For OMRON, achieving both the sustainability of society and its own sustainability is the very purpose of its existence. This can be traced back to the Corporate Mission established by founder Kazuma Tateishi in 1959: “To improve lives and contribute to a better society.” The founder incorporated two aspirations he had into the Corporate Mission. One is the conviction that “a business should create value for society through its key practices.” The founder said that co-existence and co-prosperity should be the hallmarks of the relationship between the company and society, as the company that best serves society is rewarded by society with the most profit. The other is the “to take the initiative as pioneer.” If people wait passively for a better society to dawn, they will wait forever. A better society is created when people continuously take on challenges without fear of failure and create innovation. OMRON is determined to do that. Since establishing the Corporate Mission, OMRON has grown by pursuing the sustainability of both society and OMRON through its business.

Sustainability has risen with increasing rapidity to the top of the agenda in recent years. This is because sustainability has become a management issue directly linked to “corporate value.” Corporate value is essentially the present economic value of the future cash flows from operations, i.e., discounted cash flows. In other words, sustainability issues, such as climate change and human rights issues, have become factors that have significant impacts on a company’s equity story as it advances into the future, in terms of both “opportunities” and “risks.” As a result, sustainability has come to have an important bearing on the dialogue between a company and its stakeholders.

The turning point was the Principles for Responsible Investment (PRI) proposed by the United Nations in 2006. In Japan, the signing of the PRI by the Government Pension Investment Fund (GPIF) in 2015 triggered the spread of the ESG concept. In addition, the SDGs, adopted by the United Nations in 2015, have become a common framework for the international community, with sustainability issues viewed in terms of both opportunities and risks. Influenced by such trends in society, OMRON’s sustainability management has continuously evolved since the company’s founding.

Shaping the Future 2030 (SF2030) launched in fiscal 2022 is OMRON’s first long-term vision for which the business strategy and the sustainability strategy were fully integrated from the initial planning phase onward. In other words, SF2030 is a complete integration of the equity story and the sustainability story. So how will sustainability issues impact future cash flow generation under SF2030?

Under SF2030, we identified “five material sustainability issues” that represent opportunities and risks related to the achievement of our vision. These are “resolving social issues through our business,” “maximizing the capability to innovate driven by social needs,” “generating diverse talent taking on the challenge of value creation,” “achieving decarbonization and lower environmental impact,” and “respecting human rights in the value chain.”

For “resolving social issues through our business,” under SF 1st Stage, the first medium-term management plan to fiscal 2024, we have designated businesses that will contribute to resolution of the three social issues addressed by OMRON as “focus businesses” and aim to achieve 45% growth of these businesses over three years. As the plan calls for a 7% annual growth of consolidated net sales, it is clear that OMRON’s growth will be driven by the focus businesses addressing the social issues. In fiscal 2022, focus businesses achieved 28% growth, a
flying start exceeding our initial plan. Regarding “maximizing the capability to innovate driven by social needs,” our goal for fiscal 2024 is to create at least three new businesses. Toward this goal, we compiled a list of 37 candidate new businesses in fiscal 2022, exceeding the target of 32. (For details, please refer to the section on the “Innovation Exploring Initiative HQ.”). For “generating diverse talent taking on the challenge of value creation,” we achieved the targets in all categories except for the ratio of women in managerial roles for the OMRON Group worldwide. (For details, please refer to the section on “People.”) Regarding “achieving decarbonization and lower environmental impact,” we achieved steady reduction of GHG emissions in Scope 1 and 2 as planned. Moreover, in Scope 3, Category 11, on which our efforts are focused, we are on track to achieve our 2030 target by leveraging the calculation method that uses the actual measurements. For “respecting human rights in the value chain,” we achieved the short-range goals regarding the establishment of a human rights due diligence structure, which is a target under SF 1st Stage, and completed the formulation of a roadmap for human rights initiatives. As sustainability is positioned as a management issue directly linked to corporate value, connectivity between sustainability information and financial information is increasingly important. In this context, we have begun testing the connectivity hypothesis, anticipating that sustainability information will be subject to external audits and third-party assurance similar to those applied to financial information. As a first initiative, we aim to improve the correlation between the indicators for enhancing human creativity, which is a target of SF 1st Stage, and financial indicators. Specifically, following the Down-Top ROIC Tree approach exemplified in the “Guidelines on Visualization of Human Capital” formulated by The Council of New Form of Capitalism Realization of the Cabinet Secretariat of Japan in August 2022, we attempted correlation analysis to test the hypothesis regarding the impact our human capital-related indicators would have on financial indicators and how they would be translated into corporate value. The results are presented on the following pages. Based on the results of this hypothesis testing, we will continue visualization of the impact of sustainability information on future financial value, in order to realize disclosure of high-quality sustainability-related information that can withstand upcoming external audits and third-party assurance. Last but not least, at OMRON the Board of Directors takes ownership, and exercises leadership, of these sustainability initiatives. The Board of Directors, which is entrusted with responsibility by shareholders and society, monitors and supervises the sustainability initiatives of the executive side, which constitute one of the management issues, thereby ensuring the achievement of the sustainability of both society and OMRON from a medium- to long-term perspective. Beginning the current fiscal year, to further strengthen the Board of Directors’ commitment, OMRON appointed members of the Board of Directors to serve as directors in charge of environment and human rights. OMRON will continue to promote sustainability initiatives through the initiatives of both the Board of Directors and the executive side, in order to achieve sustainable enhancement of corporate value.

<Company-wide Management Structure to Promote Sustainability>
Achieving Decarbonization and Lower Environmental Impact

OMRON’s Approach to the Environment
OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of “contributing to a better society,” and is proactively working to address global issues such as climate change and resource recycling. In particular, we view “reducing greenhouse gas (GHG) emissions,” “transitioning to a circular economy,” and “coexisting with nature” as important environmental issues to be addressed. By ensuring effectiveness and establishing frameworks, we are committed to contributing to the creation of a sustainable society and enhancing corporate value.

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

OMRON Environmental Objectives
OMRON has established the OMRON Carbon Zero target, for zero scope 1 and 2 GHG emissions by 2050. Achieving decarbonization and lower environmental impact was also set as a material sustainability issue, and in addition to the SF2030 and SF 1st Stage sustainability targets (fiscal 2024 targets), six fiscal 2024 targets were also established for five categories, with monitoring of progress. Our scope 1, 2 and 3 GHG emission targets are certified by the Science Based Targets initiative (SBTi) as 1.5°C or 2.0°C pathway targets.

