The OMRON Principles

OMRON’s history began in 1933 with the passion and ambition of Kazuma Tateishi. Over the 90 years since then, OMRON has continued to take on the challenge of anticipating future social needs and has grown by creating various innovations as a pioneer. The foundation of this centripetal force and the driving force for OMRON’s development is the Corporate Mission, “to improve lives and contribute to a better society,” established by our founder in 1959.

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 other is the “to take the initiative as pioneer.” The establishment of the Corporate Mission created a sense of unity throughout the company, which led to subsequent dramatic growth.
Those of us working at OMRON today inherit the spirit of the Corporate Mission. The OMRON Principles were established in 1990, building on the Corporate Mission. Subsequently, following revisions in 1998 and 2006 to meet the changing times, the current OMRON Principles were established in 2015. At the same time, the Management Philosophy was introduced that indicates OMRON’s management stance and approach to sustainable enhancement of corporate value, putting the corporate principles into practice. We, the employees of OMRON, will thus continue to put our corporate principles into practice, always striving to contribute to the development of society while enhancing corporate value. Indeed, practice of the corporate principles has been included in the articles of incorporation since fiscal 2022.

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**OMRON Principles**

**Our Mission**

To improve lives and contribute to a better society

**Our Values**

- **Innovation Driven by Social Needs**  
  Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**  
  Pursue new challenges with passion and courage.
- **Respect for All**  
  Act with integrity and encourage everyone’s potential.

**Management Philosophy**

We believe a business should create value for society through its key practices.  
We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision and solve social issues through our business.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

**Articles of Incorporation**

Article 2  
In the spirit of Our Mission, which is “to improve lives and contribute to a better society,” the Company will put our corporate principles into practice, contribute to the development of society through its business, and strive to increase its value.
SINIC* Theory:
Predicting the Future Through the Interrelationships of Science, Technology, and Society

Our founder, Kazuma Tateishi, believed that solving social issues through business to create a better society required the ability to anticipate future social needs. He believed that a company needed a compass to help predict the future. As our compass, Mr. Tateishi formulated the SINIC predictive theory, which analyzes the cycle of interrelationships between Science, Technology, and Society from the beginning of human history and projects the future. OMRON first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has always been our compass for projecting into the future.

The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds of electronic control technologies, programming, and other technology. These technologies gave rise to the PC and the internet, leading to the advent of the Cybernation Society. Society demanded more data, along with more accurate and rapid data analysis. These demands forced us to produce CPUs and GPUs with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science.

The current Optimization Society is in a period characterized by a paradigm shift from the Industrial Society to the Autonomous Society. The world is now experiencing the conflict and chaos of the Optimization Society—wars and conflicts erupt, infectious diseases strike without warning, large-scale natural disasters attributable to climate change occur, the limits of economic growth systems oriented to mass production, mass consumption, and mass disposal become evident, and AI and robotics are sources of anxiety. So, apprehension and pessimism about the future are prominent worldwide. In the Optimization Society, the need to eliminate the negative legacy that the Industrial Society has been unable to resolve, has become a major social issue to which the SDGs are a response. However, the Optimization Society is not only about resolving legacy issues. It is also important to anticipate future social needs, preparing for a soft landing in the Autonomous Society in which autonomous individuals will be able to pursue creative lifestyles by relying on and helping one another while fully demonstrating their own abilities. The hallmark of the Optimization Society is the drive to resolve sustainability issues while simultaneously creating value with an eye to future possibilities. With the SINIC Theory as its management compass, OMRON is working to create an autonomous and decentralized future and a better society by developing technologies that integrate “individuals and society,” “people and nature,” and “people and machines” while maintaining an optimal balance dynamically.

On the other hand, in the near future as the development of science and technology and the pace of social change accelerate, it will be difficult for a single company or organization to realize a better society alone, though it may have been possible in the past. Co-creation initiatives in which autonomous companies collaborate to create will be important. Therefore, it is essential to have a vision of the future with “empathy” to connect partners for co-creation at its core. At OMRON, we openly share the vision of the SINIC Theory and promote co-creation of a better future society by expanding the circle of empathy.

* SINIC: Seed-Innovation to Need-Impetus Cyclic Evolution
History of Innovation

1933  Tateisi Electric Manufacturing Co. established

1934  General-purpose electromagnetic relay developed

1933  Production of X-ray timers started

1943  Japan's first microswitch developed

1948  Company name changed to Tateisi Electronics Co.

1955  Referred to as “The first year of Automation.” Full-scale launch of the automation business

1959  Our Mission established

1960  World's first non-contact switch developed

1963  Japan's first meal ticket vending machine developed

1964  World's first automated traffic signal developed

1966  MY mechanical relay developed

1967  World's first unmanned train station system realized

1969  Regional controlling company for the Asia-Pacific region established in Singapore

1970  SINIC Theory announced

1973  OMRON’s first blood pressure monitor debuted

1974  Tateisi Institute of Life Science

1978  World’s first ultra-high-speed fuzzy logic controller developed

1980  Digital thermometer for home use developed

1984  World’s first high-performance controller developed

1987  World’s first online automated cash dispenser developed

1988  Regional controlling company for Europe established in the Netherlands

1989  Regional controlling company for North America established in the U.S.

1990  Company name changed to OMRON

1991  Yokohama Laboratory and Kumamoto Laboratory established

1994  Regional controlling company for Greater China established in China

1998  OMRON Principles revised

1999  System introduced

2003  OMRON Switch & Devices Co., Ltd. established

2004  OMRON RELAY & DEVICES Co., Ltd. established

2005  OMRON Automotive Electronics Co., Ltd. established

2006  OMRON SWITCH & DEVICES Co., Ltd. established

2007  Social Solutions Co., Ltd. established

2010  OMRON RELAY & DEVICES Co., Ltd. established

2011  Industry’s first vision sensor developed

2013  Three-dimensional Environmental sensor functions developed

2014  World’s first real-color three-dimensional visualization system launched, for potential energy conservation

2015  World’s first SCARA robot controller developed

2016  World’s first high-speed robot controller developed

2017  World’s first high-performance controller developed

2018  World’s first on-vehicle acceleration sensor using artificial intelligence developed

2019  World’s first high-performance controller developed

2020  World’s first high-performance controller developed

2022  OMRON Switch & Devices Co., Ltd. established

The corporate principles incorporated

OMRON RELAY & DEVICES Co., Ltd.
OMRON Switch & Devices Co., Ltd.
OMRON Automotive Electronics Co., Ltd.
Social Solutions Co., Ltd.
OMRON Switch & Devices Co., Ltd.
OMRON Automation Solutions Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Automotive Electronic Co., Ltd.
OMRON Components Business Co., Ltd.
OMRON Social Solutions Co., Ltd.
OMRON Automotive Solutions Co., Ltd.
OMRON Solutions Co., Ltd.
History of Innovation

X-ray timers started 1933 established


1943 developed Japan’s first microswitch developed

1955 full-scale launch of the automation business referred to as “The first year of Automation.”

