

Integrated Report 2022

Year Ended March 31, 2022

Empowering People Through Automation



## Editorial Policy

Since the Guidance for Collaborative Value Creation was released by the Ministry of Economy, Trade and Industry (METI) in May 2017, the Guidance has been one of the frameworks to which OMRON has referred in the editing of its integrated reports. Since last fiscal year (fiscal 2021), having extended the application of the Guidance to statutory disclosures, such as the Annual Securities Report, we have been strengthening communication of OMRON's value creation story in an integrated manner encompassing all corporate reporting while also endeavoring to enhance the quality of dialogues.

In fiscal 2022, the first year of the new long-term vision "Shaping the Future 2030" and the medium-term management plan "SF 1st Stage," in light of the progress of deliberations on the Guidance for Collaborative Value Creation 2.0, whose revision had been underway since 2021, we referred to the draft and other documentation released by METI and worked to enhance the information disclosure in this year's Annual Securities Report and Integrated Report. In editing the Integrated Report 2022, we paid particular attention to the following three points. Firstly, we restructured the chapters to align with the framework presented in the Guidance for Collaborative Value Creation 2.0. Specifically, in line with the flow recommended by the Guidance for Collaborative Value Creation 2.0, we presented a flow from "values (OMRON Principles, SINIC Theory, etc.)" to "long-term strategy (long-term vision, key sustainability issues, etc.)" as a story of "sustainability transformation (SX)," which seeks to synchronize social sustainability with corporate sustainability, at the beginning of the Integrated Report, together with the vision discussed by the CEO at the beginning of the Integrated Report. Next, by linking each initiative of the "execution strategy (SF 1st Stage)" for realizing the vision to the "five key sustainability issues," we aimed to describe specific "results and KPIs" and "risks and opportunities." In the last section on "governance," we endeavored to present an in-depth multifaceted analysis of the activities of the Board of Directors, which monitors and oversees the initiatives of the execution strategy, from the viewpoint of effectiveness.

Secondly, we emphasized the description of "human capital," which is also emphasized in the Guidance for Collaborative Value Creation 2.0. In addition to enriching the section on "People," OMRON's belief that its employees are the human capital is at the heart of the narrative throughout this report from the interview with the CEO at the beginning to the discussion between Outside Audit & Supervisory Board Members at the end. In particular, regarding "non-financial information that is unique to OMRON and can only be conveyed in the Integrated Report," OMRON employees and external partners are featured in the report again this year to share their stories of collaborative value creation. In addition, both quantitative and qualitative results and KPIs related to human capital were set, and are also presented in this report.

Thirdly, regarding what was learned from "substantial dialogues and engagement" with stakeholders using the Integrated Report for the previous fiscal year, we reflected requests and feedback from stakeholders in this year's report in various ways, to a lesser or greater extent depending on their nature. We placed particular emphasis on delivering the real voices of Outside Directors and Audit & Supervisory Board Members, including their expectations of OMRON, their views on the issues, and recommendations for OMRON. Also, as per our request, they describe in their own words the discussions at Board of Directors meetings and the background.

This is the 10th year since OMRON's publication of its first Integrated Report in 2012. We are grateful for the valuable feedback and encouragement we have received from our stakeholders, which have enabled our Integrated Report to evolve and improve over the decade. We will continue to place great value on dialogue with our stakeholders via the Integrated Report. We look forward to hearing your frank opinions about this report.

Editorial Team for Integrated Report 2022

**Covered Organizations:** As a general rule, this report covers 133 companies in the OMRON Group, consisting of OMRON Corporation, 126 consolidated subsidiaries, and 6 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2022).

**Covered Period:** Fiscal 2021 (April 1, 2021 through March 31, 2022). However, this report includes some disclosure items and business activities that were initiated after April 2022.

**References:** This integrated report conforms to the integrated reporting frameworks recommended by the International Integrated Reporting Council and the World Intellectual Capital Initiative and refers to Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry. Sustainability-related disclosures have been written with reference to the GRI Standards.

**Caution Concerning Performance Forecasts Statements:** Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors. See "Outlook for Fiscal 2022" when using the projection of results and conditions of assumptions for the results.



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### About the Cover

OMRON practices the OMRON Principles, working to solve social issues through our businesses. Each and every one of our employees is a principal driver of this mission. OMRON has been holding The OMRON Global Awards (TOGA) since 2012, encouraging our employees to set their own goals for solving social issues with the aim of fostering a culture of ongoing aspiration toward putting the OMRON Principles into practice. The cover of this issue features 19 employees who were selected, from the 6,461 entries submitted to the 9th TOGA (FY2020), as representatives and leaders in the practice of the OMRON Principles.



## The OMRON Principles

Since its founding in 1933, OMRON has striven to create solutions to social issues through its business and to contribute to the development of society. We established the Corporate Motto, “to improve lives and contribute to a better society,” in 1959 and the OMRON Principles in 1990, incorporating the spirit of the Corporate Motto as Our Mission. Ever since, the OMRON Principles have been at the heart of OMRON’s management.

We want to make it crystal clear that our adherence to the values underpinning OMRON’s management is unwavering. Thus, we will 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. (Resolved at the 85th Ordinary General Meeting of Shareholders held in fiscal 2022)

### 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.

## 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 projects the future based on the cycle of interrelationships between Science, Technology, and Society. OMRON first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has been our compass for projecting into the future.

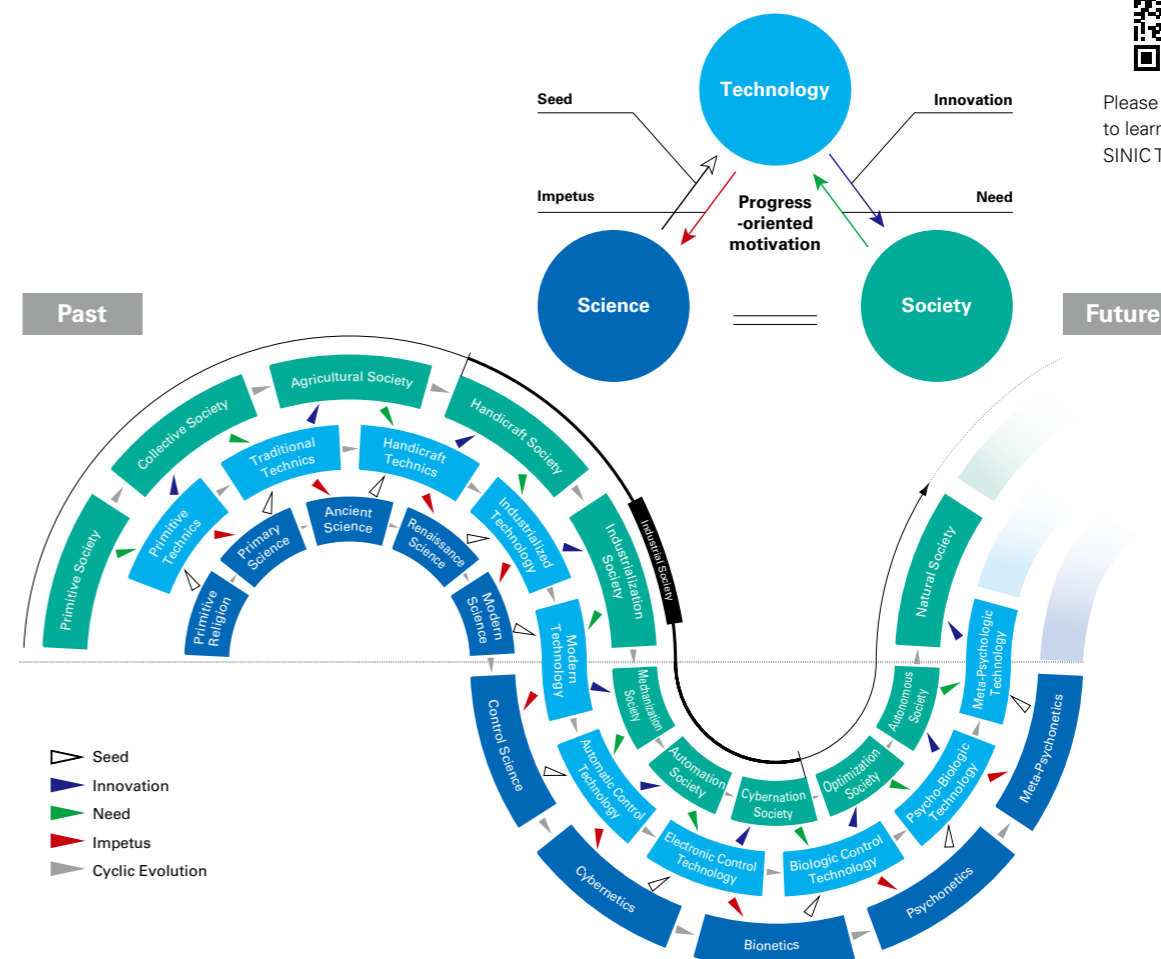
The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds 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 going through a transition period of the paradigm shift from the Industrial Society to the Autonomous Society. Now, in a time when society is facing drastic changes and the future is uncertain, we are openly promoting use of the SINIC Theory as social knowledge to build the future through discussions with a diverse array of people.

\* SINIC: Seed-Innovation to Need-Impetus Cyclic Evolution



Please visit our website to learn more about the SINIC Theory.



# History of Innovation

Automation Society  
[1945-74]

Cybernation Society  
[1974-2005]

Optimization Society  
[2005-]

1933

1970

1990

2000

2020



**1933**  
Kazuma Tateishi established Tateishi Electric Manufacturing Co. in Higashinoda, Miyakojima-ku, Osaka City.



**1948**  
Company name changed to Tateishi Electronics Co.

**1960**  
Central R&D Laboratory completed in Nagaoka-cho (present-day Nagaokakyo City), Kyoto

**1959**  
Our Mission established based on the belief that a business should create value for society through its key practices



**1970**  
SINIC Theory announced

**1974**  
Tateishi Institute of Life Science

**1972**  
OMRON Taiyo Electronics Co. established



**1991**  
Yokohama Laboratory and Kumamoto Laboratory established

**1990**  
Company name changed to OMRON Corporation



**1999**  
Division system abolished and internal company system introduced

**2003**  
Global R&D hub "Keihanna Innovation Center" established



**2005**  
OMRON R&D Collaborative Innovation Center (Shanghai) opened



**2013**  
Table-tennis-playing robot FORPHEUS

**2014**  
OMRON VENTURES CO., LTD. established

**2018**  
OMRON SINIC X Corporation established

**2018**  
Innovation Exploring Initiative HQ (IXI) established

**1933** Production of X-ray timers started

**1934** General-purpose electromagnetic relay

**1943** Japan's first microswitch

**1960** World's first non-contact switch developed

**1963** Japan's first multifunctional meal ticket vending machine

**1964** World's first automated traffic signal developed

**1966** MY series of general-purpose relays

**1969** World's smallest desktop electronic calculator "CALCULET-1200" launched

**1971** World's first online automated cash dispenser developed

**1973** OMRON's first blood pressure monitor

**1978** OMRON's first monitor with digital display

**1980** Digital thermometers (for home use)

**1991** Fuzzy logic-based blood pressure monitor

**1994** Production of power conditioners for photovoltaic systems started

**1973** SYSMAC programmable sequence controller developed

**1987** World's first ultra-high-speed fuzzy logic controller launched

**1988** Mass production of electric power steering controllers

**1989** Mass production of electric power steering controllers

**1995** Industry's first vision sensor / color/grayscale vision sensor

**1995** OKAO Vision image sensing technology

**1995** Distance warning system for motor vehicles developed

**2000** Japan's first digital fiber sensor

**2003** OMRON RELAY & DEVICES Co., Ltd. established

**2007** World's first real-color three-dimensional vision sensor

**2011** Sysmac NJ series of machine automation controllers launched

**2016** World's first SCARA robot with predictive maintenance functions launched

**2017** AI-incorporated machine automation controller developed

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

**2020** World's first integrated controller launched

**2020** Touchless hybrid elevator switch launched

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# CEO Interview

Automation to Empower People to Help Create the Future.  
 Innovation Driven by Social Needs Shifting into High Gear

President and CEO **Yoshihito Yamada**

OMRON announced its new long-term vision, “Shaping the Future 2030,” in March 2022, which depicts where we aim to be in 2030, and launched the first medium-term management plan, “SF 1st Stage,” in April. Even in the face of continuing adversity, such as the protracted COVID-19 pandemic and heightened geopolitical risks, OMRON has demonstrated its ability to respond effectively to change and steadily built a strong corporate foundation. How will OMRON evolve going forward? President and CEO Yoshihito Yamada says, “In fiscal 2022, our pursuit of innovation driven by social needs will move into high gear.” We asked him about his resolve to shift decisively to the next stage in the company’s evolution.

(Interviewer: Integrated Report Production Team)



## Self-motivated Employees’ Ability to Respond Effectively to Change Enabled OMRON to Get Off to a Flying Start in Fiscal 2021

— In last year’s Integrated Report, you stated, “In fiscal 2021 we will make a start dash toward our next long-term vision and draw our future with our own hands.” Fiscal 2021 was marked by several challenges—the protracted COVID-19 pandemic, heightened geopolitical risks, and rising energy prices. However, OMRON wasn’t thrown off course by adversity but in fact achieved a significant increase in sales and record high operating income. What are your thoughts on the past year in which OMRON got off to a flying start?

Fiscal 2021 was tough. Supply shortages of semiconductors and other parts and materials were more serious than expected. Despite robust order-taking, we couldn’t manufacture as much as we wanted. Coupled with disruptions to distribution, this meant we were unable to deliver sufficient quantities of products to our customers. Furthermore, in the fourth quarter, in addition to commodity price increases triggered by the worsening Russia-Ukraine situation and a sharp rise in inflation, we faced lockdowns due to China’s zero-COVID policy. In these difficult circumstances, our employees around the world worked tirelessly with utmost sincerity.

As a result, OMRON outperformed its forecasts as of the third quarter even in the face of headwinds, resulting in a 16% year-on-year increase in net sales and a 43% increase in operating income. In addition to our long-standing efforts to improve profitability, the significant increase in sales had a multiplier effect, resulting in a significant increase in profit. The strong performance in fiscal 2021 can be attributed to our efforts so far to improve our ability to respond effectively to change, particularly by strengthening our resilience through “selection and decentralization.” For example, in terms of supply chain management, we focused on selection and decentralization of both production sites and suppliers. As a result, we were able to gradually increase our supply capacity from the second half of the fiscal year onward, despite the continuing shortages of parts and materials. Regarding human resources, 80% of managerial positions overseas are now filled by locally hired personnel owing to the progress of localization. Our employees around the world can make autonomous decisions based on the OMRON Principles and act fast, rather than waiting for instructions from the head office. We have become able to respond effectively to change. Fiscal 2021 was a year in which we felt that our ability to respond to change and the depth of our human capital base, which we have cultivated over the past decade, steadily led to gratifying business results.

## FY2021 Results

	FY2021 Results	Y/Y
Net Sales	762.9 billion yen	+ 16.4%
Gross Profit	346.8 billion yen	+ 16.2%
Operating Income	89.3 billion yen	+ 43.0%
Net Income	61.4 billion yen	+ 41.8%
Gross Profit Margin	45.5%	- 0.1%pt

[P29 Fiscal 2021 Results →](#)

## — What specific measures did you take to achieve a flying start?

We emphasized “deepening of existing businesses” and “creation of new businesses.” First, for deepening of existing businesses, for example, in the Industrial Automation Business, System Engineers (SEs) have been assigned to Automation Centers (ATCs) at 37 locations around the world to solve issues at production sites through innovative-Automation. By having SEs who are well versed in the issues that arise in the field work with customers to tackle challenges, many innovative applications have been created that were previously thought to be impossible to achieve. More than 2,500 companies have adopted these applications. In the Healthcare Business, demand for our mainstay blood pressure monitors was robust worldwide, and they were the driving force of significant business growth, especially in emerging countries.

Next, with regards to the creation of new businesses, each business company took on the challenge of advancing into new fields. In the Industrial Automation Business, we are accelerating diffusion of a data-based service called i-BELT. This is a flat-fee, subscription-based business that constantly monitors and supports production lines to ensure they are operating properly by analyzing equipment operating data. As a result of these initiatives, the service business, which includes not only product sales but also consulting and maintenance services, has grown to annual sales of 12.0 billion yen. In the Healthcare Business, full-scale telemedicine services were launched in the U.S., Europe, and Asia. This is an example of deploying our business model based on our strengths in devices to offer solutions using data collected. We expect these businesses to become major sources of OMRON’s revenue in the future.

### Drawing Our Future with Our Own Hands. OMRON's Aspirations in the New Long-term Vision

— **The long-term vision “Shaping the Future 2030 (SF2030)” has been launched. The word “shape” conveys OMRON’s aspirations to help create the future. How are the previous long-term vision and SF2030 connected and what will be the next stage in OMRON’s evolution?**

Under the previous long-term vision “Value Generation 2020 (VG2020),” aspiring to offer value unique to OMRON and resolve social issues, we were committed to creating and communicating value. As a result, the operating income margin has reached double digits and corporate value has grown approximately fourfold.

We are targeting further evolution under the new long-term vision whose name, “Shaping the Future 2030,” expresses our aspiration to help build an “autonomous society” as defined by the SINIC Theory. This will involve actively giving shape to new ideas and dreams based on our capabilities cultivated through VG2020 and endeavoring to create new value by drawing our future with our own hands. We have incorporated this concept into the new long-term vision. Among a number of social issues, OMRON will create value in four domains, namely, Industrial Automation, Healthcare Solutions, Social Solutions, and Device & Module Solutions.

[P13 Long-term Vision →](#)

— **Will bringing about the autonomous society lead to employee autonomy and the self-driven growth that you are aiming for?**

Exactly. We live in an era of unprecedented change, with new social issues emerging. OMRON will be able to achieve self-driven growth by resolving such issues with a strong determination through its business. For employees, involvement in resolving social issues is a source of pride and motivation, especially in this era when the societal role of business matters so much. That is why individual employees are applying their own ideas and personal qualities to do something useful for society and move forward, rather than just waiting to be told what to do by superiors. This is the relationship between the autonomous society and the self-driven growth I envision.

In particular, I see the future as an era in which “individuals” will shine. This is because the autonomous society we are heading for is one in which individuals can realize their full potential. The autonomous society envisioned by the SINIC Theory is one in which the evolution of science and technology removes various impediments to individual self-realization, allowing everyone to make the most of their personal qualities.

Companies will be transformed into venues where employees with diverse personal qualities can pursue their aspirations. One of the roles of the management team is to present a vision of social issues to be addressed by the company through its business, but it is the employees who will act to accomplish the vision. Individual employees take on challenges by leveraging their originality and ingenuity, and through repeated attempts, they experience a sense of fulfillment in their work and achieve personal growth. By evolving to a management style that draws out the strengths of individuals and provides them with opportunities to play an active role, we will realize OMRON’s self-driven growth.

[P69 People →](#)

— **Please elaborate on “automation to empower people” in SF2030.**

In formulating the long-term vision, we reviewed our history and reexamined OMRON’s purpose. Since our founding, we have grown by resolving social issues, for example, by creating the world’s first non-contact switch and unmanned train station system. Based on this historical background, we recognized afresh that OMRON’s purpose is to create social value through business and continue to contribute to the development of society. We then concluded that OMRON needs a vision rooted in innovation driven by social needs and respect for humanity to create a future unique to OMRON and set to work on SF2030. In the process, we envisioned a world in which people and machines complement one another and human creativity is unleashed, rather than an inorganic world of dark factories without people. To realize such a future, OMRON is pursuing automation to empower people.

Automation has three stages. The first stage is “substitution” in which machines take over tasks performed by people. The second stage is “collaboration” in which machines work together with people. What we are aiming for now is the third stage, “harmony” between people and machines in which machines assist people, motivate them, and help them realize their full potential. We will realize this and help people experience fulfillment by evolving OMRON’s core technologies, “Sensing & Control + Think.” We will implement automation that empowers people in society.

[P57 Innovation & Technology →](#)

— **For the first time in OMRON’s long-term vision, key sustainability issues were set in SF2030.**

Under SF2030, we will maximize corporate value by creating social value and economic value through our business. So, in formulating SF2030,

we considered the business plan and key sustainability issues in an integrated manner. Specifically, we adopted three viewpoints: “the OMRON Principles and purpose,” “backcasting from a society envisioned for 2030 and beyond,” and “calls on companies to contribute to environmental and social sustainability.” As a result, we identified five key issues. We will work to resolve social issues through our business activities, while monitoring progress toward the targets corresponding to these key issues.

Key Sustainability Issues
1) Resolving social issues through our business
2) Maximizing capability to innovate driven by social needs
3) Generating diverse talent taking on the challenge of value creation
4) Achieving de-carbonization and reducing environmental impacts
5) Respecting human rights in the value chain

[P15 Key Sustainability Initiatives →](#)

— **A number of unexpected events, including the COVID-19 pandemic, have made it difficult to anticipate what lies ahead for the business even in the next few years. In this context, what is the point of having a long-term vision?**

In order to identify social issues and create innovation driven by social needs that meet those issues, it is necessary to think about society and business and the issues that need to be addressed with a time horizon of 10 years or so. For example, a medium-term management plan usually covers a three-year period. You may be able to get by for the three years through superficial measures. However, a problem 10 years down the road cannot be solved without taking fundamental steps. Knowing that the current way of doing things won’t work 10 years from now may motivate you to undertake root-and-branch reform, even if it is painful. The formulation of a long-term vision can help prevent procrastination of the fundamental issues. That is why I believe it is very meaningful for us to think carefully about our corporate purpose with a time horizon of roughly every 10 years, and announce it to our stakeholders.

[P87 Governance →](#)

### Three Transformations to be Addressed under SF 1st Stage

— **SF2030 consists of three medium-term management plans. What are the positioning and specific measures of the first medium-term management plan, SF 1st Stage (FY2022-2024)?** SF2030 is a long-term vision covering nine years because the start was delayed by one year due to

the COVID-19 pandemic. We will implement this long-term vision with a medium-term management plan covering every three years. SF 1st Stage is the first medium-term management plan for SF2030. We have positioned this first three-year period as the “transformation acceleration phase” where we accelerate the transformation of our capabilities to create value that addresses social issues and achieve sustainable growth. We will demonstrate the competitiveness cultivated during the term of the VG vision to capture the growth opportunities emerging from a multitude of social issues and promote the transformation of our organizational capabilities to raise the sustainability of our growth. Our strategies are threefold: “transformation of business,” “transformation of corporate management and organizational capabilities,” and “strengthening of sustainability initiatives.” By tackling these three themes, we will transform OMRON.

Through these initiatives, in the years to fiscal 2024, we aim to achieve growth at a compound annual rate of 7% and more than double-digit annual growth in operating income while investing in future growth.

[P22 SF 1st Stage →](#)

### SF 1st Stage Financial Targets

	FY2021 Results	FY2024 Targets	FY2021→FY2024
Net Sales	762.9 billion yen	930.0 billion yen	+ 7%/year
Operating Income	89.3 billion yen	120.0 billion yen	+ 10%/year
Operating Cash Flows (Cumulative for 3 years)	232.7 billion yen	250.0 billion yen	+ 17.3 billion yen
ROIC	9.6%	More than 10%	More than + 0.4%pt
ROE	9.7%	More than 10%	More than + 0.3%pt
EPS	306 yen	More than 400 yen	+ 9.3%/year

### Transformation of business

As for transformation of business under SF2030, we will promote “evolution of four core businesses (Industrial Automation Business; Healthcare Business; Social Systems, Solutions and Service Business; and Device and Module Solutions Business),” “expansion of customer asset-type service businesses,” and “creation of new businesses sparked by social issues.” For “the evolution of the four core businesses,” we reviewed growth fields in each of the four core businesses and identified focus businesses. We will promote creation of social value through growth of these focus businesses. Regarding the second point, “expansion of customer asset-type service businesses,” we will leverage customer assets, such as knowledge gained and data accumulated so far, to identify fundamental issues of customers from an essential value perspective. Furthermore, we will continue to connect with customers by offering new value

through the combination of products and services and continue the cycle of identifying new issues and resolving them.

For the third point, “new businesses based on social issues,” we will develop concepts of new businesses in each of the four core businesses and promote technological development to offer value needed by society in a timely manner to achieve commercialization.

[P22 SF 1st Stage →](#)

● **Transformation of corporate management and organizational capabilities**

For “transformation of corporate management and organizational capabilities,” we will accelerate three initiatives.

The first is “promotion of diversity and inclusion” to develop human resources. OMRON will triple investment in human resources, such as DX training, to a total of 6.0 billion yen for the three years covered by SF 1st Stage.

The second is “data-driven enterprise operations through DX.” First, we will renew and integrate our enterprise systems into a single global system. In doing so, we will pursue faster business operations and higher efficiency to ultimately achieve a reduction in selling, general and administrative expenses. We will also emphasize recruitment and training of DX human resources.

The third is “improvement of supply chain resilience.” We will work to strengthen and diversify our supply chain in preparation for unforeseen circumstances. From the perspective of business opportunities, in addition to the COVID-19 pandemic, the emergence of geopolitical and natural disaster risks is an opportunity for our Industrial Automation Business to contribute to customers in their efforts to overcome challenges. This is because diversification of our supply chain associated with selection and decentralization will necessitate the introduction of the latest production lines incorporating AI, robots, and other cutting-edge technologies at new production sites.

● **Strengthening of sustainability initiatives**

With respect to the strengthening of sustainability initiatives, we will address “decarbonization and reduction of environmental impact” and “respect of human rights throughout the global value chain” to fulfill our corporate responsibility. At the same time, we will transform this into a competitive edge to further enhance the added value of OMRON’s value chain.

Addressing sustainability is an urgent issue and also a great business opportunity for OMRON. We will support our customers’ sustainability initiatives by offering solutions for energy conservation, effective use of renewable energy, and packaging technology using plastic alternatives, leveraging our Sensing & Control +Think core technologies.

[P22 SF 1st Stage →](#)

— **Among specific initiatives for “transformation of corporate management and organizational capabilities,” the introduction of stock-based performance-linked compensation for employees is particularly noteworthy. OMRON intends to expand the scope of this plan to include all managers worldwide. This is an unusual approach for a Japanese company. Why are you doing this?**

The biggest reason for introducing this plan is to achieve OMRON’s goal of “trinity management,” which benefits all three parties, namely, management, employees, and shareholders. During the 10 years of the previous long-term vision, the share price increased approximately fourfold and we were able to return a significant amount to shareholders in the form of capital gains. We also returned profit to employees in the form of performance-linked bonuses. But bonuses can only be increased by a modest percentage, not doubled or tripled. I have long wanted to implement measures that would both enhance corporate value and help employees build assets. So, we decided to revitalize the existing OMRON Employee Stockholding Association and create a system in which OMRON shares are distributed to employees in accordance with medium-term business performance. We expect this will help employees take ownership of the long-term vision and become conscious of their personal stake in the enhancement of corporate value.

[P69 People →](#)

**Strategic Capital and Business Alliance for Establishing a Data Business**

— **OMRON acquired a 33% stake in JMDC Inc. and formed a capital and business alliance in February 2022. What prompted this decision and what is your strategy?**

I was interested in JMDC’s business model from early on. It involves anonymizing and categorizing health insurance claims for as many as 14 million people covered by some 2,000 health insurance associations in Japan and providing analytic services to data providers. JMDC also provides the processed big data to pharmaceutical companies, insurance companies, etc. as marketing data and offers consulting services. The more data are accumulated, the greater the value that can be provided. I see great potential in this system. For example, by matching OMRON’s vital data taken at home, such as blood pressure readings, weight, and electrocardiograms, with JMDC’s big data, it will be possible to understand the patient’s history, such as what kind of diagnosis the patient received and which medication lowered the patient’s blood pressure. It is also good not only in

measuring the effectiveness of treatment but also in terms of preventive medicine. By combining JMDC’s data with OMRON’s data, OMRON can make significant progress toward its goal of Zero Events to reduce the onsets of cerebrovascular and cardiovascular disease to zero. This is the main reason why we decided to conclude a capital and business alliance with JMDC. As the social issue of rising healthcare costs becomes more pressing, health big data is becoming ever more important in the context of the major trend from treatment to prevention.

This capital and business alliance has an additional purpose. It is to gain insights from JMDC on how best to operate data-based businesses. In the medium to long term, a stream of businesses that utilize data to provide solution services to individuals and companies will be launched in various fields, not only in the Healthcare Business but also the Industrial Automation Business and the Social Systems, Solutions and Service Business. By learning from JMDC how to monetize data utilization, we will also accelerate value creation from an essential value perspective. We are already pursuing seven collaborative themes with JMDC, including new service development and overseas business development.

[P57 Innovation & Technology →](#)

■ **Joint press conference with JMDC Inc. (February 22, 2022)**



President and CEO of OMRON Corporation  
Yoshihito Yamada

President and CEO of JMDC Inc.  
Yosuke Matsushima

**Advancing Hand in Hand with Employees toward a Future where Individuals Shine**

— **What are your resolutions for fiscal 2022, the first step toward accomplishing the long-term vision?**

As for the results for the first quarter of fiscal 2022, OMRON’s sales and profit decreased year on year due to production constraints at the main plant in Shanghai caused by the lockdowns in that city. However, these constraints have been resolved.

The performance for the single month of June decisively recovered to a level exceeding that of the same month of the previous year, and we expect to achieve the plan we set at the beginning of the fiscal year for increased sales and profit for the full year. From the second quarter onward, we expect to continue facing various challenges, including shortages of parts and materials, heightened geopolitical risks, and rising inflation. Nevertheless, OMRON now has the ability to overcome such challenges. In order to further strengthen this ability, we will continue to make the investments necessary for growth. Strong order-taking is continuing and we have received numerous inquiries from customers about needs related to their capital investment over the next several years. Fiscal 2022 will be a year in which we will accelerate the creation of innovation driven by social needs to meet short- and medium-term customer expectations and advance vigorously toward the goal of SF2030.

