CFO Interview

Evolution of ROIC Management Drives Maximization of Corporate Value

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CFO and Senior General Manager, Global Strategy HQ

Koji Nitto

— Under the VG2020 long-term vision (VG), OMRON strove to enhance corporate value, championing ROIC Management. Please wrap up OMRON’s initiatives so far.
Under VG, with the aim of becoming a robust enterprise with growth potential, profitability, and ability to effectively respond to change, we pursued portfolio management based on return on invested capital (ROIC) and Down-Top ROIC Tree. I feel that our efforts are bearing fruit as OMRON’s capabilities.
During the period covered by VG, we largely completed selection and decentralization of businesses. Now, the OMRON Group has a more resilient business portfolio. Termination of unprofitable products in each business has progressed, and the overall gross profit margin (GP ratio) has steadily improved. Moreover, Down-Top ROIC Tree has permeated workplaces as a result of our efforts to raise employee awareness. It is a great asset. I am pleased that individual workplaces understand the importance of their roles in achieving the Group’s targets and the targets of individual businesses and that they are acting with a strong commitment. We will continue to leverage these initiatives as OMRON’s abiding strengths in pursuit of our new long-term vision, SF2030. Of course, we have some issues. We need to be capable of achieving self-driven growth, in other words, to contribute to further value creation. The essence of ROIC Management is management of value creation. It means optimizing resources and investing them in growth businesses. Earnings management is one of these processes, and it is only completed when reinvestment leads to value creation. Although we were able to enhance profitability under VG, with a view to the future, we need to be selective in regard to investment fields and stretch our ability to shoulder calculated risk and allocate resources appropriately in a timely manner. Evolving a business, such as the data business, requires developing capabilities to evaluate markets and business models, as well as selectively making investment decisions based on the time horizon for the results of investment. In addition, it is essential to invest in strengthening the business foundation over the medium to long term, including investment in supply chain management and digital transformation (DX), which we are promoting now. Along with the strategic
investments in business mentioned earlier, it is becoming more difficult than ever to steer our course and balance investment with sustainable growth of profits.

— A goal of SF2030 is to maximize corporate value. How will OMRON evolve ROIC Management to achieve this goal?
To maximize corporate value, we will transform ROIC Management from two perspectives. First is “business portfolio management starting from social value.” Under the SF 1st Stage medium-term management plan, by positioning businesses that will drive the creation of social value identified by each of our business companies as focus businesses, we will implement portfolio management for each business unit. In considering the long-term vision, we discussed thoroughly with our business companies. What kind of social value should be created? What are our customers’ essential issues that should be resolved? Based on the social value we identified as a starting point, we backcast and reevaluated the markets we should address, the markets we should create, and our existing competitive advantages, and then set focus businesses.

Individual business companies will drive growth based on their focus businesses and maximize the value of their respective businesses. This will lead to enhancement of corporate value. The focus businesses will not only offer products but take various forms, such as a combination of products and services or a new service. So, portfolio management based on business units rather than products will be required. We will continue conventional product-based portfolio management (PPM) from the perspective of financial discipline for profitability.

At the heart of this business portfolio management is management of human resources. In other words, the key is to have the right people in the right places in line with the growth scenario of a business. Although focus businesses all target attractive markets with high growth potential, in order to maximize their growth potential, it is essential to have the best people and cultivate an environment in which employees’ performance is maximized. This linkage of business portfolio management and human resources management is one of the characteristics of the medium-term strategy under SF2030.

Another aspect of the evolution of ROIC Management centers on “construction of a new management tree that systematizes enhancement of corporate value.” There are two main reasons for this. The first reason is that intangible assets will become more important as a business evolves. We aim at profit growth not only through cost competitiveness of products but also by creating high added value to solve our customers’ essential issues. Many of the components that create that added value are related to intangible assets. For example, in the case of innovative-Automation of the Industrial Automation Business, the sources of our competitive advantage are a suite of innovative applications co-created by OMRON and leading companies in various industries, and our highly skilled engineers. In the case of the Healthcare Business, the know-how in obtaining permits and approvals and the trust of the medical industry we have cultivated over the years, as well as the blood pressure data collected and accumulated globally differentiate OMRON from its competitors and contribute greatly to the creation of value unique to OMRON. It is extremely important to link these intangible assets to the added value generated by each business, and at the same time, to have the metrics to measure the financial impact of investment.

The second reason is that recent changes in social structure and values have resulted in diversification of the elements constituting corporate value. In addition to the intangible assets of businesses I mentioned earlier, we need to make the necessary investments with regard to ESG-related issues, such as carbon neutrality and respect for human rights, and link them to corporate value. However, a systematized tree structure based on ROIC as the starting point alone does not adequately cover the elements and there is a risk of deterioration of the accuracy of the allocation of important management resources. So, we would like to establish a mechanism for enhancing corporate value by repeatedly establishing a hypothesis and then verifying it, and adjusting the metrics accordingly.

Currently, the OMRON Group is establishing a new management tree with corporate value as the starting point, and each business company is establishing a new management tree with business value as the starting point. We will strive to present a more concrete picture through our initiatives from now on.

— OMRON invested over ¥100 billion in JMDC Inc. in fiscal 2021. What is the background and thinking behind this investment decision from the perspective of ROIC Management? Regard investment in JMDC, we thoroughly examined medium- to long-term returns and risks. We evaluated how to generate returns in excess of the cost of capital in terms of both traditional economic value and strategic value. The purpose of this investment is to create a data business, a new challenge for the OMRON Group. Essentially, the evaluation of investment is similar to the evaluation of a new business. It is not appropriate to use
synergy measurements and valuations, which are used for evaluating existing businesses. We conducted evaluation along the timeline, discussed everything, and evaluated the short-term investment impact and the concept of the data business and its financial potential over the medium to long term. On the other hand, the strategic value is very clear.

JMDC has knowledge and expertise in the data business that OMRON lacks. OMRON has been building its business through trial and error. But by collaborating with JMDC, which has knowledge and expertise in a field with which we are unfamiliar, we can further increase the probability of success and the speed of transformation. This is one of the reasons for the decision to go ahead with the investment. Furthermore, by taking this opportunity created by our investment in JMDC, we would like to accelerate the data business not only in the Healthcare Business but also in the Industrial Automation Business and the Social Systems, Solutions and Service Business, in order to achieve the business transformation that the Group is pursuing.

Through the investment in JMDC, management is shouldering a calculated risk. In terms of risk management, we proceeded with the utmost care. Specifically, we conducted risk assessment of the investment separate from OMRON’s business strategy. The investment in JMDC is recorded as investment securities on OMRON’s balance sheet. We examined JMDC’s financial strengths, the value of its data platform, barriers to entry, future growth potential, and so on, and the project team and the Board of Directors had many discussions. Of course, there is a risk of possible impairment, but with OMRON’s current financial position, such risk can be sufficiently absorbed.

JMDC’s bottom line on a non-consolidated basis was expected to be ¥3 billion at that time, and thus OMRON, with a 33% stake in JMDC, was expected to have about ¥1 billion as its share of profit. Considering the return on investment alone, it is 1% on investment of ¥100 billion, which is below the hurdle rate (cost of capital). Are we to keep this ¥100 billion in cash or invest it? When considering the options, the essence of ROIC Management is to look five or ten years ahead and to select the option that will enhance future corporate value. Through the investment in JMDC, OMRON will create a new data business, which will significantly increase the total return over the medium to long term. In due course, we will report on the progress made. You can count on us.

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What is OMRON’s policy on cash allocation and shareholder returns under the new medium-term management plan?

Under SF2030, in order order to maximize corporate value, we established a new cash allocation policy. It prioritizes investment in growth and on this basis, we will enhance shareholder returns. This indicates OMRON’s strong determination to continue growing. Starting with this new medium-term management plan, we have set operating cash flow as one of the management indicators. Maximizing corporate value requires a constant cycle of “value creation and reinvestment,” and operating cash flow is the key to this cycle. ROIC Management has strengthened OMRON’s ability to generate cash year after year. We will reinvest the cash in the Industrial Automation Business and the Healthcare Business, which are the drivers of the Group’s growth. In addition to the growth investments required for existing businesses, we will make the necessary investments to create new business models so as to enhance OMRON’s medium- to long-term growth potential. To ensure growth, we will also

<table>
<thead>
<tr>
<th>Investment Plan</th>
<th>Forecast for the most recent 3 years FY2019-2021 (cumulative total)</th>
<th>SF 1st Stage plan FY2022-2024 (cumulative total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth investment (including M&amp;A)</td>
<td>¥140.4 billion</td>
<td>¥200.0 billion</td>
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<tr>
<td>R&amp;D investment</td>
<td>¥134.3 billion</td>
<td>¥165.0 billion</td>
</tr>
<tr>
<td>Capital investment (including DX investment)</td>
<td>¥91.3 billion</td>
<td>¥130.0 billion</td>
</tr>
<tr>
<td>Investment for carbon neutrality</td>
<td>¥3.8 billion</td>
<td>¥20.0 billion</td>
</tr>
<tr>
<td>Investment in human resources development</td>
<td>¥2.0 billion</td>
<td>¥6.0 billion</td>
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</table>
make investments to transform our organizational capabilities across the Group. There are three priority fields for investment. Firstly, investment in human resources. For business transformation, it is important to develop the capabilities of individual employees who will be engaged in the transformation and to create an environment that attracts diverse human resources. To this end, we will invest ¥6 billion in human resources, about three times the amount invested during the previous medium-term management plan, centering on global recruitment and implementation of human resources development programs.

Secondly, promotion of DX. Our goal of creating new data-driven businesses requires business infrastructure suitable for such businesses. It is necessary to transition from the conventional structure focused on products to one that is optimized for offering solutions centered on combinations of products and services. At the same time, in the course of this transition, enhancement of operational efficiency through standardization of business processes is a must to prevail over competition in the market. We will execute this medium- to long-term investment according to the plan.

Thirdly, supply chain management. As you are aware, the environment surrounding the supply chain is becoming increasingly complex, including geopolitical risks and responses to global environmental issues. The current challenges are not transient and are irreversible owing to structural changes in society as a whole, and we must restructure our supply chain to adapt to such changes.

In addition, with respect to business transformation and transformation of organizational capabilities, carbon neutrality is another key investment theme for the OMRON Group. Climate change is a social issue that OMRON should address as a corporate citizen. Indeed, companies increasingly recognize addressing the issue as a precondition for engaging in business.

Under SF2030, we will promote initiatives with a view to realizing a decarbonized society, not only to fulfill our social responsibility to eliminate CO\textsubscript{2} emissions, but also to link such initiatives to enhancement of OMRON’s competitiveness. By developing products that contribute to resolving global environmental issues and by offering energy management and other solutions through the Industrial Automation Business and the Social Systems, Solutions and Service Business, we aim to achieve OMRON’s sustainable development while contributing to that of society.

Under SF 1st Stage, we plan to invest approximately ¥20 billion, about five times the amount invested during the previous medium-term management plan. Plans call for capital investment in energy saving and energy generation to make our 76 sites in Japan carbon neutral.

OMRON now uses the dividends on equity (DOE) ratio as the sole indicator for its shareholder returns. This is to reduce the impact of short-term performance fluctuations on shareholder returns and ensure stable and continuous dividend payment. Our policy of prioritizing investment in business growth remains unchanged under SF 1st Stage. For example, if there is a good M&A opportunity, we will use retained cash as well as appropriate financing methods to seize it in a timely manner.

Our aim is to strongly implement the virtuous cycle of value creation and reinvestment. This is the key to maximizing corporate value and rewarding shareholders.
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 measure 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/head count reduction or facilities 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.
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.

OMRON positions 1st Stage as a period for accelerating the transformation of its capabilities to create value in response to social issues and to grow sustainably.

