

## CEO Message

### Enhance Corporate Value by Evolving into an Enterprise Achieving Autonomous Growth

President and CEO

**Junta Tsujinaga**

#### | On Assuming the Office of President

My name is Junta Tsujinaga and I have recently been appointed President and CEO. Since joining OMRON (then Tateishi Electric) in 1989, I have always worked in the Industrial Automation Business. I started my career in sales, was also involved in product planning and development, and have had assignments overseas. The experience of innovating manufacturing together with customers, suppliers, and co-workers around the world throughout my career is a great asset for me.

In 2021, I was appointed Company President of the Industrial Automation Company. After assuming office, the Industrial Automation Business faced various difficulties, including shortages of semiconductors and other components and disruptions in logistics associated with the impact of the COVID-19 pandemic, as well as heightened geopolitical risks. In these circumstances, based on my motto, “the frontline comes first,” I gathered feedback from the field to quickly identify changes in the environment and aimed to offer value centering on solutions. Despite a challenging environment, the Industrial Automation Business achieved record results for two consecutive years. As the leader of a group of professionals comprising some 10000 people worldwide, this achievement gave me great confidence. This confidence is also rooted in an appreciation of the potential inherent in individual employees and organizations.

As I lead the entire OMRON Group, I will inherit and strengthen management based on the OMRON Principles, our corporate philosophy, which is both the origin of OMRON’s unifying and driving force of our development. And I will raise OMRON’s growth stage to the next level by thoroughly implementing the action plan to realize our long-term vision, “Shaping the Future 2030” (SF2030). To this end, I believe it is essential to evolve OMRON into a company capable of achieving autonomous growth.

#### | To Achieve SF2030

##### “Business Transformation” for the Next Growth Stage

My vision of an enterprise that achieves autonomous growth is shaped by the insight that the current era of drastic change is rich in opportunities for sustainable growth. It is an era in which we can continue to refine the strengths and assets we have cultivated over the years while continuing to create new value by quickly grasping social needs. So that OMRON can resolve the three social issues defined in SF2030 and become an enterprise that achieves autonomous growth, we will transform our business model from one that emphasizes “product value” to one that emphasizes “essential value” to accelerate “data-driven value creation.” On September 8, OMRON announced the conclusion of an agreement with JMDC Inc. concerning expansion of the scope of the capital/business tie-up with JMDC and commencement of a tender offer for JMDC shares to make JMDC a consolidated subsidiary. This is designed to accelerate transformation of the business model.\* There are three main objectives in making JMDC a subsidiary.

The first objective is to expand OMRON's data solution business in the healthcare solution domain. The second is to expand the data solution business of the entire OMRON Group, including the industrial automation and social solution domains. By creating a new business model for the entire OMRON Group, we aim to raise OMRON's growth stage to the next level. The third is to combine JMDC's growth potential with OMRON's assets and capabilities to further expand OMRON's corporate value.

\* As of this writing (September 15, 2023), the tender offer to make JMDC a consolidated subsidiary has not yet closed. The share acquisition is scheduled to be executed on October 16, 2023.

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### Summary of Capital/Business Tie-up with JMDC

The partnership between OMRON and JMDC began in February 2022. OMRON acquired 33.0% of JMDC shares and entered into a capital/business tie-up agreement with the aim of creating new value in the healthcare solution domain and accelerating digital transformation (DX) of the OMRON Group. Since then, the top management of the two companies engaged in dialogue, OMRON dispatched one director to JMDC, and the partners promoted various collaborative projects and achieved results that OMRON could not have achieved on its own. Specifically, development of new services for health promotion and prevention of severe illness is underway, including the building of a one-of-a-kind "health data platform" that combines JMDC's medical data such as health insurance claims and medical check-up data with vital data OMRON possesses. In addition to the healthcare solution domain, OMRON has also made significant progress in new business concepts in the social solution domain in an effort to accelerate DX in OMRON's existing businesses. Through co-creation with JMDC over the past 18 months, I have witnessed firsthand the excellence of JMDC.