■ **FY2022 Plan**

	FY2022 Plan	Y/Y
Net Sales	850.0 billion yen	+ 11.4%
Gross Profit	387.5 billion yen	+ 11.7%
Operating Income	93.0 billion yen	+ 4.1%
Net Income	63.0 billion yen	+ 2.6%

[P36 Outlook for Fiscal 2022 →](#)

[P82 Integrated Risk Management →](#)

Under SF2030, we are ready to operate in turbulent times. Whenever a new era begins, “change” is unavoidable. But change is a great opportunity. That is why we are keeping our finger on the pulse of the world. And we will move quickly and decisively to take on the challenge of resolving social issues that arise from change. At OMRON, we call this “innovation driven by social needs,” and it is among the “Our Values” of the OMRON Principles. Putting this into practice is at the heart of OMRON’s mission and purpose.

The management team’s principal tasks are to implement a virtuous cycle linking employee satisfaction and corporate growth and to create a system that allows all employees to fully demonstrate their abilities. Under the banner of “automation to empower people,” OMRON is shifting into high gear to become an enterprise where each and every employee shines brighter than ever before. Advancing hand in hand with our employees, we will continue to take on the challenge of creating innovation driven by social needs.

# 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.”

## SF2030 Vision Statement

### We Will Continue to Create “Innovation Driven by Social Needs” through Automation to Empower People.

Design the near-future, detect and uncover social needs, and create new value through automation. We call this process “innovation driven by social needs” and have been contributing to a better society by practicing it since our foundation. Contributing to creation of a social and economic system capable of sustainable development is OMRON’s fundamental purpose. We will remain true to corporate philosophy management, continuing its practice without change.

Automation in industrial society was the replacement of human work by machines. What is required in an “autonomous society” is automation that helps people realize their full potential through the optimal combination of replacement, collaboration, and harmonization. We have defined automation from now on as “automation which empowers people,” and will continue to evolve our Sensing & Control + Think technologies to realize this automation.

In the next decade, as existing social issues become more pressing and new ones emerge, we will remain true to our core values and contribute to achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancies through “automation which empowers people,” with the aim of realizing an autonomous society where individual fulfillment is compatible with the society’s affluence.

## 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 seize this opportunity certainly, 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, and 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.

	Achievement of Carbon Neutrality	Realization of a Digital Society	Extension of Healthy Life Expectancies
Social Issues Addressed by OMRON			
Social Value to be Created	Energy systems that strike a balance between safety, security, and convenience and the natural environment	Manufacturing and infrastructure that will free people from all restrictions, regardless of age or wealth, and realize an enjoyable, creative, and sustainable society	Healthcare systems that enable people to lead healthy, prosperous, and independent lives

Social Issues and Social Value to be Created

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.

Domains	Achievement of carbon neutrality	Realization of a digital society	Extension of healthy life expectancies
Industrial Automation	Contribute to the “advancement of manufacturing that will support a sustainable society”		
Healthcare Solutions			Contribute to the “achievement of ‘Zero Events’ for cardiovascular diseases”
Social Solutions	Contribute to “the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society”		
Device & Module Solutions	Contribute to the “spread of new energy and high-speed communications”		

Social Value to be Created by OMRON through Its Domains

## 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 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." 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.

## Material Sustainability Issues under SF2030

## SF2030 Goals

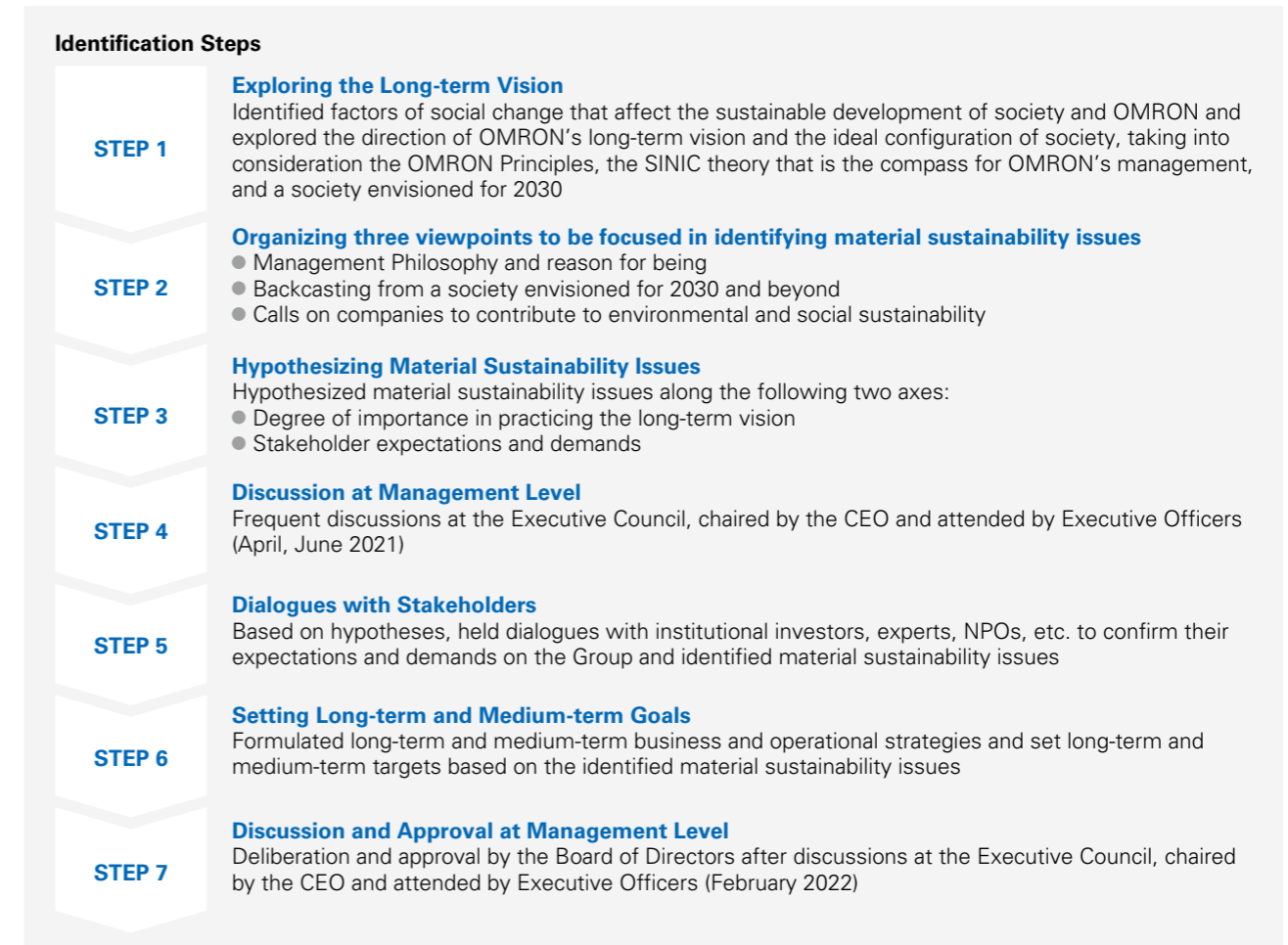


\*1 Scope 1 and 2: Direct and indirect GHG emissions from the company

\*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.

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, in view of suggestions gained through internal discussion and dialogues with external experts.

## Steps for Identification of Material Sustainability Issues



## Addressing Material Sustainability Issues and Maximizing Corporate Value

We will continue to maximize corporate value by integrating business and sustainability to create both social value and economic value.



## CFO Interview

### Evolution of ROIC Management Drives Maximization of Corporate Value



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

#### Koji Nitto

— **Under the VG2020 long-term vision (VG), OMRON strove to enhance corporate value, championing ROIC Management. Please wrap up OMRON's initiatives so far.**

Under VG, with the aim of becoming a robust enterprise with growth potential, profitability, and ability to effectively respond to change, we pursued portfolio management based on return on invested capital (ROIC) and Down-Top ROIC Tree. I feel that our efforts are bearing fruit as OMRON's capabilities.

During the period covered by VG, we largely completed selection and decentralization of businesses. Now, the OMRON Group has a more resilient business portfolio. Termination of unprofitable products in each business has progressed, and the overall gross profit margin (GP ratio) has steadily improved. Moreover, Down-Top ROIC Tree has permeated workplaces as a result of our efforts to raise employee awareness. It is a great asset. I am pleased that individual workplaces understand the importance of their roles in achieving the Group's targets and the targets of individual businesses and that they are acting with a strong commitment. We will continue to leverage

these initiatives as OMRON's abiding strengths in pursuit of our new long-term vision, SF2030. Of course, we have some issues. We need to be capable of achieving self-driven growth, in other words, to contribute to further value creation. The essence of ROIC Management is management of value creation. It means optimizing resources and investing them in growth businesses. Earnings management is one of these processes, and it is only completed when reinvestment leads to value creation. Although we were able to enhance profitability under VG, with a view to the future, we need to be selective in regard to investment fields and stretch our ability to shoulder calculated risk and allocate resources appropriately in a timely manner. Evolving a business, such as the data business, requires developing capabilities to evaluate markets and business models, as well as selectively making investment decisions based on the time horizon for the results of investment. In addition, it is essential to invest in strengthening the business foundation over the medium to long term, including investment in supply chain management and digital transformation (DX), which we are promoting now. Along with the strategic

investments in business mentioned earlier, it is becoming more difficult than ever to steer our course and balance investment with sustainable growth of profits.

— **A goal of SF2030 is to maximize corporate value. How will OMRON evolve ROIC Management to achieve this goal?**

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

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

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

Another aspect of the evolution of ROIC Management centers on "construction of a new management tree that systematizes enhancement of corporate value."

There are two main reasons for this. The first reason is that intangible assets will become more important as a business evolves. We aim at profit growth not only through cost competitiveness of

products but also by creating high added value to solve our customers' essential issues. Many of the components that create that added value are related to intangible assets.

For example, in the case of -innovative-Automation of the Industrial Automation Business, the sources of our competitive advantage are a suite of innovative applications co-created by OMRON and leading companies in various industries, and our highly skilled engineers. In the case of the Healthcare Business, the know-how in obtaining permits and approvals and the trust of the medical industry we have cultivated over the years, as well as the blood pressure data collected and accumulated globally differentiate OMRON from its competitors and contribute greatly to the creation of value unique to OMRON. It is extremely important to link these intangible assets to the added value generated by each business, and at the same time, to have the metrics to measure the financial impact of investment.

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

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

— **OMRON invested over ¥100 billion in JMDC Inc. in fiscal 2021. What is the background and thinking behind this investment decision from the perspective of ROIC Management?**

Regarding investment in JMDC, we thoroughly examined medium- to long-term returns and risks. We evaluated how to generate returns in excess of the cost of capital in terms of both traditional economic value and strategic value. The purpose of this investment is to create a data business, a new challenge for the OMRON Group. Essentially, the evaluation of investment is similar to the evaluation of a new business. It is not appropriate to use

synergy measurements and valuations, which are used for evaluating existing businesses. We conducted evaluation along the timeline, discussed everything, and evaluated the short-term investment impact and the concept of the data business and its financial potential over the medium to long term. On the other hand, the strategic value is very clear.

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

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

JMDC's bottom line on a non-consolidated basis was expected to be ¥3 billion at that time, and thus

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

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

Under SF2030, in order to maximize corporate value, we established a new cash allocation policy. It prioritizes investment in growth and on this basis, we will enhance shareholder returns. This indicates OMRON's strong determination to continue growing. Starting with this new medium-term management plan, we have set operating cash flow as one of the management indicators.

Maximizing corporate value requires a constant cycle of "value creation and reinvestment," and operating cash flow is the key to this cycle. ROIC Management has strengthened OMRON's ability to generate cash year after year. We will reinvest the cash in the Industrial Automation Business and the Healthcare Business, which are the drivers of the Group's growth. In addition to the growth investments required for existing businesses, we will make the necessary investments to create new business models so as to enhance OMRON's medium- to long-term growth potential. To ensure growth, we will also

make investments to transform our organizational capabilities across the Group. There are three priority fields for investment. Firstly, investment in human resources. For business transformation, it is important to develop the capabilities of individual employees who will be engaged in the transformation and to create an environment that attracts diverse human resources. To this end, we will invest ¥6 billion in human resources, about three times the amount invested during the previous medium-term management plan, centering on global recruitment and implementation of human resources development programs. Secondly, promotion of DX. Our goal of creating new data-driven businesses requires business infrastructure suitable for such businesses. It is necessary to transition from the conventional structure focused on products to one that is optimized for offering solutions centered on combinations of products and services. At the same time, in the course of this transition, enhancement of operational efficiency through standardization of business processes is a must to prevail over competition in the market. We will execute this medium- to long-term investment according to the plan.

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

In addition, with respect to business transformation and transformation of organizational capabilities, carbon neutrality is another key investment theme for the OMRON Group. Climate change is a social issue that OMRON should address as a corporate

citizen. Indeed, companies increasingly recognize addressing the issue as a precondition for engaging in business.

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

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

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

Our aim is to strongly implement the virtuous cycle of value creation and reinvestment. This is the key to maximizing corporate value and rewarding shareholders.

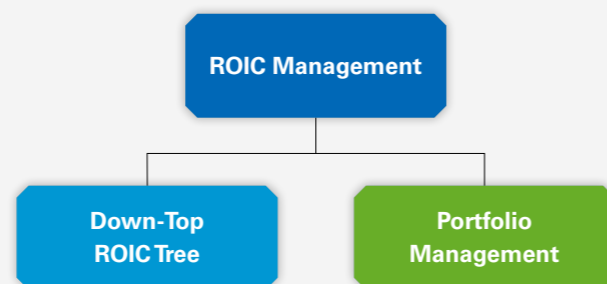
Investment Plan		
	Forecast for the most recent 3 years FY2019-2021 (cumulative total)	SF 1st Stage plan FY2022-2024 (cumulative total)
Growth investment (including M&A)	¥140.4 billion	¥200.0 billion
R&D investment	¥134.3 billion	¥165.0 billion
Capital investment (including DX investment)	¥91.3 billion	¥130.0 billion
Investment for carbon neutrality	¥3.8 billion	¥20.0 billion
Investment in human resources development	¥2.0 billion	¥6.0 billion

Cash Allocation Policy during SF 1st Stage
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- and long-term perspective. During SF 1st Stage, priority will be placed on investments in human resources and R&D to solve social issues and innovate driven by social needs; capital investments in production capacity increases and digital transformation (DX); investment in growth initiatives such as M&A (merger, acquisition, and alliance); 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.

Shareholder Return Policy during SF 1st Stage
1) With priority being placed on the investment necessary for value creation over the medium and 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.

## ROIC Management

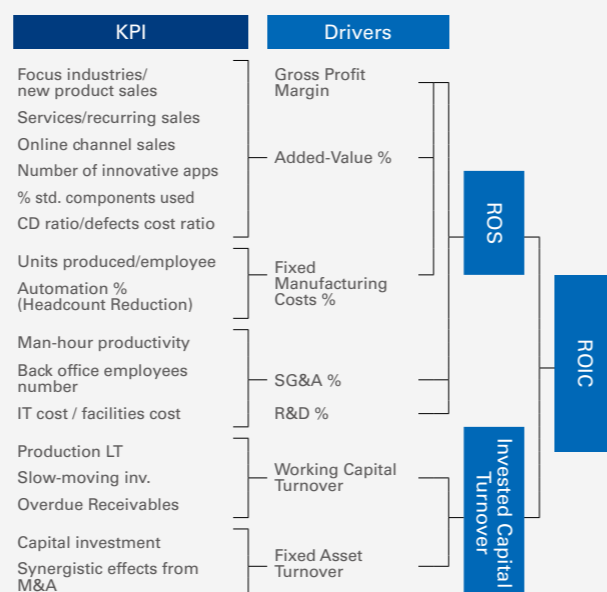
ROIC management consists of Down-Top ROIC Tree and Portfolio Management. OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment.



### Down-Top ROIC Tree

Down-Top ROIC Tree breaks ROIC into key performance indicators for each department, allowing us to improve ROIC at the most basic operating level. Using simple ROS or invested capital turnover as ROIC indicators are ineffective, since they do not relate directly to front-line operations. On-site managers would have trouble thinking of ways to improve ROIC using these indicators. However, we can break ROIC down into automation/head count reduction or facilities turnover as KPIs of manufacturing departments. With these indicators, managers can finally see how their goals tie directly to ROIC improvement initiatives. At OMRON, one of our greatest strengths is our unified approach to improving ROIC from the ground level up.

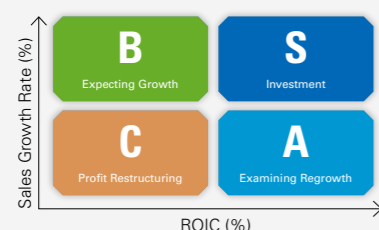
### Down-Top ROIC Tree



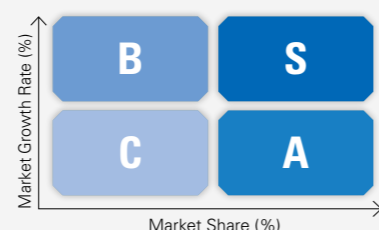
### Portfolio Management

OMRON consists of approximately 60 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in OMRON Group value. We consider both the economic value and the market competitiveness of a business to allocate limited resources in an optimal manner. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources.

#### Assessing Economic Value



#### Assessing Competitiveness



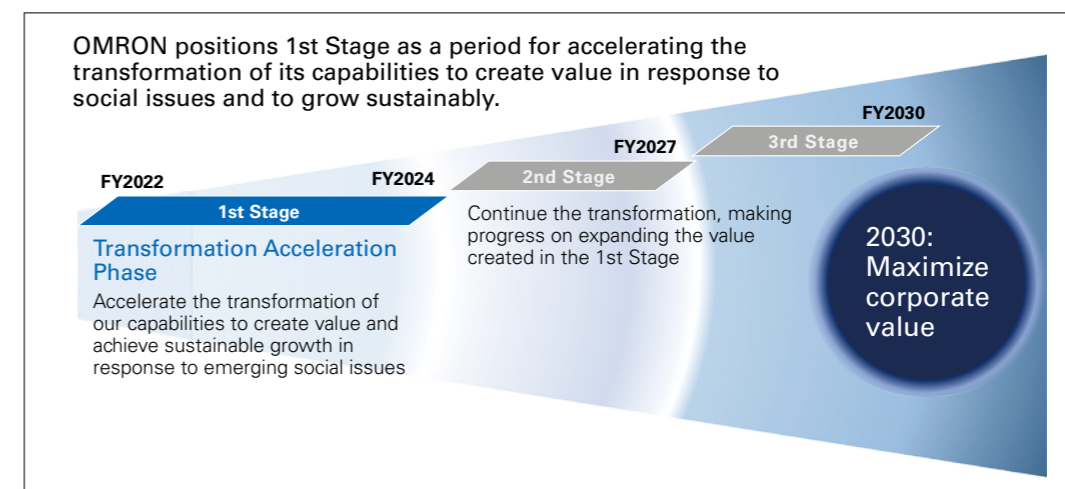
## Medium-term Management Plan "SF 1st Stage"

### Positioning of SF 1st Stage

The long-term vision, "Shaping the Future 2030 (SF2030)," covers nine years as we delayed its launch by one year because of the COVID-19 pandemic. The nine-year period is divided into three stages and each stage is covered by a medium-term management plan. The medium-term management plan for the first stage (from fiscal 2022 to fiscal 2024) is "SF 1st Stage." We have positioned the first stage as the "transformation acceleration phase" where we accelerate the transformation of our capabilities to create value that addresses emerging social issues and achieve sustainable growth.

Transition to a new social and economic system corresponding to the needs of an emerging sustainable society is accelerating worldwide. Moves to build the elements of a sustainable society, including renewable energy, EVs, telemedicine services, and the high-speed communications infrastructure that supports these services, are becoming apparent. This social change is prompting structural transformation in many industries, creating new business opportunities and the chance for OMRON to make a great leap forward. At the same time, however, lack of clarity and uncertainty in the business environment, such as geopolitical risks, the ongoing COVID-19 pandemic, frequent occurrence of natural disasters, and supply chain disruptions triggered by such events, are expected to become "the norm." At the same time, demands for a sustainable society, as typified by carbon neutrality and respect for human rights, are increasing. In this transformative period, achievement of the long-term vision is largely dependent on whether we can strengthen our ability to respond effectively to change.

In the period covered by SF 1st Stage in which opportunities and risks are mixed, we will leverage our assets and capabilities cultivated through the former long-term vision "Value Generation (VG) 2020" and proactively promote solutions to social issues with the aim of achieving high growth. Moreover, we will use this three-year period, in which our capabilities are to be transformed, to adapt to medium- to long-term changes in the business environment. By connecting the achievement under SF 1st Stage to greater value under SF 2nd Stage (from fiscal 2025 to fiscal 2027), we aim to ensure maximization of corporate value in 2030.



Positioning of SF 1st Stage

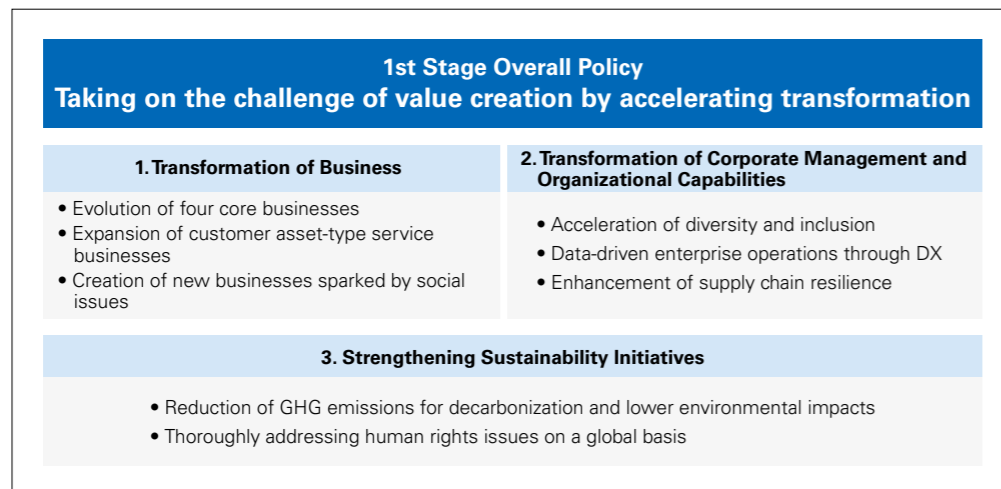
### 1st Stage Overall Policy

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.



SF 1st Stage Overall Policy and Group Strategy

### 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.

#### ● Expansion of customer asset-type service businesses

By approaching fundamental issues of customers from a service value perspective, rather than from a product value perspective, we aim to create and expand new service businesses by leveraging customer assets, such as field knowledge and data, we have cultivated to date.

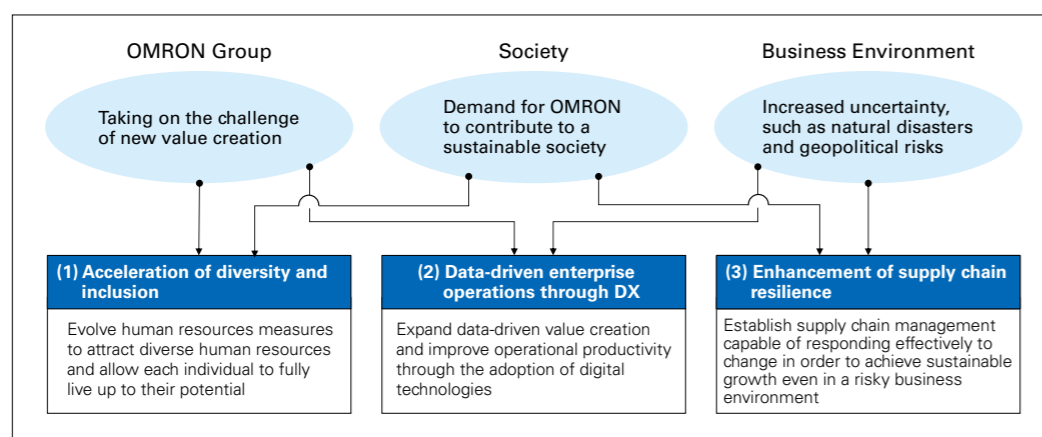
We will continue to connect with customers by offering new value through the combination of products and services and implement a cycle of identifying issues of customers and resolving them.

#### ● Creation of new businesses sparked by social issues

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

### Transformation of Corporate Management and Organizational Capabilities

To adapt to changes in the business environment and enhance the sustainability of value creation, we will evolve our corporate management and organizational capabilities. To this end, we have identified three areas to be transformed from three viewpoints: OMRON Group, society, and the business environment.



Transformation of Corporate Management and Organizational Capabilities

Firstly, from the viewpoint of the OMRON Group, we will take on the challenge of new value creation. Under SF 1st Stage, we will take on difficult challenges, such as creation of service businesses and new businesses, in addition to strengthening of competitiveness in focus businesses.

Secondly, from the viewpoint of society, OMRON has long promoted initiatives to contribute to a sustainable society. Meanwhile, demands from society for companies to contribute to a sustainable society are becoming stronger and wider in scope. In the course of business activities, we need to shift to corporate management and business operations emphasizing contribution to stakeholders.

From the viewpoint of the business environment, uncertainty, such as natural disasters and geopolitical risks, is expected to be the norm. Based on the assumption that a business environment with a high degree of uncertainty will continue, such as frequent extreme weather events and friction between the U.S. and China, it is necessary to build a business foundation on which we can continue to create value even in such an environment.

Based on these three viewpoints, we have identified three key areas to be focused: "acceleration of diversity and inclusion," "data-driven enterprise operations through digital transformation," and "enhancement of supply chain resilience."

#### ● Acceleration of diversity and inclusion (D&I)

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

#### ● Data-driven enterprise operations through DX

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

#### ● Enhancement of supply chain resilience

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

### Strengthening Sustainability Initiatives

The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas (GHG) emissions for decarbonization and lower environmental impacts while thoroughly addressing human rights issues on a global basis. As well as achieving sustainable business growth, society expects OMRON to contribute to the sustainable development of society. Under SF2030, OMRON has set "achieving decarbonization and reducing environmental impacts" and "respecting human rights in the value chain" as key sustainability issues.

On March 1, 2022, we established the OMRON Environmental Policy and the OMRON Human Rights Policy as important guidelines for promoting and achieving these goals under SF2030 and SF 1st Stage. Going forward, in accordance with these policies, OMRON will strive to meet the expectations of its stakeholders, thereby enhancing its corporate value.

● Reduction of GHG emissions for decarbonization and lower environmental impacts

Having set OMRON Carbon Zero in July 2018 with the goal of reducing GHG emissions in Scope 1 and 2 to zero by 2050, OMRON is promoting reduction of GHG emissions. Under SF2030, with the aim of realizing a carbon-zero society and transitioning to a circular economy, we accord the top priority to reducing GHG emissions throughout the value chain and building a resource recycling model.

Major initiatives under SF 1st Stage are as follows:

- Reduction of GHG emissions (Scope 1 and 2: Emissions from OMRON)
- Reduction of GHG emissions (Scope 3, Category 11: Emissions from use of manufactured/sold products, services, etc.)
- Transition to a circular economy

Initiatives	SF 1st Stage Targets
<b>Reduction of GHG*1 emissions from OMRON (Scope 1 and 2)</b>	Reduce GHG emissions by 53% by FY2024 vs. FY2016 to achieve Carbon Zero by 2050. For this purpose, expand energy saving and energy generation and achieve Carbon Zero*2 at all 76 sites in Japan.
<b>Reduction of GHG emissions from use of products sold by OMRON (Scope 3, Category 11)</b>	To achieve an 18% reduction by FY2030 (vs. FY2016), implement energy-saving designs for new products in each business in the 1st Stage. At the same time, in the 1st Stage, formulate a scenario for achieving FY2030 targets.*3

\*1 GHG: Greenhouse gas

\*2 GHG emissions from OMRON's electricity use at 13 production sites and 63 non-production sites (headquarters, R&D, and sales)

\*3 Scope 3 targets for 2050 have not yet been determined. They will be formulated after further verification and examination.

Initiatives for "Achieving Decarbonization and Reducing Environmental Impacts" under SF 1st Stage

● Thoroughly addressing human rights issues on a global basis

OMRON has conducted human rights risk assessments and implemented countermeasures by using sustainability self-assessment, etc. of its own production sites and major suppliers. In addition to these efforts, under SF 1st Stage, we aim to establish a global human rights governance system by expanding the scope to include the entire value chain and promoting efforts in accordance with the OMRON Human Rights Policy and the United Nations Guiding Principles on Business and Human Rights (UNGP).

Major initiatives under SF 1st Stage are as follows:

- Execution of human rights due diligence in line with the UNGP
- Establishment of a human rights remedy mechanism appropriate to each country and region

OMRON believes that enabling people involved in its value chain to work and live without being exposed to human rights risks is the foundation of sustainable business and will lead to a better society. Through these initiatives, we will enhance OMRON's growth potential.