Company name changed to Tateisi Electronics Co.

1959 established

Our Mission

1960 switch developed

1964 1966 machine developed Japan’s first meal traffic signal developed

World’s first automated MY mechanical relay developed

Train station system realized

Asia-Pacific region established in Singapore Regional controlling company for the Europe established in the Netherlands

1970 SINIC Theory announced

1971 controller developed Programmable

1973 1980 OMRON’s first blood pressure monitor debuted

1987 1988 Life Science for home use developed Digital thermometer controller developed

World’s first ultra-high-speed fuzzy logic in the U.S.

1989 Regional controlling company (1990-2000) Long-term vision “Golden 90s Plan” OMRON Principles established Company name changed to OMRON established

Yokohama Laboratory

1990 1991 1991 Pressure monitor developed Fuzzy logic-based blood

1994 1995 Vision sensor developed

1998 2000 Vision sensor developed Three-dimensional World’s first real-color

2003 2005 Collaborative R&D hub, Keihanna Technology Innovation Center, established

2006 OMRON Principles revised

2009 “ene-brain” CO2 visualization system launched, for potential energy conservation

2011 Industry’s first power conditioner equipped with anti-islanding control technology (AICOT®) launched

2014 OMRON VENTURES CO., LTD. established

2018 Innovation Exploring Initiative HQ (IXI) established

1999 Internal company system introduced


2006 OMRON Principles revised


2015 OMRON Principles revised

2022 The corporate principles incorporated in the articles of incorporation Long-term vision “Shaping the Future 2030” (2022-2030)

2003 OMRON RELAY & DEVICES Co., Ltd. established

2007 World’s first real-color three-dimensional vision sensor developed

2014 Environmental sensor that measures temperature, humidity, air pressure, illuminance, ultraviolet rays, sound pressure, and acceleration developed

2018 World’s first high-performance smart camera with multi-color light launched

2005 OMRON SWITCH & DEVICES Co., Ltd. established

2016 AI-incorporated machine automation controller developed

2020 World’s first integrated controller launched

2003 OMRON HEALTHCARE Co., Ltd. established

2010 OMRON Automotive Electronics Co., Ltd. established

World’s first on-vehicle sensor using artificial intelligence (AI) developed

2019 Sold Automotive Electronic Components Business

World’s first wearable blood pressure monitor developed Connected wrist blood pressure monitor launched

2004 Fully automatic Spot Arm blood pressure monitor

2011 Automated ticket gate system that allows the use of both QR Code tickets and IC card tickets began operation

2015 DriveKarte® driver management service for safe driving launched Entered the automation business for the hotel industry. Smare® self-check-in terminals launched

2018 Japan’s first high-performance smart camera with multi-color light launched

2022 Japan’s first Mobility as a Service (MaaS) application combining private vehicle-for-hire by residents and public transportation such as bus and taxi started

2000 Japan’s first digital fiber sensor developed
Vision Integrated Report 2023

Long-term Vision “Shaping the Future 2030”

In light of OMRON’s fundamental purpose and the changes in society toward the year 2030, OMRON launched a new long-term vision, “Shaping the Future 2030 (SF2030),” in fiscal 2022. SF2030 expresses OMRON’s desire for all OMRON employees to put the OMRON Principles into practice as they work together with stakeholders to create a sustainable society by applying OMRON’s core technologies, “Sensing & Control + Think.”

OMRON’s fundamental purpose
OMRON’s fundamental purpose is “to create social value through business and continue to contribute to society.” This is OMRON Principles in action and we will remain true to those principles regardless of changes in society.

Society in 2030 Envisioned by OMRON
We have attained material wealth through an “Industrial Society” that values and pursues efficiency and productivity. However, people’s sense of value is shifting dramatically from material wealth to spiritual wealth. For example, people’s awareness of environmental issues and the values shaping their attitude to work have changed dramatically. As well as choosing sustainable products and lifestyles, people are increasingly rethinking their work-life balance as they seek work that allows them to demonstrate their abilities.

OMRON believes that the transition to a new social and economic system over the next decade will inevitably lead to clashes between old and new values, strain the current social and economic systems, and lead to the emergence of new social issues. OMRON will continue to create social value by resolving these social issues and contribute to the realization of a society where individual fulfillment is compatible with the society’s affluence.

Social Value to be Created by OMRON
At OMRON, we view the coming decade, in which existing social issues will become more pressing and new ones will arise, as a great opportunity to create new markets and businesses. Under SF2030, in order to be sure to seize this opportunity, we have identified three priority change factors: “The Aging of Population,” “Climate Change,” and “Increasing Economic Disparities among Individuals.” Based on these three change factors, we have identified three social issues that OMRON should address, namely, “Achievement of Carbon neutrality,” “Realization of a Digital Society,” and “Extension of Healthy Life Expectancies.” We selected these three issues in view of their huge impact on society and from the perspective of leveraging OMRON’s strengths in automation, our customer assets, and business assets.

For the achievement of carbon neutrality, we will contribute to the creation of energy systems that strike a balance between safety, security, convenience, and the natural environment. For the realization of a digital society, we will contribute to manufacturing and infrastructure that will free people from all restrictions, regardless of age or wealth, and realize an enjoyable, creative, and sustainable society. And for the extension of healthy life expectancy, we will tackle the problems of the aging society by building healthcare systems that enable people to lead healthy, prosperous, and independent lives.

To address these three social issues, we revised the OMRON Group’s business domains and set four domains, namely “Industrial Automation,” “Healthcare Solutions,” “Social Solutions,” and “Device & Module Solutions,” defining social value corresponding to these domains.

Through Industrial Automation, we aim to contribute to the advancement of manufacturing that will support a sustainable society. Through Healthcare Solutions, we aim to contribute to the achievement of “Zero Events” for cardiovascular diseases. Through Social Solutions, we aim to contribute to the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society. In addition, through Device & Module Solutions, we aim to contribute to the spread of new energy and high-speed communications.

