was in Eagle Genomics Ltd., which has developed an AI-augmented knowledge discovery platform for microbiome analysis. This overcomes long-standing challenges in statistical processing and is a major step toward practical application in the healthcare field.

The second company, Rehab for JAPAN INC., which focuses on automation of rehabilitation in the medical and nursing care field, provides software solutions

that help reduce the on-site burden of caregivers when providing rehabilitation services, thus addressing pressing needs associated with population aging, a phenomenon that continues to accelerate. The third company in which we invested, Ubiden, Inc., aims to "achieve carbon neutrality" with an energy system that balances a safe, secure, and convenient lifestyle with a natural environment. Ubiden and OMRON's Device & Module Solutions Business (DMB) have started co-creation activities to achieve carbon neutrality, including a demonstration experiment of an EV charging service at OMRON's Okayama Office.

CVC has invested in 24 companies to date, in addition to these three companies, expanding its portfolio to help resolve the three social issues that OMRON is addressing.

Moreover, as a new way of utilizing human resources, CVC is working to "establish a mechanism for co-creation between business divisions and startups" and

<Portfolio>

Achievement of Carbon Neutrality	Realization of a Digital Society	Extension of Healthy Life Expectancy	
Energy visualization 	Robot control 	Migraine treatment 	Prevention of dementia
Carbon offsetting 	Image processing + AI 	Medical data 	AST systems
EV charging service 	Agri-automation 	Rehabilitation 	Microbiome
	Generative AI 	PCR testing 	Digital coaching



“implement an acceleration program for the portfolio” to strengthen the corporate venturing function. In order to realize the long-term vision SF2030, it is necessary to promote high cycle co-creation. Co-creation between OMRON’s business divisions, which have in-depth industry knowledge and diverse business assets, and startups, which rapidly give shape to innovative ideas, is a form of open innovation which is essential for the Optimization Society where its competitive environment changes at a dizzying pace. Therefore, CVC launched a new initiative with the Industrial Automation Business (IAB) in fiscal 2022. In this project, IAB’s development engineers seconded to CVC search for startups and serve as a bridge between IAB and startups, evaluating their technology with a view to investment and co-creation. We also aim to contribute to our portfolio companies by utilizing our human resources in the acceleration program for them. OMRON, with a wide variety of business assets and a system for recruiting people to work on the side, reserves missing pieces that startups need to acquire. To make the most of these business assets and the expertise of our employees, we send members of CVC to the startups in which we invest to accelerate their business growth. Activities undertaken in fiscal 2022 included the improvement of clinical trial protocols and regulatory development to expand the cognitive testing business. OMRON’s acceleration activities not only aim to grow the businesses of the companies in which it invests, but also to provide opportunities for dispatched employees to develop their capabilities and deepen their business insight. Through these initiatives, CVC will continue not only to support startups that have the power to potentially change the world but to develop human resources who will contribute to the realization of the Autonomous Society.

Case 1

Establishing a mechanism for co-creation between business divisions and startups

The bottleneck for business companies in promoting co-creation with startups is often the difference in the speed of communication and the processes for responding to change in the environment. Therefore, people at CVC who understand the needs of both business divisions and startups view events from the perspectives of the two parties. They intervene in communication to accelerate co-creation by facilitating open innovation to promote growth of both parties’ businesses. Masayoshi Tsukikawa, a robotics engineer developing AI in IAB, is engaged in such co-creation activities. Based on his own experience as an engineer, he became interested in open innovation with startups as a means of business creation. He volunteered to participate in a project which members were recruited within IAB. Regarding his participation in the project, Tsukikawa says, “Just as I expected, it has been a challenging and rewarding learning experience every day. By looking at IAB from the external perspective of a startup, I am able to recognize the breadth of its business fields and the fast pace of the robotics industry. Each day, I am inspired by memorable experiences and encounters with people that I would never have had if I had simply concentrated on developing products and technologies.”

CVC is enhancing the mechanism for co-creation between business divisions and startups, and Tsukikawa, as a core member of this project, continues to search for startups that have the potential to create synergy with IAB’s business assets.

Global Corporate Venturing Office
(Original affiliation: Technology Department 1, Technology Development Division HQ, Industrial Automation Company)
Masayoshi Tsukikawa



Case 2

Implementing an acceleration program that develops both employees and portfolio companies

Yasuyo Kotake, a member of CVC and a distinguished specialist of technology at OMRON, has planned and implemented new acceleration activities. Kotake provided business support to CogSmart Co., Ltd., a startup in which OMRON has been a lead investor since fiscal 2021. With its vision, “creating a society where everyone can live a healthy and enriched life forever with the power of brain medicine and technology,” CogSmart is developing solutions for prevention of dementia. From fiscal 2022, as part of the support activities, Kotake worked within CogSmart to conduct acceleration activities, utilizing her skills in bioengineering, her field of expertise. Looking back on the time when she started providing support to CogSmart, Kotake says, “I gained a lot of insights through discussions and friendly rivalry with the people at CogSmart in order to resolve the issues that CogSmart was then facing. Not only were the speed and execution capabilities of CogSmart astounding, but I was also inspired by their strong determination to resolve social issues at all costs.” After completing her mission, Kotake returned to CVC and is now supporting another startup, capitalizing on her experience with CogSmart. She has enhanced her capabilities as a bridge between OMRON and startups and moreover as a person who takes the initiative in creating innovation driven by social needs.

Co-Creation Strategy Center,
Global Corporate Venturing Office
and OMRON VENTURES CO., LTD.
Yasuyo Kotake



CHRO Message

Advancing to a New Stage where Human Resources Strategy Enhances Corporate Value

Director, Senior Managing Executive Officer
CHRO and Senior General Manager, Global Human Resources and Administration HQ

Masahiko Tomita

OMRON's human resources strategic vision under SF2030 is: "Inspired by the corporate philosophy of 'contributing to a better society,' the company and its employees will always choose each other and continue growing together." Pursuing this human resources strategic vision, as CHRO, I will accelerate the following to enhance corporate value.

- ▶ Cultivate corporate and organizational culture throughout OMRON, deepen understanding of the OMRON Principles and expand the circle of resonance
 - ▶ Find, develop, and promote leaders to lead a diverse workforce
 - ▶ Create an attractive environment for all employees where they can fully demonstrate their capabilities
- I believe employees are the driving force of OMRON's creation of social value under SF2030. As CHRO, I will implement a human resources strategy designed to ensure that the company and the employees choose each other based on the premise that the company and employees are on an equal footing, to achieve autonomous and sustainable growth. I will also pursue a human resources strategy that leads to business growth from a long-term perspective, worldwide.

Accelerating transformation of business and organizational capabilities

In the period covered by SF2030, OMRON positions the three years from fiscal 2022 to 2024 as the "transformation acceleration phase" and is implementing the medium-term management plan "SF 1st Stage." Through SF 1st Stage, we are shifting our

perspective for perceiving values and the business model. Shifting our emphasis from "product value" to "essential value (products + services)," we are promoting "business transformation" and "transformation of corporate management and organizational capabilities" to resolve social issues by capitalizing on our strength in automation. To achieve transformation to the ideal configuration depicted by SF2030, we are implementing various human resources policies on a "Try & Learn" basis. Generally, human resources strategies and policies are thought to have a delayed effect, and it is difficult to quantify the results. However, in fiscal 2022, OMRON began disclosure of "human creativity," by quantifying the linkage between human resources strategies and measures with financial performance and enhancement of corporate value. Applying a Try & Learn approach, in order to progress to a different stage, we will work on new human resources policies and gain new insights.

Human Capital Management in Pursuit of Sustainable Growth of both the Company and its Employees

I think what is most important in promoting human capital strategy is to link it with management and business strategy. So that each employee engages in creation of social value through business, the SF2030 human resources strategic vision envisions a new company-employee relationship in which the company and the employees choose each other based on a natural affinity. Achieving this relationship requires not only that the business strategy and the human resources strategy are linked, but also that the company's aspirations and the individual employees' aspirations are linked. It is also important to link the company's growth with employees' personal growth. We are implementing human resources policies to ensure that both the company, which increases

corporate value, and employees, who exercise their own initiative and capabilities, continue to grow.

Creation of Social Value through new D&I

In order to communicate our vision, aspirations, and linkage to all employees and realize the ideal configuration, OMRON has adopted its own definition of “diversity & inclusion” (D&I). OMRON uses the keyword “D&I,” which reflects OMRON’s vision of the future, and has defined it. Specifically, we define diversity as the ability to “attract diverse people who will take on the challenge of the creation of a better society.” For OMRON, inclusion means to “unleash the passion and ability of each individual, create innovation by bringing our diverse personalities together and share the fruits of our labor.” These are the powerful associations of D&I at OMRON. I believe that OMRON’s unique D&I is the key to success for employees striving to fulfill OMRON’s fundamental purpose: “To create social value through businesses and continue to contribute to society.” Diverse human resources with specialties who are willing to take on challenges are essential for business transformation. It is also essential not only to hire such talented people but also to encourage them to demonstrate their abilities through various measures

and organizational management. I believe that, in addition to attracting diverse human resources, the combination of diversity and inclusion in the OMRON approach to business, which features human resources policies designed to unleash the passion and ability of individuals, will lead to the creation of new corporate value.

I will continue to pursue a human resources strategy that enhances corporate value by achieving sustainable growth of both the company and employees.

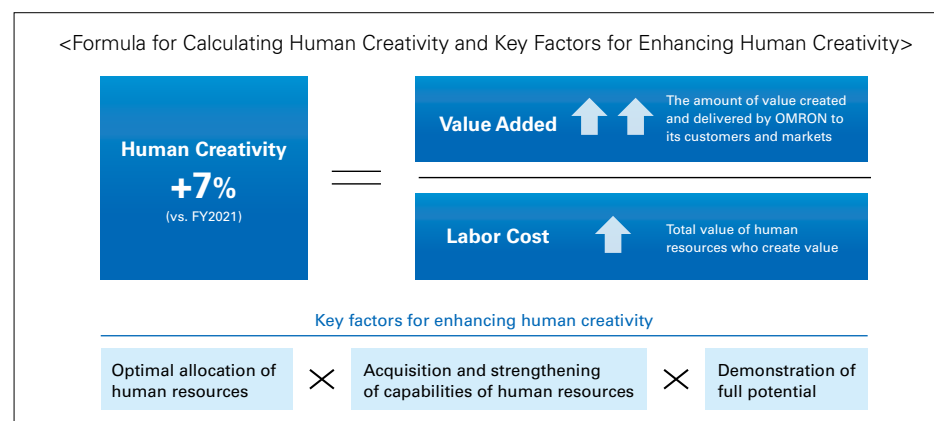
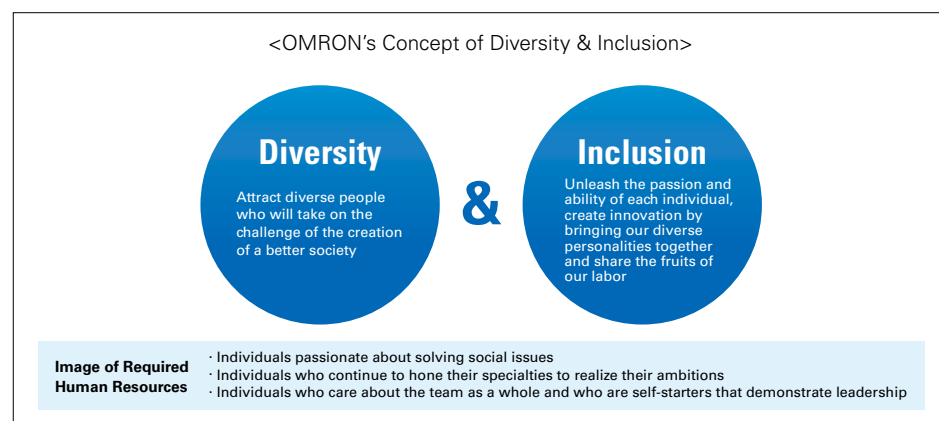
Human Creativity: Measurement of the Amount of Value Created and Delivered by OMRON to its Customers and Markets

Under SF2030, we set “human creativity” as a quantitative indicator to measure how effectively OMRON utilizes its human capital to achieve new value creation by accelerating this unique D&I process. We aim to achieve a 7% improvement by fiscal 2024 compared to fiscal 2021. Human creativity is the amount of value added, which is net sales minus variable costs, divided by labor cost. (See the figure.) Until now, in the human resources field, the indicator calculated using the same formula has been referred to as the inverse of labor productivity or labor share. However, OMRON’s conception of this indicator is

quite different. OMRON’s objective is the creation of value. Therefore, in order to boost value added, which is the numerator, we will invest in human resources, which is the denominator. This will result in creation of more value added than ever before.

Three Factors for Enhancing Human Creativity

In order to enhance human creativity, there are three key factors aligned with the OMRON Group’s management goals and business strategies. Firstly, optimum allocation of human resources. We aim to improve employee performance and increase value added by allocating human resources to the “right place for the right job,” with an eye to growth fields that will generate value added for each business. Secondly, acquisition and strengthening of capabilities of human resources. We will prepare human resources development programs to help our employees acquire and strengthen the capabilities necessary for executing strategies for growth fields and provide them with various opportunities to gain experience. Thirdly, demonstration of full potential. We will create an environment where all employees can fully leverage their diverse personal qualities and abilities while deepening their engagement.

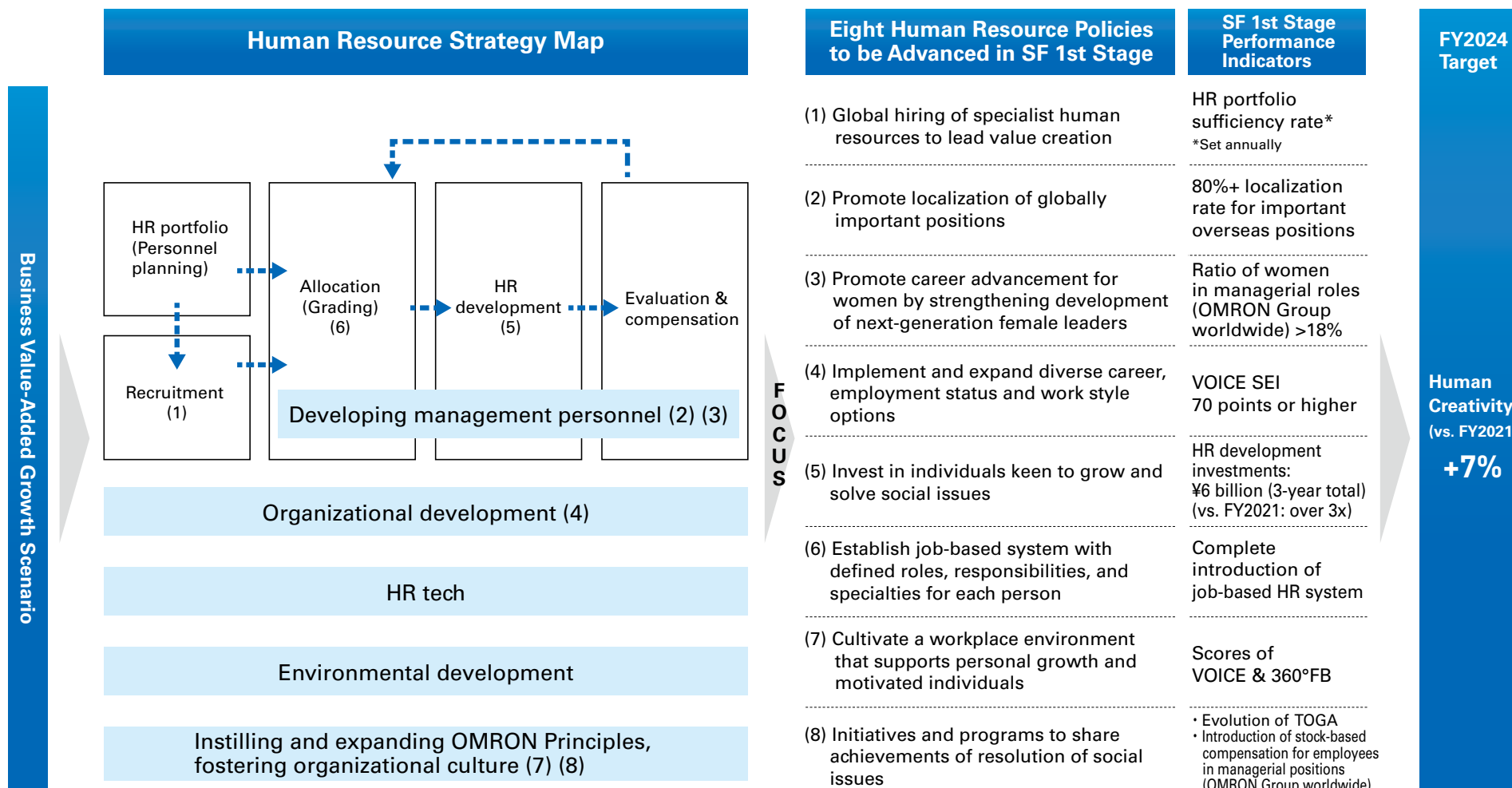


Eight Policies to Increase Human Creativity

In the SF 1st Stage, we are focusing on eight human resource policies that we believe will be the most effective for increasing human creativity. By achieving the performance indicators set for each of the eight policies, we aim to improve human creativity.

Below we introduce a few of the notable policies, including fulfilling the HR portfolio.

<Scenario for Improving Human Creativity in SF 1st Stage>



Fulfilling the HR Portfolio and Investing in Human Resources Development

At OMRON, we define our HR portfolio as continually putting the right people with the right capabilities in the right positions at the right time and in the right numbers to achieve our business strategies. First, we make our business growth scenarios concrete from a human capital and organizational perspective. Next, we define our ideal lineup and identify gaps versus the current state. Finally, we implement HR policies to fulfill the HR portfolio and optimize resources.

▶ Global Hiring of Specialist Human Resources to Lead Value Creation

In fiscal 2022, following the growth scenarios for each business, we were able to hire on a global basis the specialist human resources necessary to lead value creation in SF 1st Stage. We onboarded many human resources with diverse capabilities and experience, including those with expertise in advanced

technologies essential for creating new businesses and solutions, such as AI, robotics and DX; engineers who can implement and accelerate automation at customer sites; and human resources with supply chain management and production skills to support existing businesses. This has enabled major progress toward fulfilling our HR portfolio.

▶ Investment in Individuals Keen to Grow

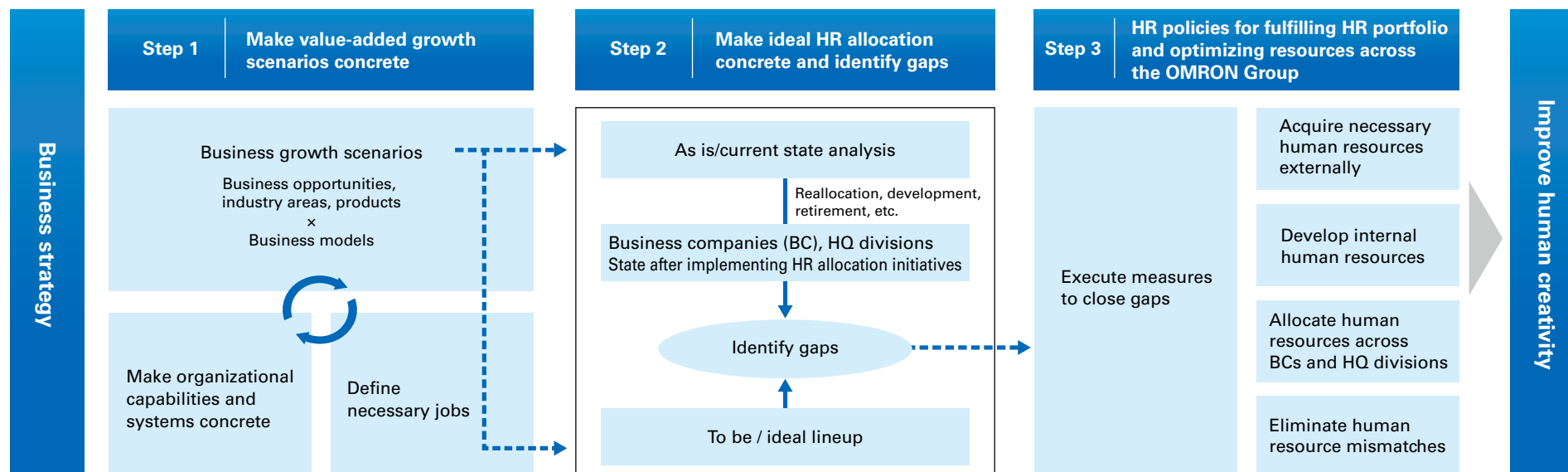
Under SF 1st Stage, OMRON will invest ¥6 billion (3-year total) in human resources in order to help those who are motivated to enhance their abilities and to help those who have been promoted acquire the abilities needed to achieve higher performance. This figure is three times the amount during the previous medium-term VG2.0 period. Starting in fiscal 2022, our human resource development has been focused on three areas: 1) leader development and promotion, 2) enabling diverse and versatile talent to play active roles, and 3)

acquiring skills to apply the essential value perspective. Specifically, we are expanding programs for developing leaders through experience overseas and outside the company; encouraging feedback and interactive initiatives, such as coaching and mentoring; and hands-on training to promote new business models. We are advancing these initiatives across the OMRON Group.

Sustained Development of Leaders to Spearhead OMRON Principles

At OMRON, we emphasize the Global Core Position Strategy for early identification and development of global leaders. We have been working on this strategy since 2011 when we launched our previous long-term vision VG2020. OMRON believes that developing global leaders is essential for sustaining business growth, and we are continuing and evolving the Global Core Position Strategy under SF2030.

<OMRON's Concept of the HR Portfolio>



▶ **OMRON's Global Core Position Strategy**

At OMRON, we have established approximately 200 key positions globally (Global Core Positions). The CEO selects appropriate personnel for these positions, and management works together to evaluate and develop those in the roles. To achieve both quality and quantity in the Global Core Positions, we regularly review the promotion, replacement, and development opportunities for human resources.

At the same time, with the goal of selecting two or more successors for each position, we conduct evaluations and development to fill the global talent pipeline on an ongoing basis. Furthermore, we select promising young talent as Future Gems who we hope will take on Core Positions in the future, and provide development for them. For the approximately 200 key positions globally, over 400 successors and over 600 Future Gems—over 1,000 personnel in total—have been selected from among OMRON Group employees worldwide.

This fiscal year, OMRON experienced a complete changeover in top management, including the CEO,

CFO, and heads of all business companies. This smooth transition to the new management structure represents the fruits of the Global Core Position Strategy and succession plan, which we have continued to refine over the past decade. Going forward, we will continue to develop global leaders on an ongoing basis in order to sustain business growth.

▶ **Promoting Localization of Globally Important Positions**

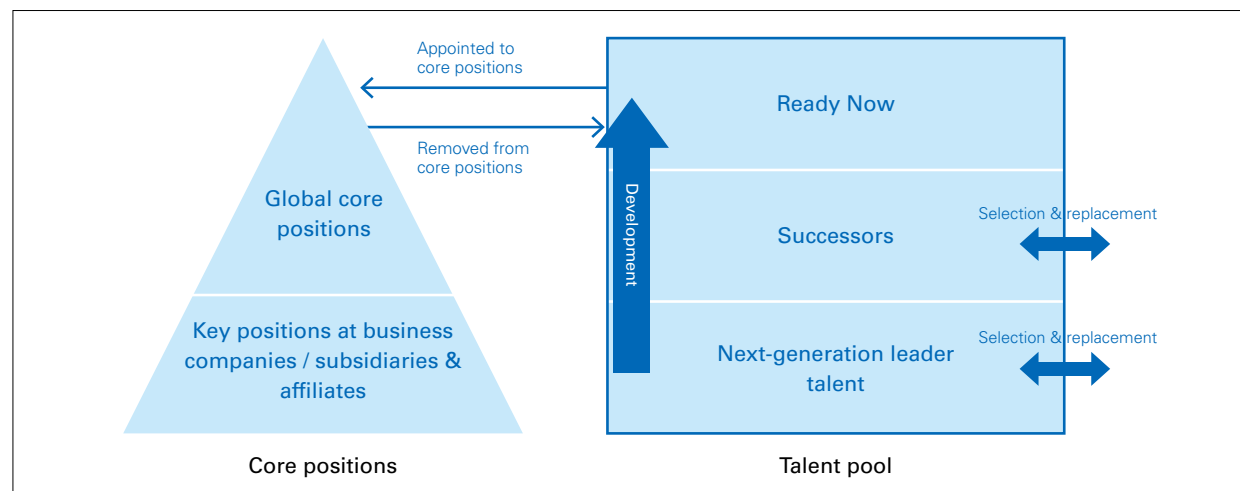
With the aim of enabling swift decision-making in line with local business practices, we are focused on increasing the localization rate for important overseas positions. In fiscal 2022, with implementation of appropriate personnel promotions, timely replacements, and optimal training for individuals, we achieved our target localization rate of 80%. In regions around the world, OMRON leaders in important positions, along with their successors and next-generation leaders, are spearheading efforts to resolve social issues through business.

▶ **Promote Career Advancement for Women by Strengthening Development of Next-generation Female Leaders**

At OMRON, we regard women's career advancement as a key management strategy. We engage in various initiatives to increase the percentage of women in management roles, including considering gender balance in the selection and development of global management candidates; providing leadership training and mentoring programs for women; and conducting unconscious bias and psychological safety training across the Group. In Japan, we are creating an environment where women can excel through career support, guidelines and consultation services for work-life balance, revisions to HR and compensation systems, and more. As a result of these initiatives, as of April 2023 there are 137 female managers in the OMRON Group in Japan (85 in fiscal 2018), including seven female officers*. To further increase the percentage of women in management going forward, we believe it is necessary to build up the talent pool by identifying and developing female management candidates early on. In addition to group-wide initiatives, each workplace is providing growth opportunities and OJT to enhance development.

* One outside director, one managing executive officer, two executive officers, two presidents of affiliated companies, and one director of an affiliated company

<System to Continually Place the Right People in the Right Global Core Positions>



While the number of female managers is increasing in each country and region, there is a shortage of female successor candidates for key positions across the Group. To address this issue, we launched the Women Leaders Circle initiative starting in fiscal 2023 as part of our Global Core Position Strategy. The Women Leaders Circle is a program to develop global leaders (future executive candidates) among current female managers. Twenty female leaders from eight countries are participating this fiscal year. By transforming mindsets to facilitate career advancement for female leaders, we will accelerate the success and

development of women managers, and fill the talent pipeline with female leaders and their successors for key positions in each area and business sector globally. OMRON will continue to position women's career advancement as a key management strategy and push ahead with related initiatives going forward.

Creating an Environment and Organizational Culture for Making Progress in Practicing the OMRON Principles

At OMRON, we are working to create an environment where each employee can make progress in practicing the OMRON Principles. Gaining empathy for and resonance with the OMRON Principles, and putting them into practice, are the most important factors enabling employees to maximize performance and directly translate their passion, capabilities, and value to added value. Therefore, through 360-degree feedback, one-on-one meetings between superiors and subordinates, and other opportunities for dialogue, OMRON is working to develop an environment where each individual's unique qualities and abilities can shine.

Especially in Japan, in addition to developing an environment where women can take on more active roles, we are also working on creating an environment where men can proactively participate in child-rearing. In addition to using our employee engagement survey "VOICE" to gauge employee satisfaction, we identify issues to enable all employees to maximize their capabilities based on everyone's feedback, and use this to inform initiatives to improve work systems and environments.

Implementation and Expansion of Diverse Career, Employment Status, and Work Style Options

OMRON has conducted VOICE globally for all employees in 22 languages every two years since 2016 to encourage the practice of the OMRON Principles. The purpose of VOICE is not only visualizing

the state of organizations and issues. To motivate employees to proactively work to resolve social issues, executives review the survey scores and around 40,000 free-form comments, championing the formulation and implementation of initiatives aimed at creating better environments, such as systems to make it easier for male employees to take childcare leave. At the same time, each workplace formulates and implements improvement initiatives based on the issues identified through VOICE. By capturing employee needs, discussing them among the management team, identifying issues, taking concrete action for improvement, and responding to employees, we aim to make OMRON into a more attractive workplace.

VOICE 2022: From Continuation to Self-Propulsion

For VOICE 2022, the 5th implementation, 90.5% of all global employees participated and provided 38,503 free-form comments (employee feedback). In the fiscal 2022 results, 12 out of the 15 categories exceeded 70 points, the score indicating a favorable organizational state. At the same time, the Sustainable Engagement Index (SEI), an overall indicator introduced in the 2018 survey to measure organizational health, also achieved the target score of 70 points or above. Also, the number of improvement initiatives proposed by each workplace greatly increased, from 230 last time to 570. We are now steadily implementing the 570 improvement initiatives formulated to create even better work environments. Judging by the high survey response rate and number of improvement proposals gathered, VOICE, which began in 2016, has firmly taken root in OMRON and become a self-propelling initiative.

Initiatives to Share and Resonate with Achievements in Resolving Social Issues

The OMRON Global Awards (TOGA) is a system for self-driven practice of the OMRON Principles. TOGA

initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the OMRON Group across the world to ensure that all employees understand the OMRON Principles, which are the source of OMRON's strength, and to expand the circle of empathy and resonance. Under SF2030, we will continue to evolve TOGA and share collaborative creation and achievements globally to resolve social issues through business. TOGA is a cycle of setting inspirational goals, taking action, and reviewing progress to share information and encourage buy-in throughout the entire year. OMRON Group employees engage in TOGA in teams. Themes selected from individual organizations and regional qualifying rounds are presented at the annual Global Meet held in Kyoto and shared with all OMRON Group employees worldwide. The initiatives of other teams and their evaluation by judges become topics of conversation at workplaces. Sharing TOGA experiences with coworkers is leading to expansion of the circle of empathy and resonance throughout the OMRON Group worldwide.

