

## The OMRON Principles

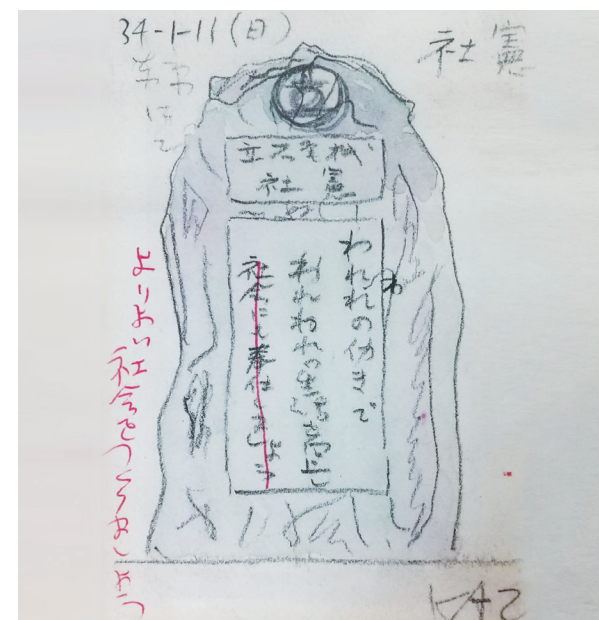
OMRON's history began in 1933 with the passion and ambition of Kazuma Tateishi.

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

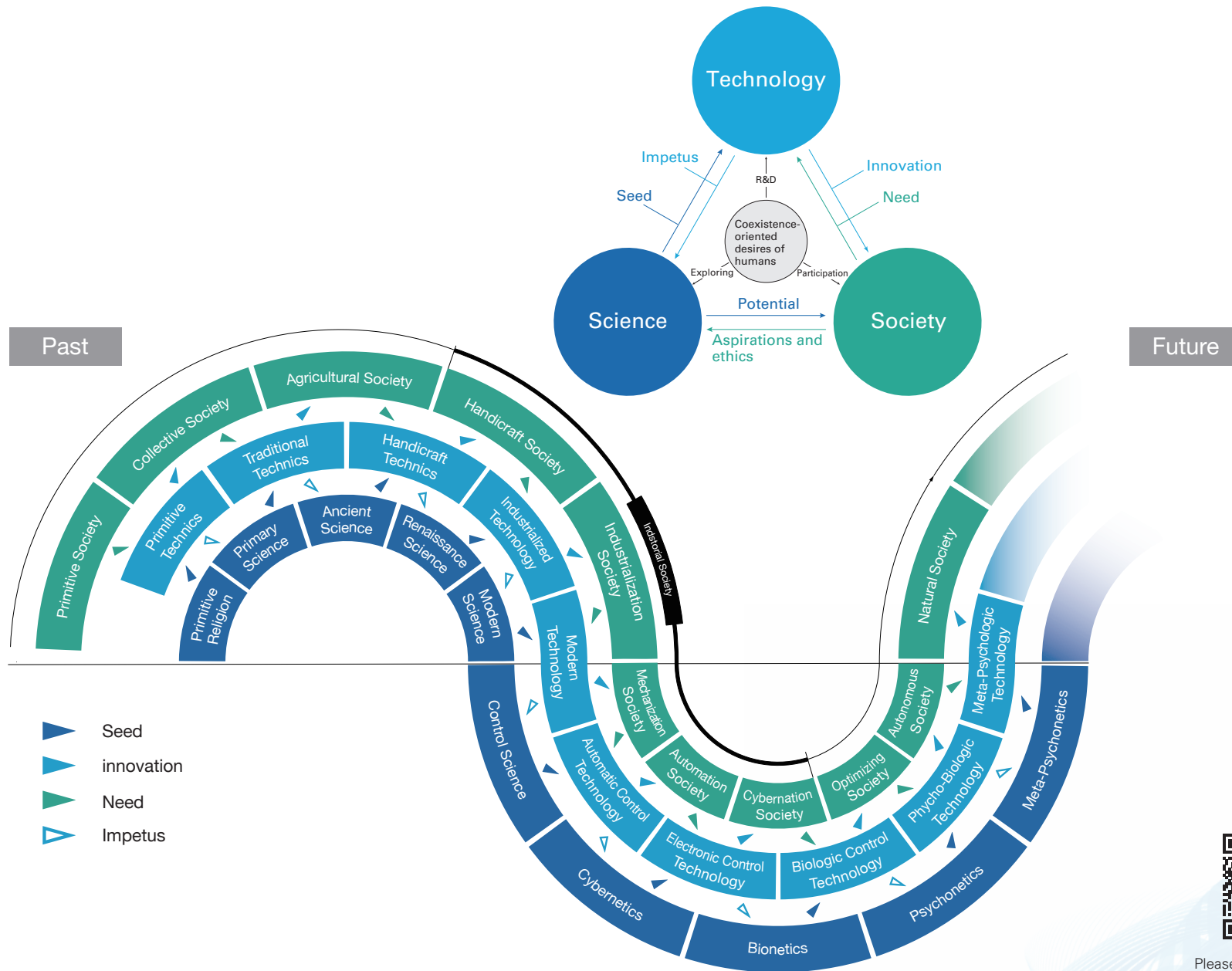
with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science.