**Management Targets**

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

SF 1st Stage Financial Targets					
	FY2021 Results	FY2024 Targets		FY2021 Results	FY2024 Targets
<b>Net Sales</b>	¥ 762.9 billion	¥ 930.0 billion	<b>Industrial Automation Business (IAB)</b>	Net Sales	¥ 418.1 billion
<b>Operating Income</b>	¥ 89.3 billion	¥ 120.0 billion		Operating Income (Operating Income Margin)	¥ 76.3 billion [18.2%]
<b>Operating Cash Flow (3-year total)</b>	¥ 232.7 billion (Excludes impact of transfer of the Automotive Electronics Components Business)	¥ 250.0 billion	<b>Healthcare Business (HCB)</b>	Net Sales	¥ 132.9 billion
<b>ROIC</b>	9.6%	>10%		Operating Income (Operating Income Margin)	¥ 18.5 billion [14.0%]
<b>ROE</b>	9.7%	>10%	<b>Social Systems, Solutions and Service Business (SSB)</b>	Net Sales	¥ 87.7 billion
<b>EPS</b>	¥ 306	>¥ 400		Operating Income (Operating Income Margin)	¥ 6.5 billion [7.4%]
			<b>Device &amp; Module Solutions Business (DMB)</b>	Net Sales	¥ 121.0 billion
				Operating Income (Operating Income Margin)	¥ 10.1 billion [8.3%]

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

SF 1st Stage Non-financial Targets	
1	Achieve +45% growth in sustainability sales*1 compared with FY21 as a contribution impact on a sustainable society Green Revenue +65% Digitalization Revenue +40% Healthcare Revenue +40%
2	Achieve a 18% rate of female managers globally
3	Achieve the employment of people with disabilities at 28 global production bases and maintain the 3% employment rate for people with disabilities in Japan
4	Achieve a 53% reduction in GHG emissions in Scope 1 and 2 compared with 2016 levels
5	Achieve 100% use of renewable energy electricity at all 76 bases in Japan
6	Conduct human rights due diligence in line with the UNGP and establish human rights redress mechanisms in the value chain
7	Steadily advance sustainability initiatives to continue to be selected for DJSI World
8	Enable all employees to understand and use digital technology in their work including statistics, data analysis and artificial intelligence.
9	Release the potential of all OMRON members by training 100% of managers globally in coaching team members and removing unconscious bias
10	Reduce the need to print paper in all OMRON sites through the implementation of digital solutions
11	+①Top management of each region to declare and execute their commitment to contribute to local communities in alignment with OMRON's Sustainability Policy

\*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.

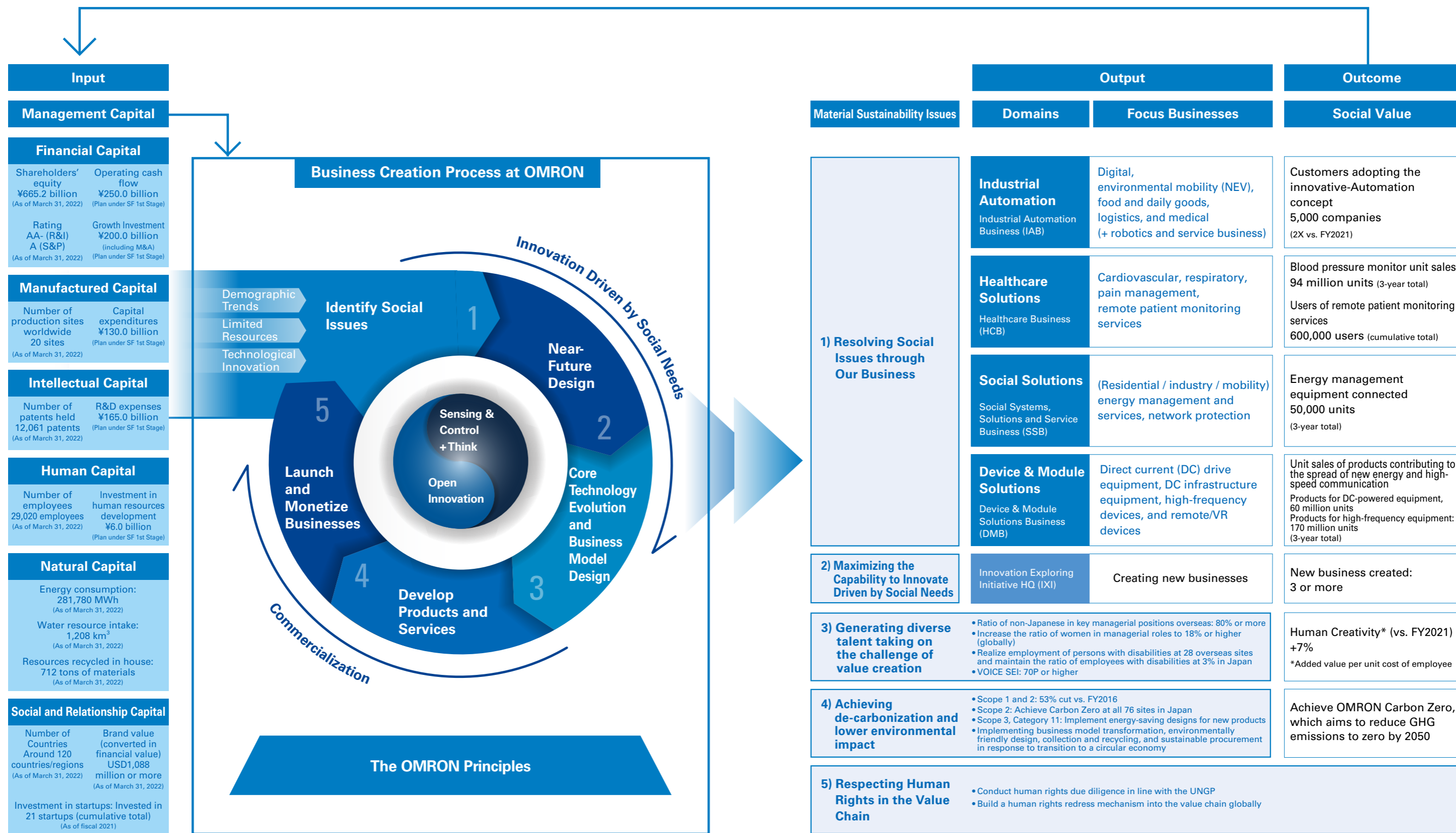
In addition, we have established strategic objectives, key objectives of the OMRON Group's initiatives, leading to achievement of our financial and non-financial targets. The strategic objectives are as follows:

SF 1st Stage Strategic Objectives			
<b>Industrial Automation Business (IAB)</b> Number of customers using innovative-Automation <b>5,000 companies</b> (2X vs. FY2021)	<b>Healthcare Business (HCB)</b> Global blood pressure monitor sales <b>94 million units</b> (3-year total) Number of telemedicine service users <b>600,000 users</b> (cumulative total)	<b>Social Systems, Solutions and Service Business (SSB)</b> Connected energy management devices <b>50,000 units</b> (3-year total)	<b>Device &amp; Module Solutions Business (DMB)</b> Sales volume for products contributing to the spread of new energy and high-speed communications <b>Products for DC equipment 60 million units</b> <b>Products for high-frequency devices 170 million units</b> (3-year total)
<b>Expanding Customer Asset-type Service Businesses</b> Ratio of service business sales <b>&gt;10%</b>	<b>Creating New Businesses</b> New businesses created <b>3 or more</b>	<b>Diversity &amp; Inclusion</b> Human creativity <b>+7%</b> (vs. FY2021) Investment in human resources development <b>¥ 6.0 billion</b> (3-year total) VOICE SEI <b>&gt;70 points</b>	<b>Enhancing Profit Generating Capability</b> Gross Profit Margin <b>&gt;47.0%</b>

# Value Creation Model

Under SF 1st Stage, leveraging its intangible assets and management capital such as “human resources” and “intellectual capital,” OMRON will continue innovation and creation of products and services through the business creation process based on the OMRON Principles and the SINICTheory and pursue Material

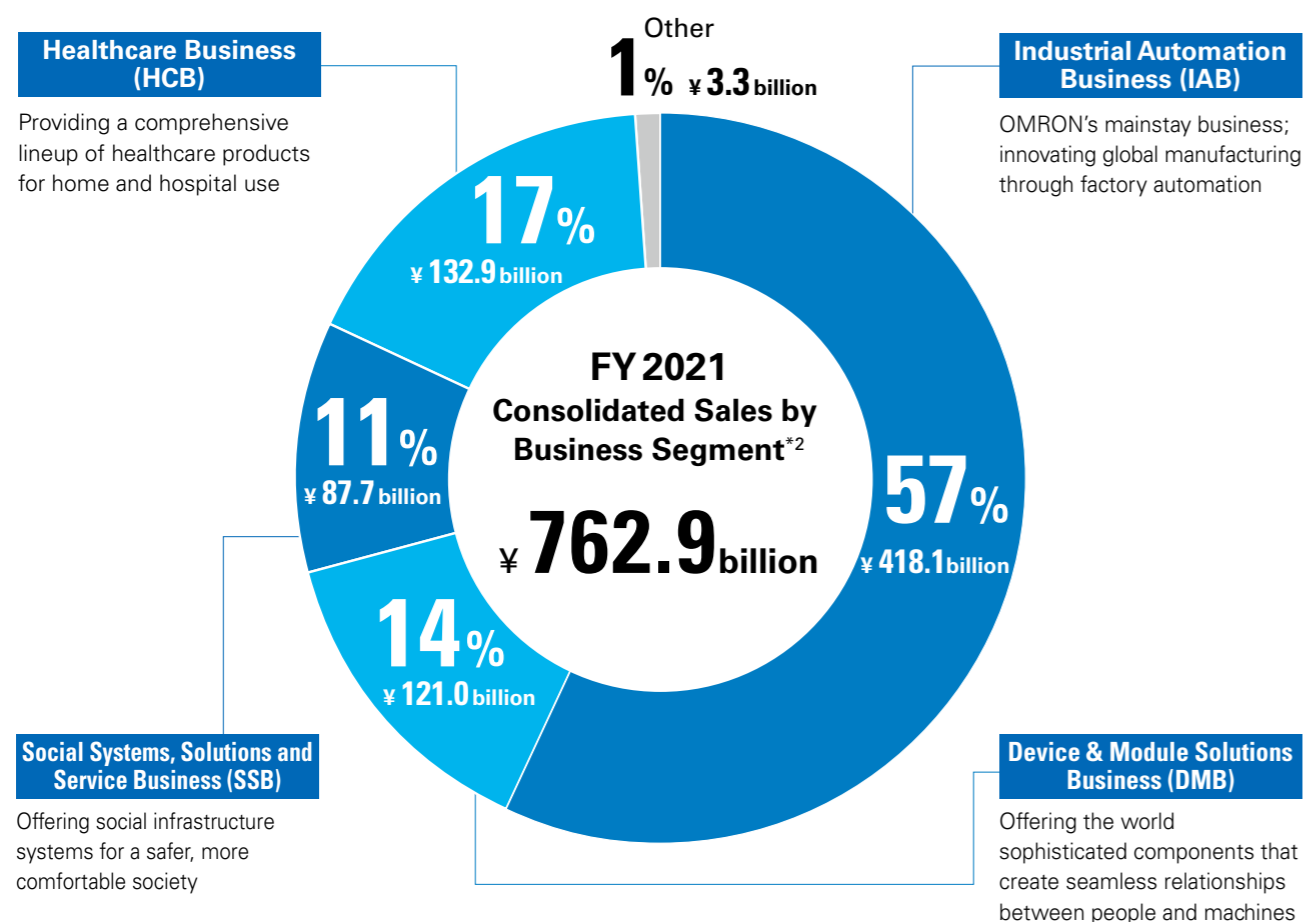
Sustainability Issues, thereby creating social value that contributes to establishment of an autonomous society and leads to sustainable enhancement of corporate value. We will continue to expand and create social value by increasing management capital to create innovation driven by social needs.



# OMRON's Business and Fiscal 2021 Results

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

## Consolidated Sales Composition Ratio



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

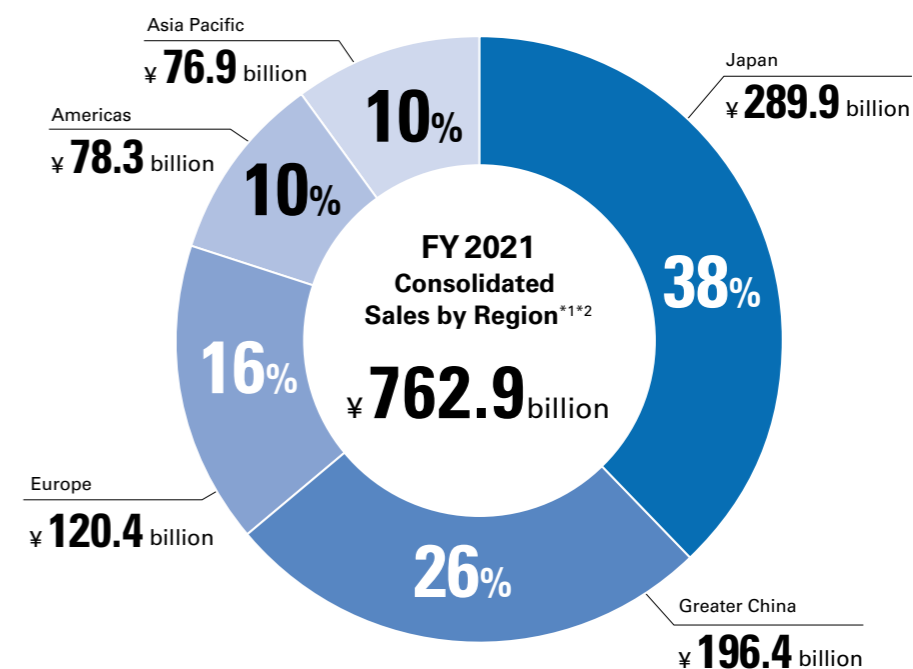
(Billions of yen, %)

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

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

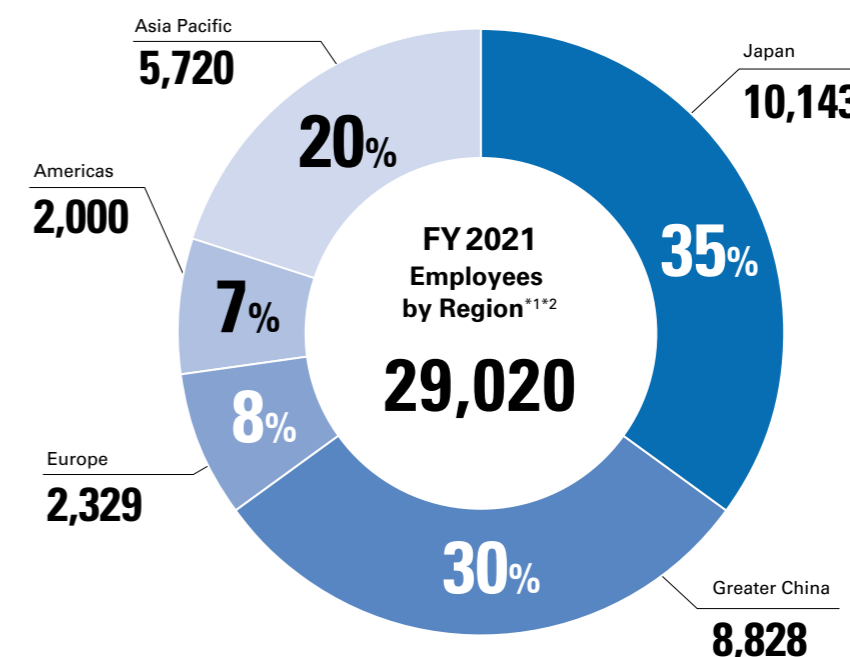
## Net Sales by Region

Ratio of Overseas Sales  
Approx.  
**62%**



## Number of Employees by Region

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

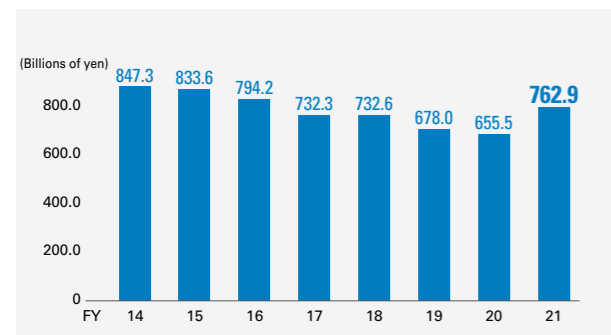


\*1 Regional categories are defined as follows:  
Americas includes North America, Central America, and South America.  
Europe includes Europe, Russia, Africa, and Middle East.  
Greater China includes China, Taiwan, and Hong Kong.  
Asia Pacific includes Southeast Asia, Korea, India, and Oceania.  
\*2 As of March 31, 2022.



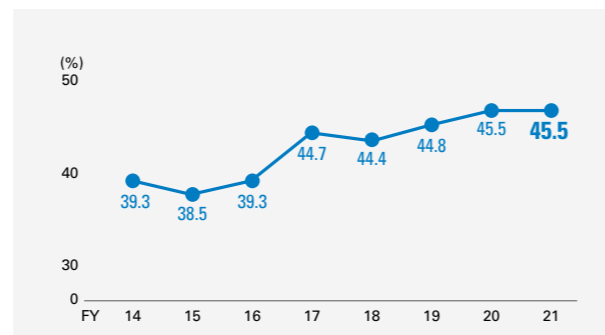
## Financial Highlights

### Net Sales



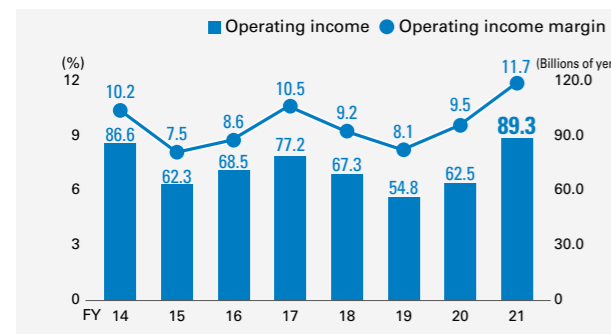
Consolidated net sales increased significantly from the previous year, as the Industrial Automation Business and the Healthcare Business captured demand amid continued uncertainty in the business environment.

### Gross Profit Margin



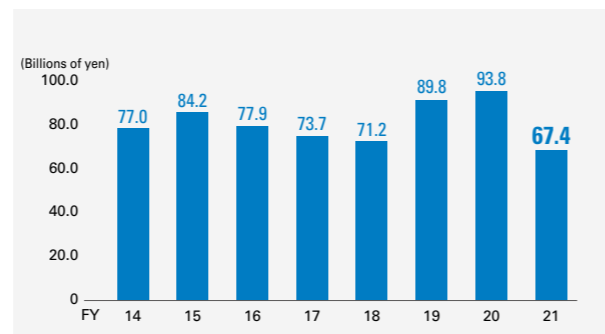
The gross profit margin on a consolidated basis remained high, despite the impact of inflation, owing to price optimization and ongoing cost reduction and other measures.

### Operating Income / Operating Income Margin



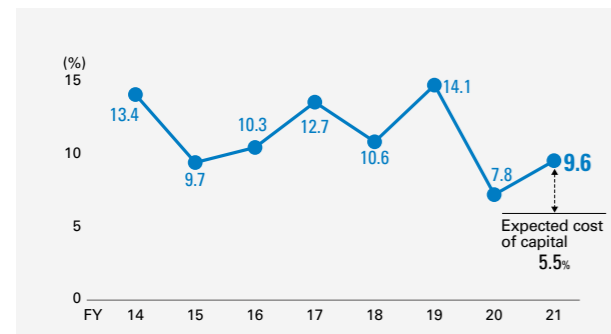
Consolidated operating income reached a record high thanks to increased net sales and as a result of strengthened initiatives to improve profitability centering on the gross profit margin.

### Operating Cash Flow



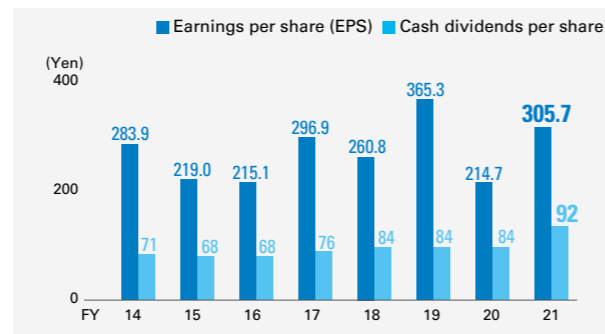
Cash has temporarily decreased due to an increase in working capital resulting from a significant increase in net sales from the previous year. However, OMRON's ability to generate cash is stable and at a high level.

### Return on Invested Capital (ROIC)



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

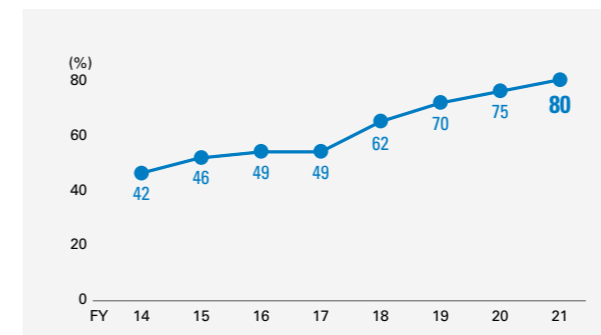
### EPS and Cash Dividends



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

## Non-Financial Highlights

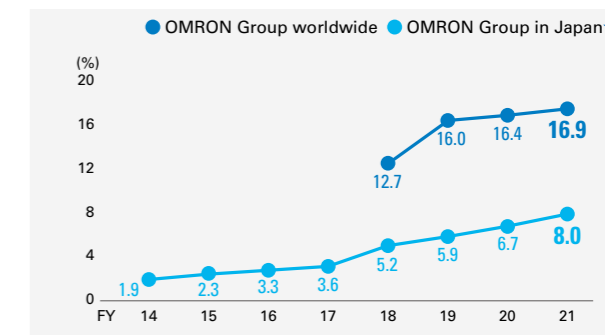
### Ratio of Non-Japanese in Key Managerial Positions Overseas\*



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

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

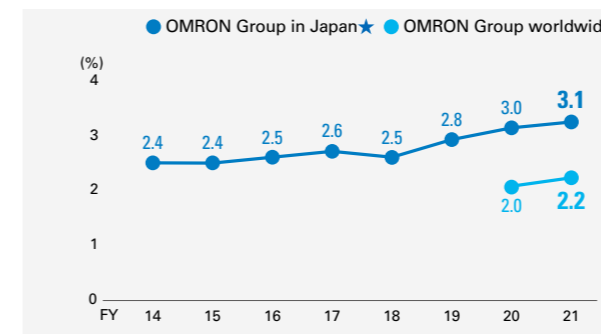
### Ratio of Women in Managerial Roles



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

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

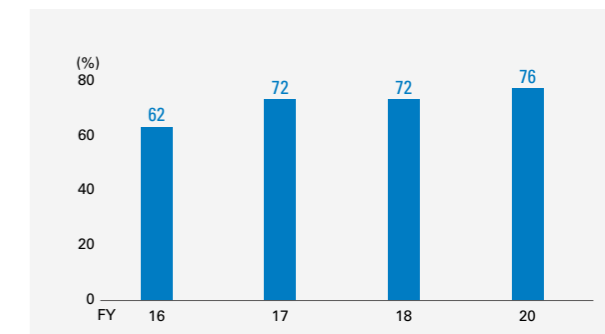
### Ratio of Employees with Disabilities (OMRON Group Worldwide and in Japan)



OMRON strove to create and expand employment opportunities for people with disabilities. As a result, the ratio of employees with disabilities reached 3.1% for the OMRON Group in Japan, exceeding Japan's legally mandated ratio of 2.3%.

\* Figures represent results as of June 20. For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities. Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.  
\* For the ratio of employees with disabilities (OMRON Group worldwide), applicable sites in countries with legally mandated employment rates are within the scope. The ratio is calculated based on the calculation method stipulated by laws and regulations of each country.

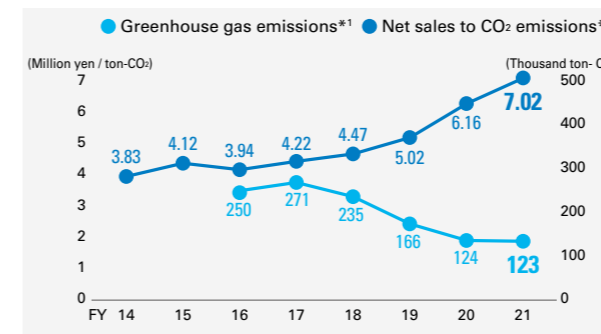
### Employee Engagement



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

\* The rate for fiscal 2015 is not presented because we did not conduct a survey. The figures for fiscal 2017 onward are based on the score of Sustainable Engagement Index (SEI) in the VOICE employee engagement survey.  
\* The VOICE employee engagement survey has been conducted every other year since fiscal 2018.

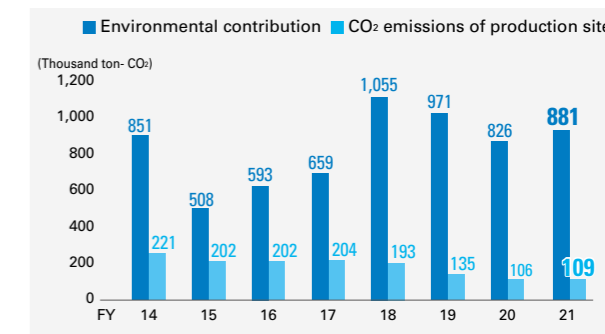
### Greenhouse Gas Emissions\*



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

\*1 Greenhouse gas emissions: Scope 1 and 2  
\*2 Net sales to CO<sub>2</sub> emissions: Net sales per ton of CO<sub>2</sub> emissions

### Environmental Contribution\*



We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO<sub>2</sub> emissions at our production centers through the use of our own energy saving products.

\* Environmental Contribution = Volume of CO<sub>2</sub> emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services.  
[https://sustainability.omron.com/en/enviro/climate\\_change/contribution/](https://sustainability.omron.com/en/enviro/climate_change/contribution/)

\* The Automotive Electronics Components Business (AEC) was transferred and the AEC business was classified as a "discontinued business." Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.

★ Indicates assurance performed by Bureau Veritas Japan Co., Ltd. ☆ Indicates independent verification or review performed by Bureau Veritas Japan Co., Ltd.  
★ Indicates assurance performed by KPMG AZSA Sustainability Co., Ltd.

## FY2021 Sustainability Targets and Results

Based on its Sustainability Policy, OMRON identified “social issues to solve through business” and “issues to respond to stakeholder expectations” as material sustainability issues.

Viewing fiscal 2021 as a period of change in the runup to the launch of SF2030, we set single-year targets in line with the material sustainability issues set in the previous medium-term management plan “VG2.0” and pursued various initiatives.

### Targets for Social Issues to Solve through Business

Factory Automation <a href="#">P37</a> →	
Social Issues	<ul style="list-style-type: none"> <li>Increasing sophistication and functionality of products in line with changes in industry as represented by CASE*1 and 5G, etc.</li> <li>Progress in high-mix low-volume production in response to the diversification of consumer needs</li> <li>Accelerating trends toward local production for local consumption in response to trade frictions</li> <li>Aging demographics and shortage of skilled workers, particularly in developed countries; and soaring labor costs in emerging economies</li> </ul>
FY2021 Targets	Create applications that embody innovative-Automation*2, establish control technologies that make these applications possible, and create new products based on these applications.
FY2021 Progress	<ul style="list-style-type: none"> <li>Expanded software products that accelerate digital transformation at manufacturing sites and provide remote engineering that integrates real and virtual applications.</li> <li>Contributed to significant efficiency gains at manufacturing sites by achieving harmony between humans and machines through expanded robot-related areas to achieve safety assurance and productivity.</li> <li>Applications created increased by 77 in FY2021, reaching 247 on a cumulative basis</li> </ul>
Social Value Created	Contribute to economic development by improving social productivity.

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

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

Healthcare <a href="#">P43</a> →	
Social Issues	<ul style="list-style-type: none"> <li>Increased incidence of brain and cardiovascular diseases attributable to high blood pressure</li> <li>Increased worldwide prevalence of asthma and other respiratory diseases</li> </ul>
FY2021 Targets	<ol style="list-style-type: none"> <li>Created a remote hypertension monitoring service and proposed a new way of hypertension treatment to society</li> <li>Accelerated the wider use of home blood pressure measurement globally and achieved a cumulative sales volume of 300 million blood pressure monitor units</li> <li>Expanded related products to create remote care and other respiratory disease service businesses</li> </ol>
FY2021 Progress	<ol style="list-style-type: none"> <li>Focused on strengthening the content of hypertension remote monitoring services in North America, Europe, and Asia-Pacific, increasing the number of registered patients and hospitals</li> <li>Achieved 300 million units in cumulative sales of blood pressure monitors. Continued to communicate efforts to achieve zero events through online and other channels</li> <li>Completed validation tests for respiratory remote monitoring business model based on wheeze sensors</li> </ol>
Social Value Created	Contribute to healthy lives by extending healthy life expectancies and reducing medical expenses (initiatives to expand blood pressure monitoring at home and achieve vision of zero heart attacks and strokes; early detection and treatment of asthma via nebulizers and wheeze sensors)

Social Solutions <a href="#">P49</a> →	
Social Issues	Global warming from CO <sub>2</sub> emissions
FY2021 Targets	Created electric power infrastructure of distributed electricity sources to spread renewable energy and provide stable operations. <ol style="list-style-type: none"> <li>Cumulative shipped capacity of solar power systems: 10.7 GW</li> <li>Cumulative shipped capacity of storage battery systems: 900 MWh</li> </ol>
FY2021 Progress	Expanded our lineup of storage battery systems that, in combination with solar power systems, provide efficient captive consumption and emergency power supply in the event of a disaster <ol style="list-style-type: none"> <li>Solar power systems: 10.8 GW</li> <li>Storage battery systems: 900 MWh</li> </ol>
Social Value Created	<ul style="list-style-type: none"> <li>Contribute to a safe, secure, comfortable, and clean society for all</li> <li>Contribute to build a sustainable society by prevailing renewable energy</li> </ul>

### Targets for Issues to Respond to Stakeholder Expectations

Human Resource Management	
Talent Attraction and Development <a href="#">P69</a> →	
OMRON's Initiatives	<Human Resources Strategy> <ul style="list-style-type: none"> <li>Expand the circle of empathy and resonance by practicing the OMRON Principles</li> <li>Securing and training of next-generation leaders (candidates for important positions)</li> <li>Providing of a workplace environment that can attract and empower the diverse talent necessary for business growth</li> </ul>
FY2021 Targets	<ol style="list-style-type: none"> <li>Continued evolution of TOGA* towards meeting OMRON Principles</li> <li>Ratio of non-Japanese in key managerial positions overseas: 75%</li> <li>Pursue resolution actions to solve issues based on engagement surveys</li> </ol>
FY2021 Progress	<ol style="list-style-type: none"> <li>The 9th (FY2020) TOGA Global Meet was a hybrid of in-person and digital attendance, reaching record levels of viewership (including on-demand viewing).</li> <li>Ratio of non-Japanese in key managerial positions overseas: 80%</li> <li>Developed and implemented over 230 issue resolution actions globally</li> </ol>
Social Value Created	OMRON is creating leaders who can drive innovation and both acquire and train diversely talented employees to solve social issues through our businesses

\* TOGA: An abbreviation for The OMRON Global Awards, a participation-type approach for employees worldwide to foster a challenge-oriented corporate culture that uses our business activities to put into practice the OMRON Principles. Through these activities, each and every employee seeks to voluntarily take on the challenges of solving social issues, and of creating value.