Environmental Promotion System
OMRON management and executives work together to address environmental issues, with the Board of Directors fulfilling its responsibility for supervision and oversight. As part of our governance system, the president and CEO delegates authority to the individual executive division heads, who are responsible for pursuing environmental issues such as climate change and creation of circular economies. Additionally, the president and CEO reports to the Board of Directors on progress status and important matters, while the Board makes decisions and carries out oversight of executive matters. As part of efforts to strengthen sustainability governance, a director in charge of environment was appointed in fiscal 2023. Additionally, a steering committee has been set up within OMRON’s Sustainability Committee to accelerate scope 3 emission, circular economy and other value chain environmental initiatives, and we are proceeding full force with efforts to fulfill the objectives of our medium-term management plan, “SF 1st Stage,” and to accelerate decision-making to better match fast-paced changes in the external environment.

Sustainability
Integrated Report 2023

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

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Fig. 1. OMRON Carbon Zero Medium- and Long-term Environmental Targets

<table>
<thead>
<tr>
<th>Material sustainability issues under SF2030</th>
<th>SF2030 (FY2030) goals</th>
<th>SF 1st Stage (FY2024) goals</th>
</tr>
</thead>
</table>
| The state of building further competitive advantage while solving social issues through reducing greenhouse gas (GHG) emissions in the value chain and establishing a resource recycling model | Achieved 62% reduction in absolute amount vs. FY2016 result | Scope 1 and 2: 53% cut*1 vs. FY2016  
Scope 3: 18% cut*1 vs. FY2016 |
| OMRON’s approach to the environment | Achieved 53% reduction in absolute amount vs. FY2016 result | OMRON Zero GHG emissions (scope 1 and 2) by 2050 |
| OMRON Environmental Objectives | Environmental contribution (983 thousand ton-CO2) > CO2 emissions from production sites | As planned |

<table>
<thead>
<tr>
<th>Issues</th>
<th>SF 1st Stage (FY2024) targets</th>
<th>FY2022 results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving decarbonization and lower environmental impact</td>
<td>24 sites (100% progress)</td>
<td>As planned</td>
<td></td>
</tr>
<tr>
<td>Proper waste management and production</td>
<td>Perform environmental legal assessments at all global production sites</td>
<td>25 sites (100% progress)</td>
<td>As planned</td>
</tr>
<tr>
<td>Compliance with environmental laws</td>
<td>Reduce water usage at all global production sites by 25% vs. FY 2015 result</td>
<td>Down 45%</td>
<td>As planned</td>
</tr>
<tr>
<td>Effective usage of water resources</td>
<td>Acquire and maintain ISO 14001 certification at all global production sites</td>
<td>26 sites (100% progress)</td>
<td>As planned</td>
</tr>
<tr>
<td>Facilitating environmental management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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*1 Certified under SBT Initiative in May 2022
*2 GHG emissions from OMRON’s electricity use (scope 2) at 13 production sites and 69 non-production sites (headquarters, R&D, and sales)
*3 Volume of CO2 emissions reduction contributed by society’s use of the OMRON Group’s energy generation and savings products and services
*4 Recycling of waste: 98% or higher
OMRON’s Key Environmental Initiatives under SF2030

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

▶ Reduction of GHG Emissions (Scope 1 and Scope 2: Emissions from the OMRON Group)

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

▶ Reduction of GHG Emissions (Scope 3, Category 11: Use of Sold Products)

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

▶ Transitioning to a Circular Economy

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

Major FY2022 Initiatives and Results

▶ Initiatives to Reduce GHG Emissions

We are reducing emissions steadily every year to achieve our environmental targets, exercising energy conservation and using cleaner electricity from renewable energy sources. In fiscal 2022, we continued with capital investment into replacing existing equipment with more efficient, energy-saving equipment, operational optimization based on energy saving diagnostics, and expansion of solar power generation equipment. Furthermore, as a new initiative, we utilized J-Credits obtained through business activities and switched to renewable energy-derived electricity for 5 locations in total, equivalent to 1,052 MWh.

In addition to the above, we achieved a 62% reduction in GHG emissions (compared with fiscal 2016), due in part to the purchase of renewable energy-derived electricity in Malaysia and lockdowns in China. OMRON Group 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 a 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 offering the know-how gained through these initiatives to the world, rather than just retaining it within OMRON, we will contribute to the decarbonization of manufacturing industry and society.

*1 J-Credit Scheme: Under this scheme, the Japanese government certifies a company’s environmental value (the effect of not emitting CO2).
*2 Self-consignment: A power supply system that allows businesses that own their own power generation facilities to transmit and supply electricity generated by those facilities to their own factories and offices in remote places via the power grids of general power transmission and distribution business operators and use the electricity.
Initiatives to Transition to a Circular Economy
In addition to reducing waste by minimizing and streamlining use of resources, we are also promoting reuse and recycling and are working to reduce hazardous waste emissions. In fiscal 2022, 24 OMRON Group sites maintained or achieved zero emissions (12 in Japan and 12 overseas). Regarding container and packaging material use, despite increased sales due to higher customer investment in carbon neutrality and plastic-free initiatives and continued demand from the digital industry, due to logistical improvements and reductions in weight, container material use was down by 11% and packaging material use was down by 12%, compared to the previous year. In Japan, we will continue to work to save resources by monitoring and standardizing container and packaging use, in line with the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging.

Water risks are a growing global concern due to water usage increases due to economic development and population growth. We are working to reduce water intake, with effective usage of water resources as one of the material sustainability issues laid out in SF2030. Since fiscal 2014, the OMRON Group has kept track of water resource data in accordance with CDP water security (CDP Water) standards. Along with fiscal 2017 sustainability issues, we established a set of environmentally related social issues for the Group to address. Accordingly, all of our production sites worldwide have been working to make more effective use of water resources. In fiscal 2022, water intake at all production sites worldwide was down 45% (compared with fiscal 2015) as a result of production site efforts to reduce water use.

Biodiversity Efforts
OMRON strives to preserve healthy ecosystems and protect biodiversity through such measures as stabilizing the climate, purifying water and air, and reducing waste. To this end, we formulated the OMRON Group’s Biodiversity Policy through a collaborative project with international NGO Conservation International (CI), clarifying our approach to preserving biodiversity in terms of both business activities and social contributions. We aim to strengthen biodiversity initiatives and disclosure, so as to better meet requirements of the TNFD (Task Force on Nature-related Financial Disclosures) and stakeholder expectations grasped through engagement.

Green Procurement Initiatives
We specified ecology (reduction of environmental impact) and compliance (observance of laws, regulations, and social norms) as key programs that should be promoted across our supply chain. As such, we certify green suppliers from two perspectives: establishment of an EMS, environmental management system; establishment of a CMS, management system for chemical substances contained in products. During fiscal 2022, we certified 62 more suppliers, for a cumulative total of 3,188 suppliers. As a result of systems for thorough monitoring and management of chemical substances in products, there were no significant violations for the OMRON Group.

