Environment

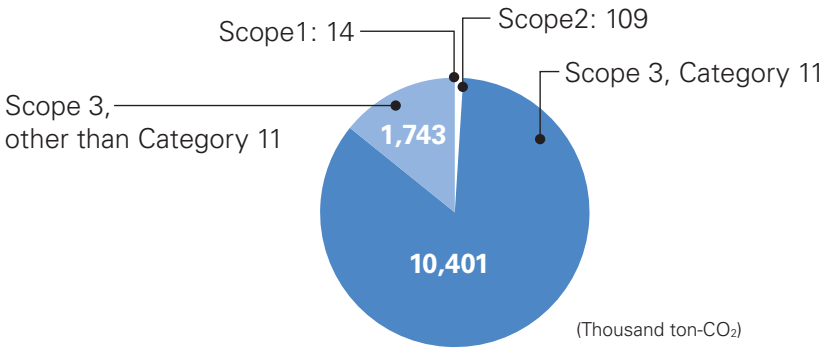
OMRON Environmental Policy

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

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

Achieving Decarbonization and Lower Environmental Impact

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of "contributing to a better society," and is proactively working to address global issues such as climate change and resource recycling. In particular, OMRON views "reducing greenhouse gas (GHG) emissions," "transitioning to a circular economy," and "coexisting with nature" as important environmental issues to be addressed. Specifically, by linking initiatives to achieve decarbonization and lower environmental impact to business competitiveness and by establishing a system to ensure their effectiveness, we are committed to contributing to the creation of a sustainable society and enhancing corporate value.



OMRON's GHG Emissions (Fiscal 2021 Results)

OMRON's Key Environmental Initiatives under SF2030

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

A. Reduction of GHG emissions (Scope 1 and Scope 2: emissions from the OMRON Group)

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

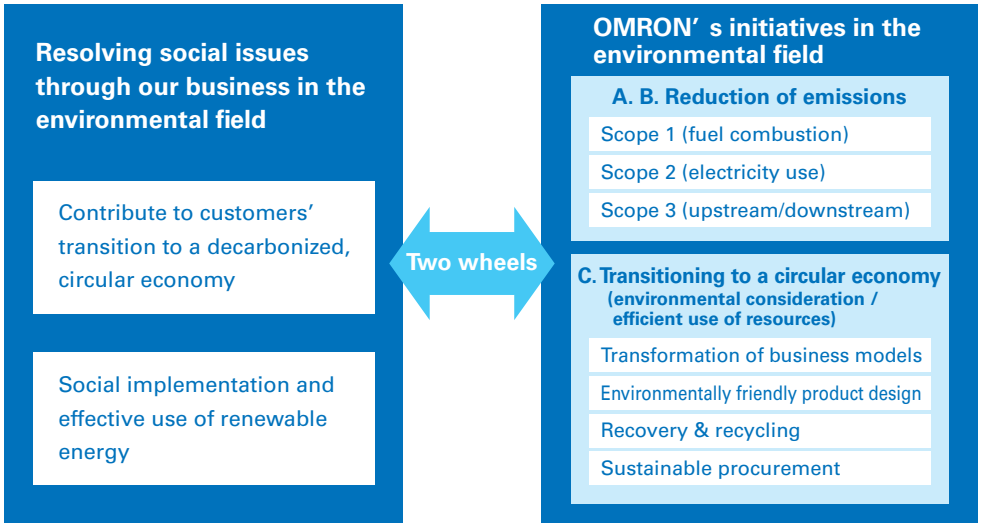
B. Reduction of GHG emissions (Scope 3, Category 11: Use of Sold Products)

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

*1 J-Credit Scheme: Under this scheme, the Japanese government certifies a company's environmental value (the effect of not emitting CO_2).
*2 Self-consignment: A power supply system that allows businesses that own their own power generation facilities to transmit and supply electricity generated by those facilities to their own factories and offices in remote places via the power grids of general power transmission and distribution business operators and use the electricity.

C. Transitioning to a circular economy

In order to solve the problems of resource depletion and environmental destruction, we will work to transition to a circular economy through such initiatives as "transformation of business models," "extension of product life," "expansion of collection and recycling," "procurement of recyclable raw materials," and "maximization of recycling rates." Specifically, for "procurement of recyclable raw materials," we are reducing plastic waste in the production process and replacing containers (outer packaging) for products with paper packaging materials. For "expansion of collection and recycling," we are promoting in-process recycling, collection and recycling of OMRON products in cooperation with partners and customers and reviewing the production process and improving the recycling rate of resin waste materials generated in the production process.



Information Disclosure in Accordance with TCFD Recommendations

Response to Climate Change

Ever since the declaration of our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2019, we have been promoting information disclosure based on the TCFD framework to strengthen our engagement with shareholders, investors, and other stakeholders about OMRON's actions to combat climate change.

Information disclosure in accordance with the four elements recommended by the TCFD

The TCFD recommends all organizations to make disclosures based on four elements: governance, strategy, risk management, and metrics and targets. OMRON discloses its climate-related initiatives in accordance with these four elements recommended by the TCFD.

