OMRON

Basic Information

May 2022

OMRON Corporation
About OMRON
Corporate Profile

Established: May 10, 1933
Head Office: Shiokoji Horikawa, Shimogyo-ku, Kyoto 600-8530 Japan
Capital: ¥64.1bn
Net Sales: ¥762.9 bn (Year ended Mar 31, 2022)
Number of Employees: 29,020 *
Stock Listing: Tokyo (Ticker symbol: 6645)
Number of Shares Issued: 206,245 thousand shares *

*As of March 31, 2022
Established in 1933 as “Tateishi Electric Manufacturing Co.”


The first launched product which led to the foundation of OMRON was X-ray timers. With accurate shooting in 1/20 second, it was a revolutionary product at the time.

In 1945, moved the head office to Omuro in Kyoto to escape war damage.

In 1990, changed the company name to "OMRON Corporation"
In 1959, publicly announced the OMRON’s Corporate Motto

【Corporate Motto】
To improve lives and contribute to a better society.

Handwritten Sketch by Our Founder
Corporate Principles (Revised in 2015)

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.
OMRON’s History: Innovation Driven by Social Needs

1940 - Micro switch
1950 - Versatile meal ticket vending machine
1960 - Unmanned train station system
1970 - Color display LCD calculator
1980 - Ultrafast fuzzy controller
1990 - Real color visual sensor
2000 - Continuous blood pressure measurement technology
2010 - The World's First
2016 - First in Japan

1943 - Non-contact switch
1963 - Fully automatic electronic signal
1967 - Online cash dispenser
1974 - Automatic blood cell analyzer
1987 - Acial caricature sticker machine
2007 - Resin molding electronic circuit manufacturing technology
2016 - Wearable BPM
2018 - Wearable BPM

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“Sensing & Control + Think” is OMRON’s core technology, which converts information into value through our original algorithm.
Business Develops in about 120 Countries and Areas

Over 60% is overseas’ sales

Net Sales ¥762.9 bn

Consolidated, ending March 31, 2022

Over 60% are non-Japanese

Employees 29,020

As of March 31, 2022
OMRON's Diverse Business Portfolio

**IAB (Industrial Automation)**
OMRON's mainstay business, leading the innovation of global manufacturing through factory automation (FA).

**SSB (Social Systems, Solution & Service)**
Contributing to the comfortable and safe life by diverse systems for social infrastructure (automatic ticket gates, ticket vending machine, PV inverters, storage systems, etc.).

**HCB (Healthcare)**
Supporting the health of people around the world (electronic bpm, thermometer, etc.).

**DMB (Device & Module Solutions)**
Contributing to the high performance of consumer electronics, telecommunication equipment, etc. (relays, switches, etc.).

FY2021 Net Sales By Segment ¥762.9 bn

- **IAB** 57%
- **DMB** 14%
- **SSB** 12%
- **HCB** 17%
- **Elimination & Corporate** 0%
Industrial Automation (IAB)

Sales by Product

Output + Robot
- Servo Motors and Drivers
- Mobile Robots

Input
- Fiber Sensors
- Vision Sensors
- Safety Light Curtains

Logic
- Programmable Controllers
- Motion Controllers
- Safety Controllers

FY2020 Net sales ¥346.6 billion

*Some products were reclassified in fiscal 2020 from fiscal 2019
Full Coverage of Products

Broad lineup of over 200,000 products
× as many as 250 innovative applications software generation
Sales by Product

- Other (Activity Trackers, Medical Equipment, AED, Electric Toothbrushes etc.): 13%
- Body Composition Monitors: 4%
- Low-Frequency Therapy Equipment: 4%
- Thermometers: 4%
- Blood Pressure Monitors: 59%
- Nebulizers: 7%

FY2020 Net sales ¥123.1 billion
Sales by Product

- Other (Software Development, etc.): 16%
- Uninterruptible Power Supply Units (UPS): 8%
- Engineering: 32%
- Road Traffic (Road Traffic Management Systems, etc.): 4%
- Payment Systems: 8%
- Public Transportation (Automated Ticket Gates, Ticket Vending Machines): 5%
- Ticket Vending Machines: 27%
- Storage Batteries: 16%
- PV inverters: 16%

FY2020 Net sales ¥95.7 billion
Sales by Product

Other Electronic and Mechanical Components
(Amusement Equipment, Image Sensing, etc.)