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

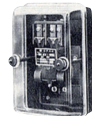
World's first ultra-high-speed fuzzy logic controller developed

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

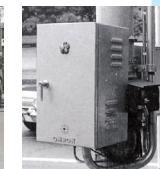
World's first online automated cash dispenser developed

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



1933

Production of X-ray timers started

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

Industrial  
Automation  
Business

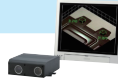
2000

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



2017

AI-incorporated  
machine automation  
controller developed

2018

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

Device &  
Module  
Solutions  
Business

2003

OMRON RELAY & DEVICES Co., Ltd.  
established

2010

OMRON SWITCH & DEVICES 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



Healthcare  
Business

2003

OMRON HEALTHCARE Co., Ltd.  
established

2010

OMRON Automotive Electronics Co., Ltd.  
established

2016

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

2019

Sold Automotive Electronic  
Components Business

2004

Fully automatic  
Spot Arm blood  
pressure monitor



2018

World's first wearable  
blood pressure monitor developed  
Connected wrist blood pressure  
monitor launched



2019

Japan's first  
blood pressure  
monitor + ECG



Social  
Systems,  
Solutions  
and Service  
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

2009

"ene-brain" CO<sub>2</sub> 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<sup>\*1</sup>: 65% cut vs. FY2016
  - Scope 3, Category 11<sup>\*2</sup>: 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

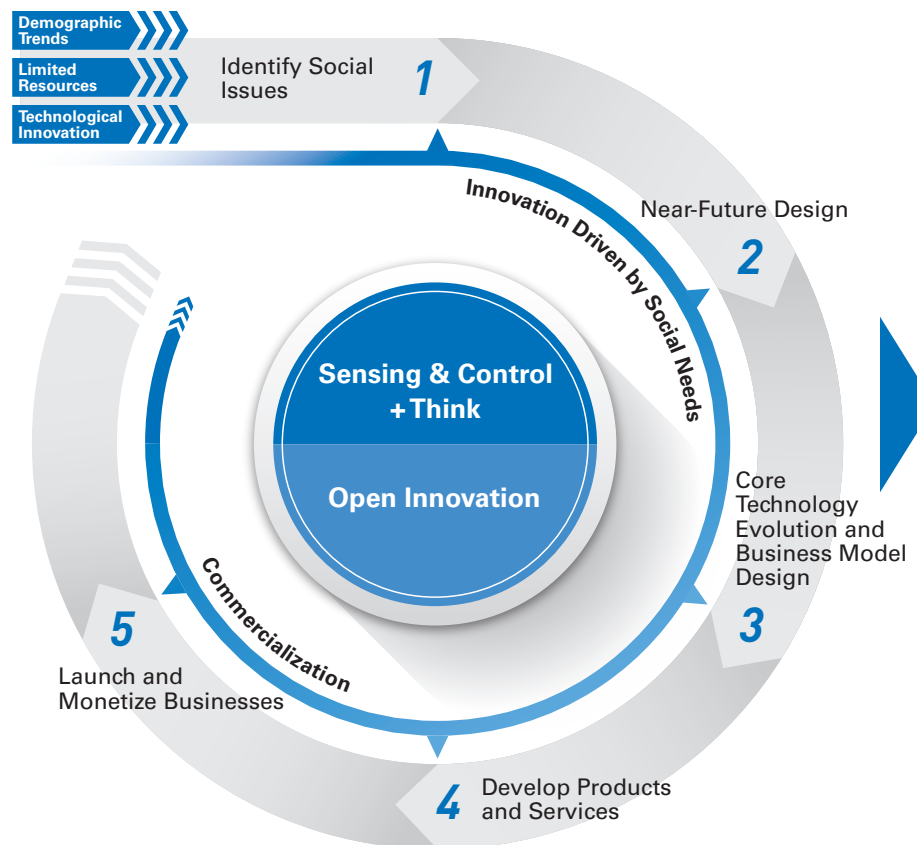
\*2 Scope 3, Category 11: Scope 3 corresponds to GHG emissions from the company's value chain. Category 11 of Scope 3 corresponds to emissions from use of manufactured/sold products, services, etc.