Governance

Role of the Board of Directors / Monitoring System

The OMRON Corporate Governance Policy clearly stipulates that the Board of Directors shall determine and disclose the OMRON Group's sustainability policy, material sustainability issues, and targets, including initiatives to address climate-related risks based on the TCFD and other frameworks.
The Executive Council and the Sustainability Committee discuss risks, business opportunities, targets, and specific measures related to climate change, make decisions, manage progress, and conduct monitoring on a regular basis, and consider corrective measures, as necessary. The Board of Directors receives, on a regular basis, reports on what has been discussed and decided by the Executive Council and deliberates on and supervises the matters.
Evaluations concerning the GHG emissions reduction target and evaluations based on sustainability indicators (including evaluation of the response to climate change) by third parties are included among the evaluation indicators for the medium- to long-term, performance-linked compensation for internal Directors and Executive Officers for the period from fiscal 2021 to fiscal 2024.

Strategy

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

In SF2030 and SF 1st Stage, we have defined "achieving decarbonization and lower environmental impact" as a material sustainability issue. Viewing climate change from two aspects, "opportunities" and "risks," we are committed to fulfilling our corporate social responsibility and further building our competitive advantage. In order to prevent the expansion of the serious impacts of climate change on ecosystems and human society, OMRON will work to reduce GHG emissions throughout its value chain through "Products and services that contribute to carbon neutrality," "Evolved business models that combine products and services," "Co-creation with our partners" "improved energy efficiency," and "expanded use of renewable energy." Amid these initiatives, OMRON analyzed risks and opportunities based on two scenarios as announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and others: one assuming a rise in global average temperature of 4°C or more, and the other assuming that the increase in global average temperature is kept to below 2°C (1.5°C in some cases) as agreed under the Paris Agreement. We reaffirmed that we must act to solve climate change issues. Specifically, in the field of industrial automation, we will evolve innovative-Automation to establish manufacturing sites that support a sustainable future in which symbiosis with the global environment is achieved and people experience job satisfaction, and to realize automation that increases productivity and energy efficiency. In the field of social solutions, we have contributed to the diffusion of solar power generation and storage batteries. Going forward, we will contribute to the further diffusion of renewable energy by eliminating instability in power generation with our advanced energy control technology. In the field of device and module solutions, we will also accelerate development and provision of electronic and mechanical components in response to growing interest in improving the environmental performance of products and reducing the carbon footprint. Having various interfaces with society, OMRON will contribute to the realization of a carbon-neutral society in many aspects. We have reflected the results of the scenario analysis in the strategies of SF2030 and SF 1st Stage and established a specific action plan.

- Assumed period: SF2030 period (until fiscal 2030)
- Adopted scenarios: 4°C scenario: IPCC/RCP8.5, IEA/STEPS
  : 1.5/2°C scenario: IPCC/RCP2.6, IEA/SDS (partly IEA/NZE)
- Definition of time horizon: Short-term: less than 3 years; medium-term: 3 to less than 10 years; long-term: 10 to 30 years
- Scenario analysis target: Existing businesses

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

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

Opportunity categories		Risk period	Opportunity overview	Response to opportunities
Products / services / markets	Industrial Automation Business	Short to medium term	• Increased opportunities to provide factory automation equipment in the following business fields: [By field] • Digital devices: Increased demand for semiconductors to support the spread of environmentally friendly vehicles and EVs • Environmental mobility: Increased demand for EV-related components such as rechargeable batteries and for EVs • Food and daily necessities: Increased demand for environmentally friendly packaging materials such as plastic-free packaging materials to realize a decarbonized society • Growing need for decarbonization of production processes	• Providing innovative-Automation solutions to the needs associated with production method changes, new capital expenditure, and enhanced energy productivity at production sites
	Healthcare Business	Short to medium term	• Increased demand for environmental performance due to the expansion of ethical consumption	• Capturing consumer demand by enhancing environmental performance (carbon reduction, circular economy, etc.)
	Social Systems, Solutions and Service Business	Short term	• Expansion of renewable energy, energy storage and energy management markets due to rapid progress of decarbonization in energy supply and consumption processes, leading to acceleration of the following: i. Companies and local governments: Accelerated adoption of renewable energy and energy storage systems, which are distributed power sources, due to increasing demand for decarbonization and disaster prevention ii. General households: Increased popularity of self-generation, storage and consumption of electricity • Advancement in energy management that can solve electricity supply/demand balance issues associated with the spread of renewable energy	• Establishing an energy management business using solar power and storage batteries • Further expanding sales of PV inverters and storage batteries, capturing the growing demand for renewable energy and energy storage at companies, homes, and local governments
	Electronic and Mechanical Components Business	Short to medium term	Increased opportunities to provide electronic and mechanical components because of the following: [Common] • Increased interest in enhancing the environmental performance of products and reducing their carbon footprint [By field] • Home appliances: Increased demand for air conditioning systems due to rising average temperatures and increased demand for air conditioners with inverters due to the need to strengthen measures to reduce GHG emissions associated with air conditioning systems. • Power tools: Accelerated shift to electric tools due to the need to strengthen measures to reduce GHG emissions associated with product use, leading to increased demand for DC current interruption • FA: Increased demand for new products (EVs, next-generation power semiconductors, recycled plastics, alternative foods, etc.) and increased demand for introduction of new FA equipment and replacement in line with the progress of decarbonization of production processes	• Accelerating development and provision of electronic components that contribute to energy saving of customer products and reduction of the carbon footprint of manufacturing processes, including customer production processes • Timely monitoring of market trends to capture opportunities associated with changes in demand and design of products for decarbonization