Diversity and Inclusion <a href="#">P69</a> →	
OMRON's Initiatives	<Diversity and Inclusion> <ul style="list-style-type: none"> <li>Promoting career advancement for women</li> <li>Promoting career advancement for the disabled</li> </ul>
FY2021 Targets	<ol style="list-style-type: none"> <li>Ratio of women in managerial roles: 8% (OMRON Group in Japan)</li> <li>Ratio of employees with disabilities: Increase number of such employees to above the legally-mandated ratio (OMRON Group in Japan)</li> </ol>
FY2021 Progress	<ol style="list-style-type: none"> <li>Ratio of women in managerial roles: Achieved 8%*1 (OMRON Group in Japan)</li> <li>Ratio of employees with disabilities (OMRON Group in Japan): 3.1%*2 (legally mandated ratio: 2.3%)</li> </ol>
Social Value Created	Achieving a workplace in which diverse human resources can play an active role, regardless of the presence of limitations such as gender or disabilities

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

Wellness Management	
OMRON's Initiatives	<Wellness Management > <ul style="list-style-type: none"> <li>Issuing of employee health management declaration</li> <li>Implementation of employee education</li> <li>Implementation of initiatives towards ameliorating factors that inhibit good health</li> </ul>
FY2021 Targets	Improve health management recognition and achieve three of the Boost5*1 targets (Japan)
FY2021 Progress	<ul style="list-style-type: none"> <li>Health management recognition rate: 89.2% (+4.4P year on year)</li> <li>Achievement of three of the Boost 5 targets: 49.4% (+4.1P year on year)</li> </ul>
Social Value Created	Improve “human creativity”*2 by maintaining and improving the health of every employee and by providing opportunities for employees to exercise their creativity

\*1 Boost5: Five key areas (exercise, sleep, mental health, food, and stop smoking) selected as factors related directly to the ability to concentrate at work and to lead a fulfilling life; indicators have been established for each of these key areas.

\*2 Human creativity: Value added per unit of personnel expense (manufacturing + SG&A + development)

Occupational Health and Safety	
OMRON's Initiatives	<Health and Safety related Management System and Improvement Activities> <ul style="list-style-type: none"> <li>Promote the acquisition of international health and safety standards at major production centers</li> <li>Ensure personnel for promotion, and carry out education</li> </ul>
FY2021 Targets	<ol style="list-style-type: none"> <li>Number of production centers certified to OSH international standards: Maintain achievement at sites representing 80% of production volume</li> <li>Continue assignments of promotion personnel: All covered sites</li> </ol>
FY2021 Progress	<ol style="list-style-type: none"> <li>Number of manufacturing sites certified to OSH international standards: Maintained achievement at sites representing 87% of production volume</li> <li>Maintained assignments of occupational health and safety managers</li> </ol>
Social Value Created	While ensuring compliance with laws and regulations concerning workplace occupational health and safety, we are creating a work environment to ensure the wellbeing of all employees at the OMRON Group and to maximize their abilities, by striving to create workplaces at which employees can work safely and healthfully — both physically and mentally

Respect for Human Rights and Labor Practices <a href="#">P75</a> →	
OMRON's Initiatives	<Human Rights related Management System and Improvement Activities> <ul style="list-style-type: none"> <li>Establishment of management system</li> <li>Human rights risk analysis and corrective actions at production sites</li> </ul>
FY2021 Targets	<ol style="list-style-type: none"> <li>Perform human rights risk analysis for production centers; implement remediation measures.</li> <li>Extend the scope of human rights risk management processes to cover employees of on-site contractors and temporary staffing companies</li> </ol>
FY2021 Progress	<ol style="list-style-type: none"> <li>Conducted risk analysis and remediation at 19 global production centers</li> <li>Extended human rights risk management processes to employees of domestic outsourcing partners; revised outsourcing contracts to include code of conduct compliance clauses overseas</li> </ol>
Social Value Created	Achieving a better work environment in which the human rights of all people working in the OMRON Group are respected

## Manufacturing

### Product Safety and Quality

OMRON's Initiatives	<Advancing Group-Wide Product Quality Management> ● Conducting group-wide product quality management reform ● Reducing product safety risk
FY2021 Targets	① Ratio of newly developed products undergoing safety assessment: 100% ② Improve product safety assessments
FY2021 Progress	① Product safety assessments for newly developed products: 100% ② Completed 84 applications for newly developed products and updated product safety assessment categories in conform with the intended use of the products
Social Value Created	Incorporating quality, safety, environmental, and human rights into products and services, to bring about sustainable manufacturing

### Supply Chain Management

OMRON's Initiatives	<Engagement with Partners> ● Maintain and improve sustainability levels through sustainability self-assessment*1 for important suppliers in accordance with the RBA**2 ● Collaborate with suppliers for resource recycling
FY2021 Targets	① Achieve a sustainability check score of 85 or higher (RBA Code of Conduct V7.0) for 50 major suppliers of commercial products ② Reduce disposal of reusable plastic molding materials by 15% (compared to FY2019)
FY2021 Progress	① Achieved 85 or more points for the Sustainability Self-Checks at all major suppliers of commercial products (low risk) ② Plastic molding material waste: 16.7% reduction
Social Value Created	By solving social issues in the supply chain in cooperation with suppliers, achieving a society capable of sustainable production and consumption

\*1 Sustainability self-assessment: Supplier self-evaluation of their own initiatives into labor, safety, health, the environment, etc. using a questionnaire. 85 points or above is considered low risk, whereas 65 points or less is considered high risk.

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

### Reduction of Greenhouse Gas Emissions [P77](#) →

OMRON's Initiatives	<Promotion of Green OMRON> ● Reduction in greenhouse gas emissions by improving the efficiency of power usage, and by introducing renewable energy ● Provision of products and services that contribute to the spread of clean energy
FY2021 Targets	① Reduce total GHG emissions* by 47% (vs. fiscal 2016; 1.5°C scenario) ② Environmental contribution exceeds CO <sub>2</sub> emissions from production centers
FY2021 Progress	① Reduce total GHG emissions* by 50% (vs. fiscal 2016) ② Environmental contribution: 881kt-CO <sub>2</sub> > Production location CO <sub>2</sub> emissions: 109(kt-CO <sub>2</sub> )
Social Value Created	Making sustainable manufacturing a reality by reducing greenhouse gas emissions, and bringing about a decarbonized society

\* Direct greenhouse gas emissions by the company itself and indirect emissions from the use of electricity, heat, and steam supplied by other companies

### Appropriate Management and Reduction of Hazardous Substances [P77](#) →

OMRON's Initiatives	<Promotion of Green OMRON> ● Build a framework for chemical substance management used in production processes ● Stop use or reduce the use of harmful chemical substances, responding to high social demand
FY2021 Targets	① Reduce mercury through prevalent usage of digital thermometers and blood pressure monitors: 65 tons/year ② Determination of volatile organic compound (VOC) usage
FY2021 Progress	① Mercury reduction: 66 tons/year ② Completed identification of volatile organic compounds (VOCs) volume and set medium-term reduction targets
Social Value Created	Realization of a decarbonized society that is in harmony with nature, by reducing negative impacts of chemical substances on people, organisms, and the environment

## Risk Management

### Fair Business Practices [P82](#) →

OMRON's Initiatives	<Enhanced Compliance Program> ● Periodic reviews of OMRON Group Rules for Ethical Conduct on a regular basis in order to reflect laws and regulations, and social demand of countries around the world ● Offer continuous, periodic and necessary training and education in order to maintain awareness of compliance and instill stipulated in rules ● Assess issues using the whistle-blower system and promptly take corrective actions
FY2021 Targets	Penetration of OMRON Group Rules* at global locations
FY2021 Progress	Completed penetration of OMRON Group Rules and updates
Social Value Created	● Implementing appropriate anti-corruption measures taking into account the political, economic, and cultural circumstances of each country, and contributing to the maintenance of an orderly and healthy society based upon the rule of law ● Ensuring fair business practices in conformance with applicable laws of respective countries and global rules, thereby contributing to the realization of the society that allows fair and free competition

\* OMRON Group Rules (OGR): Internal rules established as a foundation for management in order to ensure transparency, fairness, and globality of management, and to ensure appropriate and prompt decision-making. These encompass 23 separate topics, including ethical conduct, risk management, unauthorized control, information security, safety assurance business management, IT controls, accounting and funding, labor and occupational health, environmental management, procurement, and brand logo management.

### Privacy and Data Security [P82](#) →

OMRON's Initiatives	<Rebuilding an Information Security Management System> ● Support for revised and newly enacted laws worldwide concerning the protection of personal information ● Strengthened technical measures to counter the sharply increasing cyber attacks ● Review information security education and continue education
FY2021 Targets	Formulate and begin implementation of a medium- to long-term plan for upgrading information security in response to changes in the environment
FY2021 Progress	● Selected management measures to strengthen as a priority for the OMRON Group in accordance with global standards (NIST CSF*); completed the formulation of a medium-term plan for information security ● Introduced and began operations of attack detection tools in advance of other entities (Japan)
Social Value Created	Enable appropriate management of confidential data and personal information to help conduct business safely and securely in a digitized society

\* NIST CSF: Cyber Security Framework developed by the National Institute of Standards and Technology (U.S.)

## Outlook for Fiscal 2022

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

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

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

(Billions of yen, except exchange rate data and percentages)

	FY2021	FY2022	Change
Net sales	¥762.9	¥850.0	+11.4%
Gross profit (Gross profit margin)	¥346.8 (45.5%)	¥387.5 (45.6%)	+11.7% [+0.1%pt]
Operating income (Operating income margin)	¥89.3 (11.7%)	¥93.0 (10.9%)	+4.1% [-0.8%pt]
Net income attributable to OMRON shareholders	¥61.4	¥63.0	+2.6%
Average USD exchange rate (Yen)	¥112.1	¥121.0	+¥8.9
Average EUR exchange rate (Yen)	¥130.5	¥133.0	+¥2.5
Average RMB exchange rate (Yen)	¥17.4	¥19.0	+¥1.6

(Billions of yen, %)

	Net sales			Operating income		
	FY2021	FY2022	Change	FY2021	FY2022	Change
Industrial Automation Business (IAB)	¥418.1	¥483.0	+15.5%	¥76.3 (18.2%)	¥90.0 (18.6%)	+18.0% [+0.4%pt]
Healthcare Business (HCB)	¥132.9	¥154.0	+15.9%	¥18.5 (14.0%)	¥20.0 (13.0%)	+7.9% [-1.0%pt]
Social Systems, Solutions and Service Business (SSB)	¥87.7	¥92.0	+4.9%	¥6.5 (7.4%)	¥6.5 (7.1%)	+0.0% [-0.3%pt]
Device & Module Solutions Business (DMB)	¥121.0	¥128.0	+5.8%	¥10.1 (8.3%)	¥10.5 (8.2%)	+4.1% [-0.1%pt]
Eliminations and Corporate	¥3.3	¥3.0	-9.1%	¥(22.1)	¥(30.0)	-
Risk of performance fluctuations	-	¥(10.0)	-	-	¥(4.0)	-
Total	¥762.9	¥850.0	+11.4%	¥89.3 (11.7%)	¥93.0 (10.9%)	+4.1% [-0.8%pt]

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

# Industrial Automation Business (IAB)

**VISION** Enriching the Future for People, Industries and the Globe by Innovative-Automation

## Ideas and Insights Shaping the SF2030 Vision

The Industrial Automation Business achieved record-high sales of ¥432.6 billion and record-high operating income of ¥78.1 billion in fiscal 2021, as we captured continued strong demand for semiconductors, digital equipment, EVs and rechargeable batteries, and our solutions embodying our “innovative-Automation” manufacturing concept successfully penetrated into the market. On the other hand, owing to shortages of parts and materials, especially semiconductors, and global logistics disruptions, product supply to many customers was delayed. In response to this situation, we have been implementing various measures to strengthen our product supply capabilities and will continue to accord the highest priority to supply chain reforms to enable us to respond quickly to customer needs.

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

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

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

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

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

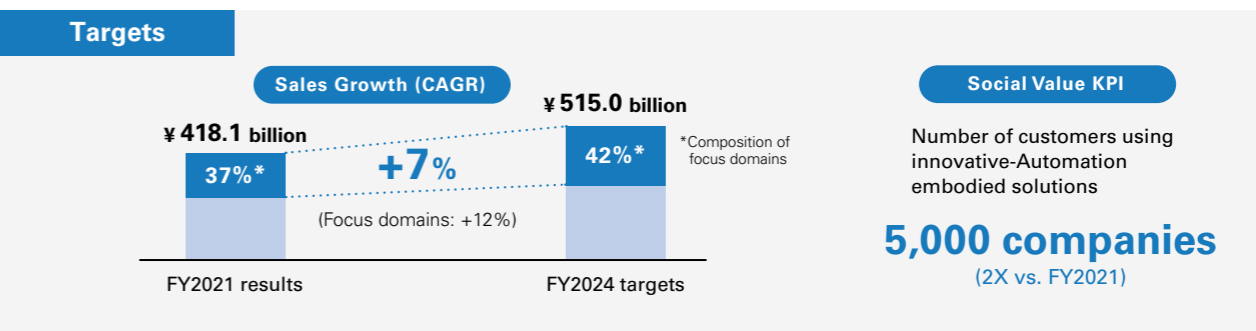
In order to achieve our business goals through the provision of such value, we will pursue three key initiatives from fiscal 2022: “evolution of innovative-Automation,” “expansion of service businesses,” and “reform of the supply chain.”



Managing Executive Officer  
Company President,  
Industrial Automation Company

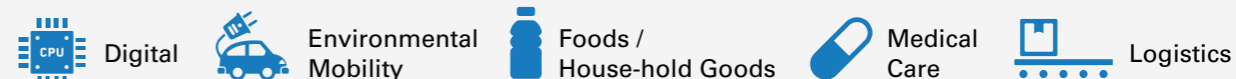
**Junta Tsujinaga**

## About SF 1st Stage



**Social Value KPI**  
Number of customers using innovative-Automation embodied solutions  
**5,000 companies**  
(2X vs. FY2021)

### Focus Domains



### Major Initiatives

#### 1. Evolution of innovative-Automation

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

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

#### 2. Expansion of service businesses

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

#### 3. Reform of the supply chain

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

### Economic Value and Social Value provided by Evolved “innovative-Automation”

#### “Automation beyond human abilities”

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



#### “Advanced collaboration between people and machines”

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



#### “Digital engineering transformation”

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



### Collaborative Creation with Customers to Realize Production Surpassing “Craftsmanship” using AI

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

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

The filling machine that fills beer into containers is the equipment for this project. Previously, our experienced employees had been adjusting the filling machine settings. We considered using AI technology as a means of optimizing the setting values and consulted OMRON in 2017. Since then, we have been working with OMRON. By joining forces, OMRON and Asahi overcame the numerous obstacles we faced and introduced AI technology to our factory in 2022. As a result, AI technology has surpassed the skills of our master craftsmen. Thanks to OMRON’s high technological capabilities and enthusiasm, we were able to realize practical application of AI technology at our factory.

Manager, Production Technology Center, ASAHI BREWERIES, LTD. **Koji Mima**



### Innovation of Intralogistics and Production Processes by Mobile Robots

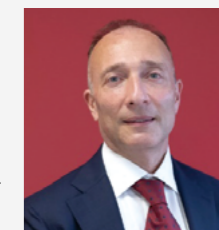
Serious labor scarcity is spreading not only to manufacturing sites but also to distribution warehouses. OMRON is working on automating the logistics in warehouses using its latest automation technology that has been refined at the manufacturing sites. Here are some examples of how we are taking on the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

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

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

The reason that prompted us to renew our entire process was to resolve some discrepancies between logistics and production which involved longer management times than expected. Thanks to the combined use of OMRON mobile robotics technology and FasThink wireless & touchless Pick2Light system, it has been possible to obtain a versatile and flexible application that allows us to take a further step towards innovation in Logistics and Production processes; in fact, we have been able to implement picking quality by eliminating management system discrepancies; in this way our operators can spend less time doing activities related to products physical movement and focus more to qualified activities. Through the innovation and implementation of industry 4.0, we feel more and more ready to take up challenges that the market will reserve in the near future, and we are glad to be partner of innovative companies that use smart manufacturing technologies and industry 4.0.

Garnet CEO **Leopoldo Iurino**



As part of the partnership with OMRON, FasThink has developed a truly innovative solution that integrates the proprietary Pick to Light technology (wireless & touchless Pick2Light system) on an OMRON mobile robotics system. The combined use of the two technologies has allowed us to create an extremely versatile, flexible and scalable application, generating a significant improvement and reduction of production time and logistics management. A highly qualified and performing response within the reach of small and medium-sized enterprises, at Manufacturing & Logistics 4.0.

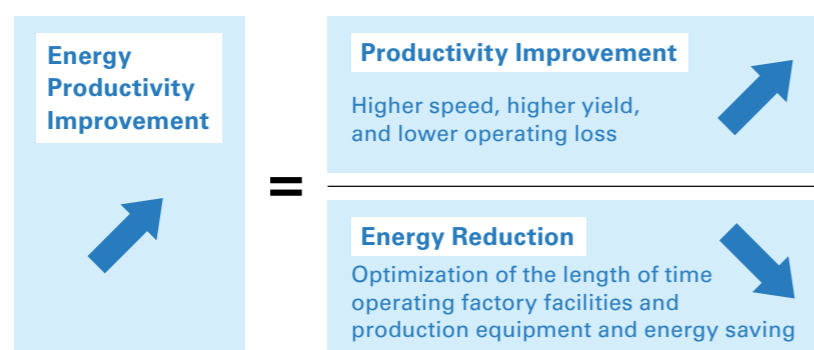
General Manager FasThink srl-OMRON certified partner **Marco Marella**



**Realizing Sustainable Manufacturing that Achieves Outstanding Productivity and QCD with Reduced Energy Consumption**

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

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



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

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

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



**Message of Ayabe Factory Manager**

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

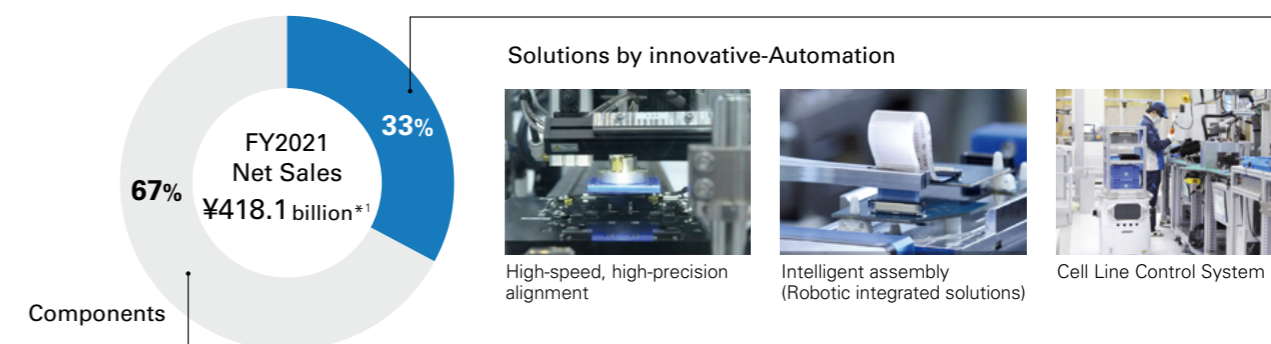


Ayabe Factory Manager  
**Tatsuya Benkan**

**Fiscal 2021 Business Highlights**

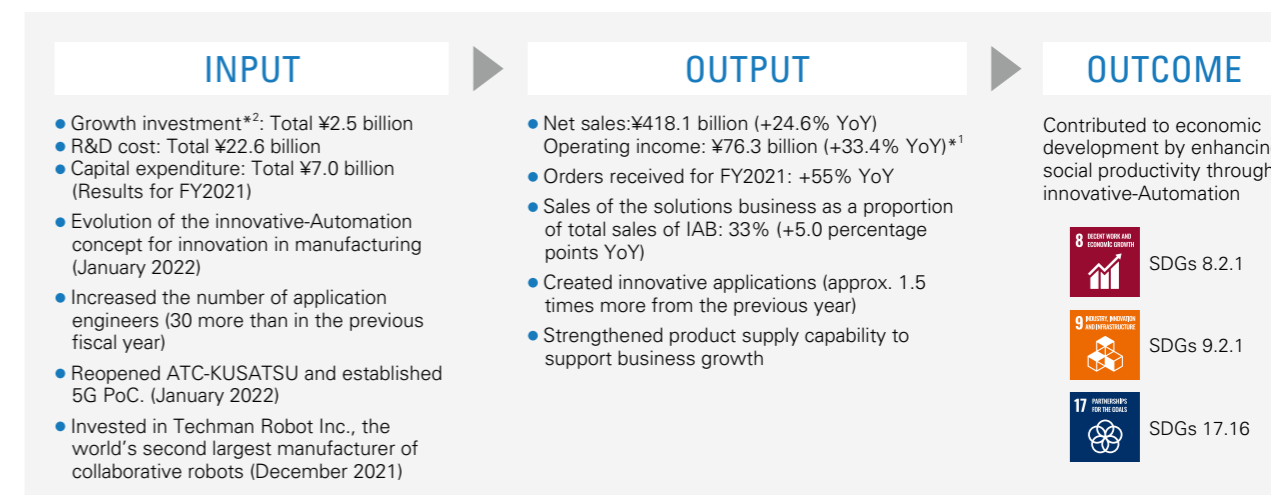
In fiscal 2021, demand for capital investment rose in manufacturing industry in all areas of the world. Demand for secondary batteries and semiconductor-related capital investment in digital industry expanded, particularly in Greater China, Asia, and the Americas, and demand among Japanese equipment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

**Sales Composition by Business Domains**



**Strengths of the Industrial Automation Business (IAB)**

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



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

# Healthcare Business (HCB)

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

## Ideas and Insights Shaping the SF2030 Vision

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

Our SF2030 vision, "Going for ZERO, Preventive Care for Health of Society," expresses our strong determination to create a society in which people around the world can live healthy and comfortable lives.

By leveraging the technologies and insights we have cultivated so far, we address three business domains: Cardiovascular, Respiratory, and Pain Management and aim to achieve 3 Zeros within these domains: "Zero cerebrovascular and cardiovascular events," including stroke and heart failure; "Zero aggravation of respiratory diseases," such as asthma and chronic obstructive pulmonary disease (COPD); and "Zero restrictions on daily activities due to chronic pain," regarding the knees and low back pains. In addition, we will introduce Preventive Care to prevent disease and the development of serious illness, thereby offering new value fulfilling the desire of people around the world to "stay healthy."

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

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

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

We will also vigorously promote initiatives for decarbonization and environmental impact reduction, such as the introduction of environmentally friendly paper packaging and carbon neutral manufacturing, to create a sustainable society where everyone in the world can lead a healthy and comfortable life.

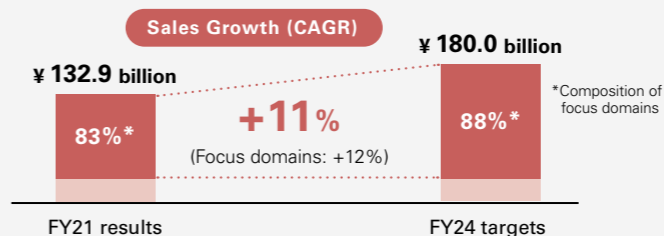


Managing Executive Officer  
OMRON Healthcare Co., Ltd.  
President and CEO

**Isao Ogino**

## SF 1st Stage

### Targets



### Social Value KPI

Global blood pressure monitor sales  
**94 million units**  
(3-year total)

Number of remote monitoring service users  
**600,000 users**  
(cumulative total)

Under SF 1st Stage, we aim to expand sales of blood pressure monitors which are a pillar of our business globally aiming to achieve cumulative sales of 94 million units over the next three years. We also aim to expand the number of users of our new remote monitoring service to 600,000, thereby laying the foundation for the realization of our vision, "Going for ZERO, Preventive Care for Health of Society."

### Focus Domains



We will expand our business in China and India, which are huge markets with tremendous growth potential in the healthcare domain, thus building a strong business foundation. For the Digital Health business, we intend to create new services by building on the progress already achieved with the telemedicine services that we launched in the U.S. and the U.K. Furthermore, we will work to develop innovative devices necessary to realize the 3 Zeros (Zero Events) and utilize them in the Digital Health business.

### Major Initiatives

#### 1. Cultivation of the Chinese and Indian markets

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

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

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

India, with an estimated 300 million hypertensive patients, is a market with huge potential, however, the penetration rate of blood pressure monitor is only about 3% at present. The need to make blood pressure monitoring at home common practice is an issue. In the area of respiratory diseases, the diffusion of nebulizers is still in its infancy.



OMRON Health Convenience Store

Therefore, we are working to expand the market by cultivating demand in the blood pressure monitor and respiratory categories. We will roll out Experience Centers with customer support contact points in major cities in India to provide consumers with hands-on experience of OMRON products to raise consumer awareness about the importance of home blood pressure monitoring and the effectiveness of nebulizers. Moreover, we will promote the OMRON Academy, an educational program for healthcare professionals, to raise awareness of the importance of home blood pressure monitoring in the treatment of hypertension and use of the nebulizers for respiratory diseases in the medial filed.



Drugstore in India

### 2. Creation of a "culture of ECG recording at home"

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



Portable ECG, HCG-8060T

### 3. Expansion of the number of users of remote monitoring services

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

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

\*1 VitalSight: A remote patient monitoring service launched in North America in September 2020. Sharing patients' data measured at home with physicians realizes efficient and effective treatment.

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

### 4. Initiatives for decarbonization and environmental impact reduction

By identifying the environmental impacts of our business activities, we will accelerate various initiatives aimed at reducing our environmental impact.

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

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



(Left) Former plastic package  
(Right) Environmentally friendly paper package

## Initiatives in 2022 (Partners for Collaborative Creation)

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

To realize the vision of Zero Events, we focused on atrial fibrillation (AFib), which is a risk factor for stroke and likely to occur in combination with hypertension. Early detection and treatment of AFib can reduce the risk of events. However, AFib is easily overlooked because the patient is unaware of the condition and may not be detected during regular health checkups or other physical examinations.

Therefore, we have developed an upper arm blood pressure monitor with built-in ECG function that can simultaneously record an electrocardiogram when measuring blood pressure at home. The recorded ECG is analyzed by the dedicated "OMRON connect" app and a message notifies the user of the possibility of AFib. To facilitate detection of AFib in more hypertensive patients at an early stage, OMRON formed a partnership with the Smart HealthCare Association this fiscal year. In Japan, we are implementing a Pharmacists Recommendation Model, an ECG-based medical consultation recommendation model using an upper arm blood pressure monitor with ECG and a check sheet at dispensing pharmacies and drugstores.

OMRON's upper arm blood pressure monitors with ECG are installed in stores and consumers can take their blood pressure and record ECG. Based on the measurement results and using a check sheet, pharmacists recommend people with the possibility of AFib to seek medical consultation.

This is an initiative to prevent events by increasing opportunities for early detection of AFib in daily life and encouraging treatment.



Drugstore where the Pharmacists Recommendation Model has been introduced

#### Employee Comments

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



East Japan Sales, Healthcare Product Sales Dept.

Takashi Iga

#### Comments from Our Partner

To respond to people's desire to stay healthy, we support health promotion activities at pharmacies and drugstores that are close to consumers. The number of patients with AFib in Japan is expected to exceed 1.08 million by 2030, but people have little awareness of what kind of condition AFib is and the risk it poses. We believe that it is the role of pharmacies and drugstores to notice changes in consumers' health conditions and contribute to disease prevention and health promotion, encouraging them to seek medical consultation when necessary. In collaboration with OMRON, we urged pharmacies and drugstores to introduce the Pharmacists Recommendation Model, prepared materials for operation of the model, and trained pharmacists and other staff. We will continue to contribute to enhancing the value that pharmacies and drugstores offer through their support of the health of society.



Smart Health Care Association (SHCA) Ph.D., Pharmacist Mitsuhiro Okazaki



## Initiatives in 2022 (Partners for Collaborative Creation)

### Prevalence of Home Blood Pressure Monitoring in India

Due to changes in lifestyles associated with economic growth and aging population, the number of hypertensive patients in India continues to rise and the blood pressure monitor market is projected to reach approximately 14 million units in fiscal 2030, making it the second largest market in the world, following China.

However, the use of home blood pressure readings in medical treatment and the practice of patients measuring their blood pressure at home have yet to become common practice. We are increasing our efforts to raise awareness among doctors and patients of the importance of home blood pressure monitoring and to instill a “culture of measuring blood pressure at home” in India.