Held Symposium on Latest Environmental Regulatory Trends in Europe
Laws and regulations in countries throughout Europe grow stricter each year. OMRON held a symposium to deepen understanding of Europe’s rapidly changing environmental legal and regulatory trends, inviting outside experts as speakers. The symposium was held in Japan in July 2023, with twenty managers from the Environment and Sustainability divisions attending to learn more about the latest trends in Europe in regards to climate change, energy policy and other such issues.

Employee Comments
By using the J-Credit Scheme, we contribute to carbon neutrality for society as a whole. “Promoting carbon neutrality at OMRON sites” is one of the objectives set forth in SF 1st Stage, and we are working to achieve Carbon Zero for all 76 sites inside Japan. As one part of initiatives, we utilized the Japanese government’s J-Credit Scheme for global warming, releasing “Our Eco Life Circle” in January 2022 to collect and utilize economic value created through home consumption of solar power. Solar generation and storage systems are offered by our Social Systems, Solutions and Service Business, and over 10,000 customers using these products have applied to join the point system, with the number steadily rising. In fiscal 2022, we achieved Carbon Zero for five sites and plan to expand that number further. In the future, we will continue to help popularize renewable energy and to contribute to achieving a carbon neutral society through our products and services.

Assistant Manager
Emergent Strategy Department,
Business Development HQ, Energy Solutions Business HQ
OMRON Social Solutions Co., Ltd.
Shinji Naito
Disclosures in Line with TCFD Framework

With numerous major disasters occurring around the world due to extreme weather events, we at OMRON consider climate change to be one of the most important issues we face. OMRON is committed to creating carbon-neutral societies, as described in SF2030.

In February 2019, OMRON endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on this endorsement, since 2020 we have carried out multiple scenario analysis, identifying both risks and opportunities presented by climate change for our businesses, strategies, and financial plans.

Furthermore, in addition to incorporating these analyses into integrated risk management under a common group framework, we have also been pursuing integration of business operations, under oversight of the Board of Directors, with the aim of consistency with SF2030 and business strategies. Finally, we are working to strengthen engagement with shareholders, investors, and other stakeholders through proactive disclosure of these measures.

Scenario Analysis in Line with TCFD Framework

OMRON’s Sustainability Office, in accordance with the basic steps for scenario analysis released by the Ministry of the Environment, cooperated with each head office division and business company to construct a system for scenario analysis. Transition, physical and other risks to OMRON business strategies posed by climate change were analyzed according to the four steps shown below.

Disclosure in Line with the Four Overarching Recommendations of the TCFD

In fiscal 2022, we pursued initiatives and disclosed information according to the four thematic pillars recommended by the TCFD: governance, strategy, risk management, and indicators and targets.

<Scenario Analysis Steps>

### Step 1: Identify corporate risks and opportunities
- The Sustainability Office collected opinions from outside experts, set up projects with each business company, and implemented TCFD scenario analysis
- Medium- and long-term risks posed by climate change were identified and sorted as transition or physical risks
- For transition risks, opportunities for medium- to long-term growth were identified in categories of policy, laws and regulations; markets; technology; and reputation (customer and investor repetition)
- For physical risks, risk analysis was also carried out for production sites, incorporating objective viewpoints from outside analysts

<table>
<thead>
<tr>
<th>Transition risks</th>
<th>Physical risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government policies, laws</td>
<td>Acute, Chronic</td>
<td>- Products, Services,</td>
</tr>
<tr>
<td>and regulations</td>
<td></td>
<td>and Markets</td>
</tr>
<tr>
<td>Changes in markets</td>
<td></td>
<td></td>
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<tr>
<td>Changes in technology</td>
<td></td>
<td></td>
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<tr>
<td>Reputational risks</td>
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</tr>
</tbody>
</table>

### Step 2: Select scenario and define worldview
- Selected and analyzed scenarios based on whether progress is (1.5/2°C scenario) or is not (4°C scenario) made on public climate change measures
- For the selected scenario, used objective outside data to define worldview (such as changes in customer demand, etc. for OMRON’s operations and businesses due to policy, legal, regulatory, market, technology and other trends)
- The Sustainability Office and individual business companies discussed medium- and long-term countermeasures and business strategies based on the above worldview, ascertaining medium- and long-term trends in the business environment

<table>
<thead>
<tr>
<th>4°C scenario</th>
<th>1.5/2°C scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPCC/RCP8.5</td>
<td>IPCC/RCP2.6</td>
</tr>
<tr>
<td>IEA/STEPS</td>
<td>IEA/SDS (partially IEA/NZE)</td>
</tr>
</tbody>
</table>

### Step 3: Evaluate impact on business
- Envisioned a 2030 scenario based on the identified opportunities/risks and defined worldview, and calculated financial impact
- Classified financial impacts based on thresholds, calculating profitability to identify areas of response and levels of priority for medium- and long-term management plans

<table>
<thead>
<tr>
<th>Business impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment costs</td>
</tr>
<tr>
<td>Business costs</td>
</tr>
<tr>
<td>Business stoppages due to natural disasters, etc.</td>
</tr>
</tbody>
</table>

### Step 4: Investigated response measures
- Incorporated identified risks into integrated risk management under a common group framework for consistency and began monitoring throughout the entire value chain
- Reflected identified opportunities in medium- and long-term management plans and business strategies

<table>
<thead>
<tr>
<th>Response measures</th>
<th>Business impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in business models</td>
<td>Investment costs</td>
</tr>
<tr>
<td>Changes in portfolio</td>
<td>Business costs</td>
</tr>
<tr>
<td>Investment in capacity/technologies</td>
<td>Business stoppages due to natural disasters, etc.</td>
</tr>
</tbody>
</table>
Role of the Board of Directors / Monitoring System
The OMRON Corporate Governance Policy clearly stipulates that the Board of Directors shall determine and disclose the OMRON Group’s sustainability policy, material sustainability issues, and targets, including initiatives to address climate-related risks based on the TCFD and other frameworks.
In accordance with TCFD recommendations and in connection to SF2030 and SF 1st Stage, the Executive Council and the Sustainability Committee discuss risks, business opportunities, targets, and specific measures related to climate change for each business, as identified by scenario analyses, make decisions, manage progress, and conduct monitoring on a regular basis, and consider corrective measures, as necessary. The Board of Directors receives, on a regular basis, reports on what has been discussed and decided by the Executive Council and deliberates on and supervises the matters.
Evaluations concerning the GHG emissions reduction target and evaluations based on sustainability indicators (Dow Jones Sustainability Indices) by third parties are included among the evaluation indicators for the medium- to long-term, performance-linked compensation for internal Directors and Executive Officers for the period from fiscal 2021 to fiscal 2024.

