To improve lives and contribute to a better society
As a general rule, this report covers 133 companies in the OMRON Group, consisting of OMRON Corporation, 126 consolidated subsidiaries, and 6 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2021).

In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.

Fiscal 2020 (April 1, 2020 through March 31, 2021). However, this report includes some disclosure items and business activities that were initiated after April 2021.

Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors. See “Outlook for Fiscal 2021” when using the projection of results and conditions of assumptions for the results.

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**References**

This integrated report conforms to the integrated reporting frameworks recommended by the International Integrated Reporting Council and the World Intellectual Capital Initiative and refers to Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry. Sustainability-related disclosures have been written with reference to the GRI Standards.

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**Editorial Policy**

**Covered Organizations**

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**Covered Period**

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**Caution Concerning Performance Forecasts Statements**

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---

**In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.**

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**Investor Relations**

**Sustainability Information**

- Sustainability initiatives: [https://sustainability.omron.com/en](https://sustainability.omron.com/en)

**Reports**

The OMRON Principles

OMRON founder Kazuma Tateishi resonated with the public nature of business, saying, “A company shouldn’t just be about pursuing profits...it has an obligation to serve society.” In 1959, he publicly announced the OMRON’s Corporate Motto, to improve lives and contribute to a better society. In 1990, we transformed this motto into the OMRON Principles and have since evolved it with the times.

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.

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 projects the future based on the cycle of interrelationships between Science, Technology, and Society. OMRON first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has 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 going through a transition period of the paradigm shift from the Industrial Society to the Autonomous Society. Now, in a time when society is facing drastic changes and the future is uncertain, we are openly promoting use of the SINIC Theory as social knowledge to build the future through discussions with a diverse array of people.

*SINIC: Seed-Innovation to Need-Impetus Cyclic Evolution
Value Creation Model

OMRON value creation is anchored to future social needs as we work toward our vision of a better society. Innovation driven by social needs means creating new value through inspired solutions to social issues. At OMRON, we base value creation on the OMRON Principles and the SINIC Theory (future predictive model). We commercialize innovations as products and services for our customers, contributing to a better society as these solutions are put into use. Our value creation model results in business growth and sustainable corporate value improvement. As we grow, we generate larger amounts of management capital for use in creating innovation driven by new social needs.

Business Creation Process at OMRON

1. Identify Social Issues
Identify signs of change in the world and search for social issues (including customer issues) in key areas of focus.

2. Near-Future Design
Develop near-future design for the next three to ten years, anchored to our future vision of social issues, technological innovation, and developments in science.

3. Core Technology Evolution and Business Model Design
Evolve core technologies and design business models necessary for achieving our vision of the near future.

4. Develop Products and Services
Develop products and services for customers and society.

5. Launch and Monetize Businesses
Incubate and grow businesses to solve social issues, while identifying new and emerging social issues.

OMRON Principles

- Open Innovation
- Sensing & Control + Think
- Near Future Design
- Develop Products and Services
- Launch and Monetize Businesses

The OMRON Principles

- Innovation Driven by Social Needs
- Core Technology Evolution and Business Model Design
- Develop Products and Services
- Launch and Monetize Businesses
- Human Resources Management
- Manufacturing Environment
- Risk Management

Social Value

- Contribute to economic development by improving the productivity of society through innovative-Automation
- Contribute to people around the world enjoying healthy, vigorous lives, including increased healthy life expectancy and reduced medical expenses
- Contribute to realizing a better society in which people around the world can continue to live in safety, security, and comfort by expanding renewable energy and providing human-oriented next-generation systems
- Contribute to the lives of people around the world and the development of society through the provision of devices and modules
OMRON has overcome the trials of fiscal 2020 in the form of the unprecedented COVID-19 crisis by maximizing the three areas of growth potential, profitability, and ability to respond effectively to change that we have worked to strengthen under our Value Generation 2020 (VG2020) vision. However, we are not contented to stop there but have our sights set on firmly grasping our next future. OMRON president and CEO Yoshihito Yamada says “we will make a start dash toward our next long-term vision, acquire the autonomous growth potential to bounce back from any form of adversity, and draw our future with our own hands. We are confident and capable enough to do that.” We asked him about his plans and his determination to charge up to the company’s next growth stage.

(Interviewer: Integrated Report Production Team)
Growth Potential, Profitability, Ability to Respond to Change

You worked on strengthening three areas in VG2020: growth potential, profitability, ability to respond to change. How are those abilities faring now?

We have been building up assets to ensure future growth through active investment in order to strengthen our corporate value. Specifically, it involves strengthening our solution capabilities, building new business models, and acquiring new products and technologies. In terms of strengthening our solution capabilities, for instance, we have expanded our automation centers to 37 global locations. Those centers provide venues to create value together with customers in the Industrial Automation Business using competitive and innovative new products and applications. We are also expanding the number of sales engineers who can communicate that value to over 1,000 people. We are still creating innovative solutions to onsite production issues in these automation centers today. In terms of building new business models, we have been investing in commercializing services that are expected to grow significantly going forward, such as the i-BELT service that uses data from production sites in the Industrial Automation Business to improve productivity and quality, or our VitalSight service that offers remote patient monitoring services for high blood pressure in the healthcare business, or our Station Management Service that provides comprehensive station management support in the Social Systems, Solutions and Service Business. In terms of acquiring new products and technologies, we have been working to acquire robots and motion controllers through M&A in the Industrial Automation Business, develop innovative devices such as wearable blood pressure monitors with electrocardiograph functionality in the Healthcare Business, and to further strengthen our Nebulizer Business.

Regarding profitability, we focused our resources on businesses with high profits and high market share by thoroughly managing our portfolio based on our business prioritization (BCIC). We have transferred and converged businesses that have not shown any evidence of increased profitability and further strengthened high-profit businesses through M&A and alliances. These efforts have boosted the share of total sales contributed by Industrial Automation and Healthcare Businesses, which are recognized as the drivers of corporate growth, has increased from 44% to 72% over the past 10 years.

Finally, a few words on our ability to respond to change. OMRON has been working to diversify our production bases to enable our ability to respond to changes in the external environment, such as changing business environments and natural disasters. In our fiscal 2020 integrated report, I introduced the concept of selection and decentralization that we had been working on, but we have also been working on a form of delegation through localization, whereby we delegate authority to the people in charge of our individual organizations and production sites around the world. By appointing local human resources to head up our global regions and promoting localization, those individual regions are able to think for themselves, act autonomously, and take speedy decisions and action. For instance, at our Dalian plant in China, we resumed production of healthcare products, such as thermometers, in response to request from local government after taking the necessary precautions, despite the city being in lockdown. I think we can safely say that this improvement in our ability to respond to change is a result of delegation.

As you can see, we have steadily strengthened our growth potential, profitability, and ability to respond to change over the past decade, but we still do not have sufficient ability to boost sales even in adverse circumstances. If you are asking me whether we can achieve sufficient growth in other businesses, like the double-digit growth rise we achieved last year in the Healthcare Business, I think that will really test our true value.

What is behind the significant improvement in OMRON’s gross profit margin?

Over the past ten years we have been continuously improving our gross profit margins thanks to coordinated sales planning. In particular, the inclusion of gross profit margins in our sales department evaluations had a considerable impact. Introducing a common companywide measure such as the gross profit margin into the sales department as well made years. I have focused on how to get employees feel more responsibility for profit and cost and inspired a new sense of solidarity with our production centers. We will continue to improve our gross profit margin and consequently our earning potential, and increase our cash flow so that we can reinvest it in our business and expand our further growth. In terms of our cash allocation policy, we will continue to prioritize R&D centric growth investment. This involves investing more in M&A and corporate alliances. We will also continue to pay stable dividends. Having said that, I expect the new year to be able to accumulate some cash, we will consider making agile purchases of treasury stock.

Corporate Philosophy Management Earns Strong Market Praise

OMRON has been including in multiple ESG indices, including the Dow Jones Sustainability Index (DJSI). What points do people evaluate the most strongly?

We linked our medium-term management plan VG2.0 started in 2017 with our key sustainability issues and set sustainability targets across 11 items. We are also accelerating ESG initiatives to meet the expectations of various stakeholders.

First on the environment element of ESG, we are working on the initiatives under our Green OMRON 2020 environmental vision: reducing environmental impact through our own business activities, and helping customers to contribute to the environment through our products and services. On the former, we have made our OMRON Carbon Zero declaration to reduce greenhouse gas emissions to net zero by 2050. We had already achieved a 50% reduction by fiscal 2020 compared to fiscal 2016 levels, well above target. We will continue to press ahead with achieving this plan. In 2019, we also expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and are promoting the relevant information disclosure.

On the social element of ESG, we are working on the initiatives under our Good OMRON 2020 vision: creating a better society but they are also committed to acting as a good corporate citizen.

This stance was evident in the various global initiatives we undertook even during last year’s COVID-19 pandemic based on our corporate philosophy. One example was that resumption of production in China. Another was the decision by our Industrial Automation employees in Spain to participate in a ventilator development project together with non-profit organizations attempting to combat the virus.

Finally, we are constantly evolving our approach to the governance element of ESG. We chose a company-wide viewpoint and the Board of Directors framework because OMRON develops various businesses on a global scale and so we respect the independent appointment of auditors for the purpose of strengthening internal control. Furthermore, in order to strengthen the supervisory function of the Board of Directors, we have established four advisory committees under the jurisdiction of the Board and introduced a hybrid governance framework that incorporates the excellent features of a company with a Nomination Committee. The heads of the four committees, including the CEO Selection Advisory Committee, are outside directors, and I, as the CEO, do not sit on any of the committees. In 2015, we introduced evaluations of the Board of Directors to strengthen its effectiveness. We also revised our executive compensation system in fiscal 2021. This serves as added motivation to achieve the next long-term vision and medium-term management plan. I believe our inclusion on these indices reflects investors high evaluations and expectations of this kind of efficiency-related initiatives. We have been included in the DJSI World Index for four consecutive years. We have also been consistently assigned the top rating in all ESG indices recommended by Japan’s Government Pension Investment Fund. Being included in these indices helps curb stock price volatility and reduce capital costs.

You breathed new life into OMRON’s corporate philosophy through VG2020 and launched the company’s corporate philosophy management.

When I took up the position of president and CEO in 2011, I felt OMRON was somewhat entrapped. I took over the reins directly after the March 2011 Great East Japan Earthquake and tsunami when we were also still feeling the residual effects of the 2008 global financial crisis. I wanted to break free from the dark mood and stagnation that characterized that period of confusion. I thought it through and decided to make our corporate philosophy a key source of development.

OMRON’s corporate philosophy DNA is based on the venture spirit of our founder Kazuma Tateshii. I want to liberate and support the energy and challenging spirit of our employees, who have inherited that DNA and want to contribute to the development of the society and to create new social needs, through our corporate philosophy. In 2015, we revised our corporate philosophy to make it readily understandable to customers and to ensure steady sustainable development could be achieved by putting that philosophy into practice. Over the past 10 years, I have focused on how to get employees to empathize and sympathize with our corporate philosophy and how to instill the philosophy in the field.

<table>
<thead>
<tr>
<th>Gross Profit Margin Trend</th>
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<tbody>
<tr>
<td><strong>(unit)</strong></td>
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<tr>
<td>11</td>
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The OMRON Global Awards (TOGA) were launched as a way to instill the company’s corporate philosophy in the field. It has blossomed into a major events in which all employees participate globally. Why do you think it has expanded and evolved to this extent?

Over 15,000 employees from all over the world took part remotely in the TOGA Global Meet held in December last year and received valuable feedback from as many as 200 externally invited business partners.

When we started TOGA in 2012, I never thought it would develop this far. Original TOGAs predecessor was a performance communism system that rewarded initiatives from previous fiscal years. However, I started to want to share the challenges not of the past, but of the present and the future with everyone, and to praise those efforts. The magnitude of TOGAs sphere of resonance both inside and outside the company has greatly exceeded my expectations. Why do our employees get so involved in TOGA? I feel it goes beyond institutional mechanisms and a desire for self-appraisal. I often use the words self-esteem and a sense of mission. I think employees feel a sense of pride in the feeling that after work contributes to social development, and that is what drives such enthusiastic participation in TOGA. The desires to develop solutions that solve social issues and that contribute to social development are powerful magnetic forces that attract those around you. The sense of accomplishment that you get from seeing the project that we launched expand in tandem with its sphere of influence is unbeatable and extremely satisfying.

TOGA is a part of our business. While we refer to it internally as planting the flag, TOGA starts with finding initiatives that could help solve social issues, getting two or more colleagues together, and declaring your plan (planting the flag). If the supervisor approves the plan as a potential contributor to social development, we will create the required environment for employees to actively engage in the activities during working hours and approve a budget. As a result, we received 6,461 entries last year, with employees in different countries planting various different flags.

— OMRON has your SINIC Theory that serves as a compass for predicting the future. How do you think social change will it serves to become an autonomous society over the next ten years? Also, what will be the likely content of your next long-term vision? When formulating the next long-term vision, I took the opportunity to reconsider OMRON’s fundamental significance as a company. OMRON’s reason for being is to create social value through business and continue to contribute to the development of society. That is precisely what the practical application of our corporate philosophy seeks to do. According to our seed innovation to need-imputes cyclic evolution (SINIC) theory, current times are to be considered as a transition period from an optimized society to an autonomous society. An autonomous society is a balanced society in which people cooperate with each other while demonstrating their own individuality. You could say that, right now, the social and economic systems that were forged on rising economic growth are on the verge of collapse due to the rapid onslaught of social issues caused by climate change, super-ageing societies, and economic disparities, etc. Of the various issues, OMRON considers reducing CO emissions, the collaboration and coexistence of people and environments, healthy life expectancies as social issues that need to be solved and will lead to self-driven growth if we can create the social needs to solve these problems.

You have positioned fiscal 2021 as the year of the “start dash” for your next long-term vision. Can you tell us about the specific action plans?

During this defined two-year business transition period, I feel that the things we focused on during V2020, namely factory automation, healthcare, and social solutions, along with the Electronic and Mechanical Components Business that supports them, now moving nicely into a new stage of growth.

In the Industrial Automation Business, the paradigm shift in each industry will likely prove to be a great chance to develop business opportunities. In the automobile industry for instance, investment in electric vehicles (EV) through green recovery policies is expanding. In the food and daily goods industry, the development of new production methods using recycled materials is progressing on the back of accelerated depustrialization. Growth areas inspired by digitalization are also expanding, such as the expansion of production facilities spurred by increased global semiconductor demand and the expansion of 5G base stations.

In the Electronic and Mechanical Components Business, the structural reforms that we have undertaken to date are starting to bear fruit and business performance is improving as a result of us swiftly catching the wave of post-COVID economic recovery. Going forward, we will continue to accelerate our development of high-value-added product modules tailored to the specific needs of our customers to help boost earnings.

In the Social Systems, Solutions and Business Services Business, we are being impacted by railway customer decisions to curb investment in the wake of the COVID-19 pandemic, demand for remote stations and offices is steadily increasing. I also expect to see growing demand for renewable energy linked to policies designed to reduce greenhouse gases and continued rising demand for power conditioners and energy storage systems to ensure that energy is used efficiently. In the Healthcare Business, full-fledged telehealth services have accelerated around the world in the wake of COVID-19. In the United States, telehealth services provided by OMRON are already covered by Medicare public health insurance for elderly people. In order to prevent an increase in medical costs due to aging populations, global healthcare trends are shifting from symptom treatment to prevention to arrest the disease. This just goes to show that the business vision OMRON has been championing since 2015, Zero Events: Reducing the Incidence of Cerebrovascular and Cardiovascular Disease Caused by High Blood Pressure to Zero, is perfectly aligned with the needs of current times.

As you can see, OMRON’s business model is not just about things, but is evolving in the direction of providing solutions that combine various services. We are aiming to move from an exhaustive sell-out model to a continuous recurring model. The data business is also important for developing a business model that generates compensation and needs to be continued by continuous customers. OMRON has been practicing Sensing & Control+Think methods, so we are perfectly positioned to provide a potential data business and establish a business model that combines goods and services.

— Self-driven growth refers to a structure that can grow steadily by increasingly profits even in adverse circumstances. At the same time, in a broad sense, you could consider this suitable growth for an autonomous society. Why do you think OMRON’s business model is not driven by external motives but driven by self-esteem and a sense of mission? We don’t know when the COVID-19 pandemic will be brought under control, but the move toward an autonomous society has already begun. The next 10 years may prove more certain and difficult than ever. In such a situation, OMRON must swiftly detect nascent signs of change by maintaining close contact with customers and various stakeholders, firmly incorporate those changes, and create self-driven growth that can increase earnings even in adverse circumstances. The people who will be responsible for doing this will be our employees who sympathize with implementing our corporate philosophy and are driven by self-esteem and a sense of mission. I want to create a company that enables the flags that they hoist to help solve social issues to flutter proudly across the globe. To that end, we will realize growth that builds an autonomous society by promoting the selection and decentralization, and the delegation and localization that enable employees to play a leading role. This is the self-driven growth that OMRON aims to achieve. As I have already said, we are prepared for that. Fiscal 2021 is the “start dash” year for our next long-term vision. I feel that we are poised for growth and am confident that OMRON can realize an even greater transformation. We will draw in an autonomous society with our own hands… and run up to the next stage with that determination in our hearts.
OMRON’s Business and Fiscal 2020 Results

OMRON manufactures and sells market-leading sensing and control products in around 120 countries/regions around the world. Our products include control equipment, electronic components, social systems, and healthcare items.

Consolidated Sales Composition Ratio

Net Sales, Operating Income, and Operating Income Margins by Business Segment for Fiscal 2020

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Operating Income Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Automation Business (IAB)</td>
<td>346.4</td>
<td>58.8</td>
<td>17.0%</td>
</tr>
<tr>
<td>Electronic and Mechanical Components Business (EMC)</td>
<td>86.0</td>
<td>3.0</td>
<td>3.4%</td>
</tr>
<tr>
<td>Social Systems, Solutions and Service Business (SSB)</td>
<td>95.7</td>
<td>5.7</td>
<td>6.0%</td>
</tr>
<tr>
<td>Healthcare Business (HCB)</td>
<td>123.1</td>
<td>20.6</td>
<td>16.7%</td>
</tr>
<tr>
<td>Eliminations and Corporate</td>
<td>4.3</td>
<td>(25.5)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>655.5</td>
<td>62.5</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Net Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Net Sales (Billions of yen)</th>
<th>Ratio of Overseas Sales to Total Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>276.6 billion</td>
<td>42%</td>
</tr>
<tr>
<td>Greater China</td>
<td>1,618 billion</td>
<td>16%</td>
</tr>
<tr>
<td>Americas</td>
<td>63.6 billion</td>
<td>10%</td>
</tr>
<tr>
<td>Europe</td>
<td>101.5 billion</td>
<td>23%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>61.8 billion</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>655.5 billion</td>
<td>58%</td>
</tr>
</tbody>
</table>

Number of Employees by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Employees</th>
<th>Ratio of Overseas Employees to Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>10,488</td>
<td>37%</td>
</tr>
<tr>
<td>Greater China</td>
<td>8,523</td>
<td>18%</td>
</tr>
<tr>
<td>Americas</td>
<td>5,282</td>
<td>6%</td>
</tr>
<tr>
<td>Europe</td>
<td>2,343</td>
<td>8%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,618</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>28,254</td>
<td>63%</td>
</tr>
</tbody>
</table>

*1 Regional categories are defined as follows:
America includes North America, Central America, and South America. Europe includes Europe, Russia, Africa, and Middle East. Greater China includes China, Taiwan, and Hong Kong. Asia Pacific includes Southeast Asia, Korea, India, and Oceania.
*2 As of March 31, 2021.
**Financial Highlights**

**Gross Profit Margin**
- 45.5%

**ROIC**
- 7.8%

**EPS and Dividend**
- ¥214.7

Our focus on ROIC management resulted in a ROIC of 7.8%, representing dividend on equity above our target of 3%.

OMRON paid dividends of ¥94 per share, representing dividend on equity above our target of approximately 3%.

Gross profit margin reached a record high, driven by stronger group-wide earnings capacity.

As a result of increased operating cash flow, cash and cash equivalents increased over 50%.

OMRON made carefully selected capital investments, including increased production facilities and investment in operating sites for future growth.

Depending on the size of the overseas OMRON Group companies, we increase the ratio of local employees to the number of important positions determined by OMRON. In fiscal 2020, in contrast to a target ratio of non-Japanese of 2/3 (66.7%), as a result of planned personnel changes taking effect, we achieved a ratio of 3/4 (75%).

OMRON has set greenhouse gas emissions as an indicator to achieve that goal. In fiscal 2020, we achieved a 50% reduction compared to fiscal 2010. The ratio of CO2 emissions to sales has also been retroactively changed to this format.

We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO2 emissions at our production centers through the use of our own energy saving products. In fiscal 2020, our environmental contribution was 826 thousand ton-CO2, exceeding our target of approximately 250 thousand ton-CO2.

**Non-Financial Highlights**

**Ratio of non-Japanese in key managerial positions overseas**
- 75%

**Ratio of women in managerial roles (OMRON Group in Japan)**
- 6.7%

**Ratio of employees with disabilities (OMRON Group in Japan)**
- 3.0%

We are striving to create more employment opportunities and fulfilling work for disabled persons. In fiscal 2020, the ratio of employees with disabilities was 3.0%, above the legally mandated ratio of 2.2%.

* Indicates assurance performed by independent third party.
* Indicates independent verification or review performed by a third party.

OMRON has established its new environmental target “OMRON Carbon Zero” with the goal of reducing greenhouse gas emissions to zero by 2050. OMRON has set greenhouse gas emissions as an indicator to achieve that goal. In fiscal 2020, we achieved a 50% reduction compared to fiscal 2010, substantially exceeding our initial target of a 4% reduction.

*Net sales to CO2-emissions ratio: Net sales per ton of CO2-emissions
*Since fiscal 2020, OMRON has been using the following graph to display the ratio of CO2 emissions, which are calculated using 2021 Ministry of the Environment’s data, by power company (global) and OMRON’s data, by power company (Japan).

**Financial Highlights**

**Gross Profit Margin**
- 45.5%

**ROIC**
- 7.8%

**EPS and Dividend**
- ¥214.7

Our focus on ROIC management resulted in a ROIC of 7.8%, representing dividend on equity above our target of 3%.

OMRON paid dividends of ¥94 per share, representing dividend on equity above our target of approximately 3%.

Gross profit margin reached a record high, driven by stronger group-wide earnings capacity.

As a result of increased operating cash flow, cash and cash equivalents increased over 50%.

OMRON made carefully selected capital investments, including increased production facilities and investment in operating sites for future growth.

Depending on the size of the overseas OMRON Group companies, we increase the ratio of local employees to the number of important positions determined by OMRON. In fiscal 2020, in contrast to a target ratio of non-Japanese of 2/3 (66.7%), as a result of planned personnel changes taking effect, we achieved a ratio of 3/4 (75%).

OMRON has set greenhouse gas emissions as an indicator to achieve that goal. In fiscal 2020, we achieved a 50% reduction compared to fiscal 2010. The ratio of CO2 emissions to sales has also been retroactively changed to this format.

We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO2 emissions at our production centers through the use of our own energy saving products. In fiscal 2020, our environmental contribution was 826 thousand ton-CO2, exceeding our target of approximately 250 thousand ton-CO2.

**Non-Financial Highlights**

**Ratio of non-Japanese in key managerial positions overseas**
- 75%

**Ratio of women in managerial roles (OMRON Group in Japan)**
- 6.7%

**Ratio of employees with disabilities (OMRON Group in Japan)**
- 3.0%

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OMRON has conducted business from a long-term perspective under its 10-year long-term vision, Value Generation 2020 (VG2020), from fiscal 2011 to fiscal 2020. During the effective period of VG2020, we endeavored to enhance financial value by strengthening our three abilities of growth power, earning capacity and responsiveness to changes, and non-financial value by engaging in sustainability initiatives. As a result of our efforts, total shareholder return (TSR), which is an indicator of corporate value creation, roughly quadrupled over the past ten years, proving a significant increase in corporate value.

**Total Shareholder Return (TSR)**

<table>
<thead>
<tr>
<th>(%)</th>
<th>OMRON</th>
<th>TOPYK</th>
<th>397.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>187.3%</td>
<td>284.6%</td>
<td>242.3%</td>
</tr>
<tr>
<td>25%</td>
<td>228.9%</td>
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<tr>
<td>15%</td>
<td>154.3%</td>
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<td>100.0%</td>
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<tr>
<td>10%</td>
<td>101.5%</td>
<td></td>
<td>76.0%</td>
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</table>

**Improved Financial Value through the Enhancement of Growing Power, Earning Capacity, and Responsiveness to Changes.**

--- **Enhancing Growing Power**

By actively engaging in investment in order to achieve growth throughout the effective period of VG2020, we have built up three assets which will sustain future growth. The first is a strengthened ability to provide solutions. In our mainstay Industrial Automation Business, we have developed competitive and innovative products and applications, while strengthening our front-line human resources (sales and sales engineers) to communicate the value of these products and applications. The second is the formation of new business models. We invested in commercializing services that we expect to grow significantly in the future. These services include i-BELT, a manufacturing site data utilization service in our Industrial Automation Business, and remote medical consultation services in our Healthcare Business. The third is the acquisition of new products and new technologies. Focusing on fields such as robotics and AI, we have implemented M&As and created alliances in order to acquire innovative technologies and products that OMRON is lacking. We have acquired businesses in fields such as robotics and motion controllers for our Industrial Automation Business, enhancing our product lineup and technological capabilities. In addition, we have strengthened the competitiveness of our Healthcare Business through means such as acquiring nebulizer businesses and investing in a partner company possessing electrocardiogram analysis technology. Through these approaches, we have been able to build a foundation for further growth.

--- **Increasing Earning Capacity**

We have been strengthening our earning capacity steadily by improving our gross profit margin and optimizing our business portfolio through ROIC management. We transferred the Automotive Electronic Components Business and wrapped up low-profit businesses, narrowing our business portfolio to businesses with higher profits and market shares, while concentrating our management resources. In fiscal 2011, our only business with an operating income margin of more than 10% was the Industrial Automation Business, which accounted for about 40% of total net sales. In fiscal 2020, our Healthcare Business’ operating income margin also exceeded 10%. Combined with the Industrial Automation Business, these two businesses have grown to account for approximately 70% of total net sales. In addition to these portfolio management actions, we have continued to improve our earnings power through efforts conducted jointly among manufacturing, sales, development and planning, including expanding sales of high-value-added products, strengthening our ability to provide solutions, and reducing variable costs and manufacturing costs. As a result, we improved gross profit margin, our focus for the past ten years, from 36.8% in fiscal 2011 to 45.5% in fiscal 2020.

--- **Strengthening Responsiveness to Changes**

Since 2011, we have engaged in integrated risk management to support global business expansion, improving our responsiveness to changes. Aiming to further increase productivity and build resilience which will enable us to weather change, we are working to optimize our production locations and supply chain. In addition to M&A activities to acquire new businesses in our Industrial Automation Business, we doubled the number of production centers from four in fiscal 2011 to eight, responding to the global expansion of our customers. In our Healthcare Business, we have utilized M&As to acquire production locations in Brazil and Italy in order to position production close to consumers. In fiscal 2011, we had three production locations; this has now grown to five. This increase in production has enabled us to quickly respond to demand fluctuations in the major markets of the Americas and Europe. At the same time, we consolidated 11 production centers to seven in our Electronic and Mechanical Components Business. We were able to improve our productivity by consolidating and eliminating small production centers.

--- **Future Challenges**

During the effective period of VG2020, operating income went from ¥40.1 billion in fiscal 2011 to ¥62.5 billion in fiscal 2020. At the same time, establishing a sound self-driven growth structure that will help us fight against headwinds and grow profits solely through our own capabilities remains a challenge. As part of our next long-term vision, we will continue to polish our existing businesses and strive to create further value in order to acquire the power to achieve self-driven growth. Moreover, we will also work to evolve our business model into one combining goods and services and, through joint development with our partners, accelerate our challenge to shift to new value generation, achieving self-driven growth.
Improving Non-Financial Value through Sustainability Initiatives

As part of VG2.0, our medium-term management plan launched in fiscal 2017, we established material sustainability issues (materialities) and worked to improve corporate value. These material sustainability issues are comprised of two key points: social issues to be solved through our business, and issues responding to stakeholder expectations.

We have set VG2.0 targets for social issues to be solved in our mainline business domains and are taking action to achieve them. In addition, through the achievement of goals in the fields of human resources management, manufacturing and the environment, and risk management, we have strengthened our business foundation, built a relationship of trust with society, and fulfilled our corporate responsibility to society.

Goals for Social Issues to be Solved through Business

Social Issues to be Solved

- Shrink ing labor force, as an issue in global manufacturing.
- Shortage of skilled workforce on production floors and requirements of increasingly advanced & diversifying manufacturing processes.
- Generate applications to embody the concept of "innovation-Automation"* in our four focused industries, establish control technologies, and develop new products — Generate Control Technologies for Manufacturing Innovation—
- Integrated: Released the world’s first robotic integrated controller. Facilitated the building of systems remotely through the fusion of virtual and real, achieving these and other advanced, automated manufacturing innovations.
- Intelligent: Tested and developed SG solutions, accelerated productivity improvement using IoT data.
- Interactive: Contributed to the assembly of automation, feedback and inspection operations at customer manufacturing sites by utilizing mobile robots and collaborative robots.

Social Value

Contribute to economic development by improving social productivity.

Observe   73

Factory Automation

Social Issues to be Solved

- VG2.0 Goals
  - Generate applications to embody the concept of "innovation-Automation"* in our four focused industries, establish control technologies, and develop new products — Generate Control Technologies for Manufacturing Innovation—

Fiscal 2020 Progress

- Integrated: Released the world’s first robotic integrated controller. Facilitated the building of systems remotely through the fusion of virtual and real, achieving these and other advanced, automated manufacturing innovations.
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Social Value

Contribute to economic development by improving social productivity.

Observe   73

Healthcare

Social Issues to be Solved

- VG2.0 Goals
  - Blood pressure monitor sales: 25 million units/year.
  - Blood pressure monitor sales: 25 million units/year.
  - Blood pressure monitor sales: 24 million units/year.

Fiscal 2020 Progress

- Conducted two clinical research projects. Launched telemedicine service in North America.

Social Value

Contribute to healthy lives globally by extending healthy life expectancies and reducing medical expenses (initiatives to expand and continue blood pressure monitoring at home to achieve vision of zero heart attacks and strokes; early detection and treatment of asthma via nebulizers and wheeze sensors).

Observe   73

Social Solutions

Social Issues to be Solved

- VG2.0 Goals
  - Increase in traffic accidents and traffic jam.
  - Global warming from CO2 emissions.
  - Slow growth of the renewable energy market.

Fiscal 2020 Progress

- Analyzed and verified the correlation between risk and changes in driving behavior in certain psychological states, including joint research on driving risk detection in collaboration with universities.
- Built the energy resource aggregation business using solar power/storage battery systems (Japan).

Social Value

Contribute to a safe, secure, comfortable, and clean society for all.

Contribute to building a sustainable society by promoting renewable energy.

Observe   73

Solving Social Issues Responding to Stakeholder Expectations

Human Resources Management

Employees are the most critical element to promote OMRON’s Principles Management. As employees supporting the growth of OMRON, we enjoy our work and commit to building an attractive company that accepts the challenge of creating social needs that solve social issues. We create and evolve conditions where the company and its employees can grow together.

OMRON’s Initiatives

- Human Resources
  - Securing and training of next-generation leaders (candidates for important positions).
  - Providing of a workplace environment that can attract and empower the diverse talent necessary for business growth.
  - Strategy
    - Fostering of self-motivated employees who can achieve self-transformation and development.

VG2.0 Goals

- Continued evolution of TOGA* towards meeting OMRON Principles.
- Ratio of non-Japanese in key managerial positions overseas: Two-thirds (91%).
- Accelerate PDCA implementation through VOICE* employee engagement survey.

