

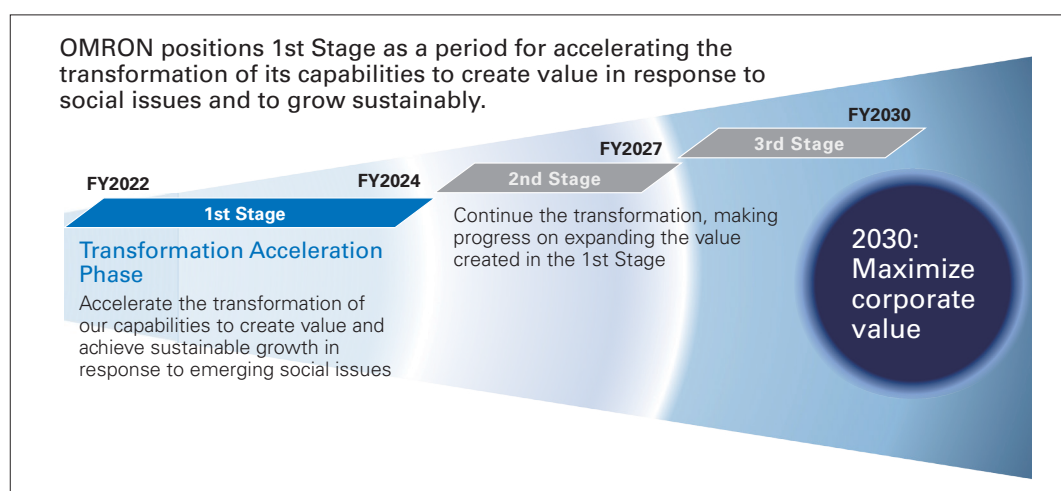
# Medium-term Management Plan “SF 1st Stage”

## Positioning of SF 1st Stage

The long-term vision, “Shaping the Future 2030 (SF2030),” covers nine years as we delayed its launch by one year because of the COVID-19 pandemic. The nine-year period is divided into three stages and each stage is covered by a medium-term management plan. The medium-term management plan for the first stage (from fiscal 2022 to fiscal 2024) is “SF 1st Stage.” We have positioned the first stage as the “transformation acceleration phase” where we accelerate the transformation of our capabilities to create value that addresses emerging social issues and achieve sustainable growth.

Transition to a new social and economic system corresponding to the needs of an emerging sustainable society is accelerating worldwide. Moves to build the elements of a sustainable society, including renewable energy, EVs, telemedicine services, and the high-speed communications infrastructure that supports these services, are becoming apparent. This social change is prompting structural transformation in many industries, creating new business opportunities and the chance for OMRON to make a great leap forward. At the same time, however, lack of clarity and uncertainty in the business environment, such as geopolitical risks, the ongoing COVID-19 pandemic, frequent occurrence of natural disasters, and supply chain disruptions triggered by such events, are expected to become “the norm.” At the same time, demands for a sustainable society, as typified by carbon neutrality and respect for human rights, are increasing. In this transformative period, achievement of the long-term vision is largely dependent on whether we can strengthen our ability to respond effectively to change.

In the period covered by SF 1st Stage in which opportunities and risks are mixed, we will leverage our assets and capabilities cultivated through the former long-term vision “Value Generation (VG) 2020” and proactively promote solutions to social issues with the aim of achieving high growth. Moreover, we will use this three-year period, in which our capabilities are to be transformed, to adapt to medium- to long-term changes in the business environment. By connecting the achievement under SF 1st Stage to greater value under SF 2nd Stage (from fiscal 2025 to fiscal 2027), we aim to ensure maximization of corporate value in 2030.