Strategy
Short-, Medium-, and Long-term Climate-related Risks and Opportunities and Responses
In SF2030 and SF 1st Stage, we have defined “achieving decarbonization and lower environmental impact” as a material sustainability issue. Viewing climate change from two aspects, opportunities and risks, we are committed to fulfilling our corporate social responsibility and further building our competitive advantage. In order to prevent the expansion of the serious impacts of climate change on ecosystems and human society, we will work to reduce GHG emissions throughout its value chain through “Products and services that contribute to carbon neutrality,” “Evolved business models that combine products and services,” “Co-creation with our partners” “improved energy efficiency,” and “expanded use of renewable energy.”
Amid these initiatives, we analyzed risks and opportunities based on two scenarios as announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and others: one assuming a rise in global average temperature of 4°C or more, and the other assuming that the increase in global average temperature is kept to below 2°C (1.5°C in some cases) as agreed under the Paris Agreement. We reaffirmed that we must act to solve climate change issues. Specifically, in the field of industrial automation, we will develop innovative-Automation to establish manufacturing sites that support a sustainable future of job satisfaction and harmony with the environment, and will aim for automation that increases productivity and energy efficiency. In the field of social solutions, OMRON has already contributed to the spread of solar power generators and storage batteries. Moving forward, we will contribute to the further spread of renewable energy by eliminating instable generation through advanced energy control technologies.
Additionally, in the field of device and module solutions, we will accelerate development and supply of energy- and resource-saving products designed to satisfy the growing interest in improving environmental performance and reducing carbon footprints. OMRON connects with society in a variety of ways, and will contribute to the realization of a carbon-neutral society on multiple fronts.
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 a 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 offering the know-how gained through these initiatives to the world, rather than just retaining it within OMRON, we will contribute to the decarbonization of manufacturing industry and society.

Companywide Sales Targets and Progress in Contributing to Carbon Neutrality through our Businesses
SF 1st Stage includes a company-wide sales target (Green Revenue) of 130 billion yen from sales contributing to carbon neutrality. In fiscal 2022, we accelerated efforts to become carbon neutral and achieved 109.2 billion yen in sales (+105% over plan).

<table>
<thead>
<tr>
<th>Major Approaches in FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
</tr>
<tr>
<td>Clarified responsibilities toward sustainability, including in terms of the environment and climate change, for Board of Directors</td>
</tr>
<tr>
<td>Appointed an executive officer in charge of sustainability</td>
</tr>
<tr>
<td>Strengthened the Sustainability Committee’s Value Chain Environmental Response Subcommittee</td>
</tr>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>Accelerated business activities for achieving a carbon neutral society</td>
</tr>
<tr>
<td>Reevaluated risk and opportunity impacts for four business domains based on multiple scenarios</td>
</tr>
<tr>
<td>Reanalyzed physical risks for 15 key global OMRON production sites</td>
</tr>
<tr>
<td>Risk management</td>
</tr>
<tr>
<td>Aligned company-wide integrated risk management with environmental risks</td>
</tr>
<tr>
<td>Indicators and targets</td>
</tr>
<tr>
<td>Strengthened energy conservation, renewable energy and energy creation initiatives to achieve FY2022 SBTi targets</td>
</tr>
</tbody>
</table>
**Overview of the OMRON Group’s climate-related risks and opportunities and responses**

- **Assumed period:** Period covered by SF2030 (through fiscal 2030)
- **Adopted Scenarios:**
  - 4°C Scenario: IPCC/RC6.5, IEA/STEPS
  - 1.5°C/2°C scenario: IPCC/RC2.6, IEA/SADS (portions of IEA/NZE)
- **Time Horizon:** Short-term: less than 3 years; Medium-term: 3 to 10 years; Long-term: 10 to 50 years
- **Scenario analysis targets:** Existing business
- **Definition of business and financial impact:** large, medium, and small
- **Impact on risk:** Positive or negative impact on operating income

### Evaluated Business and Financial Impacts of Climate Change

<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5°C/2°C</td>
<td><strong>Large</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4°C</td>
<td>We expect ongoing regulations, policies, etc. on climate change at our customers, markets, etc., to have an impact in the future, resulting in an estimated impact on operating income (single-year) of 10 billion yen or more.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Medium</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A movement against climate change is already ongoing among our customers, markets, etc. We expect ongoing impacts to continue. However, we expect responses to change over the medium to long term. If 10 to 30 years on whether consumers are accepting and on judgments related to return on investment. As a result, we expect the impact on operating income (single-year) to be between 3 billion yen and 10 billion yen.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Small</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A movement against climate change is already ongoing among our customers, markets, etc. However, we expect the medium- to long-term impact to be limited. As a result, we estimate the impact on our operating income (single-year) to be less than 3 billion yen.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Change in business costs due to increased carbon tax, emissions trading, circular economy regulations, etc.

- **Medium-term**
  - Increased in business costs (introduction of carbon tax, emissions trading, circular economy regulations, etc.) as a result of complying with climate change regulations
  
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4°C</td>
<td>Small</td>
<td><strong>Small</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Systematically promoting energy conservation and renewable energy (introduction of high-efficiency air conditioning systems, expansion of indoor- house renewable energy generation, procurement of J-Credits from the social systems business, etc.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Increase in product productivity at production facilities and enhanced energy efficiency

- **Medium-term**
  - Increased competition in areas related to decarbonization, such as improving the environmental performance of products and reducing the carbon footprint of products
  
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4°C</td>
<td>Small</td>
<td><strong>Small</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing products and services to solve environmental issues, such as reduction of GHG emissions and compliance with circular economy regulations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Changes in reputation due to inability to meet customer needs

- **Short-to-medium term**
  - Changes in investor evaluation due to poor performance attributable to inability to capture the needs associated with the resolution of environmental issues
  
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4°C</td>
<td>Small</td>
<td><strong>Small</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attracting ESG investment and enhancing the added value of our products through proactive response to climate change and the circular economy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Suspension of production facilities and procurement of parts and materials

- **Short-term**
  - Suspension of production facilities and procurement of parts and materials at sites and partner factories due to increased severity of natural disasters (flooding, torrential rain, water shortages, etc.)
  