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

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

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

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

Evolution of four core businesses
In order to create social value defined by SF 2030, each of the four core businesses reappraised and clarified their focus business fields so as to evolve the business portfolio. To seize new growth opportunities in each focus business field, we will make full use of assets and capabilities we cultivated during the VG period (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.
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

SF 1st Stage Targets

| Initiatives | Reduction of 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*2 at all 76 sites in Japan. |
| SF 1st Stage Targets | 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.*3 |

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:

*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.
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

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<tbody>
<tr>
<td>Number of customers using innovative-Automation</td>
<td>Global blood pressure monitor sales</td>
<td>Connected energy management devices</td>
<td>Sales volume for products contributing to the spread of new energy and high-speed communications</td>
</tr>
<tr>
<td>5,000 companies (2X vs. FY2021)</td>
<td>94 million units (3-year total)</td>
<td>50,000 units (3-year total)</td>
<td>Products for DC equipment</td>
</tr>
<tr>
<td></td>
<td>Number of telemedicine service users</td>
<td></td>
<td>Products for high-frequency devices</td>
</tr>
<tr>
<td></td>
<td>600,000 users (cumulative total)</td>
<td></td>
<td>170 million units (3-year total)</td>
</tr>
<tr>
<td>Expanding Customer Asset-type Service Businesses</td>
<td>Creating New Businesses</td>
<td>Diversity &amp; Inclusion</td>
<td>Enhancing Profit Generating Capability</td>
</tr>
<tr>
<td>Ratio of service business sales</td>
<td>New businesses created</td>
<td>Human creativity</td>
<td>Gross Profit Margin</td>
</tr>
<tr>
<td>&gt;10%</td>
<td>3 or more</td>
<td>+7% (vs. FY2021)</td>
<td>&gt;47.0%</td>
</tr>
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</table>

*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.
Value Creation Model

Under SF 1st Stage, leveraging its intangible assets and management capital such as “human resources” and “intellectual capital,” OMRON will continue innovation and creation of products and services through the business creation process based on the OMRON Principles and the SINIC Theory and pursue Material...
Sustainability Issues, thereby creating social value that contributes to establishment of an autonomous society and leads to sustainable enhancement of corporate value. We will continue to expand and create social value by increasing management capital to create innovation driven by social needs.

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### Focus Businesses

<table>
<thead>
<tr>
<th>Output</th>
<th>Outcome</th>
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<tbody>
<tr>
<td><strong>Industrial Automation</strong>&lt;br&gt;Industrial Automation Business (IAB)</td>
<td>Customers adopting the innovative-Automation concept&lt;br&gt;5,000 companies&lt;br&gt;(2X vs. FY2021)</td>
</tr>
<tr>
<td><strong>Healthcare Solutions</strong>&lt;br&gt;Healthcare Business (HCB)</td>
<td>Blood pressure monitor unit sales&lt;br&gt;94 million units (3-year total)</td>
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<tr>
<td><strong>Social Solutions</strong>&lt;br&gt;Social Systems, Solutions and Service Business (SSSB)</td>
<td>Energy management equipment connected&lt;br&gt;50,000 units (3-year total)</td>
</tr>
<tr>
<td><strong>Device &amp; Module Solutions</strong>&lt;br&gt;Device &amp; Module Solutions Business (DMSB)</td>
<td>Unit sales of products contributing to the spread of new energy and high-speed communication&lt;br&gt;Products for DC-powered equipment, 60 million units&lt;br&gt;Products for high-frequency equipment, 170 million units (3-year total)</td>
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<tr>
<td>Innovation Exploring Initiative HQ (IXI)</td>
<td>Creating new businesses</td>
</tr>
<tr>
<td><strong>Healthcare Solutions</strong>&lt;br&gt;Healthcare Business (HCB)</td>
<td>Users of remote patient monitoring services&lt;br&gt;600,000 users (cumulative total)</td>
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### Material Sustainability Issues

<table>
<thead>
<tr>
<th>Domains</th>
<th>Focus Businesses</th>
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<tbody>
<tr>
<td><strong>Social Systems, Solutions and Service Business</strong></td>
<td>Direct current (DC) drive equipment, DC infrastructure equipment, high-frequency devices, and remote/VR devices</td>
</tr>
<tr>
<td><strong>Device &amp; Module Solutions</strong>&lt;br&gt;Device &amp; Module Solutions Business (DMSB)</td>
<td>Social Solutions (Residential / industry / mobility) energy management and services, network protection</td>
</tr>
<tr>
<td><strong>Industrial Automation</strong>&lt;br&gt;Industrial Automation Business (IAB)</td>
<td>Digital, environmental mobility (NEV), food and daily goods, logistics, and medical (+ robotics and service business)</td>
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### Social Value

1) Resolving Social Issues through Our Business

2) Maximizing the Capability to Innovate Driven by Social Needs

3) Generating diverse talent taking on the challenge of value creation

4) Achieving de-carbonization and lower environmental impact

5) Respecting Human Rights in the Value Chain

- Ratio of non-Japanese in key managerial positions overseas: 80% or more
- Increase the ratio of women in managerial roles to 18% or higher (globally)
- Realize employment of persons with disabilities at 28 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan
- VOICE SEI: 70P or higher
- Scope 1 and 2: 53% cut vs. FY2016
- Scope 2: Achieve Carbon Zero at all 76 sites in Japan
- Conduct human rights due diligence in line with the UNGP
- Build a human rights redress mechanism into the value chain globally

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Human Creativity* (vs. FY2021) +7%

*Added value per unit cost of employee

Achieve OMRON Carbon Zero, which aims to reduce GHG emissions to zero by 2050
OMRON’s Business and Fiscal 2021 Results

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

Consolidated Sales Composition Ratio

Net Sales, Operating Income, and Operating Income Margins by Business Segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net Sales*¹</th>
<th>Operating Income*² (Loss)</th>
<th>Operating Income Margin*²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Automation Business (IAB)</td>
<td>¥ 418.1billion</td>
<td>¥ 76.3</td>
<td>18.2%</td>
</tr>
<tr>
<td>Healthcare Business (HCB)</td>
<td>¥ 132.9</td>
<td>¥ 18.5</td>
<td>14.0%</td>
</tr>
<tr>
<td>Social Systems, Solutions and Service Business (SSB)</td>
<td>¥ 87.7</td>
<td>¥ 6.5</td>
<td>7.4%</td>
</tr>
<tr>
<td>Device &amp; Module Solutions Business (DMB)</td>
<td>¥ 121.0*¹</td>
<td>¥ 10.1</td>
<td>8.3%</td>
</tr>
<tr>
<td>Eliminations and Corporate</td>
<td>¥ 3.3</td>
<td>¥ (22.1)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 762.9</td>
<td>¥ 89.3</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

*¹ Some products in the Industrial Automation Business have been reclassified to the Device & Module Solutions Business.
*² As of March 31, 2022.
Net Sales by Region

- Americas: ¥78.3 billion (10%)
- Europe: ¥120.4 billion (16%)
- Asia Pacific: ¥76.9 billion (10%)
- Japan: ¥289.9 billion (38%)
- Greater China: ¥196.4 billion (26%)

Total Consolidated Sales: ¥762.9 billion

Ratio of Overseas Sales to Total Sales: Approx. 62%

Number of Employees by Region

- Americas: 2,000 (8%)
- Europe: 2,329 (8%)
- Asia Pacific: 5,720 (20%)
- Japan: 10,143 (35%)
- Greater China: 8,828 (30%)

Total Employees: 29,020

Ratio of Overseas Employees to Total Employees: Approx. 65%

*1 Regional categories are defined as follows:
Americas 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, 2022.
Financial Highlights

Net Sales

Consolidated net sales increased significantly from the previous year, as the Industrial Automation Business and the Healthcare Business captured demand amid continued uncertainty in the business environment.

Gross Profit Margin

The gross profit margin on a consolidated basis remained high, despite the impact of inflation, owing to price optimization and ongoing cost reduction and other measures.

Operating Income / Operating Income Margin

Consolidated operating income reached a record high thanks to increased net sales and as a result of strengthened initiatives to improve profitability centering on the gross profit margin.

Operating Cash Flow

Cash has temporarily decreased due to an increase in working capital resulting from a significant increase in net sales from the previous year. However, OMRON’s ability to generate cash is stable and at a high level.

Return on Invested Capital (ROIC)

OMRON’s focus on ROIC management led to enhancement of ROIC of each business and resulted in a 9.6% ROIC on a consolidated basis, which exceeded the weighted average cost of capital (WACC) of 5.5%.

EPS and Cash Dividends

EPS increased due to profit growth in fiscal 2021. Stable and continuous dividend payments were maintained in accordance with the shareholder return policy with a target DOE of 3%.

* The Automotive Electronics Components Business (AEC) was transferred and the AEC business was classified as a “discontinued business.” Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.
As a result of promotion of diversity and inclusion at our workplaces and strengthening of human resources measures to enable employees to fully demonstrate their capabilities, the engagement rate has been at a high level.

The ratio of women in managerial roles has been increasing steadily to achieve the OMRON Group worldwide goal of 18% or more in fiscal 2024. On the other hand, securing the number of candidates for a medium to long term is a challenge.

**Non-Financial Highlights**

**Ratio of Non-Japanese in Key Managerial Positions Overseas**

The ratio of non-Japanese in key managerial positions overseas has been increasing year by year and has reached 80% in fiscal 2021.

* From fiscal 2018, concurrent positions for governance and development positions are excluded.

**Ratio of Women in Managerial Roles**

The ratio of women in managerial roles has been increasing steadily to achieve the OMRON Group worldwide goal of 18% or more in fiscal 2024. On the other hand, securing the number of candidates for a medium to long term is a challenge.

* The ratio of women in managerial roles (OMRON Group worldwide) has been calculated since fiscal 2018.

**Environmental Contribution**

OMRON has set greenhouse gas emissions as an indicator to achieve the OMRON Carbon Zero target of reducing greenhouse gas emissions to zero by 2050. In fiscal 2021, we achieved a 50% reduction compared to fiscal 2016.


**Employee Engagement**

As a result of promotion of diversity and inclusion at our workplaces and strengthening of human resources measures to enable employees to fully demonstrate their capabilities, the engagement rate has been at a high level.

* The ratio for fiscal 2015 is not presented because we did not conduct a survey. The figures for fiscal 2017 onward are based on the score of Sustainable Engagement Index (SEI) in the VOICE employee engagement survey.

* The VOICE employee engagement survey has been conducted every other year since fiscal 2018.
Based on its Sustainability Policy, OMRON identified “social issues to solve through business” and “issues to respond to stakeholder expectations” as material sustainability issues. Viewing fiscal 2021 as a period of change in the runup to the launch of SF2030, we set single-year targets in line with the material sustainability issues set in the previous medium-term management plan “VG2.0” and pursued various initiatives.