Fiscal 2020 Progress

- Participation in the 8th (FY2018) TOGA Global Conference: A record 16,000 people, including 200 guests from outside OMRON. Stabilized the expansion of the circle of empathy and resonance.
- Ratio of non-Japanese in key managerial positions overseas: Three-fourths (75%)
- Response rate: 95%, established consistent cycle of listening to and implementing employee feedback.

Examples

- For the 9th (FY2020) TOGA, a total of 51,033 employees (1.1 times active employee base) engaged in 64,410 projects.
- Used periodic talent reviews in the selection of successors, and in localized positions. Systematic provision of opportunities for rotating roles and responsibilities as well as training aimed at the appointment of selected successors.
- To create a work environment in which employees can fully express their abilities, we strengthened workplace communications between superiors and subordinates, simplified processes, adopted systems for more flexible work styles, and leveraged IT infrastructure.

Social Value

OMRON is creating leaders who can drive innovation and employees who possess and express diverse abilities to solve social issues through our businesses.

Diversity and Inclusion

OMRON’s Initiatives

- Advancement of Diversity
  - Promoting career advancement for women (OMRON Group in Japan):
  - Ratio of women in managerial roles: 8.6% (OMRON Group in Japan)
  - Ratio of employees with disabilities: 3.0% (OMRON Group in Japan)

Fiscal 2020 Results

- Ratio of women in managerial roles: 6.7% (OMRON Group in Japan)
- Ratio of employees with disabilities: 3.0% (OMRON Group in Japan) (legally mandated ratio: 2.2%)

Examples

- Issuing of employee health management declaration.
- Established heart barrier-free training—an awareness amongst everyone of accessibility issues.
- Implemented new employee training to increase understanding and employee skills.
- Provided leadership training, career training, and networking opportunities for female employees.

Social Value

Achieving a workplace in which diverse human resources can play an active role, regardless of the presence of limitations such as gender or disabilities.

Wellness Management

OMRON’s Initiatives

- Advancement of Health Management
  - Improvement of initiatives towards ameliorating factors that inhibit good health.

Fiscal 2020 Progress

- Employees who have achieved at least three of the Boost5 categories: 45.3%.
- Occupational health checks: Increase number of such employees to above the legally-mandated ratio (OMRON Group in Japan).
- Published the OMRON White Paper, and made employees aware of the relationship between Boost5 and employee health and performance.
- Established unique Boost5 in each overseas region and implemented activities.
- Provided leadership training, career training, and networking opportunities for female employees.

Examples

- Published the OMRON White Paper, and made employees aware of the relationship between Boost5 and employee health and performance.
- Established unique Boost5 in each overseas region and implemented activities.
- In FY2020, OMRON Group companies in Japan adopted a policy prohibiting smoking during work hours including break time while in the office.

Social Value

Promoting employee health management and fitness increases productivity and employee creativity, as well as contributing towards job satisfaction and a sense of meaning in life for all employees. This is also effective in reducing medical costs.

*1: TOGA: An abbreviation for The OMRON Global Awards, a participation-type approach for employees worldwide to foster a challenge-oriented corporate culture that uses our business activities to put into practice the OMRON Principles. Through these activities, each and every employee seeks to voluntarily take on the challenges of solving social issues, and of creating value.

*2: VOICE: VG OMRON Interactive Communications with Employees.
OMRON's manufacturing policy comprises three principles: Quality First; 3F (Front-loading, Flowing & Flexible), and H&E (Human-oriented & Eco-manufacturing). The 3F policy refers to the match between people and machines and promoting humanity-focused, environmentally friendly manufacturing.

**Social Value**

*Production sites accounting for 90% or more of Group production achieved the ISO 14001 standard.

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### Occupational Health and Safety

**OMRON’s Initiatives**

- **Strategy**
  - Health and Safety-related Management System and Improvement Activities
  - Promote the acquisition of international health and safety standards at major production plants.
  - Ensure personal for promotion, and carry out education.
  - Improve quality and safety standards at all sites.

**Strategy**

- **V3.2 Goals**
  - Number of major production plants increasing international health and safety standards: Increase at centers comprising 80% of production.
  - Ensure personal for promotion, and carry out education.
  - Improve quality and safety standards at all sites.

**Fiscal 2020 Results**

- **Examples**
  - Conducted individual dialogues with suppliers and to further communicate that sustainability self-assessment is an issue for business.
  - Conducted individual dialogues with suppliers with less than 85 points, and conducted follow-up to improve understanding.

**Social Value**

*Production sites accounting for 90% or more of Group production achieved the ISO 14001 standard.

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### Respect for Human Rights and Labor Practices

**OMRON’s Initiatives**

- **Human Rights-related Management System and Improvement Activities**
  - Establish a management system that ensures respect for human rights.
  - Social Value
  - Enable appropriate management of confidential data and personal information to help conduct business safely and securely.

**Fiscal 2020 Goals**

- **Examples**
  - Conducted regular application to 101 newly developed products.
  - Product safety assessments for newly developed products: 100%.
  - Communication of our policies to employee dispatch companies and contractors.
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  - Communicated our policies to employee dispatch companies and contractors.
  - Examples
    - Conducted individual dialogues with suppliers with less than 85 points, and conducted follow-up to improve understanding.
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**Social Value**

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### Risk Management

OMRON promotes risk management that integrates all risk-related activities at the global level, in order to ensure business continuity and the achievement of goals, while also fulfilling its social responsibilities. By disseminating the risk policies and rules established by OMRON, OMRON seeks to build long-term relationships of trust with stakeholders while helping employees engage in work and business with pride and a sense of security.

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### Summary

- By putting the OMRON Principles into practice in a way that complies with its Manufacturing Policy, OMRON will create social value and strives to contribute to sustainable management. In conformance with OMRON's Purchasing Policy, OMRON also seeks to achieve sustainable procurement together with suppliers through purchasing practices that conform to our guidelines.

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### Further Information

- OMRON Corporation Integrated Report 2021

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The Direction of Our Next Long-Term Vision

Positioning of Fiscal 2020 and 2021

In 2011, OMRON started Value Generation 2020 (VG2020), a plan that outlines a 10-year vision for our company. Marking the plan's final stage and last four years, fiscal 2017 was also the year we launched VG2.0, a medium-term management plan which additionally defines our growth strategy to respond to social change beyond the timeframe of VG2020. VG2.0 forecasts future world trends and social changes, incorporating these projections of the future into our strategies. VG2.0 also reflects considerations of the SINIC theory (OMRON’s unique future predictive model) and the international initiative Sustainable Development Goals. In VG2.0, we tackled the creation of social needs through co-creative activities with customers and partners, while focusing on three anticipated business growth domains: Factory automation (FA), healthcare, and social solutions. These are three domains in which we can expect to experience business growth by contributing to the resolution of social challenges while at the same time demonstrating OMRON’s strengths.

OMRON’s Value Generation

OMRON sees the next 10 years as a transition period during which time we will move from a socioeconomic system predicated on increasing wealth through mass production and mass consumption, to a socioeconomic system aiming to realize a sustainable society. Going forward, in the process of realizing that sustainable society, OMRON perceives that clashes between old and new values and the strain generated by the existing socioeconomic system will result in the new normal. Our next long-term vision will begin in fiscal 2022.

The Coming 10 Years as Perceived by OMRON

The world is facing extensive and unpredictable social change unlike anything which has come before, including natural disasters becoming more powerful and frequent, a headlong plunge into a superaging society, increasing economic disparity, and an increasing risk of global division caused by US-China conflict. In addition, the COVID-19 pandemic has caused people to question just what society and they truly need, transforming people’s values from a focus on material to emotional wealth, and accelerating the creation of a new, sustainable society and economic system.

OMRON sees the next 10 years as a transition period during which time we will move from a socioeconomic system predicated on increasing wealth through mass production and mass consumption, to a socioeconomic system aiming to realize a sustainable society. Going forward, in the process of realizing that sustainable society, OMRON perceives that clashes between old and new values and the strain generated by the existing socioeconomic system will result in a wealth of social issues which will need to be solved.

OMRON’s purpose

Looking back on our past, whenever the socioeconomic system has undergone great change, OMRON has always built up its business and grown by identifying social issues and creating social needs. During the period of rapid economic growth, OMRON solved the social issues found on production floors and at the sites of transportation infrastructure with new solutions that used machines and systems to automate human work, bringing innovation to peoples lives and creating an abundant society in which people can live in safety, security, and comfort. Further, in the time of the advanced information society, OMRON has supported the development of lifestyles, industry, and society by applying the extensive value it had generated to widely deployable system components and providing them to the global market. In ways such as these, OMRON has identified the burgeoning social issues of the day and, by transforming them into economic value, achieved growth together with society. When looking back on the challenges we have overcome using the OMRON Principles as our driving force, we can perceive our raison d’être clearly. The purpose of OMRON’s existence is to create social value through our businesses and continue to contribute to society. The next 10 years will be a time when social issues well forth in the realization of a sustainable society, and they will be a time for OMRON to demonstrate its raison d’etre so that it may remain OMRON. In our next long-term vision, we aim to demonstrate our reason for existing and respond flexibly to change even in a highly unpredictable society, identify social issues, create social value and, at the same time, transform social value into economic value and maximize our corporate value.

OMRON Principles: To improve lives and contribute to a better society

- Raison d’être: Create social value through our businesses and continue to contribute to society

OMRON’s core value

Mechanism enabling the reproduction of social solutions on a larger scale

Create social value Obtain proper profit Reinvest

Social Issues Being Tackled by OMRON

In our next long-term vision, based on the perspective of the business domains we are engaged in and the technologies which are OMRON’s strengths, we have identified the following social issues: Curbing CO2 emissions, extending health expectancy, and cooperation and harmony between humans and machines. In addition, in the resolution of those social issues, OMRON has established the following four solutions as business opportunities to pursue and will be creating new value accordingly: Increasing sophistication on the production floor, automating primary and tertiary industries, providing preventative medical support for chronic diseases, and delivering energy solutions toward carbon neutrality.
CFO Interview

Koji Nitto

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

Earning Capacity Further Enhanced despite an Unprecedented Contingency

— You have led OMRON’s COVID-19 countermeasures requiring difficult decisions amid the challenging situations found all over the world. What are your thoughts looking back on the previous fiscal year? After launching the COVID-19 Emergency Headquarters in January 2020, as deputy general manager I oversaw the implementation of countermeasures while working closely with each business unit and our overseas sites. During the pandemic, I focused on our responsibilities as members of local communities and our responsibility to supply products to customers, with employees’ safety and health a top priority. The number of infections varied by country and region, so our basic policy was to disseminate information from the headquarters in Japan while setting up emergency headquarters in each region; thereby, ensuring an independent and agile response, including in terms of working styles.

Furthermore, we reduced fixed costs by more than ¥20 billion per year and actively worked on solution proposal-based sales and business process reforms utilizing remote work, in order to survive this crisis when a substantial drop in sales was expected. As a result, in fiscal 2020 we posted a 14.1% year-on-year increase in profits, despite a downturn in revenue, and gross profit margin, an indicator of profitability, rose by 0.7 points to 45.5%, marking the highest level on record.

Our reduction in fixed costs in fiscal 2020 went beyond just cutting or stopping fixed costs. We recognized this as an opportunity to transform our conventional approaches to work, such as face-to-face communication. Therefore, we were able to lower fixed costs by ¥22.2 billion, well above the target of ¥20 billion. At the same time, investments in IT systems along with the future growth drivers of the Industrial Automation Business (IAB) and Healthcare Business (HCB) were carried out after careful consideration during the COVID-19 pandemic. We were able to progress according to plan because we worked with the shared recognition that reducing fixed costs and making growth investments are actions paving the way to the future.

ROIC Management Underpinned by Portfolio Management and Down-Top ROITree

— Fiscal 2020 marked the final year of OMRON’s 10-year long-term vision Value Generation 2020. During this period, the Company promoted management based on the OMRON Principles using both ROIC Management and Technology Management. How do you evaluate the results over this 10-year period?

Our corporate Principles form the foundation of ROIC Management. Based on this recognition, we are focusing first and foremost on rebuilding our business portfolio. Our aim is to contribute to the development of society through our business, going beyond increasing sales and profits. If we can supply the world with essential products, this will naturally lead to higher sales and profits and as a result we will be in a position to invest in the next stage of growth. As such, we will explore ways to enhance the value we offer by accelerating growth investments in businesses that generate profits. At the same time, since businesses that do not generate profits do not contribute to the world, we will search for the best partner outside OMRON to take over these businesses or consider exiting them altogether. In making these decisions, we will not rely simply on the numbers, but rather deliberate over the technologies of these businesses and future potential of the market.

ROIC was 4.8% in fiscal 2011 at the start of Value Generation 2020. Since fiscal 2012, though, ROIC has trended above expected capital cost of 6%, with the 10-year average sitting at 10.3%. In fiscal 2020, ROIC fell back to 78%, but this was impacted by the transfer of the Automotive Electronic Components Business in fiscal 2019 and because cash on hand is at 4.6 months of sales, which greatly exceeds the target range of one to two months during normal times. Going forward, in order to further enhance corporate value, the cash stockpiled until now and the cash generated from businesses in the future will be used to strengthen existing businesses and invest in new opportunities to accelerate our growth. We will continue to increase capital efficiency and our ability to generate future cash flow by allocating management capital in the best way possible.

Business Portfolio Management is important in promoting ROIC Management. OMRON had a total of 63 business units as of the end of fiscal 2020. When evaluating business units using ROIC, we have established the level of 6% of expected capital cost for each business to measure where corporate value is being undermined or not. From this, the hurdle rate is set at 10%, exceeding the cost of salespeople and administrative departments. However, first discussions are held based on present numbers while considering differences in the business life cycle and stage, without making a judgement based solely on this hurdle rate, to determine problem areas and how to make improvements. Next, an action plan is formulated and explained which contains the milestones and measures needed to clear the hurdle rate. At that time, I take ownership as the person responsible for ROIC Management and need to reach a consensus with the heads of business units.

Business units probably feel a constant sense of pressure, but amid our discussions using the common language of ROIC repeated every year, composed and realistic opinions naturally emerge. This includes recognition that a business unit’s problems can be fully resolved organically, determination of who to partner with, or whether it is wise to transfer the business. Furthermore, from the perspective of the company’s entire business portfolio, we are now able to examine business repositioning or organizational restructuring. For example, we determined that IAB and HCB should be focus areas as our core business, that the Social Systems, Solutions and Service Business (SSB) should develop the solutions business together
with the environmental business, and that the Electronic and Mechanical Components Business (EMC) should consolidate its production sites to enhance its earnings structure. In fiscal 2020, we added three business units to investment domains (Category S) compared to fiscal 2019 and removed four business units from the profitability restructuring domains (Category C), which greatly improved the evaluations of business units compared to fiscal 2019. Going forward, we will continue to deepen discussions with business units using the common language of ROIC to build a more powerful and pliable business portfolio.

Furthermore, we have changed our expected capital cost from 6% to 5.8% starting from fiscal 2021. The hurdle rate for the businesses, though, remains the same at 10%. We will continue aiming to enhance corporate value by improving ROIC and lowering capital cost.

As a result of these initiatives, book value per share (BVPS) at the end of fiscal 2020 totaled ¥3,009, which is roughly double the level of fiscal 2010. In addition, total shareholder returns including stock price increased by 397.5% as of the end of fiscal 2021, roughly quadrupling.

As for our cash allocation policy including shareholder returns, we will continuously increase operating cash flow generated from existing businesses and prioritize investments needed for future growth, aiming to sustainably enhance corporate value. After securing internal reserves needed to fund future investments, we will pay out a stable and continuous dividend to our shareholders. To efficiently administer surplus funds accumulated over many years, we will work toward management conscious of capital efficiency and execute stock buybacks in an agile manner.

---

**Trends in Cash Flow**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Income (¥B)</th>
<th>Expenditure (¥B)</th>
<th>Cash inflows (¥B)</th>
<th>Cash outflows (¥B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>88.5</td>
<td>156.4</td>
<td>62.0</td>
<td>39.9</td>
</tr>
<tr>
<td>2020</td>
<td>83.6</td>
<td>146.8</td>
<td>65.9</td>
<td>39.4</td>
</tr>
<tr>
<td>2021</td>
<td>90.0</td>
<td>143.0</td>
<td>73.7</td>
<td>40.3</td>
</tr>
</tbody>
</table>

---

**How will ROIC Management evolve in OMRON’s future growth?**

There are new ways of generating earnings through the service business and recurring business amid the worldwide trend of combining products and user experience. This change has not been fully reflected in our Down-Top ROIC Tree previously. Thus, we need to ascertain initiatives underway while reviewing KPI as necessary. At the same time, we will have to establish a new indicator going forward, since ROIC indicates the present value calculated as financial information but cannot measure the value of intangible assets linked to future growth. As such, aiming at the next long-term vision, we are holding discussions on indicators and visualization of future growth including ESG (Environmental, Social, Governance) issues and non-financial value.

---

**Fiscal 2021 has been positioned as the starting line for the Company’s efforts toward self-driven growth. As CFO, how will you work to achieve this growth?**

In addition to a recovering global economy, there are growing demands in society to address sustainability including reducing CO₂ emissions. In fiscal 2021, we will boost revenue across all business domains by steadily capturing these business opportunities. In addition, we will work on structural reforms and on increasing added value by strengthening the marketability of our products, while prioritizing investments needed for future growth along with continuously increasing operating cash flow generated from existing businesses aimed at continuing new working styles implemented during the COVID-19 pandemic. After securing internal reserves needed to fund future investments, we will pay out a stable and continuous dividend to shareholders. Additionally, surplus funds accumulated over the years will be used to improve management conscious of capital efficiency by executing stock buybacks in an agile manner.
ROIC Management

ROIC management consists of Down-Top ROIC Tree and Portfolio Management. OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent model for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn’t account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment.

Down-Top ROIC Tree

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

Portfolio Management

OMRON consists of approximately 60 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in OMRON Group value. We consider both the economic value and the market competitiveness of a business to allocate limited resources in an optimal manner. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources.

Risk Management

Integrated Risk Management for Supporting Global Business Activities

OMRON started integrated risk management in order to manage the risks of the Group via a shared framework in 2011, the same year OMRON initiated VG2020. The reason for this was that in order to rapidly respond to the faster pace of change in the operating environment and rising levels of uncertainty, we needed to become more attuned to risk, scoping and addressing risks before they become actualized. We aim to develop effective risk management whereby all employees and management teams can work together to solve issues arising from environmental changes that cannot be resolved at the working level. We work to improve the quality of our initiatives by following the plan-do-check-act (PDCA) cycle on a global scale. We also regard the accelerated business environmental changes as opportunities, and perceive determining how to take risks as anessential perspective. We are additionally addressing how to build mechanisms enabling efficient, effective, and prompt risk decision to be made while still adhering to the OMRON Principles and relevant business rules.

Integrated Risk Management Structure

OMRON has established a PDCA cycle that is conducted throughout the year to analyze risks, respond to material risks, and engage in crisis management. To promote initiatives on a global scale with all employees, risk managers are appointed for each headquarters, division, regional headquarters, and group company across the world.

Activity Cycle for Integrated Risk Management

- **Plan**: Determine risk response plan for the upcoming year. Determine budgets for the upcoming year.
- **Do**: Share and report information related to material risks. Conduct activities based on the plan. Corporate ethics management.
- **Act**: Annual activity review. Executive Council.
- **Check**: Annual activity review. Corporate Ethics & Risk Management Committee.
- **Execute Plan**: Corporate Ethics & Risk Management Committee.

Disclose Results of Activities
For major risks, we regularly (at least once a year) conduct comprehensive analyses of expected environmental changes, the appropriateness/sufficiency of Group measures, and actual risk cases that have occurred, and rank these
risks accordingly. S Rank and A Rank risks, as defined below, are called significant Group risks. For these, we monitor the implementation status of countermeasures and situational changes.

- **S Rank**: Risks of utmost importance to the operation of the Group, which may jeopardize its survival or bring severe social liability.
- **A Rank**: Risks that impede the achievement of important Group goals

### Addressing Material Group Risks

The following examples of significant Group risks represent those matters related to business and finance which may impact the Group’s operating results and financial condition (including stock price). Items which have undergone a particularly extensive change in management or business environment and which the OMRON Group is currently prioritizing are labeled with an asterisk in the table below. However, this is not an exhaustive list of all risks; the Group may be affected in the future by risks that are not currently foreseeable or considered significant.

Matters discussed here that are not historical fact reflect the judgment of OMRON Group management as of June 25, 2021 (the date of submission of the annual securities report).

#### Risk Scenario

- **COVID-19**
- **Global information & IT security**
- **Business continuity**
- **Quality issues**
- **Geopolitical risks**
- **Addressing sustainability issues**
- **Human rights risks**
- **Climate change risks**
- **Recovering M&A and alliance investments**
- **Product compliance**
- **Tax compliance (e.g. customs)**
- **Intellectual property disputes and legal proceedings**
- **Environmental/occupational health and safety**

#### Measures

- Conducting cyberattack drills
- Employee education for enhanced information literacy

### Risk

**Global information & IT security (S Rank)**

The OMRON Group possesses essential business information, as well as personal or confidential information obtained from business partners during the course of business. New, growing cyberattacks worldwide and revisions to laws on personal information protection in the Americas, China, and Asia, such as stronger 

#### Risk Scenario

- **COVID-19 worldwide**
- **Enhanced information literacy**
- **Thorough handling of information based on information security rules**
- **Storage, disposal, measures to take in the event of an incident**
- **Employee education for enhanced information literacy**

### Risk

**Business continuity (S Rank)**

The OMRON Group operates production sites in China, Asia, and other regions around the world. We deliver products to our clients globally through sales sites in these countries and regions. The supply chain for parts and other items used by the Group is also diversified in processes globally, from materials procurement to the production process. Our dependence on highly-competitive manufacturers is increasing. Recently, climate change has caused major natural disasters and earthquakes, large-scale fires at business partners’; other unforeseen disasters. Tightening production supplies due to this and rising demand has a significant impact on our business activities. In the event that social infrastructure or economic activities were to halt in a broad area, or if supply shortages were to occur for critical components, our business activities could be partially suspended or curtailed, which could have an impact on OMRON Group operating results or financial condition.

#### Risk Scenario

- **COVID-19 pandemic-driven acceleration of remote work**
- **Extended number of remote workdays**
- **Remote work management of employees**
- **COVID-19 pandemic-driven acceleration of remote work**
- **Remote work management of employees**

#### Measures

- Conducting simulations and training drills for emergency situations, operate an employee safety confirmation system in preparation for disasters, and stockpile emergency food and drinking water to improve the effectiveness of our continuity plans.
- Furthermore, in preparation for an emergency in the supply chain, we are taking measures such as building a mechanism to ascertain parts supply risk immediately after a disaster and securing strategic parts inventory according to degree of importance. At present, global supply of semiconductors is tight due to greater use of electrical equipment in automobiles and increasing demand for personal computers caused by the COVID-19 pandemic-driven acceleration of remote work, as well as due to the expectations of economic recovery in Europe and the United States. While resolution is not considered likely over the short term, we are striving to secure supply through strong trust relationships and close communications via strategic dialogue with our suppliers. At the same time, we are trying to minimize risks by exploring and adopting alternative materials for high-risk parts.

#### [Major Initiatives]

- Formulating and updating business continuity plans (BCP)
- Conducting simulations and training drills
- Centralized management of supplier production area information and establishment of evaluation systems for alternative production sites
- Understanding and analyzing market/material information using third-party information
- Regular meetings with suppliers (dialogue based on information analysis)
- Establishing escalation routes for emergencies

### Risk

**COVID-19 (S Rank)**

Since the OMRON Group does business at locations and with suppliers on a global scale, prolonged spread of COVID-19 worldwide would significantly impact Group business activities. Specifically, in the event of decreasing demand caused by stagnating customer business activities and capital investment or stagnating individual consumption, or the event of delayed supply of products to customers, or over the long term due to events such as stoppages in parts supply from important suppliers and internal outbreaks of infection, the reduced production performance and declining sales could impact the Group’s operating results or financial condition.

#### Risk Scenario

- Continuing from our efforts last year, the Pandemic Response Headquarters, led by our CEO, addresses the pandemic with top priority to ensuring health and safety of our employees and the prevention of the spread of infection in regions where we operate. In addition, based on our COVID-19 Business Continuity Plan (BCP), we are continuing to expand telecommuting and take infection control measures in the workplace in consideration of various national government/regional laws, regulations, and guidance. Infection status and Group efforts to address the pandemic have been brought up and discussed at the Board of Directors as a priority topic. In addition, we are continuously improving productivity through new work styles such as remote work and going paperless cultivated amid the COVID-19 pandemic, while promptly responding to demand generated in the pandemic-armed with ample infection control measures.
  - Assuming a future business environment with COVID-19, we will continue to maintain our supply chain, accomplish our responsibility to supply our customers, and fulfill our social responsibilities.

#### Measures

- Monitoring of virus spread according to degree of importance.
The OMRON Group aims to provide products with a high degree of novelty for accelerating technological evolution and the development of new businesses. We will address sustainability issues emerging from the demand for new products that take into account product quality defects, and furthermore the globally-growing rigorousness of environmental chemical substance regulations covering products such as the European RoHS Directive and laws, regulations, and standards relating to product safety are greatly impacting business activities. In the event that we provide inadequate product design/inspection, inappropriate customer support, or inappropriate reporting, or in the event that we are non-compliant with laws, regulations, and standards, the resulting large-scale recalls or damage to social trust in our brands could impact the Group’s operating results or financial condition.

In order to maximize customer satisfaction, we have established a basic quality policy based on the principle of quality first. We have also established a quality management system based on international standard regulations. In addition, we have also established a quality governance system, the Global Procurement and Quality Management HQ, which conducts top-level oversight of quality, holds company-wide quality meetings. In addition, we have established and enforce Group rules regarding our quality assurance system, quality assurance activities, and management in the event of a quality issue. Furthermore, we are strengthening our quality issue. Furthermore, we are strengthening our management system by assuring handovers in global environmental and safety regulations, laws, regulations, and standards related to products and other areas.

In order to recover M&A and alliance investments, we must address governance or compliance issues arise at the company to receive investment, which could impact the Group’s operating results or financial condition.

We will maintain legal compliance in each country and region, refer to international rules and guidelines regarding sustainability, such as ISO 2600010, and have formulated OMRON Group policies and codes of conduct. We have also declared our compliance with the UK Modern Slavery Act and have publicly announced Group initiatives to address human rights. We are also taking other measures, such as operating global whistle-blower hotlines. Regarding human rights risks, which fall under our sustainability targets, we are advancing initiatives through discussions at the Sustainability Committee, with the oversight and supervision of the Board of Directors. We also have established a basic quality policy based on the principle of quality first. We have also established a quality management system based on international standard regulations. We are also exploring measures for faster delivery of products to our customers, impacting the Group’s operating results or financial condition.

Measures
- [Major Initiatives]
  - Acquisition of ISO 9001 / ISO 13486 / IATF 16949 internal audits of QMS5 at business companies Promotion of design process problem solving activities.
  - Currently working to ascertain trends in environmental and sustainability
  - Regulations, and standards related to product safety, laws, regulations, and standards related to products and other areas.
  - To strengthen management systems conducting impact assessments.
  - Establish a quality governance system, the Global Procurement and Quality Management HQ, which conducts top-level oversight of quality, holds company-wide quality meetings. In addition, we have established and enforce Group rules regarding our quality assurance system, quality assurance activities, and management in the event of a quality issue.
  - Furthermore, we are strengthening our quality issue. Furthermore, we are strengthening our management system by assuring handovers in global environmental and safety regulations, laws, regulations, and standards related to products and other areas.

OMRON Corporation Integrated Report 2021
Architectural Thinking Required in Changing Times

--- We have now been living with the COVID-19 pandemic for one and a half years. From the perspective of a CTO, what changes do you consider COVID-19 brought to society and business?

COVID-19 has resulted in huge, fundamental changes worldwide. People's lives are now different, new values have emerged, and business rules and practices have changed. Taking a broader view of these changes, however, shows that we are being swept along by major trends. This trend is digital transformation (DX), which is fundamentally changing the way in which society and industries function.

All around the world, the internet connects people with people, people with things, and things with things—diverse knowledge and information are generated, distributed, shared, and they are available whenever, wherever, in the needed formats. What makes this all possible is the exponential evolution of computing power. The pandemic has resulted in dramatic increases in the pace of these changes, and given that operating as we have done before is no longer an option, we need a fundamental rethink of what is really necessary.

For us as well, the pandemic has presented an opportunity to review the core value of science and technology required when confronted by rapid social change, and to envisage a future that we should aspire to. With the imposition of a state of emergency in spring last year, OMRON employees in principle had to work from home. In their efforts to carry out R&D and create new businesses, the Technology & Intellectual Property HQ and the Innovation Exploring Initiative HQ (IXI) also had to rein in some of their collaborative creative activities, especially some with parties outside the company. However, thanks to this, we were able to spend three months discussing in depth the areas that OMRON really needs to work on, the value within those areas, and what should be stopped or changed, without relying on any assumptions that had hitherto been made. Through this, we reaffirmed the importance of our "architecture capacity." This architecture capacity is the ability to look three to five years hence, precisely define an image of society at that time, and determine what social issues will need to be resolved, and then design and put in place the three architectures—business, technology, and intellectual property—that are needed to solve the problems and create social needs. Our experience in this unprecedented crisis that is the pandemic has made me very aware that this architecture capacity is indispensable in order that we can respond flexibly to change.

Organizational Mechanism for Solving Social Issues

--- One of the mechanisms that supports management based on the OMRON Principles is "Technology Management." What is OMRON's Unique Technology Management that the company has been aiming for in VVG2020?

Based upon OMRON's Corporate Motto, the idea of discern new, hitherto not perceived social needs, and solve social issues is at the core of what we consider Technology Management. Central to this is the future predictive SINIC theory that acts as a lodestone for OMRON's management, and that was presented by company founder Kazuma Tateishi at the World Futures Studies Federation. This theory was born from his strong conviction that it was necessary to grasp social needs by predicting future society, and to conduct management and business based upon these. The SINIC theory is based upon the idea that science, technology, and society will mutually interact with each other thus leading to a virtuous cycle—from these, OMRON's particular emphasis is upon society. OMRON has a unique approach of predicting how society will change and what issues will arise as a result, and using science and technology to resolve these issues. Our founder excelled at quickly perceiving indications of change in the world, creating a very specific vision of the future that no-one else had noticed, and understanding social needs.

However, when the company no longer had someone with this particular skill, we were confronted with the problem of who would be able to forecast future social needs, and come up with solutions for these. Accordingly, we have established OMRON SINIC X Corporation (OSX) in 2018 together with IXI, an OMRON Group-wide innovation platform, in order to work systematically on business creation and developing solutions based on SINIC theory. This is nothing less than putting into practice "ambidextrous management"—this simultaneously promotes the deepening of existing businesses together with the quest for and establishment of new businesses.

--- Please tell us about the roles of IXI and OSX, and their performance.

We are creating an image of the near future, and working on the architecture for the strategies needed to make this a reality in terms of technology, intellectual property, and business models. IXI is the organization that promotes this process of backcast-type innovation creation. OSX, however, is a strategic location that is tackling the creation of designs for the near future, based around technological innovation. This is an independent company that adopts a free research and development style not constrained by conventional OMRON systems and rules, and that hires from outside the company top human resources in the fields of cutting-edge technologies. We are working on open innovation with a diverse range of members. In the three years since IXI and OSX started, we have established the "template" for the OMRON-style innovation that we are pursuing. This is an Integrated Innovation Process that combines new business development with knowledge sharing. This process comprises four phases, namely "Phase 0: Business Ideation," "Phase 1: Strategy Formulation," "Phase 2: Business Verification & Technology Validation," and "Phase 3: Business Development." The most difficult of these is Phase 0. Determining the kinds of seeds to select for innovation, whether these respond to legitimate social needs, and whether these can be scaled up for a business exceeding its capital cost is no easy task.

--- How did you overcome this problem?