JMDC has one of the largest and most diverse healthcare data assets in Japan, centering on the data on 16 million insured people. JMDC also has data management capabilities to structure non-standard data into a usable data platform. And JMDC also has the ability to develop solutions that turn data into value. We recognized that these assets and capabilities are indispensable for OMRON's growth. Welcoming JMDC to the OMRON Group will give us more opportunities than ever to utilize its capabilities and expertise. I am convinced that this will lead to enhancement of the growth potential of the healthcare solution domain and the entire OMRON Group.

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### OMRON's Pursuit of Transformation from "Product Value" to "Essential Value"

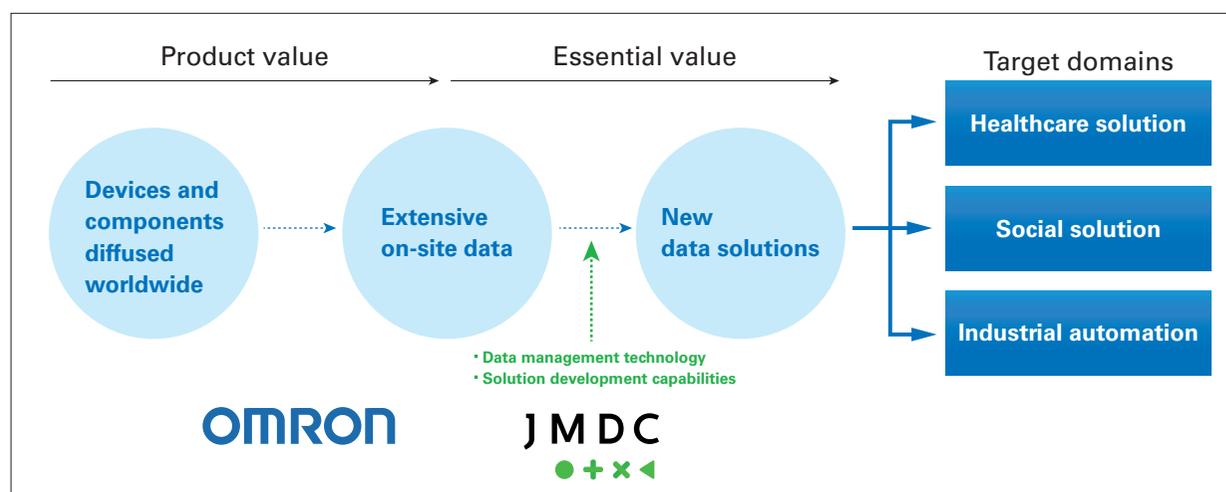
OMRON has achieved a strong position in the market with its business model of diffusing devices and components globally. The customer assets we have accumulated and the business foundation we have

laid as a result are the source of OMRON's competitive advantage. However, in order to resolve the future social issues identified in SF2030, there is a limit to the solutions that can be created organically within the framework of the existing business model. The key to overcoming this limit and resolving social issues is value creation based on a new business model utilizing data generated by devices and components. OMRON possesses a large amount of field data collected by various devices and components that each of its businesses has diffused. However, the ability to convert these data into value and develop data solutions has been a challenge. Making JMDC a subsidiary is a move to overcome this challenge, accelerate value creation from an essential value perspective by utilizing data in each business, and establish a new business model.