At the 10th TOGA Global Meet held in Kyoto on September 21, 2022, a total of 17 themes (15 Gold Awards and 2 Special Awards) were selected from 6,944 entries involving 51,736 participants in fiscal 2021 and shared with audiences both within and beyond OMRON. The 10th TOGA Global Meet was held in a hybrid format combining on-site and online viewing, with over 12,000 OMRON Group employees worldwide participating. Over 700 people also participated from outside OMRON, including partners, investors, media representatives. TOGA has led to increasing collaborations with partner companies globally who want to work together to take on the challenge of resolving social issues.

TOGA website



▶ **Health Management to Improve Human Creativity**

At OMRON, health management is part of our human capital strategy aligned with our management strategy. Maintaining and improving the health of each employee is an important foundation for enhancing human creativity. For employees to continually demonstrate their abilities, it is essential that they maintain mental and physical health. While we previously regarded health management as an aspect of occupational health and safety focused on “supporting improvement in employees’ health literacy and behavior change for healthier lifestyles,” from fiscal 2023 we have redefined it as “building a foundation for exercising abilities, to improve human creativity” and are promoting it as an initiative in human capital management. Specifically, we are working on “health initiatives and operation building,” “infrastructure and systems to promote work style reforms,” and “workplaces where employees can work safely and with peace of mind,” and are engaged in HR and organizational management to enable sustained high performance. Ahead of these initiatives, in fiscal 2022, the OMRON Health Insurance Society introduced JMDC’s healthcare platform PepUp, which visualizes employees’ health age. By enabling employees to personally manage their regular checkup results and vital data, obtain information tailored to their own health status, and participate in various health events, PepUp is promoting data-driven health enhancement. Furthermore, OMRON became a leading member company in the Health & Productivity Management Alliance launched in June 2023. This cross-industry alliance aims to create corporate value through human capital. Through the alliance, we will co-create and share expertise with various companies to contribute to developing human resources who will help increase productivity and enhance competitiveness across Japanese industry together with other member companies.

Case 1
Boosting Engineering Talent Essential for Expanding Solution Business in Industrial Automation Business

In our core Industrial Automation Business (IAB), we are continuing to hire engineers with specialized skills in areas such as production technology and data analysis, which are essential for expanding the solution business. We assign these new hires to support customers and industries where IAB is focusing such as “digital” and “environmental mobility” to grow value added. With the addition of 100 new hires in fiscal 2022, over 1,700 Field Application Engineers (FAEs) are active at 36 Automation Centers (ATCs) globally. We have placed ATC FAEs and application engineers in our sales departments of worldwide. Working together with external system integrators, they provide solutions at customer production sites to address labor shortages with AI and robotics, and to improve energy efficiency, productivity, and sophistication through use of site data. Our solution business utilizing site data, i-BELT, has been implemented mainly at customer sites in Japan, Europe, and China, with increasing inquiries recently in China. Moreover, we have built a system where manufacturing experts and data scientists from Japan provide backup in collecting and conducting simple analysis of site data for proposing solutions and demonstrating results at the proof-of-concept stage. The plan is to eventually station these experts locally as well.

Case 2
Promoting Work Style and Operational Improvements through Ongoing Dialogue between Management and Employees: Big Improvement in VOICE Scores

OMRON Healthcare Korea (OHH), which handles sales and marketing of healthcare products in South Korea, identified issues including improving operational efficiency, employee health and benefits systems, and opportunities to relate day-to-day work to the organizational vision, in the 2020 VOICE survey results amid ongoing business growth. In response, OHH worked together with the HR & GA department of the South Korea regional headquarters company to undertake initiatives for “promoting penetration of OMRON Principles through enhanced internal communication,” “improving operational efficiency,” and “establishing and improving welfare systems.” Specifically, they created opportunities to communicate management’s aspirations and share goals and action plans by distributing messages from top management each quarter and through dialogue between OHH’ president and employees. They also worked to improve operational efficiency by digitalizing shipping instructions, reducing lead time from product import to shipment by approximately 60%, and helping resolve resource shortages. Additionally, they listed 19 improvement cases based on benchmarks at other companies and employee requests. Considering feasibility, impact after introduction, fairness, and other factors, they introduced and improved 12 new systems. As a result, scores improved in all categories of VOICE 2022. In particular, the scores in the categories of “Securing operational resources,” “Consideration for employee health/wellbeing,” and “Embodiment of OMRON Principles” increased substantially by an average of 36 points. This demonstrates that sincerely addressing employee feedback leads to significant results. Through dialogue between management and employees, OHH continues to create environments where all employees can maximize their potential.

**Case
3**

**10th TOGA Global Meet Gold Award Theme
Creating a Safe and Secure Japan:
Generating New Value from Traffic
Signals**

Power outages at traffic signals due to natural disasters increase accidents and impede safe evacuation, posing a challenge. There are 210,000 traffic signals operating in Japan, but only 70,000 can be monitored remotely. The torrential rains in 2020 that caused massive damage, mainly in Kumamoto Prefecture, also damaged many traffic signals, leaving their operational status unclear for a prolonged period. Witnessing this crisis firsthand, Keiko Tarui took on the challenge of visualizing traffic signal operation status, driven by the desire to “help create a safe and secure Japan by enabling early recovery during disasters.” However, from the conventional product value perspective, replacing operating signals with monitored signals presented challenges in terms of cost and maintenance. Therefore, Tarui’s team considered services from the essential value perspective of customers who want affordable solutions with easy operation and maintenance. Breaking with industry conventions, they developed a subscription-based monitoring device that can be retrofitted on signals from different makers. This service has received high acclaim for enabling centralized monitoring of multiple signals from traffic control centers. Currently, the service is evolving beyond monitoring signals to encompass intersection safety and community watch over entire towns.

OMRON Social Solutions Co., Ltd.
FY2021 TOGA Global Meet Gold
Award Winner, Japan
Representative
Keiko Tarui



**Case
4**

Diversity of Human Resources in Japan

Percentage of Women in Management Positions

At OMRON, we have positioned furthering women’s careers as a key management strategy. We are implementing various initiatives to increase the percentage of women in management, including considering gender balance in selecting and developing candidates for global executive positions; leadership training and mentoring programs for women; and Group-wide unconscious bias and psychological safety training. In Japan, in addition to career support, we are creating an environment where women can excel through guidelines and consultation services for work-life balance, revisions to HR and compensation systems, and more. As a result of these initiatives, the number of female managers is increasing in Japan. As of April 2023, there are 137 female managers in the OMRON Group in Japan (compared to 85 in fiscal 2018 five years ago), including seven female officers*. However, we believe that identifying and developing female manager candidates from an early stage to build up the talent pool is essential to further increase the percentage of women in management going forward. In addition to Group-wide initiatives, we also want to accelerate efforts led by individual workplaces to provide growth opportunities and OJT. OMRON will continue to position advancing women’s careers as a key management strategy and move related initiatives forward.

* One outside director, one managing executive officer, two executive officers, two presidents of affiliated companies, and one director of an affiliated company

Percentage of Men Taking Childcare Leave

To increase the percentage of male employees taking childcare leave at OMRON, we are making efforts to eliminate the obstacles: understanding and cooperation from superiors and successfully handing over work when taking leave. Following revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in April 2022, managers are explaining the systems and confirming intention to utilize them with all male employees submitting pregnancy reports or birth notifications, to actively encourage them to take advantage of childcare support systems. We have also established consultation desks so that managers and male employees can easily seek advice at any time. At the same time, workplaces with employees taking childcare leave are making work adjustments and establishing handover systems in line with early leave plans. As a result, in fiscal 2022, 41% of male employees submitting birth notifications took childcare leave, averaging approximately 70 days (compared to 18% and approximately 50 days on average the previous year), because all male employees hoping to take such leave were able to utilize childcare support systems. On the other hand, over half of male employees submitting birth notifications did not use childcare support systems for various reasons. OMRON believes the purpose of these systems is not childcare leave itself, but to enable men to participate in child-rearing. Going forward, we intend to focus more on transforming the mindsets and actions of male employees.

Sustainability Initiatives

Maximize Corporate Value by Achieving Sustainability of both Society and OMRON

Managing Executive Officer
Senior General Manager, Global Investor & Brand
Communications HQ and Sustainability Executive

Tsutomu Igaki



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.”

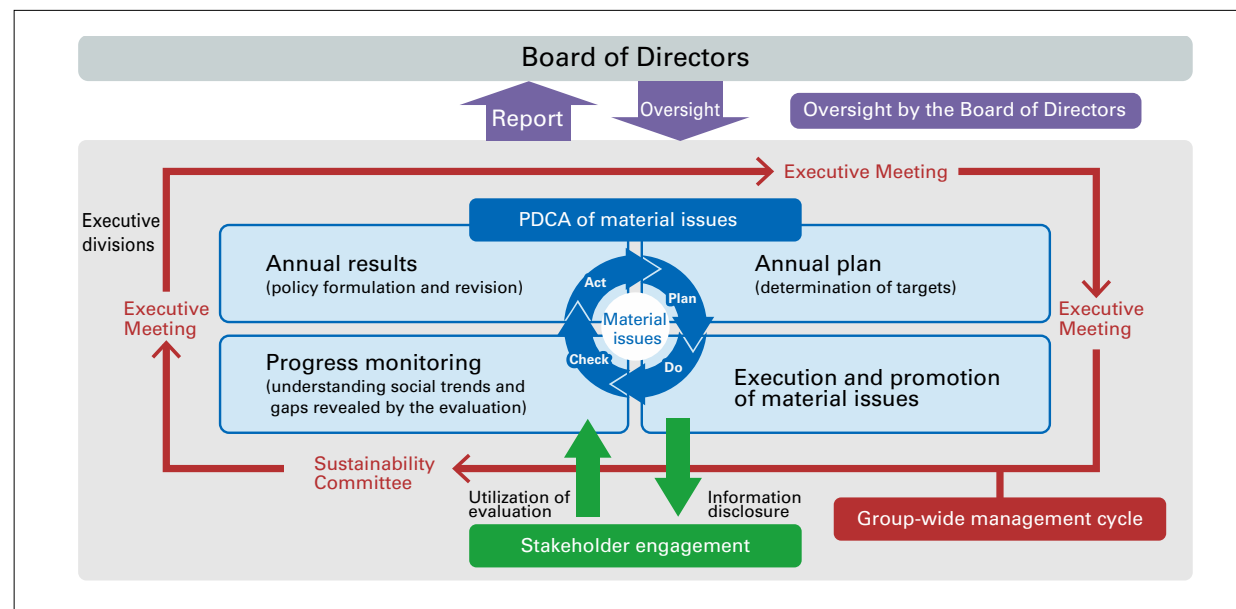
For “resolving social issues through our business,” under SF 1st Stage, the first medium-term management plan to fiscal 2024, we have designated businesses that will contribute to resolution of the three social issues addressed by OMRON as “focus businesses” and aim to achieve 45% growth of those businesses 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>



Achieving Decarbonization and Lower Environmental Impact

OMRON's Approach to the Environment

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of "contributing to a better society," and is proactively working to address global issues such as climate change and resource recycling. In particular, we view "reducing greenhouse gas (GHG) emissions," "transitioning to a circular economy," and "coexisting with nature" as important environmental issues to be addressed. By ensuring effectiveness and establishing frameworks, we are committed to contributing to the creation of a sustainable society and enhancing corporate value.

OMRON Environmental Policy

OMRON revised the OMRON Environmental Policy on March 1, 2022 as important guidelines to promote the material sustainability issues of SF2030, which are "resolving social issues through our business" and "achieving decarbonization and lower environmental impact," and to achieve the targets. Under this policy, we have defined the key environmental issues OMRON should address and action guidelines and will promote decarbonization and lower environmental impact. Going forward, OMRON will address environmental issues throughout its value chain in accordance with this policy and will meet the expectations of its stakeholders, thereby enhancing its corporate value.

* The OMRON Environmental Policy can be accessed from the code.



Environmental Promotion System

OMRON management and executives work together to address environmental issues, with the Board of Directors fulfilling its responsibility for supervision and oversight. As part of our governance system, the president and CEO delegates authority to the individual executive division heads, who are responsible for pursuing environmental issues such as climate change and creation of circular economies. Additionally, the president and CEO reports to the Board of Directors on progress status and important matters, while the Board makes decisions and carries out oversight of executive matters.

As part of efforts to strengthen sustainability governance, a director in charge of environment was appointed in fiscal 2023. Additionally, a steering committee has been set up within OMRON's Sustainability Committee to accelerate scope 3 emission, circular economy and other value chain environmental initiatives, and we are proceeding full force with efforts to fulfill the objectives of our medium-term management plan, "SF 1st Stage," and to accelerate decision-making to better match fast-paced changes in the external environment.

OMRON Environmental Objectives

OMRON has established the OMRON Carbon Zero target, for zero scope 1 and 2 GHG emissions by 2050. Achieving decarbonization and lower environmental impact was also set as a material sustainability issue, and in addition to the SF2030 and SF 1st Stage sustainability targets (fiscal 2024 targets), six fiscal 2024 targets were also established for five categories, with monitoring of progress. Our scope 1, 2 and 3 GHG emission targets are certified by the Science Based Targets initiative (SBTi) as 1.5°C or 2.0°C pathway targets.

Fig. 1 OMRON Carbon Zero Medium- and Long-term Environmental Targets			
Zero GHG emissions (scope 1 and 2) by 2050			
Material sustainability issues under SF2030	SF2030 (FY2030) goals	SF 1st Stage (FY2024) goals	
Achieving decarbonization and lower environmental impact	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 <ul style="list-style-type: none"> ● Scope 1 and 2: 65% cut^{*1} vs. FY2016 ● Scope 3: 18% cut^{*1} vs. FY2016 	<ul style="list-style-type: none"> ● Scope 1 and 2: 53% cut vs. FY2016 ● Achieve Carbon Zero at all 76 sites in Japan^{*2} ● Scope 3, Category 11: Implement energy-saving designs for new products ● Implementing business model transformation, environmentally friendly design, collection and recycling, and sustainable procurement in response to transition to a circular economy 	
Issues	SF 1st Stage (FY2024) targets	FY2022 results	Evaluation
Reduction of greenhouse gas emissions	Achieved 53% reduction in absolute amount vs. FY2016 result	Achieved 62% reduction in absolute amount vs. FY2016 result	Exceeded plan
	Environmental contribution ^{*3} > CO ₂ emissions from production sites	Environmental contribution (938 thousand ton-CO ₂) > CO ₂ emissions from production sites (87 thousand ton-CO ₂)	As planned
Proper waste management and production	Maintain zero emissions ^{*4} at all global production sites	24 sites (100% progress)	As planned
Compliance with environmental laws	Perform environmental legal assessments at all global production sites	25 sites (100% progress)	As planned
Effective usage of water resources	Reduce water usage at all global production sites by 20% vs. FY 2015 result	Down 45%	As planned
Facilitating environmental management	Acquire and maintain ISO 14001 certification at all global production sites	26 sites (100% progress)	As planned

*1 Certified under SBT Initiative in May 2022. https://www.OMRON.com/global/en/media/2022/05/c0531_2.html
 *2 GHG emissions from OMRON's electricity use (scope 2) at 13 production sites and 63 non-production sites (headquarters, R&D, and sales)
 *3 Volume of CO₂ emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services
 *4 Recycling of waste: 98% or higher

OMRON's Key Environmental Initiatives under SF2030

OMRON aims to solve social issues through the reduction of GHG emissions in its value chain and the establishment of a resource recycling model by 2030, as well as to achieve a state in which further competitive advantages are built.

▶ Reduction of GHG Emissions (Scope 1 and Scope 2: Emissions from the OMRON Group)

To reduce Scope 1 and Scope 2 emissions, we will promote thorough energy conservation and use of renewable energy to transition to clean electricity. Moreover, by utilizing the renewable electricity-derived "J-Credit Scheme"^{*1} provided by our own energy solutions business, and "self-consignment"^{*2}, we aim to achieve 100% renewable energy at our sites in Japan by fiscal 2024.

▶ Reduction of GHG Emissions (Scope 3, Category 11: Use of Sold Products)

With regard to Scope 3, we will promote power-saving design, downsizing and weight reduction of new products, and replacement with low-power-consumption products in each business to prioritize reductions in Scope 3, Category 11, which accounts for approximately 80% of OMRON's GHG emissions.

▶ Transitioning to a Circular Economy

In order to solve the problems of resource depletion and environmental destruction, we will work to transition to a circular economy through such initiatives as "transformation of business models," "extension of product life," "expansion of collection and recycling," "procurement of recyclable raw materials," and "maximization of recycling rates." Specifically, for "procurement of recyclable raw materials," we are reducing plastic waste in the

production process and replacing containers (outer packaging) for products with paper packaging materials. For "expansion of collection and recycling," we are promoting in-process recycling, collection and recycling of OMRON products in cooperation with partners and customers and reviewing the production process and improving the recycling rate of resin waste materials generated in the production process.

Major FY2022 Initiatives and Results

▶ Initiatives to Reduce GHG Emissions

We are reducing emissions steadily every year to achieve our environmental targets, exercising energy conservation and using cleaner electricity from renewable energy sources.

In fiscal 2022, we continued with capital investment into replacing existing equipment with more efficient, energy-saving equipment, operational optimization based on energy saving diagnostics, and expansion of solar power generation equipment. Furthermore, as a new initiative, we utilized J-Credits obtained through business activities and switched to renewable energy-derived electricity for 5 locations in total, equivalent to

1,052 MWh.

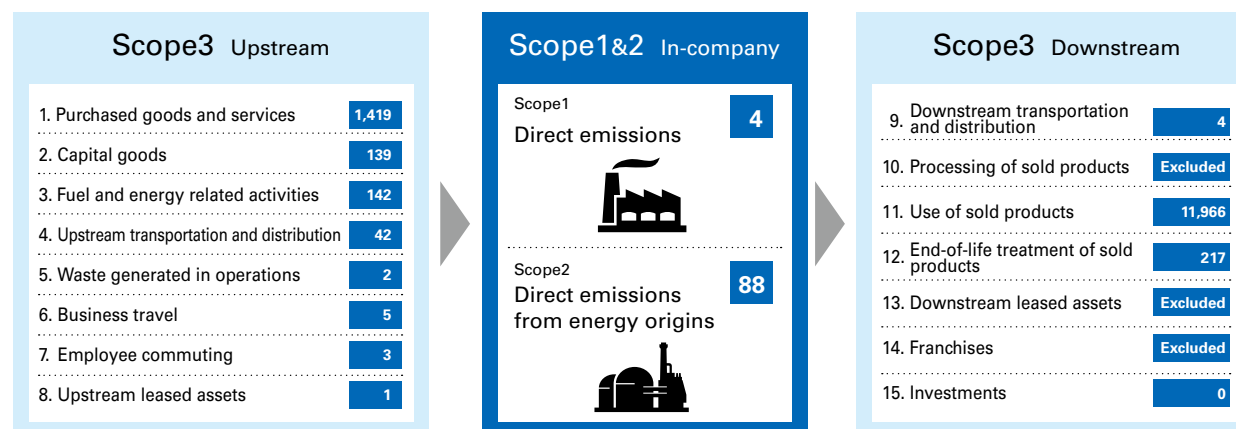
In addition to the above, we achieved a 62% reduction in GHG emissions (compared with fiscal 2016), due in part to the purchase of renewable energy-derived electricity in Malaysia and lockdowns in China. OMRON Group became the first Japanese manufacturer to join the EP100, and declared its commitment to doubling "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. At the Matsusaka Factory, which is a production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and the Healthcare Business are working together to create a system to double production while reducing energy consumption. By offering the know-how gained through these initiatives to the world, rather than just retaining it within OMRON, we will contribute to the decarbonization of manufacturing industry and society.

^{*1} J-Credit Scheme: Under this scheme, the Japanese government certifies a company's environmental value (the effect of not emitting CO₂).

^{*2} Self-consignment: A power supply system that allows businesses that own their own power generation facilities to transmit and supply electricity generated by those facilities to their own factories and offices in remote places via the power grids of general power transmission and distribution business operators and use the electricity.

<FY2022 GHG Emissions>

Unit: Thousand ton-CO₂



▶ Initiatives to Transition to a Circular Economy

In addition to reducing waste by minimizing and streamlining use of resources, we are also promoting reuse and recycling and are working to reduce hazardous waste emissions. In fiscal 2022, 24 OMRON Group sites maintained or achieved zero emissions (12 in Japan and 12 overseas). Regarding container and packaging material use, despite increased sales due to higher customer investment in carbon neutrality and plastic-free initiatives and continued demand from the digital industry, due to logistical improvements and reductions in weight, container material use was down by 11% and packaging material use was down by 12%, compared to the previous year. In Japan, we will continue to work to save resources by monitoring and standardizing container and packaging use, in line with the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging. Water risks are a growing global concern due to water usage increases due to economic development and population growth. We are working to reduce water intake, with effective usage of water resources as one of the material sustainability issues laid out in SF2030. Since fiscal 2014, the OMRON Group has kept track of water resource data in accordance with CDP water security (CDP Water) standards. Along with fiscal 2017 sustainability issues, we established a set of environmentally related social issues for the Group to address. Accordingly, all of our production sites worldwide have been working to make more effective use of water resources. In fiscal 2022, water intake at all production sites worldwide was down 45% (compared with fiscal 2015) as a result of production site efforts to reduce water use.

▶ Biodiversity Efforts

OMRON strives to preserve healthy ecosystems and protect biodiversity through such measures as stabilizing the climate, purifying water and air, and reducing waste. To this end, we formulated the OMRON Group's Biodiversity Policy through a collaborative project with international NGO Conservation International (CI), clarifying our approach to preserving biodiversity in terms of both business activities and social contributions. We aim to strengthen biodiversity initiatives and disclosure, so as to better meet requirements of the TNFD (Task Force on Nature-related Financial Disclosures) and stakeholder expectations grasped through engagement.

▶ Green Procurement Initiatives

We specified ecology (reduction of environmental impact) and compliance (observance of laws, regulations, and social norms) as key programs that should be promoted across our supply chain. As such, we certify green suppliers from two perspectives: establishment of an EMS, environmental management system; establishment of a CMS, management system for chemical substances contained in products. During fiscal 2022, we certified 62 more suppliers, for a cumulative total of 3,188 suppliers. As a result of systems for thorough monitoring and management of chemical substances in products, there were no significant violations for the OMRON Group.

▶ Held Symposium on Latest Environmental Regulatory Trends in Europe

Laws and regulations in countries throughout Europe grow stricter each year. OMRON held a symposium to deepen understanding of Europe's rapidly changing environmental legal and regulatory trends, inviting

outside experts as speakers. The symposium was held in Japan in July 2023, with twenty managers from the Environment and Sustainability divisions attending to learn more about the latest trends in Europe in regards to climate change, energy policy and other such issues.

Employee Comments

By using the J-Credit Scheme, we contribute to carbon neutrality for society as a whole

"Promoting carbon neutrality at OMRON sites" is one of the objectives set forth in SF 1st Stage, and we are working to achieve Carbon Zero for all 76 sites inside Japan.

As one part of initiatives, we utilized the Japanese government's J-Credit Scheme for global warming, releasing "Our Eco Life Circle" in January 2022 to collect and utilize economic value created through home consumption of solar power. Solar generation and storage systems are offered by our Social Systems, Solutions and Service Business, and over 10,000 customers using these products have applied to join the point system, with the number steadily rising. In fiscal 2022, we achieved Carbon Zero for five sites and plan to expand that number further. In the future, we will continue to help popularize renewable energy and to contribute to achieving a carbon neutral society through our products and services.

Assistant Manager
Emergent Strategy Department,
Business Development HQ, Energy
Solutions Business HQ
OMRON Social Solutions Co., Ltd.



Shinji Naito

Disclosures in Line with TCFD Framework

With numerous major disasters occurring around the world due to extreme weather events, we at OMRON consider climate change to be one of the most important issues we face. OMRON is committed to creating carbon-neutral societies, as described in SF2030.

In February 2019, OMRON endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on this endorsement, since 2020 we have carried out multiple scenario analysis, identifying both risks and opportunities presented by climate change for our businesses, strategies, and financial plans.

Furthermore, in addition to incorporating these analyses into integrated risk management under a common group framework, we have also been pursuing integration of business operations, under oversight of the Board of Directors, with the aim of consistency with SF2030 and business strategies. Finally, we are working to strengthen engagement with shareholders, investors, and other stakeholders through proactive disclosure of these measures.

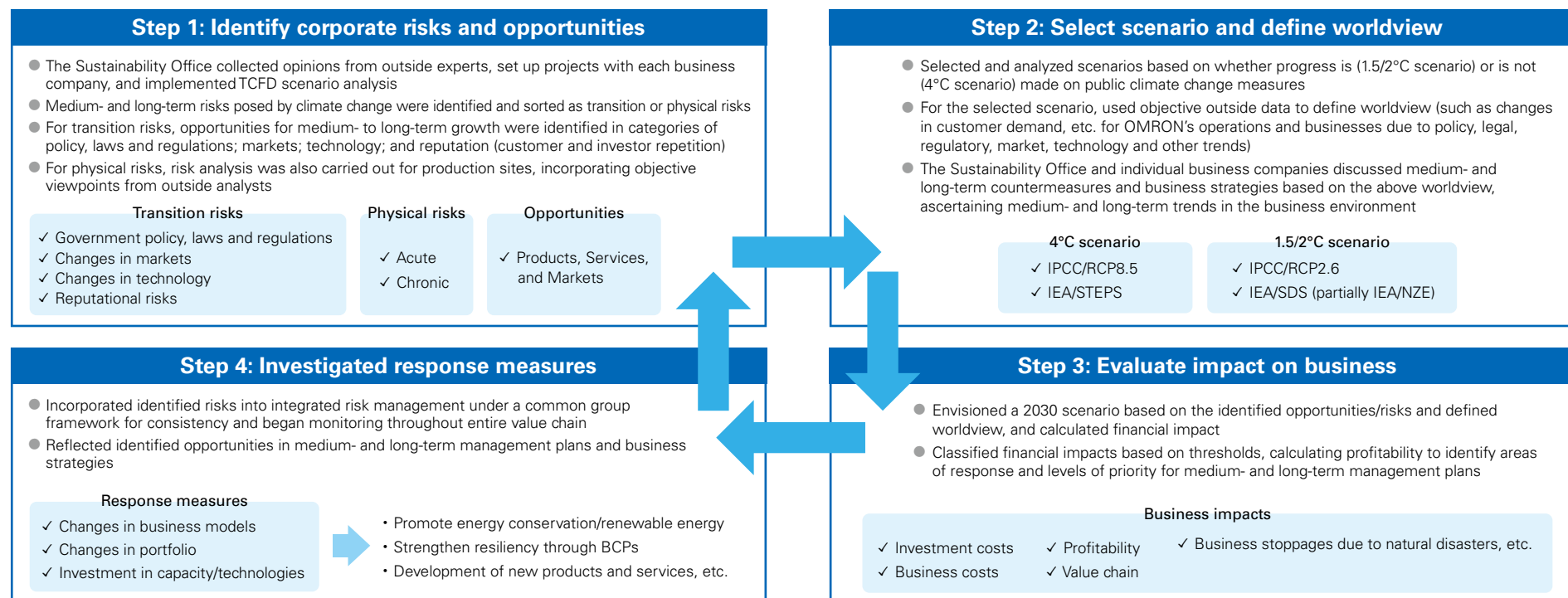
Scenario Analysis in Line with TCFD Framework
OMRON's Sustainability Office, in accordance with the basic steps for scenario analysis released by the Ministry of the Environment, cooperated with each

head office division and business company to construct a system for scenario analysis. Transition, physical and other risks to OMRON business strategies posed by climate change were analyzed according to the four steps shown below.

Disclosure in Line with the Four Overarching Recommendations of the TCFD

In fiscal 2022, we pursued initiatives and disclosed information according to the four thematic pillars recommended by the TCFD: governance, strategy, risk management, and indicators and targets.

<Scenario Analysis Steps>



Governance

▶ Role of the Board of Directors / Monitoring System

The OMRON Corporate Governance Policy clearly stipulates that the Board of Directors shall determine and disclose the OMRON Group's sustainability policy, material sustainability issues, and targets, including initiatives to address climate-related risks based on the TCFD and other frameworks.

In accordance with TCFD recommendations and in connection to SF2030 and SF 1st Stage, the Executive Council and the Sustainability Committee discuss risks, business opportunities, targets, and specific measures related to climate change for each business, as identified by scenario analyses, make decisions, manage progress, and conduct monitoring on a regular basis, and consider corrective measures, as necessary. The Board of Directors receives, on a regular basis, reports on what has been discussed and decided by the Executive Council and deliberates on and supervises the matters.

Evaluations concerning the GHG emissions reduction target and evaluations based on sustainability indicators (Dow Jones Sustainability Indices) by third parties are included among the evaluation indicators for the medium- to long-term, performance-linked compensation for internal Directors and Executive Officers for the period from fiscal 2021 to fiscal 2024.

Strategy

▶ Short-, Medium-, and Long-term Climate-related Risks and Opportunities and Responses

In SF2030 and SF 1st Stage, we have defined "achieving decarbonization and lower environmental impact" as a material sustainability issue. Viewing climate change from two aspects, opportunities and risks, we are committed to fulfilling our corporate social responsibility and further building our competitive advantage. In order to prevent the expansion of the serious impacts of climate change

on ecosystems and human society, we will work to reduce GHG emissions throughout its value chain through "Products and services that contribute to carbon neutrality," "Evolved business models that combine products and services," "Co-creation with our partners" "improved energy efficiency," and "expanded use of renewable energy."