One of our initiatives is a business alliance with Terrals Technologies Pvt. Ltd., an online medical service provider in India that offers chronic disease management services, such as for diabetes and hypertension. Firstly, OMRON’s blood pressure monitors will be introduced for Terrals’ online medical services to expand hypertension management using home blood pressure monitoring while also raising awareness of the OMRON brand and OMRON’s home blood pressure monitors among both doctors and patients.



### Employee Comments

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



OMRON Healthcare India  
Katsuyuki Yamamoto

### Comments from Our Partner

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



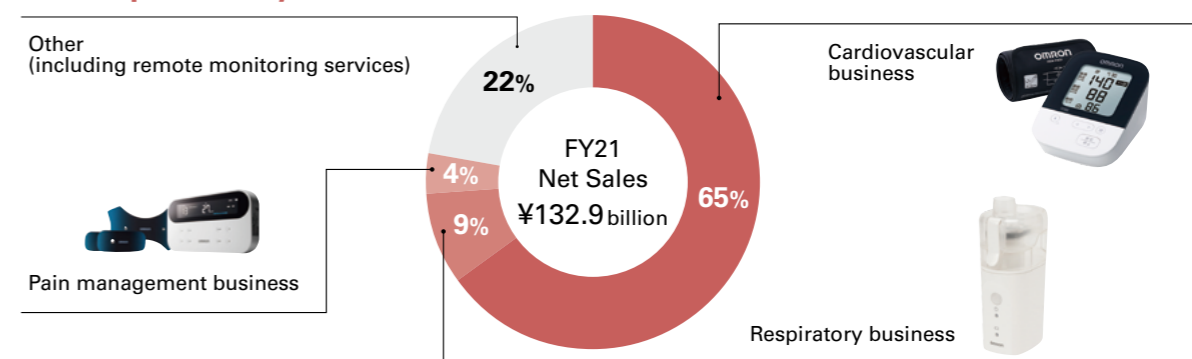
Co-Founder and CEO, Terrals Technologies Pvt. Ltd. Sumit Sinha

Terrals Technologies Pvt. Ltd. (Head office: Bangaluru, India. Founded in 2017.) Develops and provides an online medical care platform for physicians dealing with chronic diseases, such as diabetes and hypertension.

## Fiscal 2021 Business Highlights

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

### Sales Composition by Business Domains



### Strengths of the Healthcare Business (HCB)

- Ability to obtain regulatory approvals on a global scale**  
 Medical device certifications obtained in 90 countries. Offering of devices and services that are not only easy to use but also satisfy the safety requirements of each country and are compatible with social infrastructure and medical systems that differ from country to country
- Global sales channels/ Market share**  
 No. 1 global market share for home blood pressure monitors with more than 600,000 sales channels worldwide
- Innovative devices and services**  
 Creation of innovative devices and services, such as the world’s first wearable blood pressure monitor and blood pressure monitor with ECG, and remote monitoring services using vital data measured at home
- Trust earned from the medical community and healthcare professionals around the world**  
 OMRON’s blood pressure monitors have been used for 200 research papers, accounting for 65% of all research papers on home blood pressure monitoring

\*From 2000 to November 2018. Survey by OMRON

### INPUT

- Growth investment\*: Total ¥200 million
- R&D cost: Total ¥7.9 billion
- Capital expenditure: Total ¥4.4 billion (Results for FY2021)
- Invested in Micromed Biotechnologia Ltda. (Brazil), a provider of an ECG analysis platform

### OUTPUT

- Net sales: ¥132.9 billion (+7.9% YoY)  
Operating income: ¥18.5 billion (-9.9% YoY)
- Cumulative global sales of blood pressure monitors exceeded 300 million units
- Started remote monitoring service in the UK. Also, formed a business alliance with an online medical service provider in India
- Launched a blood pressure monitor with ECG and a portable ECG worldwide

### OUTCOME

- Helped to extend healthy life expectancy and reduce medical expenditures to contribute to healthier and more comfortable lives for people around the world
- Global blood pressure monitor sales: 25 million units (FY2021)
- Number of remote monitoring service users: 10,000 users (FY2021)



SDGs 3.4.1

\*Including M&A

# Social Systems, Solutions and Service Business (SSB)

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

## Ideas and Insights Shaping the SF2030 Vision

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

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

Under SF2030, the social issues we will address are “achievement of carbon neutrality” and “realization of a digital society.” Social issues such as increasing CO<sub>2</sub> emissions, accelerating climate change and lack of labor force due to the accelerating decline in the birthrate and population aging could cause various inconveniences and concerns in our daily life. For companies, management issues are becoming more complex in view of the need for business continuity and decisive action on the environmental front. We need to resolve not only on-site issues by providing existing devices and services but also to work with customers, helping them resolve their management issues. We will contribute to the creation of a future society that is safer, securer, and more comfortable. We will aim to realize next-generation social systems through social automation cultivated in the Social Systems, Solutions and Service Business.

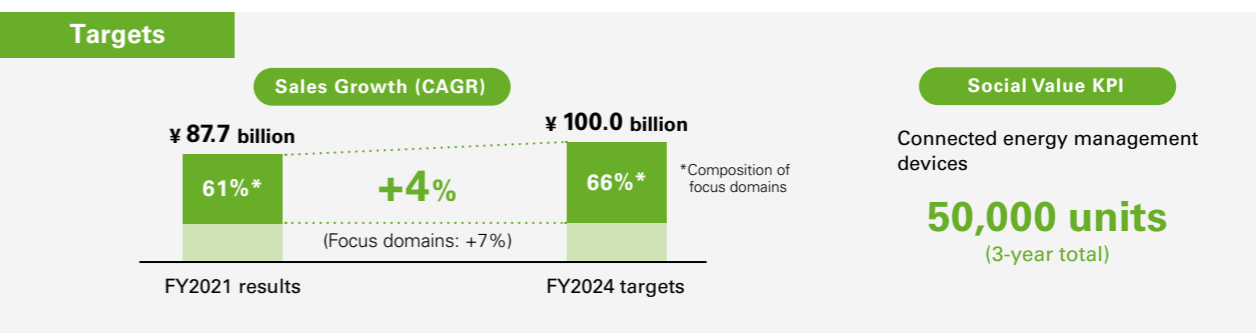
We have three goals under SF 1st Stage: firstly, “provision of control systems that stabilize power generation,” secondly, “development of management and service systems that support efficient use of on-site systems,” and thirdly, “enhancement of operational efficiency of the social infrastructure business.”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



Managing Executive Officer,  
President  
OMRON SOCIAL SOLUTIONS Co., Ltd.

**Toshio Hosoi**

## About SF 1st Stage



## Focus Domains



Renewable energy control  
(residential / industrial / mobility)



Management and services

## Major Initiatives

The Social Systems, Solutions and Service Business aims to contribute to “diffusion and efficient use of renewable energy and sustainable infrastructure to support digital society.” So far, we have contributed to the diffusion of solar power generation and storage batteries. Going forward, we will contribute to the further diffusion of renewable energy by eliminating instability in power generation using our advanced energy control technology. In the social infrastructure field, capitalizing on our extensive knowledge of the sites where various equipment and facilities are in use, we have supported operation and maintenance through a nationwide service network. Going forward, by offering management and services that support efficient operation of on-site systems, we will help our customers innovate their maintenance and operation processes.

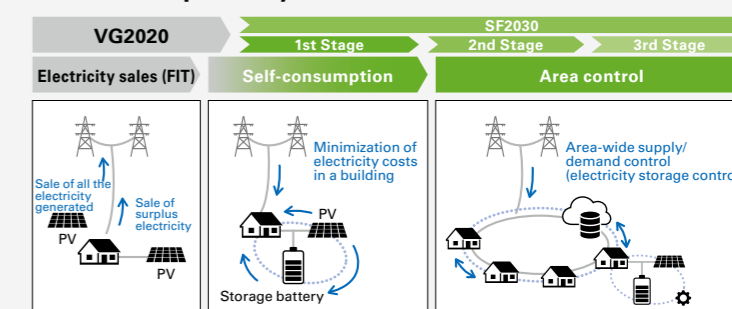
### 1. Focus domains under SF2030

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

### 2. Initiatives for area-wide energy supply/demand control

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

## Envisioned power system



**From a Field Perspective to a Management Perspective to Support Social Infrastructure with Management and Services**

Convenience stores, numbering some 57,000 in Japan, constitute important social infrastructure underpinning daily life. For more than 50 years, OMRON has supported railways, roads, and various other social infrastructure as a provider of equipment and systems as well as on-site services covering maintenance, operation, and engineering. We will present a case study on the solution we provided for a maintenance operations management issue of a nationwide store system, which involved application of expertise we have long cultivated in the field.

**Optimization of the customer's operations through centralized maintenance services**

Lawson with 15,000 stores nationwide was experiencing as many as 2,200 equipment failures per month. However, because multiple manufacturers dealt with troubleshooting for different types of equipment, insufficiencies in maintenance operation management, namely, the inability to grasp the current status in real time, utilize accumulated knowledge, and implement store quality control and equipment control, were an issue for Lawson. OMRON FIELD ENGINEERING has some 140 bases nationwide and takes pride in its ability to provide uniform services. In order to resolve this issue, the company launched a project team to establish integrated management of all types of equipment from multiple manufacturers. Within as little as eight months, we had swiftly established a nationwide one-stop integrated maintenance system. Moreover, by introducing a system to centrally manage call center operations and troubleshooting at stores, knowledge was accumulated through visualization and analysis of data on trouble. Tablets are used for sharing information with store staff. As a result, the failure resolution rate at stores has increased significantly, and the rate of dispatching service personnel to stores has been reduced by approximately 30%.



OMRON FIELD ENGINEERING Co., Ltd. Life System Solutions Dept. Takamasa Takemura



**From resolution of field issues to resolution of management issues**

With our comprehensive integrated maintenance services launched in 2019, considering the labor- and manpower-saving needs of Lawson's management, we provide services, including receiving equipment failure reports, on-site work such as maintenance and installation, logistics, kitting, and reporting agency services. In addition, we are now actively involved in initiatives to reduce environmental impacts and address the SDGs through reduction of waste and losses by promoting repair and reuse of in-store equipment, reduction of the frequency of dispatching of service personnel, and reduction of CO<sub>2</sub> emissions by optimizing the method of equipment transportation. We will continue our efforts to optimize Lawson's operations by asking ourselves "What value can we provide?" and contribute to the realization of Lawson's vision of a "Hub of refreshment in every community."

We are grateful to OMRON FIELD ENGINEERING for establishing a system for visualization of operation and maintenance of various types of equipment from multiple manufacturers by organizing the infrastructure for it. Every aspect of store status nationwide can now be grasped in real time, including on-site operation and maintenance work, inventory control, and improvement of inefficient operations.

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



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

**Fiscal 2021 Business Highlights**

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

**Sales Composition by Business Domains**



**Strengths of the Social Systems, Solutions and Service Business (SSB)**

- A number of unique automation technologies and innovations created since the establishment of the company, including the world's first "electronic auto-sensitive traffic light" and "unmanned station system"
- Position as an industry opinion leader with No. 1 or No. 2 market shares for a wide range of social systems, including in the railway, mobility, and energy sectors
- Provision of one-stop solutions from manufacturing to software and comprehensive services for maintenance and operation to solve on-site issues

**INPUT**

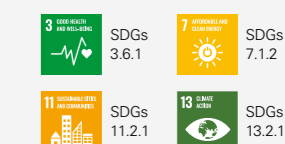
- R&D cost: Total ¥3.5 billion
- Capital expenditure: Total ¥2.8 billion (Results for FY2021)
- Sales network with some 140 bases nationwide offering comprehensive services
- Concluded two collaboration agreements with local governments to resolve social issues faced by regions (FY2021)
- PoC for creation of new services, such as stabilization of new regional electric power, utilization of EVs and PHEVs, and linkage of robots with building facilities

**OUTPUT**

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

**OUTCOME**

Contributed to 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



# Device & Module Solutions Business (DMB)

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

## Ideas and Insights Shaping the SF2030 Vision

The Device & Module Solutions Business will realize three transformations under SF2030.

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

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

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

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

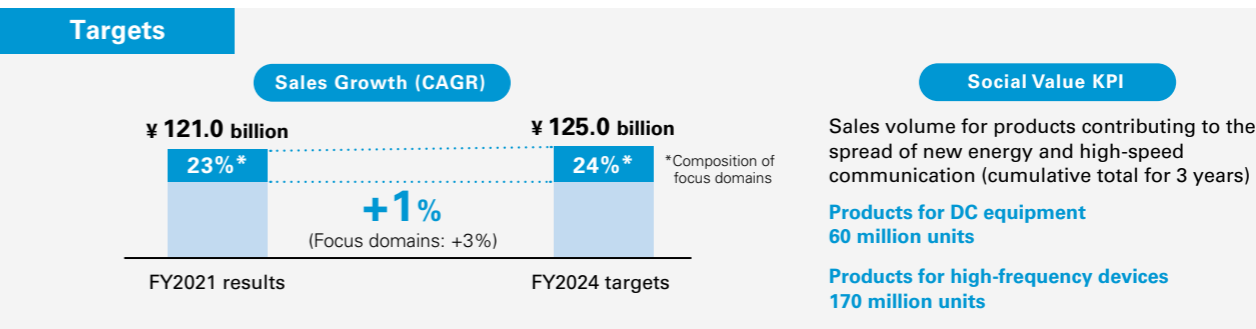


Managing Executive Officer  
Company President, Device & Module Solutions Company

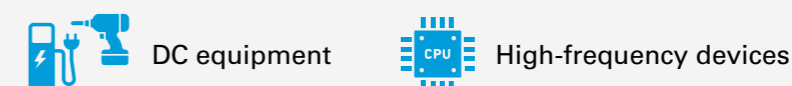
**Shizuto Yukumoto**

\* New energy: It refers to renewable energy and innovative energy sources such as hydrogen and fuel cells.

## About SF 1st Stage



## Focus Domains



## Major Initiatives

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

To realize this goal, we have identified four focus domains. In recent years, growing environmental awareness has been propelling the use of new energy sources that contribute to reducing CO<sub>2</sub> emissions. The shift to DC power supply and higher-capacity products and infrastructure equipment is fueling needs for devices that safely shut and control the DC current flowing through products to ensure safety. We will create these devices by leveraging our long-cultivated “connecting” and “switching” technologies and promote wider use of OMRON products to help achieve a carbon-neutral society. Moreover, the evolution of semiconductors and products, which will lead to solutions alleviating social issues associated with population aging and disparities among people, will require devices that enable stable, high-speed communication and digitization of human perception and sensibility, which have eluded quantification until recently. OMRON will create devices and modules and solutions based on its core technologies to contribute to the realization of a digital society where everyone can live comfortably. We will take on the challenge of creating new social value through collaborative creation with leading companies, research institutions, technology ventures, and other partners.

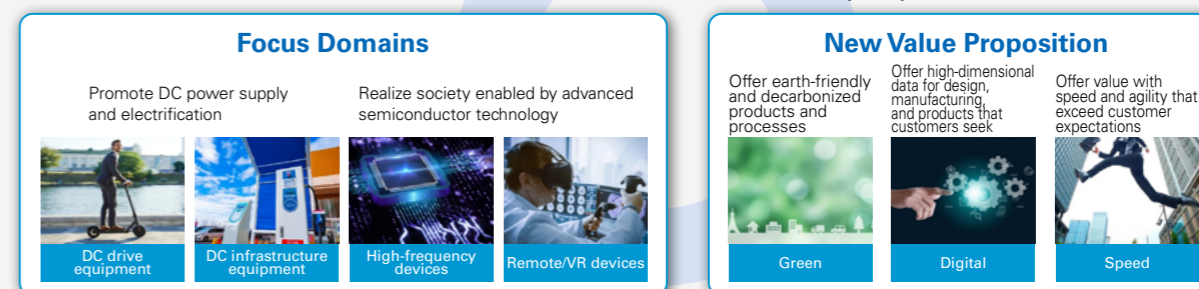
Furthermore, the Device & Module Solutions Business will have a new value proposition based on “green, digital, and speed.” We will create further added value for our customers by providing solutions centering on devices and modules to achieve synergy through interaction among the various aspects of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

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

## Three Transformations

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

### Device & Module Solutions Company



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

In recent years, global warming and natural disasters have wreaked havoc on society increasingly. Since 2017, OMRON has been working with Weathernews Inc., one of the world's largest private weather information companies, to solve social issues. Weathernews achieves high accuracy weather forecast not only with observation data but also weather data and feeling data of weather reports received from Weathernews App users that are reflected in its proprietary forecast model. Based on this highly accurate and high-resolution forecast data, Weathernews provides information services that help businesses and individuals avert weather risks. OMRON provides weather sensors that can be installed in various locations to collect far more accurate weather observation data than in the past and helps Weathernews raise the bar on forecast accuracy.

Weather sensor is composed of various sensing devices, including temperature, humidity, and air pressure, combined with proprietary algorithms and communication technologies. Concurrent activities in which OMRON's sales, development, and production worked together with Weathernews realized greater efficiency and faster development. By integrating OMRON's hardware technology with Weathernews' expertise in software development and provision of software services as in the example of its weather forecasting system and countermeasure services, we will create services that help keep people safe and secure around the globe.

Working together, OMRON and Weathernews will continue providing solutions for highly efficient energy operation and enhanced resilience to natural disasters and create new value.



Product Development Division, Business Management Division HQ  
**Hideaki Kojima**



Weather sensors to collect data at various locations such as building rooftops

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



Marketing and Sales Group, Mobile · Internet-Planning, Weathernews Inc. **Ryoji Ihara**

### Manufacturing that Balances Environmental Protection and Economic Growth

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

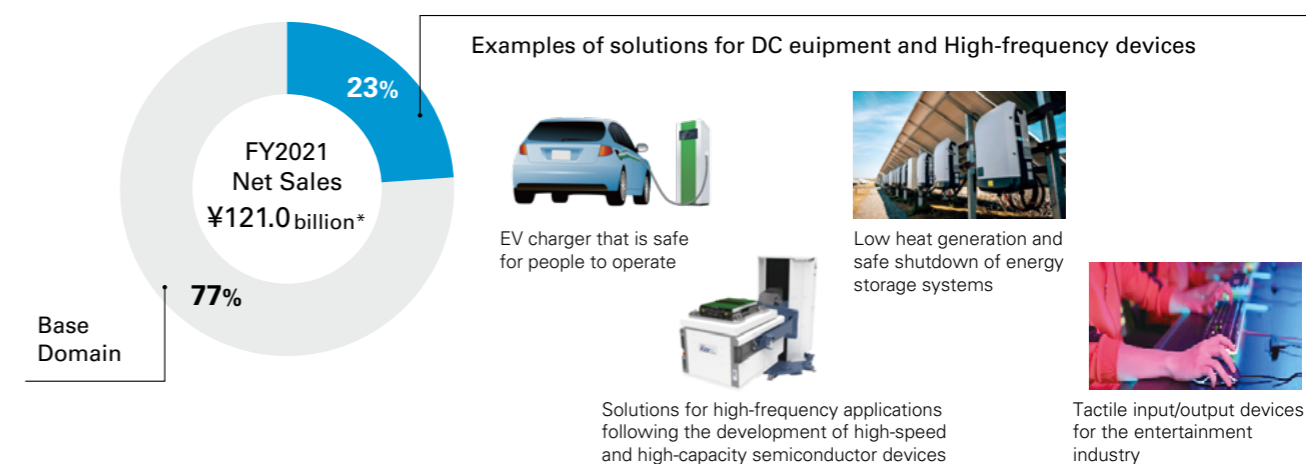


Employees of OMRON Electronic Components (Shenzhen) Ltd. working to reduce environmental impacts

### Fiscal 2021 Business Highlights

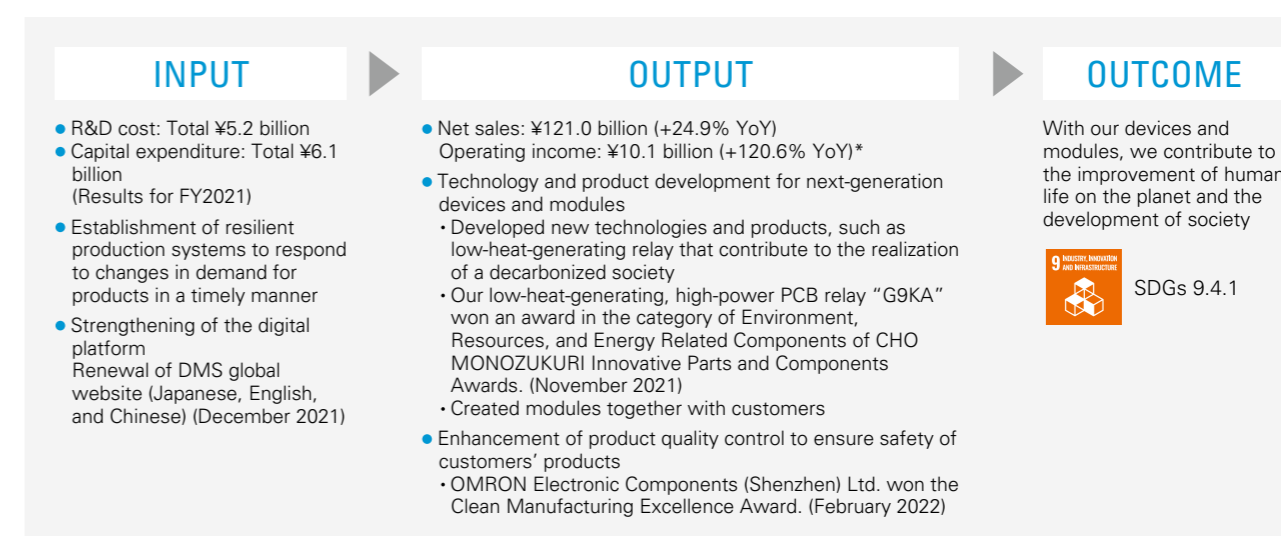
In fiscal 2021, demand for components increased steadily in our focus industries, including home appliances, housing equipment, and power tools for the consumer industry. Demand for components for the automotive industry recovered moderately, despite the impact of the COVID-19 pandemic and production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

### Sales Composition by Business Domains



### Strengths of the Device & Module Solutions Business (DMB)

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



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

## CTO Interview

### Evolving Near-future Design

Representative Director, Senior Managing Executive Officer, CTO

### Kiichiro Miyata



#### The Powerfully Revolving Engine of Innovation

— In the previous medium-term management plan “VG2.0,” OMRON set out an overall policy, “innovate through technological evolution to achieve self-driven growth” over the next 10 years. As CTO, what are your thoughts on the results of VG2.0 and how do you see technology management evolving?

OMRON has grown by predicting the future and pioneering solutions to society’s needs. However, following my appointment as the first CTO in 2015, when I asked engineers at the Technology & Intellectual Property HQ “What do you think is the purpose of this research?,” I was frequently unable to get a clear answer. Perhaps R&D itself had become the objective, and the key point of addressing society’s needs had been forgotten. That made me determined to build a platform for OMRON-style innovation. Following thorough discussion, to enable seamless planning and development of business and technology required for innovation, in 2018 we

established two organizations: Innovation Exploring Initiative HQ (IXI) delineating an architecture from a business perspective and OMRON SINIC X Corporation (OSX) responsible for near-future design. Another major achievement of VG2.0 was the establishment of a “business creation process” to create a state in which we can create new businesses one after another. As a result, new business and R&D themes are openly discussed, and moreover, everyone, from executives to those working on-site, is taking ownership of the objectives and value of those themes. I am convinced that along with the development of this framework, there has been a big change in the mindset of those working at the Technology & Intellectual Property HQ and IXI. They are rising to the challenge of new value creation. Technology development teams, though enthusiastic about their research, previously tended to be somewhat inward-looking. That has changed. Nowadays, they are extracting themes from social issues and engaging with external parties as well. As they accumulate achievements, they will gain confidence and take on greater challenges. They have begun to set new R&D themes themselves, not only from the perspective of existing

businesses, but also from that of near-future customer- and technology-oriented perspectives, and to undertake challenges at a high technical level. The innovation-generating process is becoming second nature to our people who are the key players in that process.

— In SF2030, OMRON emphasizes “empowering people through automation.” Referring to examples, please explain why you emphasize “empowering people” and the kind of society you are trying to achieve.

Automation has three phases: “substitution” when people’s work is done by machines, “collaboration” when people and machines work together, and “harmony” when human possibilities are elicited and maximized by machines. There is a shift from cooperation to harmony at cutting-edge production sites, and OMRON is supporting this evolution with “automation to empower people” centering on the factory automation business.

At the same time, there are many fields and industries where not even substitution has been achieved. Think of nursing care. In a world where human skills are so important, “empowering people” is an issue of extraordinary importance. For a start, we have to ascertain what people should do and what should be left to machines. That’s why at OMRON we are tackling the challenge of preventive care so that people can avoid becoming bedridden. Specifically, we are involved in projects supporting elderly care business, with IXI handling commercialization in collaboration with local governments.

It is well understood that if the signs of functional impairment are captured at an early stage before nursing care is required and improvements in exercise and lifestyle habits are encouraged, then healthy life expectancy can be extended. For that to happen, an “assessment” must first be performed to pick up and analyze lifestyle issues, the prospect of improvement, and so on, of the elderly person. However, since this not only takes time but also requires considerable expertise, it has been burdensome. OMRON set out to support assessment, subsequent formulation of a care plan, and so on, by applying AI. Based on the plan, caregivers explain to elderly care-receivers, motivate them, and provide care while communicating with them. Being told by a robot “keep trying” or “good job” without any emotion is unlikely to motivate anyone. To motivate people, human engagement is essential. Ultimately, it’s work of the heart, valuable work that can only be done by people.

Whereas national finances are being strained by mounting social security costs accompanying population aging, there is also an increasingly acute shortage of staff at the medical and care-providing

front lines. In the elderly care business, by organically linking people and machines, support is provided to enable people in need of care to lead self-reliant lives, which will extend healthy life expectancy. The elderly care business, which compensates for staff shortages, is a focus of high expectations from all interested parties, and OMRON concluded a partnership agreement for business verification with Oita Prefecture in July 2020, followed by one with Osaka Prefecture in April 2022.

However, when it comes to scaling up this elderly care business, staff shortages are a bottleneck. People with professional skills are needed to interact with the elderly, helping to keep them motivated, but there just aren’t enough caregivers. So, recognizing that OMRON also needs to support human resources development, we are developing a training system for caregivers.

Of course, what is important is where the line is to be drawn between the role of people and the role of machines. In SINIC Theory too, there are concerns that “as technology evolves, the roles of humans may be marginalized.” Hence, while we will work to design a near-future where people are empowered, we need to find the answers to such questions as: How far can systemization and automation progress before people are pushed to the margins? What should be left for machines to do? Which areas need to be activated by human creativity?

At IXI, a cluster of themes based on such perspectives are advancing to the business verification stage. New business creation cannot be achieved overnight. Neither can it be expected to make a big contribution to corporate financial performance immediately after commercialization. Nevertheless, if there is a chance for business to solve a social issue, we should rise to the challenge. The spirit of our founder is expressed by the “7:3 Principle.” In other words, “if there’s a 70% chance of success, be brave and give it your best shot, but at the same time always think about how to deal with the remaining 30% risk.” In that spirit, we are innovating to create new businesses.

#### Creating a Practical Mechanism for “Job-based Employment”

— Human resources development is the driving force of innovation. What measures is OMRON implementing in human resources development?

In pursuit of innovation, we have positioned human resources development at the heart of our mission, alongside transformation of organizations and mechanisms to innovate driven by social needs,

because talented people are indispensable for OMRON's sustainable growth. In recent years, we have made a big effort to foster "architects" capable of drafting comprehensive business plans embodying their expertise concerning markets and frontline business, technology, and intellectual property, as well as "core technology talents" with expertise in AI, robotics, and so on. At IXI, we have adopted "job-based employment" where the jobs required for project execution—those of the architects who construct the business, the specialists with high-level expertise, the team leaders, etc.—are defined and staff are allocated who possess expertise and experience commensurate with the job requirements or who are expected to develop the necessary expertise. Whereas IXI is the platform from which human resources capable of innovation flow, the Technology and Intellectual Property HQ is the platform from which engineers supporting that innovation flow. Here too, we are transitioning to job-based employment. Although job-based employment tends to be regarded as little more than the drafting of job descriptions, its essence lies in "clarifying roles and skill levels." When applying this approach to technical staff, an inventory must first be taken of each employee's skills. For example, the field of expertise of an electrical engineer can be divided into many different areas—analogue, digital, control, and so forth. After sorting this out, the next step is to evaluate the skill level in each field on a five-point scale, so that skill and job are associated. For example, this is level 1 work, whereas that is level 2 work, and so on. The requirements for each level are clear, so we can see at a glance what should be mastered to upgrade from level 2 to 3. This approach is highly beneficial in terms of employee enthusiasm and commitment. Clearly, the company must offer educational opportunities so that employees can progress from one level to the next. In other words, you cannot create a personnel system with job-based employment without investing heavily in skills education. That is why SF 1st Stage, which we announced in March, included investment of ¥6.0 billion in human resources development over a three-year period from fiscal 2022, representing a threefold increase from conventional figures. Attempts to introduce job descriptions were made in the past at OMRON, but did not gain traction. In light of that experience, this time we have resolved to create a practical mechanism. For example, by arranging for a team including specialists from outside the company to perform evaluation, we are not only signaling our commitment to making the necessary investment, but also investing time and being thorough in everything we do. Although a CTO who devotes this much attention to the

personnel system may be unusual, it is after all people who will create the revolutionary technology and businesses and the source of innovation will always be human resources. Once we decided to do this, we must create a truly practical mechanism. That is why I have personally devoted a considerable amount of my energy to this issue.