Direction of OMRON’s Evolution
OMRON is changing the way it perceives value creation, shifting its emphasis from “products” to “products and services” in order to create social value. We pursue realization of value not only through products and other goods but also through combinations of products and services that help solve the fundamental problems confronting society. When intrinsic value is reconsidered at a turning point in society and markets, implementation of value is not limited to products and can be in services, such as consulting services, operation support services, and upgrading services of i-BELT in the Industrial Automation Business. In addition, we will promote co-creation with partners, rather than relying exclusively on our own resources, to enhance the speed of execution and feasibility. To deliver value through the combination of products and services and co-creation with partners, establishment of a data platform to
serve as a base is necessary. We will develop a data platform that links data generated by OMRON devices and services with our partners’ data and leverage the data in development of new solutions through the combination of products and services. Based on this concept, the OMRON Group will transform its business structure over the medium to long term, transitioning to a revenue structure that includes a recurring service model in addition to a business model centering on products.

**Material Sustainability Issues**

Under SF2030, our aim is to maximize corporate value by creating social value and economic value through business. To this end, we identified material sustainability issues for the first time under the long-term vision. OMRON’s fundamental purpose is “to create social value through business and continue to contribute to the development of society.” It will endure, regardless of how society changes. In order to remain true to this purpose, material sustainability issues are fully reflected in SF2030 and the medium-term management plan “SF 1st Stage.” In identifying material sustainability issues, we adopted three viewpoints: “the OMRON Principles and fundamental purpose,” “backcasting from a society envisioned for 2030 and beyond,” and “calls on companies to contribute to environmental and social sustainability.” Five material issues were identified as a result of a series of management discussions, reflecting suggestions gained through internal discussion and dialogues with external experts.

For OMRON, sustainability means pursuing the sustainability of both society and the company. We will continue to strive for the sustainable development of society and the sustainable growth of OMRON.

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**SF2030 Goals**

The state of contributing to the sustainable development of society by resolving the social issues tackled Group-wide, namely, achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancy from the social change factors focused on in SF2030: an aging population, climate change, and economic disparity among individuals.

The state of continuously generating new businesses by demonstrating our capability to innovate driven by social needs in both existing and new business domains, through actions such as evolving essential core technology development and incorporating it into business models.

The state of bringing diverse talent together where everyone can succeed, regardless of nationality, gender, or work style, where OMRON provides opportunities for its diverse talent to grow and evolves its human resources management to maximize their capabilities and skills.

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.

In line with the UN Guiding Principles on Business and Human Rights, 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.

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**Material Sustainability Issues under SF2030**

1. **Resolving Social Issues through Our Business**
   Creating social value and driving OMRON’s sustainable growth by resolving social issues through our business.

2. **Maximizing the Capability to Innovate Driven by Social Needs**
   Evolving business models, endowing OMRON with the competitiveness required for achieving sustainable growth, and expanding new business generation efforts.

3. **Generating Diverse Talent Taking on the Challenge of Value Creation**
   Evolving human resources management to bring out the capabilities and skills of OMRON’s diverse talent, who will be the source of OMRON’s sustainable growth.

4. **Achieving Decarbonization and Lower Environmental Impact**
   By viewing climate change from the two aspects of opportunities and risks, practicing corporate social responsibility and building further competitive advantage.

5. **Respecting Human Rights in the Value Chain**
   As part of our corporate social responsibility, exerting our influence for the respect of human rights for workers in the value chain and at OMRON.

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*1 Scope 1 and 2: Direct and indirect GHG emissions from the company  
2 Scope 3, Category 11: Scope 3 corresponds to GHG emissions from the company’s value chain. Category 11 of Scope 3 corresponds to emissions from use of manufactured/sold products, services, etc.
Value Creation Model

Business Creation Process at OMRON

**Management Capital**
- Shareholders’ equity ¥728.5 billion (As of March 31, 2023)
- Operating cash flow ¥250.0 billion (Plan under SF 1st Stage)

**Financial Capital**
- Rating AA- (R&I) A (S&P) (As of March 31, 2023)
- Growth Investment ¥200.0 billion (including M&A) (Plan under SF 1st Stage)

**Manufactured Capital**
- Number of production sites worldwide 26 sites (As of March 31, 2023)
- Capital expenditures ¥130.0 billion (Plan under SF 1st Stage)

**Intellectual Capital**
- Number of patents held 12,908 patents (As of March 31, 2023)
- R&D expenses ¥165.0 billion (Plan under SF 1st Stage)

**Human Capital**
- Number of employees 28,034 employees (As of March 31, 2023)
- Investment in human resources development ¥6.0 billion (Plan under SF 1st Stage)

**Natural Capital**
- Energy consumption: 249,189 MWh (As of March 31, 2023)
- Water resource intake: 1,047 km³ (As of March 31, 2023)
- Resources recycled in house: 591 tons of materials (As of March 31, 2023)

**Social and Relationship Capital**
- Number of Countries where OMRON products are sold: Over 130 Countries (As of March 31, 2023)
- Brand value (converted to financial value) USD1.5 billion (Plan under SF 1st Stage)
- Investment in startups: Invested in 23 startups (cumulative total) (As of March 31, 2023)
<table>
<thead>
<tr>
<th>Material Sustainability Issues</th>
<th>Output</th>
<th>Focus Businesses</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Resolving Social Issues through Our Business</td>
<td>Industrial Automation</td>
<td>Digital, environmental mobility (NEV), food and daily goods, logistics, and medical (+ robotics and service business)</td>
<td>Establishment of manufacturing sites where both harmony with the global environment and worker satisfaction are achieved and that will support a sustainable future</td>
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<tr>
<td>Healthcare Solutions</td>
<td>Cardiovascular, respiratory, pain management, remote patient monitoring services</td>
<td>Realization of healthier and more comfortable lives for people around the world, including extension of healthy life expectancy and reduction of medical expenditures</td>
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<tr>
<td>Social Solutions</td>
<td>Establishment of manufacturing sites where both harmony with the global environment and worker satisfaction are achieved and that will support a sustainable future</td>
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<tr>
<td>Device &amp; Module Solutions</td>
<td>Direct current (DC) drive equipment, DC infrastructure equipment, high-frequency devices, and remote/VR devices</td>
<td>Realization of a better society in which people around the world can continue to live in a safer, more secure and comfortable society by expanding renewable energy and providing people-friendly next-generation systems</td>
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<tr>
<td>2) Maximizing the Capability to Innovate Driven by Social Needs</td>
<td>Innovation Exploring Initiative HQ (IXI)</td>
<td>Creating new businesses</td>
<td>Contribution to the improvement of human life on the planet and the development of society through the spread of new energy and high-speed communications</td>
</tr>
<tr>
<td>Technology and Intellectual Property HQ</td>
<td>Development of core technologies in 4 areas of technological focus: Robotics, Sensing, Power Electronics, and AI and Data Analysis</td>
<td>Through pursuit of “automation to empower people” to resolve the three social issues, realization of the Autonomous Society that embodies our founder’s management philosophy: “People should leave what machines can do to machines and enjoy activities in more creative areas.”</td>
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<tr>
<td>Global Corporate Venturing Office (CVC)</td>
<td>Acceleration of open innovation through investment in startups and co-creation</td>
<td>Each employee practices the resolving of social issues through business</td>
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<tr>
<td>3) Generating diverse talent taking on the challenge of value creation</td>
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<td></td>
<td>▪ Ratio of non-Japanese in key managerial positions overseas: 80% or more</td>
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<td>▪ Ratio of women in managerial roles: 17.4% or higher (OMRON Group worldwide)</td>
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<td>▪ Realize employment of persons with disabilities at 26 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan</td>
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<td></td>
<td>▪ VOICE SEI: 70P or higher</td>
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<tr>
<td>4) Achieving de-carbonization and lower environmental impact</td>
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<td></td>
<td>▪ Scope 1 and 2: 53% cut vs. FY2016</td>
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<td></td>
<td>▪ Scope 2: Achieve Carbon Zero at all 76 sites in Japan</td>
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<td>▪ Scope 3, Category 11: Implement energy-saving designs for new products</td>
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<td></td>
<td>▪ Implement business model transformation, environmentally friendly design, collection and recycling, and sustainable procurement in response to transition to a circular economy</td>
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<td>5) Respecting Human Rights in the Value Chain</td>
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<tr>
<td></td>
<td>▪ Conduct human rights due diligence in line with the UNGP</td>
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<td></td>
<td>▪ Establish human rights redress mechanisms into the value chain globally</td>
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<td></td>
<td>Mitigate human rights risks throughout the value chain. Ensure that a culture and system are in place that do not permit or cause human rights violations</td>
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Medium-term Management Plan “SF 1st Stage” (2022-2024)