### Data Solutions to be Created

Specifically, we intend to establish a business model for services for health promotion and prevention of

<Acceleration of OMRON's Transformation>



severe illness based on a “health data platform.” OMRON’s initiatives are mainly focused on cardiovascular diseases and asthma. However, there are many diseases in the world that need to be addressed, and the need to prevent their aggravation into severe illness is increasing. In order to respond to these needs, we will provide preventive solutions for a wider range of target diseases based on the health data platform we have established. Utilization of the health data platform centering on JMDC’s medical data will enable prediction with a high degree of accuracy of the risk of disease developing within a few years. We will use this predictive model to create preventive solutions (devices + services). We will share the benefits of these solutions through the activities of the Health & Productivity Management Alliance established on June 30, 2023, so as to contribute to extension of healthy life expectancy. We will also accelerate the development and social implementation of data-based solutions in the social solution domain and the industrial automation domain. In the social solution domain, we intend to establish data utilization services in the management & service business that serves the retail and restaurant industries, including major chains of convenience stores and coffee shops. Currently, various management issues are emerging in the retail and restaurant industries, such as the increasing burden of IT equipment management and rising operating costs due to soaring gas and electricity prices, in addition to worsening labor shortages. In order to resolve these issues, we offer operational support for store operations and based on the “one-stop repair and maintenance services” concept we undertake the repair and maintenance of the equipment and facilities of different manufacturers used in commercial facilities. Moreover, taking advantage of 1200 maintenance and service personnel at 140 sites

in Japan, we provide uniform maintenance services nationwide regardless of the geographical area. Various on-site data can be collected by centrally managing stores across Japan and equipment and facilities of different manufacturers. We are developing new data solutions, utilizing such on-site data. A typical example of this is “solutions to achieve optimized operations and energy conservation throughout stores.” Data obtained from stores across Japan, including data on attributes, such as store floor area, and electricity usage data for each type of equipment, are combined to predict standard electricity usage of each store. This will allow us to calculate the energy saving potential of each store and support electricity cost reduction. Going forward, we will further expand the solutions, utilizing such on-site data to the maximum extent, and contribute to resolving management issues in the retail and restaurant industries. In the industrial automation domain, manufacturers need to improve their market competitiveness globally and respond to environmental challenges associated with decarbonization. At manufacturing sites, labor shortages, dependence on skilled workers, and maintenance of stable production systems are emerging as important management issues for companies. The trump card for resolving these issues is DX of manufacturing. OMRON’s Industrial Automation Business launched the “i-BELT” service in 2017 and accelerated initiatives to utilize data from manufacturing sites. i-BELT is a service that analyzes and utilizes the vast amount of data collected from the control devices of OMRON and its partner companies at frontline manufacturing operations. We are providing comprehensive solutions, ranging from diagnosis of issues at manufacturing sites to visualization, analysis, and control of issues using data, and operation and improvement support

services to maintain and evolve the impacts of these solutions, and have steadily accumulated a track record. Today, i-BELT is the core of our service business, which is expanding steadily in the Industrial Automation Business. However, it is difficult to collect data from manufacturing sites and difficult to handle the data in a uniform manner due to variations in data from each item of equipment and each process, making it necessary to respond to each company on an individual basis. In order to further accelerate DX of manufacturing and ensure the scalability of services that can be widely applied, it is necessary to establish industry standards and build a more versatile database that can be applied to manufacturing processes. These needs can be addressed by utilizing JMDC’s capabilities in data structuring and standardization as well as data cleansing. By leveraging JMDC’s technology and expertise, we will provide highly versatile industry solutions and help resolve management issues common to many of our manufacturing customers. We will strengthen data utilization services to realize the transformation of the Industrial Automation Business.

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### **New Group Structure and Expected Financial Impact**

In order to offer a stream of data solutions, once the TOB for JMDC shares is completed, we plan to establish Data Solutions Business HQ as a new organization that will directly report to the President. Human resources to promote the data business at each of OMRON’s business companies will be assigned to this new organization. Through co-creation with JMDC, the Data Solution Business HQ will develop service solutions in each domain and lead the promotion and execution of each project. The synergy generated by the collaboration with JMDC will lead to the emergence of a new business field for the future.

Specifically, we aim to generate sales of ¥100.0 billion in fiscal 2027, including the impact of the inclusion of JMDC in the scope of consolidation. This amount is the sum of the projected sales of JMDC, which will be added through consolidation, and the projected sales of OMRON's new data solution business in the three domains. Going forward, we will further strengthen our relationship with JMDC and expand the data solution business in each of OMRON's domains to accelerate the speed of growth of the OMRON Group and raise the growth stage to the next level.