### Targets for Social Issues to Solve through Business

<table>
<thead>
<tr>
<th>Factory Automation</th>
<th>P37</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Issues</strong></td>
<td></td>
</tr>
<tr>
<td>Increasing sophistication and functionality of products in line with changes in industry as represented by CASE*1 and 5G, etc.</td>
<td></td>
</tr>
<tr>
<td>Progress in high-mix low-volume production in response to the diversification of consumer needs</td>
<td></td>
</tr>
<tr>
<td>Accelerating trends toward local production for local consumption in response to trade frictions</td>
<td></td>
</tr>
<tr>
<td>Aging demographics and shortage of skilled workers, particularly in developed countries; and soaring labor costs in emerging economies</td>
<td></td>
</tr>
<tr>
<td><strong>FY2021 Targets</strong></td>
<td>Create applications that embody innovative-Automation*2, establish control technologies that make these applications possible, and create new products based on these applications.</td>
</tr>
<tr>
<td><strong>FY2021 Progress</strong></td>
<td></td>
</tr>
<tr>
<td>Expanded software products that accelerate digital transformation at manufacturing sites and provide remote engineering that integrates real and virtual applications.</td>
<td></td>
</tr>
<tr>
<td>Contributed to significant efficiency gains at manufacturing sites by achieving harmony between humans and machines through expanded robot-related areas to achieve safety assurance and productivity.</td>
<td></td>
</tr>
<tr>
<td>Applications created increased by 77 in FY2021, reaching 247 on a cumulative basis</td>
<td></td>
</tr>
<tr>
<td><strong>Social Value Created</strong></td>
<td>Contribute to economic development by improving social productivity.</td>
</tr>
</tbody>
</table>

*1 CASE: General term for connected, autonomous, shared, electric technologies

*2 Innovative-Automation: The unique OMRON concept to bring innovations to production floors. This comprises three concepts: (1) Evolution in control (integrated); (2) Intelligence developed through ICT (intelligent); and (3) New harmonization between humans and machines (interactive).

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>P43</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Issues</strong></td>
<td></td>
</tr>
<tr>
<td>Increased incidence of brain and cardiovascular diseases attributable to high blood pressure</td>
<td></td>
</tr>
<tr>
<td>Increased worldwide prevalence of asthma and other respiratory diseases</td>
<td></td>
</tr>
<tr>
<td><strong>FY2021 Targets</strong></td>
<td></td>
</tr>
<tr>
<td>Created a remote hypertension monitoring service and proposed a new way of hypertension treatment to society</td>
<td></td>
</tr>
<tr>
<td>Accelerated the wider use of home blood pressure measurement globally and achieved a cumulative sales volume of 300 million blood pressure monitor units</td>
<td></td>
</tr>
<tr>
<td>Expanded related products to create remote care and other respiratory disease services businesses</td>
<td></td>
</tr>
<tr>
<td><strong>FY2021 Progress</strong></td>
<td></td>
</tr>
<tr>
<td>Focused on strengthening the content of hypertension remote monitoring services in North America, Europe, and Asia-Pacific, increasing the number of registered patients and hospitals</td>
<td></td>
</tr>
<tr>
<td>Achieved 300 million units in cumulative sales of blood pressure monitors. Continued to communicate efforts to achieve zero events through online and other channels</td>
<td></td>
</tr>
<tr>
<td>Completed validation tests for respiratory remote monitoring business model based on wheeze sensors</td>
<td></td>
</tr>
<tr>
<td><strong>Social Value Created</strong></td>
<td>Contribute to healthy lives by extending healthy life expectancies and reducing medical expenses (initiatives to expand blood pressure monitoring at home and achieve vision of zero heart attacks and strokes; early detection and treatment of asthma via nebulizers and wheeze sensors)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Solutions</th>
<th>P49</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Issues</strong></td>
<td>Global warming from CO2 emissions</td>
</tr>
<tr>
<td><strong>FY2021 Targets</strong></td>
<td></td>
</tr>
<tr>
<td>Created electric power infrastructure of distributed electricity sources to spread renewable energy and provide stable operations.</td>
<td></td>
</tr>
<tr>
<td>Cumulative shipped capacity of solar power systems: 10.7 GW</td>
<td></td>
</tr>
<tr>
<td>Cumulative shipped capacity of storage battery systems: 900 MWh</td>
<td></td>
</tr>
<tr>
<td><strong>FY2021 Progress</strong></td>
<td></td>
</tr>
<tr>
<td>Expanded our lineup of storage battery systems that, in combination with solar power systems, provide efficient captive consumption and emergency power supply in the event of a disaster</td>
<td></td>
</tr>
<tr>
<td>Solar power systems: 10.8 GW</td>
<td></td>
</tr>
<tr>
<td>Storage battery systems: 900 MWh</td>
<td></td>
</tr>
<tr>
<td><strong>Social Value Created</strong></td>
<td></td>
</tr>
<tr>
<td>Contribute to a safe, secure, comfortable, and clean society for all</td>
<td></td>
</tr>
<tr>
<td>Contribute to build a sustainable society by prevailing renewable energy</td>
<td></td>
</tr>
</tbody>
</table>
# Targets for Issues to Respond to Stakeholder Expectations

## Human Resource Management

### Talent Attraction and Development

<table>
<thead>
<tr>
<th>OMRON's Initiatives</th>
<th>FY2021 Targets</th>
<th>FY2021 Progress</th>
<th>Social Value Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Human Resources Strategy&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Continued evolution of TOGA* towards meeting OMRON Principles</td>
<td>1) The 9th (FY2020) TOGA Global Meet was a hybrid of in-person and digital attendance, reaching record levels of viewership (including on-demand viewing).</td>
<td>OMROM is creating leaders who can drive innovation and both acquire and train diversely talented employees to solve social issues through our businesses.</td>
</tr>
<tr>
<td></td>
<td>2) Ratio of non-Japanese in key managerial positions overseas: 75%</td>
<td>2) Ratio of non-Japanese in key managerial positions overseas: 80%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Pursue resolution actions to solve issues based on engagement surveys</td>
<td>3) Developed and implemented over 230 issue resolution actions globally</td>
<td></td>
</tr>
</tbody>
</table>

**TODA**: 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.

### Diversity and Inclusion

<table>
<thead>
<tr>
<th>OMRON’s Initiatives</th>
<th>FY2021 Targets</th>
<th>FY2021 Progress</th>
<th>Social Value Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Diversity and Inclusion&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Promoting career advancement for women</td>
<td>1) Ratio of women in managerial roles: 8% (OMRON Group in Japan)</td>
<td>Achieving a workplace in which diverse human resources can play an active role, regardless of the presence of limitations such as gender or disabilities</td>
</tr>
<tr>
<td></td>
<td>2) Promoting career advancement for the disabled</td>
<td>2) Ratio of employees with disabilities: Increase number of such employees to above the legally-mandated ratio (OMRON Group in Japan)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) Ratio of employees with disabilities (OMRON Group in Japan): 3.1%* (legally mandated ratio: 2.3%)</td>
<td></td>
</tr>
</tbody>
</table>

*1 As of April 2022  *2 As of June 2021

### Wellness Management

<table>
<thead>
<tr>
<th>OMRON's Initiatives</th>
<th>FY2021 Targets</th>
<th>FY2021 Progress</th>
<th>Social Value Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Wellness Management &gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Issuing of employee health management declaration</td>
<td>1) Health management recognition rate: 89.2% (+4.4P year on year)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) Implementation of employee education</td>
<td>2) Achievement of three of the Boost 5 targets: 49.4% (+4.1P year on year)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Implementation of initiatives towards ameliorating factors that inhibit good health</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4) Improve “human creativity”** by maintaining and improving the health of every employee and by providing opportunities for employees to exercise their creativity</td>
<td></td>
</tr>
</tbody>
</table>

**1 Boost5**: Five key areas (exercise, sleep, mental health, food, and stop smoking) selected as factors related directly to the ability to concentrate at work and to lead a fulfilling life; indicators have been established for each of these key areas.  
**2 Human creativity**: Value added per unit of personnel expense (manufacturing + SG&A + development)

### Occupational Health and Safety

<table>
<thead>
<tr>
<th>OMRON's Initiatives</th>
<th>FY2021 Targets</th>
<th>FY2021 Progress</th>
<th>Social Value Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Health and Safety related Management System and Improvement Activities&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Promote the acquisition of international health and safety standards at major production centers</td>
<td>1) Number of production centers certified to OSH international standards: Maintain achievement at sites representing 80% of production volume</td>
<td>While ensuring compliance with laws and regulations concerning workplace occupational health and safety, we are creating a work environment to ensure the wellbeing of all employees at the OMRON Group and to maximize their abilities, by striving to create workplaces at which employees can work safely and healthfully — both physically and mentally</td>
</tr>
<tr>
<td></td>
<td>2) Ensure personnel for promotion, and carry out education</td>
<td>2) Continue assignments of promotion personnel: All covered sites</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) Number of manufacturing sites certified to OSH international standards: Maintained achievement at sites representing 87% of production volume</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4) Maintained assignments of occupational health and safety managers</td>
<td></td>
</tr>
</tbody>
</table>

### Respect for Human Rights and Labor Practices

<table>
<thead>
<tr>
<th>OMRON’s Initiatives</th>
<th>FY2021 Targets</th>
<th>FY2021 Progress</th>
<th>Social Value Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Human Rights related Management System and Improvement Activities&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Establishment of management system</td>
<td>1) Perform human rights risk analysis for production centers; implement remediation measures.</td>
<td>Achieving a better work environment in which the human rights of all people working in the OMRON Group are respected</td>
</tr>
<tr>
<td></td>
<td>2) Human rights risk analysis and corrective actions at production sites</td>
<td>2) Conducted risk analysis and remediation at 19 global production centers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) Establish human rights risk management processes to cover employees of on-site contractors and temporary staffing companies</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4) Extended human rights risk management processes to employees of domestic outsourcing partners; revised outsourcing contracts to include code of conduct compliance clauses overseas</td>
<td></td>
</tr>
</tbody>
</table>

*OMRON Corporation Integrated Report 2022*
**Manufacturing**

### Product Safety and Quality

**OMRON’s Initiatives**
- Conducting group-wide product quality management reform
- Reducing product safety risk

**FY2021 Targets**
- Ratio of newly developed products undergoing safety assessment: 100%
- Improve product safety assessments
- Product safety assessments for newly developed products: 100%
- Completed 84 applications for newly developed products and updated product safety assessment categories in conform with the intended use of the products

**Social Value Created**
- Incorporating quality, safety, environmental, and human rights into products and services, to bring about sustainable manufacturing

### Supply Chain Management

**OMRON’s Initiatives**
- Engagement with Partners
  - Achieve a sustainability check score of 85 or higher (RBA Code of Conduct V7.0) for 50 major suppliers of commercial products
  - Reduce disposal of reusable plastic molding materials by 15% (compared to FY2019)
- Achieved 85 or more points for the Sustainability Self-Checks at all major suppliers of commercial products (low risk)

**FY2021 Progress**
- By solving social issues in the supply chain in cooperation with suppliers, achieving a society capable of sustainable production and consumption

**Social Value Created**
- Making sustainable manufacturing a reality by reducing greenhouse gas emissions, and bringing about a decarbonized society

### Reduction of Greenhouse Gas Emissions

**OMRON’s Initiatives**
- Reduction in greenhouse gas emissions by improving the efficiency of power usage, and by introducing renewable energy
- Provision of products and services that contribute to the spread of clean energy
- Environmental contribution: 881kt-CO₂ > Production location CO₂ emissions: 109(kt-CO₂)

**FY2021 Targets**
- Reduce total GHG emissions* by 47% (vs. fiscal 2016; 1.5°C scenario)
- Environmental contribution: 881kt-CO₂ > Production location CO₂ emissions: 109(kt-CO₂)

**Social Value Created**
- Making sustainable manufacturing a reality by reducing greenhouse gas emissions, and bringing about a decarbonized society

### Appropriate Management and Reduction of Hazardous Substances

**OMRON’s Initiatives**
- Build a framework for chemical substance management used in production processes
- Stop use or reduce the use of harmful chemical substances, responding to high social demand

**FY2021 Targets**
- Reduce mercury through prevalent usage of digital thermometers and blood pressure monitors: 66 tons/year
- Determination of volatile organic compound (VOC) usage
- Mercury reduction: 66 tons/year

**Social Value Created**
- Realization of a decarbonized society that is in harmony with nature, by reducing negative impacts of chemical substances on people, organisms, and the environment

### Risk Management

**OMRON’s Initiatives**
- Periodic reviews of OMRON Group Rules for Ethical Conduct on a regular basis in order to reflect laws and regulations, and social demand of countries around the world
- Offer continuous, periodic and necessary training and education in order to maintain awareness of compliance and instill stipulated in rules
- Assess issues using the whistle-blower system and promptly take corrective actions

**FY2021 Targets**
- Penetration of OMRON Group Rules* at global locations
- Completed penetration of OMRON Group Rules and updates

**Social Value Created**
- Implementing appropriate anti-corruption measures taking into account the political, economic, and cultural circumstances of each country, and contributing to the maintenance of an orderly and healthy society based upon the rule of law.