This time, we focused on "planting the flag." At OMRON, when we declare that we have set high goals, we refer to this as "planting the flag," and we have also expanded this flag planting culture for working with business partners. For example, even though ostensibly a robotics business, our making a specific, pointed declaration on this will clarify what types of
Introduction of challenges that aim to create new business opportunities from the perspective of enhancing social needs. One of these is the agricultural automation project in China, which aims to foster effective and stable agricultural business growth through the application of technology.

IXI is not merely a dedicated organization for creating new business; rather, it is a platform that facilitates the development of new technologies and business models that we do not currently possess. The key is to have a high degree of specialization and adaptability, and to continuously develop our core strengths of “Sensing & Control + Think” to create new business models.

As for the current pace of the times, we cannot depend solely on these technologies and business models. Furthermore, we will be changing our existing business model. For OMRON, the increasingly aging society is a significant challenge. One of the difficulties is that it is unique in not providing instructions to those with little farming experience, ensuring high-quality crops both efficiently and stably. At the same time, it is crucial to resolve social issues such as shortages of agricultural workers and food safety and security. This will also improve the ability of the algorithms to analyze and provide feedback for the data obtained from the system.

Further, building black box technologies and diffused algorithms for data analysis is indispensable if we are to deepen and evolve our existing business models. For OMRON, the aging society population means that the healthcare market is expanding, and we hold the top market share, so at this point we have some control over the market. However, this may not be the case in the future. We need to change our business style. OMRON’s business style up until this point has been to use our technologies and products to solve problems faced by customers. Put differently, we have been providing product value perspective. However, society is in the midst of rapid changes, with issues faced by customers becoming increasingly complex. Solving fundamental issues thus requires of us a business model that not only differentiates between social technologies, but also takes a broader view of social structures. This is why we are working for essential value perspective business expansion centered around IXI. We will evolve our business style into one that selects the optimal form of the social implementation of value, including in areas where we have not yet forayed.

The other challenge is collaborative creation. Given the current pace of the times, we cannot hope for innovation if we only pay attention to self-reliance. Furthermore, we will be changing our business style as well as making forays into new business fields, so the key will be who we work with in order that we can quickly acquire new technologies and business models that we do not yet possess. Since I assumed the position of CTO, we have put forth our policy of open innovation, as well as accelerated cooperation with external companies, start-ups, and research institutions. I expect that the know-how and partnerships gained from this will provide support for OMRON’s self-driven growth.

What is your approach to future technology development not only for new, but also existing businesses?”

Within the Technology & Intellectual Property HQ, around 40% of the themes are for technology development requested by our four business divisions, but this is of course not still needed. Rather, it is important that we unearth the multitudinous requirements for technology that our business units have not yet picked up. I would like one of the focuses on technical development, which is planting the flag for business with technology as a starting point. Further, building blank box technologies and related business models if we are to deepen and evolve our existing businesses. Our arsenal includes our unique, difficult-to-reproduce algorithms for data analysis and providing feedback, and the question is how we can further polish these. This is a vital point for our ambidextrous on-site.
Industrial Automation Business (IAB)

With the vision to “Bring innovation to manufacturing by automation to enrich lives of people all over the world,” the Industrial Automation Business leverages OMRON technologies to generate innovations in manufacturing with a focus on automation. These innovations contribute to productivity advancements in the global manufacturing industry. We aim for a world where people everywhere are enriched by innovations at our customers’ manufacturing sites, with our technologies and solutions across a wide range of products at the top level in the industry, with our unique “innovative-Automation” concept.

V2G.0 Focusing on Innovation in Manufacturing

The environment surrounding the manufacturing industry is changing significantly. Changes are seen in “what to make,” “how to make,” “where to make,” and “who is making” as represented by increasingly advanced products, local production and consumption, and one-piece manufacturing, as well as seeds represented by artificial intelligence (AI), Internet of Things (IoT), robotics and other technological innovations. OMRON has been keeping up with these changes and aiming for advanced manufacturing with the unique value generation concept “Innovative-Automation” since 2016, in order to solve issues facing manufacturing sites.

OMRON’s Innovative-Automation has three pillars: “integrated (evolution in control),” “intelligent (development of intelligence),” and “interactive (new harmonization between humans and machines).” With these three is as keywords, we have generated innovative control applications by integrating the extensive ILOR+S* product range with over 200,000 items, including software and services. We have created over 200 control applications in the past four years, contributing to innovation at many customers’ manufacturing sites.

In terms of evolution in control, we are focusing on issues such as the aging of skilled engineers and a lack of successors to create control applications for work requiring ultra-high speed and precision, reproducing the “craftsmanship” of skilled engineers. Some of these applications wind film products with high speed and accuracy or laminate sheet products with high precision. These new applications properly respond to customers’ needs in digital industry, which change with greater performance of products (such as rechargeable batteries) or manufacturing methods. In the course of developing intelligence, we have created advanced applications that utilize information at manufacturing sites by adopting IoT or AI technology for control devices. Applications that predict product failures and equipment abnormality utilizing AI-based controllers and “sensory inspection” applications using AI-based vision systems that can detect defects beyond the five senses contribute to development of self-learning machines and no-failure production processes, respectively. The i-BELT co-creative data service is also highly regarded by customers. Currently, over 1,000 SEs are working on solving challenging new issues at customers’ manufacturing sites.

Industrywide, approximately 1,000 SEs are working on solving new and challenging issues. Our customers are looking for solutions to keep up with evolving requirements. We are committed to delivering innovative automation solutions that meet these needs.

Business Highlights

Net Sales / Operating Income / Operating Income Margin

<table>
<thead>
<tr>
<th>FY2020</th>
<th>FY21 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>FY2017</td>
</tr>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>17.5%</td>
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<tr>
<td>Operating Income (right axis) (Billions of yen)</td>
<td>16.3%</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

Sales by Product

- Output + Robot
  - Servo Motors and Drivers
  - Mobile Robots
  - i-BELT co-creative data service

- Logic
  - Programmable Controllers
  - Motion Controllers
  - Safety Controllers

Sales Engineers: 1,000 SEs working on solving new issues worldwide

Social Issues to be Solved

- Labor shortages (nurturing labor force in developed countries and lack of skilled workers in emerging economies)
- Handling increasingly advanced and diversified manufacturing processes

Actual Progress during V2G.0

- Profitability improvement by value-added solutions, with GP ratio up to 10 pt
- Realized over 200 control applications that realize manufacturing innovation at manufacturing sites
- Strengthened product portfolio for innovative Automation improvement
- Increased number of sales engineers to embody control applications at customers’ manufacturing sites over 1,000 around the world
- Increased number of Automation Centers around the world to 37 (was 8 as of FY2016)

Business

Capital Expenditures / Depreciation and Amortization / R&D Expenses

<table>
<thead>
<tr>
<th>FY2020</th>
<th>FY21 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>FY2017</td>
</tr>
<tr>
<td>Capital Expenditure (Billions of yen)</td>
<td>18.0%</td>
</tr>
<tr>
<td>Depreciation and Amortization (Billions of yen)</td>
<td>17.7%</td>
</tr>
<tr>
<td>R&amp;D Expenses (Billions of yen)</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

OMRON Corporation Integrated Report 2021

OMRON Corporation Integrated Report 2021
Contributing to Solving New Social Issues under the COVID-19 Pandemic

Under our policy that OMRON bears a social responsibility to support manufacturing sites around the world as a company that has been involved in a core field of the manufacturing industry, we started to address COVID-19 pandemic immediately as well. The outbreak of COVID-19 caused lockdowns and travel restrictions, leading to confusion not only for the manufacturing industry but also for various social infrastructures. Our Industrial Automation Business has been independently taking actions for this situation in order to solve various social issues caused by COVID-19 around the world. For example, we supported urgent production increases and the start-up of new production lines by proposing automation applications including industrial robots for worldwide shortages of masks, ventilators, and medicines. For hospitals and medical institutions busy with taking care of infected patients, we have contributed to automating labor-intensive sanitizing processes by developing mobile sterilization robots with UV lights and applications that automate the sanitization of medical equipment, collaborating with system integrators as partners. Also, for production of foods and daily necessities, which has become more serious due to the worsening lack of workforce under COVID-19, we have helped maintain production of consumables by deploying applications of collaborative robots that can work with workers.

We also started working on development of products to promote digital transformation (DX) globally, which was adopted to manufacturing sites earlier than planned due to the pandemic. Our robotic integrated controllers, which had their worldwide launch in July 2020, automate advanced and complex work that only skilled workers could do by seamlessly integrating robots and peripheral devices, as well as realizing remote engineering by precisely simulating technology in the real and virtual worlds. While travel restrictions are in place and access to production sites is limited all over the world due to COVID-19, this remote engineering has enabled us to commission production equipment and conduct maintenance remotely. For the new issue of travel restrictions, we have enabled remote performance of checks that were done by production engineers and maintenance personnel onsite, reducing workloads by over 50% for processes like equipment start-up and maintenance. Also, with online factory tours and virtual ATC tours, we are participating in initiatives to change the way we produce and package materials to renewable biodegradable plastic in partnership with food and consumable manufacturers and machine manufacturers. We have also been contributing to the growth of green energy use by developing durable, high-quality parts in collaboration with manufacturers of key parts for wind power generator manufacturers.

OMRON will continue these initiatives that enrich lives of people all over the world by innovating manufacturing with advanced AI technology, can help manufacturers to continuously maintain and improve manufacturing quality, turning skilled engineers’ know-how into reusable assets.

For the globally increasing green recovery, we have started developing new solutions in various fields by collaborating with customers. To combat marine pollution due to plastic waste, we are participating in initiatives to change packaging materials to renewable biodegradable plastic in partnership with food and consumable manufacturers and machine manufacturers. We have also been contributing to the growth of green energy use by developing durable, high-quality parts in collaboration with manufacturers of key parts for wind power generator manufacturers.

OMRON will continue these initiatives that enrich lives of people all over the world by innovating manufacturing with automation, in response to various post-COVID market changes.

Industrial Automation Business in the Post-COVID World

While production and social activities under COVID-19 become the new normal, changes in the market and society have been accelerating globally towards the post-COVID world. This shift includes acceleration of green recovery actions including increased use of electric vehicles (EVs) and renewable energy and shifts to eco-friendly materials. This will also drive changes to infrastructure for realizing a digital society, represented by increased demand for semiconductors, 5G and DX. OMRON views these changes as significant business opportunities for our IAB business and is preparing to respond to various market needs based on technologies and products developed during V2G 0 and many control applications that embody innovative Automation.

As COVID-19 has significantly changed people’s lifestyles, ways of working, and values, the post-pandemic manufacturing industry will not simply go back to what it was before COVID-19. Social issues such as aging of skilled engineers, lack of successors, and shortage of workforce are further accelerating, along with increased market needs for new automation. Amid these challenges, OMRON is further driving DX in manufacturing. For example, we joined Nokia’s Local 5G Technology Partnership to develop solutions that utilize 5G, collaborating with other partner companies as well. We are also working on realizing automated solutions that can respond to the growing need to shift from a centralized production structure to region-based diversified and close-to-consumption production as quickly as possible. Examples include CLCS that utilizes mobile robots and collaborative robots modularize production equipment, aiming for production lines that can be started up in short periods of time according to what to make or manufacturing locations.

Issues of manufacturing quality are becoming more serious due to the aging of skilled engineers and lack of production engineers, along with higher demands for quality from markets and consumers. Our “i-BELT” service, with advanced AI technology, can help manufacturers to continuously maintain and improve manufacturing quality, turning skilled engineers’ know-how into reusable assets.

For the globally increasing green recovery, we have started developing new solutions in various fields by collaborating with customers. To combat marine pollution due to plastic waste, we are participating in initiatives to change packaging materials to renewable biodegradable plastic in partnership with food and consumable manufacturers and machine manufacturers. We have also been contributing to the growth of green energy use by developing durable, high-quality parts in collaboration with manufacturers of key parts for wind power generator manufacturers.

OMRON will continue these initiatives that enrich lives of people all over the world by innovating manufacturing with automation, in response to various post-COVID market changes.

Innovations in Manufacturing by innovative-Automation

• Sensory inspection to automate visual inspection relying on human’s senses
• Equipment failure prevention to predict equipment failures with AI
• Non-stop high-precision alignment systems to position parts moving at high speed at the micron level
• Robotic integrated solutions to precisely synchronize industrial robots, machines, and peripheral devices
• Mobile robot equipped with UV light irradiator to prevent infection
• High-speed 3D picking machines to automate picking of bulk parts by robots
• “Cell Line Control System” where workers and machines collaborate and machines support unskilled workers with data
• Mobile robots that transport medical waste at hospitals in Finland
• AI-based tightening inspection to predict and correct screw tightening variance in real-time
• Integrated development of intelligence
OMRON’s Perfect Sealing Technology Solution to Drive Sustainable Manufacturing

Plastic containers may be convenient, but they are detrimental to the environment, causing environmental pollution and risking harm to marine and terrestrial life with the resultant microplastics. To avoid these tragedies and achieve a sustainable society, many companies, especially in food and commodity industries in Europe, are taking on the challenge of making products with other recyclable or eco-friendly materials to use less plastic.

OMRON supports this challenge of sustainability with our Perfect Sealing technology. Unlike conventional virgin plastics, recyclable plastics tend to be more vulnerable to heat and require higher precision for production. Thus, drawing on high-precision temperature control technology that has been refined in other industries, such as semiconductors, OMRON achieved a solution to monitor the machine’s speed and the pressure and temperature being applied to the sealing process. This enables a new recyclable paper-based film to be formed as planned.

As a result of improved product quality, our customers have been shifting to eco-friendly materials with our products at an accelerating pace. OMRON will continue to contribute to labor saving in hospital operations, starting from the development of disinfecting robots and waste collection systems. Acting as a partner of the hospital to facilitate the hospital staff’s workflow, OMRON enabled the smooth running of medical waste transportation services.

Automating Small Waste Logistics in Finnish Hospital with Mobile Robots

Labor shortages have long been a major problem in social welfare and medical fields globally, especially in Finland. With the spread of COVID-19, this problem has become a serious social issue. According to a survey conducted by the Finnish hospital union, the majority of nurses are considering leaving the medical field.

Under these circumstances, OMRON has collaborated with a major hospital, universities, and the partner system integrator Dimalog Oy Ltd. to develop a medical waste transport automation system using mobile robots, which are usually used in factories. In this project, the team focused on the daily work of hospitals that do not require human-to-human interaction and could use robotics and IT technology, and they aimed for a state in which robots take on this routine work on a daily basis.

The project was not without its challenges along the way. We required multiple sources of labor to tackle the task of transporting waste, and we aimed to automate waste transportation in the production line with mobile robots. We were also concerned about the safety of the patients and staff involved in the transportation process.

In order to realize this goal, we conducted a pilot experiment during the COVID-19 pandemic. Conducting the pilot experiment during the COVID-19 pandemic was a unique challenge, but it was also an interesting opportunity to witness how OMRON’s autonomous robot technology can easily handle simple hospital transport tasks and enable the human staff to focus on more critical work amid the pandemic.

OMRON will continue to contribute to labor saving in hospital operations, starting from the development of disinfecting robots and waste collection systems. Acting as a partner of the hospital to facilitate the hospital staff’s workflow, OMRON enabled the smooth running of medical waste transportation services.

Employee Comments

The project was not without its challenges along the way. We required multiple sources of support from OMRON businesses globally and coordination from different OMRON departments. However, with our passion for contributing to solving marine plastic waste problems, the teamwork and attention to detail shown by OMRON members around the world led us to success in this project. I am extremely proud of the team members supporting this project and multiple installations around the world. The achievement was also awarded the gold prize at TOGA for FY2020 as an outstanding example of OMRON Corporate Principles practice out of 4,461 entries. The next challenge is to secure our Perfect Sealing specifications, looking into this solution into the DNA of the customer’s ongoing advances in digital manufacturing.
Electronic and Mechanical Components Business (EMC)

The mission of the Electronic and Mechanical Components Business (EMC) is: “With our devices and modules, create customer value, and contribute to people and society on the planet.” EMC’s relays, switches, and connectors play vital roles in switching and connective devices, and sensors act as eyes and ears for a wide variety of products. As one of OMRON’s core business units, EMC provides these essential components to customers worldwide in various fields, including home appliance and automotive manufacturing, that support the safety and security of human life.

Building a Foundation for Self-driven Growth Engines and Transforming Our Business to Create and Maximize Value for Customers

Aiming to be a business unit that creates value for customers, at EMC we support the growth of OMRON’s target domains with our cutting-edge technologies and reliable manufacturing technologies built over years. Social issues have become more varied and serious in recent years, and our business environment, customers, and competitors are changing drastically. Customers are seeking partners that can flexibly respond to social changes and technology innovation. In addition, electronic components have become a commodity, and new competitors are arising from emerging countries. In such a market environment, OMRON will continue to resolve issues at the customer level with its high-quality products and technologies. During VG2.0, we made various efforts toward value creation in order to build a foundation for sustainable self-driven growth. We conducted organizational reforms and quality improvements as well as developing modules with high-added value that fulfill customers’ requirements. In terms of organizational reforms, we put great emphasis on optimizing production processes so as to reorganize our manufacturing sites from 11 to 7 to supply our components steadily. Building a flexible production system to meet varying demand has successfully improved our capacity rate and production efficiency. In terms of quality improvements, our manufacturing processes, from the design and development stage to production and completion, are thoroughly assessed from the standpoints of verification and validation. Strengthening our quality control system has improved our component quality to ensure the safety of customers’ products. Based on our “self-driven” growth structure, we have identified changes in customers’ requirements and new demand for technology innovation and environmental protection, such as smart products and battery development/direct current power systems, and created a variety of devices and modules. In fiscal 2020, quickly recognizing demand for computer accessories, electric tools, and non-contact applications due to the COVID-19 situation, we developed new products in a timely manner to meet additional demand and customer requirements. The COVID-19 pandemic accelerated the digitalization of society, and demand for semiconductors and electronic components has increased for development of batteries as power sources and 5G infrastructure. Requirements for electronic component functions keep changing due to the diversification of lifestyles and environmental changes, providing OMRON with more opportunities to enhance the value of customers’ products. We strive to identify any changes in society and accelerate our R&D to create new products in a timely manner. Furthermore, to improve human life on the planet and develop society, we will keep providing customers worldwide with relays, our main driver, and switches and sensors, our leading products for business growth. There are serious social issues requiring solutions, such as global warming and workforce shortages caused by an aging population and declining birth rate. To realize a carbon-neutral society and safe and secure communication infrastructure, more sophisticated component functions are required for the development of EVs and reliable communication platforms for all. Present circumstances are forcing customers to review all conventional design methods, components, and materials, which means that new market needs are being created. At EMC, we will determine our target domains, identify design issues for customers’ products from the early development phase, and resolve social issues with our core technologies, namely "precise processing technologies" and "combinations of technologies." We will continue to offer essential key devices in order to achieve ideal solutions to the aforementioned social issues with our customers.

**Business Highlights**

**Sales by Product**

- **Other Electronic and Mechanical Components** (Amusement Equipment, Image Sensing, etc.)
- **Relays, Switches, Connectors**
- **Power Supply Units for Amusement Devices**
- **Human Image Sensor**
- **Terminal Block Connectors for Printed Circuit Boards**

**Social Issues to be Solved**

- Social issues related to "FA", "Healthcare", and "Social Solutions"

**VG2.0 Goals**

- As a device and module business unit supporting focus domains, contribute to achieving sustainability goals in each domain

**Actual progress during VG2.0**

**INPUT**

- R&D cost:
  - Total ¥106.8 million
  - Capital expenditure:
  - Total ¥55.5 million

**OUTPUT**

- Restructuring
- The optimization of production locations for stable product supply globally, 11 locations to 7 locations
- The establishment of flexible production systems to respond to changes in demand for components
- Strengthening of quality control platform
- The enhancement of product quality to ensure safety for customers’ products

**OUTCOME**

- **SDGs 9.4.1**
- Contribute to the improvement of human life on the planet and development of society by providing devices and modules

**V2020 Net Sales** ¥86.0 billion

**Operating Income Margin** 77%
Creating New Customer Value with Strong Quality Control Platform

During V2.0, in order to achieve organizational growth, EMC has improved its capacity and speed to create customer value. Below we outline our approaches to strengthening our quality control system and developing solutions to social issues caused by the COVID-19 crisis.

Strengthening Quality Control to Ensure Product Safety and Increase Customer Value

OMRON rolled out three new initiatives aimed at improving quality control to deliver high-quality electronic components that ensure the safety of our customers’ products. The first is improving the verification and validation process in the entire manufacturing cycle. A scientific approach is applied to verify that customer requirements are met in accordance with product specifications, design, and requisite quality. By connecting production data right from the beginning of the design stage, we ensure that all parts are consistently and properly produced. The foundation of our quality assurance system has evolved through the implementation of these actions to identify and prevent quality issues at an early stage of the manufacturing cycle. The second approach is refining equipment maintenance standards and raising awareness of quality assurance. The conditions of production equipment vary every day in the course of production. Solving this issue required “harmonized adjustments” to ensure the right finish, but as a result, different problems arose across the manufacturing process. To tackle these, we took back to the basics of manufacturing to renew our awareness and recognize that the action of “harmonized adjustment” will always be accompanied by change and hence to enhance our change management. We took the same approach in all our global manufacturing sites and at the same time streamlined data sharing among locations to allow them to see each other’s activity status. By sharing best practices across factories, we strive to maintain high-quality standards.

The third approach is implementing data visualization to monitor production lines in real time. Installing a system that traces the manufacturing history of all of our seven factories around the globe and diagnoses changes in the manufacturing process allows us to identify the causes of quality defects at an early stage as well as specifying the extent of their effects, and ultimately minimize loss of performance. Furthermore, our quality data visualization provides a quick and effective way to detect anomalies and problems. By taking a comprehensive approach, we strive for higher levels of product quality.

Employee Comments

We focused on three actions at manufacturing sites to promote understanding of what it means to “get back to the basics of manufacturing.” The first action was visiting local manufacturing sites to repeatedly discuss the primary purpose of this activity until we were sure that all of us had gained a clear understanding of it. The second was to coordinate with staff members on site for practical improvements. And the third was to visualize the outcomes of those improvements. These approaches, which were first introduced at a single factory, helped the staff members gain understanding of the basics of manufacturing through actual experiences. By doing the same in the other factories, more and more people came to realize the importance of this through better understanding. As we continued promoting awareness of quality assurance, we were able to make improvements and move towards the common goal of creating value for customers in our factories.

Obtained UL DAP Certification for Contributing to Timely Product Release

The Yamagata Factory of OMRON RELAY & DEVICES Corp. is the production base for relays, one of our main products. By establishing a robust quality management system and enhancing technical capabilities, it has been assessed by UL, an American third-party safety science company, and became eligible to participate in the Data Acceptance Program (DAP). Customer Assessment Data Utilization Program. We qualified to participate in the CTDP (Client Test Data Program) in October 2018, one of the DAP’s programs, and have maintained continuous participation since that date. The ability to conduct UL’s safety standard certification testing at our factory has enabled us to speed up the release of new products.

OMRON’s electronic components such as relays, switches, and sensors play important roles in various settings such as office environments that will ultimately create sustainable smart cities.

Development of Touch less Hybrid Elevator Switch to Create a Safe Living Space

The COVID-19 pandemic has increased the need for “touchless” operation in various settings to avoid multiple people touching surfaces and objects. Elevator buttons are among such settings, and touchless switches were being considered as a solution. OMRON recognized the demand in a timely manner and quickly took action by partnering with FUJITEC, the leading provider of elevators and escalators, to develop a touchless hybrid elevator switch ahead of the market trend. OMRON’s touchless hybrid elevator switch enables hands-free operation that provides a tactile sensation as if actually pressing a button. The switch was developed by combining core technologies central to EMC, embedded with a sensor for touchless interface and a durable push-button-style design to realize an integrated compact switch. We collected survey responses from hundreds of people and conducted numerous trials to precisely adjust the specification to human senses before moving to commercialization. As a result, we achieved a universal design usable by all people to make the product easier to use for everyone. The switch is used in elevators manufactured by FUJITEC and rolled out in December 2020 for offices and shopping malls. These elevators help reduce infection risk and contribute to building an infrastructure of safe elevators.

We plan to continue working on solving social issues together with our customers by improving our core technologies and providing touchless solutions.

FUJITEC aims to realize a “beautiful city appropriate for the new era” through the business of supplying elevators, escalators, and moving walkways. We started developing a new button focused on touchless elevator operation during the COVID-19 pandemic last year, and requested a joint development project with OMRON, considering their remarkable achievements in button operation products. As a result, we successfully developed a touchless elevator button that satisfied universal design standards, which is now installed in various places. We plan to continue development of various interface devices for the next-generation society. We look forward to working more with OMRON in search of solutions to our needs and collaborating in joint development projects.

FUJITEC

R&D Department Center, Product Development Division, HQ
Noriyoshi Hagizawa

FUJITEC

Tetsuya Sumiyoshi

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FUJITEC

R&D Department Center, Product Development Division, HQ
Noriyoshi Hagizawa
Creating a Next-generation Social Platform so that People Can Flourish and Live Safely and More Comfortably with Social Automation in the Future

During VG2.0, SSB recognized lack of labor force as a social issue to be solved. Therefore, we have attempted to eliminate inconveniences in daily life through various solutions, such as automation of reception work at hotels and labor-saving for cleaning, security, and information services at stores and buildings. Also, toward the further solution of social issues and sustainable growth, we integrated our UPS business in 2018 and environment business in 2020, providing access and value to new markets such as housing, distribution, information infrastructure, municipalities, and manufacturing industries.

However, we are still required to solve more social issues not only for issues for certain markets or customers but also by deploying solutions to new markets such as housing, distribution, information infrastructure, municipalities, and manufacturing industries.

To achieve that, we need to improve ourselves as well. In addition to responding to customers’ needs, we will create a future society that is safer, secure, and more comfortable by identifying changes in society proactively. Furthermore, we will aim to realize next-generation social systems with the social automation that we obtained in our SSB.

We support social infrastructure by providing solutions that optimally respond to various needs, such as maximized power generation due to climate change.

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Aiming for Carbon Neutral with Renewable Energy

We have been experiencing many natural disasters due to climate change in recent years. Actions are being taken around the world aiming for carbon neutrality that aims for zero emissions of greenhouse gas (GHG), including CO₂, the cause of climate change, by 2050. One of the actions is to increase usage rate of renewable energies. Companies are also required to take approach to realize 100% of renewable energy for electric power used in business activities (RE100).

OMRON’s industry knowledge and high engineering skills, we will promote introduction of optimal solar power generation system not only for companies but also for households and municipalities. Moreover, we consider the introduction of carport type to be effective as a measure for solar power generation at offices. We will continue to promote energy saving in partnership with OMRON FIELD ENGINEERING CO., LTD.

Realizing Sustainable Society with Energy Optimization at Regional Levels

In Japan where spaces for solar panel installment are limited, this achievement of Murata has huge potential. Moving forward, with OMRON’s industry knowledge and high engineering skills, we will promote introduction of optimal solar power generation system not only for companies but also for households and municipalities. Moreover, we will contribute to the realization of a carbon neutral and sustainable society with area energy management that provide optimal energy uses at the level of regions.

Supporting Head Office’s Station Management Work by Offering Device Operation Support Service

In pursuit of safety, stability and security, the head office of Odakyu Electric Railway used to support station employees at all railway lines in the operation of railway station systems and response to abnormalities. However, it was a huge challenge for Odakyu with 70 stations to maintain support systems while improving efficiency. As a solution for this, OMRON started up a device operation support desk in 2012 and started outsourcing service to address inquiries of device operation and failures regardless of the device manufacturers, in response to inquiries from employees at stations. Since then, this has been not only saving manpower at the head office but also contributing to stable operation of railway station systems, seamlessly and immediately responding to inquiries for abnormalities and meeting on-site needs. We have accumulated achievements and won trust over 10 years now, and are continuing to provide smart maintenance utilizing ICT and new value to further optimize railway station operations.

Providing Safe, Secure and Comfortable Station Service to All Users by Strengthening Railway Station Operation

How to operate stations efficiently and properly while responding to change of society and travelers’ needs; this cannot be solved by single system or service. Going forward, we will strengthen station operation and realize attractive services for travelers by providing not only device operation but also a management service that comprehensively supports operation of stations from planning to system introduction, operation, maintenance and improvement with our know-how and knowledge on sites that we obtained through developing public transportation systems and performing maintenance services over a long time.

From Providing Systems to Management Service—Creating the Next Generation of Railway Station Management

It is very helpful that we can have timely information at sites. This leads to smooth communication with station employees and improves services for customers through the support desk. Also, new insights are suggested to us every month at monthly reporting meetings. We look forward to even speedier collaboration in the future.

Resolving Issues at Manufacturing Sites with Abundant Industrial Knowledge and Engineering Skills

Murata Manufacturing is a company that joins RE100 and leads CO₂ reduction at many regions by increasing the rate of renewable energy for electric power used. While the project is proceeded to introduce solar power systems in domestic business locations, Okayama site of Murata Manufacturing had issues with installment location. OMRON, as a member of the project, verified the possibilities from stand point of insolation, intensity, cost and operation control, and suggested utilization of “air space” above the company parking for approximately 1,700 cars as the installment area. A carport type power generator (simplified garage with roof and column) was adapted and double sided solar panels were also installed to maximize its power generation, as they can generate power from reflection on the back side of roof. Further, OMRON’s original remote monitoring and maintenance system (soramoni) prevents loss of generation due to equipment failures and enables maintaining power generation amount for a long period. Murata Manufacturing’s complete solar power plant (carport type solar power generation system) enables power generation for 850 general households annually, with estimated 2,394 tons of CO₂ reduction. Companies will be the leaders for carbon neutrality—Murata Manufacturing and OMRON will continue to work on this challenge.

Realization of Power Generation for General Households

Further, the garage with roof and columns was adopted and double sided solar panels were also installed to maximize its power generation, as they can generate power from reflection on the back side of roof. Further, OMRON’s original remote monitoring and maintenance system (soramoni) prevents loss of generation due to equipment failures and enables maintaining power generation amount for a long period. Murata Manufacturing’s complete solar power plant (carport type solar power generation system) enables power generation for 850 general households annually, with estimated 2,394 tons of CO₂ reduction. Companies will be the leaders for carbon neutrality—Murata Manufacturing and OMRON will continue to work on this challenge.

#RE100 is an international environmental initiative that aims for a 100% renewable energy rate in business activities by 2050.
The mission of our Healthcare Business is "To help realize healthy and comfortable lives for people around the world." By living up to this mission, we have developed healthcare products and services with a focus on usability and accuracy of readings that ensures reliability for medical use. OMRON has achieved certification for medical use for a variety of devices in various countries, including blood pressure monitors, digital thermometers, and nebulizers. Moreover, OMRON also provides services that are compatible with each country’s region's social infrastructure and healthcare system, which varies from country to country. These products and services are now available in more than 110 countries across the world.