### Carbon Neutrality at Production Sites Anticipating Needs

— At OMRON, there's a culture where it plants a flag to declare its goals and expand collaborations by inviting empathy and resonance from within and outside the company. What are some recent examples?

The capital and business alliance with JMDC Inc. announced this February to create a business through the combination of the product value perspective and the essential value perspective in the cause of "extension of healthy life expectancy," is certainly worthy of such a flag. JMDC has a vast amount of health insurance claims and medical check-up data, and has also accumulated the technology and know-how for analyzing that data so it can be put to effective use. However, it lacks the necessary hardware. In contrast, though OMRON has the hardware and technology to collect individual vital data, we lack knowledge of the data business. This partnership will complement each other's insufficiencies while maximizing their respective strengths in pursuit of "extension of healthy life expectancy." Moreover, this partnership will show people inside and outside OMRON the trajectory we have in mind for our nascent solution-based business offering essential value. Whereas the abstract notion of the shift from the product value perspective to the essential value perspective is difficult to convey, our partnership with JMDC will make it easier for people to understand what we are endeavoring to do. In fact, the response following the announcement has greatly exceeded our expectations.

— What businesses from the essential value perspective are already up and running?

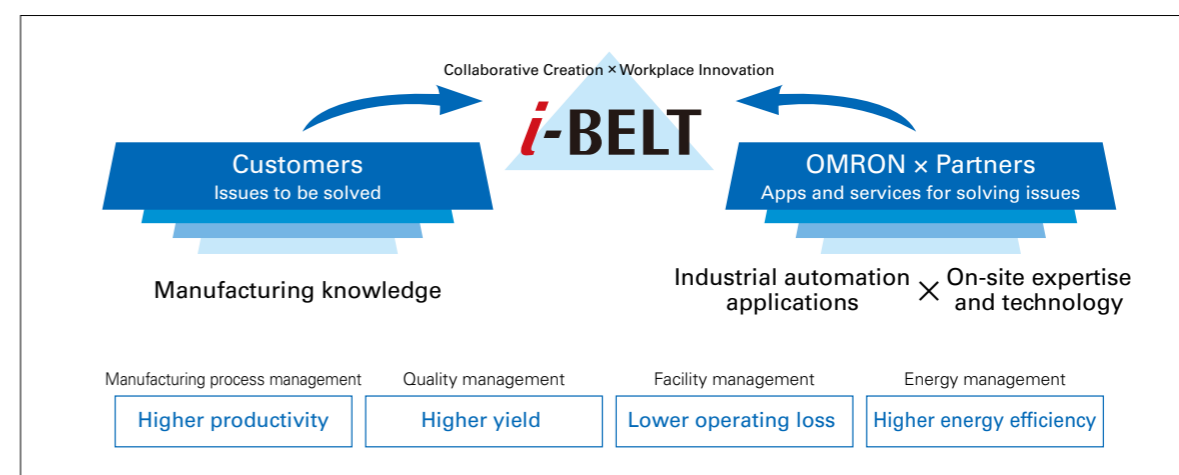
One example is "i-BELT," a service that makes use of data. It is a solution business in which data harvested at manufacturing sites is utilized to solve customers' issues. However, the content of that business is changing dramatically. Whereas productivity and quality improvement were previously the principal objectives, now, there is a mounting interest in "making production sites carbon neutral" amid concerns about the impact of soaring energy prices and supply shortages on the

global economy. In these circumstances, visualizing CO<sub>2</sub> emissions at the level of a manufacturing site or a production line is necessary but insufficient. It will surely become normal to visualize CO<sub>2</sub> emissions for each individual product. At our Matsusaka Factory where we produce healthcare products, we are experimentally measuring the CO<sub>2</sub> emissions generated when producing a single blood pressure monitor. Visualization of CO<sub>2</sub> emissions per product is almost certain to be required in the near future in the EU, followed by other markets worldwide. Over and above this, there will of course be huge demand for the reduction of CO<sub>2</sub> emissions. This is a big business opportunity that the entire OMRON Group can address. Digital twin will then come into its own. This is because the use of data from various sites will make it easier for us to predict the near future in cyberspace and improve our operations. OMRON has on-site capabilities centering on the products and knowledge accumulated in the factory automation business; the devices and modules, such as relays and switches, to achieve energy saving; and the technological and idea-proposing capabilities cultivated in the energy solutions business. The addition of data-driven AI and simulation technology will enable comprehensive solutions to various energy-related problems in production. We aim to achieve new value creation through a business from the essential value perspective unique to OMRON.

### Bringing the "Autonomous Society" into Sharper Focus through Open Discussion Grounded in SINICTheory

— And finally, according to SINICTheory, we will be shifting to an "autonomous society." What will this autonomous society be like, and what do you think lies beyond it?

Our founder Kazuma Tateishi, while maintaining that an individual and society, people and nature, and people and machines would spontaneously harmonize in the coming autonomous society, did not offer any deeper explanation. So, mindful that our task is to dig deeper to bring the autonomous society into sharper focus, we are currently engaged in animated discussion with a view to updating the concept. In 1970 when SINIC Theory debuted, growth meant raising efficiency and convenience to become more affluent. Therefore, diagrams indicating the structure of SINIC Theory depicted how technology, science, and society would interactively develop with a focus on the human yearning for progress. When reassessing this in today's terms, I think our orientation as human beings, the trajectory of our ideas and values, should take center stage. The feeling that wells up from the very bottom of the hearts of those of us living in this contemporary world, a symbiosis of humanity and nature, what does it mean? That is the key point. We're asking external experts and young people, including those of Generation Z, to take part in the current discussion. In talking about the society of the future, it would be odd not to reflect the values of younger generations, neither are we going to get anywhere if discussion is limited to OMRON. So we see openness as a virtue. We want to cast our net as wide as the world. I am eager to share with you the results of those discussions soon, fleshing out our vision of the autonomous society. With this as a model, I will strive to involve people within OMRON and beyond in the collaborative endeavor of building a future to which we can all aspire. I believe that in this way we can actually put the OMRON Principles into practice.



i-BELT: Example of a data-driven service that creates value from the essential value perspective

# Innovation Exploring Initiative HQ (IXI)

## Rising to the Challenge of Creating a Better Society through Innovation

### Results during VG2020 Period

The Innovation Exploring Initiative HQ (IXI) is an organization established in 2018 to anticipate new rapidly emerging social issues, including the trajectory of the ongoing technological evolution as well as social needs likely to emerge in the near future, and to be a source of new businesses corresponding to the opportunities and challenges inherent in these developments. In the four years since its establishment, we have achieved not only the visible result of an enriched and substantial portfolio of themes with new business viability, but also a solid foundation (organization, processes, human resources) for sustainably generating and executing high-potential projects.

### Enrichment of Portfolio of Themes Steadily Creating New Avenues for Business Growth

Over the past four years, more than 30 exciting themes have been conceptualized and verified. Currently, three themes, namely “agri-automation business,” “elderly care business,” and “on-site data utilization support business,” have already advanced to the business validation (trial launch) phase, followed closely by several themes in the customer value verification (proof of concept) phase.

### Continually Evolving Organization Attracting Enterprising People

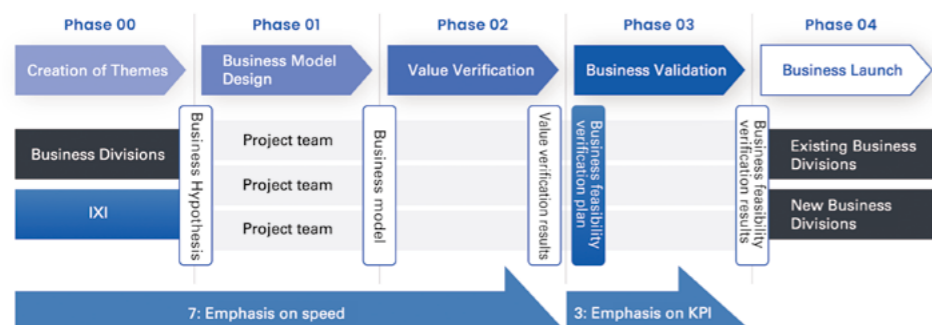
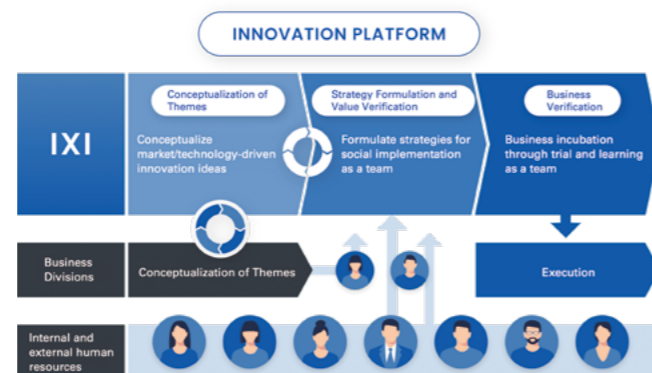
IXI aims to become an organization where enterprising people from inside and outside the company aspiring to create innovation driven by social needs with their energy and talent inspire one another to keep solving social issues through business. Organizationally, “OMRON’s group-wide innovation platform” is key to the success of this approach. In line with the establishment of a personnel system for IXI, including open recruiting and voluntary application for transfer to IXI and project-based open recruiting so that personnel participate in projects while holding concurrent positions at other organizations, IXI attracts many people from both OMRON’s business divisions and head office divisions. Moreover, many people from outside OMRON who share IXI’s vision are participating too. We have thus laid the organizational foundation of IXI, which consists of about 100 people with diverse skills and values who are eager to demonstrate their respective strengths and maximize results in a collaborative endeavor.

### Establishing a New Business Creation Process with High Reproducibility

A major impediment to the creation of new business is the difficulty in selecting the right theme. And even once the theme has been decided, it is unclear who is to have the responsibility and authority, and to what



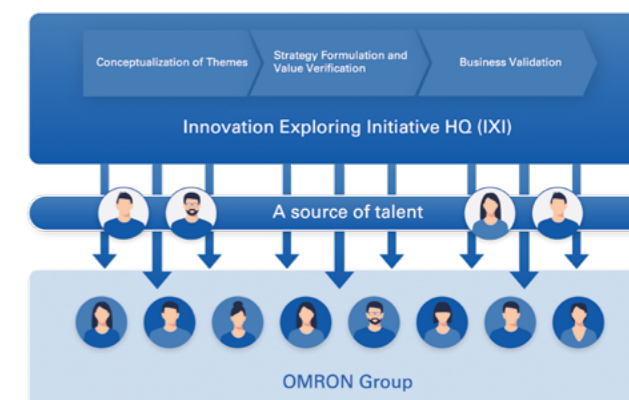
Executive Officer  
Senior General Manager,  
Innovation Exploring Initiative HQ  
**Hidetaka Ishihara**



extent, and how to judge the right time to launch the business. Thus, it is difficult to determine the criteria for investment, or in other words to determine which themes should be pursued and which should be canceled, leading to a much slower pace of business creation and declining investment efficiency. It is crucially important that senior executives, managers, and frontline personnel have a shared recognition of the actual difficulties and are able to discuss issues using a common language. Mindful of this, IXI focused on establishing a highly reproducible new business creation process through iterative “trial and learning” applicable to multiple business themes. The “7:3 Principle,” an approach to business creation conceived by OMRON founder Kazuma Tateishi is the linchpin of this process. Essentially, Tateishi’s idea is that “if there is a 70% chance of success, be bold and give it your best shot, but at the same time always think about how to deal with the remaining 30% risk.” The process emphasizes both “speedy on-site execution” and “investment and risk-control in management.” In the phase corresponding to “7,” speed, notably the avoidance of devoting excessive time and investment in identifying possibilities, is emphasized. IXI proposes a new business domain it aims to create, formulates a hypothesis, and sets a theme, and carries out testing of the business model hypothesis and verification of customer value. If the results of the verification indicate a certain degree of probability, then in the phase corresponding to “3,” decisive investment will be made in the carefully examined possibility to grow the business while controlling risk. IXI’s business creation process is eminently practical. It has become the common language in which senior executives, managers, and on-site personnel tackle the issues. It is a powerful tool.

### Development of Human Resources to Drive Business Creation and Group-wide Innovation

IXI emphasizes “business creation as a team,” with the team consisting of diverse people with diverse strengths. This is because as the business creation stage progresses from “conceptualization,” and “hypothesis testing” to “business validation,” diverse capabilities and skills are required. With these diverse human resources, our focus is on developing “architects” who repeatedly test hypotheses, identify intrinsic value for customers, and shape a business model. In four years, more than 60 “architects” have refined their skills through promotion and execution of themes and devoted themselves to new business creation. IXI has become a pool of talented people capable of driving innovation. Today, several people who used to work for IXI are engaged in various businesses of the OMRON Group where they are leading innovation.



### Further Evolution under SF2030: Maximizing Abilities to Create Innovation Driven by Social Needs

During the period of VG2.0, we have established a firm foundation (organization, processes, human resources) for continuously creating new businesses and sustainably generating and executing exciting themes. Under SF2030, we are committed to further strengthening this foundation as non-financial value of OMRON, and at the same time, creating multiple profit-making businesses to contribute to the next stage of OMRON’s growth.

IXI will tackle five new business fields under SF2030, namely, “data-driven healthcare,” “automation for food production,” “support for achieving carbon neutrality of manufacturing industry,” “support for DX of manufacturing sites,” and “decent work.” These all contribute to resolution of the three social issues addressed by OMRON under SF2030: “achievement of carbon neutrality,” “realization of a digital society,” and “extension of healthy life expectancy.” IXI refers to the overview of business opportunities of each new business field as the “business architecture” and maps business hypotheses for each field onto it. The above-mentioned “agri-automation business,” “elderly care business,” and “on-site data utilization support business” currently in the businessfeasibility verification (trial launch) phase are themes corresponding to the business architecture of “automation for food industry,” “data-driven healthcare,” and “support for DX of manufacturing sites,” respectively. As well as aiming to develop these three business themes into profitable businesses at an early stage, we will also verify other business opportunities mapped onto each business architecture as alternatives and will create groups of businesses of appropriate scale in each of the five new business fields. The nine years covered by SF2030 will be a period of rapid change towards an autonomous society that OMRON envisages. A society in which both economic growth and harmony between the global environment and social structure and will be propelled by cooperation and collaborative creation with many enterprises and stakeholders. We will share what IXI has learned and the organizational ability it has cultivated so far not only inside the OMRON Group but also with parties outside the OMRON Group to create innovation driven by social needs.



**How IXI Will Rise to the Challenge of Achieving a Better Society**

With respect to the three social issues to be addressed by OMRON under SF2030, namely, “achievement of carbon neutrality,” “realization of a digital society,” and “extension of healthy life expectancy,” IXI will tackle five new business fields: “data-driven healthcare,” “automation of food production,” “support for achieving carbon neutrality of manufacturing industry,” “support for DX of manufacturing sites,” and “decent work.” While deepening and expanding the commercialization themes in these five fields, IXI will continue to enrich and review its portfolio of themes.

● **Data-driven Healthcare**

In the healthcare field, “extension of healthy life expectancy” and “realization of a sustainable healthcare system” are two goals universally desired. As society becomes more mature, the issues they involve become more pressing and yet the difficulty of achieving both goals simultaneously becomes starkly apparent. In a healthcare ecosystem consisting of various medical and healthcare data, we are accumulating vital data of consumers and patients in their everyday lives. We will combine these data with the medical and healthcare data, such as health insurance claims and health check-up data, which OMRON does not possess, to provide preventive solutions for chronic illness and for worsening conditions so as to achieve value through data-driven healthcare.

**(Case of Business Validation)**

In collaboration with local governments, the Elderly Care Business Department is promoting business validation of elderly care solutions to offer new value empowering caregivers on the front line and helping the elderly stay healthy and active, thus reducing the need for long-term care. OMRON concluded a partnership agreement with Oita Prefecture in 2020. The demonstration projects, which started in four cities and towns, have expanded to cover 12 cities and towns. Moreover, OMRON started a joint research project with Komatsu City, Ishikawa Prefecture in October 2021, and concluded a business partnership agreement with Osaka Prefecture in April 2022. We aim to achieve social implementation of our solutions for “extension of healthy life expectancy” in collaboration with local governments that are confronting various issues.



● **Automation for Food Industry**

As people become more affluent, greater food safety and security as well as better taste become more important values for them. Producers of agricultural products, livestock, etc., strive daily to meet these consumer needs for food. However, since food production depends on experience and it takes time to become an expert, and since the price paid for high-value-added products is not adequately distributed to the producers, people working in primary industry are leaving for other industries, resulting in labor shortages. This is a social issue that poses a threat to the sustainability of food production. We will provide food production with “digital solutions” utilizing automation and data. By increasing the “production” and “management” capabilities of producers, we will transform the production of food into a “profitable” industry creating high added value and contribute to its sustainability.

**(Case of Business Validation)**

First, the Agri-automation Business Division is offering agricultural cultivation support solutions in the Chinese market. These solutions enable unskilled farmers and farm laborers to achieve agricultural production comparable to that of skilled farmers, focusing on fruit and vegetable crops such as mini-tomatoes and strawberries in organic and low-agrochemical cultivation that requires agricultural technology and is difficult for the unskilled. Currently, many projects are in progress with several Chinese partner enterprises.



● **Support for Achieving Carbon Neutrality of Manufacturing Industry**

As a principal climate change countermeasure, “achieving carbon neutrality by 2050” has become a pressing societal goal. Given this context, it is crucially important that companies fulfill their social responsibilities. Manufacturing industry is urged to achieve carbon neutrality by overcoming issues, such as insufficient renewable energy, sharply rising prices, and the cost burden associated with the introduction of a carbon tax, while continuing the pursuit of higher quality and further productivity improvement. To achieve carbon neutrality, not only is management’s strong commitment essential, but also the establishment of an environment where on-site workers autonomously and continuously work toward achievement of the goal. We intend to provide comprehensive solutions to the complex set of issues faced by manufacturing industry. This will involve supporting companies’ autonomous and ongoing efforts to achieve carbon neutrality by leveraging our field knowledge cultivated in the Industrial Automation Business and the energy control technology cultivated in the Energy Solutions Business. We are currently creating core themes capable of capturing diverse needs.

● **Support for DX of Manufacturing Sites**

Many companies are investing in DX of “management.” However, not only DX of “management,” but also DX of “on-site” will be essential to increase organizational productivity and maximize business output. DX of “workplaces” entails workplace innovation that identifies the powerful triggers for improvement that exist within daily on-site activities by utilizing data and applies those triggers in value creation. On the basis of the vast amount of on-site data, the involvement of all on-site workers in innovation will lead to DX of “management.” We provide solutions for DX of “workplaces” as well as a mechanism linking “workplaces” and “management.” We support workplace innovation so that everyone at workplaces can easily utilize data, turn data into value, and become a source of innovation.

**(Case of Business Validation)**

The Sensing Data Trading Market (SDTM) Business Department is carrying out business validation of on-site data utilization support solutions focusing on customers in manufacturing industry. With a view to the future data trading society, we are providing solutions that enable utilization of on-site data, such as data linkage between specific companies and data distribution among numerous unspecified stakeholders. We currently provide services to customers in a broad range of manufacturing industry, including automotive parts, machinery and electrical products, electronic components and devices, materials and processed materials, semiconductor-related equipment, food, cosmetics, and consumer goods. We are challenging to further expand our services.

● **Decent Work**

Decent work refers to “dignity, equality, a fair income and safe working conditions.” As people’s values become more diverse along with increasing affluence, they desire more high-quality products to satisfy individual needs. At the same time, many workplaces where these products are made continue to operate on a labor-intensive model, reliant on low-wage workers. Hence, employment-related social issues, such as human rights issues in the supply chain and economic inequality, have come to the fore. If workers are able to tap their own potential and act autonomously, they will be recognized as more than labor; but they will be creators of added value. We will empower manufacturing workplaces with new capabilities through automation, liberating business enterprises and their workers from the labor-intensive model, thereby contributing to the creation of decent work.

**(Example of Collaborative Creation)**

We are currently focused on “sewing automation.” We are targeting value creation at manufacturing sites for automotive-related products, such as car seats, air bags, and seat belts, as well as for apparel such sports shoes. During this process, we are carrying out technology and customer value verification. In January 2022, we started joint development of production automation prototype with MATSUYA R&D Corporation to mitigate the effect of labor shortages. We are rising to the challenges of resolving labor shortages and providing decent work for everyone regardless of age or gender.

# Technology and Intellectual Property HQ

## Challenge to Create Social Needs with Innovative Technologies

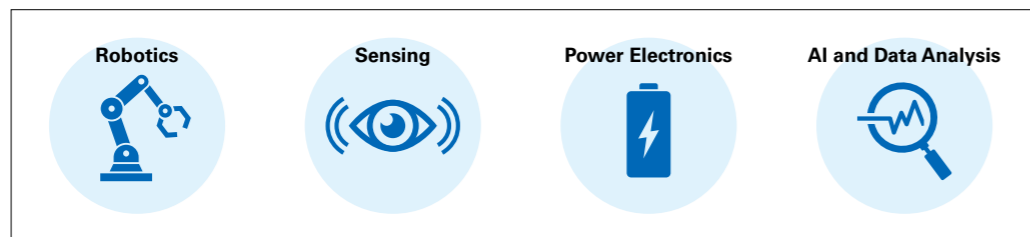
### Strengthening Core Technologies for “Empowering People through Automation”

In order to resolve various social issues, OMRON has been refining the sensing technology for acquiring on-site data and the control technology for appropriate feedback. As indicated by the addition of “Think,” signifying human wisdom, to the combination of “Sensing & Control” in 2011, we have been continuing to strengthen our core technologies defined as “Sensing & Control + Think.” New technologies OMRON has created in recent years, which will lead to new value creation, include: “3D vision sensors” serving as the eyes of robots performing simple tasks previously performed by humans; “visual inspection equipment” whose ability to detect small scratches or stains on a product, and to make related judgments, is equal to that of skilled workers; and “AI controllers” capable of anomaly detection of production equipment.

During the VG2.0 period, amid accelerating technological development, we enhanced our ability to draw “technological architecture,” an overview of the technologies necessary for social implementation, by backcasting from a near-future where the social issues have been resolved, rather than viewing the near-future as an extension from the past. At the outset of SF2030, we designed a near-future by “empowering people through automation,” started examining “technological architecture” by redefining “relationships between people and machines,” and determined the technological issues to be addressed by OMRON.

Adopting a panoramic view of the technological issues, we identified four areas of OMRON’s technological focus and reorganized the technological development structure in April 2022. These four areas are: “Robotics” representing the body of a machine, “Sensing” being its five senses, “Power Electronics” being its power source, and “AI and Data Analysis” that are its intelligence.

#### Areas of Technological Focus



Taking robotics as an example, the declining birthrate combined with population aging and a shortage of skilled workers are fueling greater utilization of robots. However, at present, utilizing robots requires a high level of expertise, and moreover, the tasks robots can perform are limited, and so people have to work alongside robots. OMRON started by rethinking how robots should be used “to empower people.” Our aim is for robots to perform exhausting and dangerous tasks that currently have to be done by people as well as mechanical repetitive tasks. For this purpose, having overhauled the hardware and software for robots, we are developing new robots. To tackle this new challenge, OMRON SINIC X Corporation is vigorously proceeding with the development of innovative technology through collaborative creation and R&D with universities, business enterprises, and other external parties from the viewpoint of medium- to long-term technological development.



Executive Officer, Senior General Manager, Technology and Intellectual Property HQ, OMRON Corporation; President and CEO, OMRON SINIC X Corporation

**Masaki Suwa**

### Strengthening Technical Human Resources and Intellectual Property Initiatives

To refine our core technologies and create new value through technological innovation, an important element is of course technical human resources. Amid unceasing technological evolution typified by AI and robotics, in order to foster engineers capable of working effectively both inside and outside OMRON, we clearly defined the technological fields required for OMRON’s growth and the types and levels of skills required, as well as roles and responsibilities and started a new initiative for technical human resources development in fiscal 2021. We also support upskilling with respect to various technologies, such as by providing opportunities to learn the latest technologies from the basics.

Moreover, intellectual property, which is one of our non-financial values, is becoming ever more important in the context of our ongoing efforts to create new value. At OMRON, “using intellectual property to continue creating new value leading to sustainable growth” is the policy informing all our IP initiatives, which are undertaken based on a clearly defined mission and vision. In addition to obtaining rights for our company’s unique technology and strengthening the exercise of rights to utilize that technology, we draw up multiple scenarios to realize our near-future design as “intellectual property architecture” and file applications in advance for innovation driven by social needs. In doing so, we are strengthening IP initiatives to deliver unique OMRON value.



Patent application training

**OMRON Intellectual Property Center Mission**

**We deliver unique value for people around the world by leveraging our core assets of intellectual property.**

We develop and deepen appealing ideas.  
We deliver peace of mind and confidence to customers.  
We enhance our presence to our competitors offensively and defensively.

**OMRON Intellectual Property Center Vision**

**We bring the IP specialists together from diverse fields and continue to create innovation.**

We defy stereotypes.  
We create a new paradigm of connections.  
We strive to increase the trust from the management team.

During the VG2020 period, we provided education on patent applications to all the engineers in the OMRON Group and strengthened our ability to create patents. As a result, the number of patents in OMRON’s possession in fiscal 2021 was 12,061, more than double the 5,959 in fiscal 2011. OMRON has been publishing a journal of technical papers entitled “OMRON TECHNICS” since 1961. The purpose is to contribute to a better society by providing the public with access to the R&D outcomes of the OMRON Group engineers for resolving social issues. OMRON has been selected by Clarivate as one of the Top 100 Global Innovators for the sixth consecutive year. We view this as recognition of our IP initiatives in terms of the volume of patent applications and breadth of technologies.

We got off to a great start under SF2030 by enhancing non-financial value in two key respects: strengthening our technological development abilities to link new value to social implementation and strengthening human resources development and IP initiatives. To create value to resolve social issues by “empowering people through automation,” we will further strengthen and refine our core technologies of “Sensing & Control + Think.” <https://www.omron.com/global/en/technology/#>

#### Case

##### Development of People-centric Flexible Robot that Adapts to People

As the working population continues to shrink due to a declining birthrate and population aging, we are emphasizing development of robots for empowering people. OMRON SINIC X Corporation, which is in charge of R&D based on backcasting from a near-future design, is conducting advanced research from a medium- to long-term perspective, utilizing collaborative creation with universities.

##### Case: Realizing Robot Operations Instigated by Verbal Instruction

Until now, for robots to operate in various on-site settings, specialist knowledge for handling the robots is essential. As a way to enable anyone to easily handle a robot, technology enabling operations of a robot by verbal instructions is a focus of rising expectations. Using the technology that we are working on, people would only need to give verbal instructions to a robot and the robot would understand the action to be taken automatically and perform the task. With a view to realizing this technology, OMRON commenced a joint research project with Kyoto University, Tokyo Institute of Technology, and Nara Institute of Science and Technology, in fiscal 2021. In connection with this research, our paper was accepted and presented at “ACM\* Multimedia 2021,” a major international conference in the multimedia field.

\*ACM: Association for Computing Machinery

# Global Corporate Venturing Office (CVC)

Co-creation with World's Venture Businesses to Create New World and New Value

In pursuit of "a future designed through collaborative creation with the world's startups," OMRON VENTURES CO., LTD. (OVC) has been developing collaborative creation activities for new market creation and business innovation, taking advantage of its network encompassing entrepreneurs and investors worldwide. As a result, OVC has invested in 21 startups so far, including four that it newly invested in during fiscal 2021. Under SF2030, with a view to "maximizing the capability to create innovation driven by social needs," which is one of the material sustainability issues, we will expand investment in startups that are promising for collaborative creation with OMRON's four core businesses and in those tackling the three social issues addressed by OMRON under SF2030. To ensure the effectiveness of investment, OMRON established the Global Corporate Venturing Office (CVC Office), which supervises OVC, in April 2022, as an organization directly reporting to OMRON's president. With the aim of maximizing the social impact, the CVC Office will strengthen opportunities for collaborative creation between OMRON and startups via OVC and seek to enhance strategic and financial returns.



Senior General Manager, Global Corporate Venturing Office; President and CEO, Omron Ventures Co., Ltd.

**Tomoko Inoue**

## Resolve Social Issues through Investment in Startups

In January 2022, OVC established OVC II Investment Limited Partnership (OVC Second Fund). The OVC Second Fund invests in startups that aspire to create value by addressing the social issues targeted by OMRON.

As the first investment, the OVC Second Fund chose Visby Medical, Inc., the U.S. firm that develops and sells the world's first disposable, portable PCR testing devices. PCR tests have garnered attention recently in the context of the COVID-19 pandemic. They allow high-precision test results to be obtained from extremely small samples and thus are used in testing for many different infectious diseases. However, the number of medical institutions that can perform accurate PCR tests is limited, and factors such as difficulties in purchasing expensive testing devices drive most institutions to outsource their clinical testing to private sector labs. This means they can face delays in receiving test results. Meanwhile, the COVID-19 pandemic continues. To tackle these problems, Visby Medical has developed a portable PCR device offering accuracy of 95% or above, which is equivalent to lab-based testing. Achieving lower costs and shorter waiting time for test results will revolutionize the infectious disease testing process and contribute to resolution of social issues. Through its investment in startups such as Visby Medical whose innovation has the potential to be transformative in an industry, OMRON will pursue accelerated resolution of social issues.

## Maximizing Strategic Returns through Acceleration

In fiscal 2022, the CVC Office has begun a new initiative, "acceleration," to speed up the business growth of startups. In this initiative, OMRON gathers people with the expertise required for business growth as well as other experts and has them directly participate in management of the startups to enhance their business value. Moreover, in terms of human resources development, the CVC Office aims to foster innovative individuals capable of creating new globally competitive businesses by seizing opportunities for collaborative creation with the world's entrepreneurs and experts.