**“Reinforce Execution Ability” and “Create a Company where Each Employee Works Enthusiastically”**

I emphasize to “reinforce execution ability” and “create a company where each employee works enthusiastically” as initiatives with a critical bearing on OMRON's ability to evolve into an enterprise that achieves autonomous growth. This is because in the recent rapidly changing business environment, we need to strengthen our ability to execute more than ever before. At the same time, an enterprise that achieves autonomous growth is built by individual employees who bring their capabilities into full play. To strengthen execution capabilities, OMRON is committed to implementing high cycle management. High cycle management is an initiative to maximize customer value in the shortest possible time by increasing the speed of the business cycle through accelerated execution or reducing the time required for execution of processes for value creation and internal operations. High cycle management can be pursued company-wide or by each business company or each workplace. The point of high cycle management is not to focus on achieving great results

in a single attempt, but to shorten the time spent in a single cycle by changing the way work is performed, such as by streamlining operations through DX and deciding what to eliminate, and to run more cycles. By doing so, we can increase the number of attempts without increasing the intensity of work, and even if we fail, we can learn from our failures and apply the lessons learned to the next attempt, thereby enhancing value creation. We have introduced high cycle management throughout OMRON in the current fiscal year and some businesses are already getting good results. Achievements of high cycle management at each business are described in the “Strategy & Business” section.

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To be a company where every employee works with vigor, we are pursuing “human creativity” to cultivate workplaces where employees can demonstrate their capabilities as well as their individuality and passion. Individual employees at OMRON fulfill vital roles for achieving autonomous growth and resolving the social issues identified in SF2030. I believe that people have tremendous potential. As part of our company-wide commitment to the pursuit of human creativity, we established a new position, Chief Human Resources Officer (CHRO), from the current fiscal year. As the CEO, I have delegated authority to the CHRO, who on my behalf assumes overall responsibility for the human capital strategy to enhance human creativity. In order to further accelerate the implementation of the OMRON Principles by our employees and encourage them to take on new challenges, we have also defined three actions that we expect of all employees. This was established after more than a year of discussions by the management team. Starting this year, we will incorporate these action

guidelines into the evaluation of management by objectives (MBO), aiming to further enhance human creativity.

<Action Guidelines That All OMRON Employees Embody>

**“Create value based on individual Will”.**

Take action driven by the aspiration to resolve social issues, big and small.

**“Continue ‘Try & Learn’ without fear of risk.”**

Take the ownership and continue to try proactively and create value by making the most of what you learn.

**“Unleash the passion and talent of every individual to value up together .”**

Maximize individual growth and organizational performance by leveraging diverse ideas.

On this year's OMRON Founder's day, I sent a message to all employees on how we will accelerate our initiatives to unleash our own creativity as well as that of everyone on the team, and requested OMRON employees worldwide to discuss these three actions. Employees commented that it was a good opportunity for them to think about their “Will” and the importance of “Try & Learn.”

I always tell people no matter how big or small, having a “Will” is what matters the most. I want each employee to first express their own “Will” to resolve social issues, and then take on challenges without being intimidated by the fear of failure. We believe that employees who have a strong desire to take on challenges with their colleagues will work with enthusiasm and contribute to growth. We, the management team, want to provide our employees with opportunities to take on challenges and be there to support them. Committed to these three actions, each employee will create value needed by society

while demonstrating their creativity, and moreover contribute to OMRON's continuous growth.