# Value Creation Model

Input		
<b>Management Capital</b>	→	
<b>Financial Capital</b>	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)
<b>Manufactured Capital</b>	Number of production sites worldwide 26 sites (As of March 31, 2023)	Capital expenditures ¥130.0 billion (Plan under SF 1st Stage)
<b>Intellectual Capital</b>	Number of patents held 12,908 patents (As of March 31, 2023)	R&D expenses ¥165.0 billion (Plan under SF 1st Stage)
<b>Human Capital</b>	Number of employees 28,034 employees (As of March 31, 2023)	Investment in human resources development ¥6.0 billion (Plan under SF 1st Stage)
<b>Natural Capital</b>	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 <sup>3</sup> (As of March 31, 2023)
<b>Social and Relationship Capital</b>	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

Material Sustainability Issues	Output		Outcome
	Domains	Focus Businesses	Social Value
1) Resolving Social Issues through Our Business	<b>Industrial Automation</b> 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
	<b>Healthcare Solutions</b> 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
	<b>Social Solutions</b> 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
	<b>Device &amp; Module Solutions</b> 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	<b>Innovation Exploring Initiative HQ (IXI)</b>	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.”
	<b>Technology and Intellectual Property HQ</b>	Development of core technologies in 4 areas of technological focus: Robotics, Sensing, Power Electronics, and AI and Data Analysis	
	<b>Global Corporate Venturing Office (CVC)</b>	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"> <li>Ratio of non-Japanese in key managerial positions overseas: 80% or more</li> <li>Ratio of women in managerial roles: 17.4% or higher (OMRON Group worldwide)</li> <li>Realize employment of persons with disabilities at 26 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan</li> <li>VOICE SEI: 70P or higher</li> </ul>		Each employee practices the resolving of social issues through business
4) Achieving de-carbonization and lower environmental impact	<ul style="list-style-type: none"> <li>Scope 1 and 2: 53% cut vs. FY2016</li> <li>Scope 2: Achieve Carbon Zero at all 76 sites in Japan</li> <li>Scope 3, Category 11: Implement energy-saving designs for new products</li> <li>Implement business model transformation, environmentally friendly design, collection and recycling, and sustainable procurement in response to transition to a circular economy</li> </ul>		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"> <li>Conduct human rights due diligence in line with the UNGP</li> <li>Establish human rights redress mechanisms into the value chain globally</li> </ul>		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
<b>Net Sales</b>	¥ 762.9 billion	¥ 930.0 billion
<b>Operating Income</b>	¥ 89.3 billion	¥ 120.0 billion
<b>Operating Cash Flow (3-year total)</b>	¥ 232.7 billion <small>(Excludes impact of transfer of the Automotive Electronics Components Business)</small>	¥ 250.0 billion
<b>ROIC</b>	9.6%	>10%
<b>ROE</b>	9.7%	>10%
<b>EPS</b>	¥ 306	>¥ 400