Amid these initiatives, we analyzed risks and opportunities based on two scenarios as announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and others: one assuming a rise in global average temperature of 4°C or more, and the other assuming that the increase in global average temperature is kept to below 2°C (1.5°C in some cases) as agreed under the Paris Agreement. We reaffirmed that we must act to solve climate change issues. Specifically, in the field of industrial automation, we will develop innovative-Automation to establish manufacturing sites that support a sustainable future of job satisfaction and harmony with the environment, and will aim for automation that increases productivity and energy efficiency. In the field of social solutions, OMRON has already contributed to the spread of solar power generators and storage batteries. Moving forward, we will contribute to the further spread of renewable energy by eliminating instable generation through advanced energy control technologies. Additionally, in the field of device and module solutions, we will accelerate development and supply of energy- and resource-saving products designed to satisfy the growing interest in improving environmental performance and reducing carbon footprints. OMRON connects with society in a variety of ways, and will contribute to the realization of a carbon-neutral society on multiple fronts. In fiscal 2022, OMRON became the first Japanese manufacturer to join the EP100, and declared its commitment to doubling "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all

production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. At the Matsusaka Factory, which is a production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and the Healthcare Business are working together to create a system to double production while reducing energy consumption. By offering the know-how gained through these initiatives to the world, rather than just retaining it within OMRON, we will contribute to the decarbonization of manufacturing industry and society.

▶ Companywide Sales Targets and Progress in Contributing to Carbon Neutrality through our Businesses

SF 1st Stage includes a company-wide sales target (Green Revenue) of 130 billion yen from sales contributing to carbon neutrality. In fiscal 2022, we accelerated efforts to become carbon neutral and achieved 109.2 billion yen in sales (+105% over plan).

<Major Approaches in FY2022>

Governance	<ul style="list-style-type: none"> ● Clarified responsibilities toward sustainability, including in terms of the environment and climate change, for Board of Directors ● Appointed an executive officer in charge of sustainability ● Strengthened the Sustainability Committee's Value Chain Environmental Response Subcommittee
Strategy	<ul style="list-style-type: none"> ● Accelerated business activities for achieving a carbon neutral society ● Reevaluated risk and opportunity impacts for four business domains based on multiple scenarios ● Reanalyzed physical risks for 15 key global OMRON production sites
Risk management	<ul style="list-style-type: none"> ● Aligned company-wide integrated risk management with environmental risks
Indicators and targets	<ul style="list-style-type: none"> ● Strengthened energy conservation, renewable energy and energy creation initiatives to achieve FY2022 SBTi targets

Evaluated Business and Financial Impacts of Climate Change

- 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 business and financial impact (large, medium, and small)
- <Impact on risk: Positive or negative impact on operating income>

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 10 billion yen 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 3 billion yen and 10 billion yen.
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 3 billion yen.

<Overview of the OMRON Group's climate-related risks and opportunities and responses>

Type of opportunities	Time horizon	Overview of opportunities	Business and financial impact		Response to risks
			1.5°C/2°C	4°C	
Transition	Government policy and regulations	• Increase in business costs (introduction of carbon tax, emissions trading, circular economy regulations, etc.) as a result of complying with climate change regulations	Small	Small	• Systematically promoting energy conservation and renewable energy (introduction of high-efficiency air conditioning systems, expansion of in-house renewable energy generation, procurement of J-Credits from the social systems business, etc.)
	Markets and technology	• Increased competition in areas related to decarbonization, such as improving the environmental performance of products and reducing the carbon footprint of products	Small	Small	• Developing products and services to solve environmental issues, such as reduction of GHG emissions and compliance with circular economy regulations
	Reputation	• Changes in reputation due to inability to meet customer needs • Changes in investor evaluation due to poor performance attributable to inability to capture the needs associated with the resolution of environmental issues	Small	Small	• Attracting ESG investment and enhancing the added value of our products through proactive response to climate change and the circular economy
Physical	Acute	• Suspension of production facilities and procurement of parts and materials at sites and partner factories due to increased severity of natural disasters (flooding, torrential rain, water shortages, etc.)	Small*	Small*	• Strengthening resilience by reestablishing business continuity plans (BCPs) of OMRON sites • Expanding procurement sources, particularly semiconductors, continuing the switch to materials with low procurement risk by design changes, formulating a supply chain strategy for greater resilience from a medium- to long-term perspective

Type of opportunities	Time horizon	Overview of opportunities	Business and financial impact		Response to risks
			1.5°C/2°C	4°C	
Products, services, and markets	Industrial Automation Business	Increased opportunities to provide factory automation equipment in the following business fields: [By field] • 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 for EVs • Food and daily necessities: Increased demand for environmentally friendly packaging materials such as plastic-free packaging materials to realize a decarbonized society • Growing need for decarbonization of production processes	Large	Medium	Providing innovative-Automation solutions to the needs associated with production method changes, new capital expenditure, and enhanced energy productivity at production sites
	Healthcare Business	Increased demand for environmental performance due to the expansion of ethical consumption	Small	Small	• Capturing consumer demand by enhancing environmental performance (carbon reduction, circular economy, etc.)
	Social Systems, Solutions and Service Business	The following trends accelerate the increasing energy management needs in response to decarbonization, and rising electricity prices: [Common] Acceleration of the models toward private energy creation, storage, and use, due to the expansion of the renewable energy, livestock energy, and energy management markets Expanded solar power generation systems and increased demand for PV inverters associated with municipal ordinances and residential solar incentives Increased demand 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 field] 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 supply-demand control systems	Medium	Small	• Expanding sales of PV inverters and storage batteries further in the energy management markets that utilize solar and other renewable energy sources • Securing V2X and other new technologies in the energy management market
	Device & Module Solutions Business	Increased opportunities to provide electronic and mechanical components because of the following: [Common] • Increased interest in enhancing the environmental performance of products and reducing their carbon footprint [By field] • Home appliances: Increased demand for air conditioning systems due to rising average temperatures and increased demand for air conditioners with inverters due to the need to strengthen measures to reduce GHG emissions associated with air conditioning systems. • Power tools: Accelerated shift to electric tools due to the need to strengthen measures to reduce GHG emissions associated with product use, leading to increased demand for DC current interruption • FA: Increased demand for new products (EVs, next-generation power semiconductors, recycled plastics, alternative foods, etc.) and increased demand for introduction of new FA equipment and replacement in line with the progress of decarbonization of production processes	Small	Small	• Accelerating development and provision of electronic components that contribute to energy saving of customer products and reduction of the carbon footprint of manufacturing processes, including customer production processes • Timely monitoring of market trends to capture opportunities associated with changes in demand and design of products for decarbonization

* We analyzed physical risks using hazard maps and AQUEDUCT for 15 major production centers, mainly in Japan and China. Although it is clear that two centers would be exposed to risk in the event of a once-in-a-century disaster, the annual impact, taking into account the replication period, is extremely small for both the 1.5/2°C and 4°C scenarios. Therefore, we rated the impact as small.

| Physical Risk Adaptation Plan

Regarding water risks, looking ahead to 2030, we have assessed all of our global locations (including existing and new businesses) to identify sites with high water risks, using WRI AQUEDUCT (recognized as the standard for CDP water security assessment) and water risk analysis services provided by risk management consulting firms. Four OMRON sites were identified: two in China (Dalian and Shanghai), one in Brazil (Jundiá), and one in Italy (Frosinone). Fiscal 2022 water intake for these four sites totaled 212 thousand m³, which accounts for 20% of total water intake for the OMRON Group. OMRON voluntarily take initiatives to protect water resources so as to ensure business continuity, and has not been subject to any administrative guidance to cut intake or improve the quality of drainage.

We are also systematically implementing the following measures and more for sites with high levels of physical risks, such as water risk.

- i. Installation of generators
- ii. Subscription to logistic and property insurance
- iii. Ad-hoc review of disaster prevention manuals
- iv. Minimizing impact on product manufacturing (review of manufacturing processes)

| Risk Management

▶ Processes for Assessing, Identifying, and Managing Risk

The OMRON Group conducts scenario analysis for each business to identify a comprehensive set of “transition risks” and “physical risks” related to climate change. We then visualize the “time horizon” and “amount of impact on business and finances” of each of the extracted climate-related risks for each adopted scenario, and evaluated the degree of impact on business and finances. Based on the assessment,

we identify climate-related risks that are significant to OMRON, incorporating these results into companywide risk management as integrated business risk.

Important matters related to risk identification and formulation of countermeasures are reported to the Board of Directors. In fiscal 2022, we reevaluated the results of scenario analyses for the Industrial Automation Business, Healthcare Business, and Device & Module Solutions Business carried out in fiscal 2021, and re-performed scenario analysis for the Social Systems, Solutions and Service Business. We also reviewed risk assessment at main manufacturing centers in each of our businesses, visualizing the time horizon and amount of impact on business and finances for each scenario for transition and physical risks associated with climate change.

▶ Status of Integration into Group-wide Risk Management

Recognizing the importance of establishing a system to manage risks on a Group-wide basis, OMRON is implementing integrated risk management under a common framework throughout the Group. We identify and assess climate-related risks as significant Group risks for the Group and monitor risk management by aligning these risks with the risks identified by scenario analysis.

| Indicators and Targets

▶ Indicators for Climate-related Risks and Opportunities

We have established indicators for Scope 1, 2, and 3^{*1} greenhouse gas emissions and for renewable energy as a percentage of electricity used in our business activities. We use these indicators to manage risks and business opportunities.

▶ Targets and Results of GHG Emissions (Scope 1, 2, and 3)

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of “contributing to a better society,” and set the OMRON Carbon Zero target in July 2018, aiming to reduce GHG emissions in Scope 1 and 2 to zero by 2050.

In March 2022, stepping up its initiatives to realize a carbon-neutral society, OMRON changed the scenario for reduction of GHG emissions in Scope 1 and 2 from a 2°C scenario to a more aggressive 1.5°C scenario. For Scope 3, Category 11, we have also set a new target of 18% reduction by 2030 (compared to fiscal 2016). These targets are certified by the Science Based Targets initiative (SBTi)^{*2}.

^{*1} Scope 1 and 2: Direct and indirect GHG emissions from the company
Scope 3 Category 11: Scope 3 corresponds to GHG emissions from the company's value chain. Category 11 of Scope 3 corresponds to emissions from use of manufactured/sold products, services, etc.

^{*2} SBTi: An international initiative that encourages companies to set science-based medium- to long-term GHG emissions reduction targets

FY2022 Initiatives and Progress

Japan

Number of Carbon Zero sites*3

FY2022 target: 9 sites → Result: 10 sites

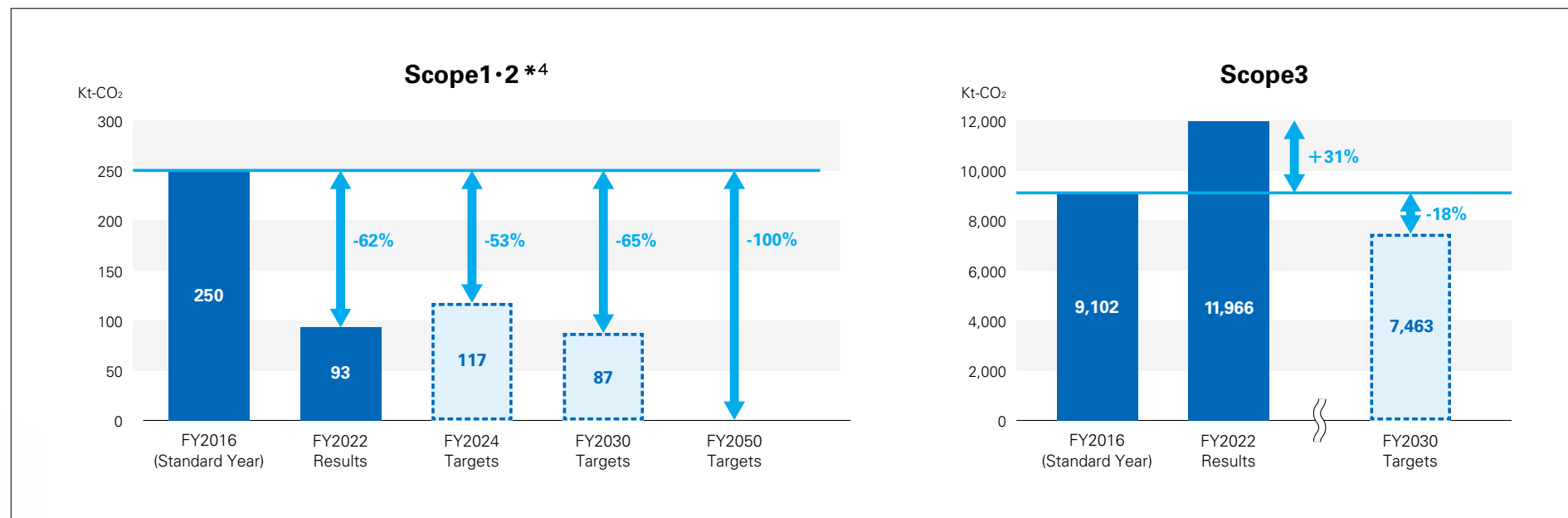
- Expanded productivity solutions from Industrial Automation Business throughout Group
- Began self-consignment (Keihanna Technology Innovation Center)
- Expanded use of J-Credits acquired through business

Global

Expanded energy creation and conservation initiatives

- Procured renewable energy (Malaysia)
- Installed new solar generation facilities (China)
- Expanded energy conservation at each site

<GHG Emission Targets and Results>



*3 GHG emissions (Scope 2) from OMRON's electricity use at 13 production sites and 63 non-production sites (headquarters, R&D, and sales).

*4 GHG emissions (Scope 1 and 2) for fiscal 2022 will be disclosed on the OMRON corporate website. These results have been verified to a limited level of assurance by the third-party assurance firm Bureau Veritas Japan Co., Ltd. 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.

Respecting Human Rights in the Value Chain

OMRON’s Approach to Human Rights

As declared in the OMRON Principles, Our Values include Respect for All.

Respect for All is more than a basic respect for diversity, personality, and individuality. Respect for All is the core value underlying all our activities in pursuit of living lives and performing jobs of purpose and promise. We act with integrity, creating stronger relationships of trust with individuals and society. This goes to the core of our existence as a company.

OMRON Human Rights Policy

We established the OMRON Human Rights Policy on March 1, 2022 to realize “Respecting Human Rights in the Value Chain,” one of our material sustainability issues. The Guiding Principles on Business and Human Rights (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 violation risks throughout its value chain.

*The OMRON Human Rights Policy can be accessed from the code.



Human Rights Promotion Structure

OMRON is working to build a system in which management and front-line employees work together to fulfill their responsibility to respect human rights on a global basis. The President & CEO delegates authority to each executive division head, who is then responsible for promoting respect for human rights, ensuring responsibility through the entire value chain. The President & CEO also reports to the Board of Directors on matters that are important in fulfilling our commitment to respect for human rights, and the Board of Directors monitors and supervises these matters. In fiscal 2023, we appointed a director in charge of human rights and established a Human Rights Steering Committee. The director in charge of human rights and the heads of each executive division participate in this committee, which is under the authority of the Sustainability Committee. This Human Rights Steering Committee discusses the introduction of measures, their statuses, and issues necessary to achieve the goals of the SF 1st Stage. They additionally work on high-cycle initiatives by accelerating decision-making.

Human Rights Steering Committee Discussion Themes

- Progress status of OMRON Group site assessments
- Progress status of supplier assessments
- Status of investigations into AI Ethics Policy
- Use of third-party grievance platforms
- Investigation into participation in international initiatives

SF 2030 Goals

In line with the UN Guiding Principles on Business and Human Rights, one OMRON’s goals for 2030 is 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.

Human Rights Initiatives under SF 1st Stage

As part of the first stage of SF 2030, we have set the following two goals and aim to establish a global human rights governance system.

Execution of Human Rights Due Diligence in Accordance with the UNGP

By conducting human rights impact assessments across the entire value chain, we identify “salient human rights issues” and create the conditions for implementing a cycle of human rights due diligence.

Establishment of a Human Rights Remediation and Grievance Mechanism Appropriate to Each Country and Region

We are establishing a human rights remediation and grievance mechanism appropriate to each country and region so that we can implement remedies through due process if we cause or recognize factors contributing to adverse human rights impacts.

SF 1st Stage initiatives	Major progress
Execution of human rights due diligence in accordance with the UNGP	<ul style="list-style-type: none"> • Implemented human rights impact assessments throughout the entire value chain • Strengthened assessment for OMRON Group sites and suppliers in high-risk countries
Establishment of a human rights remediation and grievance mechanism appropriate to each country and region	<ul style="list-style-type: none"> • Established and spread awareness of whistleblower systems (compliance hotlines) for suppliers outside Japan • Utilized Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)’s engagement and remedy platform

Execution of Human Rights Due Diligence in Accordance with the UNGP

▶ Human Rights Impact Assessments

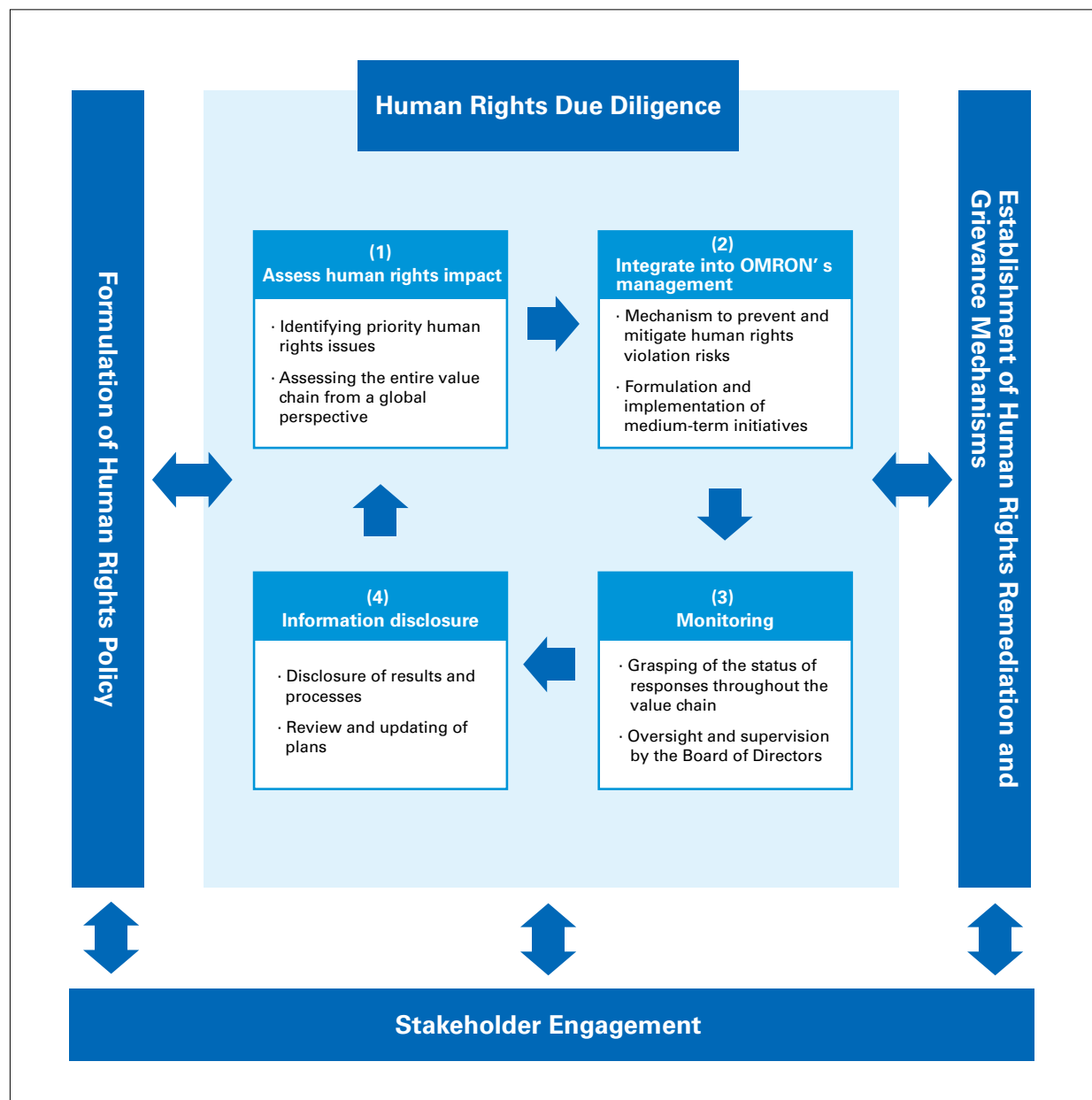
In fiscal 2022, OMRON conducted a group-wide human rights impact assessment based on the UNGP in collaboration with the Business for Social Responsibility (BSR), a US non-profit organization. In conducting this assessment, we evaluated and identified human rights violation risks that the OMRON Group may cause or contribute to through its business activities in its value chain, including its supply chain.

Our first step included surveying international standards, and industry and stakeholder trends, as well as interviewing 15 divisions throughout OMRON, including regional headquarters outside Japan. After comprehensively identifying human rights issues based on international human rights standards, we narrowed issues down to those specific to the electrical and electronics industry. We also identified up to 19 issues in our value chain that could affect rights holders.

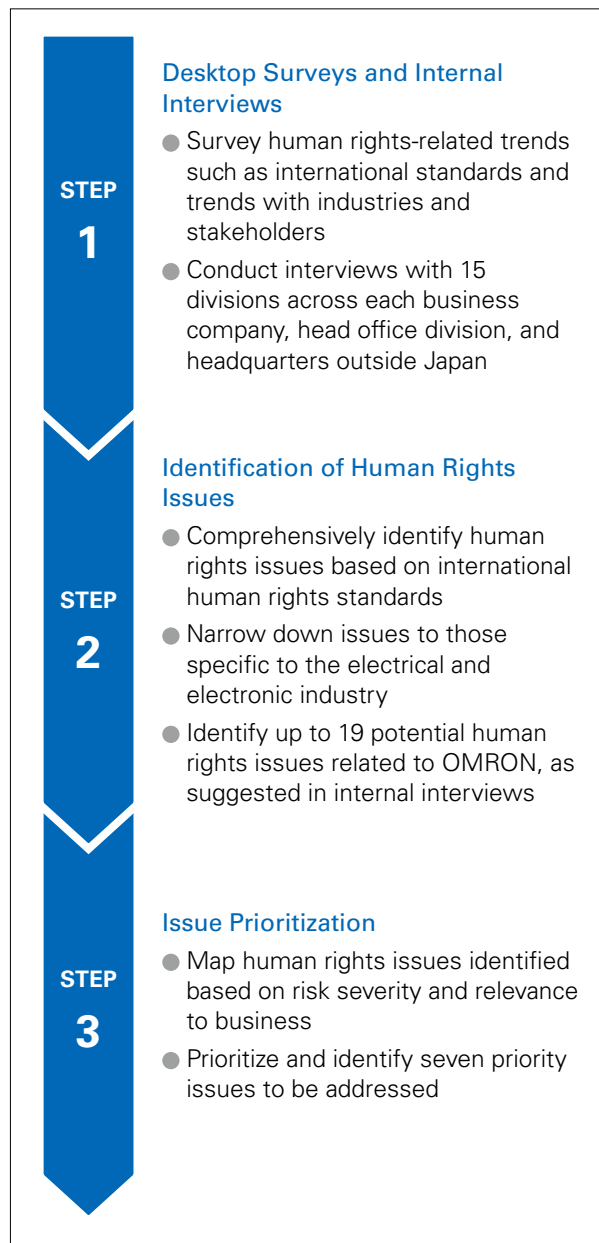
Finally, we mapped and prioritized risks based on risk severity and relevance to business, enabling the identification of seven priority issues (salient human rights issues) to be addressed.

In fiscal 2023, each responsible department has formulated action plans to address the seven issues identified in the FY2022 Human Rights Impact Assessment.

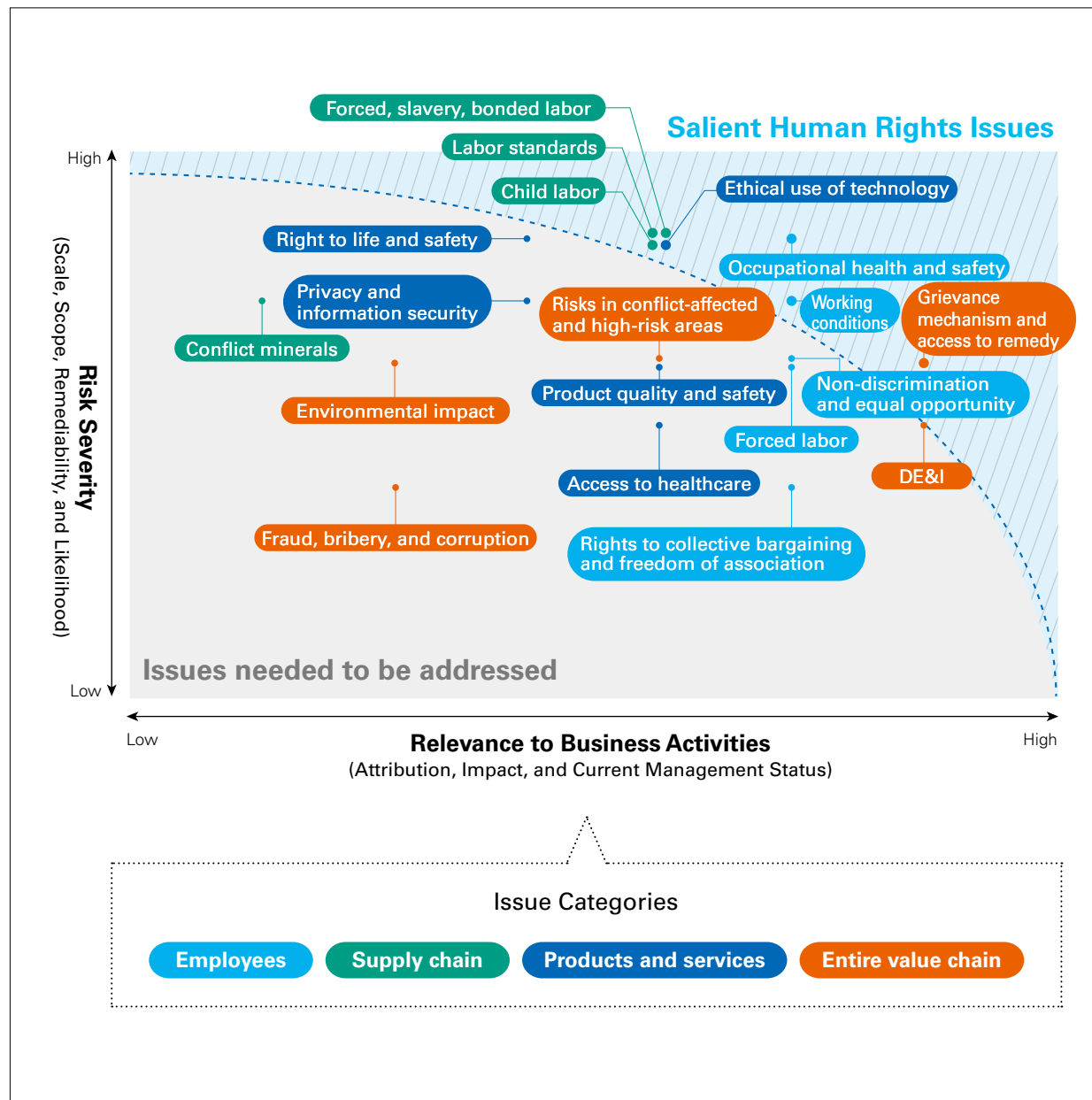
<Human Rights Due Diligence Cycle>



<Human Rights Impact Assessment Flow>



<Map of Identified Human Rights Issues>



<Due Diligence throughout the Entire Value Chain (Upstream, In-company, Downstream)>

Upstream

Implementing Due Diligence in the Supply Chain

OMRON expects all suppliers to conform to the RBA-compliant “Supplier Code of Conduct” and to meet minimum requirements set by our company, as laid out in the OMRON Group Sustainable Procurement Guidelines. Meeting RBA requirements is a shared goal for critical suppliers, and ongoing surveys and assessments of the status are carried out for these suppliers.

In addition, based on the results of supply chain human rights impact assessments conducted in fiscal 2022, we have designated suppliers with production bases in China and Malaysia as targets for more in-depth investigation and improvements through fiscal 2024. We requested more detailed self-assessments and submission of evidence concerning human rights from 18 suppliers selected by industry in China, and obtained responses from all companies by June 2023. As a result, one company is now pursuing improvements based on corrective action plans for issues that were identified.

*The Responsible Business Alliance. RBA is a corporate coalition, focused on the electronics industry, for the construction of responsible global value chains.

In-company

Implementing Due Diligence at OMRON Group Sites

At OMRON, we conduct surveys and assessments of the status of global production sites using the RBA Self-Assessment Questionnaire (SAQ) and other self-assessment tools. In fiscal 2022, we conducted surveys and assessments of the status of 24 OMRON Group production sites in Japan, China, the Asia-Pacific, Europe, and North America using the RBA SAQ in addition to other self-assessment tools. These initiatives continued in fiscal 2023.

OMRON made efforts to improve work environments in fiscal 2022 based on the results of these surveys and assessments. As part of our efforts, we continuously raised awareness of harassment in the workplace, took disciplinary actions in problematic cases, checked health and safety standards for employee dormitories, shortened and improved working hours as we improved productivity, and reviewed temporary staffing agencies regarding the employment of migrant workers. OMRON also conducted interviews on the employment conditions of foreign technical intern trainees in Japan. Going forward, we plan to conduct third-party audits by fiscal 2024 at production sites in China and Malaysia, where human rights violations are considered highly probable, as well as at domestic sites that employ foreign technical intern trainees in Japan.

Downstream

Product- and Service-related Human Rights Initiatives (Formulation of AI Ethics Policy/Rules)

In recent years, with the rapid development of AI technology and the increase in data that has made these developments possible, AI is being increasingly used in a variety of industries globally. AI can be expected to help alleviate social issues, such as labor shortages, and make society more convenient. However, the potential for human rights violations, such as discriminatory decisions or selections due to bias in the data used to train AI, has also been pointed out. In response to these changes in societal trends, as part of our human rights policy, we have made the following statement in regard to ethical use of AI and other technology.

OMRON will take account of potential impact for human rights caused by technologies such as AI, robotics and IoT, and will take advantage of them appropriately to avoid problems, including but not limited to cause of accident, discrimination and invasion of privacy.

In fiscal 2022, we began formulating an AI Ethics Policy to encapsulate our stance toward AI ethics and related efforts, and are also simultaneously developing internal rules to enact this policy in our business.