A New Challenge to Achieve Zero Events by Globally Driving Remote Patient Monitoring Services

During 2020, the COVID-19 pandemic drastically changed people's awareness and ways of living, also impacting social infrastructures around the world to become the "new normal" in people’s lives. With the increasing need to take body temperature readings that the "new normal" has dicted, we reinforced the production system to increase capacity in our Dalian Factory, China, as we expand product supply. In October 2020, an additional thermometer production line was installed in the Matsuoka Factory, Japan, to ensure a stable supply of products. The spread of COVID-19 saw new issues begin to emerge. These include increased risk of infection from hospital visits and a growing workload for medical professionals due to an increase in COVID-19 patients. In particular, the risks for patients with chronic diseases such as hypertension and diabetes become higher once infected. The fear of potential infection caused many chronic disease patients to avoid regular hospital visits, causing them to suffer worsening conditions. During the past year, this particular issue became rather prominent. These types of social changes make achieving our Cardiovascular Business vision “Reducing the event of cerebrovascular and cardiovascular diseases caused by high blood pressure to Zero (Zero Events)” what we set in 2015 more important than ever. For realizing Zero Events, it is essential to carry out appropriate blood pressure management through early-stage detection and treatment of hypertension, as it is one of the main risk factors for strokes and heart attacks. As we advance toward this vision, OMRON has continued to produce devices that break new ground. A wearable watch-type blood pressure monitor, already with medical equipment certification, has been launched in North America, Japan, and Europe. Another device for North America release was a blood pressure monitor with ECG for simultaneous home monitoring of blood pressure and electrocardiogram data. Our endeavor, however, goes beyond the development of devices and our efforts to expand into telemedicine on a global stage already resulted in various new services that have been rolled out on a worldwide basis. In September 2020, OMRON launched the VitalSight remote patient monitoring (RPM) service in North America, followed by the Hypertension Plus, another remote monitoring service for hypertension, in the UK in April 2021. Even with the continuing impact of COVID-19, we see awareness of sustainability is growing with the response to SDGs and environmental preservation being examples. Our proactive action to achieve SDGs builds on efforts to promote the health of people around the world through our business growth and involves popularizing blood pressure monitoring at home. As we develop our innovative devices we also engage in environmentally responsible manufacturing. Specifics include reducing the use of plastic material by employing paper packaging and preserving paper resources by downsizing packaging. A carbon-neutral production line is also under consideration. Sustainability initiatives are promoted by reviewing our business activities from a wide-ranging perspective and include measures such as an environmentally friendly office achieved by using solar power. We will continue to reinforce our fundamental business that is designed to deliver innovative devices to people around the world and assist their health management. We will also be entering new fields, such as creating personalized RPM services and AI technology for individually optimized blood pressure management and developing algorithms to analyze warning signs of strokes and heart attacks. Our goal is being an indispensable partner to doctors and patients for the prevention and treatment of chronic diseases.
Transforming Medical Care to Reduce Cerebrovascular / Cardiovascular Diseases to Zero

Allowing anyone access to personalized hypertension treatment anywhere

Currently, work is underway to develop and promote RPM services as we aim to resolve common challenges around the world. Dealing with patients suffering from chronic diseases who are at risk of severe COVID-19 complications, preventing medical expenditures from soaring, reducing workloads for medical professionals, and easing burdens on patients visiting clinics are some of these challenges we face. We therefore concentrate on creating an environment that allows remote monitoring of patient conditions using innovative devices and information technology. We are also developing algorithms that support doctors for proper diagnosis and treatment. Collaborating more closely with our partners will help us create new solutions.

Hypertension Plus — Remote patient monitoring service for hypertension supporting medical care with medication recommended by using self-monitored blood pressure data

About 30% of all adults in the UK are reported to be suffering from hypertension. The National Health Service (NHS), a publicly funded health system administered by the UK government, has set a goal of achieving an 80% blood pressure control rate by 2030. As the latest control rate is estimated at 60%, more effort is called for. NHS patients access pre-registered general practitioners (GPs) except for emergencies. For GPs with busy practices, patients will have longer wait times that cut into consultation time. Reasons like these can make patients interrupt or even discontinue treatment. Therefore, enhancing treatment efficiency and supporting continuity of treatment will be the keys for hypertension management to improve in the UK.

In April 2021, OMRON launched Hypertension Plus, a remote patient monitoring service for hypertension, in the UK. This service generates a customized blood pressure management plan for each patient using blood pressure readings taken at home to help enhance the efficiency of clinical practices.

Using Hypertension Plus, a hypertensive patient can send self-measured blood pressure readings to the GP office’s electronic medical record (EMR) system, enabling the doctor to trace the patient’s blood pressure changes in detail on the management screen, connected to the EMR system. Hypertension Plus directly recommends a three-month medication plan that factors in patient attributes and blood pressure levels. It also determines whether medication needs to be changed based on post-medication blood pressure data and if needed, recommends a new personalized medication plan.

These offer guidance for choosing antihypertensive drug treatment depending on patient age, ethnicity, and complications. Hypertension Plus allows the doctor to check each patient’s conditions in detail within a limited time, using their consultation time more effectively by referring to the recommended medication plan.

Patients can have their medications modified from home, so hypertension care is uninterrupted and the need for a GP visit is less. Encouraged by clinical commission groups’ (CCGs) decision to use the service, Hypertension Plus is currently being deployed at GPs across the UK.
Collaborative research with Kyoto University harnessing AI and vital signs monitoring to realize Zero Events

Achieving zero cerebrovascular/cardiovascular events caused by high blood pressure requires appropriate blood pressure control for hypertensive patients, enabling them to maintain their blood pressure within a normal range. Approximately half the hypertensive patients undergoing treatment still have blood pressure beyond the normal range and study results indicate that even individuals with normal blood pressure readings may still have a possibility of developing serious cerebrovascular/cardiovascular diseases from blood pressure fluctuations. Such situations make early-stage detection of blood pressure changes essential to identify stroke and cardiac event warning signs. OMRON, aware of these issues, partnered with Kyoto University to launch a research program called “Healthcare Medical AI” in June 2021 with the goal of exploring how the use of artificial intelligence (AI) can minimize the risk of cerebrovascular/cardiovascular events. Two study themes are focused on, the first on developing AI that will be able to generate personalized blood pressure management methods to support lifestyle improvements that help prevent hypertension and its progression. The second study aims to develop AI that enables the early detection of changes in blood pressure and other related vital signs self-measured at home to provide the risk identification.

Through developing these two AI technologies, we pursue effective blood pressure control and minimizing the incidence of cerebrovascular/cardiovascular diseases. To date, OMRON has developed the first-of-its-kind wearable blood pressure monitor with medical-grade measurement accuracy, as well as pursuing biometric information measurement technology to monitor body composition data, physical activity intensity, and sleep in daily living conditions. Combining OMRON’s measurement technology with Kyoto University’s accumulated AI expertise creates a powerful resource that will allow us to develop OMRON-unique Healthcare and Medical AI.

Employee Comments

The prevalence of connected devices has facilitated accumulating cardiovascular disease-related health data such as blood pressure measured daily at home and lifestyle data. Using this data, OMRON Healthcare launched remote patient monitoring services in the U.S. and the UK. As we aim to differentiate OMRON from others with unique services, we initiated a collaborative research program on artificial intelligence (AI) using health and medical data. Two points make this research program stand out. Firstly, OMRON Healthcare commands the top share of the global home-use blood pressure monitor market, providing access to an immense quantity of high-quality data. Secondly, Kyoto University has many AI and medical specialists among its distinguished researchers. These points significantly contribute to the ability to create advanced AI that only the exceptional quality of our data makes possible, and that can be implemented in actual clinical workflows.

We are presently working on research with results to be published globally in a research paper. From this starting point, we will expand collaborations with medical and research partners, as we continue to make progress toward zero cerebrovascular and cardiovascular events.

Comments from Partner

Amid the pandemic of COVID-19 and the increasing risk of collapsing the healthcare systems, one of the urgent challenges is the development of medical systems outside of hospitals. This is directly associated with the issues, which we are going to face in the very near future, such as escalation of medical costs due to super-aged society and the decrease of healthcare professionals. To address these difficult issues together with OMRON Healthcare in this “Healthcare and Medical AI” collaborative research program, we would like to explore solutions of how to prevent the event risks to spend happier and healthier lives at home with a new type of healthcare system and AI studies.

Cumulative blood pressure monitor sales of 300 million units indicate a global prevalence of home blood pressure monitoring

The year 2021 will see global sales of OMRON home-use blood pressure monitors reach the 300 million mark. It is almost 50 years since OMRON launched its first home-use blood pressure monitor in 1973. At the time, common thinking was that blood pressure could only be measured at a medical facility, so the concept of home blood pressure monitoring was not accepted by consumers or medical professionals. But even so, we were confident in our belief that self-measured blood pressure should help promote people’s health, so OMRON ceaselessly worked to raise awareness of the public and medical community regarding the importance of home blood pressure monitoring. At the same time, we were pursuing the usability that would enable anyone to easily obtain accurate readings with medical-grade measurement accuracy. To make home blood pressure monitoring more accepted, we cooperated with medical professionals and experts, participating in numerous clinical studies to confirm efficacy. In 2014, some 40 years after launching our first monitor, our persistent efforts bore fruit. The 2014 Guidelines for the Management of Hypertension recommended that home blood pressure readings take priority in diagnosis data over doctor office-taken blood pressure readings, recognizing the efficacy of home blood pressure monitoring. With this, home blood pressure has been regarded as an appropriate criteria for hypertension diagnosis in Japan as well as worldwide.

From the release of its first blood pressure monitor it had been about 30 years before OMRON achieved cumulative global sales of 100 million units in 2009. But the next milestone of 200 million was reached in seven years, and in just five years after that, OMRON blood pressure monitors are set to achieve 300 million units in global sales, indicating home blood pressure monitoring becoming prevalent at an accelerated pace.

Along with the recent rise of lifestyle disease patients, the practice of monitoring blood pressure at home is also growing in emerging nations. COVID-19 has also played a part in raising people’s health awareness, helping our global monitor sales to achieve a year-on-year increase of 20% in fiscal 2020. We will remain committed to delivering innovative and high-quality products to hypertensive and other individuals who need a blood pressure monitor. At the same time, we will expedite the roll-out of RPM services and the development of AI technology supporting hypertension treatment as we continue our progress toward achieving Zero Events.

History of blood pressure monitor development in line with home blood pressure monitoring acceptance

1973 OMRON’s first blood pressure monitor
1978 Fuzzy logic-based blood pressure monitor
1991 Fully automatic Spot Arm blood pressure monitor
2002 Wearable blood pressure monitor
2004 Blood pressure monitor + ECG
2018 OMRON’s first monitor with digital display
2019 Wrist blood pressure monitor with wrist positioning guide
Connected wrist blood pressure monitor
Upper arm blood pressure monitor
Innovation Exploring Initiative HQ (IXI)

The Innovation Exploring Initiative HQ (IXI) aims for creation of new businesses by designing near future to solve social issues, and planning and implementing the necessary strategies to realize it. We contribute to realization of better society by pioneering new business opportunities as the company-wide innovation platform, and creating social needs with new businesses created by innovating business models.

Making a Model for Creating New Businesses that Solve Social Issues

OMRON has been banding together across the entire company to strive for “ambidextrous management” as a way to build up the power to achieve self-driven growth. IXI plays a role for it with its mission “Seeking and establishing new businesses.” In order to develop new businesses and improve reproduction as OMRON’s innovation platform for the entire company, we are focusing on planning strategies that create back-casting innovation starting from the near future designs, building dedicated groups for business verification and accumulating knowledge. We have implemented over 20 projects since our establishment three years ago, and four themes are currently proceeding to business verification phase. Also, in fiscal 2020, we have built the Integrated Innovation Process as a model of business creation. In this process, verification points and judgment criteria are clarified that tend to be personal and vague for new businesses, and quality of themes and implementation speeds have improved significantly. Additionally, we have been working on strengthening and training human resource for architect and business creation who can promote business development, through this process. We have established a human resource development method that allows a high-quality “trial and learning” approach by defining required skills for each job type and giving detailed feedbacks through the on-the-job training in projects.

Creating New Businesses to Drive Growth and Accelerating the Social Implementations

In the time of new normal, society drastically changes globally, causing various social issues. On the other hand, for OMRON with the corporate philosophy to solve social issues through its business, this is a time full of business opportunities, so we will work on catching those opportunities for new businesses. Seeking business opportunities does not mean randomly looking for an unknown area. With all the various business opportunities available, we strategically need to select target areas and maximize investment efficiency. OMRON has been proceeding businesses with a focus on three domains: factory automation, healthcare, and social solutions. We will continue to create businesses with these three axes, proactively responding to social issues that could not be covered in each domain.

In determining the direction of new businesses, we focus on two main approaches. The first approach is business expansion from an essential value perspective. In this approach, we utilize customer assets that our business divisions have ever built, re-define our value by recognizing new social issues, and expand our business by advancing business models. The second approach is expansion into new business areas in our domain. By proactively promoting collaborative creation with customers regarding the four growth opportunities that OMRON recognizes for next long-term vision – “risings sophistication of manufacturing,” “automation of primary & tertiary industries,” “preventative medical support,” and “energy solutions to achieve carbon neutral” – we will powerfully promote the creation of new value and implementation in society, while obtaining the business assets that OMRON does not have. Over the course of three years since IXI’s establishment, we have built OMRON-specific model process for business creation and many external people have joined this, agreeing with OMRON’s approaches and the direction of business creation. We are also internally training ambitious human resource for architect and business creators, through many projects. Our goal to “reproduce the founder’s philosophy and capability as a company” is surely being achieved. We are completely warmed up to fulfill the next long-term vision. From fiscal 2021, we will definitely shift to the goal of creating businesses to drive OMRON’s growth, focusing more on speedy businesses implementation in society and accelerating business creation.

Examples of New Business Creation to Solve Social Issues

Promoting Agri-automation Business in Which People Can Flourish

Social Issues to be Solved
In recent years, agriculture in China is experiencing serious lack of labor force, and it has become a social issue how to continue the farming. At the same time, demand is increasing for vegetables and fruit grown with low or no pesticides as customers become more conscious of food safety and security. Under these situations, the number of skilled worker who can produce crops with low or no pesticides is limited, and there is a need to realize high-quality, stable agriculture that does not depend on human skills.

Effort for Social Implementation
OMRON has developed services that support human judgment in their work by analyzing cultivation conditions, such as growth of crops, temperature, humidity and daylight hours, instead of whole automation that requires large capital expenditure. These services are now being tested in the field in China. In these services, as the crops growth state is timely quantified and the use of pesticides and chemical fertilizers are controlled to be minimal, anyone can work on production at the same level as those of skilled workers, which contributes to solving lack of labor force. In May 2020, we started up the cultivation technology development base in China, accelerating developments to make it a new business. With experimental farms further expanded, business creation is proceeded with partnerships between Japan and China.

Data Utilization Support Business to Effectively Help Digital Transformation in Manufacturing

Social Issues to be Solved
With the advanced digital technology, we are now able to obtain large amount of data through sensors at various places including manufacturing sites. Customers in manufacturing industry expect that they can utilize the various data for creation of new value in quality improvement, new product development, and collaborative creation projects by multiple companies. On the other hand, it takes a lot of manpower and time to digitalize on-site documents and extract necessary information from large amount of data to analyze it. It is required to facilitate efficient data use and sharing for various purposes.

Effort for Social Implementation
OMRON extracts and processes necessary data from large amount of data collected from manufacturing sites, and verifies solution value for creative work, such as planning quality improvement and production or developing new products and services. At our Group’s production sites, we automatically summarized production control data of parts handled at multiple locations and significantly improved work efficiency, such as converting the data into a suitable form for production planning. With these achievements, we have now started suggesting introduction of data utilization support business for customers who are in need of production of multiple products or in variable volume production, such as automotive parts, digital parts or cosmetics. With lack of labor force in the manufacturing industry becoming more serious, we will support customers’ DX effort by enabling more people to engage in work with high added value.
Elderly Care Support Business Aimed for Extension of Healthy Life Expectancy (Japan)

Social Issues to be Solved

Ultra aging society that Japan will experience first in the world will afford a huge opportunity for OMRON to create new businesses. While the number of care givers are shorted for the elderly in needs of long-term care, it is the social challenge to extend healthy life expectancy where people can make livings independently.

Effort for Social Implementation

About half of people who need light nursing only have physical and mental functional deterioration due to their living style that is not active, and this can be prevented or improved. It is essential for extending healthy life expectancy to promote preventing long-term care by "self-reliance support," which helps those people recover physical and mental functions to make their daily lives or join social activities. Therefore, OMRON has developed a system to support promotion of self-reliance that can be utilized further, by codifying know-how of experts who support self-reliance. Currently, we are in a partnership with Oita Prefecture, which is proactively supporting the elderly for self-reliance and preventing care need level deterioration and are verifying systems at nursing care facilities in the prefecture. At nursing sites, communication is very important to grasp care-receivers' conditions that vary on individuals. Therefore, this system is designed to decrease work load with machine supporting daily works so that people can concentrate on creative works such as having communication. By allowing anyone to give support for self-reliance at the same level of experts, we will provide new values with which employees at nursing sites can play more important roles.

Comments from Partner

In Oita Prefecture, we are working on building the community-based integrated care system with the platform of building a society of healthy longevity and lifelong activity. We have been focusing on promoting self-reliance and preventing deterioration of care need levels for the elderly, such as holding community care meetings, which is a leading move in Japan. Within the prefecture, the short-term intensive prevention service is spreading (which works on improving the elderly’s physical functions with rehabilitation experts, etc. in a short period aiming for improvement of the quality of the elderly’s living function such as meals and baths), while it is required to build a system that allows the elderly in need of support to receive the service. To solve this issue, we as the prefecture have agreed with OMRON to promote cooperative business utilizing ICT systems. We are working on improving the quality and efficiency of nursing and preventive long-term care by utilizing and analyzing collected data, allowing promotion of self-reliance in the region. Also, through our approaches, we plan to assess and verify the effect of general supporting business for nursing and daily lives, bringing our short-term concentrated prevention service.

Employee Comments

Feeling My Own Growth through Business Creation Process

With my strong will to narrow the gap between the average life span and health expectancy by supporting self-reliance for the elderly, I joined Oita from a different business division in 2019 and am now the project leader of elderly care support business. In OITA, you can obtain skills that are necessary to create businesses: proceeding projects steadily, with the vision to solve social issues as an axis. I only had experience of technology or products developments as an engineer when I joined the division, but I formed a team with those who had various experience and were having proceeded projects based on integrated innovation process. Through promoting projects, I was able to not only accumulate know-how to promote innovations but also recognize my own strength as an engineer to “change technology into values.” After starting with four members, this project has become a business department in fiscal 2021 which makes me feel that we are making this a business steadily. With the help of Oita Prefecture, we are promoting the elderly in Oita first, but we are aiming to contribute to the society by focusing on the social implementation of our system as an eco system that supports people’s health, in partnerships with more companies and municipalities.

Propelling Collaborative Creation toward New Businesses

OMRON Corporation Integrated Report 2021

In seven years since its establishment, OVC has invested in 17 startups and has been building relationships with venture capital firms in the center of the world’s innovation eco system. In fiscal 2018, OVC started to accelerate investments for startups in Israel and Silicon Valley where world-leading high-technology startups emerge, nurturing businesses and technologies. To invest in foreign companies, it is important to build connections by getting involved in networks of foreign investors. There are many entrepreneurs who work on solving social issues by innovative technologies and business ideas, and many successful entrepreneurs establish venture capital firms to support newcomers. Therefore, excellent entrepreneurs gather at world-famous venture capital firms, creating many innovations. OVC focuses on the eco system of these innovations and increases the chance to meet excellent ventures to conduct optimal investments by combining relationships with entrepreneurs and networks with venture capital firms. Moreover, with the customers and technology assets obtained from these investments, OVC aims to create more social needs through collaborative creation with IIX and other businesses of OMRON.

OMVC Investment Track Record

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<tbody>
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<td>Terrals Technologies Pvt. Ltd.</td>
<td>India</td>
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<tr>
<td>2021</td>
<td>DIMAAG-AI, Inc.</td>
<td>U.S.</td>
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<tr>
<td>2019</td>
<td>3D Media Co., Ltd.</td>
<td>Korea</td>
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<td>2019</td>
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<td>2019</td>
<td>Patients Know Best Limited</td>
<td>U.K.</td>
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Example of Collaborative Creation Projects with Investees

Patients Know Best Limited (PKB) (U.K.)

PKB provides platforms to share patients’ medical data. Electrical medical records are common in U.K., but they are not shared among hospitals. Thus, it was causing physical and financial burden for patients as they needed to repeat check-ups every time they change hospitals to visit. Also, there were other social issues such as optimization of public medical expenses. For this situation, PKB has built a medical data sharing system with high security, which patients are authorized to administrate. This enabled not only to share medical data among hospitals but also for patients to administrate own medical data. Currently, OMRON Healthcare Europe is working on connecting its healthcare app “OMRON Connect” and PKB’s system so that patients with chronic diseases can share their home data measured with OMRON’s devices with hospitals and improve efficiency of treatments.

DIMAAG-AI, Inc. (U.S.)

DIMAAG-AI provides solutions utilizing AI that can explain the estimate results, such as failure detection or machine failure estimate. It aims for renovating manufacturing processes with human, and the comprehensive system builds such as generation of AI model and re-learning after operation with data visualization in inspection area show their characteristics. While inspections by humans are more accurate but less than due to lack of labor force or COVID-19 crisis, the social issue is how to inherit experienced workers’ skills. The Inspection Systems Business Division at IAB works on introduction of AI for substrate visual inspection system and X-ray inspection system in order to support customers’ high-quality manufacturing processes. With the synergy effect of collaborative creation with DIMAAG-AI, we are working on evaluation of unmanned inspection system by introducing AI-based technologies for various scenes related to inspection operation.
OMRON’s Core Technologies: Sensing & Control + Think
OMRON has worked to strengthen the idea for its core technologies, Sensing & Control + Think, in the course of V2020. “Sensing” technology refers to the extraction of necessary on-site data. Based on the information obtained through sensing, “Control” technology provides appropriate solutions, while “Think” adds the element of human wisdom. OMRON uses these together to create value for solving social issues. In 2018, we established OMRON SINIC X Corporation (OSX) to harness advances in technologies such as AI, IoT, and robotics, and to further evolve our core technologies. In addition to our Keihanna Technology Innovation Center, which is the main base for our R&D activities, the Technology & Intellectual Property HQ also has a development base on the west coast of the United States and another in Tokyo, all of which contribute to strengthening OMRON’s corporate R&D capabilities.

Creating Value and Strengthening Our Business through Core Technologies
The Technology & Intellectual Property HQ and OSX engage in R&D to devise innovative products for our existing businesses and for new business development. In our R&D activities to strengthen existing businesses, we worked to downsize PV inverters (a key part of solar power generation systems) and develop small 3D vision sensors that can be mounted on robot arms to help compensate for labor shortages at manufacturing sites. For new business development, we have overhauled our theme-planning process and established our Integrated Innovation Process together with the Innovation Exploring Initiative HQ (IXI) to realize near-future innovation driven by social needs. This approach allows us to set themes with a great impact on both society and technology in order to realize a world where people can flourish even more. Examples would include sensing technology such as vision sensors that enable machines to better understand people and control technology enabling robots to be flexibly and easily handled. We are also working on the development of AI technologies that support human work by “reading” human intentions from large amounts of data. These highly evaluated research results have been presented at various conferences, published in a journal and adopted by IRDS,* the world’s premier academic society for robots. OMRON is also globally engaged in intellectual property creation activities such as intellectual property education for engineers and has an internal reward system for inventions, which has enhanced the company’s patent-application abilities. These efforts have garnered high praise from other organizations. OMRON was selected as one of Clarivate’s Top 100 Global Innovators 2021, which is given to the most innovative business and research organizations around the world. It marks the fifth consecutive year OMRON was named as a top innovator by Clarivate.

OMRON Corporation Integrated Report 2021

Accelerating Social Implementation of Technology with the World’s Cutting-Edge Minds
OSX recruits world-class human resources in AI and robotics technology, carrying out co-creative projects with research institutes and companies around the globe while creating near-future designs that originate from innovative technologies. By placing AI, robotics, and sensing technology at the center of our current R&D and to embody harmony between humans and machines, we are working on innovative approaches to human-machine communication and the handling of diverse data, and evolving the physical manifestations of machines. OSX has steadily built a reputation since its establishment in 2018, with papers accepted at world-class international conferences such as CVPR,*1 ICML,*2 and ICRACDA,*3 and is attracting excellent interns and researchers from all over the world. To develop the technological seeds produced by OSX into new businesses, OMRON discusses ideas with researchers inside and outside the company and is accelerating the social implementation of innovative technologies.

Research Themes
If humans and machines can interact via words, they will be able to learn in a coordinated manner, as if two humans were communicating. People can then focus on more creative activities. To that end, we are engaged in the area of vision and language research. This research involves machines expressing in natural language the surrounding conditions they have captured, and searching or generating images from natural language. Focusing on the field of informatics, I hope to revive the research and technology paradise. OSX has the potential to be at the heart of that paradise. The AI and robotics researchers gathered at OSX will continue to advance collaborations, both internally and by involving surrounding companies and universities.

An important challenge for AI technologies, especially for products and services that use deep learning, is how to get a machine to use as small a data set as possible to efficiently learn to a practical level. OSX is tackling this challenge by applying the results learned in one specific environment for learning in another environment without sharing the data itself, which enables efficient learning even with only small amounts of data dispersed in various locations. OSX has been advancing our highly original approaches by bringing together the cutting-edge AI research and the current and future needs of the real world. Going forward, we will continue to work closely with people inside and outside the company to create high-impact and universal achievements.

* Case 1
A High-Speed Sensing Technology for Robot Arms
As labor shortages at manufacturing sites become more serious, there is a need to automate the picking of randomly posted parts of various shapes during the product assembly process. OMRON therefore developed its own sensing technology in a form of small and lightweight 3D vision sensors that greatly shorten imaging times with a special detailed projection pattern, making it possible to measure and recognize objects at high speed. The sensor can be mounted on the robot arm, allowing the robot to assess parts like a human would. This sensor technology is installed in the FH-SMD Series 3D Vision System launched by Industrial Automation Business (IAB) in March 2021 and is contributing to the automation of manufacturing lines.

* Case 2
Development of a Circuit Design Technology to Suppress Noise from Electromagnetic Interference
For photovoltaic power generation, storage needs are diversifying—for example, as part of using and selling power, or as a backup during a power outage or disaster. Conventionally, we had to build a customized system according to purposes, and adding functions afterwards was costly. OMRON therefore leveraged its many years of know-how in power electronics technology to develop a multi-purpose inverter for household energy storage systems that supports additional functions simply by adding option units. This compact and large-capacity system is not limited by installation environment or available space. This inverter technology is part of our Multi-Energy Storage Platform KPBP-A, released by Social Systems Business (SSB) in October 2020 and contributes to creating a sustainable society through the spread of renewable energy.
Human Resources Management that Supports Management Based on the OMRON Principles

In order to contribute to social development through our business and to enable our Company and employees to continue growing together, it is important for each of our employees to aim higher when it comes to innovation driven by social needs and to give free rein to their can-do spirit. At OMRON, we are working to create an environment where employees with diverse personal qualities, skills, and experiences can be empowered and strive to create new value together while gaining satisfaction and a sense of fulfillment from their work.

A Human Resources Strategy Geared Toward Practice of the OMRON Principles

We believe that, in order to create innovation and solve social issues through our business, it is essential for our human resources, diverse in personal qualities, skills, and experiences, to be energized and performing to their full potential. VG2.0 has therefore included initiatives aimed at creating an environment where each employee can work toward self-development, mutually increase the value of our human resources, and fully engage in the practice of the OMRON Principles as a team. The pillars of this strategy are “Expanding the Practice of the OMRON Principles,” which will broaden the circle of empathy and resonance with the practice of the OMRON Principles and encourage new practice of these Principles; “Fostering and Recruiting Leaders,” who will embody our principles and lead our teams; and “Empowering of Diverse and Versatile Human Resources,” which will create environments where our diverse human resources worldwide can engage more enthusiastically in the practice of the OMRON Principles.

By linking a variety of measures around these three pillars, we are working to create an organizational culture within which employees worldwide can engage more enthusiastically in the practice of the OMRON Principles.

Expanding the Practice of the OMRON Principles

At OMRON, employees’ self-set goals give them a real sense of the connection between their work and the OMRON Principles and prompt them to work to promote a culture of ongoing aspiration toward putting these Principles into practice. The OMRON Global Awards (TOGA) are an initiative to share stories about how our Principles are practiced with our employees throughout the world, in the hope that these stories will resonate with them and expand the practice of these Principles. First held in 2012, TOGA are used to share entrants’ team efforts to solve social issues. Sharing these within the Company and beyond provides an opportunity to spread feelings of empathy and resonance and to give each and every employee a sense of pride and fulfillment in their jobs. (For details of TOGA, please refer to the section starting on page 69.)

Fostering and Recruiting Leaders

At OMRON, we are working at a global level to foster strong leaders who will embody the OMRON Principles and be at the forefront of leading the organization toward our target state. Our Global Core Positions and Core Human Resources Strategies are frameworks for fostering and recruiting leaders who will embody the OMRON Principles and lead and support teams of diverse human resources in further practice of these Principles. The Global Core Positions are the most important executive positions that lead the OMRON Group’s management and business. Currently, approximately 200 Core Positions have been established globally, and we are continually working to achieve timely assignment of leaders who are capable of taking on the responsibility of these positions. VG2.0 has created the necessary pipeline through the discovery of human resources suited to assume Core Positions in the future and the implementation of frameworks to foster them as successors and next-generation leaders. In addition, our commitment to increasing the percentage of non-Japanese in our overseas Core Positions brought their number to 75% in fiscal 2020, significantly exceeding our target of 66% and allowing an increasing degree of prompt decision making based on local perceptions.

Diverse and Versatile Human Resources

At OMRON, we are striving to create the right environment for our diverse and versatile human resources to be empowered and leverage their individuality and abilities to accelerate the practice of the OMRON Principles worldwide. As part of this, we are introducing our employee engagement survey, VOICE, and a global human resources management system worldwide. We aim to create an attractive organization and environment in which each employee is highly motivated to practice the OMRON Principles and is able to exercise their abilities to the full.

VOICE: Our Employee Engagement Survey

Management has been running VOICE*, an engagement survey asking for genuine feedback from all employees worldwide, since fiscal 2016. This is an initiative for OMRON’s continued sustainable development, allowing management to gauge our Company’s appeal as a workplace, understand and identify management issues, and take action to solve these issues.

* VOICE: OMRON Interactive Communication with Employee

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From fiscal 2018, we have incorporated the Sustainable Engagement Index (SEI*), which statistically examines growth in performance and the Company’s attractiveness. Our management team uses scores based on analysis of the aggregate results as well as the free comments that communicate what our employees really think to monitor issues, understand and identify monitoring outcomes as management issues, hold thorough discussions aimed at their resolution, and continue reforms. In response to the fiscal 2018 survey results, we drafted and implemented over 300 improvement measures worldwide in order to facilitate higher employee performance, including review of decision-making authority and business processes and development of IT infrastructure and various systems. Many employees gained a real sense of being able to participate in the creation of better workplaces and organizational reform through VOICE. As a result, our response rate rose to 90% worldwide in FY2020, the number of free comments increased to 40,453, and scores improved across all 15 survey categories as compared to the previous year. The introduction of VOICE has allowed employees to participate in planning organizational reform and improvement and our management team and on-site leaders to begin establishing a Working Environment Improvement Cycle.

**People**

**Global Human Resources Management System**

Our global human resources management system (G-HRMS) is an element of our IT infrastructure that provides a visualization of the skills, experiences, and aspirations of OMRON Group human resources worldwide, facilitating the building of excellent teams optimized for engaging with the practice of the OMRON Principles. In order to adopt best practices in human resources management and visualize and vitalize our diverse human resources, we are introducing a management system* that is being taken up by many global corporations, many of which will begin to put it into operation on a step-by-step basis in fiscal 2021. In fiscal 2022, the starting year of our next long-term vision, we plan to use it not only to visualize our globally distributed human resources information and make it possible to compile optimal teams based on our business strategies, but also to provide opportunities for employees to work toward realizing their individual aims and envisioned careers. Our G-HRMS will allow employees to “visually showcase” their own abilities and experiences and their diverse aspirations regarding the practice of the OMRON Principles, allowing us both to fulfill the Group’s social responsibilities and to utilize diversity to drive the Company’s development. Going forward, the OMRON Group will continue to promote the employment and empowerment of people with disabilities, which people with disabilities enjoy fulfilling lives and the rewards of work, we have worked to create job opportunities for people with disabilities, including our special subsidiary companies, OMRON Taiyo Co., Ltd. and OMRON Kyoto Taiyo Co., Ltd., in 1972, in collaboration with social welfare organization Japan Sun Industries. Since then, in order to create a society in which people with disabilities enjoy fulfilling lives and the rewards of work, we have worked to create job opportunities for people with disabilities and expand opportunities for their empowerment through our business. Today, the OMRON Group employs people with disabilities not only in our special subsidiary companies, OMRON Taiyo Co., Ltd. and OMRON Kyoto Taiyo Co., Ltd., but also in every department from Sales and Human Resources to General Affairs, Legal, and Development. Going forward, the OMRON Group will continue to promote the employment and empowerment of people with disabilities, allowing us both to fulfill the Group’s social responsibilities and to utilize diversity to drive the Company’s development.