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

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

Social Contribution Activities in Each Region	
<b>The Americas</b>	Engage in volunteer activities that reflect the diverse values of our employees to address issues of local communities
<b>Europe</b>	Support the employability of the disabled and socially vulnerable (refugees, minority groups and others)
<b>Asia</b>	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
<b>Greater China</b>	Engage in volunteer activities, such as setting up school libraries and donating PCs, to redress educational inequality in impoverished areas
<b>South Korea</b>	Engage in volunteer activities that promote wellness, address labor shortages, and support the economically disadvantaged
<b>Japan</b>	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!**

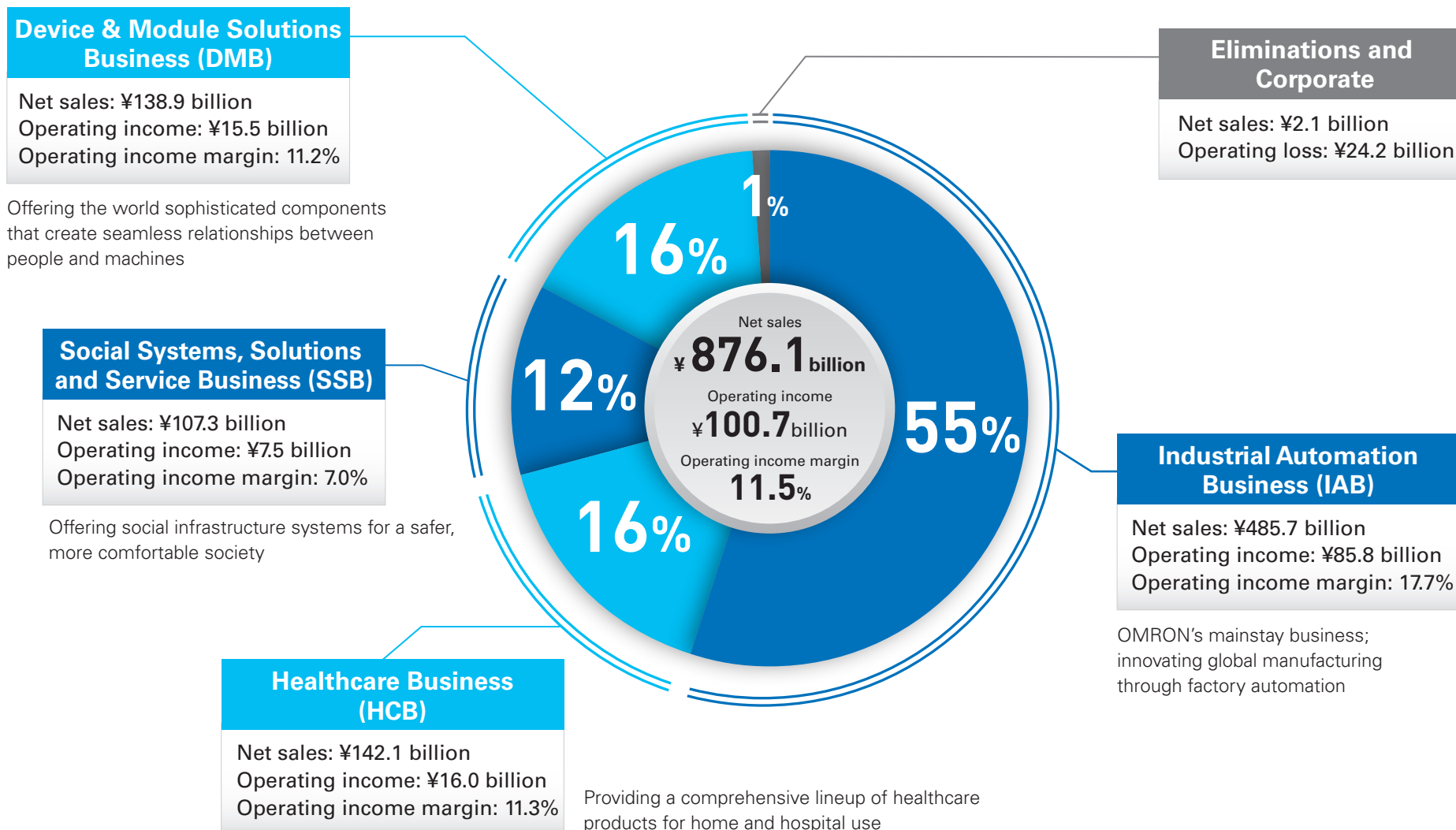
For China, with a population of 1.4 billion in a vast land, providing equal educational opportunities to all of its people is one of the nation's top priorities. A 2022 survey\* found that rural elementary school children have fewer books and there is a gap in children's reading opportunities between 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