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

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

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

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

Transformation of Business

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

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

Transformation of Corporate Management and Organizational Capabilities
To adapt to changes in the business environment and enhance the sustainability of value creation, we will evolve our corporate management and organizational capabilities. To this end, we have identified three areas to be transformed from three viewpoints: “OMRON Group,” “Society,” and “The Business Environment.”

Firstly, from the viewpoint of the OMRON Group, we will take on the challenge of new value creation. Under SF 1st Stage, we will take on difficult challenges, such as creation of service businesses and new businesses, in addition to strengthening of competitiveness in focus businesses. This will require us to equip ourselves with new capabilities. Secondly, from the viewpoint of society, OMRON has long promoted initiatives to contribute to a sustainable society. Meanwhile, demands from society for companies to contribute to a sustainable society are becoming stronger and wider in scope. In the course of business activities, we need to shift to corporate management and business operations emphasizing contribution to stakeholders. From the viewpoint of the business environment, uncertainty, such as natural disasters and geopolitical risks, is expected to be the norm. Based on the assumption that a business environment with a high degree of uncertainty will continue, such as frequent extreme weather events and friction between the U.S. and China, it is necessary to build a business foundation on which we can continue to create value even in such an environment. Based on these three viewpoints, we have identified three key areas to be focused: “Acceleration of Diversity and Inclusion”, “Data-driven Enterprise Operations through Digital Transformation,” and “Enhancement of Supply Chain Resilience.”

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

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

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

**Strengthening Sustainability Initiatives**
The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas (GHG) emissions for decarbonization and lower environmental impacts while thoroughly addressing human rights issues on a global basis. As well as achieving sustainable business growth, society expects OMRON to contribute to the sustainable development of society. Under SF2030, OMRON has set “achieving decarbonization and reducing environmental impacts” and “respecting human rights in the value chain” as key sustainability issues. On March 1, 2022, we established the OMRON Environmental Policy and the OMRON Human Rights Policy as important guidelines for promoting and achieving these goals under SF2030 and SF 1st Stage. Going forward, in accordance with these policies, OMRON will strive to meet the expectations of its stakeholders, thereby enhancing its corporate value.

**Reduction of GHG emissions for decarbonization and lower environmental impacts**
Having set OMRON Carbon Zero in July 2018 with the goal of reducing GHG emissions in Scope 1 and 2 to zero by 2050, OMRON is promoting reduction of GHG emissions. Under SF2030, with the aim of realizing a carbon-zero society and transitioning to a circular economy, we accord the top priority to reducing GHG emissions throughout the value chain and building a resource recycling model. Major initiatives under SF 1st Stage are as follows:
- Reduction of GHG Emissions (Scope 1 and 2: Emissions from OMRON)
- Reduction of GHG Emissions (Scope 3, Category 11: Emissions from use of manufactured/sold products, services, etc.)
- Transitioning to a circular economy

**Thoroughly addressing human rights issues on a global basis**
OMRON has conducted human rights risk assessments and implemented countermeasures by using sustainability self-assessment, etc. of its own production sites and major suppliers. In addition to these efforts, under SF 1st Stage, we aim to establish a global human rights governance system by expanding the scope to include the entire value chain and promoting efforts in accordance with the OMRON Human Rights Policy and the United Nations Guiding Principles on Business and Human Rights (UNGPI). Major initiatives under SF 1st Stage are as follows:
- Execution of human rights due diligence in line with the UNGP
- Establishment of a human rights remedy mechanism appropriate to each country and region
OMRON believes that enabling people involved in its value chain to work and live without being exposed to human rights risks is the foundation of sustainable business and will lead to a better society. Through these initiatives, we will enhance OMRON’s growth potential.

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

<table>
<thead>
<tr>
<th></th>
<th>FY2021 Results</th>
<th>FY2024 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥ 762.9 billion</td>
<td>¥ 930.0 billion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>¥ 89.3 billion</td>
<td>¥ 120.0 billion</td>
</tr>
<tr>
<td>Operating Cash Flow (3-year total)</td>
<td>¥ 232.7 billion</td>
<td>¥ 250.0 billion (Excludes impact of transfer of the Automotive Electronics Components Business)</td>
</tr>
<tr>
<td>ROIC</td>
<td>9.6%</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>ROE</td>
<td>9.7%</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>EPS</td>
<td>¥ 306</td>
<td>&gt;¥ 400</td>
</tr>
</tbody>
</table>

SF 1st Stage Non-financial Targets

1. Increase sustainability-related sales*1, an indicator of contributions to the resolution of the three social issues, by 45% vs. FY2021
2. Increase the ratio of women in managerial roles to 18% or higher (OMRON Group worldwide)
3. Realize employment of persons with disabilities at 28 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan
4. Reduce Scope 1 & 2 GHG emissions by 53% vs. FY2016
5. Achieve Carbon Zero at all 76 sites in Japan
6. Conduct human rights due diligence in line with the UNGP and build a human rights remedy mechanism into the value chain
7. Continue implementing sustainability initiatives steadily to maintain our listing in the Dow Jones Sustainability World Index (DJSI World)
8. 100% participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources
9. In all regions, introduce a training program covering the basic knowledge required for DX: statistics, data analytics, AI and others
10. Make full use of digital tools to reduce use of paper
11. Top management of each region declares their commitment to their host community in accordance with the OMRON Sustainability Policy (Please refer to P16)

*1 Net sales of focus domains that lead to “achievement of carbon neutrality,” “realization of a digital society,” and “extension of healthy life expectancy”
*2 Targets 8 to 10 were decided by employee vote.