Establishment of a Human Rights Remediation and Grievance Mechanism Appropriate to Each Country and Region

▶ Whistleblower System

The OMRON Group implements a global whistleblower system. This system enables employees to report their concerns to internal reporting offices located in and out of Japan and seek advice on discrimination, harassment, and other human rights issues, as well as violations of laws, regulations, internal rules, and unethical behavior. Reports may be made anonymously unless prohibited by the laws and regulations of the respective countries.

Information received through the system is kept strictly confidential, and we guarantee that whistleblowers will not be disadvantaged as a result of their reporting. OMRON confirms the details of the report in a neutral and fair manner and takes the appropriate measures.

The system is open to both OMRON Group employees (including temporary workers) and suppliers. We are establishing a system to accept reports from suppliers in all regions starting from the fiscal 2023, aiming to enhance continuous operational improvements.

See p.106 for more information on the operating status of the whistleblower system.

▶ Expanding the Scope of Stakeholders for Redress of Human Rights Violations

The OMRON Group joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) as a full member in fiscal 2022. JaCER offers the Engagement and Remedy Platform, a non-judicial grievance platform in compliance with the UNGP. We utilize this platform as part of efforts to provide redress for human rights violations for all stakeholders, including local communities, customers, and secondary and subsequent suppliers with whom we have no direct business relationship.

Stakeholder Engagement

In its Sustainability Policy, OMRON states: “We cultivate strong relationships with all of our stakeholders through responsible engagement.” In our human rights initiatives, we will engage in periodic dialogues with external human rights experts to deepen our understanding of respect for human rights in accordance with international standards and increase the effectiveness of our initiatives.

Comment from Our Partner

Opinion from a Human Rights Expert

OMRON established the OMRON Human Rights Policy as part of its management practices in line with its corporate philosophy and is steadily advancing initiatives in line with international Business and Human Rights. The Company works towards the medium to long term, clarifying its system of responsibility, including for the board of directors, and setting targets for 2030. At the same time, OMRON conducts commendable company-wide human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights as part of its human rights due diligence and promotes initiatives at its own sites and in certain supply chains.

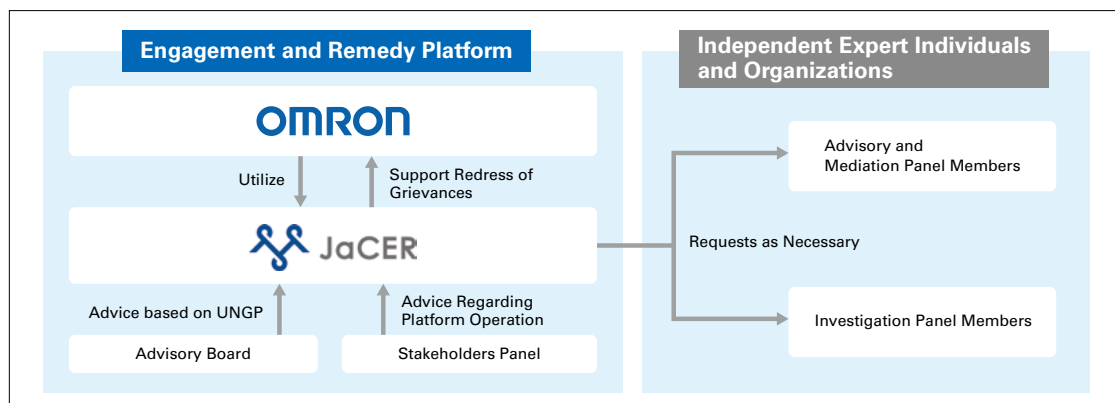
Going forward, I expect OMRON to further strengthen its activities in the following three main areas: 1) continuous risk mitigation in the company and its supply chain, 2) risk mitigation in the use of its products and services, including the use of responsible technology (such as AI) and customer due diligence, and 3) the establishment of stakeholder engagement.

Managing Director, BSR
(Business for Social
Responsibility)

Asako Nagai



<JaCER Platform Flow>



| Education on Human Rights

In order to pursue effective human rights initiatives in accordance with the UNGP, OMRON promotes appropriate education and training for all officers and employees. We also pursue efforts to encourage an appropriate understanding of respect for human rights among business partners such as suppliers and distributors.

▶ Human Rights Training for Directors and Audit & Supervisory Board Members

Global regulations and societal expectations regarding human rights have become more concrete. Supply chain management and responses to external evaluations are increasingly prioritized as management responsibilities in addition to compliance with laws, regulations, and international standards. Respect for human rights must be addressed throughout the value chain. As such, top management must have an in-depth understanding of international standards and social demands in business and human rights, and link this understanding to more effective initiatives. We provide training and information to Directors and Audit & Supervisory Board Members as necessary to enable them to properly fulfill their roles and responsibilities.

In a study session we held in the first half of 2023, we invited an external human rights expert to speak on the subject of Increasing Responsibility to Respect Human Rights and the Expected Role of the Board of Directors. This session deepened understanding through discussion on how to respond to increasingly complex and diverse human rights issues.

▶ Human Rights Education for People Working at OMRON

We conduct human rights training for all employees in Japan, including part-time, temporary and contracted workers. This training is designed to raise awareness

of human rights. Rank specific human rights training programs are also available for new employees, mid-career recruits, new senior managers, and directors and executive officers. In order to produce products without human rights violations, we need to look not only at our own company but also at our business partners. Human rights training in fiscal 2022 was conducted via e-learning under the theme Respect for Human Rights in the Value Chain. In addition to addressing human rights issues that need attention as OMRON conducts its business globally, the presentation also explained the OMRON Human Rights Policy. In addition to e-learning, group discussions based on the video were also held to promote mutual learning.

Each regional headquarters outside Japan takes a lead in human rights awareness activities. Similar training is provided for contract employees working outside Japan as is for our own employees.

▶ Providing Learning Opportunities for Suppliers

We request that critical suppliers fill out self-questionnaires every year, based on RBA standards, and provide meetings and other learning opportunities to help suppliers make improvements needed to reach targets. For suppliers of manufactured items, in particular, we visit on-site when necessary so that conditions can be confirmed first-hand as we discuss. In fiscal 2022 we created training materials to promote understanding of sustainable procurement among suppliers, and held e-learning sessions for 61 persons at 18 companies identified for such training, on an industry-by-industry basis, from among our suppliers in China.

Initiatives to Increase Visibility of Non-financial Information

To understand how utilization of human capital impacts financial indicators and converts to corporate value, OMRON recently experimented with correlation analysis to verify the material suitability, and connection to financial indicators, of diversity and inclusion (D&I) promotion strategies proposed under SF 1st Stage. The Down-Top ROIC Tree included in The Council of New Form of Capitalism Realization (Cabinet Office, Government of Japan)'s "Guidelines on Visualization of Human Capital" (August 2022) was taken into consideration as part of these verification tests.

(<https://www.cas.go.jp/jp/houdou/pdf/20220830shiryu1.pdf>)

Specifically, we attempted to establish a human capital index correlating to ROS (Return on Sales) and invested capital turnover, which are elements that make up ROIC, and WACC. The reason for attempting to tie human capital not only to ROIC, as illustrated in the Guidelines, but also to explore a correlation to WACC, was to verify the relationship between utilization of human capital and equity stories.

With dialogue with shareholders in mind, we verified not only the correlation for our own company, but also calculated sector-wide averages for sectors addressed by our businesses. For a portion of human capital indicators, we also surpassed disclosed data and incorporated alternative data as well (online posts on review sites from jobseekers, etc.), to better approach the real analysis carried out by investors.

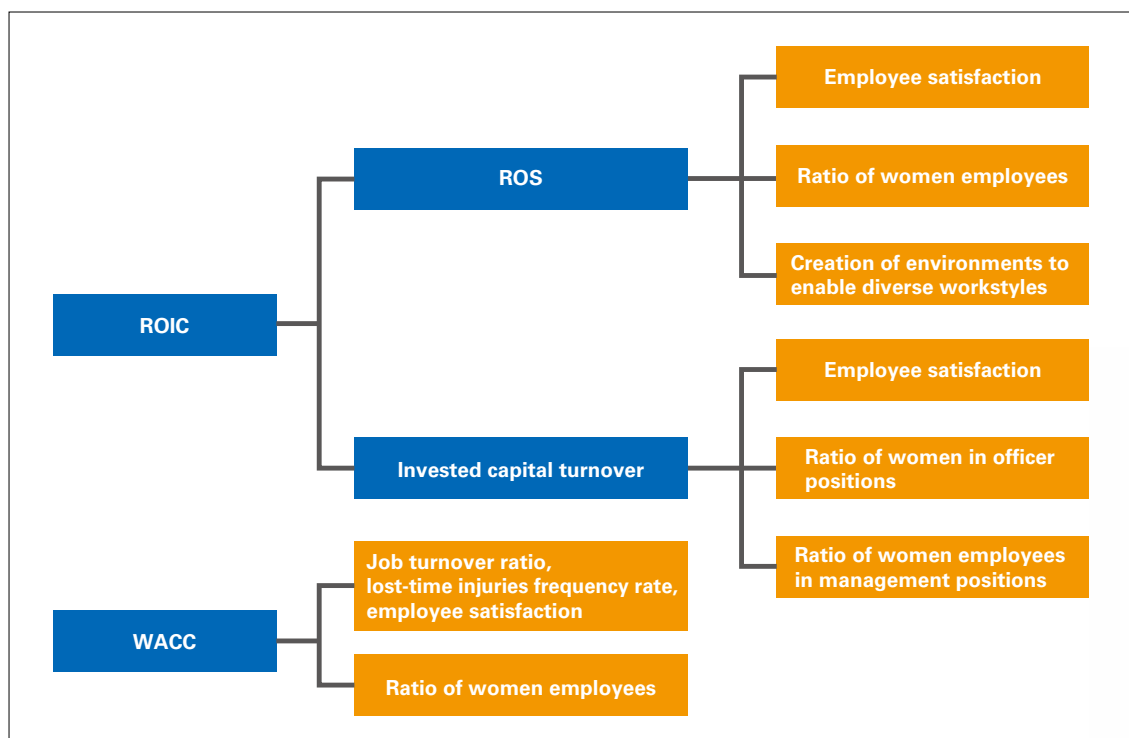
Utilizing non-disclosure data, our analysis allowed us to compare the effectiveness of OMRON's unique human capital policies to the sector as a whole. Extensive support was received from Sustainable Lab Inc. in carrying out these tests.

<p>Analysis method</p>	<p>(1) Built machine learning models based on financial and non-financial indicators from 139 companies in the electronic equipment and components industry, including OMRON. Quantified the importance and weight of human capital-related data to financial indicators.</p> <p>(2) Similarly quantified non-disclosure data related to SF 1st Stage HR performance indicators.</p> <p>(3) Visualized the various positive and negative correlations between individual financial and non-financial indicators. Results were interpreted by ESG analysts.</p>
<p>Target data</p>	<p>For analysis: 139 GICS Technology, Hardware and Equipment companies, including OMRON</p> <p>Variables:</p> <ul style="list-style-type: none"> • Financial: ROS (Return on Sales), invested capital turnover, WACC (cost of capital) • Non-financial: 49 indicators related to human capital (including some alternative data) <p>Time series: 2016-2022</p>
<p>Result highlights</p>	<ul style="list-style-type: none"> ● Within the sector, diversity promotion at each career stage (officers, management, employees) and creation of the workplaces that enable diverse workstyles and thus allow for such promotion, as well as employee satisfaction arising from such efforts, is tied to increased profitability (ROS) and, by extension, ROIC. ● Invested capital turnover was strongly related to indicators related to gender. In particular, results suggested that diverse leadership may contribute to effective utilization of capital. ● The effect of human capital utilization on cost of capital (WACC) in the sector, however, was limited. Some possibility for increased trust and backing was apparent, as investors tend to see corporations with transparent human rights policies and diverse workforces as possessing lower business risk and exceptional corporate governance. However, for cost of capital, the effect of non-societal indicators tended to be high. ● According to OMRON-specific data, well-balanced improvement in the ratio of women employees in management positions and SEI scores (one of the major categories in employee engagement surveys) had the most positive relationship to ROIC. A positive correlation was also apparent between ROIC and localization of global core positions.

Analysis results suggest that OMRON's D&I policies have an important effect on ROIC, and we believe show to some degree the validity of our efforts to improve human creativity and our performance indicators. In light of these results, in the next fiscal year we plan to also pursue verification testing into the correlation between environmental/governance

indicators and financial indicators. We are also looking into using the lessons learned through this testing for the purpose of identifying issues of materiality and establishing targets for our next medium-term management plan. OMRON will continue to capitalize on the knowledge and scientific approach of outside partners to further visualize non-financial information.

<Expansion of Down-Top ROIC and ESG Trees>



Comment from Our Partner, Sustainable Lab Inc.

In terms of both in-company and industry data, this analysis suggests that OMRON's HR policies and performance indicators are valid. In the future, we hope to further strengthen disclosure by uncovering correlations with an even wider range of operating and management strategy KPIs, such as productivity, efficiency and automation rates.

Sustainable Lab Inc.
ESG Analyst

Ingo Tietböhl

Data Scientist

Shohei Ikegami



<About Sustainable Lab Inc.>

Established in 2019, Sustainable Lab Inc. is a startup company that uses AI and big data to collect and analyze non-financial data from companies.

A portion of the SaaS TERRAST data set provided by Sustainable Lab was used during analysis.

Risk Management

Integrated Risk Management for Supporting Global Business Activities

Under the internal control system, OMRON pursues integrated risk management and compliance from a global perspective.

In order to rapidly respond to the faster pace of change in the operating environment and rising levels of uncertainty, in addition to strengthening efforts to become more attuned to risk and detecting and addressing risks before they materialize, we will strive for a responsive risk management, that solves problems arising out of changes in the environment, that cannot be addressed by front-line employees alone, by combining front-line and management strengths. We will strive to constantly improve these efforts through global PDCA cycles.

We are additionally considering how to equip ourselves with mechanisms enabling efficient, effective, and prompt risk decisions while still

adhering to the OMRON Principles and relevant business rules in order to achieve our long-term vision SF2030.

Integrated Risk Management System and Structure

OMRON's Integrated Risk Management framework is encapsulated by the OMRON Group Rules* (OGR; OMRON Rules for Integrated Risk Management), which are spearheaded by our Global Risk Management and Legal HQ. These rules clarify the position of risk management frameworks in regards to Group management. Additionally, risk managers (approximately 160 in total) are appointed for each head office division, business company, regional headquarters and Group company across the world, to help promote initiatives on a global scale through the concerted effort of management and front-line employees. The three main activities are as follows:

- ▶ Grasp changes in the environment in a timely manner, share this information with relevant parties, and assess impact in a timely manner

- ▶ Conduct global risk analysis to identify important risks and establish appropriate responses
- ▶ Implement crisis response measures when risks become apparent in a crisis

In order to promote ethical practices and risk management, we have established a Corporate Ethics and Risk Management Committee which consists of key risk managers, and generally meets four times a year. This committee discusses and shares information on the occurrence of significant risks, environmental changes, and the status of risk mitigation measures. It also conducts group-wide risk assessments. The status of Integrated Risk Management activities is reported to the Executive Council and the Board of Directors as appropriate.

* The OMRON Group has established shared OMRON Group Rules (OGR) as the foundation for fair and transparent management. The OGR has been established for major functions such as risk management, accounting and finance, human resources, information security, and quality assurance. The rules are reviewed annually to ensure that changes in the environment are reflected in the rules in an appropriate and timely manner.

Risk Reporting and Crisis Management

In the event of a crisis, matters are swiftly reported to management in accordance with our Integrated Risk Management Rules. We then respond via a crisis response task force, as appropriate to the rank of the risk in question. Related information is centrally managed, and responses are monitored from outbreak.

Raising Risk Sensitivity Based on Lessons of the Past

The ideal structure for us at OMRON is one in which our front lines and management work together to solve issues arising from changes in the environment that cannot be addressed by those on the front lines alone. Accordingly, we have created the OMRON Risk Book – Risk Scenario 100, a business risk casebook aimed at capitalizing on past experience. This book is used as an awareness-raising tool for management. Incidents that occur within the Group are an important learning opportunity that can help us to increase our sensitivity to risk.

<Integrated Risk Management Cycle>



<Corporate Ethics and Risk Management Committee Structure>



Significant Group Risks and Analysis

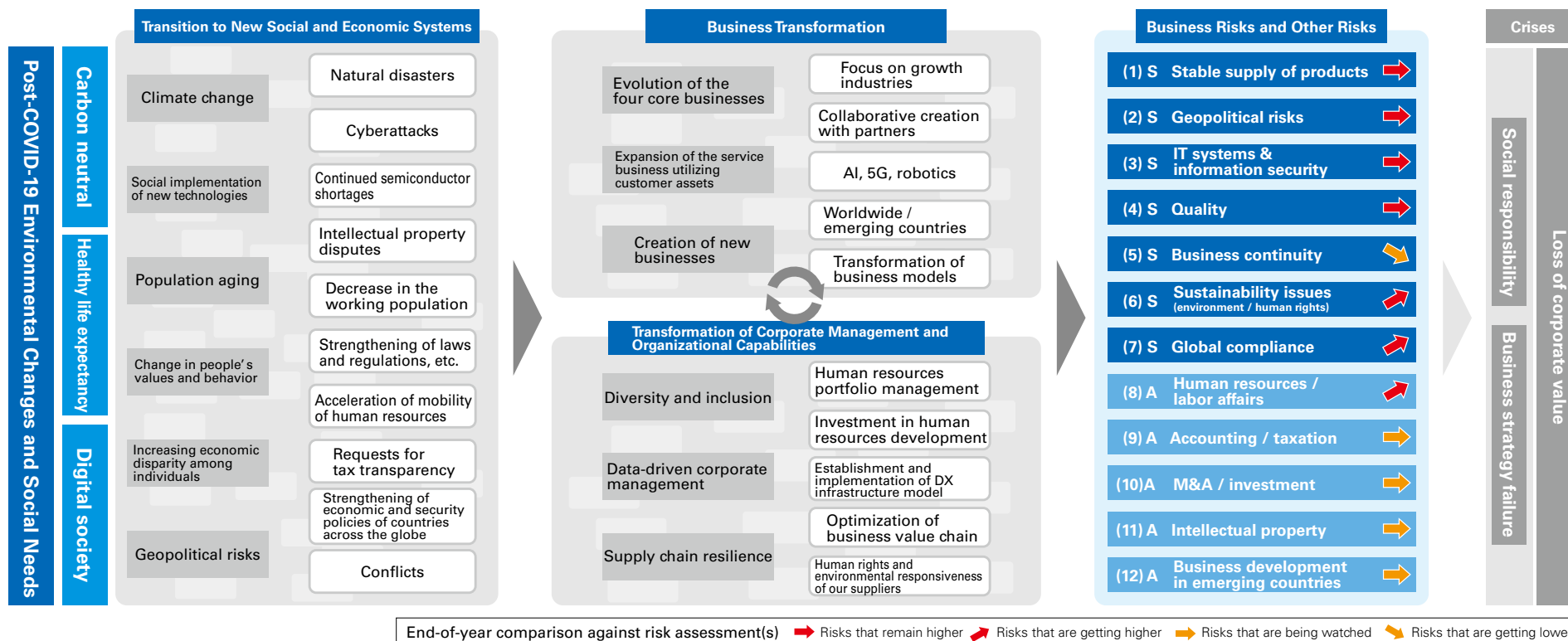
In SF2030, the OMRON Group aims to solve social issues that arise in the transition to a new social and economic system. To this end, we are committed to transforming business and transforming corporate management and organizational capability based on the factors that influence social issues. We consider 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 Significant Group Risks

The following are the significant Group risks that the Group has designated as S-rank risks and is currently focusing on.



* For information on business and other risks, please follow the link in the QR code.

(1) Stable Supply of Products (S Rank)

External Environment and Risk Scenario

Previous confusion in the supply chain, including container shortages and customs delays, is beginning to come to an end. While the business environment remains unclear, increased consumption and investment is expected due to changes in societal and industrial structures. However, shortages of components for semiconductors and other items are expected to continue, and fears remain over increased distribution costs. If the procurement volume of components does not reach the required level, or if the logistics lead times become significantly longer, this could result in lower product supply. This brings with it a risk of lower sales and decreased competitiveness.

The Group's Business and Countermeasures

Optimization of our global business value chain is a key element in OMRON management plans, and is pursued by the Global Procurement and Quality & Logistics HQ as well as each business company.

<Example of a Specific Risk Countermeasure: Responding to Components Crush>

In response to ongoing components scarcity, we have responded by switching to easier to acquire components, updating product design to require fewer components, and entering into strategic partnerships with external electronics manufacturing services (EMS).

(2) Geopolitical Risks (S Rank)

External Environment and Risk Scenario

The global business environment is growing increasingly complex due to policies enacted in various countries and regions in response to issues such as US-China relations and the situation in Russia and Ukraine. Notably, there is currently a rapid increase in economic security policies (including formation and deployment of multilateral frameworks) related to the stable supply of important commodities (in particular semiconductors), promotion of advanced technologies, and regulation of exports and investments. There is already the possibility that such measures will increase due to the increasing risk of political conflicts, strife and human rights issues. 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.

The Group's Business and Countermeasures

OMRON business response policies are deliberated on by management bodies such as the Board of Directors and the Executive Council. Legal and regulatory response is overseen by each responsible department. For instance, in regards to export controls, the Global Risk Management and Legal HQ conducts global security trade management via a company-wide export control committee.

<Example of a Specific Risk Countermeasure: Responding to the 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.

(3) IT Systems & Information Security (S Rank)

External Environment and Risk Scenario

The rapid digitalization of socioeconomic activity is bringing about a transformation in corporate management, for instance through the use of data to make management decisions or development of new, IoT-focused products and services. However, with the development of global data infrastructure, the risk of cyberattacks has increased more than ever, and regulations in each country on the handling and transfer of personal, technical and other important data are growing stronger, with a focus on privacy protection and economic security.

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.

The Group's Business and Countermeasures

As executive officers, basic policies and measures—divided into categories of information security, product security, and personal information management—are managed by each senior general manager of head office divisions, under the oversight of responsible directors. Issues that involve multiple categories are handled by a Cybersecurity Integration Conference, which is convened as necessary and chaired by the responsible director. Additionally, in light of the current environment and in order to provide direction at higher

levels, a new Information Security Strategies Conference, chaired by the president, has also been put into place in order to deliberate on priority issues and strategies. In terms of implementation, policies are promoted and managed via an Information Security Promotion Conference, which comprises persons in charge of IT at offices around the globe and, as the officer in charge of security integration, is chaired by Senior General Manager of the Global Business Process and IT Innovation HQ. Furthermore, we make efforts to grasp the global situation and legal trends in individual countries as regards private data, and to strengthen our response to such laws and regulations, with Senior General Manager of the Global Risk Management and Legal HQ placed in charge of such matters.

<Example of a Specific Risk Countermeasure: Development and Operation of Systems for Continuous Monitoring of IT Equipment and Detection of Suspicious Behavior>

In response to external evaluation of our information security systems, we have prioritized strengthening of cyberattack detection. We carry out in-house, global monitoring of IT devices 24 hours a day, 365 days a year, and respond swiftly when unauthorized access or other attacks are detected.

(4) Quality (S Rank)

External Environment and Risk Scenario

Quality is the foundation of a company’s public trust. A high degree of safety and accuracy is demanded for innovative products and services that utilize new technologies, with many governments exploring or even implementing new regulations covering issues such as use of AI and product security. Public appeals to reduce health and environmental impacts are also higher than ever, and regulations in each country covering the presence, recycling and labeling of organic fluorides (PFAS) and other chemical

substances are growing stricter. 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.

The Group’s Business and Countermeasures

OMRON’s basic quality policy is based on a principle of quality first. Our quality assurance system is pursued by the Global Procurement and Quality & Logistics HQ, with the president assuming ultimate responsibility. Swift and appropriate measures are taken, under oversight by the Board of Directors, if and when serious quality issues arise.

<Example of a Specific Risk Countermeasure: Response to a Serious 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.

(5) Business Continuity Risks (Natural Disasters and Infectious Disease) (S Rank)

External Environment and Risk Scenario

The COVID-19 pandemic, which began in 2020, is beginning to come to a close and socioeconomic activity has begun to return to normal. However, the global possibility of a new infectious disease or a

natural disaster, such as flooding, torrential rains or a major earthquake, that could impede the functioning of society, still remains. 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, production stoppage at our plants, or long-term suspension of parts supply from important suppliers. This brings a risk of lower sales and damage to brand value.

The Group’s Business and Countermeasures

Following basic policies for personal safety, preservation of public infrastructure and full cooperation in recovery efforts, each business company and head office division cooperates to establish business continuity plans that include matters of production, procurement, distribution, and IT.

<Example of a Specific Risk Countermeasure: COVID-19>

In regards to COVID-19, in February 2020 we established the Pandemic Response Headquarters, led by the president, which prioritized ensuring the health and safety of our employees and preventing the spread of infection in regions where we operate. In March 2023, in response to policy decisions by the Japanese government, we shifted focus and began treating COVID-19 in a similar manner as seasonal influenza.

(6) Sustainability Issues (environment / human rights) (S Rank)

External Environment and Risk Scenario

In order to achieve a sustainable society, the public expects companies to fulfill their responsibilities in terms of the environment and human rights, not only within their own company but throughout the value chain. These concerns are also reflected in corporate value assessments and investor behavior, thus the

demand for disclosure of a company's sustainability measures increases every year, including trends towards legislating requirements for third-party certification.

In regards to the environment, food and water shortages, due to increased floods and droughts caused by global warming, are becoming a global issue. As carbon neutrality policies gain pace in countries around the world, demands for companies to decrease GHG emissions and ensure traceability are growing. In regards to human rights, rectifying problems such as forced labor, child labor, low or unpaid wages, long working hours and unsafe or unhygienic working environments is currently an important social issue. Progress is being made on efforts to legally protect human rights, such as by ensuring supply chain visibility through due diligence or prohibiting imports from countries or regions that have a risk of human rights abuses. New human rights issues are also arising due to technological innovations such as the use of AI. Sustainability efforts are a company's license to do business, and increased need for products and services that contribute to issues such as decarbonization and human rights protections is an opportunity for companies to create new social value and grow business. 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.

The Group's Business and Countermeasures

For information on major environmental risk countermeasures, see pp. 85-92.

For information on major human rights risk countermeasures, see pp. 93-98.

(7) Global Compliance (S Rank)

External Environment and Risk Scenario

Global efforts to address societal issues, such as climate change or aging societies, are gaining steam.

As the role played by companies in these efforts grows more important, public demand for fair business dealings is higher than ever. Laws and regulations on the part of international organizations and individual countries to prevent anti-competitive behavior, bribery and other such behavior are growing stricter. At the same time, regulations covering development of IT, AI and other technologies, or the creation of innovation through business alliances, are also being explored or already in place.

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.

The Group's Business and Countermeasures

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.

Compliance Activities

Group-wide Management Policies and Rules

We have established the OMRON Group Rules as the foundation for fair and transparent management. The OMRON Group Rules are a set of systematic shared rules for the Group that establish important matters for the efficient, effective, and global promotion of Group governance. These rules have been established for major functions such as compliance, risk management, accounting and funding, human resources, information security and quality assurance. The rules are reviewed annually to ensure that changes in the internal and external environment are reflected in the rules in an appropriate and timely manner.

Group Code of Conduct

We consider corporate ethics and compliance to be one of its most important issues. In order to practice Socially Responsible Corporate Management, we have established the OMRON Group Rules for Ethical Conduct, which provide specific codes of conduct for officers and employees, in 25 languages. We regard education and awareness-raising activities for directors and employees as the basis for promoting and ensuring corporate ethics and compliance, and we provide ongoing education through new employee training, position-based training, and other opportunities.

Corporate Ethics Month

We have designated October of each year as Corporate Ethics Month, to educate employees on strict adherence to corporate ethics and compliance. We distribute top management messages to directors and employees in Japan and overseas, disseminate the OMRON Group Rules, which are the Group's common management foundation, provide compliance education on cartel prevention, anti-bribery, etc., and disseminate information about the Whistleblower Hotline.

Efforts to Prevent of Anti-competitive Behavior and Bribery

The OMRON Group Rules for Ethical Conduct stipulate fair trade and compliance with laws and regulations, and in particular prohibit cartels and other anti-competitive behavior, as well as bribery of domestic and foreign public officials and others. It also prohibits entertainment and gift-giving in excess of normal social courtesies, even with business partners and related parties.

Initiatives Related to Protection of Personal Information

The OMRON Group Rules for Ethical Conduct stipulate the protection and management of information. We have established the OMRON Group Rules Concerning Personal Information, and have established management measures for the acquisition, use, and disposal of information according to its rank of importance. We are also promoting necessary measures by keeping abreast of trends in laws and regulations in various countries concerning the protection of personal information and the status of the OMRON Group.

Whistleblower System

- A Whistleblower Hotline that ensures fairness and protection for whistleblowers
OMRON has established a whistleblower hotline, as a method of monitoring adherence to corporate ethics and compliance. We accept reports of any conduct that violates or may violate the OMRON Group Rules for Ethical Conduct, employment regulations, or laws and ordinances. Our internal rules require strict confidentiality and prohibit retaliatory action as a result of reporting or maintaining secrecy. Information about the Whistleblower Hotline is disseminated through the intranet and internal training programs.
- Reporting and consultation status
We consider the number of whistleblowing cases to be one of the indicators of the effectiveness of the

whistleblower system, and regard it as appropriate to have a certain number of reported cases. In fiscal 2022, there were 84 reports globally (30 in Japan, 54 overseas). The breakdown is as follows:

<Breakdown of Reports Received in Fiscal 2022>



Internal Audit

The Global Internal Auditing HQ conducts regular internal audits related to issues such as accounting, operations, and legal compliance. Audits are carried out from a risk management perspective. Through these internal audits, we regularly evaluate and improve the status of compliance with laws and regulations, including personal information protection, and the effectiveness of risk management activities.