Positioning of SF 1st Stage

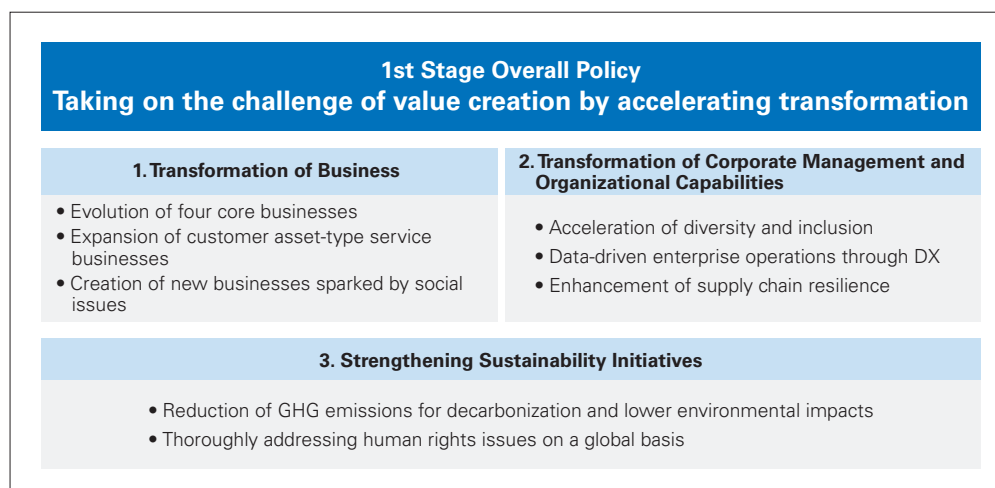
## 1st Stage Overall Policy

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

The first is “transformation of business.” We will promote three initiatives to resolve increasingly complex and sophisticated customer issues and to gain the ability to achieve sustainable growth. Specifically, we will promote evolution of four core businesses, expansion of customer asset-type service businesses, and creation of new businesses sparked by social issues.

The second is “transformation of corporate management and organizational capabilities.” In order to achieve transformation of corporate management and organizational capabilities to keep creating value while adapting to change in the business environment, we will promote acceleration of diversity and inclusion, data-driven enterprise operations through digital transformation (DX), and enhancement of supply chain resilience.

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



SF 1st Stage Overall Policy and Group Strategy

## Transformation of Business

### ● Evolution of four core businesses

In order to create social value defined by SF 2030, each of the four core businesses reappraised and clarified their focus business fields so as to evolve the business portfolio. To seize new growth opportunities in each focus business field, we will make full use of assets and capabilities we cultivated during the VG period (from fiscal 2011) and the business transformation period (fiscal 2020 and fiscal 2021). Moreover, we will create new customer value and build strong intangible assets that will enable us to prevail over competitors in the market and achieve high sales growth.

### ● Expansion of customer asset-type service businesses

By approaching fundamental issues of customers from a service value perspective, rather than from a product value perspective, we aim to create and expand new service businesses by leveraging customer assets, such as field knowledge and data, we have cultivated to date.

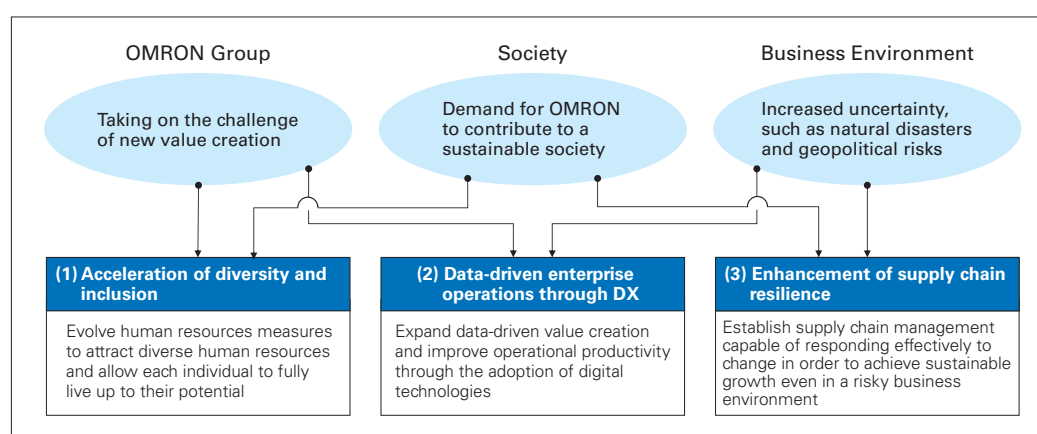
We will continue to connect with customers by offering new value through the combination of products and services and implement a cycle of identifying issues of customers and resolving them.

### ● Creation of new businesses sparked by social issues

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

## Transformation of Corporate Management and Organizational Capabilities

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



Transformation of Corporate Management and Organizational Capabilities

Firstly, from the viewpoint of the OMRON Group, we will take on the challenge of new value creation. Under SF 1st Stage, we will take on difficult challenges, such as creation of service businesses and new businesses, in addition to strengthening of competitiveness in focus businesses.