FY2020 Net sales
¥86.0 billion

23%

77%

Power Supply Units for Amusement Devices

Human Image Sensor

Relays, Switches, Connectors

Power Relays for Printed Circuit Boards

Tactile Switches

Terminal Block Connectors for Printed Circuit Boards
Enhancement of Corporate Value
OMRON Included in Major ESG Indices (As of April 2022)

**ESG Indices which include OMRON**

✓ DJSI – World
✓ FTSE4Good Index Series
✓ MSCI ESG Leaders Indexes
✓ MSCI SRI Indexes
✓ STOXX Global ESG Leaders Indices
✓ FTSE Blossom Japan Index
✓ FTSE Blossom Japan Sector Relative Index
✓ MSCI Japan ESG Select Leaders Index
✓ MSCI Japan Empowering Women Index
✓ S&P/JPX Carbon Efficient Index

*OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires. FY2021 Assessment: Climate Change ‘A-’, Water Security ‘A-’*
External Recognition (As of April 2022)

Domestic ESG awards, selection for inclusion

**S&P Global Sustainability Award**
✓ S&P Sustainability Award Silver Class

**EcoVadis**
✓ Sustainability Assessment Gold Rating

**Japan Association of Corporate Directors**
✓ Corporate Governance of the Year 2018
  \- METI Minister’s Award for Corporate Governance of the Year **FY2018**

**Ministry of the Environment**
✓ FY2018 Minister’s Award for Global Warming Prevention Activity
  ‘Implementation of Countermeasures and Dissemination Category’ **FY2018**

**Sponsored by Nikkei Inc**
✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award **December 2019**

**Selected by METI, TSE**
✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**
  5\textsuperscript{th} consecutive year from FY2017
✓ Nadeshiko Brand
✓ Health & Productivity Stock
✓ Health & Productivity: White 500
  6\textsuperscript{th} consecutive year from FY2016

**Selected by Nikkei Inc.**
✓ Nikkei 225
  March 2019, 1\textsuperscript{st} time
Cash Allocation and Shareholder Returns Policies

Cash Allocation Policy

1. Aim to maximize corporate value by realizing OMRON’s LT vision. Prioritizing investments that will create new value from a medium- to long-term perspective. In SF 1st Stage, will prioritize investments in human capital and R&D to address social issues and create social needs, capex to increase production capacity and to advance DX, growth investments such as M&A & A(IIiances) and sustainability initiatives such as decarbonization, reducing environmental impact and respecting human rights in the supply chain. Beyond this, OMRON will maintain stable and consistent shareholder returns.

2. Basic policy for funding the above value creation investments and shareholder returns: funds to come from retained earnings and operating cash flow generated. If necessary, OMRON will tap into appropriate fund raising alternatives. Given its ability to raise funds without being unduly impacted by financial market conditions OMRON will continue to focus on maintaining financial soundness.

Shareholder Returns Policy

1. After prioritizing necessary investments for medium- to long-term value creation, OMRON’s annual dividend payout policy will be a DOE of 3%. Beyond this, OMRON will take into account previous DPS levels in order to maintain stable and consistent shareholder returns.

2. In the event where excess levels of cash are maintained over the long term after making the above investments and profit distributions, OMRON may reward shareholders by undertaking share buybacks from time to time.
Set ROIC management as medium- to long-term management decision making tools

- In accordance with the structure and issues of each business, set items (drivers) to strengthen ROIC improvement, actions and KPIs to strengthen and improve the drivers.