Dealing with Violations

When any conduct is found to be in violation of the OMRON Group Rules for Ethical Conduct, employment regulations, internal rules, or laws and regulations, the Company takes disciplinary action and other strict measures, in accordance with the employment regulations and other rules established by each company in the OMRON Group.

Case Global Corporate Ethics Month 2022: Raising Ethical Awareness of Employees Globally

Since 2016, the OMRON Group has designated October of each year as Global Corporate Ethics Month and has been implementing initiatives to raise employees' ethical awareness and enhance their relevant knowledge. During this month, all employees receive training and learn about the OMRON Group Rules for Ethical Conduct, which stipulate actions to be taken by employees in accordance with the OMRON Principles and laws and regulations.

In fiscal 2022, we carried out the following three activities as global common activities: a message from top management, translated into 10 languages, was distributed to employees; compliance training was carried out on the shared global topic of cartels; and efforts to increase awareness of whistleblower system were undertaken. In addition to these activities, topics of focus related to our long-term vision and to specific regional risks were selected for individual regions, with activities focused on e-learning and webinars. In Japan and China, training focused on personal information and software license management was carried out, while in Europe training on GDPR, export controls, AI ethics and human rights was carried out. Extra touches were added in Europe, such as the issuing of a "Corporate Ethics Month Passport" that could be stamped after each training, for those who were interested. Training focused on cybersecurity, data privacy, and IP management was carried out in other regions. Activities such as these allow employees to learn about the backdrop for certain rules, promote a greater sense of ethics among employees, and help to prevent compliance violations that might arise out of ignorance.



Interview with the Chairman of the Board

Unceasing Evolution of OMRON's Governance to Enhance Corporate Value

Chairman (Chair of the Board of Directors)
Yoshihito Yamada

— You have assumed office as Chairman of OMRON (Chairman of the Board). OMRON's governance is highly regarded by external parties. What are the background and characteristics of OMRON's governance? As Chairman, how will your leadership affect OMRON's governance, going forward?

As the head of the executives during my presidency, I felt that there was no preestablished harmony at meetings of OMRON's Board of Directors. Agenda items were discussed and deliberated on not only by internal and Outside Directors but also by Audit & Supervisory Board Members. For example, if the executives' response to a question asked by a Director was unsatisfactory to the Board of Directors, or if the content of a proposal was deemed insufficient for the Board of Directors to pass a resolution, the executives would withdraw the proposal and submit it again at a

later date. Therefore, I and the other executives were vigilant and focused at every board meeting. The executive side has taken the Board of Directors' suggestions and requests for improvement seriously and has made efforts to achieve improvements. In this way, OMRON's Board of Directors is endeavoring to ensure that both the executives and the Board fulfill their mutual responsibilities, so as to continuously enhance corporate value.

OMRON's governance is characterized by the separation of executive functions and oversight functions to maintain objectivity. The President and CEO has full responsibility for execution, while the Board of Directors concentrates on its oversight functions. The Chairman of the Board does not have the right to represent the company, as OMRON believes that the executive team, which is responsible for the company's operations, should have the right to

represent the company.

OMRON's governance is also shaped by its history. Beginning with the establishment of the Management Personnel Advisory Committee in 1996, the company established the Personnel Advisory Committee in 2000, the Compensation Advisory Committee in 2003, the CEO Selection Advisory Committee in 2006, and the Corporate Governance Committee in 2008. In this way, OMRON has evolved its governance to fit its needs in accordance with the changing times, understanding and digesting its meaning and significance, rather than simply establishing the organizational framework. As a result of the efforts to enhance corporate value by the executive team responsible for execution and the Board of Directors responsible for oversight, OMRON's net sales increased 1.8 times, operating income 3.0 times, market capitalization 3.7 times, and dividend amount 7.5 times compared to 1995*. Recent initiatives to enhance the effectiveness of the Board of Directors include the Chairman of the Board's interviews with individual Outside Directors and a monthly review of the Board of Directors by Outside Executives at each board meeting. Thus, everyone attending the board meetings exchanges opinions, transcending their own roles and areas of expertise, and they all know that their mission is to reach the best possible conclusion through discussions. This is a characteristic of OMRON's Board of Directors and the reason why we believe the Board of Directors is functioning well.

* As of March 31, 2023

Society is changing rapidly nowadays, and people's values are becoming more diverse. OMRON has adopted a hybrid governance system based on a company with an Audit & Supervisory Board and with various committees. In these changing times, how can OMRON respond to the demands of society and create value that contributes to the development of society while continuing to enhance its corporate value? We will continue the never-ending task of evolving OMRON's governance in response to the changing times.

— You passed the CEO baton to Mr. Tsujinaga and assumed the position of Chairman. What was the process by which Mr. Tsujinaga was selected?

In many companies that have adopted the company with a nomination committee system, the nomination committee is responsible for nominating the president. OMRON, however, has an advisory committee dedicated to the nomination of the CEO. The reason for this is that we have positioned the selection of the CEO as the highest priority in governance. The CEO Selection Advisory Committee consists of five members—three Outside Directors and two non-executive internal Directors—and is chaired by an Outside Director. The CEO is not a member of this committee. The chair of the CEO Selection Advisory Committee asks the CEO three questions each year at its meeting. First, whether the CEO is willing to continue in office in the coming year. Second, who should be the successor in the event of an emergency. And third, what is the CEO doing to foster his/her successors? The CEO leaves the meeting after answering these three questions. Then, only the members of the CEO Selection Advisory Committee will discuss the selection of the next CEO. The CEO does not have the right to select his/her successor. However, it is the CEO's responsibility to implement succession planning. There is always a list of several successors who are candidates for the next CEO. The CEO is engaged in the fostering of successors and shares with the committee the information on his/her approach to coaching people on the successor list and the tough tasks he/she assigns them. One of the successors, Mr. Tsujinaga, the current CEO, was given the tough assignment of figuring out how to grow the Industrial Automation Business and he rose to the challenge with flying colors. OMRON's CEO Selection Advisory Committee is also unique in that it nominates the CEO each year, rather than functioning only at the time of a change of CEO. If the committee decides that the CEO should be replaced, regardless of the timing of the medium-

term management plan or other factors, the CEO can be replaced at that time. Every year at the time of nomination, I wondered whether I should continue to serve as CEO next year and whether it would be the best option for OMRON if I continued to serve as CEO? I asked myself these questions and reviewed my performance. I think this annual nomination of the CEO by the CEO Selection Advisory Committee is an excellent mechanism because it gives the CEO an opportunity to reflect on his/her performance.

— What do you consider to be the strengths of OMRON's governance? Which matters require particular attention?

The strength of governance at OMRON is the separation of execution and oversight that ensures maintenance of the effectiveness of each function. The committees, which have oversight functions, are all chaired by Outside Directors with at least half of the committee members being Outside Directors, thus maintaining independence and transparency. The Directors who are members of committees, regardless of whether they are internal Directors or Outside Directors, visit OMRON factories, laboratories, and overseas sites, interact with local employees, and obtain feedback from the frontlines. I myself visited a production site of OMRON in Dalian, China, in August 2023. As well as visiting the plant, I also met the mayor of Dalian and other local government officials and exchanged views. OMRON's governance is unique and strong in that decisions are made based on such hands-on experience and through discussions from an objective perspective, thereby enhancing corporate value. On the other hand, in the selection of Outside Executives the challenge is to make this mechanism function effectively. This is because OMRON's Outside Directors assume this important governance responsibility. From this perspective, OMRON takes great care to find excellent candidates for Outside Executives. Experience in corporate management is a prerequisite and we emphasize diversity. Through

ongoing discussion, including Outside Directors and Outside Audit & Supervisory Board Members, OMRON develops a list of candidates and approaches them to see if they would be willing to assume the position. As interest in governance grows in Japanese companies, companies compete to secure these excellent candidates for Outside Director. We have been approaching individuals whom we want to be OMRON's Outside Directors or Outside Audit & Supervisory Board Members, even though it may be several years before we can secure their services. Fortunately, OMRON has had diverse, talented and experienced individuals serving as Outside Directors or Outside Audit & Supervisory Board Members and they have greatly contributed to the enhancement of OMRON's corporate value. We will continue our efforts to make OMRON an attractive company so that people will be willing to serve as Outside Directors or Outside Audit & Supervisory Board Members of OMRON.

— Finally, please reiterate your commitment as Chairman of the Board.

As Chairman of the Board, I will continue to evolve governance from diverse perspectives, working with internal and external Directors who have a wealth of experience. And by further evolving the oversight functions, we will accelerate the transfer of authority to the executive side and encourage high cycle business operations.

In management, I have positioned the OMRON Principles as the origin of both the unifying force and the driving force of OMRON's development. As Chairman, I will continue this approach while monitoring and supporting the executive team. I will ensure that the Board of Directors meetings are opportunities for sound and constructive discussion. Working together with the executive team, the Board of Directors will strive for sustainable enhancement of corporate value.

Interview with the Outside Directors

Appointing the Leader for the Next Generation Effectiveness of the CEO Selection Advisory Committee

(Interviewer: Tsutomu Igaki, Managing Executive Officer)



Yoshihisa Suzuki
 Outside Director
 Chairman of the Compensation Advisory Committee
 Member of the CEO Selection Advisory Committee
 Member of the Personnel Advisory Committee
 Member of the Corporate Governance Committee

Takehiro Kamigama
 Leading Outside Director
 Chairman of the CEO Selection Advisory Committee
 Chairman of the Corporate Governance Committee
 Member of the Personnel Advisory Committee
 Member of the Compensation Advisory Committee

Izumi Kobayashi
 Outside Director
 Chairman of the Personnel Advisory Committee
 Vice Chairman of the Corporate Governance Committee
 Member of the CEO Selection Advisory Committee
 Member of the Compensation Advisory Committee

Role of the CEO Selection Advisory Committee, a Cornerstone of Corporate Governance

— For the first time in 12 years, a new President and CEO was appointed. How does the CEO Selection Advisory Committee set about selecting a new CEO?

Kamigama: Selection of a new CEO had been a topic of discussion for several years. The process included several opportunities for us committee members to meet the candidates nominated by Mr. Yamada, the former CEO, in order to familiarize ourselves with their experience, personalities, and perspectives. Having gotten to know the candidates, we drew up a shortlist. There was also a third-party assessment for us to refer to.

— OMRON positions CEO selection as the foremost task for the oversight function. What are characteristics of the CEO Selection Advisory Committee?

Kamigama: The first thing to note about OMRON's CEO Selection Advisory Committee is its composition. The committee consists of five members, three of whom, the majority, are Outside Directors. One of them chairs the committee. The other two members are internal Directors, both of whom are non-executive Directors. To avoid undue influence by the CEO, Directors responsible for business execution who report to the CEO are not members of the CEO Selection Advisory Committee. Naturally, the CEO is not a member of the CEO Selection Advisory Committee.

As you mentioned, OMRON positions the selection of the CEO as the foremost task of the oversight function, and to ensure OMRON has the best possible management team, the Outside Directors who are members of the CEO Selection Advisory Committee

are individuals with abundant global management experience. Another characteristic of the CEO Selection Advisory Committee is that the committee meets not only when selecting the next CEO, but also every year. At OMRON the term of office of the President and CEO is one year. Each year, after evaluating the current CEO, the committee deliberates on three themes: whether the current CEO should be reappointed, the selection of a successor in the event of an emergency, and a list of future CEO candidates.

“Accelerate Growth by Youthful Power” The Former CEO’s Firm Intention Led to the CEO Change.

— The new CEO took office in 2023. What accounted for the timing?

Kamigama: Mr. Yamada, who took office as President and CEO in 2011, considered that after 10 years in office it was time for a change. In 2020, just as the CEO Selection Advisory Committee was in the process of selecting the next CEO in light of his intention, the COVID-19 pandemic struck. Given the difficulties involved in steering the company through the turmoil of the pandemic, we decided to have Mr. Yamada remain in charge while OMRON strove to overcome the extraordinary situation, capitalizing on his managerial skills based on his many years of experience. Mr. Yamada remained in post as President and CEO for two more years than he originally intended because it took time for the COVID-19 pandemic to abate, and I think it turned out to be the right decision.

In the first year of the new long-term vision “Shaping the Future 2030” (SF2030) and the medium-term management plan “SF 1st Stage” announced in 2022, OMRON got off to a flying start. Mr. Yamada’s firm intention to “accelerate this momentum through generational change and achieve further growth of

OMRON by the power of younger people” was supported by all of us on the CEO Selection Advisory Committee. This accounts for the timing of the appointment of the new President and CEO.

Kobayashi: Certainly, we had some discussion about how the change of CEO would shape OMRON’s future. This happened when OMRON was adopting a new perspective and had begun promoting SF 1st Stage. However, considering that our goal is realization of the vision outlined in SF2030, so far as the CEO change was concerned, it was a case of the sooner, the better. We agreed that one year after the start of SF 1st Stage would be a suitable time for the CEO change.

Suzuki: Having assumed office as Outside Director in 2022, I joined the CEO selection process at the final stage of candidate selection. I had no objections about the timing of the CEO change. Passing the CEO baton to a successor one year after the launch of SF2030 was such a natural progression that the question as to whether it was appropriate or not simply didn’t arise.

Next-generation Leader Selected to Drive Further Growth

— Why was Mr. Tsujinaga selected as the new CEO?

Kamigama: The CEO Selection Advisory Committee shortlisted CEO candidates over the course of several years and observed them from various perspectives. In the course of this process, Mr. Tsujinaga demonstrated his capabilities and leadership as the head of the Industrial Automation Business (IAB), increasing IAB’s performance by 1.5 times in two years. This achievement was impressive.

Kobayashi: Yes, that’s right. When considering candidates for the next CEO, we focused on the ability to lead the organization in a rapidly changing



environment, the ability to resolve management issues, and above all, having one’s finger on the pulse of the business. In our view, these were the essential requirements. From this perspective, we, the members of the CEO Selection Advisory Committee, were unanimous in concluding that Mr. Tsujinaga, the head of IAB, which is the driving force of OMRON’s growth, was the right person to take the helm at OMRON.

Suzuki: Of the three social issues to be addressed by OMRON in SF2030, we think “achievement of carbon neutrality” and “realization of a digital society” can be promoted speedily through the active involvement of IAB. Given this background, when considering candidates for the next CEO, everyone on the committee felt that Mr. Tsujinaga, the head of IAB, was best suited to become the leader of OMRON.

— What information was referred to in the selection process?

Kamigama: In addition to the performance evaluation of the business that each candidate was in charge of, the selection process was based on various facts and information, including presentations at board

meetings, dialogue between Outside Directors and candidates, assessment results by a third-party expert organization, 360-degree appraisal, and an internal engagement survey. Through these steps, we were able to understand the strengths and weaknesses of each candidate. Mr. Tsujinaga struck the right balance throughout.

Kobayashi: Based on these objective evaluations and the information, our task was not to judge the superiority or inferiority of individuals, but rather to select the right person to be the next leader, in light of what is important for OMRON, going forward. In our judgment, Mr. Tsujinaga was the best fit.

Suzuki: The CEO Selection Advisory Committee, consisting mainly of Outside Directors, never wavered in their determination to select a person who had what it takes to be a highly effective CEO capable of building the next-generation OMRON. Having referred to various information and observations, including assessments, from multiple perspectives, we selected Mr. Tsujinaga.



A Person with Communication Skills to Connect with Diverse People

— How would you describe the personality of Mr. Tsujinaga, the new CEO.

Kamigama: My impression of Mr. Tsujinaga is that he is a cheerful person who readily establishes amicable, constructive relations with all sorts of people in a spirit of equity and respect. In his business reports to the board of directors during his time as head of IAB, he spoke calmly yet powerfully. I also liked the way he took care of his subordinates in the field. As a leader, he is held in high regard and earns the trust of everyone.

Kobayashi: In terms of the personal attributes required of leaders, excellent communication skills are essential nowadays. This is because, in order to promote business in an increasingly complex and diverse society, one must connect with people who may differ greatly from one another in terms of their values, both inside and outside the company, using various communication styles. When considering what kind of company OMRON should be in the future, positive factors include Mr. Tsujinaga's open and friendly attitude, not least his willingness to talk with others while empathizing with their perspectives. I believe he will breathe new life into OMRON, including its organizational culture and corporate image, which bodes well for the future.

Suzuki: Last year, as a newly appointed Outside Director, I received presentations on each of OMRON's businesses. I had a one-on-one meeting with Mr. Tsujinaga to receive his briefing on IAB. While the shortlist of CEO candidates became even shorter in the final phase of the CEO selection process, this was a valuable opportunity for me to get to know Mr. Tsujinaga. His passion was evident in the way he spoke. Above all, I was impressed by the consideration and courtesy he showed by confirming

that I had understood his explanation.

In fact, after that one-on-one, Mr. Tsujinaga contacted me to arrange another session with me, as he thought that I was not fully persuaded by his explanation. His attitude indicated his sense of responsibility and good communication skills.

IAB to be the Source of the Next Growth Business

— How do you think the appointment of a new CEO from IAB will affect OMRON's future trajectory?

Kobayashi: The fact that the new CEO is from IAB will have an impact on OMRON's trajectory as it promotes SF2030. In addition, I think it is important how Mr. Tsujinaga strikes a balance between IAB and other current businesses and also with new businesses, and how he steers OMRON as a whole.

Kamigama: Mr. Yamada, the former President and CEO, was from OMRON HEALTHCARE (HCB), but he also emphasized IAB and other businesses. A notable example is the capital and business alliance with JMDC, a medical statistical data service company. This is one of the actions to shift OMRON's business model from the product value perspective to the essential value perspective. I believe that JMDC's capabilities can be leveraged not only in healthcare solutions but also in the wide-ranging fields in which OMRON is engaged. I think Mr. Tsujinaga has this in mind. I hope he will fully apply his expertise long cultivated at IAB in leveraging the technologies and capabilities to create new businesses.

Suzuki: SF2030 Vision Statement reads: "We Will Continue to Create 'Innovation Driven by Social Needs' through Automation to Empower People." To achieve this, OMRON needs to dramatically advance its automation technology. IAB has a critical role to play in ensuring stable operations of OMRON in the

current environment, where geopolitical risks are running high. In this respect, I think it is highly advantageous that Mr. Tsujinaga, who knows IAB inside out, is serving as President and CEO. Furthermore, I assume Mr. Tsujinaga will also emphasize HCB and other businesses. He has the capacity and will to create further growth, and we, who have selected him, have higher expectations of him than anyone else does.

Change of Business Company Presidents to Create the Strongest Team to Support the New President and CEO

— Not only the OMRON President and CEO, but also the heads of the four business companies (BC heads) changed. What is the background to this.

Kamigama: It was time for generational change not only of the President and CEO, but of the BC heads, too. The rejuvenation of the executive team, comprising the BC heads and the President and CEO, will vitalize horizontal communication that is characteristic of the younger generation, while maintaining the advantages of the vertical organization of the business company system that has supported OMRON's growth to date. I expect that this will facilitate the evolution of OMRON's unique "horizontal-vertical matrix management."

Kobayashi: I couldn't agree more. From now on, if a company's business units attempt to go it alone, shunning collaboration, the growth rate of the company as a whole will be impeded. It is important to create synergy through horizontal collaboration among organizations and to channel this synergy into the creation of new businesses. Moreover, the heads of the head office divisions are all highly experienced executives who have worked with Mr. Yamada and the former BC heads to promote the business. I am confident that now the new Team OMRON is

advancing, the new BC heads and the heads of the head office divisions will transform the organizational culture under Mr. Tsujinaga's leadership.

Suzuki: Responding to Mr. Yamada's stated conviction regarding the importance of the new President and CEO forming a new management team, Mr. Tsujinaga proposed a new management team, and after consulting Mr. Yamada, he proposed it to the Personnel Advisory Committee. The result is a very balanced management team. This new team has a freshness that does not prompt misgivings but rather conveys a sense of dynamism, indeed of a company advancing with vigor and vitality.

I also saw CTO Miyata and others who occupy custodian-like positions expressing their insightful opinions to the new team at meetings of the Executive Council. In a way, the executive team and oversight function formed a scrum, so to speak, from which a strong Team OMRON has emerged.

— Were there any concerns about all four BC heads changing at the same time as a new President and CEO took office?

Kamigama: Of course, we were not without concerns. However, I believe that experience isn't everything and that having an executive team drawn from the same demographic is conducive to more vigorous discussion at Executive Council meetings. Sharing questions and issues among BC heads at Executive Council meetings speeds up the resolution of issues. The strength of this team lies in these horizontal connections. The team leverages this synergy to find solutions to issues.

Kobayashi: Yes indeed. If you examine the issues of the respective BCs, you will find that there is fundamentally much in common between the issues of different BCs. We expect the members of the executive team to openly consult one another, discuss these matters, and mobilize OMRON in its entirety.



Today's youthful leaders respect one another and value collaborative endeavors pursued as a team rather than competing with one another to win. I feel that Mr. Tsujinaga is the ideal person to head such a youthful team.

Suzuki: Speaking of that, when I saw the former and new Directors and Audit & Supervisory Board Members behind the scenes after the General Meeting of Shareholders this June, I had the impression that the new executive team has a stronger sense of unity, and there is a refreshing lack of ceremony, because they are younger. A new youthful team may at first be somewhat rattled when beset by challenges, but I think that can ultimately have a rather a salutary effect. If you shake up the old stuff that has accumulated in a company, including values, things may be broken but they will eventually cohere and something new will emerge. I think that kind of change is healthy.

Kamigama: An Outside Audit & Supervisory Board Member commented that OMRON's management is "like straight-A student." I believe that organizations with atypical resources tend to be more robust than those without them. If I think of OMRON as an orchestra, I am looking forward to seeing how the

conductor, Mr. Tsujinaga, will achieve a stellar performance.

Kobayashi: So am I. In team building, is it really a good thing for the top management to be full of confidence? The answer is “No.” If top management has weaknesses, subordinates naturally try to offer their support. So, as Mr. Suzuki said, shaking things up to create a stronger team is a necessary step in the transformation of OMRON.

Kamigama: Very true. Following this generational change, it is easier to bring weaknesses and problems into the sunlight and to help one another deal with them. That is teamwork.

Kobayashi: The business environment is changing dramatically, and OMRON needs to change rapidly based on new ideas. For this purpose, OMRON needs to be reborn as an agile organization.

Structure in which the Chairman Has No Right to Represent the Company, and the President and CEO Proactively Executes Operations

— What are your thoughts on the appointment of former President Yamada as non-executive Chairman (Chairman of the Board) with no representation rights?

Kamigama: The right of representation is synonymous with executive power. If a chairman has the right of representation, he or she will be inclined to voice their opinions about management. Ideally, the chairman should only give advice when the president seeks consultation. So, having a structure in which the chairman does not have the right of representation is a positive factor in terms of governance.

Kobayashi: Besides, if the chairman has the right of representation, subordinates tend to be swayed by the chairman’s intention. The chairman should assist the president, supporting and overseeing overall management from an objective vantage point.

Suzuki: OMRON Corporate Governance Policies states: “To clarify the oversight function of directors, the chairperson without authority to represent the company will take on the position of chair of the Board.” Mr. Tateishi, the former Chairman, also served as Chairman of the Board of Directors, and I felt that the division of roles between the Chairman and the President and CEO was clear, which must have made it easier for Mr. Yamada to manage the company. Now, Mr. Yamada, as Chairman, is striving to create a good atmosphere for the Board of Directors conducive to vigorous discussion.

From Changing Organizations to Readyng OMRON for the Next Round of Development

— Finally, what are your expectations of Mr. Tsujinaga, the new President and CEO?

Kamigama: Mr. Tsujinaga possesses a wealth of knowledge and experience in manufacturing. On the other hand, with a view to expanding OMRON’s creation of social value, SF2030 calls for a shift in the value proposition from the product value perspective to the essential value perspective. My expectation is that Mr. Tsujinaga will leverage his experience at IAB and use JMDC, etc. to illuminate a path toward new “essential-value-based” businesses.

From another perspective, I would like Mr. Tsujinaga to declare that OMRON intends to become the world leader in a particular field and proceed with management with that goal in mind. There is a limit to the growth OMRON can achieve through manufacturing alone. While manufacturers worldwide pay close attention to OMRON, I have high expectations of the new President and CEO’s management acumen and am eager to see how far he will be able to progress in his mission to dynamically transform OMRON.

Kobayashi: I have many expectations, but if I had to narrow them down to just one, I would like to see Mr. Tsujinaga manage OMRON in a way that encourages all employees to speak up, and moreover, I would like to see their views reflected in the management of the company. By virtue of his character and communication skills, Mr. Tsujinaga is well equipped to make this happen, and I fully expect it to happen.

Suzuki: I would like Mr. Tsujinaga to aim for an “OMRON different from that in the past” or “a next-generation OMRON.” To achieve this, OMRON must break out of its own shell. I would like Mr. Tsujinaga to engineer a breakthrough by pursuing an approach that is different from conventional approaches. Although it may sound vague, I would like OMRON to create a product or service that makes the industry exclaim “Wow! Did OMRON come up with this?” It could be something seemingly modest but ingenious. I am looking forward to the flexible and expansive ideas of the young management team, led by Mr. Tsujinaga, and the technological innovations stemming from those ideas.

Dialogue between Outside Audit & Supervisory Board Members (Independent)

Audits Contribute to Enhancement of Corporate Value in the Spirit of “Throwing Stones to Make Waves”



Tadashi Kunihiro
Audit & Supervisory Board
Member (Independent)
Member of the Corporate
Governance Committee

Hideyo Uchiyama
Audit & Supervisory Board
Member (Independent)
Member of the Corporate
Governance Committee

Dilution of the Venture Spirit: Challenge for the Audit & Supervisory Board

Kunihiro: In our discussion presented in the previous Integrated Report, we mentioned our concern that OMRON’s venture spirit based on the founder’s philosophy has become diluted in recent years, resulting in OMRON’s lack of growth. The long-term vision “SF2030” launched last year positions the three years covered by the current medium-term management plan “SF 1st Stage” as the “Transformation Acceleration Phase.” In other words, in SF 1st Stage, it is critically important to demonstrate the venture spirit in order to accelerate the transformation of OMRON’s capabilities to create value in response to social issues and to grow sustainably. Therefore, from the standpoint of Outside Audit & Supervisory Board Members, we are striving to reinforce and enhance the venture spirit, and moreover, we are working to ensure everyone at OMRON is part of this endeavor. Let’s start with this topic.

Uchiyama: Yes. As regards the venture spirit, which is the source of a company’s long-term development, OMRON founder Kazuma Tateishi urged us to “prevent mental aging and continue to embrace new challenges.” He also commented on how the organizational structure can encourage a venture spirit. He maintained it is necessary to bring top management and the frontline closer together and, by thoroughly decentralizing power, to establish an operational structure conducive to self-contained decision making. These concepts shaped the prototype of “high cycle management” that OMRON is currently pursuing.

Returning to the founder’s philosophy and analyzing OMRON’s venture spirit, I feel that we, Outside Audit & Supervisory Board Members, should re-examine the ideal configuration of the Audit & Supervisory Board and change our own posture, rather than just urging the executive team to transform the corporate culture. We have been asking ourselves a question: “What can the Audit & Supervisory Board do to enhance corporate value?” Through ongoing

discussion on this theme and proceeding by trial and error, we are endeavoring to establish a formula. Specifically, the Audit & Supervisory Board analyzes the facts and data we obtain through daily auditing activities, formulates hypotheses about latent management issues, and when necessary, raises issues at meetings of the Board of Directors to achieve shared recognition. We are also working to establish a system for monitoring the executive team’s initiatives addressing the issues we have raised and for evaluating the impact on OMRON’s corporate value of what is being done to resolve these issues.

Of course, we do not think our hypotheses concerning management issues are always 100% correct. Nevertheless, whenever we think tackling a particular issue would be beneficial to OMRON, we will tenaciously raise that issue and endeavor to get a grip on the actual situation through mutual verification with the executive team. The Audit & Supervisory Board doesn’t have to be right all the time in order to be useful and we think this posture will help spur the venture spirit.

Kunihiro: Audit & supervisory board members at Japanese companies are typically viewed as people who point out deficiencies and errors. But OMRON’s Audit & Supervisory Board plays a very different role. Naturally, we meticulously check to ensure there are no irregularities, which, of course, is a fundamental requirement. But besides that, we make recommendations to the executive team with the goal of enhancing corporate value.

For example, we engage in dialogue with individual organization heads on the executive side. Such dialogues are always two-way and wide ranging. We ask open questions: What is the executive side trying to achieve? How do you want to proceed? What are the issues? What can we, the Audit & Supervisory Board Members, do to support you? The ensuing discussion is typically broad and deep. Recently, we have been receiving positive feedback from executives. They find the discussions inspiring and stimulating. I believe that such initiatives express the

venture spirit of the Audit & Supervisory Board. As I mentioned in last year's discussion among Outside Audit & Supervisory Board Members, although tackling challenges and innovating to advance boldly are integral to management based on the OMRON Principles, my impression is that OMRON employees feel comfortable just chanting the corporate philosophy by rote and sometimes don't translate it into action. This is a drawback of management based on a corporate philosophy. The OMRON Principles are put in a "frame" and hung on the wall instead of inspiring people to take up challenges. Last year, the Audit & Supervisory Board thoroughly discussed this point with Chairman Yamada (then President and CEO) and achieved a higher level of shared recognition. The idea is that, although management based on the OMRON Principles is important, it is not something that should be framed and hung on the wall, but rather it is an unwavering "axis." The concept can be expressed thus: "Transition from management based on a framed corporate philosophy to management based on corporate philosophy as the axis."

The Audit and Supervisory Board is rising to the challenge, and we discuss these matters with the executive side virtually every day.

Uchiyama: A problem arises if the definition of the board of company auditors and the authority of company auditors for monitoring and supervising as stipulated by the Companies Act acts as a constraint. Let me be clear: if the discussion takes its cue solely from the provisions of the Companies Act, we risk losing the venture spirit by failing to rise to new challenges. Laws must be complied with, but our role must go beyond that. It would be a shame to limit our initiatives to strict observance of the letter of the law, because it would inhibit growth.