SF 1st Stage Strategic Objectives

**Industrial Automation Business (IAB)**
- Number of customers using innovative-Automation: 5000 companies (2X vs. FY2021)
- Gross Profit Margin: >47.0%

**Healthcare Business (HCB)**
- Global blood pressure monitor sales: 94 million units (cumulative total)
- Number of telemedicine service users: 600,000 users (cumulative total)

**Social Systems, Solutions and Service Business (SSB)**
- Connected energy management devices: 50,000 units (3-year total)
- Products for DC equipment: 60 million units (3-year total)
- Products for high-frequency devices: 170 million units (3-year total)

**Device & Module Solutions Business (DMB)**
- Ratio of service business sales: >10%
- New businesses created: 3 or more

**Diversity & Inclusion**
- Human creativity: +7% vs. FY2021
- Investment in human resources development: ¥ 6.0 billion (3-year total)
- Voice SEI: >70 points

(Note) Some products in the Industrial Automation Business have been reclassified to the Device & Module Solutions Business.
Vision Integrated Report 2023

For China, with a population of 1.4 billion in a vast land, providing equal educational opportunities to all of its people is one of the nation’s top priorities. A 2022 survey* found that rural elementary school children have fewer books and there is a gap in children’s reading opportunities between urban and rural areas.

OMRON China, in cooperation with the China Guanghua Foundation, has launched a public welfare project, Fostering Fairness in Education and Brightening the Child’s Heart, with the aim of improving and revitalizing rural education. Via the foundation, OMRON China donated 21068 books to primary schools in Jiange County, Sichuan Province, and 23913 books to primary schools in Zhengfeng County, Guizhou Province. In the spirit of Our Mission to “contribute to a better society,” OMRON will continue to enrich people’s lives.

With the world’s largest population of approximately 1.43 billion, India continues to face serious environmental problems in addition to large income disparities and regional disparities. OMRON Automation India, which is responsible for sales and marketing of control equipment in the country, is implementing Sustainability Heroes, its unique program in which each employee sets health promotion and skill-raising goals and points are granted to employees who take actions toward their daily goals. Under this program, one tree is planted for every 500 points earned by employees, helping them achieve their goals while also contributing to environmental conservation. More than 30 trees have been planted within six months from the launch of the program. In addition to tree-planting activities, OMRON Automation India also donated food to orphanages, rehabilitation centers, NGOs for the visually impaired, nursing homes for the elderly, and other facilities. Going forward, each employee will continue to take action to fulfill their commitment to the local community.

* “2022 Rural Primary School Reading Status Survey Report” released by Nanwang Zhixing Education, Development Fund and Chinese Academy of Press and Publication
OMRON’s Business and Fiscal 2022 Results

FY2022 Consolidated Sales by Business Segment

**Device & Module Solutions Business (DMB)**
- Net sales: ¥138.9 billion
- Operating income: ¥15.5 billion
- Operating income margin: 11.2%

**Social Systems, Solutions and Service Business (SSB)**
- Net sales: ¥107.3 billion
- Operating income: ¥7.5 billion
- Operating income margin: 7.0%

**Healthcare Business (HCB)**
- Net sales: ¥142.1 billion
- Operating income: ¥16.0 billion
- Operating income margin: 11.3%

**Industrial Automation Business (IAB)**
- Net sales: ¥2.1 billion
- Operating loss: ¥24.2 billion

**OMRON’s mainstay business; innovating global manufacturing through factory automation**

**Eliminations and Corporate**
- Net sales: ¥2.1 billion
- Operating loss: ¥24.2 billion

**Providing a comprehensive lineup of healthcare products for home and hospital use**

**Offering social infrastructure systems for a safer, more comfortable society**

**Offering the world sophisticated components that create seamless relationships between people and machines**

**Providing a comprehensive lineup of healthcare products for home and hospital use**
OMRON Carries Out Business in Over 130 Countries

FY2022 Net Sales, Number of Employees, Number of Production Sites, Number of Non-production Sites in Each Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Net Sales (B)</th>
<th>Number of Employees</th>
<th>Production Sites</th>
<th>Non-production Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td>¥211.5 billion</td>
<td>8,560 employees</td>
<td>4 site</td>
<td>108 site</td>
</tr>
<tr>
<td>Japan</td>
<td>¥326.6 billion</td>
<td>9,988 employees</td>
<td>13 site</td>
<td>185 site</td>
</tr>
<tr>
<td>Europe</td>
<td>¥140.1 billion</td>
<td>2,425 employees</td>
<td>3 site</td>
<td>51 site</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>¥92.9 billion</td>
<td>5,066 employees</td>
<td>3 site</td>
<td>32 site</td>
</tr>
<tr>
<td>Americas</td>
<td>¥104.3 billion</td>
<td>1,995 employees</td>
<td>3 site</td>
<td>16 site</td>
</tr>
</tbody>
</table>

* Regional categories are defined as follows:
  Americas: U.S., Canada, Brazil   Europe: Netherlands, U.K., Germany, France, Italy, Spain   Greater China: China, Hong Kong, Taiwan   Asia Pacific: Singapore, Korea, India, Australia