### Privacy and Data Security

**OMRON’s Initiatives**
- Support for revised and newly enacted laws worldwide concerning the protection of personal information
- Strengthened technical measures to counter the sharply increasing cyber attacks
- Review information security education and continue education

**FY2021 Targets**
- Formulate and begin implementation of a medium- to long-term plan for upgrading information security in response to changes in the environment
- Selected management measures to strengthen as a priority for the OMRON Group in accordance with global standards (NIST CSF*);
  - completed the formulation of a medium-term plan for information security
  - introduced and began operations of attack detection tools in advance of other entities (Japan)

**Social Value Created**
- Enable appropriate management of confidential data and personal information to help conduct business safely and securely in a digitized society

---

* FY2021 Targets
  - Completed penetration of OMRON Group Rules and updates
  - Completed 84 applications for newly developed products and updated product safety assessment categories in conform with the intended use of the products

*1 Sustainability self-assessment: Supplier self-evaluation of their own initiatives into labor, safety, health, the environment, etc. using a questionnaire. 85 points or above is considered low risk, whereas 85 points or less is considered high risk.

*2 RBA: Abbreviation of Responsible Business Alliance. Global CSR alliance centered around the electronics industry.

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OMRON Corporation Integrated Report 2022
**Outlook for Fiscal 2022**

OMRON’s policy for fiscal 2022, the first year of SF 1st Stage, is to “move value creation into high gear.” While accelerating growth by leveraging the assets we have accumulated so far, we will steadily invest for future growth. Our aim is to achieve growth centering on the focus businesses by demonstrating our ability to respond effectively to change and capturing robust global demand even in the midst of continuing product supply constraints, rising inflation, and turmoil in the world. We will move our approach to value creation into high gear in order to make SF 1st Stage a success.

The business environment in fiscal 2022 is expected to present continuing uncertainties, including heightening geopolitical risks, supply chain disruptions, accelerating inflation, and the impact of lockdowns due to resurgence of COVID-19 cases. Meanwhile, we expect the business environment in the fields addressed by the OMRON Group to remain generally robust. Demand for capital investment in manufacturing industry, particularly in the digital sector, is expected to remain strong. For the Industrial Automation Business, in particular, brisk order-taking is expected to continue throughout the year. By demonstrating our long-cultivated ability to respond effectively to change, we will do our utmost to seize business opportunities brought about by changes in society and pursue strong growth. In addition, we will aggressively invest in growth, centering on the Industrial Automation Business and Healthcare Business, to create new value under SF2030.

For fiscal 2022, plans call for net sales of ¥850 billion (up 11.4% year on year), operating income of ¥93 billion (up 4.1%), and a record high gross profit margin of 45.6% (up 0.1 percentage point). We expect to report increases in both sales and profit for the second consecutive year, achieving a record high operating income. In light of the highly uncertain business environment, we have factored a risk of performance fluctuations (¥10 billion decrease in net sales and ¥4 billion decrease in operating income) into the full-year forecast.

### Net sales and Operating income (Billions of yen, except exchange rate data and percentages)

<table>
<thead>
<tr>
<th></th>
<th>FY2021</th>
<th>FY2022</th>
<th>Change FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥762.9</td>
<td>¥850.0</td>
<td>+11.4%</td>
</tr>
<tr>
<td>Gross profit (GP)</td>
<td>¥346.8</td>
<td>¥387.5</td>
<td>+11.7%</td>
</tr>
<tr>
<td>(GP margin)</td>
<td>(45.5%)</td>
<td>(46.6%)</td>
<td>[+0.1%pt]</td>
</tr>
<tr>
<td>Operating income (OI)</td>
<td>¥89.3</td>
<td>¥93.0</td>
<td>+4.1%</td>
</tr>
<tr>
<td>(OI margin)</td>
<td>(11.7%)</td>
<td>(10.9%)</td>
<td>[-0.8%pt]</td>
</tr>
<tr>
<td>Net income attributable to OMRON shareholders</td>
<td>¥61.4</td>
<td>¥63.0</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Average USD exchange rate (Yen)</td>
<td>¥112.1</td>
<td>¥121.0</td>
<td>+¥8.9</td>
</tr>
<tr>
<td>Average EUR exchange rate (Yen)</td>
<td>¥130.5</td>
<td>¥133.0</td>
<td>+¥2.5</td>
</tr>
<tr>
<td>Average RMB exchange rate (Yen)</td>
<td>¥174</td>
<td>¥19.0</td>
<td>+¥1.6</td>
</tr>
</tbody>
</table>

### FY2022 Net sales (Billions of yen, %)

<table>
<thead>
<tr>
<th></th>
<th>FY2021</th>
<th>FY2022</th>
<th>Change FY2021</th>
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<tr>
<td><strong>Industrial Automation Business (IAB)</strong></td>
<td>¥418.1</td>
<td>¥483.0</td>
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<td><strong>Healthcare Business (HCB)</strong></td>
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<td><strong>Eliminations and Corporate</strong></td>
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<tr>
<td><strong>Risk of performance fluctuations</strong></td>
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<td>¥(10.0)</td>
<td>–</td>
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<td>¥850.0</td>
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*(Some products in the Industrial Automation Business have been reclassified to the Device & Module Solutions Business.)*
The Industrial Automation Business achieved record-high sales of ¥432.6 billion and record-high operating income of ¥78.1 billion in fiscal 2021, as we captured continued strong demand for semiconductors, digital equipment, EVs and rechargeable batteries, and our solutions embodying our “innovative-Automation” manufacturing concept successfully penetrated into the market. On the other hand, owing to shortages of parts and materials, especially semiconductors, and global logistics disruptions, product supply to many customers was delayed. In response to this situation, we have been implementing various measures to strengthen our product supply capabilities and will continue to accord the highest priority to supply chain reforms to enable us to respond quickly to customer needs.

At the start of SF2030, the Industrial Automation Business established the business vision “Enriching the Future for People, Industries and the Globe by Innovative-Automation” Through automation, we aim to achieve sustainable industrial development that supports a rich medical, food, and living infrastructure, while ensuring the happiness of workers and protecting the global environment.

In setting the business vision, we envisioned the social changes we would face over the next decade. We forecast an era in which changes take place at a dizzying pace and various social issues are coming to the fore. Against this market backdrop, we have identified two aspects of social issues that we should address: “working people” and “advancement of industries.”

By “working people,” we mean the changing values espoused particularly by Millennials and Generation Z, the changing mindset of workers as technology evolves, and the changing world of work. By “advancement of industries,” we mean not only innovation in manufacturing in secondary industry through cutting-edge technologies that are created one after another, but also major transformation that extends to primary and tertiary industries. The social issue we must address is how best to realize the balance of high engagement of working people and the advancement of industries, which is the strength of the Industrial Automation Business, and to contribute to the protection of the global environment, which is also a social requirement. Our goal is to contribute to the creation of a society with a rich medical, food, and living environment desired by people around the world through sustainable industrial evolution. This is a challenge only possible for us as we have supported “Monozukuri (manufacturing)” at the upstream for many years. Our ideas and insights are shaping the business vision.

To achieve the business vision, we will evolve our unique “innovative-Automation” manufacturing concept, which we proposed in 2016. By offering the industry’s broadest lineup of control devices and technologies and solutions and creating a stream of innovation to resolve social issues, we will contribute to the sophistication of manufacturing that supports a sustainable society.

Under SF 1st Stage, we aim to achieve stable business growth by resolving diversifying social issues based on the business foundation we have built to date. Specifically, we are focusing on growth domains (Digital, Environmental Mobility, Food/ House-hold daily goods, Medical Care, and Logistics) that are undergoing major changes toward a sustainable society. Behind this is the growing global momentum toward achieving the SDGs and the expanded social implementation of new innovations based on ESG-related investment. Regarding digital and environmental mobility industries, for new products created by applying technological innovations, such as 5G-related devices, next-generation displays, as well as EVs and advanced driver-assistance systems (ADAS), we will provide automation that takes manufacturing to new heights based on the high-speed, high-precision control solutions we have developed to date, while also boosting efficiency of energy use. For food and house-hold daily goods industries, we will provide solutions that contribute to reduction of food loss and waste and elimination of the use of plastic, which are pressing social issues, in addition to solutions for labor shortages. For the pharmaceuticals industry, we will propose solutions that help ensure safety and security, such as preventing counterfeit medicines, in addition to automation to address on-site labor shortages. And for the logistics industry, we will continue to offer various innovative applications that we have cultivated in manufacturing industry, centering on solutions to the serious shortage of on-site workers.

In order to achieve our business goals through the provision of such value, we will pursue three key initiatives from fiscal 2022: “evolution of innovative-Automation,” “expansion of service businesses,” and “reform of the supply chain.”
1. Evolution of innovative-Automation

The environment in which manufacturing industry operates is changing dramatically, and social issues related to manufacturing are becoming increasingly grave. Labor shortages, including the aging of skilled workers and lack of successors, which became apparent during the COVID-19 pandemic, are the most critical management issue for manufacturing industry. In addition, companies are increasingly urged to respond to environmental issues and human rights issues with a sense of urgency. With the aim of resolving such social issues, we announced the evolution of “innovative-Automation” (innovative-Automation-Next) in January 2022 that effectively utilizes over 250 innovative-Automation applications we have created so far to realize manufacturing geared to near-future needs through further integration and evolution of these accumulated assets.

With the renewed concept, we are seeking new automation that realizes coexistence with the global environment as well as job satisfaction and wellbeing of workers, and moreover, contributes to sustainable industrial development while driving manufacturing innovation. Under SF 1st Stage, we will accelerate resolution of social issues through active investment in these value creation initiatives.

2. Expansion of service businesses

In addition to the pursuit of productivity and profitability of manufacturing sites, it is becoming increasingly important for our customers to engage in SDGs initiatives and address complex management issues, such as labor shortages and the achievement of job satisfaction. Addressing these issues requires a co-creative process to identify latent issues, of which customers may be unaware, through close dialogue at customers’ sites. In response to the changing market environment, it is becoming important to maintain the solutions adopted by the customers and to provide support for improvement and evolution. In 2017, we launched the i-BELT service for collaborative creation with our customers through their value chains. Furthermore, we will contribute to resolving our customers’ business issues by offering the optimal services through the combination of engineering services, maintenance services, education services, etc. corresponding to the customers’ processes. Through collaborative creation with more customers, we aim to expand our high-value-added service business.