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4°C</td>
<td>Small*</td>
<td><strong>Small</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strengthening resilience by reestablishing business continuity plans (BCPs) of OMRON sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expanding procurement sources, particularly for semiconductors, continuing the switch to materials with low procurement risk by design changes, formulating a supplier strategy for greater resilience from a medium- to long-term perspective</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Increased opportunities to provide electronic and mechanical components because of the following:

- **Medium-term**
  - Increased interest in enhancing the environmental performance of products and reducing their carbon footprint
  
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Overview of opportunities</th>
<th>Business and financial impact</th>
<th>Response to risks</th>
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<td>Expanding procurement sources, particularly for semiconductors, continuing the switch to materials with low procurement risk by design changes, formulating a supplier strategy for greater resilience from a medium- to long-term perspective</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk assessment

- **We calculated physical risks using hazard maps and AQUEDUCT for 15 major production centers, mainly in Japan and China.**

- **Scenario analysis targets:** Existing business

- **Definition of business and financial impact:** large, medium, and small

- **Impact on risk:** Positive or negative impact on operating income

---

*We analyzed physical risks using hazard maps and AQUEDUCT for 15 major production centers, mainly in Japan and China. Although it is clear that two centers would be exposed to risk in the event of a once-in-a-century disaster, the annual impact, taking into account the replication period, is extremely small for both the 1.5°C and 4°C scenarios. Therefore, we rated the impact as small.*
Physical Risk Adaptation Plan

Regarding water risks, looking ahead to 2030, we have assessed all of our global locations (including existing and new businesses) to identify sites with high water risks, using WRI AQUEDUCT (recognized as the standard for CDP water security assessment) and water risk analysis services provided by risk management consulting firms. Four OMRON sites were identified: two in China (Dalian and Shanghai), one in Brazil (Jundiai), and one in Italy (Frosinone). Fiscal 2022 water intake for these four sites totaled 212 thousand m³, which accounts for 20% of total water intake for the OMRON Group. OMRON voluntarily take initiatives to protect water resources so as to ensure business continuity, and has not been subject to any administrative guidance to cut intake or improve the quality of drainage. We are also systematically implementing the following measures and more for sites with high levels of physical risks, such as water risk.

i. Installation of generators
ii. Subscription to logistic and property insurance
iii. Ad-hoc review of disaster prevention manuals
iv. Minimizing impact on product manufacturing (review of manufacturing processes)

Risk Management

Processes for Assessing, Identifying, and Managing Risk

The OMRON Group conducts scenario analysis for each business to identify a comprehensive set of “transition risks” and “physical risks” related to climate change. We then visualize the “time horizon” and “amount of impact on business and finances” of each of the extracted climate-related risks for each adopted scenario, and evaluated the degree of impact on business and finances. Based on the assessment, we identify climate-related risks that are significant to OMRON, incorporating these results into companywide risk management as integrated business risk. Important matters related to risk identification and formulation of countermeasures are reported to the Board of Directors. In fiscal 2022, we reevaluated the results of scenario analyses for the Industrial Automation Business, Healthcare Business, and Device & Module Solutions Business carried out in fiscal 2021, and re-performed scenario analysis for the Social Systems, Solutions and Service Business. We also reviewed risk assessment at main manufacturing centers in each of our businesses, visualizing the time horizon and amount of impact on business and finances for each scenario for transition and physical risks associated with climate change.

Status of Integration into Group-wide Risk Management

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

Indicators and Targets

Indicators for Climate-related Risks and Opportunities

We have established indicators for Scope 1, 2, and 3 greenhouse gas emissions and for renewable energy as a percentage of electricity used in our business activities. We use these indicators to manage risks and business opportunities.

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

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of “contributing to a better society,” and set the OMRON Carbon Zero target in July 2018, aiming to reduce GHG emissions in Scope 1 and 2 to zero by 2050. In March 2022, stepping up its initiatives to realize a carbon-neutral society, OMRON changed the scenario for reduction of GHG emissions in Scope 1 and 2 from a 2°C scenario to a more aggressive 1.5°C scenario. For Scope 3, Category 11, we have also set a new target of 18% reduction by 2030 (compared to fiscal 2016). These targets are certified by the Science Based Targets initiative (SBTi)\(^2\).

\(^1\) Scope 1 and 2: Direct and indirect GHG emissions from the company

\(^2\) SBTi: An international initiative that encourages companies to set science-based medium- to long-term GHG emissions reduction targets
<GHG Emission Targets and Results>

### FY2022 Initiatives and Progress

#### Japan
- **Number of Carbon Zero sites**:
  - FY2022 target: 9 sites → Result: 10 sites
  - Expanded productivity solutions from Industrial Automation Business throughout Group
  - Began self-consignment (Keihanna Technology Innovation Center)
  - Expanded use of J-Credits acquired through business

#### Global
- **Expanded energy creation and conservation initiatives**
  - Procured renewable energy (Malaysia)
  - Installed new solar generation facilities (China)
  - Expanded energy conservation at each site

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#### GHG Emission Targets and Results

**Scope 1 & 2**

<table>
<thead>
<tr>
<th>Year</th>
<th>Results</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>250 Kt-CO₂</td>
<td>300 Kt-CO₂</td>
</tr>
<tr>
<td>FY2022</td>
<td>93 Kt-CO₂</td>
<td>117 Kt-CO₂</td>
</tr>
<tr>
<td>FY2024</td>
<td></td>
<td>-62%</td>
</tr>
<tr>
<td>FY2025</td>
<td>117 Kt-CO₂</td>
<td>93 Kt-CO₂</td>
</tr>
<tr>
<td>FY2026</td>
<td>87 Kt-CO₂</td>
<td>-65%</td>
</tr>
<tr>
<td>FY2027</td>
<td></td>
<td>-100%</td>
</tr>
</tbody>
</table>

**Scope 3**

<table>
<thead>
<tr>
<th>Year</th>
<th>Results</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>9,102 Kt-CO₂</td>
<td>12,000 Kt-CO₂</td>
</tr>
<tr>
<td>FY2022</td>
<td>11,966 Kt-CO₂</td>
<td>12,000 Kt-CO₂</td>
</tr>
<tr>
<td>FY2024</td>
<td></td>
<td>+31%</td>
</tr>
<tr>
<td>FY2025</td>
<td>7,463 Kt-CO₂</td>
<td>11,966 Kt-CO₂</td>
</tr>
<tr>
<td>FY2026</td>
<td></td>
<td>-18%</td>
</tr>
</tbody>
</table>