* As of March 31, 2023

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Ratio of overseas sales</th>
<th>Ratio of overseas employees to total employees</th>
<th>Production sites</th>
<th>Non-production sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>28,034 employees</td>
<td>Approx. 63%</td>
<td>Approx. 64%</td>
<td>26 sites</td>
<td>392 sites</td>
</tr>
</tbody>
</table>
## Financial Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Change</th>
<th>Year  vs.</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥876.1 billion</td>
<td>+14.8%</td>
<td>FY2021</td>
<td>vs. FY2021</td>
</tr>
<tr>
<td><strong>Operating Cash Flow</strong></td>
<td>¥53.5 billion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>¥372</td>
<td>+67</td>
<td>vs. FY2021</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>¥393.9 billion</td>
<td>+13.6%</td>
<td>FY2021</td>
<td>vs. FY2021</td>
</tr>
<tr>
<td><strong>Return on Invested Capital (ROIC)</strong></td>
<td>10.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PBR</strong></td>
<td>2.1 times</td>
<td>-0.4 pt</td>
<td>vs. FY2021</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income Margin</strong></td>
<td>11.5%</td>
<td>-0.2 pt</td>
<td>FY2021</td>
<td>vs. FY2021</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10.6%</td>
<td>+0.9 pt</td>
<td>vs. FY2021</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>¥98</td>
<td>+6</td>
<td>vs. FY2021</td>
<td></td>
</tr>
</tbody>
</table>
### Non-Financial Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Metric</th>
<th>Goal</th>
<th>Change 2023 vs. 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability Sales</td>
<td>¥417.8 billion</td>
<td>+28%</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>New Businesses Created</td>
<td>37 candidates created</td>
<td>±0</td>
<td>(calculation started in FY2022)</td>
</tr>
<tr>
<td>Ratio of Women in Managerial Roles (OMRON Group worldwide)</td>
<td>16.6%</td>
<td>-0.3pt</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>Ratio of Non-Japanese in Key Managerial Positions Overseas*</td>
<td>80% maintained</td>
<td>±0</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>Employee Engagement Score</td>
<td>76 points maintained</td>
<td>±0</td>
<td>(vs. FY2020)</td>
</tr>
<tr>
<td>Number of Overseas Sites Employing Employees with Disabilities</td>
<td>27 sites</td>
<td>±0</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>Reduction in GHG Emissions in Scope 1 and 2 (vs. FY2016)</td>
<td>62% reduction</td>
<td>+12pt</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>Number of Carbon Zero Sites in Japan</td>
<td>+5 sites</td>
<td>+5 sites</td>
<td>(vs. FY2021)</td>
</tr>
<tr>
<td>Reduction of Paper Consumption (vs. FY2019)</td>
<td>44% reduction</td>
<td>+8pt</td>
<td>(vs. FY2021)</td>
</tr>
</tbody>
</table>

* Indicates assurance performed by KPMG AZSA Sustainability Co., Ltd.
We expect the business environment for the OMRON Group over the next fiscal year (ending March 31, 2024) to remain uncertain, especially in the first half, due to such factors as rising inflation and growing geopolitical risks. We do believe, however, that conditions related to the domains in which our group operates will begin to recover in the second half of the year. At the same time, we expect many business opportunities to emerge for the OMRON Group as social and industrial structures continue to evolve, as identified in our long-term vision, SF2030. These changes include social issues (achievement of carbon neutrality, realization of a digital society, extension of healthy life expectancy) and the restructuring of global supply chains in light of geopolitical risks.

Given this business environment of mixed opportunities and risks, the OMRON Group intends to implement the strategies we described in the medium-term management plan “SF 1st Stage.” In this way, we will aim to strengthen our earnings structure further and achieve steady growth. In addition, we will aggressively invest in growth, centering on the Industrial Automation Business and Healthcare Business, to create new value in line with the long-term vision.

By pursuing the initiatives described above, we expect to increase sales and profits for a third consecutive fiscal year.

For fiscal 2023, plans call for net sales of ¥890.0 billion (up 1.6% year on year), operating income of ¥102.0 billion (up 1.3% year on year), and a gross profit margin of 46.6% (up 1.6 percentage points year on year).
**Industrial Automation Business (IAB)**

| Net Sales   | Although demand for capital investment in manufacturing industry as a whole remains uncertain due to inflation and other factors, we expect capital investment demand in our focus industries of semiconductor production equipment, electric vehicles (EVs), and rechargeable batteries to remain firm. In these circumstances, we will alleviate the large order backlogs and continue to accelerate the expansion of our solutions business, particularly in our focus industries. Through these initiatives, we expect sales of ¥490.0 billion, a year-on-year increase of 0.9%. |
| Operating Income | We expect operating income for the next fiscal year to increase to ¥88.0 billion, a year-on-year increase of 2.5%, through efforts to increase sales and raise productivity. |

**Healthcare Business (HCB)**

| Net Sales   | As the global increase in the number of patients suffering from chronic diseases is likely to continue over the medium to long term, we expect demand for blood pressure monitors and other products to increase worldwide. This increase will be fueled in part by a recovery of personal consumption in China. By boosting sales through growing online channels in every region and capturing expanding demand in emerging countries, we expect sales of ¥146.0 billion, a year-on-year increase of 2.7%. |
| Operating Income | Despite the continued impact of soaring materials costs, we expect increased sales and ongoing price optimization will lead to operating income of ¥170 billion, a year-on-year increase of 6.1%. |

**Social Systems, Solutions and Service Business (SSB)**

| Net Sales   | We expect demand for renewable energy-related products in the residential and industrial domains of the Energy Solutions Business to remain firm given soaring energy prices and ongoing subsidies. The Public Transportation System Business should benefit from customers’ continued robust capital investment as the number of rail passengers recovers. By responding quickly to these demands and providing solutions that combine products and services, we expect sales of ¥114.0 billion, a year-on-year increase of 6.3%. |
| Operating Income | We expect operating income for the next fiscal year to increase significantly to ¥9.0 billion, a year-on-year increase of 20.2%, through efforts to increase sales and raise productivity. |

**Device & Module Solutions Business (DMB)**

| Net Sales   | We expect demand from the consumer sector to be sluggish, particularly during the first half of the fiscal year. On the other hand, sales for the next fiscal year are likely to remain unchanged, as we accelerate solutions proposals and other efforts to capture demand in solar power generation, storage batteries, and other energy-related industries, which are focuses of our business, and in the semiconductor inspection equipment-related industries. We expect sales of ¥139.0 billion, a year-on-year increase of 0.1%. |
| Operating Income | Despite the continuing impact of soaring raw materials prices and other factors, operating income for the next fiscal year is likely to remain unchanged, owing to continued efforts to optimize prices and improve productivity. We expect operating income of ¥15.5 billion, a year-on-year increase of 0.0%. |
CEOs 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 10,000 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. These 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.

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.

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 severe illness under the following themes:

- Devices and components diffused worldwide
- Extensive on-site data
- New data solutions

OMRON’s Pursuit of Transformation from “Product Value” to “Essential Value”

<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.

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.

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.

“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.

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. 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 45,000 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.

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.

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 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.