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## Progress of Long-term Vision “SF2030” and Medium-term Management Plan “SF 1st Stage”

### Fiscal 2022 Results

In April 2022, OMRON launched its long-term vision, SF2030, which started with a three-year mid-term plan, SF 1st Stage. Looking back on fiscal 2022, the first year of these plans, we were exposed to various changes in the external environment, such as the lockdowns in Shanghai as COVID-19 countermeasures and rising geopolitical risk, notably the situation in Ukraine. Despite such adversity, OMRON achieved a significant increase in net sales, a year-on-year increase of 14.8% to ¥876.1 billion. Above all “sustainability sales,” which is the total sales of the focus businesses that are responsible for resolving the three social issues, increased 28% year on year to ¥417.8 billion, far exceeding the initial target of a 15% increase. We achieved sales expansion by fully demonstrating our two strengths: growth potential and the ability to effectively respond to change. Operating income also exceeded the forecast, which was upwardly revised in the report of the results for the second quarter. OMRON's operating income surged 12.7% year on year, surpassing the ¥100.0 billion mark for the first time. The operating income margin remained high at 11.5% due to sales growth and ongoing price optimization efforts. In fiscal 2022, we promoted transformation of the business and higher growth by seizing emerging business opportunities. Among the businesses, the Industrial Automation

Business and the Device & Module Solutions Business posted record-high results, while the Social Systems, Solutions and Service Business also reported increases in both sales and income. The Healthcare Business reported an increase in sales but a decrease in income. This was the result of steady implementation of growth investment for the future. Our investments for future growth included the development of innovative applications in the Industrial Automation Business and the strengthening of marketing in the Healthcare Business, as well as human resources skill development training. In this way, in fiscal 2022 we solidified the earnings base, responding to change in the environment, while at the same time we made steady progress in preparing for growth in the next fiscal year and beyond. On the other hand, demand associated with digital and environment-related investments, such as semiconductors and EVs, far exceeded actual end-market demand, especially in the Industrial Automation Business, and provided a tailwind. This resulted in a high order backlog that supported net sales in fiscal 2022. We will objectively assess this impact and reflect the findings in management in the current fiscal year and beyond.

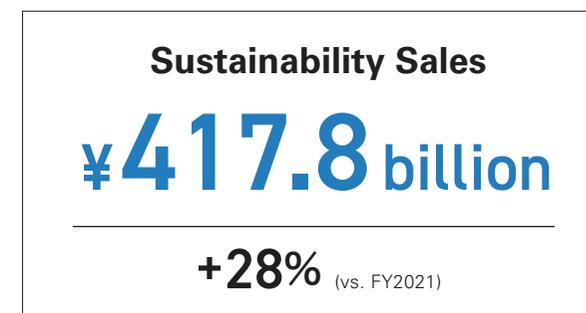
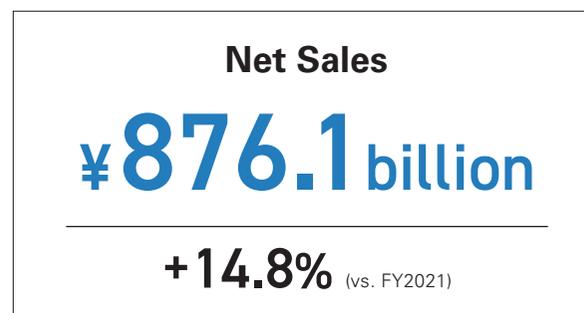
We made steady progress in terms of non-financial targets, which we set together with financial targets. In SF2030, we set 10+1 non-financial targets in order

to fulfill our responsibility for the environment and society. The 10+1 targets consist of 10 targets to be addressed throughout the OMRON Group and the +1 target, which is a declaration of our commitment to community-based social contribution activities in each region. In fiscal 2022, we made gratifying progress for almost all these targets. Among the 10+1 targets, I am particularly interested in the activities in which employees worldwide are engaged in their respective regions. For these activities, the top management of OMRON Group companies in each region declares the intention to contribute to the resolution of social issues faced by the region and communities in which they operate, and works together with employees in the region. For example, in China, to reduce the growing inequality in children's education between urban and rural areas, we established a public benefit project in cooperation with a local foundation and donated about 45000 children's books to primary schools in impoverished areas. These activities help to not only build a partnership with host communities but also increase employee motivation.