*3 GHG emissions (Scope 2) from OMRON’s electricity use at 13 production sites and 63 non-production sites (headquarters, R&D, and sales).
*4 GHG emissions (Scope 1 and 2) for fiscal 2022 will be disclosed on the OMRON corporate website. These results have been verified to a limited level of assurance by the third-party assurance firm Bureau Veritas Japan Co., Ltd. These limited assurance engagements are in accordance with the International Standards on Assurance Engagements (ISAE) 3000. Assurance Engagements other than Audits or Reviews of Historical Financial Information of the International Auditing and Assurance Standards Board.
Respecting Human Rights in the Value Chain

<table>
<thead>
<tr>
<th>OMRON’s Approach to Human Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>As declared in the OMRON Principles, Our Values include Respect for All. Respect for All is more than a basic respect for diversity, personality, and individuality. Respect for All is the core value underlying all our activities in pursuit of living lives and performing jobs of purpose and promise. We act with integrity, creating stronger relationships of trust with individuals and society. This goes to the core of our existence as a company.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OMRON Human Rights Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>We established the OMRON Human Rights Policy on March 1, 2022 to realize “Respecting Human Rights in the Value Chain,” one of our material sustainability issues. The Guiding Principles on Business and Human Rights (UNGP) adopted by the United Nations in 2011 make it clear that every business enterprise has a responsibility to respect human rights. Worldwide, the body of human rights-related laws, regulations, and rules for companies is evolving. In recent years, human rights initiatives in accordance with the UNGP have imposed progressively greater mandatory obligations on companies, and fulfillment of those obligations is becoming increasingly important from the perspective of business continuity. OMRON is committed to ensuring that its management practices and actions are always in line with those of the international community and strives to reduce human rights violation risks throughout its value chain.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Rights Promotion Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMRON is working to build a system in which management and front-line employees work together to fulfill their responsibility to respect human rights on a global basis. The President &amp; CEO delegates authority to each executive division head, who is then responsible for promoting respect for human rights, ensuring responsibility through the entire value chain. The President &amp; CEO also reports to the Board of Directors on matters that are important in fulfilling our commitment to respect for human rights, and the Board of Directors monitors and supervises these matters. In fiscal 2023, we appointed a director in charge of human rights and established a Human Rights Steering Committee. The director in charge of human rights and the heads of each executive division participate in this committee, which is under the authority of the Sustainability Committee. This Human Rights Steering Committee discusses the introduction of measures, their statuses, and issues necessary to achieve the goals of the SF 1st Stage. They additionally work on high-cycle initiatives by accelerating decision-making.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Rights Steering Committee Discussion Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Progress status of OMRON Group site assessments</td>
</tr>
<tr>
<td>- Progress status of supplier assessments</td>
</tr>
<tr>
<td>- Status of investigations into AI Ethics Policy</td>
</tr>
<tr>
<td>- Use of third-party grievance platforms</td>
</tr>
<tr>
<td>- Investigation into participation in international initiatives</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SF 2030 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>In line with the UN Guiding Principles on Business and Human Rights, one OMRON’s goals for 2030 is the state of exerting our influence for the respect of human rights for workers not only at OMRON, but also in the value chain, and establishing a culture and system that does not permit or cause human rights violations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Rights Initiatives under SF 1st Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>As part of the first stage of SF 2030, we have set the following two goals and aim to establish a global human rights governance system.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Execution of Human Rights Due Diligence in Accordance with the UNGP</th>
</tr>
</thead>
<tbody>
<tr>
<td>By conducting human rights impact assessments across the entire value chain, we identify “salient human rights issues” and create the conditions for implementing a cycle of human rights due diligence.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Establishment of a Human Rights Remediation and Grievance Mechanism Appropriate to Each Country and Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are establishing a human rights remediation and grievance mechanism appropriate to each country and region so that we can implement remedies through due process if we cause or recognize factors contributing to adverse human rights impacts.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SF 1st Stage initiatives</th>
<th>Major progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execution of human rights due diligence in accordance with the UNGP</td>
<td>- Implemented human rights impact assessments throughout the entire value chain - Strengthened assessment for OMRON Group sites and suppliers in high-risk countries</td>
</tr>
<tr>
<td>Establishment of a human rights remediation and grievance mechanism appropriate to each country and region</td>
<td>- Established and spread awareness of whistleblower systems (compliance hotlines) for suppliers outside Japan - Utilized Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)’s engagement and remedy platform</td>
</tr>
</tbody>
</table>

*The OMRON Human Rights Policy can be accessed from the code.*
Execution of Human Rights Due Diligence in Accordance with the UNGP

Human Rights Impact Assessments

In fiscal 2022, OMRON conducted a group-wide human rights impact assessment based on the UNGP in collaboration with the Business for Social Responsibility (BSR), a US non-profit organization. In conducting this assessment, we evaluated and identified human rights violation risks that the OMRON Group may cause or contribute to through its business activities in its value chain, including its supply chain.

Our first step included surveying international standards, and industry and stakeholder trends, as well as interviewing 15 divisions throughout OMRON, including regional headquarters outside Japan. After comprehensively identifying human rights issues based on international human rights standards, we narrowed issues down to those specific to the electrical and electronics industry. We also identified up to 19 issues in our value chain that could affect rights holders.

Finally, we mapped and prioritized risks based on risk severity and relevance to business, enabling the identification of seven priority issues (salient human rights issues) to be addressed.

In fiscal 2023, each responsible department has formulated action plans to address the seven issues identified in the FY2022 Human Rights Impact Assessment.

<Human Rights Due Diligence Cycle>

- Formulation of Human Rights Policy
- Stakeholder Engagement
- Human Rights Due Diligence
  - Assess human rights impact
    - Identifying priority human rights issues
    - Assessing the entire value chain from a global perspective
  - Integrate into OMRON’s management
    - Mechanism to prevent and mitigate human rights violation risks
    - Formulation and implementation of medium-term initiatives
  - Information disclosure
    - Disclosure of results and processes
    - Review and updating of plans
  - Monitoring
    - Grasping of the status of responses throughout the value chain
    - Oversight and supervision by the Board of Directors
- Establishment of Human Rights Remediation and Grievance Mechanisms

(1) Assess human rights impact
(2) Integrate into OMRON’s management
(3) Monitoring
(4) Information Disclosure
Desktop Surveys and Internal Interviews
- Survey human rights-related trends such as international standards and trends with industries and stakeholders
- Conduct interviews with 15 divisions across each business company, head office division, and headquarters outside Japan

Identification of Human Rights Issues
- Comprehensively identify human rights issues based on international human rights standards
- Narrow down issues to those specific to the electrical and electronic industry
- Identify up to 19 potential human rights issues related to OMRON, as suggested in internal interviews

Issue Prioritization
- Map human rights issues identified based on risk severity and relevance to business
- Prioritize and identify seven priority issues to be addressed

Salient Human Rights Issues
- Forced, slavery, bonded labor
- Labor standards
- Child labor
- Ethical use of technology
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy

Risks in conflict-affected and high-risk areas
- Working conditions
- Access to healthcare
- Rights to collective bargaining and freedom of association
- DE&I

Issue Categories
- Employees
- Supply chain
- Products and services
- Entire value chain

Relevance to Business Activities
- Attribution, Impact, and Current Management Status

Risk Severity
- (Scale, Scope, Remediability, and Likelihood)

Issues needed to be addressed
- Right to life and safety
- Privacy and information security
- Environmental impact
- Product quality and safety
- Forced labor
- Forced, slavery, bonded labor
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy
- Rights to collective bargaining and freedom of association
- DE&I

Conflicts and information security
- Environmental impact
- Product quality and safety
- Forced labor
- Forced, slavery, bonded labor
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy
- Rights to collective bargaining and freedom of association
- DE&I

Environmental impact
- Product quality and safety
- Forced labor
- Forced, slavery, bonded labor
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy
- Rights to collective bargaining and freedom of association
- DE&I

Privacy and information security
- Environmental impact
- Product quality and safety
- Forced labor
- Forced, slavery, bonded labor
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy
- Rights to collective bargaining and freedom of association
- DE&I

Product quality and safety
- Forced labor
- Forced, slavery, bonded labor
- Occupational health and safety
- Non-discrimination and equal opportunity
- Grievance mechanism and access to remedy
- Rights to collective bargaining and freedom of association
- DE&I
Implementing Due Diligence in the Supply Chain
OMRON expects all suppliers to conform to the RBA-compliant “Supplier Code of Conduct” and to meet minimum requirements set by our company, as laid out in the OMRON Group Sustainable Procurement Guidelines. Meeting RBA requirements is a shared goal for critical suppliers, and ongoing surveys and assessments of the status are carried out for these suppliers.
In addition, based on the results of supply chain human rights impact assessments conducted in fiscal 2022, we have designated suppliers with production bases in China and Malaysia as targets for more in-depth investigation and improvements through fiscal 2024. We requested more detailed self-assessments and submission of evidence concerning human rights from 18 suppliers selected by industry in China, and obtained responses from all companies by June 2023. As a result, one company is now pursuing improvements based on corrective action plans for issues that were identified.

Implementing Due Diligence at OMRON Group Sites
At OMRON, we conduct surveys and assessments of the status of global production sites using the RBA Self-Assessment Questionnaire (SAQ) and other self-assessment tools. In fiscal 2022, we conducted surveys and assessments of the status of 24 OMRON Group production sites in Japan, China, the Asia-Pacific, Europe, and North America using the RBA SAQ in addition to other self-assessment tools. These initiatives continued in fiscal 2023.
OMRON made efforts to improve work environments in fiscal 2022 based on the results of these surveys and assessments. As part of our efforts, we continuously raised awareness of harassment in the workplace, took disciplinary actions in problematic cases, checked health and safety standards for employee dormitories, shortened and improved working hours as we improved productivity, and reviewed temporary staffing agencies regarding the employment of migrant workers. OMRON also conducted interviews on the employment conditions of foreign technical intern trainees in Japan. Going forward, we plan to conduct third-party audits by fiscal 2024 at production sites in China and Malaysia, where human rights violations are considered highly probable, as well as at domestic sites that employ foreign technical intern trainees in Japan.

Product- and Service-related Human Rights Initiatives (Formulation of AI Ethics Policy/Rules)
In recent years, with the rapid development of AI technology and the increase in data that has made these developments possible, AI is being increasingly used in a variety of industries globally. AI can be expected to help alleviate social issues, such as labor shortages, and make society more convenient. However, the potential for human rights violations, such as discriminatory decisions or selections due to bias in the data used to train AI, has also been pointed out. In response to these changes in societal trends, as part of our human rights policy, we have made the following statement in regard to ethical use of AI and other technology.

OMRON will take account of potential impact for human rights caused by technologies such as AI, robotics and IoT, and will take advantage of them appropriately to avoid problems, including but not limited to cause of accident, discrimination and invasion of privacy.

In fiscal 2022, we began formulating an AI Ethics Policy to encapsulate our stance toward AI ethics and related efforts, and are also simultaneously developing internal rules to enact this policy in our business.
Establishment of a Human Rights Remediation and Grievance Mechanism Appropriate to Each Country and Region

Whistleblower System
The OMRON Group implements a global whistleblower system. This system enables employees to report their concerns to internal reporting offices located in and out of Japan and seek advice on discrimination, harassment, and other human rights issues, as well as violations of laws, regulations, internal rules, and unethical behavior. Reports may be made anonymously unless prohibited by the laws and regulations of the respective countries. Information received through the system is kept strictly confidential, and we guarantee that whistleblowers will not be disadvantaged as a result of their reporting. OMRON confirms the details of the report in a neutral and fair manner and takes the appropriate measures.

The system is open to both OMRON Group employees (including temporary workers) and suppliers. We are establishing a system to accept reports from suppliers in all regions starting from the fiscal 2023, aiming to enhance continuous operational improvements. See p. 106 for more information on the operating status of the whistleblower system.

Expanding the Scope of Stakeholders for Redress of Human Rights Violations
The OMRON Group joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) as a full member in fiscal 2022. JaCER offers the Engagement and Remedy Platform, a non-judicial grievance platform in compliance with the UNGP. We utilize this platform as part of efforts to provide redress for human rights violations for all stakeholders, including local communities, customers, and secondary and subsequent suppliers with whom we have no direct business relationship.

Stakeholder Engagement
In its Sustainability Policy, OMRON states: “We cultivate strong relationships with all of our stakeholders through responsible engagement.” In our human rights initiatives, we will engage in periodic dialogues with external human rights experts to deepen our understanding of respect for human rights in accordance with international standards and increase the effectiveness of our initiatives.

Stakeholder Engagement

Comment from Our Partner
Opinion from a Human Rights Expert
OMRON established the OMRON Human Rights Policy as part of its management practices in line with its corporate philosophy and is steadily advancing initiatives in line with international Business and Human Rights. The Company works towards the medium to long term, clarifying its system of responsibility, including for the board of directors, and setting targets for 2030. At the same time, OMRON conducts commendable company-wide human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights as part of its human rights due diligence and promotes initiatives at its own sites and in certain supply chains.

Going forward, I expect OMRON to further strengthen its activities in the following three main areas: 1) continuous risk mitigation in the company and its supply chain, 2) risk mitigation in the use of its products and services, including the use of responsible technology (such as AI) and customer due diligence, and 3) the establishment of stakeholder engagement.