**Progress of VOICE Response Rate/Number of Free Comments**

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2020</th>
</tr>
</thead>
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<tr>
<td>No. of questions</td>
<td>56</td>
<td>76</td>
<td>76</td>
<td>69</td>
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<tr>
<td>Response rate</td>
<td>77%</td>
<td>85%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>No. of free comments</td>
<td>-</td>
<td>7,614</td>
<td>8,496</td>
<td>40,453</td>
</tr>
</tbody>
</table>

**Actions for Future Expectations and Needs Using Our G-HRMS**

**Future Expectations and Needs**

- Steadily supply of human resources (e.g., human growth)
- Maximization of individual employee productivity (employee productivity)
- Effectively and efficiently use human resources (e.g., in our businesses’ business strategies and projects)
- Lowering of management costs

**Visualisation**

Aiming to maximize organizational outcomes through visualization of human resources information for all employees

**Actions**

- Strengthening succession development and pipeline based on our succession plan
- Developing new employees: trainings, learning, and mentoring
- Timely and accurate information (e.g., labor costs) required for appropriate decision-making
- Allocating human resources that respects employees’ career aspirations (keeping employees’ positions, etc.)

**Diversity and Inclusion**

Diversity and Inclusion will drive the evolution of our human resources strategy and power the mutual growth of our Company and employees. For OMRON, the promotion of diversity and inclusion is an important initiative that seeks to give embodiment to our philosophy of “always believing in human potential.” We promote diversity in the form of “acceptance of the diverse personal qualities and values of our diverse human resources” and inclusion as “bringing out and leveraging the abilities of our diverse human resources.” We are working to create and deliver value in order to solve social issues through our business. Our human resources are the anchors of our effort, and an abundance of diversity among them will set off new “chemical reactions,” creating diverse value and increasing the variety and number of social issues that we can confront. As part of this, OMRON has included efforts to increase the ratios of women in managerial roles and of employees with disabilities, as well as to expand opportunities to empower our diverse human resources regardless of factors such as nationality, religion, marital status, gender, sexual orientation and gender identity, and disability. In addition, we are actively promoting the hiring of mid-career employees in our Japanese businesses and have welcomed a total of 643 mid-career recruits during the four years of FY2020. Furthermore, in order to promote wide-ranging business creation geared toward the era of the new normal and construction of the foundation to support this, we will begin new recruitment activities in fiscal 2021 aimed at offering secondary or side positions external to the company possessing diverse skills and experiences.

**Strengthening Our Human Capital for Practice of the OMRON Principles over the Next Decade**

Looking forward to the next 10 years, we see significant changes ahead for the relationships between companies and employees. As Millennials, Generation Z, and further generations bring new values with them as they become the core of the workforce, mobility of human resources will gather speed and we can expect the relationship between companies and their employees to shift from the existing subordinate model to one of equality. Amid this shift, companies will be required to clearly set out the opportunities for growth and empowerment that they will provide to their employees and the results they expect. Within this context of significant change in the relationship between individual and organization, team management that brings together diverse individuals with versatile expertise and creativity and allows them to fully exercise and continually increase their abilities will be more necessary than ever for working toward innovation driven by social needs. We will therefore formulate and implement measures to build a new company–employee relationship that is fair and open, and to allow that relationship to be one of mutual choice, where the Company and our employees can continue to grow together. Specifically, in order to combine exploitation of our existing businesses and business evolution through the creation of innovation, we will take a more proactive approach going forward to new strategic requirements with regard to acquisition and fostering of human resources and optimal position assignment that allows employees to better exercise their abilities. Using the measures engaged with in VOICE2.0 as a basis, we will create environments worldwide in which our diverse human resources will, through their respective jobs (opportunities), experience job satisfaction and personal growth and can continue to perform to a high standard.

**Promotion of Diversity and Inclusion**

Diversity and inclusion will drive the evolution of our human resources strategy and power the mutual growth of our Company and employees. For OMRON, the promotion of diversity and inclusion is an important initiative that seeks to give embodiment to our philosophy of “always believing in human potential.” We promote diversity in the form of “acceptance of the diverse personal qualities and values of our diverse human resources” and inclusion as “bringing out and leveraging the abilities of our diverse human resources.”

**Diversity and Inclusion Promotion Showcase : OMRON Joins International Initiative Working to Promote Empowerment of People with Disabilities**

In January 2021, OMRON endorsed the aims and became a member of The Valuable 500*, an international initiative working to promote empowerment of people with disabilities. OMRON has long been a pioneer in promoting the employment of people with disabilities, establishing OMRON Taiyo Co., Ltd., Japan’s first welfare factory employing people with disabilities, in 1972, in collaboration with social welfare organization Japan Sun Industries. Since then, in order to create a society in which people with disabilities enjoy fulfilling lives and the rewards of work, we have worked to create job opportunities for people with disabilities and expand opportunities for their empowerment through our business. Today, the OMRON Group employs people with disabilities not only in our special subsidiary companies, OMRON Taiyo Co., Ltd. and OMRON Kyoto Taiyo Co., Ltd., but also in every department from Sales and Human Resources to General Affairs, Legal, and Development. Going forward, the OMRON Group will continue to promote the employment and empowerment of people with disabilities, allowing us both to fulfill the Group’s social responsibilities and to utilize diversity to drive the Company’s development.

*The Valuable 500 was launched at the World Economic Forum Annual Meeting in Davos in January 2019, and encourages business leaders to create the changes in business, society, and the economy that will empower people with disabilities and allow them to realize their potential.
The OMRON Global Awards (TOGA)

OMRON pursues the goal of improving society by solving social issues through our business based on the OMRON Principles. TOGA initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the entire Group across the world to ensure that all employees are aware of, and understand, the Principles, which are the source of OMRON’s strength, and to expand the circle of empathy and resonance.

**Highlights**

TOGA encourages employees to set their own goals for solving social issues with the aim of fostering a culture of ongoing aspiration toward putting the OMRON Principles into practice. We share and publicly praise the OMRON Principles practiced in everyday work and workplaces, expanding the circle of empathy and resonance in practicing the OMRON Principles.

TOGA program is ongoing throughout the year. The teams that pass preliminary selections from our organizations around the world are invited to come to Kyoto to present their initiatives for practicing the OMRON Principles at the OMRON Global Meet on May 10, the OMRON Group Founder’s Day. These teams bring back news of how other team initiatives were received to their local workplaces, sharing their experiences with their co-workers and expanding the circle of empathy and resonance throughout the world.

**Process**

TOGA is designed based on the SECI* Model of knowledge management in which the tacit knowledge of an individual is drawn out to become shared knowledge throughout an organization. OMRON engages in a cycle of setting inspirational goals, taken action, and reviewing progress to share information and encourage buy-in throughout the entire year.

**Evolution**

The number of entries per employee is rising year by year. In fiscal 2020, with participant lists counting multiple entries per person separately totaling 51,033 for 6,461 entries, TOGA has taken root as a process to share and recognize voluntary employee initiatives in practicing the OMRON Principles and is run by employees in each region worldwide. Recent years have seen an increase in initiatives aimed at practicing the OMRON Principles through cooperation across departments and with external partners in the aim of further innovation driven by social needs. The circle of empathy and resonance with the passionate desire to fight to solve social issues is also expanding beyond the Company. Approximately 200 people external to the company—including partner companies, investors, media personnel, and students—participated in our 8th TOGA Global Meet, which brought attendees together from all over the world in a live online format due to the COVID-19 pandemic.

**Example 1**

**Bionic Leg to Empower and Support Society (B.L.E.S.S.)**

(8th [FY2019] TOGA Gold Award Winner)

There are over 35 million people worldwide who have lost legs to unforeseen accidents, illnesses, and other causes, with as many as 3 million in Indonesia alone. Many prosthetic legs prioritize appearance and lack flexibility, and in many cases are painful and uncomfortable to use. Meanwhile, prosthetic legs that can move flexibly are expensive and difficult to obtain. Aulia, who works as an engineer at OMRON’s Indonesian production plant OMI, has taken a stand against this issue. Of the 2,541 employees working at OMI, 35 have disabilities. Aulia wanted to help his colleagues who had lost lower limbs. With this in mind, he assembled a team to develop the kind of accessible, flexible prosthetic leg that was then unavailable. However, the team encountered obstacles in their lack of expertise on the human gait cycle and the impossibility of procuring all of the necessary components in-house. They therefore appealed to OMI’s management team, and it was with this latter’s ready consent that the idea became a company-recognized project. Now able to receive additional support from local component manufacturers and foundations, their project was successfully developed. The prosthetic leg, combining increased functionality with a lowered price, was named the Bionic Leg to Empower and Support Society (B.L.E.S.S.), a title that encapsulates the hopes of its developers. The team received delighted feedback from a colleague who tested B.L.E.S.S. “It fits more comfortably than the prosthetic legs I’ve used before; I’m really happy with it.” The circle of empathy and resonance toward the team has expanded both within and beyond the Company, including to Indonesian universities and insurance companies, and development to further increase B.L.E.S.S.’s durability and comfort continue.

**Example 2**

TOGA feature numerous entries striving to solve social issues, even if they are not all selected for the Global Meet. The following example is an entry that won a Silver Award at the Japan Meet.

**Initiative to Achieve Smart Agriculture Through Automation of Irrigation Processes**

(8th [FY2019] TOGA Japan Meet Silver Award Winner)

The population of agricultural workers in Japan has decreased by approximately 35% over the past ten years. Aging among these workers is also becoming a social issue. The majority of Japanese agricultural crops are grown outdoors, a cultivation method which relies on the surrounding natural environment, and on-farm tasks are now failing to the elderly. Irrigation has a significant impact on crop quality and is becoming a particular burden, being highly weather-dependent and requiring adjustments in water amounts to be made while checking the state of crops on-site. This issue was taken on by Tanaka and other members of the team responsible for Sales in our Industrial Automation Business. They began development of a system to automate irrigation in collaboration with Betsukawa Corporation, a manufacturer of electrical solutions in Ishikawa Prefecture whose existing business relationship with OMRON included provision of electrical monitoring devices. Development was fraught with difficulties, with Tanaka and his team lacking the expertise necessary to judge optimal moisture content, which differs from crop to crop. However, the team members made frequent visits to farms and gained insight from farmers about leaf temperature and moisture content by touch, discovering the correlation between these two factors. They went on to produce an automated irrigation system that judges crop state in real time by quantifying moisture content while monitoring leaf temperature. Alongside evaluation of the system in multiple farms across the country, they are currently collaborating with new partners, including startups, and proceeding with testing geared toward the system’s practical application.

*SECI Model: A knowledge management mechanism proposed by Nohara, Hitotsubashi University, professor, that focuses on knowledge creation activities. Through a continuous process of socialization, externalization, combination, and internalization, organizations can take the tacit knowledge of an individual and create shared knowledge throughout the organization. Source: Hitotsubashi University, Graduate School of Management MBA Glossary.
Respect for Human Rights

As declared in the OMRON Principles, Our Values include Respect for All. In our view, Respect for All is the value that underlies all of our activities, including respect for human diversity, personality, and individuality, as well as the pursuit of a decent life and work. We believe that acting with integrity in our dealings with people at all times will lead to increased trust from society and the Company’s continued existence.

OMRON has formulated the Sustainable Conduct Policies which sets forth environmental and social issues to be addressed by the OMRON Group and policies for dealing with the issues, with reference to international norms and guidelines such as the International Bill of Human Rights. The Sustainable Conduct Policies declares that we will respect the fundamental human rights of individuals and will not engage in discrimination or human rights violations for any reason. To this end, we will also respect the United Nations Guiding Principles on Business and Human Rights and are working to fulfill our corporate responsibility to respect human rights through establishing procedures (human rights due diligence) for identifying, preventing, mitigating, and rectifying negative impacts on human rights.

OMRON set respect for human rights and labor practices as one of our sustainability initiatives in fiscal 2017. Since then, we have been working to establish human rights due diligence processes and pursuing human rights risk analysis and rectification in all of our production locations. In fiscal 2020, we completed our goal of investigating and analyzing human rights and labor practices at all our production locations. In locations with issues, we have investigated measures to be taken and are implementing corrective actions. These initiatives are not limited to OMRON employees but are also being extended to employees of temporary employment agencies and contractors. We are also commencing their worldwide roll-out. Our initiatives to date will be carried forward as key issues from fiscal 2021 onward, and we will continue our efforts to strengthen them.

Due Diligence for Human Rights

OMRON Group Environmental Policy

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of "contributing to a better society," and is proactively working to address global issues such as climate change and resource recycling. Under the V2G.0, OMRON has been strengthening environmental initiatives in accordance with its corporate environmental vision and policy. In our next long-term vision for 2030, which is currently under consideration, we will further enhance our environmental initiatives by positioning our response to the challenges of climate change and resource recycling as one of the most important issues for OMRON to address.

Environmental Vision: Green OMRON 2020

In the Environmental Vision Green OMRON 2020, we have set six environmental targets to be achieved by fiscal 2021 (recognizing fiscal 2021 as a period for business reform due to the impact of the COVID-19 pandemic, we changed the target year of Green OMRON to fiscal 2021). We are on track and expect to achieve all of the targets by fiscal 2021. The targets are driven by the OMRON environmental vision: reduction of greenhouse gas (GHG) emissions, proper management and reduction of hazardous substances, reduction of waste, prevention of air and water pollution, effective use of water resources, and promotion of environmental management. In particular, we have designated reducing GHG emissions and properly managing and reducing hazardous substances as company-wide sustainability issues (materialities), and have been making focused efforts on these issues in line with goals set in fiscal 2017.

To reduce GHG emissions, OMRON set the OMRON Carbon Zero target in July 2018, which aims to reduce GHG emissions to zero by 2050. Since then, we have been working to reduce GHG emissions by intensively conserving energy and promoting the use of renewable energy. In the next long-term vision, we will further strengthen and accelerate our efforts.

Disclosure of Climate Change-Related Information based on TCFD*

OMRON recognizes that climate change will impact our future sustainable growth. We are engaged in the following framework, using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for which we declared our support in February 2019.

*Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB)

Governance

OMRON has designated responding to climate change as one of the key sustainability issues under V2G.0. We are carrying out specific initiatives in accordance with annual targets and plans approved by the Sustainability Committee and the Executive Council. These initiatives are monitored and supervised by the Board of Directors, based on reports on their content and progress. Part of the medium-to-long-term, performance-linked compensation for internal directors and executive officers incorporates evaluations based on sustainability indicators (including response to climate change) evaluated by third parties. In fiscal 2021, we added progress toward our GHG emissions reduction target to these indicators.
Strategy
Under the V2.0 medium-term management plan and the next long-term vision up to 2030, OMRON has identified energy solutions that contribute to the realization of carbon neutrality as one of our business opportunities for the creation of social value. Against this backdrop, in fiscal 2020, we conducted scenario analysis for our energy solutions business, which operates within the business domain of Social Solutions and provides products and services that directly contribute to the realization of carbon neutrality. Based on a scenario in which decarbonization and the creation of a circular economy will accelerate, we identified key risks and opportunities and possible countermeasures. With climate change and resource recycling as a starting point, we are now making efforts to create new solutions and reuse products. One example of these efforts is the Power Continue, a fixed-rate rental service for PV inverters, launched in fiscal 2021 in collaboration with Tokyo Century Corporation. In fiscal 2021, we will also carry out scenario analysis based on multiple climate change scenarios for our Industrial Automation Business, Electronic and Mechanical Components Business, and Healthcare Business. In response to the key issues in our next long-term vision, we will examine ways to maximize business value while taking climate change into account, and utilize the results of this examination to consider business strategies for the next medium-term plan. Going forward, OMRON will continue to take a firm stand against highly uncertain climate change risks through scenario analysis, and continue to practice resilient management.

Risk Management
Under its integrated management structure, OMRON manages risks that have a significant impact on management and finances as key management risks. Climate change risks are also identified as key risks for the Group, and risk management and countermeasures are implemented. We collect and analyze a wide range of information on risk factors such as regulations relating to climate change and their impact on business, by conducting audits of environmental legal compliance assessment globally, assessing vulnerability of each site to natural disasters (flooding, torrential rain, water shortages, etc.) which are expected to increase in scale and frequency as a result of climate change, and making preparations for business continuity.

Indicators and Targets
OMRON has designated GHG emissions as an indicator for climate change, and has set the OMRON Carbon Zero target, which aims to reduce GHG emissions to zero by fiscal 2050. Using the Scope 1 and 2 GHG emissions quantities of fiscal 2016 as a baseline, we backcast from fiscal 2050 to set reduction targets for fiscal 2030 and fiscal 20201, and are promoting various reduction efforts to achieve these goals. Specifically, in fiscal 2018, we began procuring electricity from renewable energy sources in Japan. In fiscal 2019, we started Analysis of Energy Conservation Potential2 for our operating sites in Asia-Pacific, which is the second largest energy-consuming region after Japan and China. At our Indonesia Plant, we identified scope for energy conservation equivalent to 23% of its annual energy consumption and are implementing measures under the medium-term energy conservation plan. In fiscal 2020, in addition to promoting energy conservation measures at each site and installing new solar power systems, we conducted analysis of energy conservation potential remotely at our Malaysia Plant, where energy consumption was high. As a result of these efforts, we reduced GHG emissions to 124 thousand ton-CO2 on a company-wide basis in fiscal 2020, a 50% reduction compared to fiscal 2016. OMRON will continue its efforts to reduce greenhouse gas emissions, aiming to reduce the emissions to zero by 2050.

Currently, we are considering setting new targets, including for Scope 3, for the next long-term vision.

*1 Greenhouse gas emissions calculated from sales forecasts, including the Automotive Electronic Components Business (AEC) that was sold off in October 2019. In considering targets to align with the SBT criteria in fiscal 2017, we set 2016, the year of the latest values, as the reference year. SBT: Science-Based Targets. (Consistent, lower than long-term targets for reducing greenhouse gases)

*2 OMRON’s unique approach to identifying energy loss risks and opportunities for improving energy efficiency at production locations, formulating specific measures with estimates of impacts and costs

### GHG Emissions in Fiscal 2020

<table>
<thead>
<tr>
<th>GHG emissions (thousand ton-CO2)</th>
<th>Decrease of AEC Business</th>
<th>Withdraw from Backouts Business</th>
<th>Use of renewable energy</th>
<th>Energy conservation efforts</th>
<th>Other</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>FY2016 (Baseline)</td>
<td>250</td>
<td>20</td>
<td>22</td>
<td>22</td>
<td>37</td>
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<td>FY2020 (Projection)</td>
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<td>22</td>
<td>22</td>
<td>37</td>
<td>90</td>
<td>124</td>
</tr>
</tbody>
</table>

-50% from FY2016

Specific Initiatives to Achieve OMRON Carbon Zero
Most of the GHG emitted from OMRON’s business operations comprise CO2 derived from electricity usage. Our activities to achieve “OMRON Carbon Zero” are therefore centered around two pillars: implementing wide-scale energy conservation and promoting the switch to renewable electricity.

Promoting Renewable Energy Tailored to Each Site
To increase the use of renewable energy, OMRON has installed solar power systems at its operating sites and promoted the procurement of carbon-free electricity. In preparation for the installation of solar power systems at the Company’s sites, we toured the premises of each site to conduct feasibility studies, including into sufficient roof sturdiness and space to install solar panels. By fiscal 2020, we had installed solar power systems at six sites in Japan: Yasu and Kusatsu (Shiga Prefecture), Katsuragawa (Kyoto Prefecture), Matsuoka (Mie Prefecture), Okayama Prefecture, and Oita Prefecture. As for the procurement of CO2-free electricity, we began purchase of electricity derived from renewable sources in 2018 for sites in the Kansai region and in 2019 for those in the Kanto region, covering a total of 10 sites in the Kansai and Kanto areas. These efforts have been implemented overseas as well, and we began procuring electricity derived from wind power at our site in the Netherlands in 2017. In China, our local sites are taking measures to generate “return on investment” optimized for their individual situations, such as procuring electricity derived from solar power systems installed by local power companies on our own premises.

Employee Comments
**Responding to Climate Change and Contributing to the Realization of a Sustainable Society**
Our current business activities presuppose a sound global environment. As a company, we must implement measures to protect the environment in a comprehensive and systematic manner, with consideration for our business circumstances. In particular, we recognize that addressing climate change is critical. As part of our response, we have set a target of reducing GHG emissions. We are well ahead of our target at this point, yet we will continue to further our efforts and hope to contribute to the realization of a sustainable society.

Thorough Implementation of Energy Conservation Starts with Thorough Analysis
In the summer of 2018, OMRON conducted Analysis of Energy Conservation Potential in cooperation with OMRON FIELD ENGINEERING Co., Ltd. (OFE), a Group company engaged in energy operations and facility improvement. The Analysis was carried out at 13 sites—mainly Japanese production locations with high levels of energy consumption—as a preliminary step toward thorough energy conservation. Through this analysis, we identified energy loss risks and opportunities for energy efficiency, formulated specific measures, and estimated the effects and costs of these measures, thereby exploring the potential for energy conservation at each site. As a result, it became clear that the investigated sites had already taken standard energy-saving measures, and that site-specific measures needed to be taken to further reduce energy consumption. In response to this situation, OFE utilized the energy rationalization expertise it has cultivated over the past 10 years to analyze the sites’ differing energy use patterns from various angles and create maximally effective solutions. For example, at production locations that generate large amounts of heat during the manufacturing process, such as semiconductor manufacturing, we implemented $2 million worth of energy-saving measures tailored to the business environment, including the reuse and efficient utilization of heat that had previously been discarded.

Employee Comments
**Precise Understanding of On-site Interviews is Key**
When conducting energy diagnostics of a production site, precisely understanding the operation of the facility through on-site interviews is vital. It was very difficult to move forward while eliminating the various risks produced by the new measures, such as operational reviews and the resulting impacts on production quality.
Round Table Discussion on Corporate Governance

Enhancing Sustainable Corporate Value through Strengthening the Effectiveness of the Board of Directors

Fumio Tateishi  Eizo Kobayashi

OMRON’s Ever-Evolving, Unique Initiatives toward Improving the Effectiveness of the Board of Directors

— How would you view OMRON’s initiatives to improve the effectiveness of the Board of Directors?

Tateishi: OMRON has taken a unique approach to enhancing oversight functions of the Board over 25 years. To further strengthen the functions, in 2015, we launched the initiative of “evaluating the effectiveness of the Board of Directors” conducted by the Corporate Governance Committee comprising only Outside Directors and Outside Audit & Supervisory Board Members. The perspectives of Outside Executives who are also members of the Board of Directors ensure that evaluations are not only objective but also effective. I believe this system works more effectively for OMRON than evaluations by third parties.

Kobayashi: It is very important to evaluate how much a board of directors is fulfilling its expected responsibilities. That’s why many listed companies have evaluated their effectiveness as is also required by Japan’s Corporate Governance Code. In many companies, a board of directors or a third party takes the lead in such evaluations. On the other hand, OMRON’s initiative, which allows a committee comprising only Outside Directors and Outside Audit & Supervisory Members to perform evaluations, is very unique from the perspectives of both objectivity and effectiveness, as Mr. Tateishi pointed out.

Tateishi: The Board discusses and determines the operational policy and focus themes for the upcoming year based on the evaluation results by the Committee. We have continued to improve the effectiveness of the Board of Directors through these two mechanisms: evaluations by the Corporate Governance Committee, and the determination of the operational policy and focus themes by the Board of Directors.

How to Improve the Effectiveness of the Board of Directors

— What specific measures has OMRON taken to increase the effectiveness?

Kobayashi: It is noteworthy that evaluations by the Committee have improved year by year. Specifically, OMRON’s Integrated Report increased the number of pages describing its initiatives to improve the effectiveness from one and a half in 2016 to five in 2020. In addition, the Board identified the current issues after analyzing discussions on the focus themes, and shared them with stakeholders in the Integrated Report 2021. The Committee has rated the Board as highly effective for its efforts to solve the issues recognized through such discussions. The Committee sometimes judges the Board from a strict perspective and requires it to take remedial measures, but the Board humbly listens to the Committee and seriously addresses the issues. As the Committee chairman, I have a real feeling that the Board is a place for in-depth discussions.

Tateishi: The Board determines the operational policy and focus themes based on the results of evaluations by the Committee. As a result of our efforts to enhance the Board’s effectiveness every year, its functions as a monitoring board have improved, while the ratio of discussions on medium- and long-term issues increased to 70%. I expect that by sharing medium- and long-term issues raised by the Board as an oversight function with Executive Officers led by President and CEO, the quality of management and the speed of decision-making process will increase more than ever.

Kobayashi: The Committee assesses the Board based on questionnaire-style self-evaluations by Directors and Audit & Supervisory Board Members. The self-evaluations, formerly a once-a-year requirement, have been performed immediately following each Board meeting since fiscal 2019. In addition, since fiscal 2021, Outside Executives have conducted reviews of Board meetings right after their closing. This immediate review allows us to share our afterthoughts and opinions unuttered during the meeting and encourages us to lead deeper and better discussions at future meetings. As a result, we can have more in-depth discussions in the evaluations at the end of the fiscal year, which I believe leads to improved evaluation content. OMRON’s Outside Directors and Audit & Supervisory Board Members are very unique for their wide variety of experience, careers, and insights. We can say that the effectiveness of the Board of Directors has been improved by these members who can speak out without restraint or conjecture.

Tateishi: When it comes to the diversity required for a board of directors, OMRON has an extremely diverse group of directors with a wide variety of experience and expertise. All of them are socially-conscious and ready to discuss strategies for the future. The Effectiveness of the Board has steadily improved through free and open-minded discussions, various initiatives for effectiveness evaluations, and the evaluations-based decision-making process for operational policies and focus themes for the following year.

Focus Themes for Improving Corporate Value

— Could you tell us about how the Board of Directors determined its focus themes for fiscal 2021?

Tateishi: In the first theme of “completion of the next long-term vision and determination of the next medium-term management plan,” we attach more importance to completing the long-term vision. OMRON formulated its first long-term vision in 1991, and this will be the fourth one. While a long-term vision is becoming increasingly important in this era of uncertainty, there aren’t many companies that have been working on a long-term vision over 30 years. OMRON is characterized by its ever-evolving approach to formulating a long-term vision. In
Governance

addition to the conventional forecasting method envisioning the future starting from the present, OMRON also adopted a backcasting approach that allows us to start with defining what a society should be, and then create a roadmap to the ideal future. By using these approaches, designed to identify necessary factors to fill the gaps between ideals and reality, we can discuss how to reach the goal. In preparation for formulating the next long-term vision, the Board presented executives with five points of view for their supervising operations, including responses to the new normal era post COVID. This is exactly what the “new OMRON” should be in the post-COVID era. I believe it is also important for the Board to show this course of direction to executives.

Kobayashi: The biggest challenge in realizing the long-term vision is probably human resources. We need to create a roadmap by actively adopting various external insights, including those from the outside directors and open innovation. OMRON is developing human resources who can play a leading role in fulfilling the vision. However, unlike other management resources, we can’t utilize human resources as they are. As competition for talents is intensifying in the face of a declining population, we need to formulate a long-term plan and make an investment in order to attract and develop talent from all over the world.

Tateishi: I completely agree. The kind of human resources required for realizing the ideal society in 2030 or even further in the future is surely different from those needed today. I think it is the responsibility of the Board to not only actively discuss this challenge but also monitor whether the human resources strategy is being executed appropriately.

Kobayashi: When I look at OMRON as an Outside Director, I actually feel that a culture of challenging something new has been steadily instilled throughout the organization. I think employees’ enthusiasm for TOGA is a successful example. Their passionate and statements such as “Yes, we can!” and “nothing impossible” always remind me the need for the Board to engage in discussions that respond to this.

Tateishi: As the second focus theme, we designated “response to increasing geopolitical risks,” as was done in fiscal 2020. Currently, there are many conflicts all over the world, triggered by environmental problems, climate change, human rights, and other issues. We need to not only manage geopolitical risks to avoid possible impacts on our business performance but also to see the risks as opportunities to solve increasingly serious social issues. We require executives to contribute to creating a better society by emphasizing respect for all, one of our important values declared in the OMRON Principles.

Kobayashi: As you mentioned, we need two perspectives: how to enhance our resilience to any changes to persistently carry on our business even in a state of crisis, and how to negotiate new challenges of the post-COVID era to move on to the next stage of growth. We also need to steadily make progress in the third focus theme, “checking the progress of establishing a companywide IT system.” I believe that it is essential to raise the overall level of our IT system by one level or two with the aim of speeding up the decision-making process and implementing resilient, lean, and effective management on a global scale.

Board of Directors Operational Policy and Focus Themes for Fiscal 2021

To enable the OMRON Group to achieve a drastic increase in corporate value over the next 10 years, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives.

Focus Themes

- Completion of the next long-term vision and determination of the next medium-term management plan
- Points to be supervised
  - Response to the new normal era post COVID
  - Initiatives for key sustainability issues
  - Transformation of business model and acceleration of innovation
  - Reform of human resources management
  - Strengthening resilience
- Response to increasing geopolitical risks
- Checking the progress of establishing a companywide IT system

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A Virtuous Cycle Brought by Practice of OMRON Principles and Promotion of Sustainability

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The revised Corporate Governance Code requires companies to proactively address sustainability issues and appropriately disclose their initiatives. Could you tell us about OMRON’s sustainability initiatives?

Tateishi: Since its foundation, OMRON has operated under the principle of contributing to future social development through its business. Prior to the revision of Japan’s Corporate Governance Code, we had already set 11 sustainability goals based on the OMRON Sustainability Policy formulated in 2017, and promoted our own initiatives. As of 2017, we incorporated the sustainability goals into our medium-term management plan because we were in the middle of our long-term vision. This time, we set the sustainability goals in the new long-term vision from the beginning.

Kobayashi: While most companies advocate sustainability nowadays, there are differences in their initiatives. Under these circumstances, OMRON has been committed to integrating sustainability into its management in order to realize the sustainable enhancement of corporate value. I’m confident that these efforts will have a positive impact on society. Because OMRON cannot solve all social issues by itself, it is also important for OMRON to actively convey its messages to society as an opinion leader.

Tateishi: OMRON emphasizes the importance of innovation driven by social needs, so it is no exaggeration to say that the implementation of corporate principles and promotion of sustainability are synonymous. While heightening non-financial value by promoting sustainability, we will also increase our financial value by solving social issues thorough our business. I believe that we can create a virtuous cycle for the further enhancement of corporate value by pursuing these two goals. The Board of Directors will strive to continue to improve its effectiveness in order to fulfill the mission toward the sustainable enhancement of corporate value.
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OMRON Corporation Integrated Report 2021

Advanced Compensation Governance for Improving Corporate Value

Takehiro Kamigama

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

Characteristics of OMRON's Management

Mr. Kamigama, you were appointed as an Outside Director of OMRON in 2017. Could you tell us about the characteristics of OMRON's management?

I can say that the strength of OMRON's management is, in a nutshell, the balance of capital efficiency-oriented ability to constantly earn profits, as represented by ROIC management, and faithful management focusing on the OMRON Principles.

Firstly, OMRON's earning capacity is characterized by its business operations emphasizing gross profit margin. OMRON's gross profit margin rose from 36.8% in fiscal 2011 to 45.5% in fiscal 2020. It is noteworthy that all departments, including the ones of development, purchasing, production, logistics, and sales, have been working together as a company to improve gross profit margin, an indicator showing the essence of corporate earning capacity. In order to continuously increase the gross profit margin, which usually reaches a limit at a certain level, companies must carefully control their selling prices and costs, and improve their product portfolios. I believe that OMRON will be able to further enhance its profitability by focusing on service-based or recurring businesses rather than goods-based ones to shift its business model to one capable of adapting to ever-changing social needs.