3. Reform of the supply chain

In fiscal 2021, we prioritized three measures to address the global shortage of parts and materials and disruptions of logistics. Firstly, we promoted product design changes aimed at switching to parts that are easier to procure and reducing the parts count. Through this initiative, approximately 750 product series of design changes were completed during the year. Secondly, we invested to increase production capacity of OMRON’s control devices factories in China and Japan, centering on installation of new production lines and other production facilities. Thirdly, we strengthened concurrent production at multiple sites to increase the ratio of local production for local consumption by utilizing OMRON’s global network of production sites. This will not only improve transportation efficiency between the places of production and the places of consumption and shorten supply lead times but also mitigate geopolitical risks and risks inherent in the geographical concentration of production sites. Already, these measures, particularly design changes, are steadily yielding results. From fiscal 2022 onward, we will continue to strengthen these measures to enhance our product supply capabilities. At the same time, by entering into new strategic partnerships with electronics manufacturing service (EMS) providers outside the OMRON Group, we will increase flexibility of production to meet rapidly changing market needs and establish a product supply system that can respond quickly to customer demand by applying reinforced parts procurement capabilities.
Economic Value and Social Value provided by Evolved “innovative-Automation”

“Autonomation beyond human abilities”
Based on the high-speed, high-precision control application technology we have cultivated to date, we are aiming at automation that allows people to engage in creative work, making full use of IoT, AI, and robotics technology, and leaving the work that was previously dependent on people to machines. For example, difficult-to-automate assembly operations and visual inspections that rely on skilled workers and human flexibility can be automated by means of applications, such as “intelligent assembly” and “AI sensory inspection,” that utilize robotic integrated controllers. To resolve labor shortages in manufacturing industry and to shift on-site personnel to high-value-added work, we will take on the challenge of completely automating tasks that only people were able to do and that were dependent on people. By realizing autonomation that truly “goes beyond human abilities,” we will pursue workplace innovation so that people can engage in creative work with peace of mind. Furthermore, by combining the energy management technologies we have developed over the years mainly for OMRON factories, we are aiming at automation that achieves both productivity and energy efficiency.

“Advanced collaboration between people and machines”
While promoting the replacement of people with machines, we will promote manufacturing innovation that makes the maximum use of human sensitivity and creativity. The Cell Line Control System (CLCS), which fully utilizes on-site data and makes full use of autonomous mobile robots and collaborative robots, has realized manufacturing sites where robots perform heavy labor and simple repetitive tasks while people and robots help each other in response to day-to-day changes at the production site. In addition, the CLCS uses information from various sensors installed across the production line, and the machines help workers become proficient so that inexperienced workers or workers transferred from another line can work smoothly and become skilled quickly. Furthermore, by incorporating cutting-edge technologies, such as 5G and AI, and utilizing on-site data including data on workers’ performance and skills, we aim to realize manufacturing sites where machines help people learn quickly and encourage them to gain new manufacturing skills, where workers experience job satisfaction and enjoy manufacturing, and productivity is enhanced.

“Digital engineering transformation”
We leverage cutting-edge digital technology to realize innovations that eliminate geographic and physical constraints on our customers’ production activities. Simulations and remote monitoring using virtual technology played a major role in the development of our products and the maintenance of our manufacturing sites when we faced restrictions on movement and access during the COVID-19 pandemic. Going forward, such on-site innovation by digital transformation (DX) will be indispensable for the sophistication of manufacturing. The 3D simulation by robotic integrated controllers, which many customers have already adopted, provides verification of operation of the entire equipment including the robot with the same accuracy as that of the actual equipment, thereby shortening the period for commissioning and start-up. Going forward, we will expand the scope of “digital engineering transformation” to our customers’ engineering activities. Using our proprietary sensing and control technologies, we will reproduce manufacturing sites and facilities in a digital space to accelerate DX at manufacturing sites and contribute to business process innovation.
Collaborative Creation with Customers to Realize Production Surpassing “Craftsmanship” using AI

At manufacturing sites, expectations are growing for the introduction of DX and the use of data to address increasingly complex manufacturing issues, such as the growing labor shortage, the pursuit of even higher quality, and the decentralization of production due to the trend toward local production for local consumption. To solve these issues, OMRON has been offering i-BELT, an on-site data utilization service that improves manufacturing productivity and quality, since 2017. Described below is an example of how OMRON is collaborating with customers to resolve increasingly complex manufacturing issues by combining OMRON’s unique control devices, such as a wealth of IoT-enabled sensors and controllers capable of collecting data with high precision, with its expertise gained through the introduction of AI technology to manufacturing sites.

At a factory of Asahi Breweries, Ltd., the designated volume of beer is filled accurately and at high speed, at 25 bottles per second, using “craftsmanship” that takes advantage of the “sleight of hand,” “sixth sense,” and experience of skilled workers. However, it took a lot of time to adjust the machine for accurate filling. Moreover, it is expected to become more difficult to pass on craftsmanship to the next generation because of the aging of skilled workers and lack of successors. Therefore, Asahi started collaborative creation with OMRON to realize sustainable manufacturing. OMRON, together with Asahi, collected more than 10 billion pieces of data on factors that affect filling volume, such as the characteristics of the 120 filling valves on a single production line, outside temperature, and differences in beer characteristics. Based on these data, through repeated analysis and trial and error, application engineers who have both knowledge of machine control and knowledge of AI implementation developed automation technology that optimally adjusts machine conditions. They achieved filling with precision that surpasses the “craftsmanship” of skilled workers. OMRON will continue to develop and propose new solutions for continuous evolution of customers’ manufacturing sites and take on the challenge of manufacturing innovation together with its customers.

Innovation of Intralogistics and Production Processes by Mobile Robots

Serious labor scarcity is spreading not only to manufacturing sites but also to distribution warehouses. OMRON is working on automating the logistics in warehouses using its latest automation technology that has been refined at the manufacturing sites. Here are some examples of how we are taking on the challenge of solving social issues in a wide range of industries.

Garnet, an Italian importer and distributor, develops high-value-added business by combining a wide variety of electronic components and providing them to customers as electronic device modules. However, due to the large variety of parts and combinations used in the work process, workers were required to have a high level of proficiency. This has caused the problem of labor scarcity more serious. Therefore, Garnet decided to solve the problem through co-creation with OMRON and OMRON’s partner company FasThink, which supports customers to deploy automation solutions for manufacturing industry and distribution warehouses. As a result, this partnership has realized an automated system that accurately selects and assembles parts without mistakes and shortens the lead time from order receipt. First, by introducing a combined solution of OMRON’s mobile robot and FasThink’s parts selection system, Garnet’s manufacturing site has been able to select appropriate items from many parts without human errors and fully automate the in-house transport process. Furthermore, by making use of the robot’s controller “Fleet Manager”, which can be easily integrated with higher-level systems such as production management systems, Garnet’s manufacturing work has been synchronized with customer orders, leading to a very convincing productivity improvement.

OMRON will continue to free workers from simple repetitive work such as transportation, creating more time for them to concentrate on high-value-added work at various sites with its automation technology.

The reason that prompted us to renew our entire process was to resolve some discrepancies between logistics and production which involved longer management times than expected. Thanks to the combined use of OMRON mobile robotics technology and FasThink wireless & touchless Pick2Light system, it has been possible to obtain a versatile and flexible application that allows us to take a further step towards innovation in Logistics and Production processes; in fact, we have been able to implement picking quality by eliminating management system discrepancies; in this way our operators can spend less time doing activities related to products physical movement and focus more to qualified activities.

Through the innovation and implementation of industry 4.0, we feel more and more ready to take up challenges that the market will reserve in the near future, and we are glad to be partner of innovative companies that use smart manufacturing technologies and industry 4.0.

As part of the partnership with OMRON, FasThink has developed a truly innovative solution that integrates the proprietary Pick to Light technology (wireless & touchless Pick2Light system) on an OMRON mobile robotics system. The combined use of the two technologies has allowed us to create an extremely versatile, flexible and scalable application, generating a significant improvement and reduction of production time and logistics management.

A highly qualified and performing response within the reach of small and medium-sized enterprises, at Manufacturing & Logistics 4.0.
Realizing Sustainable Manufacturing that Achieves Outstanding Productivity and QCD with Reduced Energy Consumption

In recent years, amid the sharp increase in demand for manufacturing that achieves coexistence with the global environment, the Ayabe Factory, one of the main plants of OMRON’s Industrial Automation Business, has been working for more than a decade to achieve both outstanding quality, cost, and delivery (QCD) of manufacturing and protection of the global environment. In recognition of its efforts, the Ayabe Factory received the Minister of Economy, Trade and Industry Award of the Energy Conservation Grand Prize in 2013. The Ayabe Factory has been continuing its initiatives and made progress. Here are some examples.

Firstly, the Ayabe Factory’s efforts to reduce energy consumption extend to production equipment and control methods. Many manufacturing companies have begun implementing measures to save energy in lighting, air conditioning, and other facilities as they endeavor to decarbonize their factories. However, measures to enhance energy efficiency of production facilities, which account for 70% of the total energy consumption of factories, have tended to be put off due to concerns about the impact on quality and productivity. In response to this issue, the Ayabe Factory has vigorously introduced innovative applications that embody the innovative-Automation concept and has achieved quality and productivity improvement and energy efficiency. Secondly, the Ayabe Factory has introduced the concept of “energy productivity,” which is an indicator with energy consumption as the denominator and value added as the numerator. Hence, the idea is not to merely reduce energy consumption. Smart utilization of the time generated by improved productivity, which is the numerator, and facilities, will directly lead to reduced energy consumption.

The Ayabe Factory manufactures 20,000 different specifications of products in variable volumes. For example, the assembly process for sensors, a typical product of the Ayabe Factory, was converted to a mixed-flow line and automated using collaborative robots. This resulted in a 25% increase in productivity, leading to greater output per unit of energy consumed, as well as a decrease in energy consumption to more efficient use of space.

As a result of these initiatives, over the 10-year period from 2010 to 2021, power consumption on production lines of the Ayabe Factory has been reduced by approximately 15% although shipments from the Ayabe Factory have increased by more than 35% in value terms.

At OMRON, we believe that the people who work at manufacturing sites must be the primary focus of our decarbonization initiatives. Specifically, the energy management system developed at the Ayabe Factory, which we call “Environment-ANDON,” provides necessary information in real time corresponding to the roles of workers at the manufacturing site. Based on daily on-site improvement actions and their progress, OMRON considers ways to improve innovative-Automation solutions every day. As a result, in addition to the basic patents related to energy visualization, OMRON has obtained more than 10 patents for energy control technologies that also relate to production facilities and control methods. We use these technologies not only for improvement of “energy productivity” of OMRON factories but also have started external sales to our customers as the i-BELT service. For manufacturing in harmony with the global environment, OMRON will continue to set the pace, considering it a corporate social responsibility as we have long supported the core field of manufacturing industry.

Message of Ayabe Factory Manager

Manufacturing workplaces are in a period of drastic change. In addition to longer time required for procurement due to shortages of semiconductors and other parts and materials, soaring costs of materials, and the COVID-19 pandemic, there are numerous other issues, such as a decline in the number of workers engaged in manufacturing, including skilled workers, and labor shortages, to cite just a few. Moreover, capital investment and technological development to achieve carbon neutrality are becoming essential in manufacturing industry, too, in response to growing international momentum toward carbon neutrality. In these circumstances, the Ayabe Factory will further evolve innovative-Automation and will lead the realization of sustainable manufacturing with the aim of achieving both outstanding QCD in manufacturing and protection of the global environment, which are goals that we have been pursuing for more than a decade.

Ayabe Factory Manager
Tatsuya Benkan
Fiscal 2021 Business Highlights

In fiscal 2021, demand for capital investment rose in manufacturing industry in all areas of the world. Demand for secondary batteries and semiconductor-related capital investment in digital industry expanded, particularly in Greater China, Asia, and the Americas, and demand among Japanese equipment manufacturers also increased. At the same time, demand for capital investment related to electric vehicles continued to increase in the automotive industry. The food and house-hold goods industry experienced firm demand, mainly for packaging machines. We accurately captured these rising demands through solution proposal-based sales, which we have strengthened over time, while also engaging in production increases, etc. As a result, net sales significantly grew year on year, reaching a record high. Operating income significantly increased year on year, reaching a record high, mainly due to the large increase in sales. As a result, net sales for fiscal 2021 totaled ¥418.1 billion, an increase of 24.6% compared with the previous fiscal year, and operating income totaled ¥76.3 billion, an increase of 33.4% *¹ compared with the previous fiscal year.