Kunihiro: Exactly. Whether you are outside officers, company auditors, or directors, you are all expected to fulfill your respective roles in pursuit of the enhancement of corporate value. If you restrict yourselves to a minimal role, the company's development will be impeded. Company auditors are

not allowed to engage in execution. But the law does not prohibit them from participating in vigorous exchanges of opinions at board meetings. In the course of discussion with the executive side from an independent and objective viewpoint, they should express opinions on how to improve performance and offer advice on how to resolve issues. Company auditors have an important role in providing a firm footing for the executives and encourage them to boldly take on challenges. If company auditors do not do this, the company is likely to miss opportunities to enhance corporate value.

Discussion on Management for Further Growth and Expectations of the New Executive Management Structure

Uchiyama: I mentioned earlier the founder's observations about the importance of thoroughly decentralizing power while bringing the top management and the frontline closer, an orientation that has led to the current "high cycle management." Given this orientation, with an eye to OMRON's further growth, wouldn't it be advisable to change the organizational structure underpinning group management so as to increase autonomy and self-sustainability? This is the theme of our current discussion. Though speed is essential for growth, OMRON's current multi-layered decision-making process is a constraining factor. Since this is an issue concerning management from a macro perspective, there has been considerable discussion at meetings of the Audit & Supervisory Board. It is a hallmark of OMRON that such an issue is discussed and shared without being constrained by the framework of the Board of Directors or the Audit & Supervisory Board.

Kunihiro: OMRON has inaugurated a new executive management structure led by President Tsujinaga, and the heads of all business companies have changed. Equipped with this fresh structure, now is the time to unleash OMRON's growth potential, which is the

Group's overarching theme. We have been having dialogues with the new leaders on the executive team. I think the atmosphere is very positive.

At meetings of the Board of Directors, there are additional opportunities for Directors and Audit & Supervisory Board Members (not limited to Outside Directors and Audit & Supervisory Board Members) to put questions to the heads of executive divisions. From the executives, we are not looking for prepared, polished answers reflecting pre-established harmony. In their responses, executives share their concerns and problems, and a process of visualization leads to clarification of the issues that need to be addressed. Reflecting the diverse backgrounds of Directors and Audit & Supervisory Board Members, questions range far and wide, shaped by different perspectives.

Questions may not follow one another in a seamless sequence but are intended to open issues for lively and fruitful discussion. I also feel that grappling with the issues through discussion can lead to innovation that pre-established harmony would prevent.

My earnest desire is that such discussion will foster flexibility and speed within OMRON, enabling the company to respond effectively to circumstances in an era in which the external environment is undergoing rapid change and there is high uncertainty and opacity.

Uchiyama: I would like the new executive management team to prioritize medium and long-term growth, without being tempted or pressured to achieve short-term results or performance targets. Such matters should be pointed out and confirmed at future board meetings and whenever opportunities arise. With overseas sales accounting for more than 60% of total sales, can the executive team establish the OMRON brand globally so that it appeals to local talent, thereby positioning OMRON an enterprise whose organization and operations attract local human resources and facilitate their engagement? When we consider OMRON's growth from now on, I believe this is a key issue.

Kunihiro: Even under the new executive management team, I feel that the culture of "management based on a corporate philosophy put in

a frame” lingers. Clearly, everything isn’t OK simply because we have the new management team, including new business company heads. OMRON must continue its drive to achieve “management based on corporate philosophy as the axis.” How can we change the rigid old mindset that remains like bedrock into something malleable and moldable, while continuing to enjoy the benefits of management based on the OMRON Principles, so that excellent human resources can bring their capabilities into full play and take on the challenge of growth? We must consciously work on this.

Principles of Conduct for OMRON Audit & Supervisory Board Members Established Setting the Pace with “Audit 3.0”

Kunihiro: In December 2022, four members of the Audit & Supervisory Board held discussions and established the Principles of Conduct for OMRON Audit & Supervisory Board Members, which defines the roles and the behavior expected of OMRON’s Audit & Supervisory Board Members. In other words, it documents what we have been practicing and describes our vision.

The first item reads: “We not only conduct compliance audits (Audit 1.0) and point out deficiencies; but also conduct risk-based/internal control audits (Audit 2.0) and state our views; and conduct management issue audits (Audit 3.0) and provide advice.” This is the nature of audits at OMRON. We, Audit & Supervisory Board Members, will continue to evolve the Audit & Supervisory Board in the runup to “Audit 3.0.”

Uchiyama: I believe that proactively communicating our views on the evolution of the Audit & Supervisory Board and the initiatives we are implementing, not only within OMRON but also to external parties, will ultimately lead to the enhancement of OMRON’s corporate value. In view of our pivotal role in the context of Audit 3.0, in taking action we should always be mindful of this contribution. This is what we intend to do.

Regarding the audit stance, the Principles of Conduct for OMRON Audit & Supervisory Board Member states: “In a spirit of “throwing stones to make waves,” we question conventional wisdom inside OMRON from diverse perspectives, including those of stakeholders.” I believe this is the starting point for constructive communication between us, Audit & Supervisory Board Members, and our counterparts within OMRON as we endeavor to contribute to the enhancement of corporate value.

Kunihiro: Of course, those who throw stones are responsible for their actions, and the promotion of initiatives also entails responsibility. We, Audit & Supervisory Board Members, are not at risk as long as we quietly do the minimum required by law during our term of office, but we must ask ourselves whether that would be in the best interest of the stakeholders. Hence, Audit & Supervisory Board Members should take calculated risks and rise to the challenge.

Uchiyama: For future audits, we need to deepen our initiatives in cooperation with the Internal Audit Division. How best to establish an internal audit system is a major concern, especially as OMRON is expanding its business globally.

Kunihiro: The reality is that collaboration with the Internal Audit Division is still in its infancy and dealing with the issue of establishing Group governance will take time. With the support of the Audit & Supervisory Board, the Internal Audit Division is striving to transition from its traditional activity of pointing out deficiencies to risk-based audits, improvement opinions, and advice. In regard to the evolution of the Audit & Supervisory Board, reinforcement of the organization needs to proceed in parallel with the change of the mindset.

Uchiyama: Today’s discussion centered on our views and what we do, touching on issues ranging from the venture spirit to the evolution of the Audit & Supervisory Board. Although, among OMRON’s various organizations, the Audit & Supervisory Board is the one whose members’ average age is the highest, we are eager to take on challenges.

Kunihiro: Through this discussion, I have realized afresh that our initiatives should aim to shatter the conventional image of the Audit & Supervisory Board and reveal what its objective should be, namely, to enhance corporate value. For my part, I will continue to do my utmost to contribute to the ongoing evolution of the Audit & Supervisory Board, together with Mr. Uchiyama and the full-time Audit & Supervisory Board Members.

<Principles of Conduct for OMRON Audit & Supervisory Board Members>

Audit & Supervisory Board Members shall strive for self-improvement, be trustworthy at all times, uphold high ethical standards, and conduct themselves with humility.

1. We not only conduct compliance audits (Audit 1.0) and point out deficiencies; but also conduct risk-based/internal control audits (Audit 2.0) and state our views; and conduct management issue audits (Audit 3.0) and provide advice.
2. We emphasize listening attentively, dialogue, and empathy,
 - (1) Ask questions with curiosity and discuss freely and openly.
 - (2) Express opinions vigorously, including harsh ones, and be persistent.
 - (3) Strive for objective, fair, and impartial discussion and opinions based on data and evidence.
3. In the spirit of “throwing stones to make waves,” we question conventional wisdom inside OMRON from diverse perspectives, including those of stakeholders.
 - (1) Insight into the true causes and issues, not just the surface of things
 - (2) An inquiring mind based on a healthy skepticism that does not accept the status quo
 - (3) Assumption that there are two sides to everything (light and shade)
4. We promote behavioral changes in management that will enable future-oriented, transparent, fair, swift, and decisive decision-making.

Corporate Governance

Basic Stance for Corporate Governance

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.

OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in

1996, we have spent more than 25 years formalizing and strengthening our framework of corporate governance.

We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

OMRON Corporate Governance Policies



<Corporate Governance Initiatives>

	1999	2003	2011	2023		
OMRON Principles	1959: Corporate Motto	1990: OMRON Principles	1998: Revised	2006: Revised	2015: Revised	2022: Stated in the Articles of Incorporation
OMRON Corporate Governance Policies				2015: Established		
Chairman of the Board	Representative Director and President		2003: Chairman serves as Chair of the Board of Directors and Chairman of the Board	2012: Chairman		
President	1987: Yoshio Tateishi		2003: Hisao Sakuta	2011: Yoshihito Yamada		2023: Junta Tsujinaga
Separation of management oversight and business execution	30 directors		1999: Revised the Articles of Incorporation, setting number of board members to 10 or fewer		2017: Abolished Directors with title (excluding Chairman of the Board)	
			1999: Adopted executive officer system		2017: Positioned president as an executive officer	
Advisory Board	1999: Advisory Board					
Outside Directors		2001: One outside director	2003: Two outside directors (seven directors)	2015: Three outside directors (eight directors)		
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2003: Three members (four auditors)	2011: Two members (four auditors)		
Advisory and Other Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee			
			2003: Compensation Advisory Committee			
			2006: CEO Selection Advisory Committee			
			2008: Corporate Governance Committee			

Corporate Governance Framework

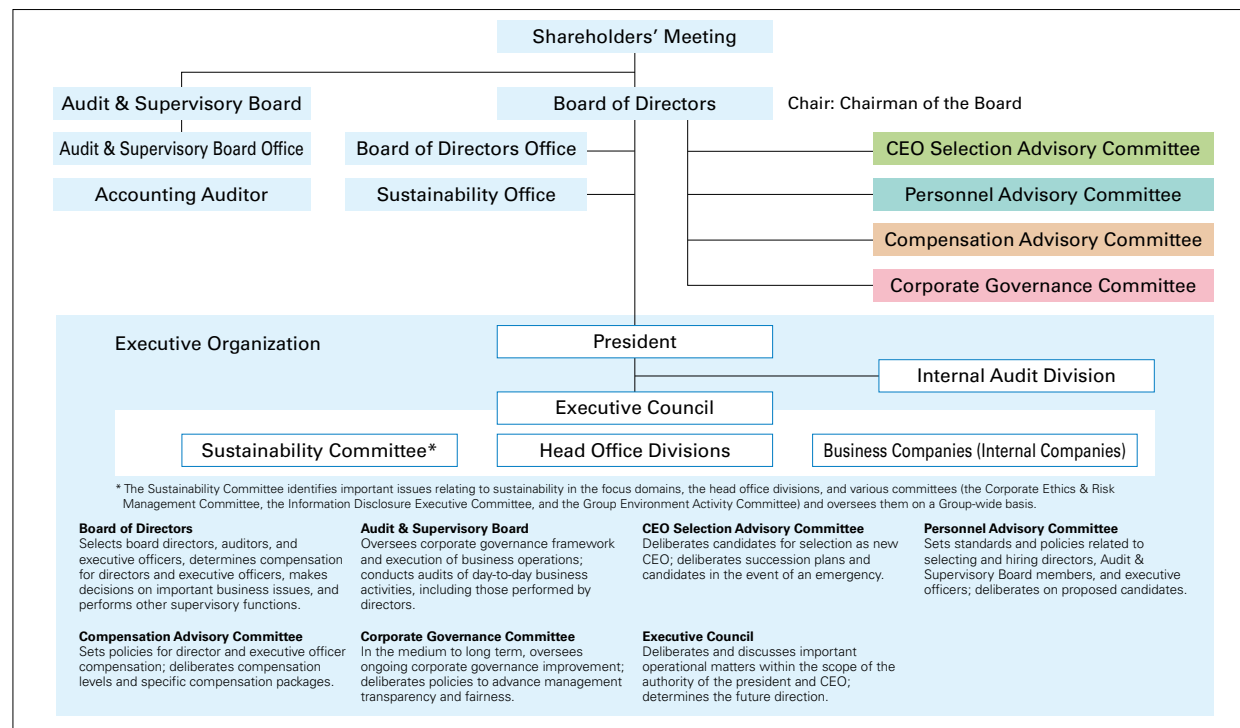
OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. To increase objectivity on behalf of the Board of Directors, the titles and roles of the chair of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority. To enhance the oversight functions of the Board of Directors, OMRON has established the committees include the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The CEO Selection Advisory Committee, the Personnel Advisory Committee, and the

Compensation Advisory Committee are all chaired by outside directors with at least half of the committee members being outside directors. The President and CEO is not a member of any of these committees. The Corporate Governance Committee is chaired by an independent outside director and its members are independent outside Audit & Supervisory Board Members as well as non-executive inside directors. This structure offers another layer of transparency and objectivity to the decision-making process. In these policies, OMRON has created a hybrid governance framework combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee.

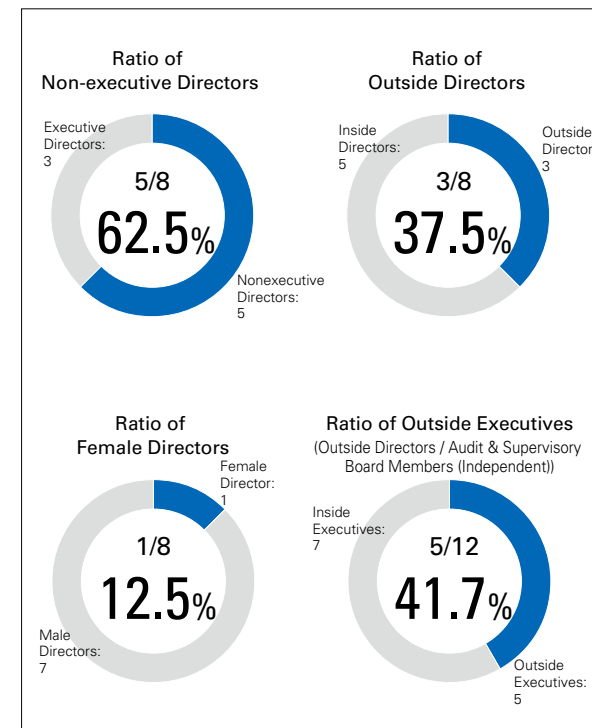
Approach to Composition of the Board of Directors

In order to strengthen the supervisory function of the Board of Directors, supervision is separated from execution, and the majority of the Board consists of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors consists of Outside Directors. To ensure independence, Outside Directors and Outside Audit & Supervisory Board Members (Independent) are appointed based on OMRON's Independence Requirements for Outside Executives. The diversity of the Board of Directors will also be ensured by providing a well-balanced mix of human resources with experience, expertise, and knowledge required for realizing our management vision among the Directors and Audit & Supervisory Board Members who are the members of the Board of Directors.

<Corporate Governance Framework>



<Composition of Board of Directors>



<Fiscal 2023 Advisory Committee>

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				
Audit & Supervisory Board Member (Independent) Hideyo Uchiyama ◆				☐
Audit & Supervisory Board Member (Independent) Tadashi Kunihiro ◆				☐

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

* In September 2023, the Corporate Governance Committee membership was revised to consist of outside directors, outside Audit & Supervisory Board Members, and non-executive inside directors.

<Activities of Advisory Committees in Fiscal 2022>

CEO Selection Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	<ul style="list-style-type: none"> 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
Attendance rate	100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> Narrowing down of candidates based on engagement surveys, 360-degree evaluations, and third-party evaluation results Identification of candidates through contact opportunities such as interviews (conducted on a separate occasion from the committee meetings) Determination of candidates for President 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	<ul style="list-style-type: none"> 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
Attendance rate	100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
Attendance rate	96%
Matters deliberated and matters reported	<ul style="list-style-type: none"> 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 Determination of 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
Attendance rate	100%
Matters deliberated	<ul style="list-style-type: none"> Evaluation of effectiveness of the Board of Directors in fiscal 2022

Director Compensation

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 a base salary, paid monthly, shall be determined for each role by 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 compensation for each Director shall be determined by a resolution of the Board of Directors reflecting 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: (See [Figure 1](#))

Figure 1

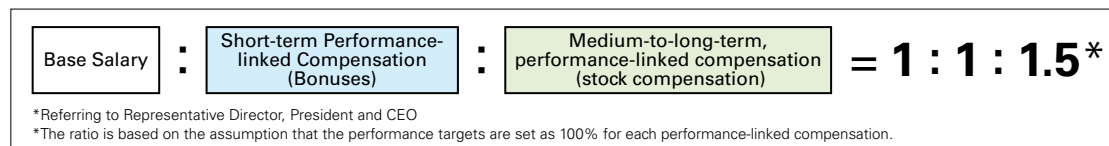
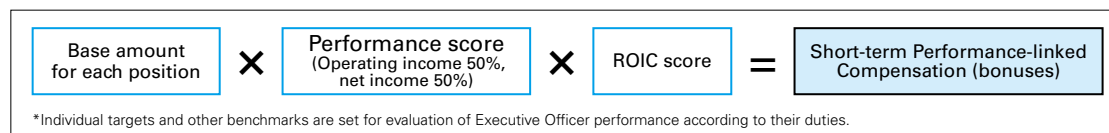


Figure 2



(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. (See [Figure 2](#))

(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. (See [Figure 1](#))

(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.

Initiatives Towards Improving the Board of Directors' Effectiveness

1. 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 (1) evaluation of the Board of Directors' effectiveness and (2) determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans.

(1) 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 Audit & Supervisory Board Members (Independent) (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.

(2) 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

Based on the evaluation results by the Corporate Governance Committee in (1) 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 (1) and (2) 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.

*FY2022 Results

Figure 3

$$\text{Base amount for each position} \times \left(\text{Financial targets evaluation 60\%} + \text{Corporate value evaluation 20\%} + \text{Sustainability evaluation 20\%} \right) = \text{Performance-linked portion}$$

	Evaluation weight	Evaluation indicators	Targets
Financial targets evaluation	60%	• EPS	¥400
		• ROE	10%
Corporate value evaluation	20%	• Relative TSR*1	100%
Sustainability evaluation	20%	• Reduction of greenhouse gas emissions (internal target)	-53% from FY2016
		• Score of Sustainable Engagement Index (SEI)*3 in engagement survey*2 (internal target)	70 points
		• Dow Jones Sustainability Indices (third-party evaluation)	DJSI World

*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

2. Methods of Evaluation of the Board of Directors' effectiveness for fiscal 2022

The methods of the evaluation of the Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2022 are as described below.

2-1. Evaluation methods

1) Self-evaluations by Directors and Audit & Supervisory Board Members

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors. Immediately after each meeting of the Board of Directors, Outside Executives evaluated the Board of Directors and held a review meeting to review the Board of Directors.
- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of the Board of Directors over the course of the year following the meetings of the Board of Directors held on February 28 and March 28, 2023.

2) Interviews by the Chairman of the Board of Directors

- The Chairman of the Board of Directors conducted individual interviews to Directors and Audit & Supervisory Board Members between December 2022 and March 2023.

3) Evaluation by the Corporate Governance Committee

- The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness on March 28 and April 26, 2023.

2-2. Self-evaluation items

Self-evaluation items are as follows. Evaluations were performed from the perspectives of whether or not the Board of Directors sufficiently exercised its oversight functions, and whether it contributed to the exercise of its oversight functions. Evaluations are performed by completing anonymous questionnaires. For each evaluation item, answers are provided using five-point scales and free comment fields.

1) Self-evaluations performed immediately following meetings of the Board of Directors

- Contents of discussions at the meeting of the Board of Directors
- Extent of oversight functions exercised by the Board of Directors

2) Self-evaluations for the entire year, performed at the end of the fiscal year

1. Operation of the Board of Directors
 - 1) Policy for the operation of the Board of Directors for fiscal 2022
 - 2) Fiscal 2022 focus themes
 - 3) Deliberations and reports regarding issues other than fiscal 2022 focus themes
 - 4) Policy for the operation and focus themes of the Board of Directors for fiscal 2023 (requests)
2. Increasing information sharing opportunities
 - 1) Individual meetings
 - 2) Sharing information through visits, etc.
 - 3) Board reviews immediately after Board of Directors meetings
 - 4) Initiatives for fiscal 2023 (requests)
3. Advisory Committees
 - 1) CEO Selection Advisory Committee

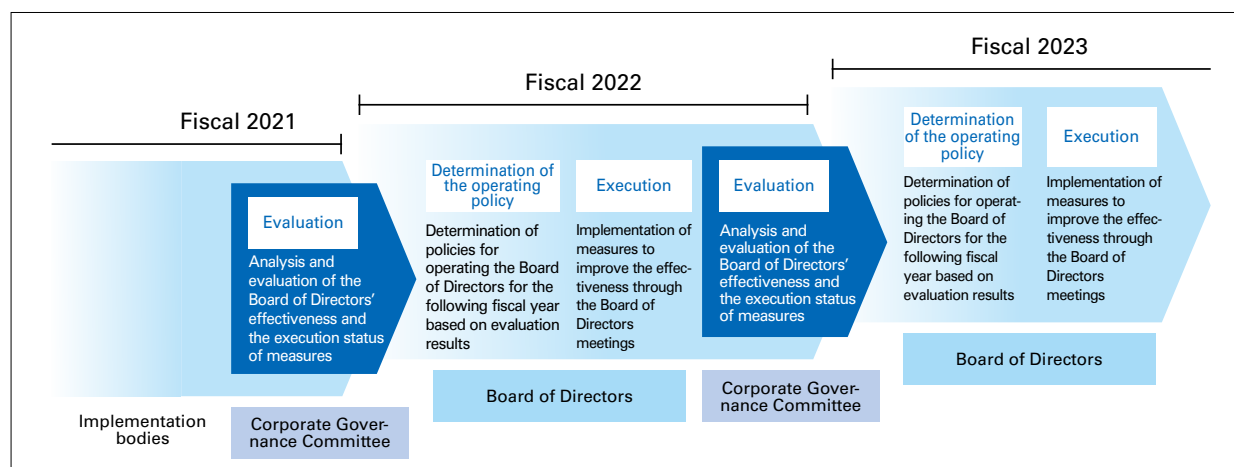
- 2) Personnel Advisory Committee
 - 3) Compensation Advisory Committee
 - 4) Corporate Governance Committee
4. Other overall issues regarding the Board of Directors

3. Change of President

3-1. Discussions by the CEO Selection Advisory Committee and the Board of Directors

- The Company resolved to change the President on April 1, 2023 at an extraordinary meeting of the Board of Directors held on January 12, 2023. As the selection of the President is the top-priority matter in management oversight, the matter was deliberated by the CEO Selection Advisory Committee, which specializes in the selection of the President, and the Board of Directors made a resolution based on their report.
- The CEO Selection Advisory Committee deliberates on the succession plan every year and, based on the candidate list, checks the development plan and development status, including the assignment of difficult tasks. In addition, candidates are observed during opportunities such as presentations at the Board of Directors. In fiscal 2022, the candidate selection process included a survey of several candidates with the

Initiatives Towards Improving the Board of Directors' Effectiveness



engagement survey VOICE, a 360-degree evaluation, an analysis of third-party evaluation results by a human resources consulting company targeting managers, and candidates were screened and determined through interviews and other contact opportunities.

3-2. Evaluation by the Corporate Governance Committee

Points commended

- The Corporate Governance Committee commended the President selection process used by the CEO Selection Advisory Committee. The process was deemed appropriate as transparency and objectivity were ensured due to Outside Directors who are members of the CEO Selection Advisory Committee being provided with objective data on candidates as well as opportunities to contact candidates multiple times.

Points requested

- The further development of the President selection process is requested through the continued formulation of succession plans after the new system, strengthening of the system for developing candidates, and early establishment of contact opportunities between committee members and candidates, etc.

4. Policy for the operation and focus themes of the Board of Directors for fiscal 2022

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

< Point 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

< Point 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

Background of the establishment of the policy for the operation and focus themes of the Board of Directors for fiscal 2022 (discussed and decided at the Board of Directors meeting held in May 2022)

Focus theme 1: Monitoring progress of the long-term vision and medium-term management plan

Toward the realization of the long-term vision "SF2030" (hereinafter, the "Long-Term Vision") and the medium-term management plan "SF 1st Stage" (hereinafter, the "Medium-Term Management Plan"), the Board of Directors confirmed that monitoring progress was an important part of oversight functions. Specifically, the Board of Directors decided to promote oversight that focuses on the transformation of business models, acceleration of diversity and inclusion, improvement of supply chain resilience, and promotion of initiatives aimed at addressing important sustainability issues.

Focus theme 2: Response to risks in the era of uncertainty

Global geopolitical risks, such as Russia's invasion of Ukraine, have a material impact on business and performance, and the Board of Directors continued to discuss this as a focus theme in fiscal 2022 from the perspective of improving the ability to perceive changes.

Focus theme 3: Checking the progress of establishing a companywide IT system

As establishing a companywide IT system is a large-scale decade-long project, it has been a focus theme since fiscal 2019. At a Board of Directors meeting held during the last fiscal year, a proposal was made to introduce a third-party evaluation of the status of development of the companywide IT system, and the Board of Directors supervised the progress in fiscal 2022 while taking external evaluations by third-party organizations into account.

5. Results of evaluation of the Board of Directors' effectiveness for fiscal 2022

5-1. Performance of operation of the Board of Directors

5-1-1. Focus themes

Focus theme 1: Monitoring progress of the long-term vision and medium-term management plan

<Transformation of business models (promotion of businesses reflecting an essential value perspective, including alliance with JMDC)>

- Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- As a transformation of business models from the essential value perspective advocated for in the Long-Term Vision, they reported on the development of businesses reflecting an essential value perspective in the five Industrial Automation Business areas of "on-site data utilization service," "application engineering service," "product recurring model," "education service," and "maintenance and preservation service." They also reported on the Healthcare Business's telemedicine service initiatives in the United States.
- Regarding the collaboration with JMDC, they reported on the progress of seven collaboration themes that are currently being planned and implemented, as well as JMDC's strengths and issues that were reaffirmed through collaboration. In addition, regarding parallel third-party allotment of JMDC, they reported an additional

investment for the purpose of accelerating collaboration and strengthening relationships, and the Board of Directors resolved on this.

- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors recognized that energy reduction through i-BELT, the Industrial Automation Business's business that offers essential value, will contribute to the reduction of greenhouse gases and lead to the provision of new social value. They also recognized that energy solutions and security management are business models that can be expanded beyond the manufacturing industry. In addition, they discussed the necessity of co-creation with partners in the promotion of businesses offering essential value and the development of expert human resources from the essential value perspective.
- In addition to confirming the progress of the collaboration with JMDC, the Board of Directors discussed the challenges in achieving "Zero Events" for cardiovascular diseases and the expansion of business domains other than cardiovascular.

<Acceleration of diversity and inclusion>

- Contents of reports at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- As the results of the engagement survey VOICE, they reported that all categories including diversity and inclusion remained sound, and that the SEI^{*1} score was 76, exceeding the target of 70.
 - They reported that there were issues in "work efficiency" and "performance management" within "work environment," and that "work process simplification" and "sufficient encouragement to employees who are not producing results in line with their positions" were implemented as specific measures in order to further raise the motivation of employees.
 - Regarding secondary positions that have been implemented since 2021, they reported on the current situation of employees' secondary positions and

examples and challenges related to accepting secondary positions. Moreover, they reported results related to the acquisition of professional human resources, revitalization of the organization, and interactions with diverse human resources that have led to the creation of new value and career development for employees.

- Main contents of discussions at the meeting of the Board of Directors
- Regarding "sufficient encouragement to employees who are not producing results in line with their positions" among the results of the engagement survey VOICE, which is an issue unique to Japan, the Board of Directors discussed the establishment of the recharge and recharge^{*2} system and the need to analyze the root cause of the inability to produce results according to position. In addition, they also discussed the importance of identifying obstacles to "smooth business progress," which got a low score even overseas, and making management decisions about "stopping" through the practice of high-cycle management^{*3}.
- The Board of Directors recognized that making the employment system more flexible and introducing a secondary position system led to the resolution of the shortage in human resources. They also recognized that themes related to solving social issues attracted applicants and resulted in more than 60 times more applications. Moreover, the Board of Directors discussed expanding the number of secondary position themes, further improving the placement of the right people in the right places, and revitalizing the organization and developing employees through recruitment for secondary positions.

<Improvement of supply chain resilience>

- Contents of reports at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- They reported recovery from the impact of the Shanghai lockdowns in the first half of the year through the recovery of production and the strengthening of supply capabilities, and that the Company will achieve sales in

the current fiscal year by demonstrating expanded product supply capabilities.

- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors discussed how to procure important materials based on the Economic Security Promotion Bill, the necessity of procuring parts at the supply chain level, and consideration of local production for local consumption that takes the effects of decoupling into account.

<Promotion of initiatives aimed at addressing important sustainability issues>

- Contents of reports and resolutions at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- They reported and resolved at the Board of Directors to set targets for fiscal 2022 to achieve targets for important sustainability issues in the Long-Term Vision and Medium-Term Management Plan, and to promote and implement various sustainability initiatives. In addition, they reported and resolved to change the environmental targets (Scope 1 and 2) for 2030 from a 59% reduction compared to fiscal 2016 to a 65% reduction by implementing strategic initiatives formulated in the Long-Term Vision, such as the decarbonization of society, ongoing initiatives for energy conservation and renewable energy, procurement of renewable energy power, and utilization of the J-Credit Scheme.
 - Regarding the disclosure of information related to climate change in the Annual Securities Report, in light of the trend for future disclosure standards being under the TCFD^{*4} framework, they made a report on the intention to disclose information under the framework of "Governance," "Strategy," "Risk Management," and "Metrics and Targets," which are items for disclosure requested by the TCFD, and disclosed information in the 85th term (June 2022) Annual Securities Report. In addition, regarding the disclosure of the degree of impact of climate-related risks and opportunities on

business and finances, they reported on a step-by-step disclosure plan in the Medium-Term Management Plan, and the Board of Directors resolved on this.