Secondly, to survive this rapidly-changing and complicated era, we need principles or a compass as support for management decisions. My position as an Outside Director of OMRON reminds me of the importance of such principles. In particular, I’ve been giving my attention to the structure for implementing the OMRON Principles, and the ability to disseminate its messages both inside and outside OMRON. Every year, OMRON holds TOGA to share stories of employees practicing the OMRON Principles in daily operations. TOGA encourages employees from all over the world to team up, set their own goals, and share their thoughts, activities, and results throughout the entire Group, which results in expanding the circle of empathy and resonance. Since assuming office as an Outside Director, I have attended TOGA events in Japan and overseas to witness new social issue-based services and businesses. I am impressed that TOGA, the source of OMRON's ability to create new businesses and of employees' high motivation in their work, is a best practice for sustainable management that is required in the SDGs era. In addition, OMRON formulates its 10-year vision to solve social issues based on the SINIC Theory, a managerial compass, with the aim of contributing to a better society. OMRON enhances its value by reviewing results and issues to formulate a new 3- or 4-year medium term management plan that is released three times during a 10-year long-term vision period. This is indeed a great initiative to autonomously implement management and business operations required by Japan's Corporate Governance Code, including ESG management, in order to meet the expectations of all stakeholders.

Could you tell us about OMRON's compensation governance?

OMRON emphasizes compensation governance for two reasons. The first reason is to motivate directors to achieve the 10-year long-term vision targets in order to realize the sustainable enhancement of corporate value. Specifically, the results of the short- and medium-term management plans formulated based on the long-term vision are linked to compensation for directors, which leads to further sustainable improvement of corporate value. The second reason is to not only to ensure the transparency and objectivity of the compensation structure for directors through disclosure of the structure but also to promote better understanding of OMRON's management among stakeholders. In this sense, we consider the disclosure in this Integrated Report as part of our compensation governance.

Overview of Compensation Structure for Directors

Please tell us an overview of the compensation structure for directors.

The current structure was established in fiscal 2017. This structure aims to reflect the perspectives of all stakeholders, including shareholders, in OMRON's management. By clarifying a linkage between the directors' remuneration and improved corporate values (business value, shareholder value, and social value), we motivate directors to achieve the targets of the medium-term management plan. We also maximize their motivation to contribute to the sustainable improvement of corporate value by encouraging them to hold the company's stock. Specifically, compensation for directors consists of a base salary, or fixed compensation; short-term performance-linked compensation (bonuses) that varies depending on the company's performance; and medium-to-long-term, performance-linked compensation (stock compensation). When determining base salaries, to ensure objectivity, we refer to those of over 100 major Japanese companies that have been surveyed by an outside organization. We also determine the ratio of performance-linked compensation to base salary according to each director's position and role. For example, the ratio for President and CEO is 1 : 1 : 1.5 (base salary : bonuses : stock compensation). We adopted this relatively high composition ratio of performance-linked compensation after referring to the levels in Europe and the U.S.

In fiscal 2021, we revised the evaluation items and criteria for medium-to-long-term, performance-linked compensation (stock compensation) that is linked to the degree of achievement of performance targets in the medium-term management plan. Stock compensation comprises performance-linked component (60%), linked to the degree of achievement of the medium-term management plan. Stock compensation comprises performance-linked component (60%), linked to the degree of achievement of the medium-term management plan, and the non-performance-linked component (40%), which aims for director retention and motivation to improve share prices over the medium-to-long-term, and is paid under the condition of a certain term of service.

What are the aim and approach for revising the compensation structure for directors?

The aim is to further motivate directors to achieve the targets of the next long-term vision and medium-term management plan. In addition, we need to improve the compensation structure whenever the management policy is required to be revised in accordance with changes in the business environment and stakeholder expectations. I feel...
proud that the former structure, revised in fiscal 2017, was also an advanced one for its initiatives such as the introduction of sustainability evaluation. Our 4-year experience after the previous revision helped us to further improve the structure.

— What are the key points of the revised compensation structure?

This time, we revised mainly medium-to-long-term, performance-linked compensation (stock compensation). It will now be evaluated using three items, which are financial targets evaluation, corporate value evaluation, and sustainability evaluation to calculate the amount of stock compensation by using these items that have their own set evaluation weights. Firstly, we set the highest evaluation weight of 60% for financial targets evaluation. Secondly, we newly adopted corporate value evaluation with its weight of 20%, for the purpose of maximizing our corporate value in the next long-term vision. Thirdly, we allocated 20% to the weight of sustainability evaluation, with the aim of not only promoting the implementation of the OMRON Principles, our most important values, but also further reflecting the expectations for the SDGs and the importance of sustainability. The weight of sustainability evaluation is relatively high compared to other companies, making it one of OMRON’s features.

— Could you give us more details of those three evaluation items? Firstly, please tell us about the financial targets evaluation.

We removed net sales from the KPIs of the financial targets evaluation, which until now had been net sales, EPS, and ROE. Before reaching this decision, we had many heated discussions in the Compensation Advisory Committee. While some members pointed out that net sales are important for the manufacturing industry and that removing net sales could reduce employee awareness of business growth, there were various other views such as the need to focus on profits rather than net sales, and the inappropriateness of pursuing continuous sales growth in a rapidly changing business environment. In the process of discussions, we invited the President and CEO to the Committee meetings and asked him to explain the policy of the executives that aim to transform our business model from a product-based one by increasing the ratio of service and recurring businesses in the next long-term vision. Unlike the previous long-term vision and the VG2.0 medium-term management plan that were sales growth-oriented, the next long-term vision will give priority to maximizing corporate value as our management target. For this reason, the Committee members finally reached a unanimous decision to remove net sales from the KPIs.

— Next, please tell us about corporate value evaluation.

Medium-to-long-term, performance-linked compensation (stock compensation) aims to heighten director motivation to contribute to the sustained improvement in corporate value from the same perspective as stakeholders, including shareholders. Actually, OMRON’s stock price rose from 4,885 yen (closing price on March 31, 2017) to 8,640 yen (closing price on March 31, 2021) during the 4-year period of the previous VG2.0 plan. This increase of 77% was far above the 29% rise in the Tokyo Stock Price Index, well known as TOPIX, during the same period. On the other hand, we didn’t have any KPIs to evaluate the improvement of corporate value. For this reason, we introduced a new KPI named relative TSR, an indicator that compares OMRON’s total shareholder return (TSR) in the covered period to the percentage change of the TOPIX Total Return Index. The use of relative TSR, which can evaluate increases or decreases in TSR by using the TOPIX Total Return Index as a benchmark, allows us to appropriately reflect the improvement of corporate value in compensation.

— What about sustainability evaluation?

OMRON’s management is based on practicing the OMRON Principles that aim to create a better society by solving social issues through our business. For this reason, we adopted sustainability evaluation when introducing medium-to-long-term, performance-linked compensation in fiscal 2017. At that time, as there were only a few companies using sustainability evaluation for director compensation, we adopted only a third-party evaluation to ensure objectivity in our first attempt. On the other hand, for this revision, we introduced the new KPIs of “reduction of greenhouse gas emissions” and “score of Sustainable Engagement Index (SEI)” in engagement survey, as our internal targets, in addition to the existing third-party evaluation. In ESG management, Environment and Social particularly contribute to OMRON’s growth as well as attract the greatest interest from our stakeholders. That’s why we adopted E- and S-related indicators. In addition, the revision of sustainability evaluation is based on insights obtained through dialogues and engagement with institutional investors. We will strive to enhance the effectiveness of our compensation structure for directors through dialogues and engagement with our stakeholders.

1) Survey measuring employees’ voluntary motivation to contribute to targets of the organization
2) Survey measuring employees’ voluntary motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

— Please tell us about the Compensation Advisory Committee that discussed and deliberated the revision of the compensation structure for directors.

The Committee is made up of three Outside Directors, including myself as the Chairman, and two Internal Directors, all of whom have diverse business experience and conduct discussions from various perspectives. For example, the Committee had held a meeting to discuss and deliberate the revision every month since October 2020 until we completed its design in February 2021. In each of these five meetings, we took about an hour to deliberate it thoroughly.

— Lastly, could you tell us about your thoughts for the future?

I believe that the revised compensation structure covers all themes stakeholders currently expect of corporate management. In particular, I’m convinced that medium-term-long-term, performance-linked compensation (stock compensation) will be highly regarded as a good practice. On the other hand, I think OMRON has other management issues to address, such as how to accelerate innovation to design the next growth engine, and how to promote diversity by increasing the ratio of female executives and managers in Japan as well as of non-Japanese managers overseas. As an Outside Director, I will strive to actively contribute to sustainably increasing OMRON’s value through monitoring and supervising in the Board of Directors in addition to activities in the Compensation Advisory and other committees.

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

<table>
<thead>
<tr>
<th>Performance-linked portion</th>
<th>Base amount for each position</th>
<th>Evaluation weight</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial targets evaluation</td>
<td>60%</td>
<td>- EPS</td>
<td>- ROE</td>
</tr>
<tr>
<td>Corporate value evaluation</td>
<td>20%</td>
<td>- Relative TSR*1</td>
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</tr>
<tr>
<td>Sustainability evaluation</td>
<td>20%</td>
<td>- Reduction of greenhouse gas emissions (internal target)</td>
<td>- Score of Sustainable Engagement Index (SEI)** in engagement survey*2 (internal target)</td>
</tr>
</tbody>
</table>

*1 Indicator that compares total shareholder return (TSR) of OMRON in the covered period to the percentage change of TOPIX Total Return Index

** Survey measuring employees’ voluntary motivation to contribute to targets of the organization

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

<table>
<thead>
<tr>
<th>Performance-linked portion</th>
<th>Base amount for each position</th>
<th>Evaluation weight</th>
<th>Performance score (Net sales 30%, EPS 10%, ROE score)</th>
<th>Sustainability evaluation</th>
</tr>
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Corporate Governance

Basic Stance for Corporate Governance

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

OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies* based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 20 years formalizing and strengthening our framework of corporate governance.

We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.


Corporate Governance Initiatives

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2003</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board of Directors / CEO</td>
<td>President served as both</td>
<td>2003: Chairman serves as chair of the Board of Directors; president serves as CEO</td>
<td></td>
</tr>
<tr>
<td>Outside Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (Independent)</td>
<td>30 directors</td>
<td>2003: Two outside directors (seven directors)</td>
<td>2015: Three outside directors (eight directors)</td>
</tr>
<tr>
<td>Advisory Board</td>
<td>1999: Advisory Board</td>
<td>2000: O: two outside directors (seven directors)</td>
<td>2001: Three outside directors (eight directors)</td>
</tr>
<tr>
<td>Advisory and Other Committees</td>
<td>1996: Management Personnel Advisory Committee</td>
<td>2000: Personnel Advisory Committee</td>
<td></td>
</tr>
<tr>
<td>Corporate Philosophy</td>
<td>1999: Corporate Motto</td>
<td>2000: O: two outside directors (seven directors)</td>
<td>2015: Three outside directors (eight directors)</td>
</tr>
</tbody>
</table>

Fiscal 2021 OMRON’s Corporate Governance Structure

OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. OMRON has separated the management oversight and business execution functions within the company, creating a system whereby the majority of Board Directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one-third of the total number of directors on the board.

To increase objectivity on behalf of the Board of Directors, the titles and roles of chair of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority.

OMRON has established several advisory committees to enhance the oversight functions of the Board of Directors. These committees include the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The Personnel Advisory Committee, the CEO Selection Advisory Committee, and the Compensation Advisory Committee are all chaired by outside directors with at least half of the committee members being outside directors. The CEO is not a member of any of these committees. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit & Supervisory Board. This structure offers another layer of transparency and objectivity to the decision-making process.

In these policies, OMRON has created a hybrid governance framework that combines the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee. Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2020 at a rate of 100% and 96.2%, respectively. Outside members had an attendance rate of 96.2% at the 13 meetings of the Audit & Supervisory Board.

Corporate Governance Framework

OMRON Corporation Integrated Report 2021
**Director Compensation**

**Compensation Policy for Directors**

- **Basic Policy**
  - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
  - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
  - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

- **Structure of Compensation**
  - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company’s performance.
  - The compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director’s role and responsibility.

- **Base Salary**
  - The amount of a base salary, paid monthly, shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
  - As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid as a lump sum after the conclusion of the fiscal year.
  - Performance-linked compensation is paid after the medium-term management plan concludes, while the non-performance-linked component shall be paid after the Director retires.

- **Performance-Linked Compensation**
  - The Company shall determine the target amounts for short-term performance-linked compensation and medium-to-long term performance-linked compensation based on the target pay mix specified according to each director’s role and responsibility.

**Overview of Compensation Structure for Directors (From fiscal 2021)**

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

   - **Base Salary**: Non-executive Directors: 5, Outside Directors: 3
   - **Short-term Performance-linked Compensation (Bonuses)**: Non-executive Directors: 2, Outside Directors: 5
   - **Medium-to-long-term, performance-linked compensation (stock compensation)**: Non-executive Directors: 1, Outside Directors: 4

   *Referring to Representative Director, President and CEO

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

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

4. **Medium-to-long-term, performance-linked compensation (stock compensation)**
   - Stock compensation is paid as medium-to-long-term, performance-linked compensation to Executive Officers and Directors excluding Outside Directors. Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the non-performance linked component (40%), which aims for retention and motivation to improve share prices over the medium-to-long term, and is paid under the condition of a certain term of service. The performance-linked component of stock compensation is paid after the medium-term management plan concludes, while the non-performance-linked component is paid after the Director retires. The performance-linked component will fluctuate in the range of 0% to 200% depending on the degree of achievement of performance targets in the medium-term management plan.

5. **Performance indicators of performance-linked compensation**
   - Short-term performance-linked compensation (bonuses) sets indicators to evaluate profitability and efficiency for the achievement of the short-term management plan based on the medium-term management plan.
   - Medium-to-long-term, performance-linked compensation (stock compensation) sets indicators to evaluate profitability and efficiency from a financial perspective, improved corporate value compared to the stock market from a corporate value perspective, and sustainable management from a non-financial perspective for the achievement of the medium-term management plan.
Governance

Initiatives Towards Improving the Board of Directors’ Effectiveness

Status of Initiatives Towards Improving the Board of Directors’ Effectiveness

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and strives to boost the OMRON Group’s competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the oversight functions of Board of Directors through initiatives for improving its effectiveness.

Such initiatives are undertaken in a cycle of (1) evaluation of Board of Directors’ effectiveness, and (2) determination of the operational policy and focus themes of Board of Directors and formulation and implementation of annual plans.

(1) Evaluation of Board of Directors’ effectiveness

The Company’s evaluation of Board of Directors’ effectiveness is conducted by Corporate Governance Committee chaired by a Director (Independent) and comprising only Directors (Independent) and Audit & Supervisory Board Members (Independent) (hereinafter “Outside Executives”). Outside Executives act as members of Board of Directors while having the perspectives of third parties.

Corporate Governance Committee has evaluated these initiatives to be the Company’s unique, optimal activities that are both objective and effective.

The Company continues to improve Board of Directors’ effectiveness by implementing (1) and (2) above on a yearly basis. Corporate Governance Committee has evaluated these initiatives to be the Company’s unique, optimal activities that are both objective and effective. Board of Directors recognizes the Company’s initiatives as being more effective than evaluations by third parties.

(2) Determination of the operational policy and focus themes of Board of Directors and formulation and implementation of annual plans

Based on the evaluation results by Corporate Governance Committee in (1) and the business environment, etc., Board of Directors determines its operational policy and focus themes for the next fiscal year. Board of Directors formulates and implements annual plans based on this operational policy.

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and free comment fields.

The Company continues to improve Board of Directors’ effectiveness by implementing (1) and (2) above on a yearly basis. Corporate Governance Committee has evaluated these initiatives to be the Company’s unique, optimal activities that are both objective and effective. Board of Directors recognizes the Company’s initiatives as being more effective than evaluations by third parties.

Initiatives Towards Improving the Board of Directors’ Effectiveness

Fiscal 2021

Evaluation of the Board of Directors’ Effectiveness for Fiscal 2020

The methods of the evaluation of Board of Directors’ effectiveness and the evaluation items in the self-evaluation for fiscal 2020 are as described below.

2-1. Evaluation Methods

(1) Self-evaluations by Directors and Audit & Supervisory Board Members

Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors.

Results of Evaluation of Board of Directors’ Effectiveness for Fiscal 2020

Corporate Governance Committee conducted an evaluation of Board of Directors’ effectiveness for fiscal 2020 and reported the results of the evaluation at Board of Directors meeting held on May 14.

Board of Directors Operational Policy for Fiscal 2020

“To enable the OMRON Group to deliver new value in this period of social structure transformation, Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives.”

Focus Themes

- Business operations with COVID-19 in mind
- Response to increasing geopolitical risks
- Creation of new businesses in the period of transformation and taking on the challenge of new business model development
- Building a new core information system
- Determination of the direction of next long-term vision with new values in mind
Governance

3-1. General comments on evaluation

Operation of the Board of Directors

In order to realize further improvements in corporate value, based on the results of the evaluation of the Board of Directors’ effectiveness for fiscal 2019, the Board of Directors discussed the Board of Directors’ operation policy for fiscal 2020. The Board determined that in fiscal 2020, on top of the need to respond to the COVID-19 pandemic, it is important to accurately and speedily grasp global changes, and to provide new value during this period of transformation of the social structure. Based on these discussions, the Board of Directors set the “exercise of its oversight functions in a multifaceted manner and from the short-term to long-term perspectives” as its operation policy to address the five focus themes. Based on this operation policy of the Board of Directors, the President and CEO reported on issues including initiative suggestions for focus themes and the status of responses to environmental changes to the Board of Directors, and discussed the issues. (*Please refer to 3-2, “Initiatives regarding focus themes” for more details on focus themes.)

While the next long-term vision had been scheduled to start in fiscal 2021, affected by the COVID-19 global pandemic, the Company placed the highest priorities on crisis response and risk management. The Board of Directors discussed the importance of the proper operation of the Board of Directors and the Board of Directors’ operation policy for fiscal 2020. The Board of Directors strove to increase information sharing opportunities by conducting individual meetings, etc. aimed at improving the effectiveness of the Board of Directors. In fiscal 2020, amidst the impact of the COVID-19 pandemic, the Board of Directors supported the Board of Directors and the Audit & Supervisory Board Members in their operations and activities.

The Corporate Governance Committee, recognizing that the Board of Directors has positioned fiscal 2020 as a year required to improve the performance of the Board of Directors. In fiscal 2020, amidst the impact of the COVID-19 pandemic, the Board of Directors supported the Board of Directors and the Audit & Supervisory Board Members in their operations and activities.

Governance

Focus theme: Business operations with COVID-19 in mind

As COVID-19 has a material impact on business, the Board of Directors has set “Business operations with COVID-19 in mind” as one of its focus themes. Based on this, the President and CEO has set placing the highest priority on the safety and health of employees, fulfilling our supply responsibilities in the supply chain, and securing business performance as an emergency mode as the three pillars of business operations, and the Board of Directors reported on the status of infections and measures, the global production system, careful management of fixed costs, and measures to improve earning ability. With regard to this, the Board of Directors confirmed that the safety and health of employees is the highest priority, and discussed the stable supply of products through the tri-polar framework between Japan, China, and Southeast Asia, the supply-demand trends and procurement status of key components such as semiconductors, and the need for growth investment despite the careful management of fixed costs. In particular, concerns over a further worsening of supply shortages of semiconductors were discussed and shared. Through continuous monitoring by the Board of Directors, the Company fulfilled its social responsibility towards employees and the supply chain based on its corporate principles. Even amidst the COVID-19 crisis, the Company increased its profits through improving its gross profit margin and other means. The Corporate Governance Committee commends such achievement and deems that the Board of Directors has appropriately exercised its oversight functions.

Focus theme: Response to increasing geopolitical risks

As the relationships between countries evolve and become more complex by the day, and such changes have a material impact on business performance, the Board of Directors has set “Response to increasing geopolitical risks” as a focus theme. Based on this, the President and CEO regularly reported to the Board of Directors about changes in geopolitical risks faced in each region and the impacts of such changes, and the Board of Directors discussed the need to respond to such geopolitical risks. In particular, the impact of geopolitical risks is reported at Board of Directors meetings, and appropriate responses are discussed.

Governance

Executives Discussions, younger management executives introduced new businesses, which allowed for a deeper understanding of each of the Company’s businesses as well as of the next-generation management personnel. In a Direct Meeting with the Accounting Auditor, a discussion was held about the medium to long term based on the Accounting Auditor’s auditing knowledge. In this meeting, due to the different perspectives and stances of the Accounting Auditor and Directors and Audit & Supervisory Board Members, the subjects could not be sufficiently deliberated. The Committee requested that they should carefully determine the themes and consider how to proceed the discussion more smoothly from the next time onwards. Regarding on-site visits that could not be conducted due to the impact of COVID-19, since these visits are an important activity that allows Outside Executives to have a sense of the Company’s businesses, the Committee requested for their resumption depending on the situation of the pandemic.
Focus themes: Determination of the direction of next long-term vision with new values in mind
Creation of new businesses in the period of transformation and taking on the challenge of new business model development

Continuing from the previous fiscal year, the Board of Directors has set the “Determination of the direction of next long-term vision with new values in mind” as a focus theme relating to the next long-term vision, which is being formulated. In addition, the Board has set the “Creation of new businesses in the period of transformation and taking on the challenge of new business model development” as a focus theme. Based on this, at Board of Directors meetings, the President and CEO reflected the current state of the assumptions and targets set for the next long-term vision, raised at Board of Directors meetings in the previous fiscal year. Furthermore, the President and CEO reported to the Board about the next long-term vision based on the post-COVID worldview and changes in values, as well as the direction of new businesses that use existing businesses as their starting point. Regarding this, the Board discussed how one’s viewpoint can widen through exchanges with people from different industries, the employment of human resources with specialized expertise, and the utilization of talented personnel obtained through M&As, since the nurturing of next-generation leaders who can guide the Company towards the next long-term vision is an important issue that is necessary for further growth. At the same time, the Board recognized the importance of creating a corporate culture that encourages employees to take on challenges, and the necessity of building mechanisms that enable trial and error. Regarding the creation of new businesses, the Board recognized that the active utilization of corporate venture capitals will be important going forward. Furthermore, in order to realize its goals, the Board concluded that it is important to link the Company’s goals to the dreams and ambitions of employees. The President and CEO also gave an interim report on the next long-term vision regarding the Industrial Automation Business and the Healthcare Business, which are mainstream businesses. In the interim report, the President and CEO reflected on each of the two above businesses over the past ten years, and reported on the social issues of each business domain in the next decade, the technologies and new business models required to resolve those issues, as well as on the status of reviews of M&As and alliances. With regard to this, the Board of Directors discussed the possibility of realizing the creation of new businesses and measures. In particular, based upon that discussion, the Board recognized that it is necessary to employ a more flexible human resources strategy throughout the Company, since the implementation of measures for new businesses will require human resources with vastly different capabilities.

Regarding the next long-term vision, the Board displayed their awareness of issues based on changes in the external environment, including the COVID-19 crisis and geopolitical risks. The Committee commends the Board for making steady progress towards completion within fiscal 2021. Furthermore, since discussions are being made at Board of Directors meetings about issues and tasks necessary for further growth, the Corporate Governance Committee deems that it has appropriately exercised its oversight functions. The Committee has also verified that the Board will continue to fulfill its oversight functions in preparation for the start of the next long-term vision in fiscal 2022.

Focus theme: Building a new core information system

As IT systems vary between business divisions and regions, recognizing the importance of having a unified system globally, the Board of Directors has set “Building a new core information system” as a focus theme, for the third year following fiscal 2018 and fiscal 2019. Based on this, the President and CEO reported to the Board of Directors that the planning phase is progressing according to schedule and the advanced introduction of a portion of the systems, including the purchase of indirect materials and reimbursements, is progressing smoothly, but that it is necessary to review the scope of implementation due to the issue of lack of IT personnel. Regarding this, the Board discussed the importance of spreading awareness throughout the Company that they are building an operational process that must be compatible with system flows based on global standards, the importance of bridging the people in charge of bringing this large-scale decade-long project to its fruition, the people on site, and the human resources who are constructing the system, as well as the need to continue discussions on this theme, from the standpoint of scale and difficulty. In particular, the Board recognized that the most important issue which should be the top priority is to securely and allocate talented personnel from each business division.

The Board discussed the key mindset and human resources needed for this large-scale project at meetings by leveraging the experience and insights of the Outside Executives, and as a result of the discussions, the future direction of monitoring became clarified. Thus, the Corporate Governance Committee judges that the effectiveness of the Board of Directors has appropriately exercised its oversight functions.

Other deliberation/reporting items

The Board of Directors has deliberated on 29 proposals to be resolved and 30 reported cases, including quarterly business results as a legally required matter for deliberation, election proposals of executives, etc., and regularly reported proposals such as those relating to product quality risks and disciplinary cases. The Corporate Governance Committee commends the Board of Directors for making explanations in election proposals of executives, a legally required matter for deliberation, based on the status of the promotion of diversity, as well as for making highly transparent explanation for each individual case for Outside Executives.

Overview of increasing information sharing opportunities

The Board of Directors and the Audit & Supervisory Board are working to facilitate information sharing outside of meetings of Board of Directors in order to improve the effectiveness of the Board. In fiscal 2020, individual meetings were held to helpOutside Executives better understand execution and to deepen communication between them. The specific approaches are as follows.

Individual meetings

- Outside Directors’ and Accounting Auditor’s opinion exchange meeting (continuously held from fiscal 2015)
  Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Directors. In addition, we are building a relationship through this approach to exchange information on risks and other information without going through OMRON.
- Interviews by the Chair of the Board of Directors (continuously held from fiscal 2016)
  The Chair of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.
- Outside Executives Discussions (continuously held from fiscal 2019)
  Outside Executives hold quarterly opinion exchange meetings to deepen communication between them.

Board of Directors operational policy for fiscal 2021 and its focus themes

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2021. Based on the results of this discussion, Board of Directors operational policy for fiscal 2021 and its focus themes were determined at Board of Directors meeting held on May 27.

Board of Directors Operational Policy for Fiscal 2021

“To enable the OMRON Group to achieve dramatically improved corporate value in the next decade, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives.”

Focus Themes

- Completion of next long-term vision and determination of medium-term management plan
  < Points to be supervised >
  - Response to the new normal era post COVID
  - Initiatives for key sustainability issues
  - Transformation of business model and acceleration of innovation
  - Reform of human resources management
  - Strengthening resilience
  - Response to increasing geopolitical risks
  - Checking the progress of establishing a companywide IT system

- Other deliberation/reporting items
  The Board of Directors has deliberated on 29 proposals to be resolved and 30 reported cases, including quarterly business results as a legally required matter for deliberation, election proposals of executives, etc., and regularly reported proposals such as those relating to product quality risks and disciplinary cases. The Corporate Governance Committee commends the Board of Directors for making explanations in election proposals of executives, a legally required matter for deliberation, based on the status of the promotion of diversity, as well as for making highly transparent explanation for each individual case for Outside Executives.

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  - Outside Executives Discussions (continuously held from fiscal 2019)
    Outside Executives hold quarterly opinion exchange meetings to deepen communication between them.
The revision of the Corporate Governance Code requires companies listed on the TSE Prime Market to further strengthen their governance systems. We spoke with Independent Audit & Supervisory Board Member Hideyo Uchiyama about the function of the Audit & Supervisory Board in OMRON’s governance structure and the new Key Audit Matters (KAM).

Positioning and Role of the Audit & Supervisory Board in OMRON’s Governance

— Could you tell us about the characteristics of OMRON’s governance structure and your assessment of it? The governance structure of Japanese companies has long supported economic growth after WWII, with Directors and executives serving concurrently, and without sufficient separation between execution and supervision. In recent years, there has been a transition to governance through monitoring, which encourages decisive decision making by management and strengthens the accompanying supervisory structure. The role of Audit & Supervisory Board Members has become more essential and clearer at the same time as the Audit & Supervisory Board system has also experienced historical changes and has been reformed to ensure adequate functioning. Although OMRON has an Audit & Supervisory Board, it has a hybrid institutional design with four voluntary committees chaired by Outside Directors, and the Chairman of the Board of Directors is a Non-executive Director. My opinion is that this distinctive system design is, in a nutshell, close to the perfect form of a company with an Audit & Supervisory Board. I believe that this is an extremely appropriate governance structure that was uniquely established under OMRON’s corporate culture, since it addresses the demands of the times with a monitoring board, while also strengthening the functions of Audit & Supervisory Board Members.

— Mr. Uchiyama, as an Audit & Supervisory Board Member, you are also a member of the Corporate Governance Committee. What are the functions and roles of that committee? OMRON’s Corporate Governance Committee consists of Outside Directors and Independent Audit & Supervisory Board Members, and its main role is to evaluate and report on the effectiveness of the Board of Directors. Under Japan’s Companies Act, the role of Audit & Supervisory Board Members is to supervise the execution of duties by Directors, so the Committee engages both those who are supervising and being supervised. We are aware that the expectations of our stakeholders can be met by frankly exchanging opinions to improve OMRON’s governance functions, regardless of our respective positions. In addition, regular meetings are held between Outside Directors and executive division managers, and information is exchanged among Outside Directors based on questions and answers concerning the business handled by executive division managers. While Audit & Supervisory Board Members are single-person organs that they can exercise their authority independently, and Independent Audit & Supervisory Board Members generally work on company issues based on their individual expertise and experience, it is also necessary for them to fully understand the role of Outside Directors in dealing with company issues in order to ensure the effectiveness of monitoring. When I was appointed as an Independent Audit & Supervisory Board Member for OMRON, Chairman Tateishi sent me a message saying, “Welcome to Team OMRON.” I understand now that it is important for both Outside Directors and Independent Audit & Supervisory Board Members to think about how they should function as a team to improve corporate value while fully understanding their own positions. The OMRON approach of mutual understanding and discussing as a team is also an excellent point from the viewpoint of ensuring the effectiveness of governance. However, the important thing is how effective Audit & Supervisory Board Members in such an infrastructure. Independent Audit & Supervisory Board Members are required naturally to be prepared to express opinions that are necessary for governance. I think that the quality they should have is “inquisitiveness based on healthy skepticism.” Because Audit & Supervisory Board Members are elected at the Shareholders’ Meeting, it is essential for them to maintain the viewpoint of shareholders and to think and make proposals based on social norms and with an appropriate problem-solving perspective. I believe that what enables OMRON to do this is the fact that information is appropriately provided to Outside Executives so that their opinions are meaningful and useful to management, and most importantly, because its Corporate Philosophy is firmly rooted and forms the backbone of the company. Our Corporate Philosophy is always shared as the basis and serves as the benchmark for decisions even in the various discussions we have. I feel that this has strengthened OMRON’s governance.