Sales Composition by Business Domains

<table>
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<tr>
<th>FY2021 Net Sales</th>
<th>Solutions by innovative-Automation</th>
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<tr>
<td>¥418.1 billion*¹</td>
<td>High-speed, high-precision alignment</td>
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<tr>
<td></td>
<td>Intelligent assembly (Robotic integrated solutions)</td>
</tr>
<tr>
<td></td>
<td>Cell Line Control System</td>
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Components 67%

Solutions by innovative-Automation 33%

Strengths of the Industrial Automation Business (IAB)

- “innovative-Automation” concept for innovation in manufacturing
- Unique automation technology that combines cutting-edge technologies such as AI/IoT/robotics with control technology for factory automation
- The industry’s broadest product lineup (ILOR+S), covering a wide range of manufacturing sites
- More than 250 innovative applications that embody the innovative-Automation concept
- Globally, 1,600 application engineers who implement applications for customers’ manufacturing sites
- Automation Centers (ATC) (37 locations worldwide) to create solutions to customer issues
- Wealth of knowledge to support the i-BELT on-site data utilization service

INPUT

- Growth investment*: Total ¥2.5 billion
- R&D cost: Total ¥22.6 billion
- Capital expenditure: Total ¥7.0 billion (Results for FY2021)
- Evolution of the innovative-Automation concept for innovation in manufacturing (January 2022)
- Increased the number of application engineers (30 more than in the previous fiscal year)
- Reopened ATC-KUSATSU and established 53 Pcc. (January 2022)
- Invested in Techman Robot Inc., the world’s second largest manufacturer of collaborative robots (December 2021)

OUTPUT

- Net sales: ¥418.1 billion (+24.6% YoY)
- Operating income: ¥76.3 billion (+33.4% YoY)*¹
- Orders received for FY2021: +55% YoY
- Sales of the solutions business as a proportion of total sales of IAB: 33% (+5.0 percentage points YoY)
- Created innovative applications (approx. 1.5 times more from the previous year)
- Strengthened product supply capability to support business growth

OUTCOME

- Contributed to economic development by enhancing social productivity through innovative-Automation
- SDGs 8.2.1
- SDGs 9.2.1
- SDGs 17.16

*¹ Some products in the Industrial Automation Business have been reclassified to the Device & Module Solutions Business. *² Including M&A
Healthcare Business (HCB)

VISION Going for ZERO, Preventive Care for the Health of Society

Ideas and Insights Shaping the SF2030 Vision

In the Healthcare Business, we have been promoting home blood pressure monitoring believing that measuring blood pressure at home is beneficial to people’s health. Nowadays, blood pressure data measured at home is being used in the treatment of hypertension, and home blood pressure monitoring has a positive impact on the blood pressure control of hypertensive patients. However, as the population ages, the number of hypertensive patients is increasing globally, and onsets of cerebral and cardiovascular diseases attributable to hypertension are also on the rise. In addition, the number of patients with respiratory diseases is rising, especially in emerging countries. Chronic pain in the knees, low backs, and shoulders imposes a heavy burden on people in their daily lives, significantly reducing the quality of life (QOL).

Our SF2030 vision, “Going for ZERO, Preventive Care for Health of Society,” expresses our strong determination to create a society in which people around the world can live healthy and comfortable lives. By leveraging the technologies and insights we have cultivated so far, we address three business domains: Cardiovascular, Respiratory, and Pain Management and aim to achieve 3 Zeros within these domains: “Zero cerebrovascular and cardiovascular events,” including stroke and heart failure; “Zero aggravation of respiratory diseases,” such as asthma and chronic obstructive pulmonary disease (COPD); and “Zero restrictions on daily activities due to chronic pain,” regarding the knees and low back pains. In addition, we will introduce Preventive Care to prevent disease and the development of serious illness, thereby offering new value fulfilling the desire of people around the world to “stay healthy.”

In 2021, cumulative global sales of home blood pressure monitors exceeded 300 million units. However, looking at the global big picture, the penetration rate of home blood pressure monitor is still low, and the market size is expected to grow from 61 million units in 2020 to 87 million units in 2024. We will be focusing on China and India whose markets are expected to expand further, while strengthening our core business.

In addition, issues affecting healthcare, such as the increase in the number of patients with chronic diseases due to aging population, increasing workloads of healthcare professionals, and a shortage of doctors, are becoming more apparent globally. By realizing social implementation of services that connect vital data measured at home with the medical field to support treatment by physicians, we establish a set of systems for preventive care that reduces physicians’ workloads and allows everyone to receive optimal medical care. Furthermore, we will strive to make recording of electrocardiogram (ECG) data at home common practice to promote early detection and treatment of atrial fibrillation (AFib), a major risk factor for stroke. “Visualization” of the invisible risk of AFib in hypertensive patients helps prevent cardiovascular events, such as stroke. We will also continue to develop devices that monitor and record indicators other than blood pressure that are related to the onset of events, such as ECG.

In recent years, there have been changes in the business environment that go beyond anything we had anticipated, such as disruptions to international logistics and semiconductor shortages during the COVID-19 pandemic and the intensifying Russia-Ukraine crisis. During fiscal year 2021, As part of our initiatives to meet customers’ expectations without being influenced by the harsh business environment, we established the MTA (Make to Availability) production system to deliver products to the customers who need them, when they need them, based on global integrated management of all inventories from parts to products in the market. In fiscal year 2022, we will refine our purchasing strategy, including standardization of electronic components and stocking of appropriate quantities of parts, and enhance our ability to procure parts and materials for stable product supply.

We will also vigorously promote initiatives for decarbonization and environmental impact reduction, such as the introduction of environmentally friendly paper packaging and carbon neutral manufacturing, to create a sustainable society where everyone in the world can lead a healthy and comfortable life.
Under SF 1st Stage, we aim to expand sales of blood pressure monitors which are a pillar of our business globally aiming to achieve cumulative sales of 94 million units over the next three years. We also aim to expand the number of users of our new remote monitoring service to 600,000, thereby laying the foundation for the realization of our vision, “Going for ZERO, Preventive Care for Health of Society.”

1. Cultivation of the Chinese and Indian markets
We will focus on the Chinese and Indian markets where further market expansion is expected due to the increasing number of hypertensive patients and patients with respiratory disease in line with economic growth and population aging, in order to strengthen the revenue base.

The blood pressure monitor market in China is expected to increase from approximately 21 million units in 2020 to 30 million units in 2024. Our targets are Tier 3 and Tier 4 cities in China, which are experiencing rapid economic growth. GDP of such cities is expected to surpass that of Tier 1 and Tier 2 cities by 2024. We will expand the offline/online channels that we have established in 1st and 2nd Tier cities to 3rd and 4th Tier cities. By strengthening collaboration with partners, we will expand points of contact with customers through the OMRON Health Convenience Stores where customers can experience OMRON products. Regarding the respiratory business, we have strengthened the product lineup of nebulizers, which are in high demand in the market. We have launched WheezeScan, a wheeze detector, that detects wheezing sounds of asthma patients. In collaboration with medical professionals specializing in pediatric asthma, we will establish an in-hospital model that provides one-stop optimal treatment by specialized medical staff to provide better care for asthma patients.

Replacement of mercury thermometers, whose withdrawal from the market by 2025 is mandatory, with digital thermometers will gain momentum. By communicating the benefits of high-speed, predictive digital thermometers to healthcare professionals, we encourage their introduction in hospitals. Capitalizing on the confidence in OMRON digital thermometers cultivated through their use in hospitals, we will promote them for temperature measurement at home.

India, with an estimated 300 million hypertensive patients, is a market with huge potential, however, the penetration rate of blood pressure monitor is only about 3% at present. The need to make blood pressure monitoring at home common practice is an issue. In the area of respiratory diseases, the diffusion of nebulizers is still in its infancy.
Therefore, we are working to expand the market by cultivating demand in the blood pressure monitor and respiratory categories. We will roll out Experience Centers with customer support contact points in major cities in India to provide consumers with hands-on experience of OMRON products to raise consumer awareness about the importance of home blood pressure monitoring and the effectiveness of nebulizers. Moreover, we will promote the OMRON Academy, an educational program for healthcare professionals, to raise awareness of the importance of home blood pressure monitoring in the treatment of hypertension and use of the nebulizers for respiratory diseases in the medial filed.

2. Creation of a “culture of ECG recording at home”
In order to achieve Zero Events, as set out in SF2030, we have been promoting devices and services for early AFib detection at home, which is one of the factors for the onset of cardiovascular events. Adding to this, “early detection of ischemic heart diseases” and “prevention of aggravation of heart failure and detection of signs” have also been on our top priority. In the 1st Stage, we will work to establish a business model that raises awareness for both physicians and patients about the risks of AFib and the importance of ECG recording at home, thus promoting the creation of a “culture of ECG recording at home.”

3. Expansion of the number of users of remote monitoring services
In the U.K. and the U.S., remote monitoring services are being covered by insurance and these markets are emerging. With VitalSight*1 in the U.S. and Hypertension Plus*2 in the U.K., the effectiveness of telemedicine services in lowering blood pressure and reducing medical costs has been verified. On the other hand, issues such as the need for continued treatment support for patients and the increased on-site workload during new patient registration have also become apparent. Therefore, we will strengthen internal systems such as planning, development, and sales, and focus on reducing the frontline workload through business support systems such as customer management and billing operations. In the U.K., we are also working with Dorset, one of the Integrated Care Systems (ICS) that operates community health care, to collect both physician and patient feedback on the clinical effectiveness and usefulness of Hypertension Plus. We already have attracted inquiries from many medical institutions, by publicizing feedback from Dorset Clinical Commissioning Group, which has great influence on the decision-making of general practitioners who are considering the introduction of the service.

By demonstrating the benefits of telemedicine services such as clinical efficacies and reduced healthcare costs both in the U.S. and the U.K., we will increase the number of users and establish the foundation for our Digital Health business.


*2 Hypertension Plus: A remote patient monitoring service launched in the U.K. in April 2021 that features recommendation of customized medication plans to patients, for which purpose it uses blood pressure data measured at home.

4. Initiatives for decarbonization and environmental impact reduction
By identifying the environmental impacts of our business activities, we will accelerate various initiatives aimed at reducing our environmental impact.

One of the initiatives is to replace the plastic blister packages for thermometers sold in Japan with paper packages that have less environmental impact. Going forward, we will expand the scope of products to include electric toothbrushes, activity monitors, and low-frequency therapy equipment (TENS), as well as prepare to replace packaging for products worldwide with paper packaging to achieve zero use of plastics.

Furthermore, by visualizing the energy consumed in manufacturing processes at production sites, we will identify energy reduction potential and use energy efficiently and without waste with the aim of doubling energy productivity. Through these initiatives, we aim to realize carbon neutral factories.
Initiatives in 2022 (Partners for Collaborative Creation)

Communicating the Significance of Recording ECG at Home with Partners to Realize the vision of Zero Events

To realize the vision of Zero Events, we focused on atrial fibrillation (AFib), which is a risk factor for stroke and likely to occur in combination with hypertension. Early detection and treatment of AFib can reduce the risk of events. However, AFib is easily overlooked because the patient is unaware of the condition and may not be detected during regular health checkups or other physical examinations. Therefore, we have developed an upper arm blood pressure monitor with built-in ECG function that can simultaneously record an electrocardiogram when measuring blood pressure at home. The recorded ECG is analyzed by the dedicated “OMRON connect” app and a message notifies the user of the possibility of AFib. To facilitate detection of AFib in more hypertensive patients at an early stage, OMRON formed a partnership with the Smart HealthCare Association this fiscal year. In Japan, we are implementing a Pharmacists Recommendation Model, an ECG-based medical consultation recommendation model using an upper arm blood pressure monitor with ECG and a check sheet at dispensing pharmacies and drugstores. OMRON’s upper arm blood pressure monitors with ECG are installed in stores and consumers can take their blood pressure and record ECG. Based on the measurement results and using a check sheet, pharmacists recommend people with the possibility of AFib to seek medical consultation. This is an initiative to prevent events by increasing opportunities for early detection of AFib in daily life and encouraging treatment.