CogSmart Co., Ltd. in which we invested in fiscal 2021 is a good example. CogSmart is a Japanese company developing a unique solution for slowing the onset of dementia. A solution that "prevents the worsening of dementia," which is the focus of CogSmart's efforts, would be in great demand in Japan where population aging is progressing and is attracting attention worldwide, too. To help CogSmart increase its business value, the CVC Office has assigned OMRON personnel to CogSmart who have knowledge of the medical field gained through OMRON's existing business in addition to external human resources with expertise of a high caliber. At the same time, OMRON personnel will be given an opportunity to learn through collaborative creation with the startup's management so as to maximize strategic returns.

## OVC's Investment Portfolio

OVC has invested in startups tackling the three social issues addressed by OMRON under SF2030: "achievement of carbon neutrality"; "realization of a digital society"; and "extension of healthy life expectancy."

Achievement of Carbon Neutrality	Realization of a Digital Society	Extension of Healthy Life Expectancy
Energy visualization 	Robot control 	Migraine treatment 
Carbon offsetting 	Image processing + AI 	Prevention of dementia 
	Agri-automation 	Medical data 
	Metaverse 	AST systems 
		Remote medicine 
		PCR testing 
		Digital coaching 

## Contribution to Carbon Neutrality

Amid the worldwide efforts to achieve zero greenhouse gas emissions by 2050, there are various challenges concerning social implementation of alternative energy technology. Carbon offsetting using credit trading is one of the methods to promote CO<sub>2</sub> reduction. However, the lack of transparency of the credit information, such as who generated the credits and how they were generated, makes reliability an issue in credit trading. ClimateTrade, S.L. in which OVC invested in January 2022 is a Spanish startup providing a blockchain-based marketplace for carbon offsetting credits with high traceability and transparency of trading. Through investment in ClimateTrade, which is helping companies achieve their decarbonization goals, OMRON is contributing to resolution of social issues.

With "decarbonization and climate change mitigation" as its mission, ClimateTrade is endeavoring to propose scalable innovation by grasping market needs. OMRON VENTURES understands our mission and is supporting us. OMRON's support has been instrumental in helping us achieve our goals for planning new products and expanding the global reach of our products.

CEO **Francisco Benedito**

## Cultivating Corporate Culture of CVC Activities

OVC invested in DIMAAG-AI, Inc., an American provider of an advanced AI platform, in March 2021. DIMAAG-AI and OMRON's Industrial Automation Business have launched a project for collaborative creation in technology development. The CVC Office holds technology exchange meetings between OMRON engineers working on new technology developments in its core businesses and the startup's managers, in order to spread the synergy of collaborative creation throughout the OMRON Group. We will continue to hold exchange meetings with startups in order to nurture a corporate culture conducive to promoting new collaborative business creation.

With a strong presence in the U.S., Japan and India, DIMAAG-AI provides AI components, hardware, robotics, and other solutions tailored to customer needs. Based on our conviction that AI technology will transcend industries and business formats, we have developed AI solutions in many fields. We look forward to continuing to provide OMRON with intelligent products and solutions as we work together on the project.

Technology exchange meeting with the startup

Founder and CEO **Satish Padmanabhan**

# Generating diverse talent taking on the challenge of value creation

Employees are the driving force of OMRON's creation of social value through business under SF2030. We will implement human resources strategy so that the company and the employees choose each other based on a natural affinity premised on a new "company-employee relationship," in order to achieve sustainable growth together.

## SF2030 Human Resources Strategic Vision

Inspired by the corporate philosophy of "contributing to a better society," the company and its employees will always choose each other and continue growing together.

### Human Resources Strategy with a View to Building a New Relationship between the Company and its Employees

In the context of changing social and economic conditions, human resources are destined to become increasingly mobile over the next decade and the relationship between companies and their employees will shift to one of greater equality. Amid this shift, companies will be required to clearly set out the opportunities for growth and empowerment and the results they expect, since it is necessary to enhance the market value of each employee. On the other hand, employees are expected to be motivated to enhance their expertise, demonstrate their capabilities, and create value. At OMRON, we will build a new relationship between the company and its employees in which they chose each other and grow together. Based on this premise, we aim to ensure that both OMRON and its employees are highly regarded in society.

OMRON's purpose is to "create social value through business and continue to contribute to the development of society," which is nothing less than the OMRON Principles in action. We will globally implement human resources strategy to ensure the OMRON Group continues to attract diverse talented people who aspire to resolve social issues through the practice of our corporate philosophy and encourage each individual to seize the initiative and demonstrate their abilities.



Managing Executive Officer  
Senior General Manager of Global Human Resources and Administration HQ

**Masahiko Tomita**

### Diversity & Inclusion Accelerate Business Transformation

Under SF 1st Stage, OMRON is tackling transformation of business through evolution in three key respects: "the perspective on value," "the business model," and "automation." The key to achieving business transformation is Diversity and Inclusion (D&I).

We thoroughly discussed what D&I means for OMRON. As a result, our definition of diversity at OMRON is to "attract diverse people who will take on the challenge of the creation of a better society." Our definition of inclusion is to "unleash the passion and ability of each individual, create innovation by bringing our diverse personalities together and share the fruits of our labor." The prerequisite for achieving D&I is to ensure our people are "professionals."

OMRON wants people who are passionate about resolving social issues and have expertise and strengths to contribute to the team. OMRON will leverage the personal qualities and knowledge of individual employees and their diverse ideas and opinions based on their experience to contribute to a better society. To this end, we will accord the highest priority to human resources development measures that will accelerate D&I under SF 1st Stage and vigorously invest in creation of a system that will enable all employees to realize their aspirations and fulfill active roles.



### Image of Required Human Resources

- Individuals passionate about solving social issues
- Individuals who continue to hone their specialties to realize their ambitions
- Individuals who care about the team as a whole and who are self-starters that demonstrate leadership

OMRON's Concept of Diversity & Inclusion

	Evolution of Human Resource Policies	Performance Indicators	FY2024 Target
Attract diverse human resources	Global hiring of specialist human resources to lead value creation	HR portfolio sufficiency rate	<b>Human Creativity*</b> (vs. FY2021) <b>+7%</b> <small>*Added value per unit cost of employee</small>
	Promote localization of globally important positions	>80%	
	Promote career advancement for women by developing next-generation leaders	Ratio of women in managerial roles (OMRON Group worldwide) >18%	
	Implement and expand diverse career, employment status and work style options	VOICE SEI 70 points or higher	
Create innovation by unleashing passion and ability	Invest in individuals keen to grow	HR development investments ¥6 billion (3-year total)	
	Establish job-based HR system with defined roles, responsibilities, and specialties	Complete introduction of job-based HR system	
Framework for sharing co-creation and achievements	Cultivate a workplace environment that supports personal growth and motivated individuals	Scores of VOICE & 360°FB	
	Initiatives and programs to share achievements of resolution of social issues	· Evolution of TOGA · Introduction of stock-based performance-linked compensation for employees in managerial positions (OMRON Group worldwide)	

Initiatives to Accelerate Diversity & Inclusion

### Investment in Individuals Keen to Grow

The OMRON Group will proactively invest in human resources in order to help those who are motivated to enhance their abilities and to help those who have been promoted acquire the abilities needed to achieve higher performance.

During the VG2.0 period, we implemented the Global Core Position and Core Human Resource Strategy to develop strong leaders who embody the OMRON Principles and lead the organization. As a result, 80% of core positions overseas are now filled by non-Japanese nationals. We also expanded training programs for selected trainees throughout the OMRON Group worldwide. In fiscal 2021, we conducted globally common training programs for executive officer candidates, core position successors, and next-generation leaders to keep talent flowing through the human resources pipeline. Moreover, we invested ¥650 million in fiscal 2021 in human resources development to enhance the abilities of all employees.

Furthermore, in fiscal 2021, we began recruitment for secondary or side positions, with the aim of creating new businesses and building a foundation to support new business creation through active participation of human resources with diverse skills and experience from both inside and outside the OMRON Group. We hired a total of 27 professionals from 1,900 applicants over the past three recruitment rounds. Interaction with professionals recruited from outside the OMRON Group who share our corporate philosophy is also an opportunity for our employees to achieve growth.

In fiscal 2021, we launched Feedback Ability Enhancement Training, firstly in Japan, to create “learning workplaces” where organizations and individuals can challenge themselves to achieve higher goals and continue to grow based on a sense of psychological safety. Of the approximately 1,500 employees in managerial positions in Japan, including executive officers, 80% are scheduled to complete the training by the end of fiscal 2022. Going forward, we will conduct training globally to address workplace issues specific to each area. Plans call for all 3,000 employees in managerial positions overseas to receive the training during the period covered by SF 1st Stage. Through these initiatives, OMRON aims to create a corporate culture in which employees, regardless of their position, can freely and frankly discuss their opinions and ideas with the aim of achieving results and creating value.

Under SF 1st Stage, we will invest ¥6 billion (cumulative total for three years), three times the amount invested in the VG2.0 period, in human resources development. In addition to human resources development centering on training for acquiring knowledge, we will provide growth opportunities for individuals to acquire specialties and develop them through practical experience. Specifically, we will expand the following programs: “acquisition and strengthening of new skills, such as DX,” necessary for business transformation, “development of leaders through study abroad and dispatch to external institutions,” and “feedback and interactive initiatives, such as coaching and mentoring.” In addition, in order to enable diverse career and work style options, we will expand the job posting system and accelerate project-based team building on a global basis across countries and regions. At the same time, we will also emphasize active promotion and hiring of female employees who aspire to leadership positions and designing of measures to retain female managers. Through these initiatives, we will transform OMRON into an organization in which all employees can fully demonstrate their capabilities and fulfill active roles.

**Job-based Human Resources System with Defined Roles, Responsibilities, and Specialties**

In Japan, the job-based human resources system applied to key managerial positions (managers, experts, and specialists) has been extended to non-managerial positions since fiscal 2022. In order to assign the right people to the right positions based on the ability, expertise, and motivation of each individual, we have clarified the criteria for roles and duties. Through appropriate goal setting, evaluation, and treatment, we intend to heighten employees’ sense of satisfaction while maximizing their motivation.

Among employees in non-managerial positions, the approximately 5,500 senior specialists or section chiefs, who account for half our workforce in Japan, are expected to exercise the highest level of responsibilities as their work is becoming more challenging owing to changes in the business environment. Therefore, in addition to introducing the job-based human resources system, we will ensure “evaluation and treatment based on roles, responsibilities and performance” that reflects the abilities required for the job, the degree of difficulty of the tasks, and the responsibility for achievement. We will also consider treatment that is not based on age, years of service, or personal attributes, and expedite promotion of younger employees.

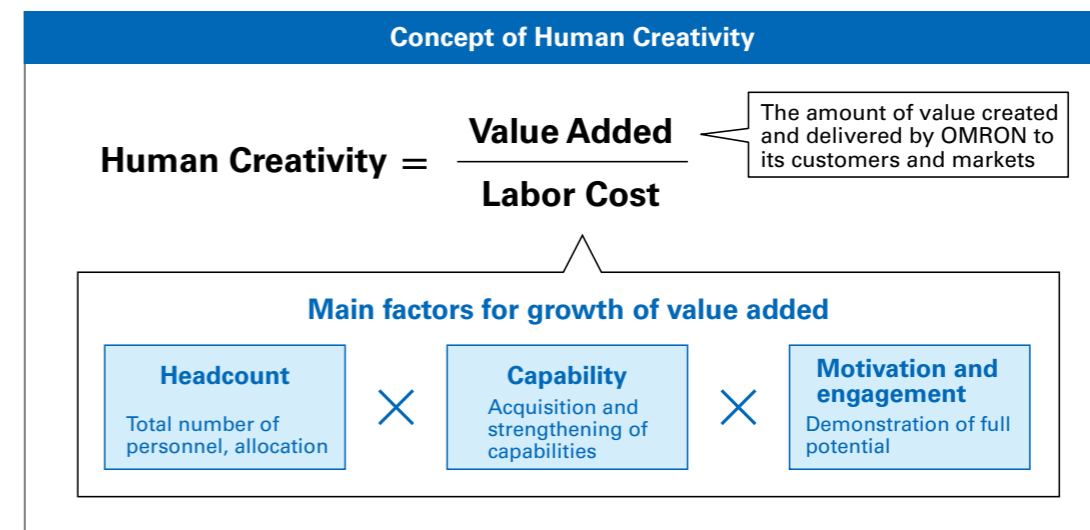
**Initiatives and Programs to Share Achievements of Resolution of Social Issues**

As part of initiatives to share achievements of resolution of social issues, we introduced stock-based compensation as a Medium-term Incentive Plan for employees in managerial positions at the OMRON Group worldwide in fiscal 2022. In Japan, we also introduced the Employee Stockholding Association Revitalization Plan, under which OMRON grants restricted shares to non-managerial employees through the Employee Stockholding Association with the aim of raising their awareness about corporate value. These plans are designed “to heighten employee awareness of the link between their work and corporate value” and “to help employees build assets by sharing the benefits of enhancement of corporate value.”

**Investment in Human Capital to Support Realization of Vision and Ambitions**

Under SF2030, “human creativity” is set as a quantitative indicator to measure how effectively OMRON utilizes its human capital to enhance corporate value by accelerating D&I through the evolution of human resources policies. The target is a 7% improvement in human creativity in fiscal 2024 compared with fiscal 2021. Human creativity is the amount of value added, which is sales minus variable costs, divided by labor cost. Value added is the amount of value created and delivered by OMRON to its customers and markets, and labor cost is the amount of investment in human resources who create that value. Companies should obtain appropriate value added and use it to expand and reproduce new value. This is indispensable for achieving sustainable growth for a company and its employees. For investment in human capital to achieve growth of value added, three factors aligned with the OMRON Group’s management goals and business strategies are important.

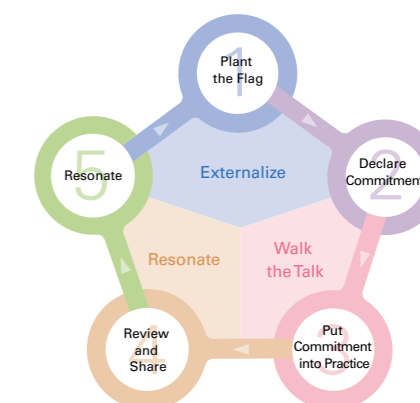
The first factor is headcount (optimum allocation of human resources). We will secure sufficient human resources to execute business strategies and allocate them according to the priorities of the business strategies. The second factor is capability (acquisition and strengthening of capabilities). We will prepare human resources development programs to help our employees acquire and strengthen capabilities necessary for executing business strategies and provide them with various opportunities to gain experience both internally and externally, in Japan and overseas. The third factor is motivation and engagement (demonstration of full potential). OMRON will create an environment where all employees can fully leverage their diverse personal qualities and abilities.



(From FY2018 to FY2021)	SF 1st Stage
<b>Human Creativity 102%</b>	<b>Human Creativity 107%</b>
Growth of value added: 102%	Growth of value added: 122%
Growth of labor cost: 100%	Growth of labor cost: 115%
Investment in HR development: ¥2.0 billion (FY2019-FY2021 total)	Investment in HR development: ¥6.0 billion

**The OMRON Global Awards(TOGA)**

The OMRON Global Awards (TOGA) is a system for self-driven practice of the OMRON Principles. TOGA initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the OMRON Group across the world to ensure that all employees understand the OMRON Principles, which are the source of OMRON’s strength, and to expand the circle of empathy and resonance. Under SF2030, we will continue to evolve TOGA and share collaborative creation and achievements globally to resolve social issues through business. TOGA is a cycle\* of setting inspirational goals, taking action, and reviewing progress to share information and encourage buy-in throughout the entire year. OMRON Group employees engage in TOGA in teams. Themes selected from individual organizations and regional qualifying rounds are presented at the annual Global Meet held in Kyoto and shared with all OMRON Group employees worldwide. The initiatives of other teams and their evaluation by judges become topics of conversation at workplaces. Sharing TOGA experiences with co-workers is leading to expansion of the circle of empathy and resonance throughout the OMRON Group worldwide.



\*Designed based on the SECI Model, a knowledge management mechanism produced by Hitotsubashi University professor Ikujiro Nonaka that focuses on knowledge creation activities. Through a conversion process of socialization, externalization, combination, and internalization, organizations can take the tacit knowledge of an individual and create shared knowledge throughout a group or organization. (Source: Globis University, Graduate School of Management MBA Glossary)

### The 9th TOGA Global Meet

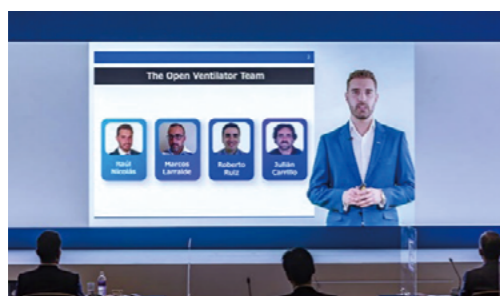
At the 9th TOGA Global Meet held on September 15, 2021, a total of 16 themes (13 Gold Awards and 3 Special Awards) selected from 6,461 entries involving 51,033 participants in fiscal 2020 were shared with audiences both within and beyond OMRON in a hybrid format combining on-site and online platforms. From outside the OMRON Group, the 9th TOGA Global Meet had 455 participants, including partners, investors, media representatives, and students.

Last year, amid the disruption of the COVID-19 pandemic, OMRON Group employees took on many challenges around the world, in many cases overcoming adversity to put the OMRON Principles into practice. Employees identified social issues on their own initiatives and worked with internal and external partners to create new social value.

### Examples of Initiatives to Practice the OMRON Principles in the 9th TOGA Global Meet

Introduced below are award-winning themes from Spain and Japan that boldly took on the challenge of resolving issues by overcoming various obstacles to put the OMRON Principles into practice.

#### Development of a Ventilator using Factory Automation Technology (The Open Ventilator) (FY2020 Special Award, Representative of Europe Area)



In Spain, a growing number of patients were passing away unable to obtain sufficient medical treatment, owing to a shortage of ventilators. It was at this time that Raúl Nicolás, a control equipment engineer for OMRON Spain, took the initiative to get involved in a ventilator development project in the hope of saving as many lives as possible. When he saw the first prototype developed for the project, Raúl hit upon the idea of applying OMRON's factory automation (FA) technology to create a more sophisticated ventilator that could measure patients' respiration volume and pressure in real time, learn from these measurements, and supply the optimal volume of oxygen. Encouraged by support from his colleagues who told him,

"we will by all means give it a try if our technology can save people's lives," Raúl launched a ventilator development project with them and sought to leverage their expertise to save people's lives. The project gained momentum as internal and external partners, including members of OMRON Europe, other companies, and universities, joined them in this collaborative endeavor. The new open ventilator for emergency use was ready in just two weeks from the launch of the project. The open ventilator developed by Raúl's team was adopted not only in Spain but also in South American countries, and today is helping to save people's lives across the world.

#### Development of Communication Assistive Technology for the Visually Impaired (FY2020 SpecialGold Award, Representative of Japan Area)

With the aim of realizing a society where the inconvenience experienced by the visually impaired is reduced to an absolute minimum by harnessing the power of technology, OMRON's team led by Kazuo Yamamoto, an engineer of the Technology & Intellectual Property HQ, established a consortium with four other like-minded companies. Led by Dr. Chieko Asakawa, now Chief Executive Director of the National Museum of Emerging Science and Innovation (Miraikan) who is herself visually impaired, the consortium tackled development of an "AI suitcase" combining the latest AI and robotic technologies of member companies to support mobility and communication of the visually impaired. OMRON's team was responsible for developing a function that serves as the eyes of the visually impaired to support smooth communication with people. The face-sensing technology recognizes the people around the user and judges whether they are people whom the user knows or whether the person the user would like to speak to is available. In the course of development, facial recognition by the conventional technology became difficult because of the wearing of facial masks during the COVID-19 pandemic. Despite adversity, the team members progressed through trial and error and realized the world's first AI that can identify individuals and recognize their status even if they are wearing a mask. In a demonstration test of mobility and communication support at a commercial facility, the AI suitcase succeeded in helping the visually impaired find acquaintances and call out to them. The ongoing AI suitcase project is advancing toward practical application.



### ROI Analysis of TOGA

Purpose management and philosophy-based management, which have been attracting attention in recent years, are major themes in my research. Hence, I developed a keen interest in OMRON, which has long been committed to corporate philosophy management. How does corporate philosophy management contribute to enhancement of corporate value? I wanted to analyze TOGA, which is a characteristic activity to promote the practice of corporate philosophy, from the perspective of return on investment (ROI), and took up this topic as a research theme for a seminar. The analysis process included more than 40 interviews and hearings with former OMRON directors, TOGA participants, and secretariat members, as well as external experts. We also analyzed a lot of quantitative data, such as labor costs for preparation and the cost of organizing the event. As a result, we concluded that the average results for the most recent two years showed that the cost of TOGA was ¥1.08 billion, whereas the business impact of TOGA on OMRON's subsequent performance was estimated to be worth at least ¥1.75 billion, indicating that TOGA was sufficiently cost-effective. In the TOGA entry process, entrants consider how their work is connected to "the better society" envisaged by the OMRON Principles. We found that this has a significant benefit on human resources development. Furthermore, in order to facilitate sharing of individuals' tacit knowledge as organizational knowledge, TOGA requires entry as a team and it is recommended to work with members across divisions, nationalities, and even company boundaries. In the most recent 9th TOGA, 94% of the Gold Award winning themes were tackled through collaboration with other organizations or customers. Initiatives to resolve social issues with members who have diverse knowledge and experience have contributed to an increase in the number of OMRON innovations. The themes of TOGA entries must involve putting the corporate philosophy of "contributing to a better society" into practice. Therefore, themes of many entries were those leading to resolution of social issues related to "health," "the environment," and "safety." The increase in such themes is contributing to inclusion of OMRON in the Sustainability Index. Inclusion in the Sustainability Index leads to lower beta and lower weighted average cost of capital (WACC), which in turn leads to higher corporate value.

Thus, TOGA has proven effective in enhancing OMRON's corporate value in many ways. At the same time, however, issues became apparent. For example, we found that while presenters' presentation quality has improved over the years, the time and workload required for preparation have also increased proportionally. Appropriate advice from supervisors and others that would help minimize rework will be important for improving the quality of the presentations, while reducing the burden on presenters, and also promoting TOGA. It also became clear that information on subsequent development of TOGA themes was not sufficiently shared and not utilized as knowledge. This is a major lost opportunity for OMRON to translate TOGA initiatives into business growth. Furthermore, consideration should be given to creating an environment in which more employees can view TOGA live. Sharing TOGA, an example of the corporate philosophy in practice, with as many employees as possible is essential in order to expand the circle of empathy and resonance for corporate philosophy management. How will OMRON evolve TOGA, leading to further enhancement of its corporate value, going forward? I look forward to OMRON's initiatives.

Professor, Waseda Business School (Graduate School of Business and Finance)

Hiroshi Kanno



### Examples of Initiatives to Practice the OMRON Principles

At the 9th TOGA (FY2020), 16 entries that put the OMRON Principles into practice were selected from around the world and presented online to all employees worldwide.



Watch videos of the stories shared at the Global Meet showing the OMRON Principles in practice.

# Respecting Human Rights in the Value Chain

As declared in the OMRON Principles, Our Values include Respect for All. Respect for All is more than a basic respect for diversity, personality, and individuality. Respect for All is the core value underlying all our activities in pursuit of living lives and performing jobs of purpose and promise. We act with integrity, creating stronger relationships of trust with individuals and society.

This goes to the core of our existence as a company.

## OMRON Human Rights Policy

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



\*The OMRON Human Rights Policy can be accessed from the code.

## Targets for 2030 and Human Rights Initiatives under SF 1st Stage

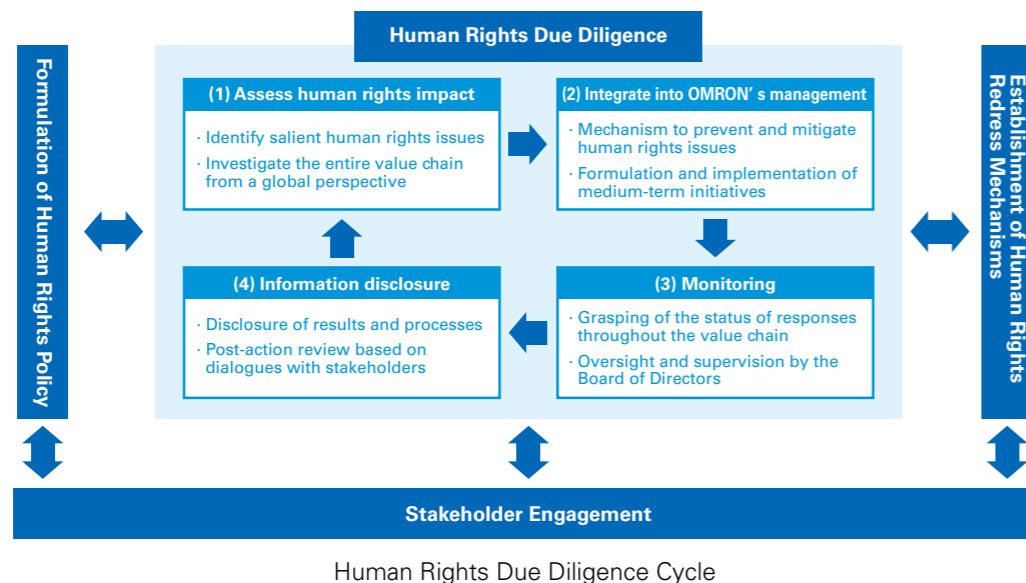
In line with the UN Guiding Principles on Business and Human Rights, OMRON will aim by 2030 for the state of exerting our influence for the respect of human rights for workers not only at OMRON, but also in the value chain, and establish a culture and system that does not permit or cause human rights violations. Under SF 1st Stage, we will communicate and inculcate the newly established OMRON Human Rights Policy to our employees worldwide and conduct human rights due diligence and a human rights redress mechanism in accordance with the UNGP with the aim of establishing a global human rights governance system.

### A. Execution of human rights due diligence in accordance with the UNGP

By conducting human rights impact assessments across the entire value chain, we will identify “salient human rights issues” and create the conditions for implementing a cycle of human rights due diligence.

### B. Establishment of a human rights redress mechanism appropriate to each country and region

We will establish a human rights redress mechanism appropriate to each country and region so that we can implement remedies through due process if we cause or recognize factors contributing to adverse human rights impacts.



## Top Management Deepening Respect for Human Rights

OMRON's management, including directors and executive officers, are taking the lead in promoting human rights initiatives worldwide. We recognize that the attitude of top management sets the tone for everyone else. To ensure OMRON Group employees worldwide not only recognize the importance of human rights and that respect for human rights is essential, but also take effective action to promote human rights, we are implementing the following initiatives.

### A. Commitment of top management

OMRON has established the OMRON Human Rights Policy, a globally uniform policy applicable to all executives and employees of the OMRON Group, in order to fulfill its corporate responsibility to respect human rights in accordance with the OMRON Principles, and has declared that it will continually strive to ensure that its management practices and actions are always in line with those of the international community. This OMRON Human Rights Policy was instituted by resolution of the Board of Directors following thorough discussions.

### B. Human rights training for directors and executive officers

In order to promote effective initiatives in accordance with the UN Guiding Principles on Business and Human Rights, it is essential for top management to have in-depth understanding of international human rights standards and social demands regarding respect for human rights. OMRON conducted human rights training for internal directors and executive officers in 2021 in preparation for the formulation of the medium-term management plan. What was learned is reflected in the planning and implementation of human rights initiatives under SF 1st Stage.

## Stakeholder Engagement

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

### Dialogue with a Human Rights Expert: Attorney Akiko Sato

Compared to companies in certain other countries, most Japanese companies are only just starting full-fledged initiatives in terms of human rights awareness. In these circumstances, it is encouraging to see that OMRON is addressing human rights issues, focusing on the centrality of people based on its corporate philosophy. In order to strengthen OMRON's initiatives, I believe two things are important: One is to value the “why” aspect: why it is necessary to address human rights issues. Another is to consciously incorporate the perspective of rights holders into business, considering whose rights and what rights are concerned in the course of management and business activities. Disclosure of human rights risks also leads to external evaluation that the company has identified the risks. Appropriate disclosure of what the company is doing, what it will do, and what it needs to do, rather than disclosure after implementation of all measures has been completed, will help build trust among stakeholders.



Kotonoha Sogo Law Office, Certified NPO Human Rights Now Akiko Sato

## Lifting Women out of Poverty and Protecting the Environment

OMRON in the Americas has launched an initiative to minimize the amount of paper towels we use since their use involves consumption of a large amount of natural resources, such as water and timber, thereby imposing a burden on the environment. We are encouraging employees in the Americas to adopt a practice that is common practice in Japan—that of using hand towels to dry one's hands.

OMRON has provided our employees with beautiful handmade towels sustainably sourced to empower women in need in Latin America. OMRON collaborates with two NPOs to empower hundreds of female artisans in Guatemala by providing technical training, materials, and equipment so they can produce and sell beautiful handwoven fabrics like these using traditional Mayan weaving techniques. In rural Guatemala, generally only 37% of children are able to attend school, but 99% of the children of women participating in this initiative are able to attend school. In the spirit of Our Mission to “contribute to a better society,” OMRON will continue to enrich people's lives.



The video introduces this initiative.

# Environment

## OMRON Environmental Policy

OMRON revised the OMRON Environmental Policy on March 1, 2022 as important guidelines to promote the material sustainability issues of SF2030, which are “resolving social issues through our business” and “achieving decarbonization and lower environmental impact,” and to achieve the targets. Under this policy, we have defined the key environmental issues OMRON should address and action guidelines and will promote decarbonization and lower environmental impact.