— What is the kind of organization that you think is ideal for the Internal Audit Division at OMRON from the perspective of “inquisitiveness based on healthy skepticism”? At OMRON, the Global Auditing Office checks the maintenance and operational status of the internal control system throughout the company. Their work is carried out under the direction of the President, and they must have the attitude and ability to detect, analyze, and solve management issues in order to function as the hands, feet, eyes, and ears of the

Confidence of Initiatives to Improve the Effectiveness of the Audit & Supervisory Board

— Meaningful communication also leads to strengthened governance. How would you describe the effectiveness of Audit & Supervisory Board Member functions at OMRON? I believe that there are a number of factors that can improve the effectiveness of Audit & Supervisory Board Member functions. It is often asked whether there are proper structures in place to support activities of Audit & Supervisory Members, cooperation between the Internal Audit Division and the Audit & Supervisory Board, and cooperation with an independent Accounting Auditor. Rather than being inferior, I feel that OMRON’s infrastructure is in fact superior when compared to other companies in many ways. However, the important thing is how effective Audit & Supervisory Board Members in such an infrastructure. Independent Audit & Supervisory Board Members are required naturally to be prepared to express opinions that are necessary for governance. I think that the quality they should have is “inquisitiveness based on healthy skepticism.” Because Audit & Supervisory Board Members are elected at the Shareholders’ Meeting, it is essential for them to maintain the viewpoint of shareholders and to think and make proposals based on social norms and with an appropriate problem-solving perspective. I believe that what enables OMRON to do this is the fact that information is appropriately provided to Outside Executives so that their opinions are meaningful and useful to management, and most importantly, because its Corporate Philosophy is firmly rooted and forms the backbone of the company. Our Corporate Philosophy is always shared as the basis and serves as the benchmark for decisions even in the various discussions we have. I feel that this has strengthened OMRON’s governance.
Governance

--- KAM has been newly implemented in Japan, although a similar system had been used earlier in other countries. What are your thoughts about OMRON’s response to KAM and its significance? Continuity, identical conditions, and identical treatment are emphasized in the world of auditing. Particularly, audit reports have maintained the same format in every detail, including wording, throughout the history of legal proceedings. Triggered by the Lehman crisis, questions were raised about the usefulness of the traditional, self-serving audit reports to stakeholders, and KAM was introduced in order to improve audit transparency. Even so, KAM is not concluded just in audit reports, but the content should be disclosed in a consistent manner so that it can be read together with the non-financial information released by OMRON. For example, it is important to disclose information about business risks disclosed by the company as non-financial information, including what kind of problems occur in accounting, how to handle this awareness in auditing, and how to communicate this externally as KAM in the audit report.

This fiscal year, the Accounting Auditor described the evaluation of goodwill and other items associated with investments in the Industrial Automation Business and the Healthcare Business as KAM on a consolidated basis for OMRON. As strategic investments during the period of VG2020, they are recognized as having a key impact on management strategies and the Consolidated Financial Statements, and are disclosed in the securities report as items related to M&A given an A rating by OMRON, which conducts integrated risk management. Although the Audit & Supervisory Board Members determined the Accounting Auditor’s recognition and disclosure of OMRON’s awareness of these events were comprehensive and appropriate in KAM, the wording was repeatedly discussed during the Board of Directors meetings and from the perspective of shareholders, investors, and stakeholders. There are concerns that KAM will just become boilerplate, but I believe that this is groundless if a stance like OMRON is taken. Those involved in auditing should also properly utilize KAM as a communication tool in order to discover how to increase the information value of audit reports. Going forward, I expect that KAM will be a point to evaluate a company’s stance toward information disclosure and, by extension, to also evaluate its governance.

--- Finally, please tell us your own thoughts about OMRON’s future governance structure? OMRON constantly evolves and tailors its governance structure for the changing times, and as previously mentioned, it is close to being the culmination of a company with an Audit & Supervisory Board. However, what is important is to maintain an attitude of not remaining in the current situation, but to continue to adopt new trends and further strengthen and expand governance. As a new initiative this year, we have changed the monthly evaluation of the Board of Directors, which had been conducted in writing until last year, to a format where the contents of Board of Directors meetings are reviewed only by Outside Directors and Independent Audit & Supervisory Board Members immediately after meetings. There are discussions as to “whether there has been enough debate,” or “whether things need to be examined from a different perspective.” These discussions are held in a timely manner without taking time away from Board of Directors meetings, and their contents are reflected in subsequent meeting operations as appropriate, with a summary of results for the year used as the basis for evaluating the Board of Directors. I believe that these daily actions will lead to improved effectiveness with a seemingly on-site presence.

As an Independent Audit & Supervisory Board Member, I will continue to maintain audit functions that contribute to enhancing corporate value without compromising what we have now, and as a member of Team OMRON, I will keep contributing to the further strengthening of the governance structure and maximize OMRON’s corporate value.

Key Audit Matters

Key Audit Matters are matters that the auditor considers to be particularly important as a professional expert in the audit of the Consolidated Financial Statements for the consolidated fiscal year. The KAM are addressed in the auditing process of the Consolidated Financial Statements and in forming the audit opinion, and the auditing firm does not express individual opinions on these matters.

Key Audit Matters for Fiscal Year Ended March 31, 2021

1. Evaluation of goodwill associated with investments in the industrial automation business and recoverability of deferred income tax assets of U.S. consolidated corporations

As part of strategic investments in the long-term vision “Value Generation 2020 (VG2020),” OMRON acquired shares of Delta Tau Data Systems, Inc. and Adept Technology, Inc. in 2015, and Microscan Systems, Inc. in 2017 to make them consolidated subsidiaries in the Industrial Automation Business (IAB). (Hereinafter, these transactions are collectively called “business combination transactions.”) All of these consolidated subsidiaries are U.S.-based companies. OMRON has recorded goodwill on its Consolidated Balance Sheets through these important business combination transactions. In addition, mainly as a result of focused R&D investment and customer development activities to achieve advanced applications through matching acquired product technologies with existing ones from OMRON, the U.S. consolidated tax payment group, which includes the subsidiaries acquired through the above business combination transactions, incurred a tax loss carried forward in previous fiscal years. For the loss carried forward, deferred income tax assets for future tax benefits are recorded on the Consolidated Balance Sheets.

2. Evaluation of goodwill associated with investments in the healthcare business and evaluation of investments in affiliates

As part of strategic investments in the long-term vision “Value Generation 2020 (VG2020),” OMRON acquired shares of NS Industria de Aparelhos Medicos Ltda. in 2014 to make it a consolidated subsidiary in the Healthcare Business (HCB). In addition, OMRON gradually acquired shares of AlveCor, Inc. starting in 2017, and made it an affiliate accounted for using the equity method in 2020. Through these investment activities, OMRON records goodwill on its Consolidated Balance Sheets, as well as investments in and advances to affiliates, which include goodwill under the equity method.
**Directors (As of June 30, 2021)**

**Chairman and CEO**
- **Fumio Tateishi**
  - Joined OMRON: 1970
  - Positions:
    - Managing Executive Officer (to present)
    - Executive Officer and Advisor (to present)
    - Director, OMRON Corporation (to present)
    - Representative Director (to present)
  - Experience:
    - Jun. 2011: Senior Managing Director, OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

**President and CEO**
- **Yoshihito Yamada**
  - Joined OMRON: 2001
  - Positions:
    - Manager and Corporate Adviser (to present)
    - Representative Director (to present)
  - Experience:
    - Jun. 2011: Senior General Manager, OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

**Director, Senior Managing Executive Officer, CTO**
- **Kiichiro Miyata**
  - Joined OMRON: 1974
  - Positions:
    - Managing Executive Officer (to present)
    - Director (to present)
    - Senior General Manager, OMRON Corporation (to present)
    - Director, OMRON Corporation (to present)
    - Representative Director (to present)
  - Experience:
    - Jun. 2011: Senior General Manager of OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

**Director, Senior Managing Executive Officer, CFO**
- **Koji Nitto**
  - Joined OMRON: 1986
  - Positions:
    - Managing Director (to present)
    - Managing Executive Officer (to present)
    - Director (to present)
    - Representative Director (to present)
  - Experience:
    - Jun. 2011: Senior General Manager of OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

**Outside Directors**

- **Satoshi Ando**
  - Position:
    - Director, OMRON Corporation (to present)
  - Experience:
    - Jun. 2011: Senior General Manager, Nikon Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

- **Eizo Kobayashi**
  - Position:
    - Manager and Corporate Adviser (to present)
  - Experience:
    - Jun. 2011: General Manager, OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

- **Takehiro Kamigama**
  - Position:
    - Representative Director (to present)
  - Experience:
    - Jun. 2011: Director, OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

- **Izumi Kobayashi**
  - Position:
    - Senior Manager, OMRON Corporation (to present)
  - Experience:
    - Jun. 2011: Manager, OMRON Corporation
    - Apr. 2013: Executive Officer and Advisor (to present)

**Audit & Supervisory Board Members (As of June 30, 2021)**

**Audit & Supervisory Board Members (Full-time)**

- **Shuji Tamaki**
  - Position:
    - Member of the Audit & Supervisory Board (Full-time)
  - Experience:
    - Apr. 2010: Senior General Manager, OMRON Corporation (to present)

- **Kiyoshi Yoshikawa**
  - Position:
    - Member of the Audit & Supervisory Board (Full-time)
  - Experience:
    - Apr. 2010: Senior General Manager, OMRON Corporation (to present)

- **Hideyo Uchiyama**
  - Position:
    - Member of the Audit & Supervisory Board (Full-time)
  - Experience:
    - Apr. 1986: Registered as Certified Public Accountant (to present)

**Audit & Supervisory Board Members (Independent)**

- **Tadashi Kunihiro**
  - Position:
    - Member of the Audit & Supervisory Board (Independent)
  - Experience:
    - Apr. 1986: Registered as Certified Public Accountant (to present)

**Corporate Governance Committee Members**

- **Chairman**
  - **President and CEO**
  - Yoshihito Yamada

- **Senior Managing Executive Officer**
  - Kiichiro Miyata

- **CEO**
  - President and CEO
  - Yoshihito Yamada

- **Director, Senior Managing Executive Officer, CFO**
  - Koji Nitto

- **Director, Senior Managing Executive Officer, CTO**
  - Koji Nitto

- **Outside Directors**
  - Satoshi Ando
  - Eizo Kobayashi
  - Takehiro Kamigama
  - Izumi Kobayashi

- **Audit & Supervisory Board Members (Independent)**
  - Shuji Tamaki
  - Kiyoshi Yoshikawa
  - Hideyo Uchiyama
  - Tadashi Kunihiro
### Executive Officers (As of June 30, 2021)

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Title and Company/Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Yoshihito Yamada</td>
<td>CEO</td>
</tr>
<tr>
<td>Senior Managing Executive Officers</td>
<td>Kiichiro Miyata</td>
<td>CTO and Senior General Manager, Technology &amp; Intellectual Property HQ</td>
</tr>
<tr>
<td></td>
<td>Koji Nitta</td>
<td>CFO and Senior General Manager, Global Strategy HQ</td>
</tr>
<tr>
<td>Managing Executive Officer</td>
<td>Shizuto Yukumoto</td>
<td>Company President, Electronic and Mechanical Components Company</td>
</tr>
<tr>
<td></td>
<td>Toshio Hosoi</td>
<td>President and CEO, OMRON SOCIAL SOLUTIONS</td>
</tr>
<tr>
<td></td>
<td>Isao Ogino</td>
<td>President and CEO, OMRON HEALTHCARE</td>
</tr>
<tr>
<td></td>
<td>Nigel Blakeway</td>
<td>Chairman and CEO, OMRON MANAGEMENT CENTER OF AMERICA and Chairman, OMRON MANAGEMENT CENTER OF EUROPE and Chairman, OMRON MANAGEMENT CENTER OF ASIA PACIFIC</td>
</tr>
<tr>
<td></td>
<td>Seigo Kinugawa</td>
<td>CEO, OMRON EUROPE, Industrial Automation Company</td>
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<tr>
<td></td>
<td>Masahiko Tomita</td>
<td>Senior General Manager, Global Human Resources and Administration HQ</td>
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<tr>
<td></td>
<td>Junta Tsuinaga</td>
<td>Company President, Industrial Automation Company</td>
</tr>
<tr>
<td></td>
<td>Goshi Oba</td>
<td>Chairman and President, OMRON INDUSTRIAL AUTOMATION (CHINA)</td>
</tr>
<tr>
<td></td>
<td>Takayoshi Oue</td>
<td>Senior General Manager, Global Finance and Accounting HQ</td>
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<td></td>
<td>Tsutomu Igaki</td>
<td>Senior General Manager, Global Investor &amp; Brand Communications HQ</td>
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<tr>
<td></td>
<td>Hisako Takada</td>
<td>Senior General Manager of Business Management Division HQ, Electronic and Mechanical Components Company</td>
</tr>
<tr>
<td></td>
<td>Robert Black</td>
<td>President, CEO and CCO, OMRON ELECTRONICS (USA), Industrial Automation Company</td>
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<tr>
<td></td>
<td>Masahiko Ezaki</td>
<td>Senior General Manager of Innovation Exploring Initiative HQ</td>
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<tr>
<td></td>
<td>Seiichi Takeda</td>
<td>General Manager, Corporate Planning Dept., Global Strategy HQ</td>
</tr>
<tr>
<td></td>
<td>Taisuke Tateishi</td>
<td>Senior General Manager, Energy Solutions Business HQ, OMRON SOCIAL SOLUTIONS</td>
</tr>
<tr>
<td></td>
<td>Motohiro Yamanishi</td>
<td>Senior General Manager of Product Business Division HQ, Industrial Automation Company</td>
</tr>
</tbody>
</table>
Financial Information

**Results of Each Business Segment**

**Industrial Automation Business (IAB)**

During fiscal 2020, in the automotive industry, the IAB continued to face challenging conditions due to production cutbacks and revised investments due to the impact of the spread of COVID-19. Meanwhile, capital expenditure for semiconductors and rechargeable batteries in the digital industry became active, and particularly in China, demand for capital expenditure continued to be strong. In addition, demand for capital expenditure in connection with masks and other products related to measures against COVID-19 grew globally. We leveraged local sales and systems engineering human resources which we have been strengthening, to accurately capture these rising demands, leading to a recovery in net sales over the second half of the fiscal year. However, net sales for the fiscal year were lower year on year. While net sales decreased year on year, operating income increased due to our actions to increase added value and control fixed costs. As a result, net sales for fiscal 2020 totaled ¥346.4 billion, down 1.8% from the prior fiscal year, and operating income totaled ¥58.8 billion, up 9.7% from the prior fiscal year.

**Electronic and Mechanical Components Business (EMC)**

During fiscal 2020, demand declined significantly at the beginning of the fiscal year due to the impact of lockdowns under COVID-19 crisis. The decline in demand reached a low point in the second quarter as customers resumed production and sales activities. Since then, demand has been on a recovery track globally, most notably in China. In addition to responding quickly to these changes in demand, we launched new products in focused markets such as power tools and PC peripherals, where demand increased due to the COVID-19 crisis. As a result, while net sales in the second half of the fiscal year recovered to the level on par with the same period in the prior fiscal year, net sales for the fiscal year were lower year on year due to the significant impact of the decline in sales at the beginning of the fiscal year. Operating income rose significantly year on year, owing to our efforts to control fixed costs and implement structural reforms, in addition to the recovery in net sales. As a result, net sales to external customers for fiscal 2020 totaled ¥168.0 billion, down 2.6% from the prior fiscal year, and operating income totaled ¥13.0 billion, up 22.7% from the prior fiscal year.

**Social Systems, Solutions and Service Business (SSB)**

During fiscal 2020, demand was firm for upgrades in our Traffic and Road Management Systems Business. Meanwhile, the Public Transportation Systems Business experienced the impact of ongoing restrained investment by customers. Our Energy Solutions Business also experienced weak sales of storage battery systems due to the impact of voluntary restraints on social activities. As a result, net sales fell sharply compared to the prior fiscal year. Despite efforts to control fixed costs and improve added value, operating profit declined significantly compared to the prior fiscal year due to a sizable decrease in net sales. As a result, net sales for fiscal 2020 totaled ¥256.7 billion, down 17.6% from the prior fiscal year, and operating income totaled ¥6.7 billion, down 47.5% from the prior fiscal year.

**Healthcare Business (HCB)**

During fiscal 2020, global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management among consumers. As a result of our quick response to these rising demands, net sales increased significantly compared to the prior fiscal year.

### Financial Results

**Consolidated Earnings**

During fiscal 2020, we began operating under an emergency response mode due to the COVID-19 pandemic, placing our highest priorities on preventing the spread of infection and on business continuity. The business environment surrounding the OMRON Group continued to present challenges due to the impact of the spread of COVID-19, beginning at the end of the previous fiscal year. However, demand recovered globally throughout the second half of the fiscal year, driven by China. In this environment, the Group demonstrated its responsiveness to changes, which it had cultivated over the years, while it accurately seized business opportunities in an opportunistic manner. As a result, net sales declined slightly to ¥655.5 billion, down 3.3% from the prior fiscal year. In addition, gross profit margin rose to a record high of 45.5%, up 0.7 points from the prior fiscal year, despite the challenging business environment presented by the COVID-19 crisis, reflecting the results of Solution oriented sales, variable cost reductions and other efforts we have pursued for some time. Further, operating income increased significantly to ¥62.5 billion, up 14.1% from the prior fiscal year, as a result of implementing fixed cost reductions on a scale of ¥20.0 billion a year.

**Consolidated Statements of Income**

- **Net Sales**
  - OMRON Group net sales for fiscal 2020 amounted to ¥655.5 billion, down 3.3% from the prior fiscal year. Our Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales compared to the prior fiscal year due to the impact of the spread of COVID-19 during the first half of the fiscal year, despite a recovery over the second half of the fiscal year by accurately capturing changes in demand. Sales of the Social Systems, Solutions and Service Business (SSB) fell significantly compared to the prior fiscal year as a result of ongoing restrained investment by customers associated with our Public Transportation (Automated Ticket Gates, Ticket Vending Machines) Systems. In the Healthcare Business (HCB), global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management among consumers. As a result of our quick response to these rising demands, net sales increased significantly compared to the prior fiscal year.

- **Gross Profit Margin, SG&A Expenses, and R&D Expenses**
  - Gross profit margin rose to a record high of 45.5%, up 0.7 points from the prior fiscal year, despite the challenging business environment presented by the COVID-19 crisis, reflecting the results of Solution oriented sales, variable cost reductions and other efforts we have pursued for some time. Selling, general and administrative expenses were down ¥10.3 billion to ¥192.7 billion, mainly due to company-wide efforts to control and reduce fixed costs. Research and development expenses fell ¥2.8 billion year on year to ¥43.2 billion, mainly due to detailed selection in research and development projects.

- **Operating Income and Net Income Attributable to OMRON Shareholders**
  - OMRON Group operating income for the year was ¥62.5 billion (14.1% increase), while our operating income margin was 9.5% (1.5 points increase), due to significantly improved gross profit margin and implementing fixed cost reductions on a scale of ¥20.0 billion a year. Net income attributable to OMRON shareholders came in at ¥43.3 billion (42.2% decrease). Net income attributable to OMRON shareholders of ¥74.9 billion for the prior fiscal year included net income from discontinued operations including gain on sale of the Automotive Electronic Components Business. Excluding this effect, the change in net income attributable to OMRON shareholders was an increase of 10.6% year on year.

**Fiscal 2020 in Review**

| Net sales | ¥655.5 billion | -3.3% |
| Gross profit margin | 45.5% | +0.7% |
| Operating income | ¥62.5 billion | +14.1% |

**Average exchange rate during the period**

- USD ¥105.8
- EUR ¥123.2
- RMB ¥15.9

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**OMRON Corporation Integrated Report 2021**

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Review of Financial Condition

OMRON Group continued to invest actively in sustainable corporate value improvements and conduct ROIC management focused on capital efficiency. Total assets at the end of fiscal 2020 amounted to ¥325.0 billion, an increase of ¥24.0 billion compared to the end of fiscal 2019. Total liabilities decreased ¥14.5 billion to ¥211.9 billion, mainly due to a decrease in reserve for termination and retirement benefits stemming from improved investment performance results in our corporate pension plan. Total net assets increased ¥76.8 billion compared to the end of the prior fiscal year to ¥609.4 billion, mainly due to the recording of net income attributable to OMRON shareholders. Shareholders’ equity increased ¥76.6 billion compared to the end of the prior fiscal year to ¥606.9 billion. As a result, our shareholders’ equity ratio was 74.0%, compared to 70.0% at the end of the prior fiscal year, maintaining a strong financial footing. Further, ROE (return on equity) and ROIC (return on invested capital), two important financial indicators, have remained above our expected cost of capital of 6%.

Capital Expenditures

During fiscal 2020, we strictly selected essential capital expenditure, including enhancement of production equipment and base investments with the aim of creating future growth, as well as the renewal of IT infrastructure. As a result, total capital investments of ¥24.0 billion were made, representing a 27.6% decrease compared to the prior fiscal year.

Cash Flows

Net cash provided by operating activities amounted to ¥193.8 billion, an increase in cash provided of ¥4.0 billion compared to the prior fiscal year. This result was mainly due to the recording of net income, as well as decreases in notes and accounts receivable-trade and inventories, as a result of having secured sufficient funds on hand in each area globally to prepare for sudden changes in business environment and conducted business operations with strengthened management of working capital such as notes and accounts receivable-trade and inventories. Net cash used in investing activities was ¥14.8 billion, mainly due to an additional investment in AliveCor, Inc. in the U.S. in the Healthcare Business (HCB) and the transfer of all shares of HitachiOMRON Terminal Solutions, Corp., an equity method affiliate. When excluding net proceeds from sale and acquisition of businesses, etc. of ¥10.3 billion, net cash used in investing activities was ¥25.1 billion, a decrease in cash used of ¥8.6 billion compared to the prior fiscal year. Free cash flows amounted to ¥179.0 billion, a decrease of ¥39.4 billion compared to the prior fiscal year (when excluding net proceeds from sale and acquisition of businesses, etc., an increase of ¥12.5 billion compared to the prior fiscal year). Net cash used in financing activities was ¥20.4 billion, a decrease in net cash used of ¥9.1 billion compared to the prior fiscal year. This result was mainly due to dividends paid. In addition to the preceding, changes in foreign currency translation were factors having an impact on cash and cash equivalents. As a result, the balance of cash and cash equivalents at March 31, 2021 amounted to ¥250.8 billion, an increase of ¥65.2 billion compared to the end of the prior consolidated fiscal year.

Dividend Policy

Our basic policy for profit distribution is to aim for sustainable corporate value growth, and thus OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the Company makes decisions regarding the dividend profit distribution to shareholders in consideration of capital efficiency. The Company has established and applied a guideline of approximately 30% in payout ratio and approximately 3% of DOE for the periods covered by the VG2.0 medium-term management plan. Our full-year dividend for fiscal 2020 was ¥14.1 per share, in view of business performance, DOE standards and past dividend levels, in order to secure stable and continuous dividends. As a result, our dividend payout ratio was 39.1%, and our dividend on equity ratio (DOE) was 3.0%.

Outlook for Fiscal 2021

Fiscal 2021 is an important year to begin taking actions toward our next long-term vision. It will also be a year in which we see an acceleration in transition to the new social and economic systems of the post-COVID era. The OMRON Group believes this period of change will be the perfect opportunity to hasten the creation of new value and evolve our work style and operations. Therefore, our policies will consist of “maximizing the responsiveness to changes” and “accelerating transformation”. In “maximizing the responsiveness to changes”, we plan to leverage the assets that we have cultivated through our existing businesses and to seize business opportunities more swiftly than ever to achieve sales growth. In fiscal 2021, we will continue to prepare for various risks. At the same time, we will ensure that we seize business opportunities created by the recovery of economic activity and the acceleration of innovation, linking these opportunities to growth. In “accelerating transformation”, we will undertake the following three actions, looking ahead to our next long-term vision. The first action is “business model transformation and the challenge for new businesses creation”. By transforming our business models through i-BELT, a data utilization service at manufacturing sites, remote medical services, and other means, we plan to deepen relationship with existing customers and develop new customers, thereby growing sales. We will also identify emerging social issues and new business themes addressable by the OMRON Group, creating and implementing new business concepts. The second action is “transformation of our operations”. Here, we intend to shift resources to high-value-added operations, such as solutions and services that support new business models. We will work to advance the business process improvements and other actions aimed at business continuity under the COVID-19 crisis to enhance productivity and efficiency gains. To support these efforts, we will continue to strengthen our group IT infrastructure, which we have already been pursuing for some time. The third action is “transformation of work styles and human resources management”. The OMRON Group intends to build a structure that allows it to use human resources information formerly managed locally by each business and area on a global basis. In addition, we will actively recruit specialized human resources from outside our organization to create a structure for taking on the challenge of solving social issues as a global mixed team across countries and areas.

We assume that the business environment during fiscal 2021 will continue to benefit from a recovery in the global economy. Specifically, we expect to see ongoing investments to increase semiconductor manufacturing capacity worldwide. In addition, we expect demand for capital expenditure related to electric vehicles (EV) and renewable energy to increase due to the growing social demand for CO2 reduction. We believe demand for health equipment in the healthcare industry, including blood pressure monitors and other products, will remain strong globally, as the population continues to age and people become more health conscious.

We will seize on these business opportunities in a steady manner, and we expect to see an increase in sales across all business segments in fiscal 2021. Although we will factor in the impact of price hikes for certain raw materials, we plan to continue our efforts to increase added value by strengthening our product competitiveness and engage in restructuring, leading to improved gross profit margin. While SIG & A expenses and research and development expenses will rise as a result of an increased investment in research and development to enhance our product competitiveness and engagement in restructuring, we believe these increases will result in an increased profit. We will continue our efforts to increase added value by strengthening our product competitiveness and engage in restructuring, leading to improved gross profit margin. While SIG & A expenses and research and development expenses will rise as a result of an increased investment in research and development to enhance our product competitiveness and engagement in restructuring, we believe these increases will result in an increased profit margin.
Outlook for Each Business Segment

Industrial Automation Business (IAB)
For fiscal 2021, in the digital industry, we expect capital expenditure in semiconductors and rechargeable batteries to continue to be strong, particularly in China and South Korea. In the automotive industry, we expect to see a gradual recovery, especially for EV/ADAS. We expect to see an increase in capital expenditure related to food and daily goods for environment-related factors, including new plastic-free materials. In response to these changes, we continue to intensify our efforts to offer control applications for solving issues in manufacturing floors. As well, we will steadily capture the increasingly sophisticated needs for automation and labor savings, projecting net sales for fiscal 2021 to increase to ¥375.0 billion, up 8.2% from the prior fiscal year. Although we will continue to invest in strengthening our abilities to provide solutions, we expect operating income to increase to ¥51.9 billion, up 51.9% from the prior fiscal year, due to increased sales and our actions to improve added value.

Electronic and Mechanical Components Business (EMC)
For fiscal 2021, we expect to see a continued moderate recovery on a global scale, mainly driven by consumer demand in China and demand for automobiles. In this context, we aim to steadily capture growing demand through actions that include supply chain management optimization. We expect net sales for fiscal 2021 to increase to ¥94.0 billion, up 8.3% from the prior fiscal year, as we strengthen distinctive applications and products that meet the emerging needs in our focus industries. Although we will factor in the impact of soaring raw material prices, we expect operating income to significantly increase to ¥4.5 billion, up 51.3% from the prior fiscal year, due to increased sales and our actions to improve added value.

Social Systems, Solutions and Service Business (SSB)
For fiscal 2021, we expect to see ongoing constrained investment among customers in our Public Transportation System Business due to the impact of lower travel revenues. In our Energy Solutions Business, on the other hand, we project an increase in demand for storage battery systems and other products due to the growing need to reduce CO2 emissions and prepare for disasters. Further, we expect our Engineering Business to see growing demand for industrial-use renewable energy equipment. We will provide solutions that combine products and services to meet these demands. As a result of these efforts, we expect net sales for fiscal 2021 to increase to ¥316.0 billion, up 7.2% from the prior fiscal year, due to higher sales and improved productivity.

Healthcare Business (HCB)
For fiscal 2021, we forecast continued strong demand on a global basis in connection with a growing awareness of in-home health management. Although we do expect a reactionary decrease in demand for thermometers after the surge caused by the spread of COVID-19, we assume that blood pressure monitor demand will remain strong due to increased demand for blood pressure management related to chronic diseases. In China, one of the largest market for blood pressure monitors, we plan to build a network infrastructure in collaboration with doctors and pharmacies to provide products and services for patients with chronic diseases. As a result of these efforts, we expect net sales for fiscal 2021 to increase to ¥133.0 billion, up 8.1% from the prior fiscal year. Although we will continue investments to expand remote medical services, we expect operating income to increase to ¥22.5 billion, up 9.4% from the prior fiscal year, due to increased sales and improved productivity.