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.
Greater Sophistication of Financial Management and Capital Allocation for Growth to Further Expand Corporate Value

Managing Executive Officer, CFO and Senior General Manager, Global Strategy HQ
Seiji Takeda

I was appointed CFO and Senior General Manager of the Global Strategy HQ in April 2023. In my career with OMRON to date, I have had various opportunities to gain experience, including management of the healthcare business in China, the U.S., and Latin America, execution of M&A, and formulation and promotion of the medium to long-term strategy of the OMRON Group.

Going forward, leveraging my experience and the valuable assets built up by the previous management team, I will work to unleash OMRON’s full potential in terms of both the Group’s growth strategy and its financial strategy, taking on new challenges toward the management goal of “maximization of corporate value” set forth in long-term vision SF2030 launched in fiscal 2022.

Your cooperation will be greatly appreciated.

Progress of the Medium-term Management Plan
In fiscal 2022, the first year of the medium-term management plan “SF 1st Stage,” we promoted transformation of business and growth and expansion by seizing emerging business opportunities. We operated in a highly volatile environment throughout fiscal 2022, including tight supply of parts and materials associated with a sharp increase in demand in the post-COVID-19 era, factory shutdowns due to Shanghai lockdowns, and the rise in inflation worldwide. However, we achieved higher sales in all segments. Consolidated net sales were ¥876.1 billion, an increase of 14.8% year on year, and operating income was ¥100.7 billion, an increase of 12.7% year on year, setting new records. We demonstrated our ability to effectively respond to change and to generate profit, which we have been strengthening. In addition, I believe business transformation is gradually bearing fruit.

In particular, in the Industrial Automation Business, which is driving the growth of the OMRON Group, the number of customers adopting the innovative-Automation concept has more than quadrupled from approximately 900 in fiscal 2016 to approximately 3700, and the ratio of the solutions business has expanded to 35%. This is the result of development of innovative applications essential for resolving customer issues, and continuous investment in systems engineers (SEs) who propose the value of the application to customers and implement it, and front-end human resources centering on solution sales. I feel that the format of the solution business is taking shape.

In the course of achieving these results, certain issues became clear. Firstly, self-propelled growth. I think we need an objective assessment of our record performance in fiscal 2022. This is because in fiscal 2022, in addition to medium to long-term demand arising from changes in social and industrial structures, associated with digital and environment-related investments, such as for EVs, there was a temporary rebound in demand associated with supply chain disruption due to the emergence of geopolitical risks and the abating of the COVID-19 pandemic. As a result, demand significantly exceeded the actual end-market demand, particularly in the Industrial
Automation Business. This led to a high order backlog, supporting net sales in fiscal 2022. From that perspective, I do not think OMRON’s growth potential has reached the level we target. Our aim is to achieve growth that outperforms market growth. For this purpose, it is essential to enhance the ability to identify customers’ issues, propose solutions, and fully implement them. Secondly, supply chain management. In the face of continued tight supply of parts and materials worldwide, we implemented measures, including the use of EMS and parallel production, and managed to rapidly increase our product supply capacity. However, working capital levels rose as inventories built up in the value chain. As a result, we were unable to increase operating cash flow although profit levels were at an all-time high. We view this as a matter of great regret. In the current fiscal year, we will further enhance the linkage between the timing of revenue recognition and production plans, as well as strengthen supply chain management using new IT systems. Lastly, business transformation is still ongoing. Each of our businesses is promoting initiatives for the shift from “products” to the “combination of products and services” and for value creation utilizing data. Going forward, we will appropriately implement capital allocation in accordance with the execution stage of each business to further enhance our execution capabilities and accelerate transformation.

**Tender Offer for Shares of JMDC Inc.**
OMRON commenced a tender offer for shares of JMDC Inc. (JMDC) on September 11, 2023. The aim is to accelerate the Group’s transformation and increase its overall growth potential, not only in the healthcare domain but also in the industrial automation and social solutions. We had a scenario for medium-term growth of the Group through co-creation with JMDC in mind when we took a 33% equity stake in JMDC in fiscal 2021. Although we were greatly attracted by JMDC’s growth potential from the beginning, it was difficult to judge the feasibility of creating synergy as well as the differences between the two companies in terms of their business models and corporate cultures based on desktop analysis alone. Thus, we started with a capital/business tie-up to secure an opportunity to test our hypothesis. In the 18 months since then, we have been able to achieve a lot, as we disclosed in September 2023. I am pleased that we have progressed from initial hypothesis testing to the tender offer. Meanwhile, the internal review team and the Board of Directors had various discussions until we made the decision. In the course of a year and a half, the business concept in the healthcare solutions domain became more tangible, and we confirmed JMDC’s data management capability and its capability to convert data into value, as well as the potential for deploying such capabilities in the OMRON Group. On the other hand, there was a need for thorough deliberation on governance after making JMDC a consolidated subsidiary and concerning recoupment of our investment totaling approximately ¥210.0 billion. Regarding the evaluation of investments, some people may have misunderstood OMRON’s approach. Although we have been implementing management based on return on invested capital (ROIC), ROIC is not the only indicator we use for evaluating individual investments. Conventionally, in evaluating investment, with an eye to the market’s growth potential and opportunities for synergy, we conduct risk verification based on multiple performance simulations, and calculate corporate value by adopting a multifaceted approach, using discounted cash flow (DCF), comparable multiples valuation, and so on, and incorporating third-party evaluation as well. Since the data solutions business field is in the market formation stage and it is difficult to forecast long-term operating cash flows, we have also conducted verification using the internal rate of return (IRR) based on a market approach. Specifically, we set the cost of capital in the industry as a hurdle rate.
evaluated the synergy to be created by considering the exit value, and discussed appropriateness of the investment in view of the impact on ROIC as well as on P/L and B/S after the investment. At present, our target is net sales of ¥100.0 billion in 2027 as the effect of making JMDC a consolidated subsidiary, but I feel that we may be able to do even better by exploiting the potential for expansion through co-creation.

Expanding the data solutions business is a medium to long-term initiative. I believe that it is vital to execute sufficient upfront investment at the optimum time to maximize this growth potential. This is because although the potential market size in this field is very large, the field is still in its infancy, and it is important to gain a strong market position. We will continue to accelerate collaboration and share the progress and achievements with you.

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

Evolution of Management Systems to Expand Corporate Value

As I have discussed so far, OMRON is promoting a number of initiatives to increase corporate value. I believe that the most important issue is “to expand profit through sales expansion.” In other words, we need to shift the driver of the expansion of corporate value from “improvement of profitability” to “profit growth through sales growth.” Of course, we will continue our initiatives to improve profitability through ROIC management, which has so far supported the expansion of OMRON’s corporate value. This is because reinforcement of the earnings base is essential for achieving new growth.