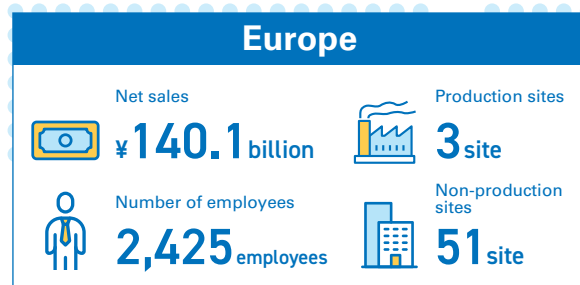
# OMRON's Business and Fiscal 2022 Results

## 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

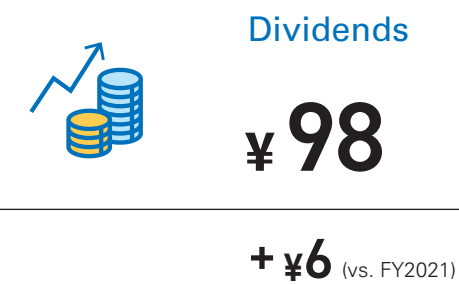
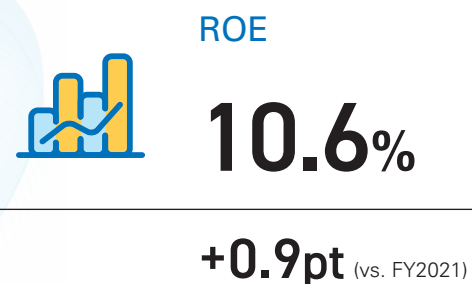
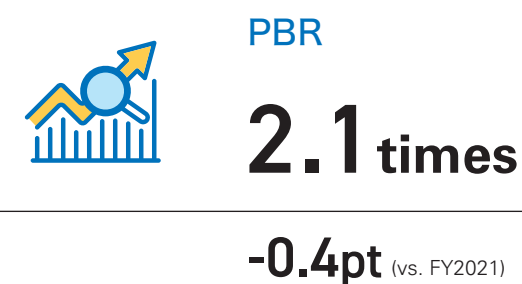
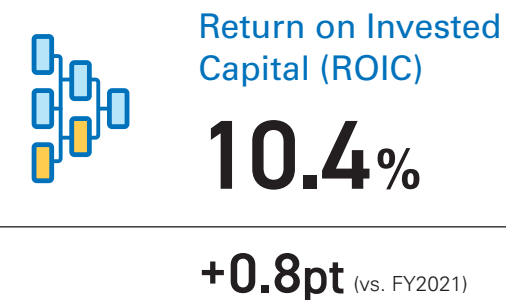
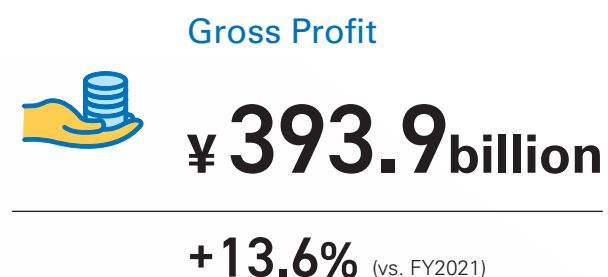
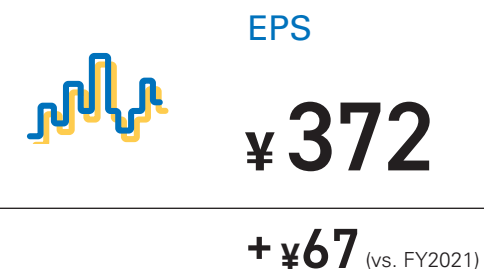
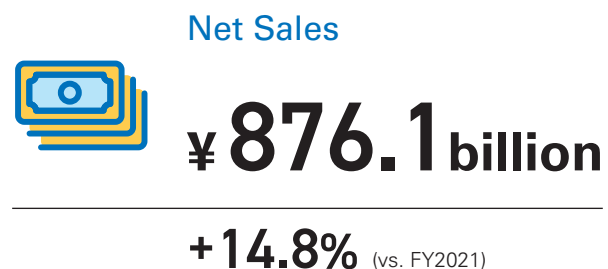