Risk Management

• Processes for Assessing, Identifying, and Managing Risk

OMRON conducted scenario analysis of each of its businesses during fiscal 2021 to identify a comprehensive set of "transition risks" and "physical risks" related to climate change. We then visualized the "risk period" and "amount of impact on business and finances" of each of the extracted climate-related risks for each adopted scenario, and evaluated the degree of impact on business and finances. Based on the assessment, we identified climate-related risks that are significant to OMRON and formulated countermeasures. Important matters related to risk identification and formulation of countermeasures are reported to the Board of Directors. In fiscal 2022 and beyond, we will continue to regularly carry out scenario analysis, update risks and countermeasures, and monitor the progress of implementation of the countermeasures.

• Status of Integration into Group-wide Risk Management

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

Indicators and Targets

• Indicators for Climate-related Risks and Opportunities

Emissions in Scope 1, 2, and 3 and the amount of renewable energy as a percentage of electricity used in our business activities are designated as indicators.

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

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of "contributing to a better society," and set the OMRON Carbon Zero target in July 2018, aiming to reduce GHG emissions in Scope 1 and 2 to zero by 2050.
In March 2022, stepping up its initiatives to realize a carbon-neutral society, OMRON changed the scenario for reduction of GHG emissions in Scope 1 and 2 from a 2°C scenario to a more aggressive 1.5°C scenario. For Scope 3, Category 11, we have also set a new target of 18% reduction by 2030 (compared to fiscal 2016). These targets are certified by the Science Based Targets initiative (SBTi)*1.
To achieve the targets, OMRON will continue to improve energy efficiency. At the same time, by utilizing the renewable energy-derived J-Credit Scheme provided by its own energy solutions business and self-consignment, OMRON aims to achieve carbon zero*2 in Scope 2 at its operating sites in Japan by fiscal 2024.

*1 SBTi: An international initiative that encourages companies to set science-based medium- to long-term GHG emissions reduction targets.

*2 GHG (Scope 2) emissions from OMRON's electricity use at 13 production sites and 63 non-production sites (headquarters, R&D, and sales). Five sites (Kyoto Office, Ayabe Office, Kusatsu Office, Katsuragawa Office, and Keihanna Technology Innovation Center) achieved carbon zero for Scope 2 by fiscal 2021. Plans call for four more sites to achieve carbon zero in fiscal 2022, which will bring the number of sites achieving carbon zero to nine.

(thousand ton-CO_2)

	FY2016 Results (Baseline)	FY2021 Results		FY2024 Targets	FY2030 Targets	FY2050 Targets
	Emissions	Emissions	Compared to FY2016	Compared to FY2016	Compared to FY2016	
Scope 1 and 2	250	123	-50%	-53%	-65%	Zero
Scope 3 Category 11	9,102	10,401	+14%	–*	-18%	–*

* In the future, set targets as soon as the accuracy of achievement feasibility increases

Collaboration with suppliers to achieve decarbonization and lower environmental impact

OMRON has established the Sustainable Procurement Guidelines and we are working to realize a sustainable society together with our suppliers. In particular, as part of our upstream supply chain efforts to achieve decarbonization and lower environmental impact, we have set the reduction of petroleum-derived resin materials as a key theme and are making a Group-wide effort to achieve a reduction of 840 tons over the three-year period from 2022 to 2024. Our efforts center on two activities: saving of materials to reduce the amounts of materials used for parts and recycling to reuse discarded materials. Although it is not easy to achieve this goal because it requires not only cooperation from suppliers, but also design reviews and capital investment, we are working hard every day under the banner of addressing social issues of "decarbonization and reduction of environmental impact."

Manager, Material Engineering Group, Value Engineering Procurement Div. Global Procurement, Quality & Logistics HQ
Guo Jie

Preserve a rich natural environment for today's children and future generations

In fiscal 2021, we revised the OMRON Environmental Policy based on the direction of OMRON's environmental initiatives and set the goals of SF2030 and SF 1st Stage. In accordance with TCFD recommendations, we conducted scenario analysis of our core businesses in conjunction with SF2030 and SF 1st Stage and identified climate-related risks, opportunities, and countermeasures. Then we disclosed the results for the first time in the securities report under the oversight and supervision of the Board of Directors. Since environmental issues are often difficult to solve on our own, we will continue to accelerate our efforts to address environmental issues by working together with our suppliers and customers throughout the value chain.

Sustainability Office
Hirokazu Tamura