However, OMRON’s goal under SF2030 is to create significant social value and economic value by seizing business opportunities arising from changes in social and industrial structures. This means that we aim to generate significant profit through sales growth that exceeds the previous cruising speed. To accomplish this goal, we intend to establish a management system that will use earnings per share (EPS) and return on equity (ROE) in addition to ROIC as key performance indicators for operation of the Group. While we will continue to use ROIC to improve investment capital efficiency and profitability, we will use EPS and ROE for evaluation of the Group’s growth strategy and implement appropriate measures. I think EPS is a suitable indicator for managing the expansion of corporate value not only because of its inherent nature as a direct profit indicator attributable to shareholders but also from the perspective of more accurately measuring the Group’s actual performance after deducting minority interests in JMDC. The reason for our focus on ROE is that we intend to grow through the use of leverage with a certain degree of discipline. Leveraging may lower ROIC levels in the short term, but it is an important option indispensable for expanding future operating cash flows, and I believe ROE is suitable for evaluating medium to long-term value creation initiatives.

Moreover, regarding operation of the Group, we will emphasize the following three perspectives. Firstly, strengthening of investment discipline. The three social issues defined by the OMRON Group are linked to markets with medium to long-term growth potential, and we expect many growth opportunities to emerge in the future. In order to be sure to seize these growth opportunities, we must make necessary investments in a timely manner, with a view to utilizing debt. However, in order to realize the expansion of corporate value, probability of achieving returns on those investments must be high. OMRON has conducted individual evaluations for each case of M&A and each business investment. However, I think we must evolve the format of investment evaluation in order to maximize the return on limited management resources. Specifically, the indicators of decision-making used in investment evaluation will be unified as NPV and IRR, and hurdle rates will be set in a manner that considers the characteristics of the business field and market stage. While each executive department is responsible for formulating the business plan, the corporate organization is responsible for setting the hurdle rate, thereby clarifying the level of return required for the business and enhancing the objectivity of investment evaluation.

Secondly, strengthening of financial discipline. Looking back, OMRON had a long period of debt-free management. We have been maintaining a high level of financial soundness, with a shareholders’ equity ratio of 73% at the end of fiscal 2022. On the other hand, this partly reflects insufficient reinvestment for the purpose of business growth, and we recognize this as a management issue. Going forward, we will vigorously execute investment, focusing on growth fields, with an eye to debt utilization when good investment opportunities arise. However, this requires mechanisms to maintain a healthy balance sheet. As a result of the tender offer for JMDC shares, interest-bearing debt will amount to approximately ¥85.0 billion. Even though we still have spare capacity for investment, failure to exercise proper financial discipline would risk causing significant harm to operations of the existing businesses. In order to seize investment opportunities in a rapidly changing business environment in a timely manner without overlooking them, we will practice management that is both “aggressive” and “defensive” by constantly maintaining a financial base that enables flexible and smooth financing.

Thirdly, reduction of the cost of capital. Reducing the cost of capital is another important factor in expanding corporate value. OMRON’s weighted average cost of
capital (WACC) at the end of fiscal 2022 was around 8%. In light of the increasing level of beta as well as the impact of the recent increase in interest rates, it is necessary to promote initiatives for improvement from now on. Our basic approach is to reduce the cyclical nature of the stock price by promoting business transformation and increasing the sustainability of profit growth. But that is not enough. Even if we are affected by short-term market fluctuations, I think it is essential to ensure that as many investors as possible understand OMRON’s medium to long-term growth potential and intrinsic value and support OMRON’s value creation initiatives. I would like to vigorously disseminate OMRON’s equity story to the market through transparent disclosure.

Capital Allocation to Increase Growth Potential
From SF 1st Stage, OMRON set operating cash flow as a management indicator. This is because we view operating cash flow as a source of growth investment and a key indicator that has a significant impact on increasing corporate value. Operating cash flow for fiscal 2022 was ¥53.5 billion, having declined from ¥67.4 billion for fiscal 2021, owing to a decrease in the efficiency of working capital. In the current fiscal year we will continue to strengthen our ability to generate profit and steadily implement measures to optimize inventory levels to enhance our cash generation capabilities.

In the current fiscal year, we plan to execute the tender offer for JMDC shares through borrowings, but there is no change in our policy on the use of funds, which accords the highest priority to business investment and the two fields we have designated as growth fields, industrial automation and healthcare solutions. As the uncertain business environment is expected to continue, we will be selective in implementing growth investments. In addition to business investments, we will steadily make necessary investments in human resources, the environment, and other areas associated with sustainability that are strongly demanded by society. With regard to shareholder returns, our policy is to maintain continuous and stable dividend payment with dividends on equity (DOE) of around 3%, similar to fiscal 2022, so as to achieve medium to long-term enhancement of corporate value.

To Our Shareholders
As social and industrial structures undergo significant changes, OMRON views these changes as business opportunities as it seeks to transform itself and take on the challenge of creating new value. Maximizing corporate value is our target for 2030, and management targets for 2024 are set as milestones along the path that we are taking. OMRON’s goal is to become an enterprise that resolves social issues and achieves sustainable growth. To this end, all employees are working as one under the medium-term management plan. I believe that it is essential to engage in a series of dialogues with shareholders, receive their valuable opinions, and make the most of them as we vigorously pursue our initiatives. We will continue to make transparent disclosures, listen sincerely to the voice of the market, and co-create the future of OMRON with our shareholders. I look forward to the continued support of our shareholders.

1) Aiming to maximize corporate value through the realization of the long-term vision, OMRON prioritizes the necessary investment to create new value from a medium to long-term perspective. During SF 1st Stage, priority will be accorded to investments in human resources and R&D with a view to resolving social issues and pursuing innovation driven by social needs; capital investments in production capacity increases and digital transformation (DX); investment in growth initiatives such as M&A&A (mergers acquisitions, and alliances); and investment in sustainability initiatives such as decarbonization, reduction of environmental impacts, and respect for human rights in the value chain. On this basis, OMRON will return profits to shareholders in a stable and sustainable manner.

2) Such investment for value creation and shareholder returns will be, in principle, sourced from internal reserves and operating cash flows that are generated continually, with appropriate financing facilities used as necessary. We will maintain a degree of financial soundness that allows us to seek financing regardless of the current financial situation.

1) With priority accorded to the investment necessary for value creation over the medium to long term, annual dividends will be based on “dividends on equity (DOE) of around 3%.” Taking past dividend payments also into account, we intend to ensure stable and sustainable shareholder returns.

2) After making the above investments and distributing profit to shareholders, OMRON will distribute retained earnings accumulated over the long term to its shareholders through strategic share buybacks and other measures.