Employee Comments
OMRON launched Japan’s first upper arm blood pressure monitor with ECG in March 2022. Our challenge was how to communicate the new value we are offering to consumers, namely, that recording ECG at home can assess the risk of AFib, which may cause stroke. During discussions with the project team members, the idea of the collaboration with the Smart HealthCare Association (SHCA) was suggested. SHCA is a general incorporated association that is working to create new business models and environments for offering services at pharmacies and drugstores. We developed a model for recommending medical examinations using dispensing pharmacies and SHCA agreed to work with OMRON on this initiative. In collaboration with them, we intend to apply this model to pharmacies and drugstores nationwide to achieve early detection of AFib and Zero Events.

Comments from Our Partner
To respond to people’s desire to stay healthy, we support health promotion activities at pharmacies and drugstores that are close to consumers. The number of patients with AFib in Japan is expected to exceed 1.08 million by 2030, but people have little awareness of what kind of condition AFib is and the risk it poses. We believe that it is the role of pharmacies and drugstores to notice changes in consumers’ health conditions and contribute to disease prevention and health promotion, encouraging them to seek medical consultation when necessary. In collaboration with OMRON, we urged pharmacies and drugstores to introduce the Pharmacists Recommendation Model, prepared materials for operation of the model, and trained pharmacists and other staff. We will continue to contribute to enhancing the value that pharmacies and drugstores offer through their support of the health of society.
Due to changes in lifestyles associated with economic growth and aging population, the number of hypertensive patients in India continues to rise and the blood pressure monitor market is projected to reach approximately 14 million units in fiscal 2030, making it the second largest market in the world, following China. However, the use of home blood pressure readings in medical treatment and the practice of patients measuring their blood pressure at home have yet to become common practice. We are increasing our efforts to raise awareness among doctors and patients of the importance of home blood pressure monitoring and to instill a “culture of measuring blood pressure at home” in India. One of our initiatives is a business alliance with Terrals Technologies Pvt. Ltd., an online medical service provider in India that offers chronic disease management services, such as for diabetes and hypertension. Firstly, OMRON’s blood pressure monitors will be introduced for Terrals’ online medical services to expand hypertension management using home blood pressure monitoring while also raising awareness of the OMRON brand and OMRON’s home blood pressure monitors among both doctors and patients.

Employee Comments
As the number of people in India who are diabetic or suffer from hypertension continues to grow, this is becoming a social issue. Efforts to address chronic diseases are rapidly gaining momentum, with the government strengthening telemedicine services for patients with chronic diseases. I also feel that COVID-19 has raised public health awareness. With the aim of achieving Zero Events in India, where monitoring blood pressure at home has yet to become common practice, we will work with Terrals, which shares our aspirations, to heighten doctors’ and patients’ recognition of the usefulness of home blood pressure monitoring and contribute to the health of the Indian people.

Comments from Our Partner
In India, low quality of medical care and poor access to healthcare are social problems. To deliver our services to one billion Indians, we are collaborating with OMRON to develop a platform for comprehensive services for management of chronic disease patients. OMRON’s vision is aligned with the direction in which we are heading. Through our partnership with OMRON, we will step up efforts to resolve social issues in India.

Terrals Technologies Pvt. Ltd. (Head office: Bangaluru, India. Founded in 2017.) Develops and provides an online medical care platform for physicians dealing with chronic diseases, such as diabetes and hypertension.
In fiscal year 2021, demand for blood pressure monitors continued to grow globally in line with increased awareness of the need to prevent the progression of serious chronic diseases due to the COVID-19 pandemic. Demand for nebulizers continued to recover as patients had more opportunities to visit hospitals. Demand for thermometers experienced a decline in reaction to the previous-year surge in demand. Despite factory operation restrictions in the first half of the year due to the COVID-19 pandemic and supply chain disruptions beginning in the third quarter, we steadily captured robust demand by implementing product design changes and switching transportation routes rapidly. As a result, net sales increased year on year. Despite efforts to control fixed costs and increase added value, operating income declined compared to the previous fiscal year due to soaring component and logistics costs. As a result, net sales for fiscal 2021 were ¥132.9 billion, an increase of 7.9% compared with the previous fiscal year, and operating income totaled ¥18.5 billion, a decrease of 9.9% compared with the previous fiscal year.

Sales Composition by Business Domains

Fiscal 2021 Business Highlights

In fiscal year 2021, demand for blood pressure monitors continued to grow globally in line with increased awareness of the need to prevent the progression of serious chronic diseases due to the COVID-19 pandemic. Demand for nebulizers continued to recover as patients had more opportunities to visit hospitals. Demand for thermometers experienced a decline in reaction to the previous-year surge in demand. Despite factory operation restrictions in the first half of the year due to the COVID-19 pandemic and supply chain disruptions beginning in the third quarter, we steadily captured robust demand by implementing product design changes and switching transportation routes rapidly. As a result, net sales increased year on year. Despite efforts to control fixed costs and increase added value, operating income declined compared to the previous fiscal year due to soaring component and logistics costs. As a result, net sales for fiscal 2021 were ¥132.9 billion, an increase of 7.9% compared with the previous fiscal year, and operating income totaled ¥18.5 billion, a decrease of 9.9% compared with the previous fiscal year.
Social Systems, Solutions and Service Business (SSB)

VISION
Design Next Social Structure – Creating “Social Good” by Organically Linking People and Society through Social Automation

Ideas and Insights Shaping the SF2030 Vision

During the VG2020 period, the Social Systems, Solutions and Service Business integrated the UPS business in 2018 and the environmental business in 2020, aiming to establish a sustainable growth structure, and moreover, worked to solidify the earnings base and create a new growth trajectory based on multiple lines of business. Recognizing “labor shortages” as a social issue in search of a solution, we aimed to secure a firm position in the industry by cultivating the markets addressed by our base business, such as household storage battery systems, automatic fare collection (AFC) systems for railway stations, and payment terminals. We strove to eliminate inconvenience in daily life by offering greater value through solutions, such as the automation of hotel reception operations by means of check-in terminals; cleaning, security, and guidance services by autonomous service robots; and mobility-as-a-service (MaaS) based on mutual aid among residents in a community for regional revitalization. However, in fiscal 2021 we faced unprecedented headwinds, attributable to such factors as the COVID-19 pandemic, delays in the delivery of parts and materials, and exchange rate fluctuations, which highlighted the importance of the ability to effectively respond to change.

As we head toward the year 2030, new social issues will emerge, posing a threat to the security, safety, and comfort of our daily lives, such as more frequent natural disasters in view of global warming and an insufficient labor force owing to the declining birthrate and population aging. The values of people living in such times will continue to diversify. In addition to responding to our customers’ needs, in light of emerging social issues we will consider how social systems should be reset and seek solutions. Together with stakeholders who share our perspectives, we will endeavor to create “next-generation social systems.” Our ideas and insights as well as the processes corresponding to them are expressed by the word “Design” in our SF2030 business vision. We are committed to creating “social good” in the form of aspirational lifestyles and a bright future full of smiles.

Under SF2030, the social issues we will address are “achievement of carbon neutrality” and “realization of a digital society.” Social issues such as increasing CO2 emissions, accelerating climate change and lack of labor force due to the accelerating decline in the birthrate and population aging could cause various inconveniences and concerns in our daily life. For companies, management issues are becoming more complex in view of the need for business continuity and decisive action on the environmental front. We need to resolve not only on-site issues by providing existing devices and services but also to work with customers, helping them resolve their management issues. We will contribute to the creation of a future society that is safer, securer, and more comfortable. We will aim to realize next-generation social systems through social automation cultivated in the Social Systems, Solutions and Service Business.

We have three goals under SF 1st Stage: firstly, “provision of control systems that stabilize power generation,” secondly, “development of management and service systems that support efficient use of on-site systems,” and thirdly, “enhancement of operational efficiency of the social infrastructure business.” With a view to resolving social issues, we will continue applying our strengths in ways beneficial to society so as to become an indispensable element of society in the runup to SF 2nd Stage (from fiscal 2025 onward).
The Social Systems, Solutions and Service Business aims to contribute to “diffusion and efficient use of renewable energy and sustainable infrastructure to support digital society.” So far, 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 using our advanced energy control technology.

In the social infrastructure field, capitalizing on our extensive knowledge of the sites where various equipment and facilities are in use, we have supported operation and maintenance through a nationwide service network. Going forward, by offering management and services that support efficient operation of on-site systems, we will help our customers innovate their maintenance and operation processes.

1. Focus domains under SF2030
Under SF2030, we will focus on two businesses: “energy solutions” and “management and services.” Regarding energy solutions, we will eliminate instability in power generation by applying our advanced energy control technology, expand the introduction of remotely controllable energy storage systems, and further promote renewable energy in the residential, industrial, and mobility fields, thereby contributing to the realization of a resilient carbon-neutral society. Regarding management and services, in order to ensure efficient operation of on-site systems for maintaining equipment and systems and supporting operation of customers’ facilities, we will innovate maintenance and operation processes. To create and expand recurring service businesses that leverage customer assets, we will develop management and service systems with the aim of resolving labor shortages.

2. Initiatives for area-wide energy supply/demand control
Under SF 1st Stage, we will work on “renewable energy control” in three major fields: “residential,” “industrial,” and “mobility.” For the residential field, we will connect energy resources through the efficient implementation of energy storage systems in society and adding services with continuous contact points, such as obtaining carbon offset credits under the J-credit scheme. From SF 2nd Stage onward, we aim to realize advanced energy supply/demand control services using peak shifting and market transactions. For the industrial field, we will prepare to secure a position at the forefront of developments in the energy field by combining business verification of the power purchase agreement (PPA) and management and services. PPA involves ownership and management of solar power generation facilities on land and roofs provided by facility owners. For the mobility area, under SF 1st Stage, we will establish component services for EVs and PHEVs in both the residential and industrial markets. And from SF 2nd Stage onward, we aim to provide supply/demand control services. Through these initiatives that transcend conventional fields, we will realize area-wide or regional energy supply/demand control and promote the wider application of renewable energy in society. We will enhance our ability to swiftly create solutions through concurrent activities.

### About SF 1st Stage

<table>
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<th>Major Initiatives</th>
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### Targets

<table>
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<th>Sales Growth (CAGR)</th>
<th>Social Value KPI</th>
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<tbody>
<tr>
<td>¥ 87.7 billion</td>
<td>Connected energy management devices</td>
</tr>
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<td>+4% (Focus domains: +7%)</td>
<td>50,000 units (3-year total)</td>
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<td>¥ 100.0 billion</td>
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### Focus Domains

#### Renewable energy control (residential / industrial / mobility)

- **Social Value KPI:** Connected energy management devices
- **Target:** 50,000 units (3-year total)

#### Management and services

- **Social Value KPI:** Connected energy management devices
- **Target:** 50,000 units (3-year total)

### Major Initiatives

1. **Focus domains under SF2030**
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### Envisioned power system

- **VG2020**: Self-consumption
- **SF2030**: Area control
- **Area-wide supply/demand control (electricity storage control)**
We are grateful to OMRON FIELD ENGINEERING for establishing a system for visualization of operation and maintenance of various types of equipment from multiple manufacturers by organizing the infrastructure for it. Every aspect of store status nationwide can now be grasped in real time, including on-site operation and maintenance work, inventory control, and improvement of inefficient operations.