\* Regional categories are defined as follows:  
 Americas: U.S., Canada, Brazil Europe: Netherlands, U.K., Germany, France, Italy, Spain Greater China: China, Hong Kong, Taiwan Asia Pacific: Singapore, Korea, India, Australia  
 \* As of March 31, 2023





## 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"

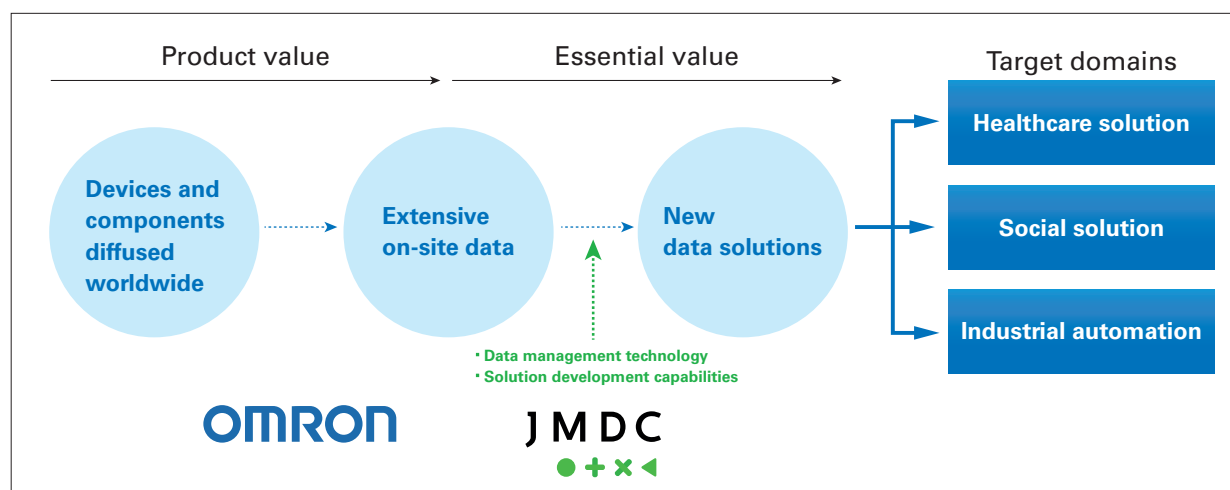
OMRON has achieved a strong position in the market with its business model of diffusing devices and components globally. The customer assets we have accumulated and the business foundation we have

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.

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## 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.

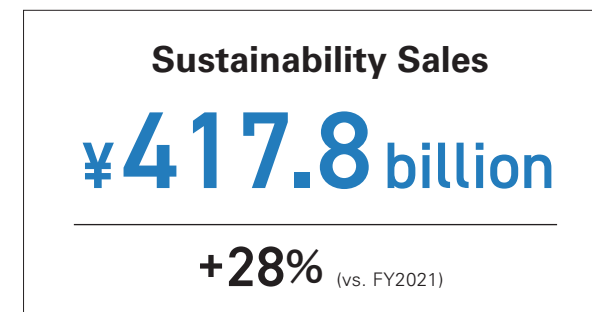
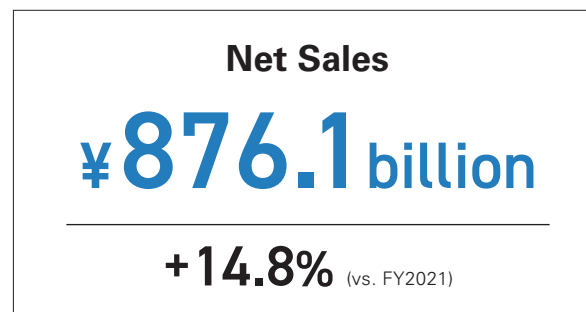
We made steady progress in terms of non-financial targets, which we set together with financial targets. In SF2030, we set 10+1 non-financial targets in order

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.