*1 SEI: Sustainable Engagement Index
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
*2 Recharge and recharge: Change of position from key managerial position to non-managerial position (recharge), and reappointment to key managerial position (rechallenge)
*3 High-cycle management: OMRON's unique management policy of increasing the ability to create customer value in a compounded manner by speeding up the verification and correction cycle rather than speeding up business
*4 TCFD: Task Force on Climate-related Financial Disclosures

- Main contents of discussions at the meeting of the Board of Directors
- Recognizing that the achievement of the fiscal 2030 target of Scope3cat.11^{*1} (18% reduction compared to fiscal 2016), which is an important sustainability issue, requires efforts not only by the Company, but by the entire value chain, and that there are complex issues such as rising procurement costs for renewable energy, the Board of Directors discussed the need to upgrade strategic scenarios that grasp risks and opportunities to a company-wide level and the development of energy-saving designs for new products.

Focus theme 2: Response to risks in the era of uncertainty <Improvement of ability to detect changes in the global geopolitical environment and transformation of global business operations>

- Contents of reports at the meeting of the Board of Directors
The business execution division reported the following points to the Board of Directors.
- A lecture by an economist and an exchange of opinions on the outlook for China's economic trends and its impact on the world economy were implemented. In addition, as a concrete response to geopolitical risks, the Global Strategy H.Q. reported on the "Report on the Group's response policy to geopolitical risks" and the Industrial Automation Business reported on the "Response to local production for local consumption against production site risk" and the "Response to double-tracking against risk of materials used."

- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors discussed the feasibility of implementing risk avoidance measures and the importance of maintaining the perspective of assessing timing. They also recognized the need to accelerate the localization of business operations in order to promote local production for local consumption.

< Enhancement of cybersecurity >

- Contents of reports at the meeting of the Board of Directors
The business execution division reported the following points to the Board of Directors.
- In addition to reporting on the overall image and maturity of current cybersecurity measures, they reported on priority issues and initiatives to strengthen the Company's systems against ransomware^{*2} attacks in normal times and in emergencies, and to evolve into a security infrastructure that supports the promotion of businesses offering essential value.
- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors discussed strengthening measures for issues in finding and training security human resources based on case studies from other companies in order to develop cyber security. In addition to strengthening the team of cyber security experts, it was also requested that employees continue to be thoroughly trained in preparation for increasingly sophisticated cyber attacks such as email hacking. Moreover, the periodic implementation of simulations for ransomware attacks and the importance of cyber security insurance were discussed.

*1 Scope3cat.11: Reduction of GHG emissions from the use of products sold by the Company
*2 Ransomware: A malicious program that encrypts data stored on a device and demands money in exchange for restoring the data

Focus theme 3: Checking the progress of establishing a companywide IT system <Monitoring companywide IT system construction with third-party evaluation in mind>

- Contents of reports and resolutions at the meeting of the Board of Directors
The business execution division reported the following points to the Board of Directors.
- They submitted progress confirmation for the construction of the companywide IT system in the first and second half of the year, and reported on the implementation status, the results of external evaluations by third-party organizations, and initiative planning for fiscal 2023. The Board of Directors resolved the capital investment plan for fiscal 2023.
- As for the implementation status in fiscal 2022, it was reported that the requirements definition phase for ERP deployment in Europe had been completed, and that preparations for transition to the planning and requirements definition phase for ERP deployment in Japan had been completed. In terms of deployment in Europe, it was reported that a compliance rate of 91% was achieved, exceeding the target compliance rate of 80%, by thoroughly adhering to the Fit to Standard principle, and that design and development will begin in April 2023. In terms of deployment in Japan, a master schedule that makes use of what was learned from deployment in Europe was formulated, and it was reported that core operations, data linkage, and utilization infrastructure would be implemented as a minimum scope in order to increase the success rate of the project.
- Main contents of discussions at the meeting of the Board of Directors
- On top of recognizing the importance of promoting Fit to Standard even for deployment in Japan, which has more functions and is more complex than Europe, the Board of Directors also confirmed that some themes need to be developed outside the standard as Fit to Business.
- The Board of Directors requested the continued promotion of the project after confirming that the project was progressing as planned and recognizing that the purpose of building the companywide IT system is not simply to replace the system, but to innovate operations and improve productivity through DX.

5-1-2. Significant matters other than the focus themes

<Discussions toward the creation of an optimal governance system>

- Contents of reports at the meeting of the Board of Directors
 - The Chairman of the Japan Association of Corporate Directors was invited as an external lecturer to give a lecture and exchange opinions on corporate governance issues and future direction, and discussions were held regarding the construction of an optimal corporate governance system for realizing the Long-Term Vision.
- Main contents of discussions at the meeting of the Board of Directors
 - The Board of Directors, with the participation of the external lecturer, discussed continuing to consider optimal governance in accordance with the scale of the company, the business situation, the actual state of corporate governance, etc., as well as the vital importance of having substantial discussions on medium- to long-term strategies, etc. at Board of Directors meetings. Furthermore, the Board of Directors confirmed that it will continue to hold discussions focused on the evolution of OMRON's corporate governance.

< Confirmation of status of M&A and alliances >

- Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

 - Of the four business domains set in the Long-Term Vision, they reported on the status of M&A and alliance considerations in the Industrial Automation and Healthcare Solutions domains.
 - As an example of an alliance, they reported on the establishment of the "Health & Productivity Management Alliance"^{*1}, which aims to improve productivity by improving the health of employees and reducing the burden of medical expenses on companies, as well as create a market for health promotion and prevention of serious illness.
- Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed alliances in the Industrial Automation domain, products that are lacking in order to promote ILOR+S^{*2}, and the status of alliances involving customers.
- Alliances in the healthcare solution domain discussed the direction of monetization in investments in overseas ventures, consideration of alliances not only with platformers but also with private insurance companies, and the need for analysis from the perspective of investment companies.

*1 Health & Productivity Management Alliance: Eight companies, including OMRON, act as lead managing companies of this alliance, which aims to "design a model for health and productivity management, co-create solutions to make it work, and implement them in the industrial world." Scheduled to start in June 2023.

*2 ILOR+S: "Input," "Logic," "Output," "Robot," "Safety"

< Reports on intellectual property >

- Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

 - In order to achieve the Long-Term Vision, the realization of a value creation story (business model) linked to the utilization of intellectual property and intangible assets is being promoted, and it was reported that "ambidextrous IP activities" were implemented by combining the "exclusive type" and "sharing & inclusion type" with optimal balance.
- Main contents of discussions at the meeting of the Board of Directors
 - The Board of Directors recognized that intellectual property activities have evolved to be unlike conventional concepts of intellectual property, that they are strategies that are directly linked to business models, and that they are timely initiatives for the promotion of businesses offering essential value in the Long-Term Vision. In addition to the utilization of existing technologies and the search for new technologies in creating new businesses, they discussed how stakeholder empathy can be enhanced by explaining efforts to create technology in-house and investments in intellectual property and intangible assets in terms of their connection with the management story. At the same time, the Board of

Directors discussed the importance of contracts for open and closed parts of the sharing & inclusion type, the permeation of intellectual property utilization within the Company, and the importance of developing specialists with intellectual property knowledge and business sense.

5-2. Evaluation by the Corporate Governance Committee

The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness during fiscal 2022 and reported the following evaluation results at the Board of Directors meeting held on May 16, 2023.

5-2-1. General comments on evaluation

■ Points commended

- Oversight functions were fully demonstrated through the selection of focus themes by backcasting from the Long-Term Vision for what the Company should look like by 2030, the discovery of issues, and discussions on the ideal direction in consideration of the overall picture.
- As active discussions were held for all themes, including the focus themes, and about 75% of the time required for the Board of Directors meetings was dedicated to proposals centered on medium- to long-term discussions, the Board of Directors fulfilled their function as a monitoring board for the realization of the Medium-Term Management Plan.
- Two-way discussions with Outside Executives deepened as opportunities for Internal Executives to speak actively based on their respective roles and expertise increased.

■ Points requested

- High-quality discussions are held each time, but in order to confirm the certainty of strategy execution, issues and risks recognized by the business execution division should be presented and reported more clearly.
- In order to further enhance the monitoring board function, regular reports should be narrowed down to matters with high importance and timeliness. This will expand the scope of delegation of authority for business execution and increase medium- to long-term discussions at Board of Directors meetings.

- As the social environment and economic conditions are constantly changing, flexibility to appropriately discuss issues identified in executing business strategies at Board of Directors meetings should be continued.

5-2-2. Individual evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2022.

■ Points commended

- Regarding geopolitical risks, the Board of Directors was able to confirm that the current global business operation policy is appropriate.
- Analysis of the results of the engagement survey VOICE clarified issues with the Company's organizational capabilities and clarified the direction of action to be taken.

■ Points requested

- Discussions on future business strategies in collaboration with JMDC will continue to be an important theme for transforming business models from an essential value perspective, and the Board of Directors should demonstrate its oversight functions through continuous discussions.
- Geopolitical risks and responses to them should continue to be monitored and discussed in fiscal 2023 as a response to risks in the era of uncertainty.
- Discussions on building the companywide IT system should not only be from the perspective of system innovation, but should be enhanced to discussions from a DX perspective that innovates existing businesses.

5-3 Initiatives by the Advisory Committees and evaluation by the Corporate Governance Committee

5-3-1. General comments on evaluation

The Corporate Governance Committee commended the operations of the CEO Selection Advisory Committee, Personnel Advisory Committee, and Compensation Advisory Committee for ensuring an objective and transparent process and operating properly.

Regarding the role of the Corporate Governance Committee, the Corporate Governance Committee requested from the Board of Directors that their role not only be to evaluate the effectiveness of the Board of Directors, but be expanded to include opportunities to discuss corporate governance.

5-3-2. Individual evaluation

The Corporate Governance Committee commended the following points regarding each Advisory Committee.

- CEO Selection Advisory Committee
As described in "3. Change of President" at the beginning
- Personnel Advisory Committee
They were commended for taking time to openly discuss the list of candidates for Outside Directors and Outside Audit & Supervisory Board Members in addition to regular matters, for strengthening the board succession, and for ensuring appropriate operations.
- Compensation Advisory Committee
They were commended for deliberating regular deliberation items based on the compensation structure decided in fiscal 2021 and for ensuring appropriate operations.

5-4 Initiatives on information sharing opportunities and evaluation by the Corporate Governance Committee

5-4-1. Initiatives on information sharing opportunities

■ On-site visits

Opportunities are provided for Outside Executives to visit major bases, exhibitions, etc. and participate in in-house events, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Executives. In addition, through this approach, we are building a relationship in which Outside Executives

directly exchange information about risks in the Company with the Accounting Auditor.

■ Interviews by the Chairman of the Board of Directors (continuously held from fiscal 2016)

The Chairman of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.

■ Outside Executives' and top Executives' opinion exchange meeting (continuously held from fiscal 2019)

Opportunities are provided for the exchange of opinions between Outside Executives and top Executives, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Board of Directors review (continuously held from fiscal 2021)

Outside Executives conduct a review of the Board of Directors immediately after meetings of the Board of Directors. Outside Executives sharing amongst themselves what they felt immediately following meetings of the Board of Directors leads to the improvement of the evaluation of the Board of Directors.

■ Observation of Executive Committee meetings (continuously held from fiscal 2021)

Outside Executives may observe Executive Committee meetings (management meetings by Executives), as fully understanding the situation of the business execution division will lead to the expansion of the breadth and depth of discussions at the Board of Directors meetings

5-4-2. General comments on evaluation

The Corporate Governance Committee commended the implementation of various initiatives on information sharing opportunities for Outside Executives to deepen their understanding of organizational culture and the situation of the business execution division in order to improve the effectiveness of the Board of Directors.

5-4-3. Individual evaluations

The Corporate Governance Committee commended and requested the following points of the Board of Directors' initiatives regarding individual information sharing opportunities.

■ On-site visits

- Through visits to the automation center (ATC-KUSATSU), understanding of organizational management deepened through the understanding of solutions that are at the core of businesses offering essential value and dialogue with sales and SE staff. With the end of the COVID-19 crisis in sight, it has been requested that opportunities for on-site visits be strengthened.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting

- Opinion exchange meetings between Outside Executives and the Accounting Auditor were held on two occasions. In the first discussion, the Accounting Auditor expressed its awareness of challenges in accounting audits that capture changes in the business environment, and requested investments in JMDC and responses to issues in the global internal audit system.

- In the second discussion, the Accounting Auditor brought up investments in JMDC and issues in the global internal audit system, leading to discussions about approaches to investment evaluation and the strengthening of the global audit system, which connected to future actions. From the next fiscal year onwards, it is requested that multifaceted information be provided in order to further grasp specific situations on-site.

■ Outside Executives' and Top Executives' opinion exchange meeting

- In response to the change in Presidents of all Business Companies as of April 2023, an opinion exchange meeting between the four new Presidents of the Business Companies and Outside Executives was held, enabling two-way discussion and free discussion. Outside Executives asked what they would like to see change, and the Presidents of the Business Companies expressed their candid thoughts on efficient business

operations, including the implementation of high-cycle management, and ensuring psychological safety. It was a useful opportunity for communication as we strive towards the start of the new system, and it is requested that these kinds of discussions continue going forward.

6. Policy for the operation and focus themes of the Board of Directors for fiscal 2023

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2023. Based on the results of this discussion, Board of Directors operational policy for fiscal 2023 and its focus themes were determined at Board of Directors meeting held on May 31.

<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

Directors / Audit & Supervisory Board Members (As of 2023)

Directors



Yoshihito Yamada
Chairman
Chair of the Board of Directors
Member of the CEO Selection Advisory Committee
Member of the Corporate Governance Committee

Apr. 1984 Joined OMRON
Jun. 2008 Executive Officer; Representative Director and President, OMRON Healthcare Co., Ltd.
Mar. 2010 Senior General Manager, Corporate Strategic Planning HQ
Jun. 2010 Managing Executive Officer
Jun. 2011 Representative Director and President
Jun. 2013 President & CEO
Jun. 2023 Chairman of the Board (to present)



Junta Tsujinaga
Representative Director

Apr. 1989 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)
Mar. 2016 Senior General Manager, Product Business Division Headquarters, Industrial Automation Company
Apr. 2017 Executive Officer
Apr. 2019 Managing Executive Officer
Mar. 2021 Company President, Industrial Automation Company
Apr. 2023 President and CEO, OMRON Corporation (to present)
Jun. 2023 Representative Director (to present)



Kiichiro Miyata
Representative Director
Member of the Compensation Advisory Committee

Apr. 1985 Joined Tateisi Institute of Life Science, Inc. (now OMRON HEALTHCARE Co., Ltd.)
Mar. 2010 Representative Director and President of OMRON Healthcare Co., Ltd. (Retired in Mar. 2015)
Jun. 2010 Executive Officer
Jun. 2012 Managing Executive Officer, OMRON
Apr. 2015 Chief Technology Officer (CTO) (to present), Senior General Manager of Technology & Intellectual Property HQ
Apr. 2017 Senior Managing Director
Jun. 2017 Representative Director (to present)
Mar. 2018 Senior General Manager of Innovation Exploring Initiative HQ
Apr. 2023 Executive Vice President (to present)



Masahiko Tomita
Director
Member of the Personnel Advisory Committee

Apr. 1989 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)
Mar. 2012 General Manager, Corporate Planning Department, Global Strategy HQ
Apr. 2014 Executive Officer
Mar. 2017 Senior General Manager, Global Human Resources and Administration HQ (to present)
Apr. 2019 Managing Executive Officer
Apr. 2023 Senior Managing Executive Officer, CHRO (to present)
Jun. 2023 Director (to present)



Shizuto Yukumoto
Director
Vice Chairman of the CEO Selection Advisory Committee
Vice Chairman of the Personnel Advisory Committee
Vice Chairman of the Compensation Advisory Committee
Member of the Corporate Governance Committee

Apr. 1985 Joins Omron Tateisi Electronics Co. (now OMRON Corporation)
Apr. 2009 President & CEO, OMRON Europe B.V.
Jun. 2010 Executive Officer, OMRON Corporation
Mar. 2012 Senior General Manager, Environmental Solutions Business HQ
Mar. 2014 Senior General Manager, Environmental Solutions Business HQ
Apr. 2014 Managing Executive Officer, OMRON Corporation (to present)
Feb. 2017 Company President, Electronic and Mechanical Components Company (now Device & Module Solutions Company)
Jun. 2023 Director (to present)



Takehiro Kamigama
Outside Director
Chairman of the CEO Selection Advisory Committee
Chairman of the Corporate Governance Committee
Member of the Compensation Advisory Committee
Member of the Compensation Advisory Committee

Apr. 1981 Joined TDK Corporation
Jun. 2002 Corporate Officer, TDK Corporation
Jun. 2003 Senior Vice President, TDK Corporation
Jun. 2004 Director & Executive Vice President, TDK Corporation
Jun. 2006 President & Representative Director, TDK Corporation
Jun. 2016 Chairman & Representative Director, TDK Corporation
Jun. 2017 Outside Director, OMRON (to present)
Jun. 2018 Mission Executive, TDK Corporation
Jul. 2021 Chief Consultant, Contemporary Amperex Technology Japan KK (to present)

Outside Directors



Izumi Kobayashi
Outside Director
Chairman of the Personnel Advisory Committee
Vice Chairman of the Corporate Governance Committee
Member of the CEO Selection Advisory Committee
Member of the Compensation Advisory Committee

Apr. 1981 Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)
Jun. 1985 Joined Merrill Lynch Futures Japan Inc.
Dec. 2001 President and Representative Director of Merrill Lynch Japan Securities Co., Ltd. (now BofA Securities Japan Co., Ltd.)
Nov. 2008 Executive Vice President of Multilateral Investment Guarantee Agency, The World Bank Group
Apr. 2015 Vice Chairperson of Japan Association of Corporate Executives
Jun. 2016 Governor of Japan Broadcasting Corporation
Jun. 2020 Outside Director, OMRON (to present)



Yoshihisa Suzuki
Outside Director
Chairman of the Compensation Advisory Committee
Member of the CEO Selection Advisory Committee
Member of the Personnel Advisory Committee
Member of the Corporate Governance Committee

Apr. 1979 Joined ITOCHU Corporation
Jun. 2003 Appointed Executive Officer of ITOCHU Corporation
Apr. 2006 Appointed Managing Executive Officer of ITOCHU Corporation
Apr. 2007 Appointed President (CEO) of ITOCHU International Inc.
Jun. 2012 Appointed President and Representative Director of JAMCO CORPORATION
Jun. 2016 Appointed Representative Director and Senior Managing Executive Officer of ITOCHU Corporation
Apr. 2018 Appointed President & Chief Operating Officer of ITOCHU Corporation
Apr. 2020 Appointed President & Chief Operating Officer and CDO-CIO of ITOCHU Corporation
Apr. 2021 Appointed Member of the Board and Vice Chairman of ITOCHU Corporation
Apr. 2022 Appointed Vice Chairman of ITOCHU Corporation
Jun. 2022 Outside Director, OMRON (to present)
Apr. 2023 Senior Vice Representative for External Affairs, ITOCHU Corporation (to present)

Audit & Supervisory Board Members



Shuji Tamaki
Audit & Supervisory Board Member

Apr. 1985 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)
Mar. 2008 General Manager of the Legal Center, Management Resources Innovation HQ
Mar. 2015 Senior General Manager of Global Risk Management and Legal HQ
Apr. 2015 Executive Officer
Jun. 2021 Audit & Supervisory Board Member (to present)



Toshio Hosoi
Audit & Supervisory Board Member

Apr. 1984 Joins Omron Tateisi Electronics Co. (now OMRON Corporation)
Apr. 2011 Managing Director, OMRON SOCIAL SOLUTIONS Co., Ltd.
Senior General Manager, Solution Business Division, OMRON SOCIAL SOLUTIONS Co., Ltd.
Jun. 2011 Executive Officer, OMRON Corporation
Mar. 2015 President and CEO, OMRON SOCIAL SOLUTIONS Co., Ltd.
Apr. 2015 Managing Executive Officer
Jun. 2023 Audit & Supervisory Board Member (to present)

Audit & Supervisory Board Members (Independent)



Hideyo Uchiyama
Audit & Supervisory Board Member (Independent)
Corporate Governance Committee Member

Nov. 1975 Joined Arthur Young & Company
Dec. 1979 Joined Asahi Accounting Company (now KPMG AZSA LLC)
Mar. 1980 Registered as Certified Public Accountant
July. 1999 Representative Partner, KPMG AZSA LLC
May 2002 Board Member, KPMG AZSA LLC
Jun. 2006 Executive Board Member, KPMG AZSA LLC
Jun. 2010 Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan
Sep. 2011 Chairman, KPMG Asia Pacific
Oct. 2013 CEO, KPMG Japan
Sep. 2015 Executive Advisor, ASAHI Tax Corporation (to present)
Jun. 2016 Audit & Supervisory Board Member (Independent), OMRON (to present)



Tadashi Kunihiro
Audit & Supervisory Board Member (Independent)
Corporate Governance Committee Member

Apr. 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office
Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)
Jun. 2017 Audit & Supervisory Board Member (Independent), OMRON (to present)

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”>

*Aiming for 3 years of experience or more








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 (third-party evaluation)	Possesses business, management experience, and specialized knowledge related to 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

<Main areas of experience and expertise of Directors and Audit & Supervisory Board Members>

Title & 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 and President	Junta Tsujinaga	●			●	●				●	
Executive Officer Vice President, CTO	Kiichiro Miyata	●		●	●	●				●	
Senior Managing Executive Officer CHRO	Masahiko Tomita		●				●			●	
Director	Shizuto Yukumoto					●				●	
Outside Director	Takehiro Kamigama	●	●	●	●	●		●		●	Manufacturing industry
Outside Director	Izumi Kobayashi	●	●	●			●	●		●	Financial and international organization
Outside Director	Yoshihisa Suzuki	●	●	●	●	●		●		●	General trading company
Audit & Supervisory Board Member	Shuji Tamaki								●	●	International lawyer
Audit & Supervisory Board Member	Toshio Hosoi			●		●					
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama	●	●					●	●	●	Certified public accountant
Audit & Supervisory Board Member (Independent)	Tadashi Kunihiro	●	●						●	●	Lawyer

Executive Officers (As of 2023)

President and CEO	Executive Officer Vice President	Senior Managing Executive Officers
 <p>Junta Tsujinaga President and CEO</p>	 <p>Kiichiro Miyata Executive Officer Vice President, CTO</p>	 <p>Masahiko Tomita Senior Managing Executive Officer CHRO and Senior General Manager, Global Human Resources and Administration HQ</p>
Senior Managing Executive Officers	Managing Executive Officer	
 <p>Nigel Blakeway Chairman and CEO, OMRON MANAGEMENT CENTER OF AMERICA, INC. and Chairman, OMRON MANAGEMENT CENTER OF EUROPE and Chairman, OMRON MANAGEMENT CENTER OF ASIA PACIFIC</p>	 <p>Seigo Kinugawa Senior General Manager, Global Business Process and IT Innovation HQ</p>	 <p>Tsutomu Igaki Senior General Manager, Global Investor & Brand Communications HQ and Sustainability Executive</p>
Managing Executive Officer		
 <p>Kenji Eda Senior General Manager, Global Procurement and Quality Management HQ</p>	 <p>Seiji Takeda CFO and Senior General Manager, Global Strategy HQ</p>	 <p>Katsuhiko Shikata President and CEO, OMRON SOCIAL SOLUTIONS Co., Ltd.</p>
 <p>Masahiko Ezaki Company President, Device & Module Solutions Company</p>	 <p>Motohiro Yamanishi Company President, Industrial Automation Company</p>	 <p>Ayumu Okada President and CEO, OMRON HEALTHCARE Co., Ltd.</p>

Executive Officers		
 <p>Jian Xu President and CEO, OMRON (CHINA) Co., Ltd.</p>	 <p>Taisuke Tateishi President and CEO, OMRON FIELD ENGINEERING Co., Ltd.</p>	 <p>Virendra Shelar President, OMRON MANAGEMENT CENTER OF ASIA PACIFIC, and General Manager, Global Human Resource Strategy Dept.</p>
 <p>Masayuki Yamamoto Senior General Manager, Strategy Planning Division HQ, Industrial Automation Company</p>	 <p>Robert Black President, CEO and COO, OMRON ELECTRONICS LLC, Industrial Automation Company</p>	 <p>Hidetaka Ishihara Senior General Manager, Innovation Exploring Initiative HQ</p>
 <p>Hisako Takada Senior General Manager, CEO Office</p>	 <p>Masaki Suwa Senior General Manager, Technology & Intellectual Property HQ and President and CEO, OMRON SINIC X Corp.</p>	 <p>Toyoharu Tamoi Senior General Manager, Global Finance and Accounting HQ</p>
 <p>Andre Van Gils Senior General Manager, Global Sales and Marketing Group HQ, OMRON HEALTHCARE Co., Ltd.</p>	 <p>Hiroto Iwasa Senior General Manager, Board of Directors Office</p>	 <p>Yukitaka Kamio Senior General Manager, Sales & Marketing Division HQ, Device & Module Solutions Company</p>
 <p>Yoshichika Tanabe Senior General Manager, Global Risk Management and Legal HQ</p>		

Responsible Engagement with Our Stakeholders

As stated in our Management Philosophy, OMRON cultivates strong relationships with its stakeholders through responsible engagement. Relationships of trust cultivated through engagement with stakeholders is an indispensable asset for the sustainable growth of OMRON and an essential element in our creation of innovation driven by social needs. We are committed to responsible engagement with all of our stakeholders to sustainably improve our corporate value and solve social issues through our business.

Stake holders	Major initiatives	Means of communications	Actual initiatives (examples)
Customers	The OMRON Group provides better products and services with the aim of solving social issues through its business.	Communication through sales activities	Collaborative creation with our customers by utilizing 36 Automation Centers (ATC) of the Industrial Automation Business. Fiscal 2022 results: Established a structure with 1,740 application engineers (29.9% compared to fiscal 2016)
		Customer support	Industrial Automation Business: Contributed to the improvement of customers' global competitiveness through 150 or more support networks in 40 countries around the world. Healthcare Business: Inquiries about thermometers and blood pressure monitors and access to the website's FAQs doubled amid the COVID-19 pandemic. Focused on improving website navigation and response content. Achieved a 98.3% satisfaction rating in China in fiscal 2022.
		User monitoring	We closely communicate with customers at the product planning, design, and after-sales stages, and conduct monitoring surveys. This allows the company to gain an accurate understanding of how products are used and the environment in which they are used. We then use this information to develop products that are easier to use and are higher in precision.
		Exhibitions	We enhanced the recognition of the OMRON brand through exhibition at China International Import Expo (CIIE) 2022 and communicated a message as "an innovative enterprise that resolves social issues through automation."
Transaction partners	The OMRON Group is engaged in global procurement activities and working with its suppliers to improve the level of sustainability in its supply chain.	Sustainability self-assessment	We requested suppliers conduct self-assessments of their compliance with Sustainable Procurement Guidelines and requested improvement plans from suppliers for whom sustainability risks were identified. We confirmed the compliance status of 356 global suppliers in fiscal 2022, with 77 companies implementing improvements.
		Assessment based on third-party standards	We conducted self-checks using the RBA* evaluation tool. In fiscal 2022, all 69 principal suppliers achieved a 100% low risk level on RBA Corporate Level SAQs. *RBA: Responsible Business Alliance
		Procurement BCP	We surveyed all new parts from suppliers as procurement occurred, keeping thorough and up-to-date information on places of production and minimized procurement risk for individual parts, with the goal of restoring procurement of all parts within a month in case of an emergency.
		"Green procurement" that helps reduce negative environmental impact	Awarded and renewed green supplier certification. During fiscal 2022, we certified 62 more companies as green suppliers and completed assessments for a cumulative total of 3,188 companies. We proactively adopted materials that do not contain hazardous chemical substances to help reduce negative environmental impacts in the OMRON Group's supply chain.
		Responsible procurement of conflict minerals	Using the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI), which is a standardized reporting template, conducted a survey of 281 suppliers worldwide from which the OMRON Group purchased parts and materials in the past 2 years. We promoted procurement in a manner not to drive environmental destruction and human rights violation.
Providing learning opportunities	To promote understanding of sustainable procurement amongst all suppliers, we have created training materials and promoted e-learning courses. In fiscal 2022, 61 people from 18 Chinese suppliers, selected by industry sector from among those subject to self-assessment, participated in training.		
Employees	The OMRON Group is committed to creating a company where employees can unleash their abilities and passions and demonstrate them to the fullest.	VOICE (Global Employee Engagement Survey)	In fiscal 2022, the survey covered all 20,603 employees (excludes production line employees) of the OMRON Group. (The survey to be conducted every other year.) Response rate of 91%, more than 38,500 free comments
		TOGA (The OMRON Global Awards)	An event to foster teamwork and solidarity—Gold and Special Award winners gather from around the world in Kyoto, where the head office is located, to present on their efforts, to put OMRON Principles into practice, to other executives and employees. In fiscal 2022, TOGA was conducted as a hybrid of real and virtual events, with over 11,000 participants from inside and outside the company.
		"OMRON Principles Missionary Dialogues" and "The KURUMAZA," to facilitate direct communication between top executives (chairman and president) and employees	Held direct dialogues with employees to encourage practice of OMRON Principles throughout the organization. Fiscal 2022's Missionary Dialogues was held at eight locations, including overseas. Including online participants, over 500 people, mainly leaders and young employees, participated.
		Employee Health Management Declaration "Boost5 Project"	We consider the health of our employees as an important management foundation, and released information on internal and external websites that was geared toward visualizing and analyzing employee health.
Shareholders and investors	The OMRON Group is working to engage in two-way interactive communication with shareholders and investors, with the aim of "realizing highly transparent management."	Briefings on business results / ESG briefing / individual meetings	We held briefings on business results (four times), an ESG briefing (185 participants, including investors, analysts, press, academics and others), and meetings with institutional investors (approximately 600 meetings), both online and face to face. As always, we are committed to highly transparent IR activities.
		Ordinary General Meeting of Shareholders	The Ordinary General Meeting of Shareholders was streamed online (June 23, 2022). 85 shareholders attended the Meeting at the venue and 124 viewed the live stream. The percentage of voting rights exercised was a high 88.6%.
		Publication of IR-related materials	We actively disclosed information through publication of IR-related materials, including the Integrated Report and Shareholders' News. In addition, enhanced information in the annual securities report (including the value creation story, sustainability targets and results, risk information, etc.) and released English language versions, as requested by many overseas investors, so as to strengthen information disclosure for a wider range of investors.