As a “change-responsive business,” Lawson has responded to the changing needs of society and customers and continually created new products and services. As a “Hub of refreshment in every community,” to be true to our three promises, “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness,” we will continue to take on the challenge of serving society and the community. We would like to promote various initiatives with our strategic partner OMRON FIELD ENGINEERING and build a win-win relationship so as to achieve further benefits from the perspective of the SDGs.

Project Promotion Department, IT Solutions Headquarters, Lawson, Inc.

Kazuyuki Tokuhiro
Fiscal 2021 Business Highlights

In fiscal 2021, our Energy Solutions Business saw significant growth in sales of storage battery systems as we endeavored to secure components to meet the growing demand for carbon-neutral businesses and disaster prevention and mitigation. On the other hand, the Public Transportation System Business experienced the impact of ongoing restrained investment by major customers owing to the prolonged effects of the COVID-19 pandemic. As a result, net sales were lower year on year. Operating income rose significantly year on year, despite the impact of lower net sales, owing to efforts to control fixed costs and increase added value. As a result, net sales for fiscal 2021 totaled ¥87.7 billion, a decrease of 8.3% compared with the previous fiscal year, and operating income totaled ¥6.5 billion, an increase of 14.3% compared with the previous fiscal year.

Sales Composition by Business Domains

<table>
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<th>Energy solutions</th>
<th>Management and services</th>
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<tr>
<td>(solar power generation systems, storage battery systems)</td>
<td>(management of maintenance and operation, data analysis, consulting)</td>
</tr>
</tbody>
</table>

Fiscal 2021 Business Highlights

- Net sales: ¥87.7 billion (-8.3% YoY)
- Operating income: ¥6.5 billion (+14.3% YoY)
- Cumulative shipped capacity of solar power systems: 10.8 GW
- Cumulative shipped capacity of storage battery systems: 0.9 GWh
- Started providing long-term stable operation services for solar power generation to promote renewable energy
- Launched a service to collect and utilize private consumption of electricity produced by solar power generation as environmental value through the J-Credit Scheme
- Started providing a river monitoring system for heavy rainfall and MaaS based on mutual aid among residents of communities in the regions
- Started providing a data utilization platform service for facility management in view of increasingly acute labor shortages
The Device & Module Solutions Business will realize three transformations under SF2030.

Firstly, we will pursue business transformation. As one of OMRON’s core businesses, the Device & Module Solutions Business aims to address social issues, namely, “achievement of carbon neutrality” and “realization of a digital society.” With this intention, the name of the business company was changed from Electronic and Mechanical Components Company to Device & Module Solutions Company on April 1, 2022, 12 years since the business company’s establishment. By combining our core technologies and diverse functions, we will enhance the value of our products and provide customers with device- and module-based solutions that give them the functions they need while addressing societal challenges. Ever since our foundation, we have been a source of sophisticated, high-quality devices and modules, including relays, switches, connectors, and sensors. And our core “connecting” and “switching” technologies are indispensable for turning equipment on and off the flow of electricity in addition to our sensing technology. Leveraging our expertise, we will create new social value that contributes to the “spread of new energy*” and high-speed communication.”

Secondly, we are resetting our focus domains. We will focus on four business fields where the strengths of the Device & Module Solutions Business centering on its core technologies can be brought into full play and where further growth opportunities are expected. Focus domains are DC (direct current) drive equipment, DC infrastructure equipment, high-frequency devices, and remote/VR devices. Regarding DC drive equipment and DC infrastructure equipment, the shift to DC and higher-capacity power supply and the electrification of infrastructure will progress as measures to minimize the environmental burden. In promoting widespread use of these products, the need for safety measures will increase to ensure electric shocks and combustion are prevented. Regarding high-frequency devices and remote/VR devices, the rapid digital shift requires technologies and devices that enable high-speed communication and large data capacity. With our “connecting” and “switching” technologies, we will deliver solutions for these issues.

Thirdly, we will evolve our value proposition model. In addition to the existing value, we will offer new value corresponding to “green, digital, and speed.” We will accelerate value proposition through the creation of devices that contribute to the realization of a decarbonized society, provision of digital value, and concurrent activities in which sales, development, and production work together to respond to changes in society in a flexible and timely manner.

In fiscal 2021, in addition to enhancement of added value through modularization and completion of structural reform, we established a system to respond to demand in a timely manner even when parts and materials are in short supply and logistics are disrupted. In the first medium-term management plan positioned as the phase for transformation, we will complete three transformations in order to offer added value in the form of solutions that go beyond the provision of devices and modules. In fiscal 2022, driven by social issues, we will create key devices necessary for society together with our customers through concurrent activities in which sales, production, and development work together, thereby achieving further growth.

* New energy: It refers to renewable energy and innovative energy sources such as hydrogen and fuel cells.
Under SF 1st Stage, we aim to establish a growth trajectory through provision of devices and modules and solutions that contribute to the “spread of new energy and high-speed communication” by capturing the growing needs for more sophisticated and faster devices, which are driven by migration to DC to ease environmental burdens and spur digitalization of society.

To realize this goal, we have identified four focus domains. In recent years, growing environmental awareness has been propelling the use of new energy sources that contribute to reducing CO2 emissions. The shift to DC power supply and higher-capacity products and infrastructure equipment is fueling needs for devices that safely shut and control the DC current flowing through products to ensure safety. We will create these devices by leveraging our long-cultivated “connecting” and “switching” technologies and promote wider use of OMRON products to help achieve a carbon-neutral society. Moreover, the evolution of semiconductors and products, which will lead to solutions alleviating social issues associated with population aging and disparities among people, will require devices that enable stable, high-speed communication and digitization of human perception and sensibility, which have eluded quantification until recently. OMRON will create devices and modules and solutions based on its core technologies to contribute to the realization of a digital society where everyone can live comfortably. We will take on the challenge of creating new social value through collaborative creation with leading companies, research institutions, technology ventures, and other partners.

Furthermore, the Device & Module Solutions Business will have a new value proposition based on “green, digital, and speed.” We will create further added value for our customers by providing solutions centering on devices and modules to achieve synergy through interaction among the various aspects of the value that we offer.

The Device & Module Solutions Business will work with customers to resolve social issues and promote the realization of a carbon-neutral society in which everyone on the Earth can ultimately live safely and securely and that is also a digital society in which all products are connected and continue to be operated stably, making life more convenient and comfortable. In fiscal 2022, we will focus on manufacturing that contributes to decarbonization and further enhance our ability to create new social value in the form of devices and modules and solutions, as well as the speed at which we accomplish this, through concurrent activities.

### Three Transformations

**With Our “Connecting” and “Switching” Technologies, Resolve Societal Issues with Customers**

**Device & Module Solutions Company**

#### Focus Domains

- **DC equipment**
  - DC drive equipment
  - DC infrastructure equipment

- **High-frequency devices**
  - High-frequency devices
  - Remote/VR devices

#### New Value Proposition

- **Green**
  - Offer earth-friendly and decarbonized products and processes

- **Digital**
  - Offer high-dimensional data for design, manufacturing, and products that customers seek

- **Speed**
  - Offer value with speed and agility that exceed customer expectations
As a result of economic growth, the amount of industrial waste generated by factories in the Pingshan District of Shenzhen, China, has been rising. OMRON Electronic Components (Shenzhen) Ltd. (OMZ), which is located in this area, is showing the way forward by pursuing various initiatives to reduce environmental impacts. One of these initiatives is to reduce the amount of plating sludge, which accounts for 20% of OMZ’s industrial waste. OMZ began looking into ways of doing this in 2019 and developed a highly efficient sludge treatment system that has been patented by the Chinese plating industry. As a result, in 2020, OMZ succeeded in reducing plating sludge by nearly 10 tons (approximately 50% reduction from the previous year). Moreover, OMZ proposed its technology and know-how as a solution to other plating factories, thereby contributing to a reduction in plating sludge of approximately 225 tons in 2021 (roughly 40% reduction from the previous year) at total eight companies in Pingshan District. OMZ will work to resolve social issues through its business by expanding its sustainable manufacturing practices from Shenzhen to Guangdong Province and, ultimately, throughout China.

The ability of Weathernews to continue providing highly accurate weather information services to electric power, retail, railway, road, and various other markets is dependent on fine-grained observation data. In order to collect as much weather data as possible, we have been working with OMRON, leveraging the strengths of the two companies, in the collaborative development of WxBeacon2, a simple portable weather observation device for Weathernews App users, and weather sensors, for which there is a great need in the construction industry and agriculture. Not only do we empathize with OMRON’s corporate philosophy emphasizing the importance of addressing social issues through business, we have confidence in OMRON’s advanced onsite/technological capabilities and highly regard their agility in addressing possible social and environmental changes and their PDCA (Plan-Do-Check-Act) method for quality improvement. These are among the reasons we are collaborating with OMRON. To address climate change and environmental and other threats facing society today, it is necessary to create timely services that are more precise and provide definitive solutions. In resolving such issues and creating a better society, we would like to continue unleashing synergy to leverage the strengths of the two companies and expand the scope of our collaboration not only in Japan but worldwide.

By Combining Strengths, Reducing the Risks Posed by Climate Change and Disasters, and Contributing to Creation of a Sustainable Society

Manufacturing that Balances Environmental Protection and Economic Growth

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Fiscal 2021 Business Highlights

In fiscal 2021, demand for components increased steadily in our focus industries, including home appliances, housing equipment, and power tools for the consumer industry. Demand for components for the automotive industry recovered moderately, despite the impact of the COVID-19 pandemic and production adjustments among our customers due to the shortage of semiconductors. We accurately captured this demand and responded quickly to secure product supplies in response to production increases and by engaging in other measures. As a result, net sales rose significantly year on year. Despite the impact of soaring raw material prices and logistics costs, operating income increased significantly year on year, mainly due to the significant increase in net sales, as well as value-added initiatives and restructuring. As a result, net sales for fiscal 2021 totaled ¥121.0 billion, an increase of 24.9% compared with the previous fiscal year, and operating income totaled ¥10.1 billion, an increase of 120.6%* compared with the previous fiscal year.

Sales Composition by Business Domains

Examples of solutions for DC equipment and High-frequency devices

- EV charger that is safe for people to operate
- Low heat generation and safe shutdown of energy storage systems
- Solutions for high-frequency applications following the development of high-speed and high-capacity semiconductor devices
- Tactile input/output devices for the entertainment industry

Strengths of the Device & Module Solutions Business (DMB)

- Core technologies for “connecting” and “switching” electricity (Arc interrupters, etc.)
- Modularization of functions by using core technologies
- Global-scale resilient production and supply systems and quality control systems

INPUT
- R&D cost: Total ¥5.2 billion
- Capital expenditure: Total ¥6.1 billion
- Establishment of resilient production systems to respond to changes in demand for products in a timely manner
- Strengthening of the digital platform
- Renewal of DMS global website (Japanese, English, and Chinese) (December 2021)

OUTPUT
- Net sales: ¥121.0 billion (+24.9% YoY)
- Operating income: ¥10.1 billion (+120.6% YoY)*
- Technology and product development for next-generation devices and modules
  - Developed new technologies and products, such as low-heat-generating relay that contribute to the realization of a decarbonized society
  - Our low-heat-generating, high-power PCB relay “G9KA” won an award in the category of Environment, Resources, and Energy Related Components of CHO MONOZUKURI Innovative Parts and Components Awards. (November 2021)
- Created modules together with customers
- Enhancement of product quality control to ensure safety of customers' products
- OMRON Electronic Components (Shenzhen) Ltd. won the Clean Manufacturing Excellence Award. (February 2022)

OUTCOME
- With our devices and modules, we contribute to the improvement of human life on the planet and the development of society
  - SDGs 9.4.1

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