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### Progress in Fiscal 2023

Based on the results for fiscal 2022, our plan for fiscal 2023 calls for increases in both net sales and profit for the third consecutive year and record highs for the



second consecutive year. The plan also calls for increases in both net sales and profit of all business companies. We expect the business environment in fiscal 2023 to become increasingly uncertain due to accelerating inflation, particularly in Europe and the U.S., and heightened geopolitical risks. Against this backdrop, the first quarter results were a mixture of strong performance as planned at the beginning of the period and stronger headwinds. In the Healthcare Business, demand for blood pressure monitors recovered in Europe and other regions. In the Social Systems, Solutions and Service Business, we captured the growing demand for renewable energy. In the Industrial Automation Business, amid sluggish demand for capital investment in manufacturing industry, the company stepped up solutions proposals to growing industries and increased product supply to eliminate order backlogs, resulting in year-on-year increases in both sales and profit. Despite the uncertain business environment, each business seized growth opportunities and sales progressed as planned. The gross profit margin (GP ratio), which indicates the earnings power, also increased compared to fiscal 2022. We will continue to operate in a difficult business environment in the second quarter and beyond. However, there are a number of markets with growth potential. To ensure that we capture these opportunities, we will enhance our ability to effectively respond to change in the external environment and execute actions for growth through high cycle management.

Fiscal 2023 is an important year as it marks the midpoint of SF 1st Stage. Although the uncertain environment persists, we will continue to promote initiatives to strengthen our growth potential.

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## Accelerate Resolution of Social Issues by Strengthening Sustainability Initiatives

OMRON's purpose is to create social value through business and continuously contribute to the development of society. Under SF2030, OMRON aims to maximize its corporate value by achieving both "sustainability of society" and "sustainability of OMRON." One of the reasons why we set non-financial management targets in SF 1st Stage was to make our commitment to corporate social responsibility crystal clear, namely, that OMRON will always be a company that creates social value for a sustainable society.

As part of our efforts to maximize corporate value through sustainability initiatives, in fiscal 2022 OMRON became the first Japanese manufacturer to join the EP100, and declared its commitment to doubling "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. At the Matsusaka Factory, which is the Healthcare Business' production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and the Healthcare Business are working together to create a system to double production while reducing energy consumption. By sharing the know-how gained through these initiatives not just within OMRON but also with the world, we will contribute to the decarbonization of manufacturing industry and society. At the same time, we are focusing on "decarbonization and reduction of environmental impacts" and "respect for human rights in the value chain" as aspects of our corporate social responsibility. Through backcasting, we have identified themes to be dealt with by 2030 and are progressing step by step. OMRON will cease to exist

if we run away from solving social issues. With our level of determination, we will continue to do our utmost to advance toward a better society.

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## To Our Stakeholders

### Aiming to Further Enhance Corporate Value through Management based on the OMRON Principles

Since assuming the position of President and CEO, I have had the opportunity to take a fresh look at OMRON in the course of dialogue with the heads of each business, many employees of the OMRON Group around the world, and various stakeholders outside OMRON. From dialogues with the stakeholders, I have recognized afresh that OMRON has a wealth of experience, assets, and technologies that can contribute to resolving social issues. I also realized the importance of my motto, "the frontline comes first." That is, no business can exist without cultivating relationships rooted in trust. Our stakeholders' cooperation and support are essential for OMRON's sustainable growth. Building win-win relationships between OMRON and all its stakeholders is indispensable for enhancing corporate value. I will continue to value open dialogue with our employees, customers, and other stakeholders, as we seek to develop businesses that create a better society in the spirit of my motto, "the frontline comes first." By co-creating new value with our stakeholders, OMRON will evolve into an enterprise that can continue to grow autonomously and maximize its corporate value. OMRON is shaping an exciting future, please look forward to it.