Managing Director, BSR (Business for Social Responsibility)
Asako Nagai
Education on Human Rights

In order to pursue effective human rights initiatives in accordance with the UNGP, OMRON promotes appropriate education and training for all officers and employees. We also pursue efforts to encourage an appropriate understanding of respect for human rights among business partners such as suppliers and distributors.

Human Rights Training for Directors and Audit & Supervisory Board Members

Global regulations and societal expectations regarding human rights have become more concrete. Supply chain management and responses to external evaluations are increasingly prioritized as management responsibilities in addition to compliance with laws, regulations, and international standards. Respect for human rights must be addressed throughout the value chain. As such, top management must have an in-depth understanding of international standards and social demands in business and human rights, and link this understanding to more effective initiatives. We provide training and information to Directors and Audit & Supervisory Board Members as necessary to enable them to properly fulfill their roles and responsibilities.

In a study session we held in the first half of 2023, we invited an external human rights expert to speak on the subject of Increasing Responsibility to Respect Human Rights and the Expected Role of the Board of Directors. This session deepened understanding through discussion on how to respond to increasingly complex and diverse human rights issues.

Human Rights Education for People Working at OMRON

We conduct human rights training for all employees in Japan, including part-time, temporary and contracted workers. This training is designed to raise awareness of human rights. Rank specific human rights training programs are also available for new employees, mid-career recruits, new senior managers, and directors and executive officers. In order to produce products without human rights violations, we need to look not only at our own company but also at our business partners. Human rights training in fiscal 2022 was conducted via e-learning under the theme Respect for Human Rights in the Value Chain. In addition to addressing human rights issues that need attention as OMRON conducts its business globally, the presentation also explained the OMRON Human Rights Policy. In addition to e-learning, group discussions based on the video were also held to promote mutual learning.

Each regional headquarters outside Japan takes a lead in human rights awareness activities. Similar training is provided for contract employees working outside Japan as is for our own employees.

Providing Learning Opportunities for Suppliers

We request that critical suppliers fill out self-questionnaires every year, based on RBA standards, and provide meetings and other learning opportunities to help suppliers make improvements needed to reach targets. For suppliers of manufactured items, in particular, we visit on-site when necessary so that conditions can be confirmed first-hand as we discuss. In fiscal 2022 we created training materials to promote understanding of sustainable procurement among suppliers, and held e-learning sessions for 61 persons at 18 companies identified for such training, on an industry-by-industry basis, from among our suppliers in China.
## Initiatives to Increase Visibility of Non-financial Information

To understand how utilization of human capital impacts financial indicators and converts to corporate value, OMRON recently experimented with correlation analysis to verify the material suitability, and connection to financial indicators, of diversity and inclusion (D&I) promotion strategies proposed under SF 1st Stage. The Down-Top ROIC Tree included in The Council of New Form of Capitalism Realization (Cabinet Office, Government of Japan)’s “Guidelines on Visualization of Human Capital” (August 2022) was taken into consideration as part of these verification tests. (https://www.cas.go.jp/jp/houdou/pdf/20220830shiryou1.pdf)

Specifically, we attempted to establish a human capital index correlating to ROS (Return on Sales) and invested capital turnover, which are elements that make up ROIC, and WACC. The reason for attempting to tie human capital not only to ROIC, as illustrated in the Guidelines, but also to explore a correlation to WACC, was to verify the relationship between utilization of human capital and equity stories. With dialogue with shareholders in mind, we verified not only the correlation for our own company, but also calculated sector-wide averages for sectors addressed by our businesses. For a portion of human capital indicators, we also surpassed disclosed data and incorporated alternative data as well (online posts on review sites from jobseekers, etc.), to better approach the real analysis carried out by investors.

Utilizing non-disclosure data, our analysis allowed us to compare the effectiveness of OMRON’s unique human capital policies to the sector as a whole. Extensive support was received from Sustainable Lab Inc. in carrying out these tests.

### Analysis method

(1) Built machine learning models based on financial and non-financial indicators from 139 companies in the electronic equipment and components industry, including OMRON. Quantified the importance and weight of human capital-related data to financial indicators.

(2) Similarly quantified non-disclosure data related to SF 1st Stage HR performance indicators.

(3) Visualized the various positive and negative correlations between individual financial and non-financial indicators. Results were interpreted by ESG analysts.

### Target data

**For analysis:**

139 GICS Technology, Hardware and Equipment companies, including OMRON

**Variables:**

- Financial: ROS (Return on Sales), invested capital turnover, WACC (cost of capital)
- Non-financial: 49 indicators related to human capital (including some alternative data)

**Time series:**

2016-2022

### Result highlights

- Within the sector, diversity promotion at each career stage (officers, management, employees) and creation of the workplaces that enable diverse workstyles and thus allow for such promotion, as well as employee satisfaction arising from such efforts, is tied to increased profitability (ROS) and, by extension, ROIC.

- Invested capital turnover was strongly related to indicators related to gender. In particular, results suggested that diverse leadership may contribute to effective utilization of capital.

- The effect of human capital utilization on cost of capital (WACC) in the sector, however, was limited. Some possibility for increased trust and backing was apparent, as investors tend to see corporations with transparent human rights policies and diverse workforces as possessing lower business risk and exceptional corporate governance. However, for cost of capital, the effect of non-societal indicators tended to be high.

- According to OMRON-specific data, well-balanced improvement in the ratio of women employees in management positions and SEI scores (one of the major categories in employee engagement surveys) had the most positive relationship to ROIC. A positive correlation was also apparent between ROIC and localization of global core positions.
Analysis results suggest that OMRON’s D&I policies have an important effect on ROIC, and we believe show to some degree the validity of our efforts to improve human creativity and our performance indicators. In light of these results, in the next fiscal year we plan to also pursue verification testing into the correlation between environmental/governance indicators and financial indicators. We are also looking into using the lessons learned through this testing for the purpose of identifying issues of materiality and establishing targets for our next medium-term management plan. OMRON will continue to capitalize on the knowledge and scientific approach of outside partners to further visualize non-financial information.

In terms of both in-company and industry data, this analysis suggests that OMRON’s HR policies and performance indicators are valid. In the future, we hope to further strengthen disclosure by uncovering correlations with an even wider range of operating and management strategy KPIs, such as productivity, efficiency and automation rates.

Comment from Our Partner, Sustainable Lab Inc.

Ingo Tietböhl
ESG Analyst
Shohei Ikegami

<About Sustainable Lab Inc.>
Established in 2019, Sustainable Lab Inc. is a startup company that uses AI and big data to collect and analyze non-financial data from companies. A portion of the SaaS TERRAST data set provided by Sustainable Lab was used during analysis.