Consolidated Financial Statements

Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>FY2019 (¥ millions)</th>
<th>FY2020 (¥ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>Notes and accounts receivable - trade</td>
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<td>Inventories</td>
<td>104,301</td>
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<td>Other current assets</td>
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<td>Total Current Assets</td>
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<td>Property, Plant and Equipment:</td>
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<tr>
<td>Land</td>
<td>20,446</td>
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<td>Buildings</td>
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<td>Machinery and equipment</td>
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<td>153,142</td>
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<td>Construction in progress</td>
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<td>Total</td>
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<td>300,005</td>
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<td>Accumulated depreciation</td>
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<td>(187,577)</td>
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<td>Net Property, Plant and Equipment</td>
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<td>112,428</td>
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<td>Investments and Other Assets:</td>
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<td>Right-of-use assets under operating leases</td>
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<td>38,153</td>
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<td>Goodwill</td>
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<td>Investments in and advances to affiliates</td>
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<td>13,159</td>
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<td>Investment securities</td>
<td>25,782</td>
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<td>Leasehold deposits</td>
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<td>Prepaid benefit costs</td>
<td>—</td>
<td>6,736</td>
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<tr>
<td>Deferred income taxes</td>
<td>37,411</td>
<td>24,179</td>
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<td>Other assets</td>
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<td>Total Investments and Other Assets</td>
<td>196,459</td>
<td>192,915</td>
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<tr>
<td>Total</td>
<td>798,124</td>
<td>820,379</td>
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</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th>FY2019 (¥ millions)</th>
<th>FY2020 (¥ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
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<tr>
<td>Notes and accounts payable - trade</td>
<td>¥ 64,416</td>
<td>¥ 69,561</td>
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<tr>
<td>Accrued expenses</td>
<td>¥ 30,179</td>
<td>¥ 44,441</td>
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<td>Income taxes payable</td>
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<td>¥ 3,504</td>
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<td>Short-term operating lease liabilities</td>
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<td>¥ 11,179</td>
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<td>Other current liabilities</td>
<td>¥ 36,036</td>
<td>¥ 32,695</td>
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<td>Total Current Liabilities</td>
<td>¥ 151,299</td>
<td>¥ 161,379</td>
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<tr>
<td>Deferred Income Taxes</td>
<td>¥ 1,771</td>
<td>¥ 1,671</td>
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<tr>
<td>Termination and Retirement Benefits</td>
<td>¥ 40,236</td>
<td>¥ 7,598</td>
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<tr>
<td>Long-Term Operating Lease Liabilities</td>
<td>¥ 19,820</td>
<td>¥ 27,709</td>
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<tr>
<td>Other Long-Term Liabilities</td>
<td>¥ 12,465</td>
<td>¥ 12,673</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>¥ 225,536</td>
<td>¥ 211,021</td>
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<td>Shareholders’ Equity:</td>
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<tr>
<td>Capital</td>
<td>¥ 64,100</td>
<td>¥ 64,100</td>
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<tr>
<td>Common stock</td>
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<tr>
<td>Authorized:</td>
<td>487,000,000 shares in FY2019</td>
<td>487,000,000 shares in FY2020</td>
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<tr>
<td>Issued:</td>
<td>206,244,872 shares in FY2019</td>
<td>206,244,872 shares in FY2020</td>
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<tr>
<td>Capital surplus</td>
<td>¥ 100,521</td>
<td>¥ 101,403</td>
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<td>Legal reserve</td>
<td>¥ 20,481</td>
<td>¥ 22,837</td>
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<tr>
<td>Retained earnings</td>
<td>¥ 451,708</td>
<td>¥ 476,185</td>
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<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(83,636)</td>
<td>(22,945)</td>
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<td>Treasury stock</td>
<td>(23,349)</td>
<td>(24,179)</td>
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<tr>
<td>4,326,748 shares in FY2019</td>
<td>4,326,254 shares in FY2020</td>
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<tr>
<td>Total Shareholders’ Equity</td>
<td>¥ 539,415</td>
<td>¥ 609,858</td>
</tr>
</tbody>
</table>

| Noncontrolling Interests | ¥ 2,114 | ¥ 2,500 |
| Total Net Assets | ¥ 532,589 | ¥ 607,358 |
| Total | ¥ 798,124 | ¥ 820,379 |
# Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2019, 2020 and 2021

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
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<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥ 722,581</td>
<td>¥ 677,980</td>
<td>¥ 655,529</td>
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<tr>
<td><strong>Costs and Expenses:</strong></td>
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</tr>
<tr>
<td>Cost of sales</td>
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<td>374,278</td>
<td>357,178</td>
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<tr>
<td>Selling, general and administrative expenses</td>
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<td>202,954</td>
<td>192,687</td>
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<tr>
<td>Research and development expenses</td>
<td>49,335</td>
<td>49,983</td>
<td>43,184</td>
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<tr>
<td>Other expenses, net</td>
<td>1,342</td>
<td>2,924</td>
<td>(2,609)</td>
</tr>
<tr>
<td>Total</td>
<td>666,669</td>
<td>626,144</td>
<td>590,440</td>
</tr>
<tr>
<td><strong>Income before Income Taxes and Equity in Earnings of Affiliates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before Income Taxes and Equity in Earnings of Affiliates</td>
<td>65,912</td>
<td>51,836</td>
<td>65,089</td>
</tr>
<tr>
<td><strong>Income Taxes</strong></td>
<td>17,016</td>
<td>11,270</td>
<td>15,093</td>
</tr>
<tr>
<td><strong>Equity in earnings of affiliates</strong></td>
<td>1,578</td>
<td>963</td>
<td>6,098</td>
</tr>
<tr>
<td>Net Income from Continuing Operations</td>
<td>47,318</td>
<td>39,603</td>
<td>43,898</td>
</tr>
<tr>
<td>Net Income from Discontinued Operations</td>
<td>7,672</td>
<td>35,732</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>54,991</td>
<td>75,335</td>
<td>43,898</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Noncontrolling Interests</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income Attributable to Noncontrolling Interests</td>
<td>668</td>
<td>440</td>
<td>591</td>
</tr>
<tr>
<td><strong>Net Income Attributable to OMRON Shareholders</strong></td>
<td>¥ 54,323</td>
<td>¥ 74,895</td>
<td>¥ 43,307</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per Share Data:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income Attributable to OMRON Shareholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income Attributable to OMRON Shareholders from Continuing Operations</td>
<td>¥ 223.95</td>
<td>¥ 191.00</td>
<td>¥ 214.72</td>
</tr>
<tr>
<td>Net Income Attributable to OMRON Shareholders from Discontinued Operations</td>
<td>36.84</td>
<td>174.26</td>
<td>—</td>
</tr>
<tr>
<td>Basic</td>
<td>¥ 260.78</td>
<td>¥ 365.26</td>
<td>¥ 214.72</td>
</tr>
<tr>
<td>Diluted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*The consolidated statement of income for FY2018 has been reclassified in line with the classification change of the Automotive Electronic Components Business (AEC) to discontinued operations.*

---

# Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2019, 2020 and 2021

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>¥ 54,991</td>
<td>¥ 75,335</td>
<td>¥ 43,898</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss), Net of Tax:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments arising during the year</td>
<td>(4,419)</td>
<td>(23,674)</td>
<td>23,138</td>
</tr>
<tr>
<td>Reclassification adjustment for the portion realized in net income</td>
<td>(109)</td>
<td>(119)</td>
<td>310</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>(4,528)</td>
<td>(23,793)</td>
<td>23,448</td>
</tr>
<tr>
<td>Pension liability adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension liability adjustments arising during the year</td>
<td>(11,419)</td>
<td>7,033</td>
<td>24,630</td>
</tr>
<tr>
<td>Reclassification adjustment for the portion realized in net income</td>
<td>2,556</td>
<td>3,365</td>
<td>3,053</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>(8,863)</td>
<td>(10,398)</td>
<td>27,683</td>
</tr>
<tr>
<td>Net gains (losses) on derivative instruments:</td>
<td></td>
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<tr>
<td>Unrealized holding gains (losses) arising during the year</td>
<td>32</td>
<td>77</td>
<td>(629)</td>
</tr>
<tr>
<td>Reclassification adjustment for the portion realized in net income</td>
<td>(120)</td>
<td>(160)</td>
<td>295</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>(41)</td>
<td>(83)</td>
<td>(334)</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss)</strong></td>
<td>(13,432)</td>
<td>(13,478)</td>
<td>50,797</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>41,559</td>
<td>61,857</td>
<td>94,695</td>
</tr>
<tr>
<td><strong>Comprehensive Income Attributable to Noncontrolling Interests</strong></td>
<td>651</td>
<td>368</td>
<td>727</td>
</tr>
<tr>
<td><strong>Comprehensive Income Attributable to OMRON Shareholders</strong></td>
<td>¥ 40,908</td>
<td>¥ 61,489</td>
<td>¥ 93,968</td>
</tr>
</tbody>
</table>

*The consolidated statement of income for FY2018 has been reclassified in line with the classification change of the Automotive Electronic Components Business (AEC) to discontinued operations.*
### Consolidated Statements of Shareholders’ Equity

**OMRON Corporation and Subsidiaries**  
Years ended March 31, 2019, 2020 and 2021

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>Balance, March 31, 2021</th>
<th>Acquisition of treasury stock</th>
<th>Other comprehensive income (loss)</th>
<th>Stock-based payment*3</th>
<th>Transfer to legal reserve</th>
<th>Net Income</th>
<th>Balance, March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of common shares issued</td>
<td>206,244,872</td>
<td>206,244,872</td>
<td>64,100</td>
<td>100,521</td>
<td>20,981</td>
<td>451,768</td>
<td>(83,606)</td>
</tr>
<tr>
<td>Common stock</td>
<td>7,650</td>
<td>(7,426)</td>
<td>224</td>
<td>668</td>
<td>224</td>
<td>(16,940)</td>
<td>(16,940)</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>882</td>
<td>882</td>
<td>(401)</td>
<td>(401)</td>
<td>(401)</td>
<td>(401)</td>
<td>(401)</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>609</td>
<td>609</td>
<td>136</td>
<td>360</td>
<td>136</td>
<td>360</td>
<td>136</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>196</td>
<td>196</td>
<td>42</td>
<td>882</td>
<td>42</td>
<td>882</td>
<td>42</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>58,661</td>
<td>58,661</td>
<td>136</td>
<td>360</td>
<td>136</td>
<td>360</td>
<td>136</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>690</td>
<td>690</td>
<td>2,288</td>
<td>5,022</td>
<td>2,288</td>
<td>5,022</td>
<td>2,288</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>15,541</td>
<td>15,541</td>
<td>563</td>
<td>1,170</td>
<td>563</td>
<td>1,170</td>
<td>563</td>
</tr>
<tr>
<td>Total net assets</td>
<td>606,858</td>
<td>606,858</td>
<td>6,520</td>
<td>13,028</td>
<td>6,520</td>
<td>13,028</td>
<td>6,520</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Cash Flows

**OMRON Corporation and Subsidiaries**  
Years ended March 31, 2019, 2020 and 2021

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents from Continuing Operations at End of the Year</td>
<td>¥ 250,755</td>
<td>¥ 185,533</td>
<td>¥ 43,898</td>
</tr>
<tr>
<td>Cash dividends paid to shareholders</td>
<td>—</td>
<td>(2,099)</td>
<td>(506,311)</td>
</tr>
<tr>
<td>Stock-based payment*3</td>
<td>—</td>
<td>(1,856)</td>
<td>(507,386)</td>
</tr>
<tr>
<td>Net Income</td>
<td>71,245</td>
<td>97,747</td>
<td>53,831</td>
</tr>
<tr>
<td>Operating Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>71,245</td>
<td>97,747</td>
<td>53,831</td>
</tr>
<tr>
<td>Adjustment of income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Impairment losses on long-lived assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss on sale of investment securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss on sale of investment securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Termination and Retirement Benefits</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferral income taxes</td>
<td>(383)</td>
<td>(125)</td>
<td>(617)</td>
</tr>
<tr>
<td>Equity in earnings of affiliates</td>
<td>1,576</td>
<td>983</td>
<td>6,098</td>
</tr>
<tr>
<td>Gain on sales of business</td>
<td>(407)</td>
<td>(51,450)</td>
<td>—</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable - trade</td>
<td>(534)</td>
<td>(12,944)</td>
<td>3,893</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>(3,491)</td>
<td>10,704</td>
<td>5,425</td>
</tr>
<tr>
<td>Decrease (increase) in other current assets</td>
<td>—</td>
<td>(105)</td>
<td>(47,603)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>(25)</td>
<td>(2,072)</td>
<td>(9,442)</td>
</tr>
<tr>
<td>Increase (decrease) in income taxes payable</td>
<td>(7,057)</td>
<td>(3,736)</td>
<td>(2,448)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued expenses and other current liabilities</td>
<td>(21,854)</td>
<td>(3,452)</td>
<td>(1,909)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(784)</td>
<td>1,000</td>
<td>3,852</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>16,254</td>
<td>14,452</td>
<td>49,533</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>71,245</td>
<td>97,747</td>
<td>53,831</td>
</tr>
<tr>
<td>Investing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales or maturities of investment securities</td>
<td>465</td>
<td>1,423</td>
<td>751</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(602)</td>
<td>(2,344)</td>
<td>(1,097)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(25,726)</td>
<td>(27,929)</td>
<td>(30,562)</td>
</tr>
<tr>
<td>Decrease (increase) in leasehold deposits, net</td>
<td>(193)</td>
<td>62</td>
<td>(181)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant, and equipment</td>
<td>3,475</td>
<td>4,955</td>
<td>2,069</td>
</tr>
<tr>
<td>Increase in investments in affiliates</td>
<td>(498)</td>
<td>(2,231)</td>
<td>7,950</td>
</tr>
<tr>
<td>Proceeds from sale of business, net of cash paid</td>
<td>1,817</td>
<td>64,400</td>
<td>2,453</td>
</tr>
<tr>
<td>Acquisition of business, net of cash acquired</td>
<td>(630)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>154</td>
<td>353</td>
<td>—</td>
</tr>
<tr>
<td>Total net cash provided (used) in investing activities</td>
<td>(34,957)</td>
<td>28,639</td>
<td>(14,795)</td>
</tr>
<tr>
<td>Financing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net borrowings (repayments) of short-term debt</td>
<td>2,109</td>
<td>6,365</td>
<td>(1,507)</td>
</tr>
<tr>
<td>Dividends paid by the Company</td>
<td>(16,776)</td>
<td>(17,250)</td>
<td>(16,952)</td>
</tr>
<tr>
<td>Dividends paid to noncontrolling interests</td>
<td>(343)</td>
<td>(293)</td>
<td>(352)</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>(52,718)</td>
<td>(18,571)</td>
<td>(1,471)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(57)</td>
<td>319</td>
<td>10</td>
</tr>
<tr>
<td>Total net cash used in financing activities</td>
<td>(30,783)</td>
<td>(20,230)</td>
<td>(20,352)</td>
</tr>
<tr>
<td>Effect of Exchange Rate Changes on Cash and Cash Equivalents</td>
<td>1,732</td>
<td>(13,713)</td>
<td>6,528</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Cash and Cash Equivalents</td>
<td>(2,775)</td>
<td>75,283</td>
<td>65,222</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of the Year</td>
<td>113,023</td>
<td>60,250</td>
<td>169,533</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at End of the Year</td>
<td>110,250</td>
<td>250,755</td>
<td>—</td>
</tr>
<tr>
<td>Cash and Cash Equivalents from Discontinued Operations at End of the Year</td>
<td>6,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents from Continuing Operations at End of the Year</td>
<td>116,650</td>
<td>250,755</td>
<td>—</td>
</tr>
</tbody>
</table>
## Financial Information

### OMRON Corporation Integrated Report 2021

#### 11-Year Financial and Non-Financial Highlights

### Long-Term Management Strategy

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>FY2011</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥617,825</td>
</tr>
<tr>
<td>Gross profit</td>
<td>37.5%</td>
</tr>
<tr>
<td>Operating income</td>
<td>48,037</td>
</tr>
<tr>
<td>EBITDA (Note 1)</td>
<td>214,687</td>
</tr>
<tr>
<td>Net income (loss) attributable to OMRON shareholders</td>
<td>26,762</td>
</tr>
<tr>
<td>Ratios of overseas sales</td>
<td>51.4%</td>
</tr>
<tr>
<td>Cash flow</td>
<td>24.7%</td>
</tr>
<tr>
<td>Patents held</td>
<td>3.31</td>
</tr>
<tr>
<td>Earnings per share (Yen)</td>
<td>—</td>
</tr>
<tr>
<td>CO2 emissions of production sites (thousand ton-CO2)</td>
<td>—</td>
</tr>
<tr>
<td>Environmental contribution (thousand ton-CO2)</td>
<td>—</td>
</tr>
<tr>
<td>Number of patents held</td>
<td>23</td>
</tr>
<tr>
<td>Ratio of employees with disabilities (OMRON Group in Japan) (Note 7)</td>
<td>—</td>
</tr>
<tr>
<td>Number of women in managerial roles (OMRON Group in Japan) (Note 6)</td>
<td>30</td>
</tr>
<tr>
<td>Ratio of overseas employees to total employees</td>
<td>2.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>34%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>32%</td>
</tr>
<tr>
<td>Ratio of overseas employees to total employees</td>
<td>52.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>51.5%</td>
</tr>
<tr>
<td>Ratio of overseas employees to total employees</td>
<td>65.1%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>61.6%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>62.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>62.5%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>62.9%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>63.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>63.5%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>63.8%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>64.1%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>64.4%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>64.7%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>65.0%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>65.3%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>65.6%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>65.9%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>66.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>66.5%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>66.8%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>67.1%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>67.4%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>67.7%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>68.0%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>68.3%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>68.6%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>68.9%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>69.2%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>69.5%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>69.8%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>70.1%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>70.4%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>70.7%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>71.0%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>71.3%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>71.6%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>71.9%</td>
</tr>
<tr>
<td>Ratio of non-Japanese in key managerial positions overseas (Note 5)</td>
<td>72.2%</td>
</tr>
<tr>
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<td>72.5%</td>
</tr>
<tr>
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</tr>
<tr>
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<td>73.1%</td>
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<td>79.7%</td>
</tr>
</tbody>
</table>
Responsible Engagement with Our Stakeholders

As stated in our Sustainability Policy, OMRON cultivates strong relationships with our stakeholders through responsible engagement. Relationship of trust through engagement with our stakeholders is an indispensable asset for the sustainable growth of OMRON and an essential element for us to create social needs. We are committed to responsible engagement with all of our stakeholders to sustainably improve our corporate value and solve social issues through our business.

### Stakeholders and Initiatives

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Major Initiatives</th>
<th>Means of communications</th>
<th>Actual initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Provide products and services, with the aim of solving social issues through our business.</td>
<td>We conducted joint development with our customers by visiting 57 AUTOMATION CENTER ATCs.</td>
<td>We received a total of 70,292 comments through employee surveys.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We conducted remote customer service on a global basis.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>We conducted mobile tours using our latest technology.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>We conducted the exhibition tours using virtual space in Tokyo and Kansai, overseas:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Spain, Singapore, North American area, etc.</td>
<td></td>
</tr>
<tr>
<td>Customer support</td>
<td></td>
<td>We contributed to the improvement of our customers’ global competitiveness through</td>
<td>We conducted a total of 15 surveys and 4,000 comments through customer surveys.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>our OMRON support networks in 21 business around the world.</td>
<td></td>
</tr>
<tr>
<td>User monitoring</td>
<td></td>
<td>We conducted a user monitoring survey with online meetings in FY2020.</td>
<td>We conducted customer surveys with OMRON support networks to improve our customer services.</td>
</tr>
<tr>
<td>Exhibitions</td>
<td></td>
<td>We conducted a total of 15 exhibitions.</td>
<td></td>
</tr>
<tr>
<td>Website</td>
<td></td>
<td>We conducted a total of 15 exhibitions.</td>
<td></td>
</tr>
<tr>
<td>Briefings on our publishing policy</td>
<td></td>
<td>We shared OMRON’s management policies and sustainability in our supply chain.</td>
<td>We provided a broader range of non-financial information.</td>
</tr>
<tr>
<td>Sustainability self-assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment based on third-party standards</td>
<td></td>
<td>We conducted self-assessment with compliance with the</td>
<td>We certified 250 companies as green suppliers, and members were able to track the sustainability of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sustainable Procurement guidelines. We shared 16 ISOs that contributed to the assessment.</td>
<td>our company’s green initiatives.</td>
</tr>
<tr>
<td>We awarded or renewed green supplier certification</td>
<td></td>
<td>We conducted surveys by using conflict minerals reporting template.</td>
<td></td>
</tr>
<tr>
<td>Survey on conflict minerals</td>
<td></td>
<td>We conducted a total of 15 surveys.</td>
<td></td>
</tr>
<tr>
<td>The KuraraAZA conference</td>
<td></td>
<td>We conducted a total of 15 surveys.</td>
<td></td>
</tr>
<tr>
<td>The KuraraAZA conference</td>
<td></td>
<td>We conducted a total of 15 surveys.</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td>We conducted surveys by using conflict minerals reporting template.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commit to creating a company where employees can unleash their abilities and passions and demonstrate them to the fullest.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders and investors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OMRON Principles Missionary Dialogues</td>
<td>facilitate direct communication between the Chairman and employees</td>
<td>Direct dialogue with top executives to share the OMRON Principles and strategies.</td>
<td></td>
</tr>
<tr>
<td>TQGA (The OMRON Global Awards)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Customer Engagement

**OMRON Opens a Virtual Facility of its AUTOMATION CENTER, a Showcase Facility for State-of-the-Art FA Technology**

OMRON has commenced a virtual tour to its AUTOMATION CENTER (ATC), a factory automation technology center where customers join with OMRON to find solutions to their manufacturing issues, and is working with customers to solve issues even as travel restrictions are imposed due to COVID-19.

Allowing customers from around the world to view on their computers the virtual content that features facilities and demonstration machines at the flagship ATC-TOKYO, the largest of 37 ATCs across the globe, this new service gives global customers the most realistic experiences of OMRON’s state-of-the-art FA technology anytime, anywhere. Afterward, customers can also have a remote experience of many solution services including “demonstration/verification” and “technology training” if they wish, leading to the creation of an environment similar to the customers’ facilities.

Thanks to these processes, we have engaged with over 4,000 customers even under the state of emergency, and are constantly creating innovative solutions.

### Employee Engagement

**“VOICE,” Our Employee Engagement Survey**

Since 2016, OMRON has conducted the global employee engagement survey “VOICE” with the aim of allowing management to listen directly to feedback from employees, identify management issues, and take actions to solve them. OMRON focuses on organizational management, human resource development, organizational culture, etc. which make up the foundations that support our business, and promotes to create a company where each employee of the OMRON Group learns and embraces the OMRON Principles, strategies, and goals, and can work with a focus on demonstrating their talents (with a high level of engagement) to achieve them.

### OMRON Principles Missionary Dialogues

Since FY2013, OMRON has worked on the “OMRON Principles Missionary Dialogues,” a forum of communication between the Chairman of the Board and top executives from around the world who will be the next generation of leaders. Through the Dialogues, participants externalize in their own words what the practice of the OMRON Principles means to them. In addition to deepening their own understanding of the OMRON Principles, they discuss how they contribute to the Company’s growth and expand the circle of resonance for the OMRON Principles among members in their own divisions. In FY2020, the Dialogues were held online for the first time due to the COVID-19 crisis. Holding the Dialogues online allowed many members to participate, and a wider variety of opinions were exchanged by utilizing the chat function and other features.

### Shareholder and Investor Engagement

**Organized the General Meeting of Shareholders and ESG Meeting under the COVID-19 crisis.**

OMRON strives to raise corporate value through dialogues with shareholders and investors. In FY2020, we held the 83rd Ordinary General Meeting of Shareholders and the ESG Meeting online in order to prevent the spread of COVID-19. In the Ordinary General Meeting of Shareholders, we were able to engage with a large number of shareholders and investors by also utilizing the internet to broadcast the Meeting by live while keeping the number of shareholders attending the Meeting at the venue to a minimum. These efforts have resulted in a 3.7 point increase in the percentage of voting rights exercised to a record high of 98.1%. In the ESG Meeting, we gave an explanation on our business, our human resource initiatives based on the OMRON Principles, our initiatives for sustainability and the environment, energy solution business, and climate change. The Meeting was attended by 225 shareholders and investors (including a record 170 investors), asking many questions and making comments. The knowledge we received from these dialogues led to improvements in our management initiatives. OMRON works to disclose information to our shareholders and investors in a highly transparent manner even under the COVID-19 crisis.
OMRON has been lauded by ESG assessment institutions around the world, leading to the inclusion of its stock in ESG indexes in Japan and abroad. OMRON has been listed in the Dow Jones Sustainability Asia Pacific Index for the eleventh consecutive year since 2010. We have also been listed for the fourth straight year on the Dow Jones Sustainability World Index since FY2017. We have also been included for the seventh consecutive year in the MSCI ESG Leaders Index from 2015 and for the sixth consecutive year in the FTSE4Good Index Series. We have also been included in a range of other indexes.

**OMRON Innovations Recognized**

**Selected as Top 100 Global Innovator 2021**
OMRON was selected for a fifth consecutive year from fiscal 2016 as a Top 100 Global Innovator, an award recognizing the best 100 innovative companies and research institutes.

**OMRON Contributions to Sustainability Recognized**

**Designated 2021 Health & Productivity Stock Selection**
OMRON has been recognized for the third consecutive year since FY2018 as a Health Management Brand stemming from our OMRON Employee Health Management Declaration (led by senior management) and the OMRON Health White Paper (visualization of employee health).

**Designated as a Gold Standard Workplace in the PRIDE Index, the Highest Evaluation**
OMRON was designated as a Gold Standard Workplace for the fourth consecutive year, the highest evaluation under the PRIDE Index by work with Pride, an NGO that evaluates companies and other organizations for their initiatives related to sexual minorities, including LGBT.

**OMRON Communications Recognized**

**Awarded Platinum Rating from EcoVadis for Sustainability**
OMRON was highly recognized and awarded for our approaches in environmental fields in CSR activities.

**Coverage in Various Indexes**

OMRON has been lauded by ESG assessment institutions around the world, leading to the inclusion of its stock in ESG indexes in Japan and abroad. OMRON has been listed in the Dow Jones Sustainability Asia Pacific Index for the eleventh consecutive year since 2010. We have also been listed for the fourth straight year on the Dow Jones Sustainability World Index since FY2017. We have also been included for the seventh consecutive year in the MSCI ESG Leaders Index from 2015 and for the sixth consecutive year in the FTSE4Good Index Series. We have also been included in a range of other indexes.

**ESG Indexes**

[Image of various ESG indexes, including MSCI ESG Leaders, FTSE4Good, and STOXX.

With the commencement of ESG investing by the Japan Government Pension Investment Fund (GPIF), OMRON was selected as a component member of three ESG indexes in July 2017 for the fifth consecutive year. In 2018, we were also selected for the S&P/JPX Carbon Efficient Index for the third consecutive year.

**Major Indexes in Japan**

Since March 2019, we have been included as one of the 225 stocks that make up the Nikkei Stock Average.
Corporate Information

Stock Information

Corporate Information As of March 31, 2021

Established
May 10, 1933

Incorporated
May 19, 1948

Capital
¥64,100 million

Number of Employees
(Consolidated)
28,254

Common Stock
Issued 206,245 thousand shares
Trading Unit 100 shares
Number of Shareholders 27,848

Stock Listings
Tokyo Stock Exchange,
Frankfurt Stock Exchange

Securities Code
6645

Fiscal Year-End
March 31

Annual Shareholders’ Meeting
June

Custodian of Register of Shareholders
Mitsubishi UFJ Trust and Banking Corporation

Depositary and Transfer Agent for American Depositary Receipts
JPMorgan Chase Bank, N.A.

Head Office
Shikokuyokohontou, Shimo-yokohontou, Kyoto
600-8530, Japan
Tel: +81-75-344-7000
Fax: +81-75-344-7001

Regional Headquarters

North America
OMRON MANAGEMENT CENTER OF AMERICA
(United States of America, Illinois)

Europe
OMRON MANAGEMENT CENTER OF EUROPE
(The Netherlands, North Holland)

Greater China
OMRON MANAGEMENT CENTER OF CHINA (Shanghai)

Asia Pacific
OMRON MANAGEMENT CENTER OF ASIA PACIFIC
(Singapore)

Korea
OMRON MANAGEMENT CENTER OF KOREA (Seoul)

Subsidiaries and Affiliates

OMRON SOCIAL SOLUTIONS Co., Ltd.
OMRON HEALTHCARE Co., Ltd.
OMRON RELAY & DEVICES Co., Ltd.
OMRON SWITCH & DEVICES Co., Ltd.
OMRON AMUSEMENT CO., Ltd.
OMRON FIELD ENGINEERING Co., Ltd.
OMRON SOFTWARE Co., Ltd.
OMRON ASO Co., Ltd.
OMRON EXPERTLINK Co., Ltd.

Major Manufacturing & Development, Sales & Marketing, and Research & Development Centers in Japan

Manufacturing & Development
Kusatsu Office
Okayama Office
Ayabe Office
Yasu Office

Research & Development
Kehanna Technology
Innovation Center

Sales & Marketing
Tokyo Office
Osaka Office
Nagoya Office
Mishima Office

52-Week High / Low, Volatility**

<table>
<thead>
<tr>
<th>FY</th>
<th>High (¥)</th>
<th>Low (¥)</th>
<th>Volatility (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>10,040</td>
<td>5,330</td>
<td>28.8</td>
</tr>
<tr>
<td>2019</td>
<td>8,979</td>
<td>4,410</td>
<td>32.3</td>
</tr>
<tr>
<td>2018</td>
<td>6,300</td>
<td>3,940</td>
<td>34.5</td>
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<tr>
<td>2017</td>
<td>5,270</td>
<td>4,286</td>
<td>27.1</td>
</tr>
<tr>
<td>2016</td>
<td>5,120</td>
<td>3,096</td>
<td>32.5</td>
</tr>
<tr>
<td>2015</td>
<td>5,030</td>
<td>2,949</td>
<td>40.0</td>
</tr>
<tr>
<td>2014</td>
<td>5,000</td>
<td>3,365</td>
<td>30.9</td>
</tr>
<tr>
<td>2013</td>
<td>4,709</td>
<td>2,413</td>
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<td>2012</td>
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<td>29.9</td>
</tr>
<tr>
<td>2011</td>
<td>2,357</td>
<td>1,281</td>
<td>38.5</td>
</tr>
</tbody>
</table>

*Volatility: Price fluctuation risk expressed in standard deviations

Ownership and Distribution of Shares

<table>
<thead>
<tr>
<th>%</th>
<th>2018</th>
<th>2019</th>
<th>2020 (FY-end)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals and others (Including treasury stock)</td>
<td>16.6%</td>
<td>12.8%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Foreign investors</td>
<td>33.4%</td>
<td>35.4%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Other corporations</td>
<td>5.7%</td>
<td>5.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Financial instruments</td>
<td>26.8%</td>
<td>19.6%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>42.1%</td>
<td>44.6%</td>
<td>44.4%</td>
</tr>
</tbody>
</table>

52-Week High / Low, Volatility**

<table>
<thead>
<tr>
<th>FY</th>
<th>High (¥)</th>
<th>Low (¥)</th>
<th>Volatility (%)</th>
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</thead>
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<td>2011</td>
<td>2,357</td>
<td>1,281</td>
<td>38.5</td>
</tr>
</tbody>
</table>

*Volatility: Price fluctuation risk expressed in standard deviations

Total Shareholder Return (TSR*)

<table>
<thead>
<tr>
<th>FY</th>
<th>OMRON</th>
<th>TOPIX</th>
<th>TOPIX Electric Appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>147.9%</td>
<td>191.2%</td>
<td>283.7%</td>
</tr>
<tr>
<td>2019</td>
<td>114.7%</td>
<td>132.8%</td>
<td>234.3%</td>
</tr>
<tr>
<td>2018</td>
<td>157.8%</td>
<td>138.3%</td>
<td>234.3%</td>
</tr>
</tbody>
</table>

*Total Shareholder Return (TSR)*

<table>
<thead>
<tr>
<th>FY</th>
<th>Shares Held (1,000 units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>10,360</td>
</tr>
<tr>
<td>2019</td>
<td>8,970</td>
</tr>
<tr>
<td>2018</td>
<td>6,300</td>
</tr>
<tr>
<td>2017</td>
<td>5,270</td>
</tr>
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<td>2012</td>
<td>4,049</td>
</tr>
<tr>
<td>2011</td>
<td>2,357</td>
</tr>
</tbody>
</table>

Shareholders
End of March 2021

50% or more

Less than 10%

Individuals and others (Including treasury stock)
Foreign investors
Other corporations
Financial instruments
Financial institutions

 OMROM Corporation Integrated Report 2021

Corporate Information

OMRON Corporation Integrated Report 2021
Independent Third-Party Assurances

To enhance the reliability of the information presented in Integrated Report 2021, the following information associated with social and environmental performance provided herein has been assured or reviewed by independent third parties*.

Data subject to independent assurance
- Ratio of non-Japanese in key managerial positions overseas (P16, 112)
- Ratio of women in managerial roles (OMRON Group in Japan) (P16, 112)
- Ratio of employees with disabilities (OMRON Group in Japan) (P16, 112)

Data subject to independent assurance
- GHG emissions (P16, 22, 73, 112)
- Net sales to CO2 emissions (P16, 22, 73, 112)

Data subject to independent review
- Environmental contribution (P16, 22, 73, 112)

* KPMG ADJ Sustainability Co., Ltd.
Bureau Veritas Japan Co., Ltd.

Members for Integrated Report 2021

From the Publisher

We prepared this Integrated Report for 2021, a year that passes the baton from the former long-term vision “VG2020” concluded in fiscal 2020 to the next long-term vision starting in fiscal 2022, with focus on three points. The first was describing the present OMRON’s value generation story structured with combination of “three timelines.” Specifically, the three timelines consist of the “long-term: 10 years,” “medium-term: 4 years” and “short-term: compared to the prior fiscal year”. In the “long-term” perspective, we aimed to express our journey of value generation with a long-term viewpoint by summarizing the former long-term vision, as well as showing the direction of the next long-term vision. Next, we incorporated the “medium-term” perspective into the descriptions of each business in the Business section. We aimed to describe the fact that our assets and abilities cultivated during the four-year period of the former medium-term management plan (fiscal 2017 to 2020) have lead to the current growth in each business. Lastly, we secured a role of this report as an annual report by summarizing the “short-term” financial results with a main focus on the fiscal 2020 actual results.

The second was that outside directors and independent Audit & Supervisory Board members respectively took part in the Governance section of this report. Regarding the “Board of Directors’ Effectiveness”, Chairman of the Board of Directors and the lead Outside Director had a conversation. We interviewed Chairman of the Compensation Advisory Committee about the “Compensation Governance,” as well as an independent Audit & Supervisory Board member about the actions taken by the Audit & Supervisory Board and a response to KAM (Key Audit Matters). OMRON has a hybrid governance framework that combines a company with the Audit & Supervisory Board and a Selection Advisory Committee. We have thought that presenting discussions on the effectiveness of governance by outside directors as well as independent Audit & Supervisory Board members will lead to securing further transparency and development of constructive dialogue with the markets.

Finally, from this fiscal year, we clarified each role of the “Business Report,” “Securities Report” and “Integrated Report,” and, at the same time, attempted to link these disclosure statements together in the “value generation story” that combines the financial and non-financial information. While editing this Integrated Report, which is a voluntary disclosure, we mainly focused on complementing the securities report by multilaterally depicting the information leading to the non-financial value with officers’ and employees’ viewpoints. Please read the securities report if you have not yet done so.

We will continue to place great value on dialogue with our stakeholders. We look forward to hearing your honest opinions in this regard.

Publisher and Editor-in-Chief, Integrated Report 2021
Executive Officer Global Investor & Brand Communications HQ
Tsunomu Igaki

Edition Team Members for Integrated Report 2021

Global Investor & Brand Communications HQ
Tsunomu Igaki (Editor-in-Chief) Satomi Somakawa (Deputy Editor-in-Chief) Kisho Iida Hiroshi Oda AriihoYakota

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