Secondly, from the viewpoint of society, OMRON has long promoted initiatives to contribute to a sustainable society. Meanwhile, demands from society for companies to contribute to a sustainable society are becoming stronger and wider in scope. In the course of business activities, we need to shift to corporate management and business operations emphasizing contribution to stakeholders.

From the viewpoint of the business environment, uncertainty, such as natural disasters and geopolitical risks, is expected to be the norm. Based on the assumption that a business environment with a high degree of uncertainty will continue, such as frequent extreme weather events and friction between the U.S. and China, it is necessary to build a business foundation on which we can continue to create value even in such an environment.

Based on these three viewpoints, we have identified three key areas to be focused: “acceleration of diversity and inclusion,” “data-driven enterprise operations through digital transformation,” and “enhancement of supply chain resilience.”

#### ● Acceleration of diversity and inclusion (D&I)

In accelerating D&I, we aim to ensure that the OMRON Group continues to attract diverse talented people who aspire to resolve social issues and encourage each individual to seize the initiative and demonstrate their abilities. To achieve this goal, we will expand measures to attract human resources and unleash the passion and ability of each individual, such as “continuing global hiring of specialist human resources,” “vigorous investment in individuals keen to grow,” “implementation and expansion of diverse career, employment status and work style options,” and “introduction of a job-based HR system worldwide.”

#### ● Data-driven enterprise operations through DX

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

#### ● Enhancement of supply chain resilience

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

### Strengthening Sustainability Initiatives

The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas (GHG) emissions for decarbonization and lower environmental impacts while thoroughly addressing human rights issues on a global basis. As well as achieving sustainable business growth, society expects OMRON to contribute to the sustainable development of society. Under SF2030, OMRON has set “achieving decarbonization and reducing environmental impacts” and “respecting human rights in the value chain” as key sustainability issues.

On March 1, 2022, we established the OMRON Environmental Policy and the OMRON Human Rights Policy as important guidelines for promoting and achieving these goals under SF2030 and SF 1st Stage. Going forward, in accordance with these policies, OMRON will strive to meet the expectations of its stakeholders, thereby enhancing its corporate value.

## ● Reduction of GHG emissions for decarbonization and lower environmental impacts

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

Major initiatives under SF 1st Stage are as follows:

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

Initiatives	SF 1st Stage Targets
<b>Reduction of GHG*<sup>1</sup> emissions from OMRON (Scope 1 and 2)</b>	Reduce GHG emissions by 53% by FY2024 vs. FY2016 to achieve Carbon Zero by 2050. For this purpose, expand energy saving and energy generation and achieve Carbon Zero* <sup>2</sup> at all 76 sites in Japan.
<b>Reduction of GHG emissions from use of products sold by OMRON (Scope 3, Category 11)</b>	To achieve an 18% reduction by FY2030 (vs. FY2016), implement energy-saving designs for new products in each business in the 1st Stage. At the same time, in the 1st Stage, formulate a scenario for achieving FY2030 targets.* <sup>3</sup>

\*1 GHG: Greenhouse gas

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

\*3 Scope 3 targets for 2050 have not yet been determined. They will be formulated after further verification and examination.

Initiatives for "Achieving Decarbonization and Reducing Environmental Impacts" under SF 1st Stage

## ● Thoroughly addressing human rights issues on a global basis

OMRON has conducted human rights risk assessments and implemented countermeasures by using sustainability self-assessment, etc. of its own production sites and major suppliers. In addition to these efforts, under SF 1st Stage, we aim to establish a global human rights governance system by expanding the scope to include the entire value chain and promoting efforts in accordance with the OMRON Human Rights Policy and the United Nations Guiding Principles on Business and Human Rights (UNGP).

Major initiatives under SF 1st Stage are as follows:

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

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

## ■ Management Targets

Under SF2030, we aim to maximize corporate value by maximizing social value and economic value. To achieve this goal, we will further pursue initiatives for business growth and for sustainability issues in an integrated manner. As milestones, under SF 1st Stage, we set non-financial targets as management targets for the first time, in addition to financial targets. Our financial targets are net sales of ¥930 billion, operating income of ¥120 billion, ROIC of at least 10% and ROE of at least 10% in fiscal 2024. As well as realizing high sales and profit growth, we intend to create value with ROIC of over 10% so as to enhance corporate value. In terms of non-financial targets, we have set 10+1 goals that indicate the social value to be created by the OMRON Group and secure our ability to compete in the future. Three of the ten non-financial targets were determined by global employee vote. All employees will take action, driven by the targets they set. The +1 target is a declaration of commitment to community-based social contribution activities in each region in accordance with OMRON's Sustainability Policy. We will work to achieve each of the 10+1 targets. Financial targets and non-financial targets are as follows:

## SF 1st Stage Financial Targets

	FY2021 Results	FY2024 Targets		FY2021 Results	FY2024 Targets
<b>Net Sales</b>	¥ 762.9 billion	¥ 930.0 billion	<b>Industrial Automation Business (IAB)</b>	Net Sales Operating Income [Operating Income Margin]	¥ 418.1 billion ¥ 76.3 billion [18.2%]
<b>Operating Income</b>	¥ 89.3 billion	¥ 120.0 billion	<b>Healthcare Business (HCB)</b>	Net Sales Operating Income [Operating Income Margin]	¥ 132.9 billion ¥ 18.5 billion [14.0%]
<b>Operating Cash Flow (3-year total)</b>	¥ 232.7 billion (Excludes impact of transfer of the Automotive Electronics Components Business)	¥ 250.0 billion	<b>Social Systems, Solutions and Service Business (SSB)</b>	Net Sales Operating Income [Operating Income Margin]	¥ 87.7 billion ¥ 6.5 billion [7.4%]
<b>ROIC</b>	9.6%	>10%	<b>Device &amp; Module Solutions Business (DMB)</b>	Net Sales Operating Income [Operating Income Margin]	¥ 121.0 billion ¥ 10.1 billion [8.3%]
<b>ROE</b>	9.7%	>10%			
<b>EPS</b>	¥ 306	>¥ 400			

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

## SF 1st Stage Non-financial Targets

- Achieve +45% growth in sustainability sales<sup>\*1</sup> compared with FY21 as a contribution impact on a sustainable society Green Revenue +65% Digitalization Revenue +40% Healthcare Revenue +40%
- Achieve a 18% rate of female managers globally
- Achieve the employment of people with disabilities at 28 global production bases and maintain the 3% employment rate for people with disabilities in Japan
- Achieve a 53% reduction in GHG emissions in Scope 1 and 2 compared with 2016 levels
- Achieve 100% use of renewable energy electricity at all 76 bases in Japan
- Conduct human rights due diligence in line with the UNGP and establish human rights redress mechanisms in the value chain
- Steadily advance sustainability initiatives to continue to be selected for DJSI World
- Enable all employees to understand and use digital technology in their work including statistics, data analysis and artificial intelligence.
- Release the potential of all OMRON members by training 100% of managers globally in coaching team members and removing unconscious bias
- Reduce the need to print paper in all OMRON sites through the implementation of digital solutions
- +①Top management of each region to declare and execute their commitment to contribute to local communities in alignment with OMRON's Sustainability Policy

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

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

In addition, we have established strategic objectives, key objectives of the OMRON Group's initiatives, leading to achievement of our financial and non-financial targets. The strategic objectives are as follows:

## SF 1st Stage Strategic Objectives

<b>Industrial Automation Business (IAB)</b> Number of customers using innovative-Automation <b>5,000 companies</b> (2X vs. FY2021)	<b>Healthcare Business (HCB)</b> Global blood pressure monitor sales <b>94 million units</b> (3-year total) Number of telemedicine service users <b>600,000 users</b> (cumulative total)	<b>Social Systems, Solutions and Service Business (SSB)</b> Connected energy management devices <b>50,000 units</b> (3-year total)	<b>Device &amp; Module Solutions Business (DMB)</b> Sales volume for products contributing to the spread of new energy and high-speed communications <b>Products for DC equipment</b> <b>60 million units</b> <b>Products for high-frequency devices</b> <b>170 million units</b> (3-year total)
<b>Expanding Customer Asset-type Service Businesses</b> Ratio of service business sales <b>&gt;10%</b>	<b>Creating New Businesses</b> New businesses created <b>3 or more</b>	<b>Diversity &amp; Inclusion</b> Human creativity <b>+7%</b> (vs. FY2021) Investment in human resources development <b>¥ 6.0 billion</b> (3-year total) VOICE SEI <b>&gt;70 points</b>	<b>Enhancing Profit Generating Capability</b> Gross Profit Margin <b>&gt;47.0%</b>