External Evaluation

Global

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA



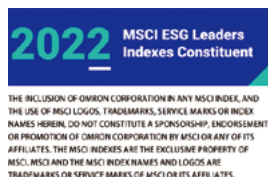
Selected for DJSI World (Top 3% of Sector) for Sixth Year in a Row

OMRON has been included in the world-renowned Dow Jones Sustainability World Index (DJSI World) for six consecutive years since 2017 and in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) for thirteen consecutive years since 2010.

* DJSI is a stock price index created jointly by S&P Dow Jones Indices in the United States. DJSI is used to assess the sustainability of the world's major companies from economic, environmental, and social perspectives.

Achieved Top 5% S&P Global ESG Score

OMRON has been awarded a Top 5% S&P Global ESG Score, as ranked by S&P Global in the Sustainability Yearbook 2023. This report, one of the world's most comprehensive publications providing in-depth analysis on corporate responsibility, showcases the sustainability performance of the world's largest companies. OMRON received this international recognition for the second year in a row.



Acquired Highest MSCI ESG Rating (AAA)

MSCI ESG Rating is a global ESG index selected by MSCI ESG Research. A company's ESG performance is graded according to seven ranks, ranging from AAA to CCC. OMRON was awarded an AAA rating in recognition of our efforts to strengthen governance.



Acquired Highest Supplier Engagement Rating and Selected as a Supplier Engagement Leader

As one of the highest rated companies in the CDP Supplier Engagement Rating, OMRON has been selected for the first time ever as a Supplier Engagement Leader. OMRON achieved A ratings in both the Climate Change and Water Security categories—our first double A. *CDP is a global non-profit that runs an environmental disclosure system.



FTSE4Good

Selected for the FTSE4Good Index Series for Eighth Year in a Row

OMRON has been selected for the FTSE4Good Index Series for eight consecutive years.



Awarded top EcoVadis Rating (Platinum)

OMRON has achieved a Platinum rating (the highest distinction) following a sustainability assessment by EcoVadis. A score earning a Platinum rating puts the company within the top 1% of all the businesses assessed for sustainability performance. This is the second time that OMRON has received this international recognition, having achieved a platinum rating in fiscal 2020 as well.

External Evaluation Japan



Included in Health & Productivity Stock Selection for Fifth Year in a Row

OMRON was included for the fifth consecutive year, having been highly evaluated in all four categories of “management philosophy and policy,” “organization structure,” “systems and measures” and “evaluation and improvement.”



Received Social Value Award (Nikkei SDGs Management Awards)

OMRON received the prestigious Social Value Award at Nikkei Inc.’s Nikkei SDGs Management Awards. This is OMRON’s second time receiving a Nikkei Management Award, having received the SDGs Strategy/Economic Value Award in 2019.



Included in Noteworthy DX Companies 2023 (DX Stocks)

This is OMRON’s second time being selected, having also been selected as a Noteworthy IT Strategy Company in the 2017 Survey of Competitive IT Strategy Companies (the predecessor to DX Stocks).



Ranked 43rd in Best Japan Brands 2022

This is OMRON’s sixth consecutive year making the list. OMRON’s brand value was calculated at 1,153 million US dollars (approximately 170 billion yen), up 6% from the previous year.

Included in five domestic ESG stock indices adopted by the Government Pension Investment Fund (GPIF).



Included in S&P/JPX Carbon Efficient Index for Fourth Year in a Row

The S&P/JPX Carbon Efficient Index is an ESG stock index jointly created by S&P Dow Jones Indices and the Tokyo Stock Exchange.



Included in FTSE Blossom Japan Index for Sixth Year in a Row Included in FTSE Blossom Japan Sector Relative Index for First Time

OMRON has been included in the FTSE Blossom Japan Index (an ESG stock index) for the sixth year in a row, and has also been included in the FTSE Blossom Japan Sector Relative Index. Both indices are used by the Government Pension Investment Fund (GPIF).

2023 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数

2023 CONSTITUENT MSCI 日本株 女性活躍指数 (WIN)

THE INCLUSION OF OMRON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF OMRON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

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Included in the MSCI Japan ESG Select Leaders Index/MSCI Japan Empowering Women Index for Sixth Year in a Row

OMRON Integrated Report 2022 Selected for Three Major Awards



OMRON Wins Grand Prize in Second Nikkei Integrated Report Awards

Selected as an Excellent Integrated Report by the Government Pension Investment Fund (GPIF) for Fifth Year in a Row

OMRON Wins Gold (Highest Award) at WICI Japan Integrated Report Award 2022

Consolidated Financial Statements

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries March 31, 2022 and 2023

(Millions of yen)

ASSETS	FY2021	FY2022	ASSETS	FY2021	FY2022
Current Assets:			Investments and Other Assets:		
Cash and cash equivalents	155,484	105,279	Right-of-use assets under operating leases	39,746	47,501
Notes and accounts receivable - trade	151,820	180,074	Goodwill	39,718	43,125
Allowance for doubtful receivables	(798)	(869)	Investments in and advances to affiliates	124,691	134,557
Inventories	141,935	173,926	Investment securities	43,757	46,123
Assets held for sale	363	2	Leasehold deposits	7,815	8,094
Other current assets	34,101	28,480	Prepaid benefit cost	14,391	29,103
Total Current Assets	482,905	486,892	Deferred income taxes	18,116	23,513
			Other assets	37,392	49,667
Property, Plant and Equipment:			Total Investments and Other Assets	325,626	381,683
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	330,721	346,671			
Accumulated depreciation	(208,623)	(217,086)			
Net Property, Plant and Equipment	122,098	129,585			
Total	930,629	998,160			

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2021	FY2022	LIABILITIES AND SHAREHOLDERS' EQUITY	FY2021	FY2022
Current Liabilities:			Shareholders' Equity:		
Notes and accounts payable - trade	86,827	92,855	Capital	64,100	64,100
Short-term debt	20,000	213	Common stock		
Accrued expenses	48,365	50,246	Authorized: 487,000,000 shares in FY2021		
Income taxes payable	5,657	10,560	487,000,000 shares in FY2022		
Short-term operating lease liabilities	11,549	11,871	Issued: 206,244,872 shares in FY2021		
Other current liabilities	39,274	44,275	206,244,872 shares in FY2022		
Total Current Liabilities	211,672	210,020	Capital surplus	100,652	98,506
			Legal reserve	24,503	24,729
Deferred Income Taxes	2,177	2,052	Retained earnings	517,566	571,807
Termination and Retirement Benefits	8,194	9,348	Accumulated other comprehensive income (loss)	13,013	39,947
Long-term Operating Lease Liabilities	28,567	33,284	Treasury stock	(54,607)	(70,616)
Other Long-term Liabilities	12,048	12,229	7,053,647 shares in FY2021		
Total Liabilities	262,658	266,933	9,417,692 shares in FY2022		
			Total Shareholders' Equity	665,227	728,473
			Noncontrolling Interests	2,744	2,754
			Total Net Assets	667,971	731,227
Total	930,629	998,160			

Consolidated Statements of Income

OMRON Corporation and Subsidiaries Years ended March 31, 2021, 2022 and 2023

	(Millions of yen)		
	FY2020	FY2021	FY2022
Net Sales	655,529	762,927	876,082
Costs and Expenses:			
Cost of sales	357,178	416,100	482,199
Selling, general and administrative expenses	192,687	213,234	243,015
Research and development expenses	43,184	44,277	50,182
Other expenses, net	(2,609)	2,602	2,277
Total	590,440	676,213	777,673
Income before Income Taxes and Equity in Earnings of Affiliates	65,089	86,714	98,409
Income Taxes	15,093	23,046	24,943
Share of loss (profit) of entities accounted for using equity method	6,098	1,624	(1,079)
Net Income from Continuing Operations	43,898	62,044	74,545
Net Income from Discontinued Operations	—	—	—
Net Income	43,898	62,044	74,545
Net Income Attributable to Noncontrolling Interests	591	644	684
Net Income Attributable to OMRON Shareholders	43,307	61,400	73,861

	(Yen)		
	FY2020	FY2021	FY2022
Per Share Data:			
Net Income Attributable to OMRON Shareholders:			
Net Income Attributable to OMRON Shareholders from Continuing Operations	214.72	305.65	372.19
Net Income Attributable to OMRON Shareholders from Discontinued Operations	—	—	—
Basic	214.72	305.65	372.19
Diluted	—	—	—

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries Years ended March 31, 2021, 2022 and 2023

	(Millions of yen)		
	FY2020	FY2021	FY2022
Net Income	43,898	62,044	74,545
Other Comprehensive Income (Loss), Net of Tax:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	23,138	40,078	17,840
Reclassification adjustment for the portion realized in net income	310	2,029	(337)
Net unrealized gain (loss)	23,448	42,107	17,503
Pension liability adjustments:			
Pension liability adjustments arising during the year	24,630	1,625	6,094
Reclassification adjustment for the portion realized in net income	3,053	3,012	2,610
Net unrealized gain (loss)	27,683	4,637	8,704
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(629)	(1,066)	(523)
Reclassification adjustment for the portion realized in net income	295	383	1,317
Net unrealized gain (loss)	(334)	(683)	794
Other Comprehensive Income (Loss)	50,797	46,061	27,001
Comprehensive Income	94,695	108,105	101,546
Comprehensive Income Attributable to Noncontrolling Interests	727	747	751
Comprehensive Income Attributable to OMRON Shareholders	93,968	107,358	100,795

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries Years ended March 31, 2021, 2022 and 2023

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling interests	Total net assets
Balance, March 31, 2020	206,244,872	64,100	100,521	20,981	451,768	(83,606)	(23,349)	530,415	2,174	532,589
Net Income					43,307			43,307	591	43,898
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(16,940)			(16,940)		(16,940)
Cash dividends paid to noncontrolling interests								—	(401)	(401)
Equity transactions with noncontrolling interests and other			0					0		0
Stock-based payment*1			882					882		882
Transfer to legal reserve				1,950	(1,950)			—		—
Other comprehensive income (loss)						50,661		50,661	136	50,797
Acquisition of treasury stock and others							(1,467)	(1,467)		(1,467)
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, ¥92 per share					(18,447)			(18,447)		(18,447)
Cash dividends paid to noncontrolling interests								—	(503)	(503)
Stock-based payment*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 others							(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, ¥98 per share					(19,394)			(19,394)		(19,394)
Cash dividends paid to noncontrolling interests								—	(741)	(741)
Stock-based payment			(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 others			(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

*1 Includes ¥309 million, the amount of increase in capital surplus due to changes in the estimates of stock-based payment. *2 Includes ¥19 million, the amount of increase in capital surplus due to changes in the estimates of stock-based payment.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries Years ended March 31, 2021, 2022 and 2023

	(Millions of yen)		
	FY2020	FY2021	FY2022
Operating Activities:			
Net Income	43,898	62,044	74,545
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,756	23,367	26,587
Share-based compensation expense	—	864	1,863
Net gain (loss) on sale and disposals of property, plant, and equipment	(325)	901	45
Impairment losses on long-lived assets	1,976	410	1,768
Loss on impairment of goodwill	—	3,384	—
Loss related to sale of business	—	1,116	(922)
Net loss on valuation of investment securities	(7,615)	(5,447)	2,099
Net loss on sale of investment securities	—	—	—
Termination and retirement benefits	(617)	(662)	(574)
Deferred income taxes	1,164	4,632	(9,421)
Equity in earnings of affiliates	6,098	1,624	(1,079)
Gain on sales of business	—	—	—
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	3,893	(9,074)	(23,581)
Decrease (increase) in inventories	5,425	(30,427)	(29,004)
Increase in other assets	955	(3,178)	(2,331)
Decrease in notes and accounts payable - trade	6,237	13,293	4,667
Increase (decrease) in income taxes payable	833	1,749	4,758
Increase (decrease) in accrued expenses and other current liabilities	5,301	2,316	5,179
Other, net	3,852	516	(1,143)
Total adjustments	49,933	5,384	(21,089)
Net Cash Provided by Operating Activities	93,831	67,428	53,456

	(Millions of yen)		
	FY2020	FY2021	FY2022
Investing Activities:			
Proceeds from sale or maturities of investment securities	751	921	84
Purchase of investment securities	(1,057)	(5,386)	(2,860)
Capital expenditures	(26,662)	(33,357)	(45,018)
Decrease (increase) in leasehold deposits, net	(189)	(140)	(299)
Proceeds from sale of property, plant, and equipment	2,069	748	1,614
Increase in investments in affiliates	7,850	(112,444)	(9,976)
Proceeds from sale of business, net of cash paid	2,453	(505)	922
Acquisition of business, net of cash acquired	—	—	—
Other, net	0	0	0
Net Cash Provided by (Used in) Investing Activities	(14,785)	(150,163)	(55,533)
Financing Activities:			
Net borrowings (repayments) of short-term debt	(1,587)	20,000	(19,787)
Dividends paid by the Company	(16,952)	(17,754)	(18,912)
Dividends paid to noncontrolling interests	(352)	(504)	(741)
Acquisition of treasury stock	(1,471)	(31,430)	(20,013)
Sales of Treasury Stock	—	0	772
Other, net	10	85	(76)
Net Cash Used in Financing Activities	(20,352)	(29,603)	(58,757)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6,528	17,067	10,629
Net Increase (Decrease) in Cash and Cash Equivalents	65,222	(95,271)	(50,205)
Cash and Cash Equivalents at Beginning of the period	185,533	250,755	155,484
Cash and Cash Equivalents at End of the period	250,755	155,484	105,279
Cash and Cash Equivalents from Continuing Operations at End of the Year	250,755	155,484	105,279

11-Year Financial Highlights

OMRON Corporation and Subsidiaries

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Financial Indicators:											
(Millions of yen)											
Operating Results:											
Net sales	650,461	772,966	847,252	833,604	794,201	732,306	732,581	677,980	655,529	762,927	876,082
Gross profit	241,507	297,208	332,607	320,812	312,161	327,585	325,484	303,702	298,351	346,827	393,883
Selling, general and administrative expenses (excl. R&D expenses)	152,676	181,225	198,103	205,735	193,093	201,777	208,895	202,954	192,687	213,234	243,015
R&D expenses	43,488	47,928	47,913	52,790	50,539	48,622	49,335	45,988	43,184	44,277	50,182
Operating income	45,343	68,055	86,591	62,287	68,529	77,186	67,254	54,760	62,480	89,316	100,686
EBITDA ^(Note 1)	67,795	93,144	114,930	93,747	97,495	101,501	92,609	80,466	85,236	112,683	127,273
Net income (loss) attributable to OMRON shareholders	30,203	46,185	62,170	47,290	45,987	63,159	54,323	74,895	43,307	61,400	73,861
Cash Flows:											
Net cash provided by operating activities	53,058	79,044	77,057	84,207	77,875	73,673	71,245	89,787	93,831	67,428	53,456
Net cash provided by (used in) investing activities	(28,471)	(31,125)	(39,517)	(67,116)	(15,041)	(55,842)	(34,957)	28,639	(14,785)	(150,163)	(55,533)
Free cash flow ^(Note 2)	24,587	47,919	37,540	17,091	62,834	17,831	36,288	118,426	79,046	(82,735)	(2,077)
Net cash provided by (used in) financing activities	(18,550)	(16,298)	(29,303)	(31,550)	(15,012)	(33,082)	(40,783)	(29,430)	(20,352)	(29,603)	(58,757)
Financial Position:											
Total assets	573,637	654,704	711,011	683,325	697,701	744,952	749,878	758,124	820,379	930,629	998,160
Cash and cash equivalents	55,708	90,251	102,622	82,910	126,026	106,223	103,850	185,533	250,755	155,484	105,279
Total interest-bearing liabilities	5,570	488	0	0	156	298	2,086	1,593	0	20,000	213
Total shareholders' equity	366,962	430,509	489,769	444,718	469,029	505,530	504,212	530,415	606,858	665,227	728,473
Per Share Data:											
Net income (loss) attributable to OMRON shareholders (EPS) (Yen)	137.2	209.8	283.9	219.0	215.1	296.9	260.8	365.3	214.7	305.7	372.2
Shareholders' equity	1,667.0	1,956.1	2,254.4	2,080.0	2,193.7	2,400.4	2,455.2	2,626.6	3,009.2	3,339.6	3,701.1
Cash dividends ^(Note 3) (Yen)	37	53	71	68	68	76	84	84	84	92	98
Dividend payout ratio	27.0%	25.3%	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%	39.1%	30.1%	26.3%
Dividend on equity ratio	2.4%	2.9%	3.4%	3.1%	3.2%	3.3%	3.5%	3.3%	3.0%	2.9%	2.8%
Other Financial Data:											
Gross profit margin	37.1%	38.5%	39.3%	38.5%	39.3%	44.7%	44.4%	44.8%	45.5%	45.5%	45.0%
Operating income margin	7.0%	8.8%	10.2%	7.5%	8.6%	10.5%	9.2%	8.1%	9.5%	11.7%	11.5%
EBITDA margin	10.4%	12.1%	13.6%	11.2%	12.2%	14.6%	12.6%	11.9%	13.0%	14.8%	14.5%
Return on invested capital (ROIC)	8.6%	11.3%	13.4%	9.7%	10.3%	12.7%	10.6%	14.1%	7.8%	9.6%	10.4%
Return on equity (ROE)	8.8%	11.6%	13.5%	10.1%	10.1%	13.0%	10.8%	14.5%	7.6%	9.7%	10.6%
Ratio of shareholders' equity to total assets	64.0%	65.8%	68.9%	65.1%	67.2%	67.9%	67.2%	70.0%	74.0%	71.5%	73.0%
Total return ratio ^(Note 4)	27.0%	25.3%	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%	42.6%	79.0%	53.4%
Capital expenditures	28,285	33,653	38,143	36,859	25,692	33,027	35,661	33,110	23,959	34,210	45,074
Depreciation and amortization	22,452	25,089	28,339	31,460	28,966	24,315	25,355	25,706	22,756	23,367	26,587
Ratio of overseas sales	51.1%	55.4%	60.1%	60.3%	58.4%	57.3%	56.5%	54.1%	57.8%	62.0%	62.7%

11-Year Non-Financial Highlights

OMRON Corporation and Subsidiaries

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Non-Financial Indicators:											
Number of employees	35,411	36,842	37,572	37,709	36,008	36,193	35,090	28,006	28,254	29,020	28,034
Ratio of overseas employees to total employees	67.4%	69.1%	69.7%	69.3%	68.3%	68.1%	67.6%	62.2%	62.9%	65.0 %	64.4 %
Ratio of non-Japanese in key managerial positions overseas ^(Note 5)	36%	42%	42%	46%	49%	49%	62%	70%	75%	80 %	80 % *
Ratio of women in managerial roles (OMRON Group worldwide) ^(Note 6)	—	—	—	—	—	—	12.7%	16.0%	16.4%	16.9 %	16.6 %
Ratio of women in managerial roles (OMRON Group in Japan) ^(Note 7)	1.5%	1.8%	1.9%	2.3%	3.3%	3.6%	5.2%	5.9%	6.7%	8.0 %	8.7 % *
Ratio of employees with disabilities (OMRON Group worldwide) ^(Note 8)	—	—	—	—	—	—	—	—	2.0%	2.2 %	2.3 %
Ratio of employees with disabilities (OMRON Group in Japan) ^(Note 9)	2.2%	2.4%	2.4%	2.4%	2.5%	2.6%	2.5%	2.8%	3.0%	3.1 %	3.1 % *
Number of overseas sites employing employees with disabilities	—	—	—	—	—	—	—	—	25	27	27
Number of patents held ^(Note 10)	6,448	6,635	7,194	7,686	8,224	8,774	9,782	10,087	11,037	12,061	12,908
Environmental contribution (thousand ton-CO ₂)	313	661	851	508	593	659	1,055	971	826	881	938 ☆
CO ₂ emissions of production sites (thousand ton-CO ₂)	203	215	221	202	202	204	193	135	106	109	87
Number of carbon zero sites in Japan	—	—	—	—	—	—	—	—	—	5	10
Net sales to CO ₂ emissions (million yen / ton-CO ₂)	3.21	3.60	3.83	4.12	3.94	4.22	4.47	5.02	6.16	7.02	10.02 *
Greenhouse gas emissions (thousand ton-CO ₂) ^(Scope 1 + 2)	—	—	—	—	250	271	235	166	124	123	92 *
Reduction in paper use ^(Note 11)	—	—	—	—	—	—	—	—	—	36 %	44 %

Note: 1. EBITDA = Operating income + Depreciation and amortization

2. Free cash flow = Net cash provided by operating activities + Net cash provided by (used in) investing activities

3. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

4. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to OMRON shareholders (does not include repurchases of less than one trading unit)

5. The ratio of local employees to the number of important positions determined by OMRON depending on the size of the overseas OMRON Group companies, concurrent positions for governance and development positions are excluded.

6. Figures for overseas sites represent results as of March 31 of each fiscal year. The ratio of women in managerial roles in the OMRON Group worldwide has been calculated since fiscal 2018.

7. The ratio of women in managerial roles (section managers or higher) at OMRON Group companies in Japan.

8. For the ratio of employees with disabilities (OMRON Group worldwide), applicable sites in countries with legally mandated employment rates are within the scope. The ratio is calculated based on the calculation method stipulated by laws and regulations of each country.

9. Figures represent results as of June 20 of each fiscal year. For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities. Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.

10. Patent information is as of March 31 of each fiscal year.

11. Ratio calculated in comparison to fiscal 2019.

★ Indicates assurance performed by Bureau Veritas Japan Co., Ltd.

☆ Indicates independent verification or review performed by Bureau Veritas Japan Co., Ltd.

★ Indicates assurance performed by KPMG AZSA Sustainability Co., Ltd.

Operating Income

OMRON applies the single step presentation of income under U.S. GAAP (that is, the various levels of income are not presented) in its consolidated statements of income. For comparison with other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

Changes in Accounting Policies

With the company's adoption of US GAAP in fiscal 2018, we have reclassified consolidated statements of income for fiscal years 2016 and later for presentation herein.

Financial Data Reclassification

The Automotive Electronics Components Business (AEC) was transferred, and the AEC business was classified as a "discontinued business." Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.

Corporate Information As of March 31, 2023

Established

May 10, 1933

Incorporated

May 19, 1948

Capital

¥64,100 million

Number of Employees (Consolidated)

28034

Common Stock

Issued: 206,245 thousand shares

Trading Unit: 100 shares

Number of Shareholders: 31170

Stock Listings

Tokyo Stock Exchange

Frankfurt Stock Exchange

(listing of depositary receipts)

Securities Code

6645

Fiscal Year-End

March 31

Annual Shareholders' Meeting

June

Custodian of Register of Shareholders

Mitsubishi UFJ Trust and Banking Corporation

Depository and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank, N.A.

Head Office

Shiokoji Horikawa,

Shimogyo-ku, Kyoto

600-8530, Japan

Tel : +81-75-344-7000

Major Manufacturing & Development, Sales & Marketing, and Research & Development Centers in Japan

Manufacturing & Development

Kusatsu Office

Okayama Office

Ayabe Office

Yasu Office

Research & Development

Keihanna Technology

Innovation Center

Sales & Marketing

Tokyo Office

Osaka Office

Nagoya Office

Mishima Office

Subsidiaries and Affiliates

OMRON SOCIAL SOLUTIONS Co., Ltd.

OMRON HEALTHCARE Co., Ltd.

OMRON RELAY & DEVICES Co., Ltd.

OMRON SWITCH & DEVICES Co., Ltd.

OMRON AMUSEMENT Corporation

OMRON FIELD ENGINEERING Co., Ltd.

OMRON SOFTWARE Co., Ltd.

OMRON ASO Co., Ltd.

OMRON EXPERTLINK Co., Ltd.

Regional Headquarters

North America

OMRON MANAGEMENT

CENTER OF AMERICA

(United States of America, Illinois)

Europe

OMRON MANAGEMENT

CENTER OF EUROPE

(The Netherlands, North Holland)

Greater China

OMRON MANAGEMENT

CENTER OF CHINA

(Shanghai)

Asia Pacific

OMRON MANAGEMENT

CENTER OF ASIA PACIFIC

(Singapore)

Korea

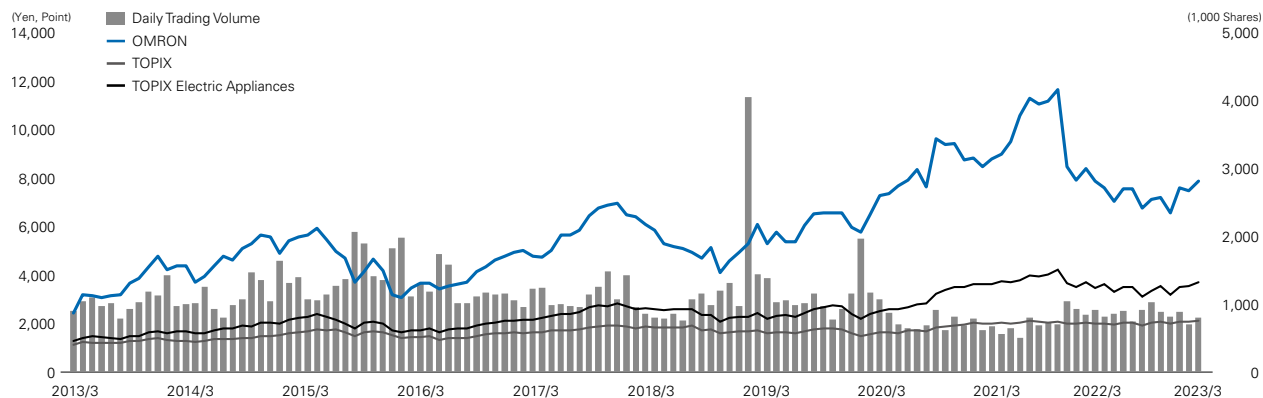
OMRON

MANAGEMENT

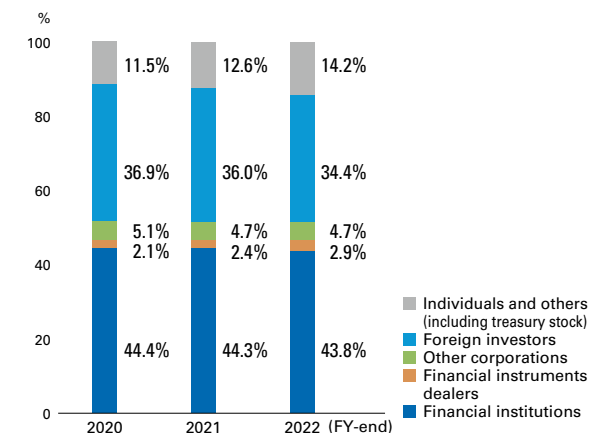
CENTER OF KOREA
(Seoul)

Stock Information

Share Price and Volume * OMRON share prices prior to July 16, 2013 reflect prices on the First Section of the Osaka Securities Exchange. Share prices on July 16, 2013 and later reflect prices on the First Section of the Tokyo Stock Exchange.



Ownership and Distribution of Shares



Total Shareholder Return (TSR*1)

Holding Period	3 years	5 years	10 years
OMRON	141.8%	130.2%	367.8%
TOPIX	153.4%	131.8%	242.1%
TOPIX Electric Appliances	177.6%	156.4%	354.5%

*1 Represents total investment return to shareholders, combining capital gains and dividends. The return for each holding period, which ended March 31, 2023, is calculated by referring to the calculation formula stipulated under Cabinet Office Ordinance. The 3 years return is calculated from the closing stock price at the end of fiscal 2019, the 5 years from 2017 and 10 years from 2012, respectively.

52-Week High / Low, Volatility*2

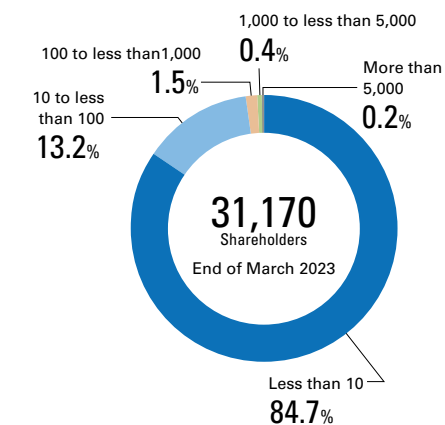
FY	High (¥)	Low (¥)	Volatility (%)
2022	8,164	6,237	29.1
2021	12,115	7,306	30.1
2020	10,040	5,330	28.8
2019	6,870	4,410	32.3
2018	6,300	3,740	34.5
2017	7,670	4,385	27.1
2016	5,120	3,045	32.5
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9
2013	4,730	2,213	39.7

*2 Volatility: Price fluctuation risk expressed in standard deviations

Dividends per Share / Payout Ratio / Dividend on equity ratio

FY	Dividends per Share (¥)	Payout Ratio (%)	Dividend on equity ratio (%)
2022	98	26.3	2.8
2021	92	30.1	2.9
2020	84	39.1	3.0
2019	84	23.0	3.3
2018	84	32.2	3.5
2017	76	25.6	3.3
2016	68	31.6	3.2
2015	68	31.1	3.1
2014	71	25.0	3.4
2013	53	25.3	2.9

Shareholder Distribution by Number of Shares Held (Trading unit: 100 shares)



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TANKOSHA PUBLISHING CO.,LTD.
Delights co Ltd.

In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.

Investor Relations

<https://www.omron.com/global/en/ir/>

Sustainability Information

- Sustainability initiatives
- GRI Content Index
- Major Sustainability Data

<https://sustainability.omron.com/en>

https://sustainability.omron.com/en/guide_line/

<https://sustainability.omron.com/en/performance/>

Reports

- Corporate Governance Report

https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20230426_governance_policies_e.pdf

Shaping the Future 2030



Contact

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Please access the Inquiry Form from the QR Code on the right.