- Plan out reinforcement/ market withdrawal, taking each business segment status into account

- Decide on resource allocation
Through Down-Top tree, execute on KPI/PDCA at all levels down to on-site staff

**KPI**
- Focus industry / New product sales (¥)
- Service / Recurring rev. (¥)
- Online channel sales (¥)
- # of revolutionary apps
- % std. components used
- CD % / Defect cost %
- Units produced/employee
- Automation ratio % (headcount reduction)
- Man-hour productivity
- Back office employees (#)
- IT cost / Facilities cost (¥)
- Production LT
- Slow-moving inv. (¥)
- Overdue Receivables (¥)
- Capex (¥)
- M&A synergies (¥)

**Driver**
- GP Margin
- Added-value %
- Fixed manuf. costs %
- SG&A %
- R&D %
- Working capital turnover
- Fixed asset turnover

**ROS**

**ROIC**

**Invested Capital Turnover**
Portfolio Management

After assessing economic and market value, allocate investment resources in an optical manner.

Assessing Economic Value

- **B** Expecting Growth
- **S** Investment
- **C** Profit Restructuring
- **A** Examining Regrowth

Assessing Market Value

- **B**
- **S**
- **C**
- **A**
ROIC Management Upgrading (ROIC 2.0)

Upgrading ROIC management to encourage an awareness and better understanding on ROIC

<ROIC Translation>

\[
\text{ROIC} = \frac{(V)}{(N)} + (L)
\]

\(V\): Value to our Customers

\(N\): Needed Management Resources

\(L\): Loss-Making Management Resources

Goods, Money, Time

Muri, Muda, Mura
(overburden, waste, unevenness)

1. Actively invest needed management resources \((N)\) in order to create value
2. Realize value to our customers \((V)\) more than the investment amount
3. Reduce loss-making management resources \((L)\) and shift/invest it to \((N)\)
Corporate Governance

Highly transparent and effective corporate governance structure as a basis for sustainable value creation

✓ Separation of management oversight and business execution
  - Separate position: Chairperson of the BoD and CEO
  - Of 8 directors, 3 are independent, with majority being non-executive
  - Larger authority given to business company presidents for swifter decision-making

✓ Personnel/ CEO selection/ compensation advisory committees and corporate governance committee
  - While OMRON is a company with an audit & supervisory board under Japan's Companies Act, it has 3 advisory committees and 1 committee
  - The four chaired by independent directors
  - President does not belong to any of the committees

Fiscal 2021 OMRON's Corporate Governance Structure
Compensation Scheme

Increased ratio of medium- to long-term performance-lined compensation

Overview of Revised Compensation Structure

- **Fiscal 2014-**
  - Medium- to long-term incentives
    - Performance-linked stock acquisition rights
    - Medium-term performance-linked bonuses
    - Performance-linked stock compensation
  - Short-term performance-linked compensation
    - Yearly performance-linked bonuses
  - Base salary
- **Fiscal 2017-**
  - Performance-linked stock compensation
  - Adoption of new stock compensation plan
  - Revises performance evaluation indicators
  - Revised ratios
  - Bonus
  - Base salary
Evolution of Remuneration Governance

Reflecting changes in the operating environment and stakeholders’ expectations, updating medium-to-long-term performance-linked compensation ahead of next LT Vision/medium-term management plan

<table>
<thead>
<tr>
<th>Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Performance-linked Compensation (Bonuses)</td>
</tr>
<tr>
<td>Bonuses = Base Amount for Each Position ( \times ) Performance Score ( \times ) ROIC Score</td>
</tr>
<tr>
<td>OPM 50% Net Income 50%</td>
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</tbody>
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| Medium-to-long-term, Performance-linked Compensation (Stock compensation) |
| Stock Compensation = Base Amount for Each Position \( \times \) Financial Metrics 60% + Corporate Value Evaluation 20% + Sustainability Evaluation 20% |
| Financial Metrics 60% |
| Corporate Value Evaluation 20% |
| Sustainability Evaluation 20% |
| EPS ROE Relative TSR GHG Emission Reduction Engagement Survey DJSI |