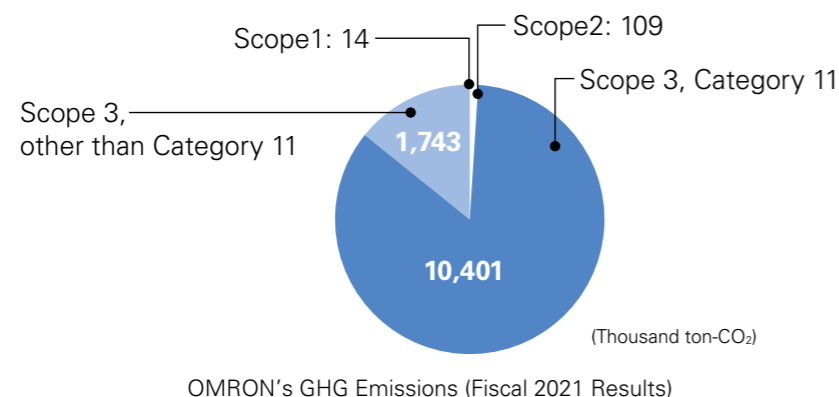
Going forward, OMRON will address environmental issues throughout its value chain in accordance with this policy and will meet the expectations of its stakeholders, thereby enhancing its corporate value.



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

## Achieving Decarbonization and Lower Environmental Impact

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



## OMRON's Key Environmental Initiatives under SF2030

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

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

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

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

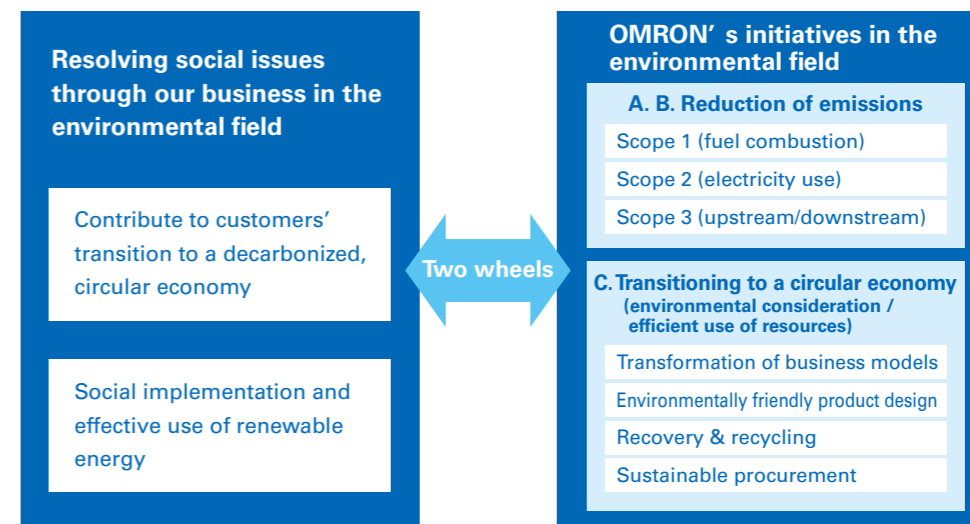
With regard to Scope 3, we will promote power-saving design, downsizing and weight reduction of new products, and replacement with low-power-consumption products in each business to prioritize reductions in Scope 3, Category 11, which accounts for approximately 80% of OMRON's GHG emissions.

\*<sup>1</sup> J-Credit Scheme: Under this scheme, the Japanese government certifies a company's environmental value (the effect of not emitting CO<sub>2</sub>).

\*<sup>2</sup> Self-consignment: A power supply system that allows businesses that own their own power generation facilities to transmit and supply electricity generated by those facilities to their own factories and offices in remote places via the power grids of general power transmission and distribution business operators and use the electricity.

## C. Transitioning to a circular economy

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



## Information Disclosure in Accordance with TCFD Recommendations

### Response to Climate Change

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

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

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

## Governance

### Role of the Board of Directors / Monitoring System

The OMRON Corporate Governance Policy clearly stipulates that the Board of Directors shall determine and disclose the OMRON Group's sustainability policy, material sustainability issues, and targets, including initiatives to address climate-related risks based on the TCFD and other frameworks.

The Executive Council and the Sustainability Committee discuss risks, business opportunities, targets, and specific measures related to climate change, make decisions, manage progress, and conduct monitoring on a regular basis, and consider corrective measures, as necessary. The Board of Directors receives, on a regular basis, reports on what has been discussed and decided by the Executive Council and deliberates on and supervises the matters.

Evaluations concerning the GHG emissions reduction target and evaluations based on sustainability indicators (including evaluation of the response to climate change) by third parties are included among the evaluation indicators for the medium- to long-term, performance-linked compensation for internal Directors and Executive Officers for the period from fiscal 2021 to fiscal 2024.



**Strategy**

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

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

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

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

Risk categories	Risk period	Risk overview	Response to risk	
Transition risks	Policy and legal risks	Medium term	<ul style="list-style-type: none"> <li>• Increase in business costs (introduction of carbon tax, emissions trading, circular economy regulations, etc.) as a result of complying with climate change regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Systematically promoting energy conservation and renewable energy (introduction of high-efficiency air conditioning systems, expansion of in-house renewable energy generation, procurement of J-Credits from the social systems business, etc.)</li> </ul>
	Market and technology risks	Short to medium term	<ul style="list-style-type: none"> <li>• Increased competition in areas related to decarbonization, such as improving the environmental performance of products and reducing the carbon footprint of products</li> </ul>	<ul style="list-style-type: none"> <li>• Developing products and services to solve environmental issues, such as reduction of GHG emissions and compliance with circular economy regulations</li> </ul>
	Reputation risk	Short to medium term	<ul style="list-style-type: none"> <li>• Changes in reputation due to inability to meet customer needs</li> <li>• Changes in investor evaluation due to poor performance attributable to inability to capture the needs associated with the resolution of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>• Attracting ESG investment and enhancing the added value of our products through proactive response to climate change and the circular economy</li> </ul>
Physical risks	Acute risk	Short term	<ul style="list-style-type: none"> <li>• Suspension of production facilities and procurement of parts and materials at sites and partner factories due to increased severity of natural disasters (flooding, torrential rain, water shortages, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening resilience by reestablishing business continuity plans (BCPs) of OMRON sites</li> <li>• Expanding procurement sources, particularly semiconductors, continuing the switch to materials with low procurement risk by design changes, formulating a supply chain strategy for greater resilience from a medium- to long-term perspective</li> </ul>

Opportunity categories	Risk period	Opportunity overview	Response to opportunities	
Products / services / markets	Industrial Automation Business	Short to medium term	<ul style="list-style-type: none"> <li>• Increased opportunities to provide factory automation equipment in the following business fields: [By field]</li> <li>• Digital devices: Increased demand for semiconductors to support the spread of environmentally friendly vehicles and EVs</li> <li>• Environmental mobility: Increased demand for EV-related components such as rechargeable batteries and for EVs</li> <li>• Food and daily necessities: Increased demand for environmentally friendly packaging materials such as plastic-free packaging materials to realize a decarbonized society</li> <li>• Growing need for decarbonization of production processes</li> </ul>	<ul style="list-style-type: none"> <li>• Providing innovative-Automation solutions to the needs associated with production method changes, new capital expenditure, and enhanced energy productivity at production sites</li> </ul>
	Healthcare Business	Short to medium term	<ul style="list-style-type: none"> <li>• Increased demand for environmental performance due to the expansion of ethical consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Capturing consumer demand by enhancing environmental performance (carbon reduction, circular economy, etc.)</li> </ul>
	Social Systems, Solutions and Service Business	Short term	<ul style="list-style-type: none"> <li>• Expansion of renewable energy, energy storage and energy management markets due to rapid progress of decarbonization in energy supply and consumption processes, leading to acceleration of the following:                             <ol style="list-style-type: none"> <li>Companies and local governments: Accelerated adoption of renewable energy and energy storage systems, which are distributed power sources, due to increasing demand for decarbonization and disaster prevention</li> <li>General households: Increased popularity of self-generation, storage and consumption of electricity</li> </ol> </li> <li>• Advancement in energy management that can solve electricity supply/demand balance issues associated with the spread of renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing an energy management business using solar power and storage batteries</li> <li>• Further expanding sales of PV inverters and storage batteries, capturing the growing demand for renewable energy and energy storage at companies, homes, and local governments</li> </ul>
	Electronic and Mechanical Components Business	Short to medium term	<ul style="list-style-type: none"> <li>• Increased opportunities to provide electronic and mechanical components because of the following: [Common]</li> <li>• Increased interest in enhancing the environmental performance of products and reducing their carbon footprint [By field]</li> <li>• Home appliances: Increased demand for air conditioning systems due to rising average temperatures and increased demand for air conditioners with inverters due to the need to strengthen measures to reduce GHG emissions associated with air conditioning systems.</li> <li>• Power tools: Accelerated shift to electric tools due to the need to strengthen measures to reduce GHG emissions associated with product use, leading to increased demand for DC current interruption</li> <li>• FA: Increased demand for new products (EVs, next-generation power semiconductors, recycled plastics, alternative foods, etc.) and increased demand for introduction of new FA equipment and replacement in line with the progress of decarbonization of production processes</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerating development and provision of electronic components that contribute to energy saving of customer products and reduction of the carbon footprint of manufacturing processes, including customer production processes</li> <li>• Timely monitoring of market trends to capture opportunities associated with changes in demand and design of products for decarbonization</li> </ul>

**Risk Management**

**Processes for Assessing, Identifying, and Managing Risk**

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

**Status of Integration into Group-wide Risk Management**

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

### Indicators and Targets

#### Indicators for Climate-related Risks and Opportunities

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

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

OMRON believes that creating an environmentally sustainable society corresponds to the OMRON Principle of “contributing to a better society,” and set the OMRON Carbon Zero target in July 2018, aiming to reduce GHG emissions in Scope 1 and 2 to zero by 2050.

In March 2022, stepping up its initiatives to realize a carbon-neutral society, OMRON changed the scenario for reduction of GHG emissions in Scope 1 and 2 from a 2°C scenario to a more aggressive 1.5°C scenario. For Scope 3, Category 11, we have also set a new target of 18% reduction by 2030 (compared to fiscal 2016).

These targets are certified by the Science Based Targets initiative (SBTi)\*1.

To achieve the targets, OMRON will continue to improve energy efficiency. At the same time, by utilizing the renewable energy-derived J-Credit Scheme provided by its own energy solutions business and self-consignment, OMRON aims to achieve carbon zero\*2 in Scope 2 at its operating sites in Japan by fiscal 2024.

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

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

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

(thousand ton-CO<sub>2</sub>)

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

### Collaboration with suppliers to achieve decarbonization and lower environmental impact

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



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

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

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



Sustainability Office  
**Hirokazu Tamura**

## Risk Management

### Integrated Risk Management for Supporting Global Business Activities

OMRON is implementing integrated risk management in order to manage the risks of the Group via a common framework. This is prompted by recognition that in order to rapidly respond to the faster pace of change in the operating environment and rising levels of uncertainty, we need to become more attuned to risk, detecting and addressing risks before they materialize. We are additionally considering how to equip ourselves with mechanisms enabling efficient, effective, and prompt risk decisions while still adhering to the OMRON Principles and relevant business rules in order to achieve our long-term vision SF2030.

#### Integrated Risk Management System and Structure

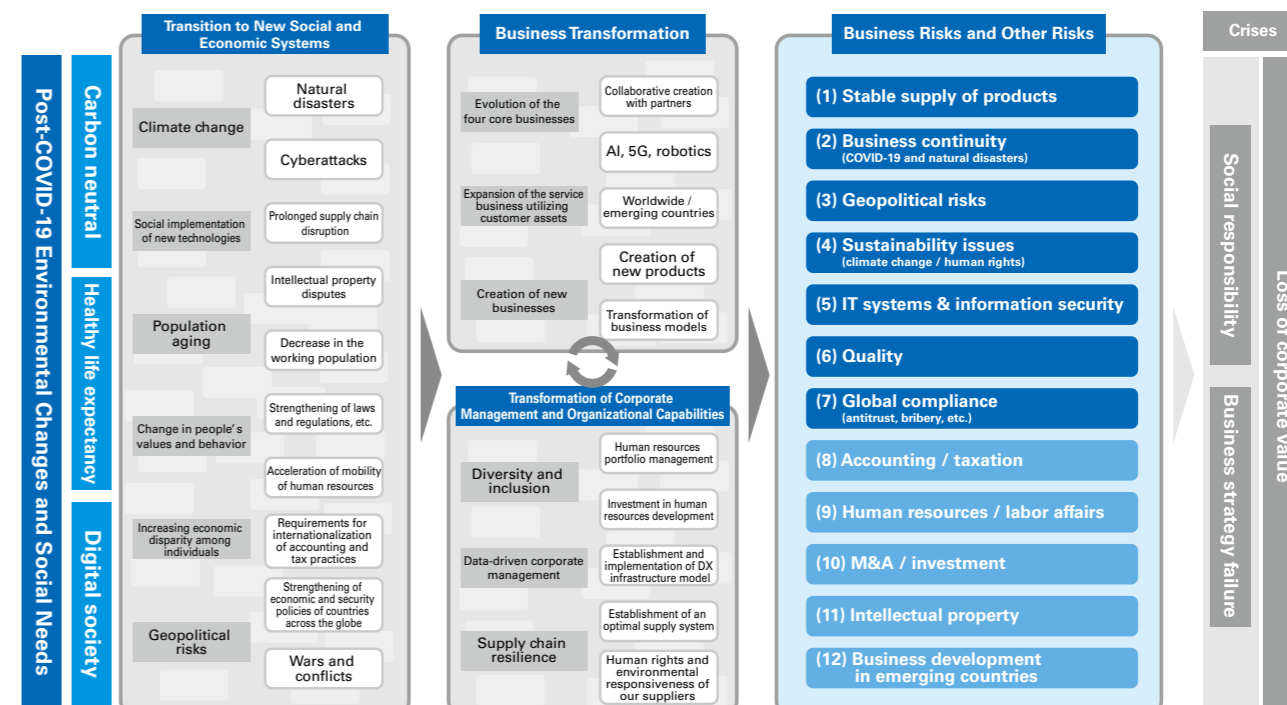
OMRON has established a PDCA cycle that is conducted throughout the year to identify changes in the business environment, analyze risks, respond to significant risks, and engage in crisis management. To promote initiatives on a global scale through a concerted effort of management and all employees, risk managers are appointed for each of headquarters, divisions, regional headquarters, and Group companies across the world.

#### Activity Cycle for Integrated Risk Management



### Risks Surrounding Management and Businesses, and Risk Analysis

OMRON considers risks to be significant factors that must be addressed in carrying out the two transformations in SF 1st Stage: “business transformation” and “transformation of corporate management and organizational capabilities.” OMRON regularly, at least once a year, conducts comprehensive analyses of the appropriateness/sufficiency of the Group’s countermeasures for major risks and actual risk cases that have occurred and ranks these risks accordingly. OMRON classifies risks that may jeopardize the Group’s survival or bring severe social liability and risks that impede the achievement of important Group goals as “significant Group risks.” Of these risks, risks of utmost importance to the operation of the Group are defined as S-rank risks and other significant risks are defined as A-rank risks. The updates of implementation of countermeasures and changes in risk status are monitored.



## Addressing Significant Group Risks

The following are the significant Group risks that the Group has designated as S-rank risks and is currently focusing on.

### (1) Stable Supply of Products (S Rank)

#### External Environment and Risk Scenario

The diffusion of digital transformation equipment, the increasing dispersal of production locations, and growing social demands for conservation of the global environment have led to continued growth in consumption and investment globally. Meanwhile, supply chain disruptions due to shortages of semiconductors and other parts and components, as well as container shortages and customs clearance delays, have persisted. There are also concerns about the deteriorating Russia-Ukraine situation and the impact of lockdowns due to China's zero-COVID-19 policy. If the range of parts and materials in short supply expands and the procurement volume does not reach the required level or if the logistics lead times for products become significantly longer, product supply capacity may decline.

#### The Group's Business and Countermeasures

The Group will respond to expanding demand for capital investment in semiconductor manufacturing, electric vehicles, plastic-free products and packaging, and renewable energy-related industries, as well as steady demand for blood pressure monitors and other health equipment in line with population aging and growing health consciousness, to achieve strong growth. In fiscal 2021, despite the shortages of parts and materials, we strove to reduce the impact through flexible design changes, procurement of alternative parts and materials, and expansion of airfreight to fulfill our responsibility for supply to customers. Furthermore, under SF2030, we will continue to expand our procurement sources, particularly for semiconductors, and accelerate our transition to parts and materials with low procurement risk by means of design changes. At the same time, we will formulate a supply chain strategy for greater resilience from a medium- to long-term perspective.

### (2) Business Continuity (COVID-19 and Natural Disasters) (S Rank)

#### External Environment and Risk Scenario

As for business continuity risks, outbreaks of mass infection due to the spread of infectious diseases such as COVID-19, their persistence for long periods of time, and lockdowns as part of strict quarantine policies against infectious diseases in various countries will also have a significant impact on business activities. Specifically, the supply of products to customers may stagnate for long periods of time due to production stoppages at OMRON plants, delays in quickly ascertaining information about parts supply stoppages from key suppliers, etc. In addition, in the event of unforeseen disasters such as large-scale natural disasters caused by recent climate change, major earthquakes, or major fires at our business partners, there is a possibility of partial suspension or reduction of business activities due to large-scale suspension of social infrastructure and economic activities, long-term suspension of parts supply from key suppliers, etc.

#### The Group's Business and Countermeasures

The Group operates production sites in China, elsewhere in Asia, and in other regions around the world. We deliver products to our clients globally through sales sites in these countries and regions. The supply chain for parts and other items used by the Group extends globally, from materials procurement to the production assembly process. Continuing from our efforts in fiscal 2019, the Pandemic Response Headquarters, led by the CEO, addresses the COVID-19 pandemic, according to the top priority to ensuring health and safety of our employees and the prevention of the spread of infection in regions where we operate. In addition, based on our COVID-19 Business Continuity Plan, we are continuing to take infection control measures in consideration of various national government/regional laws, regulations, and guidance. Based on the premise of the "new normal," in order to co-exist with COVID-19, the Group has shifted to a work style that optimally and flexibly combines working in the office and remote working and is promoting the practice of the most effective and efficient work style according to business needs. Moreover, the Group has formulated a business continuity plan for not only production, but also purchasing and procurement, logistics, and IT, and is implementing and strengthening actions to put in place necessary safety measures, ensure business continuity, and enable rapid recovery in readiness for natural disasters. Furthermore, we operate an employee safety confirmation system in preparation for disasters, stockpile emergency food and drinking water at sites, and conduct simulations and training drills for emergency situations to improve the effectiveness of the business continuity plan. For an emergency in the supply chain, we are taking measures such as building a mechanism to ascertain parts supply risk immediately after disaster strikes and securing strategic parts inventory according to degree of importance.

### (3) Geopolitical Risks (S Rank)

#### External Environment and Risk Scenario

As for geopolitical risks, international relations are changing more rapidly, including bilateral relations between the U.S. and China and multilateral relations concerning the Russia-Ukraine situation. In these circumstances, various countries and regions may strengthen economic and security policies, enforce laws and regulations to prevent the outflow of cutting-edge technology outside the country/region, and import/export transactions and financial settlement with companies subject to sanctions or legal restrictions may be suspended. In addition, if various countries adopt protectionist tariff policies, price competitiveness may decline. In the event of war or conflict, the Group may face a risk of long-term business suspension or withdrawal from business in the relevant region, or other unforeseen changes in policies or laws and regulations that may affect the Group's business activities. Failure to respond appropriately to these changes in circumstances and policies could lead to legal disputes, administrative penalties, and even damage to social trust in our brands.

#### The Group's Business and Countermeasures

The Group operates production sites in China, elsewhere in Asia, and in other regions around the world. We deliver products to our clients globally through sales sites in these countries and regions. Under SF2030, we will further accelerate our global expansion, including strengthening our presence in the Chinese and Indian markets. We are also creating new businesses based on cutting-edge technologies, such as AI, IoT, and robotics, and promoting projects related to social infrastructure, such as public transportation and traffic safety, in our social systems business. With regard to geopolitical risks, we regularly monitor global political and economic conditions and trends in laws and regulations, ascertaining changing business environments in each area and their impact on our performance. We are also exploring systems for rapidly analyzing and generating insights concerning optimization of production, research and development, and intellectual property management, as well as concerning the impact of changes in laws and regulations on our various businesses. Export regulations in various countries have become more influential in recent years. Our Global Risk Management and Legal HQ operates a company-wide export control committee, ensuring the appropriate management of security trading. In fiscal 2021, we contracted outside experts to conduct a survey of policy trends and laws and regulations and responded to the Russia-Ukraine situation, which were regularly discussed and reported to the Executive Council and also discussed at Board of Directors meetings as key themes. Under SF2030, in order to respond promptly to highly uncertain geopolitical risks, we will promote initiatives such as strengthening our analysis of the situation in each country and region.

### (4)-1 Sustainability Issues (Climate Change) (S Rank)

#### External Environment and Risk Scenario

In view of increasing severity and frequency of extreme weather events and loss of species, tackling climate change has become a social issue on a global level. Companies are required to work to reduce greenhouse gas (GHG) emissions in their value chains and to make their products and services more environmentally friendly toward a decarbonized society. On the other hand, laws and regulations and requirements concerning disclosure of initiatives regarding climate-related action and environmental policies are being tightened in Europe, the U.S., and elsewhere, and society as a whole, including customers and suppliers, is stepping up its demand for decarbonization initiatives. Due to the rise in energy prices as a result of the tightening of regulations in various countries and regions, additional capital investment to address energy saving and the transition to renewable energy, and the impact of the introduction of carbon taxes, there are risks of increasing business costs. Moreover, failure by OMRON or its suppliers to appropriately respond to customer requirements and laws and regulations may result in suspension of customer transactions, administrative penalties, or loss of business opportunities. Furthermore, inadequate systems to deal with climate-related information disclosure may result in damage to social trust in our brands due to failure to meet the standards required by stakeholders.

#### The Group's Business and Countermeasures

For major countermeasures to climate-related risks, please refer to P78 and P81.

### (4)-2 Sustainability Issues (Human Rights) (S Rank)

#### External Environment and Risk Scenario

Owing to growing interest in the SDGs, consumers are increasingly choosing and purchasing products and services that are fully respectful of human rights. Activities that take human rights into consideration, such as life safety and health considerations, also lead to improved performance by workers. Meanwhile, companies, not only themselves but also throughout the value chain, are required by society to fulfill certain responsibilities for issues such as forced labor, child labor, low wages and nonpayment, long working hours, and working conditions with inadequate safety and hygiene, mainly in developing countries. The enactment of human rights-related laws and regulations is therefore accelerating in many countries. In addition, as emerging technologies such as AI become widespread, ethical issues related to emerging technologies have become a social issue. Addressing these human rights issues has become a "business license" for companies that operate globally. Failure to appropriately address human rights issues in the value chain may result in suspension of customer transactions, administrative penalties, or damage to social trust in our brands. Moreover, inadequate response to laws and regulations in utilizing emerging technologies such as AI may result in the suspension of development themes or reputational risk.

#### The Group's Business and Countermeasures

For major countermeasures to human rights risks, please refer to P75 and P76.

## (5) IT Systems & Information Security (S Rank)

### External Environment and Risk Scenario

As society becomes increasingly digitalized, companies are expected to improve productivity and solve social issues through digital transformation and data utilization. On the other hand, the threat of cyberattacks is rapidly increasing, and if countermeasures against such attacks are weak, they may result in the leakage of personal and confidential information or business shutdowns due to server outage, etc. Moreover, reflecting demand for privacy protection and the policies of various countries and regions, personal information and data protection laws and regulations are enacted, revised, or their applications are tightened around the world. Any violation in business operations may result in damage to social trust, the inability to conduct business, and the imposition of large fines. If information management is inadequate in technological development through collaborative creation, etc., business competitiveness may be lost due to unauthorized removal of information from the premises or information leakage.

### The Group's Business and Countermeasures

The Group has established and operates various systems worldwide. Currently, we are promoting the Corporate System Project (CSPJ), whose objective is construction of a management system enabling transition to data-driven corporate management, as one of the most important projects for the Group. CSPJ is an initiative not only to renew the IT infrastructure but also to standardize business processes and utilize data in the future. Moreover, the Group possesses essential business information, as well as personal information and confidential information of business partners obtained in the course of business. Under SF2030, for example, we will promote the construction of a data platform as we transition to a business model that combines "products and services," including the use of data in the development of a global telemedicine service in the healthcare business. For IT system & information security risks, we hold integrated cybersecurity meetings under the leadership of the CFO to assess the security level and address issues based on a global standard cybersecurity framework. In addition, we have established Group rules on information security and personal information protection and have established management measures for obtaining, using, and disposing of information according to the rank of importance of the information. We have also established and are operating a system that enables smooth and prompt response to incidents.

In fiscal 2021, we made progress in transition to a zero trust model (Note 1), including strengthening of measures to monitor suspicious behavior of PCs. In addition, in response to the revised Act on the Protection of Personal Information that came into effect on April 1, 2022, we reviewed our privacy policy, rules and various procedures, and conducted training of all employees. We will continue to strengthen our crisis management system against cyberattacks and rebuild our global system to promptly respond to changes in personal information and data protection regulations in various countries and regions.

(Note 1) Zero trust model: A security model based on the concept, "never trust, always verify," meaning that people, networks, or devices should not be trusted.

## (6) Quality (S Rank)

### External Environment and Risk Scenario

Expectations are growing for companies to provide highly innovative products and services as a means of solving social issues. On the other hand, high standards are required to ensure product safety and accuracy. Regulations and standards related to product safety, such as reporting and countermeasures for product defects, regulations on chemical substances contained in products, such as the European RoHS Directive (Note 1) and Toxic Substances Control Act (TSCA) (Note 2) in the U.S., and product safety-related laws and regulations and standards, such as the UL Certification (Note 3) in the U.S., are becoming more stringent around the world. In addition, products are increasingly networked and the threat of cyberattacks is growing. In these circumstances, in the event that we provide inadequate product design/inspection, inappropriate customer support, or inappropriate reporting, or in the event that we are non-compliant with laws, regulations, and standards, it may result in large-scale recalls, damage to social trust in our brands, or suspension of production and distribution of products.

### The Group's Business and Countermeasures

The Group has been engaged in business with Sensing & Control +Think as its core technologies. Under SF2030, we will continue to evolve Sensing & Control +Think to realize new value through the combination of "products and services" rather than just "products." Examples include i-BELT, a service that utilizes data from manufacturing sites in the Industrial Automation Business, and the development of a global telemedicine service in the Healthcare Business.

Regarding quality risks, in order to maximize customer satisfaction, we have established a basic quality policy based on the principle of quality first. We have also established a quality management system based on international standard requirements. In addition, in order to further our quality governance, the Global Procurement, Quality and Logistics HQ, which conducts top-level oversight of quality, holds company-wide quality managers meetings. Furthermore, we have established and enforce Group rules regarding our quality assurance system, quality assurance activities, and management in the event of a serious quality issue.

With respect to quality compliance, we are strengthening our management system by ascertaining trends worldwide in environmental and safety-related laws, regulations, and standards related to products and other areas. With regard to product security, we have established a response system for when we receive vulnerability information on our products and services from external sources.

Under SF2030, in addition to the above, for technologies with high quality risk, such as lithium-ion batteries and power devices used in each of our businesses, we aim to establish quality technologies to prevent such risks from occurring according to the respective risks. With regard to product security, we will work to strengthen our systems throughout the product and service lifecycle, including the supply chain, while utilizing outside consulting firms. Furthermore, we will establish a quality management system adapted to the service business, taking into account the shift from "products" to "products and services." We aim to establish a mechanism to accumulate and utilize knowledge (risk management and quality initiatives in the service business) to harmonize quality sensitivity and values.

(Note 1) RoHS Directive: Directive by the European Union (EU) on the restriction of the use of certain hazardous substances in electronic and electrical equipment.

(Note 2) TSCA: U.S. law regulating the manufacture and import of hazardous substances

(Note 3) UL Certification: Certification for reliability and safety of raw materials and products by Underwriters Laboratories, a third-party safety science organization in the U.S.

## (7) Global Compliance (S Rank)

### External Environment and Risk Scenario

With the growing influence of corporations in society, social demands for fair trade are increasing. Global laws and regulations, such as antitrust laws and anti-bribery laws, will become stricter. At the same time, new laws and regulations and operations are being considered in light of the evolution of IT, AI, etc. and in order to address social issues such as climate change. If relevant authorities discover or determine that OMRON has violated these laws and regulations, OMRON may be subject to fines or other administrative penalties, criminal punishment, or damage suits, which could have a negative impact on its reputation in society.

### The Group's Business and Countermeasures

The Group offers products and services globally, including those licensed by the governments of various countries. Under SF2030, we will promote the development of innovative products and new business models through collaborative creation with various business partners. We will also actively work to solve global social issues, including those in emerging countries. As part of our socially responsible corporate management, we consider corporate ethics and compliance to be one of the most important issues in our activities. Particular emphasis is placed on preventing the occurrence of cartels and other anti-competitive activities, bribery, and other significant risks. Specifically, we have established the OMRON Group Management Policy. We also have established and disseminated the OMRON Group Rules for Ethical Conduct as specific guidelines for the conduct of executives and employees of the Group to ensure thorough compliance with laws and regulations. Furthermore, we have appointed a person responsible for promoting corporate ethics and compliance and established a Corporate Ethics and Risk Management Committee to promote corporate ethics and compliance. The president regularly issues instructions regarding corporate ethics and thorough compliance and takes opportunities to raise awareness. In addition, we conduct periodic training for executives and employees on corporate ethics and compliance, including anti-competitive behavior, such as cartels, and bribery. In addition, we have established an internal and external whistleblower hotline. We accept reports of any conduct that violates or may violate the OMRON Group Rules for Ethical Conduct, employment regulations, or laws and regulations. In accordance with laws, regulations, and internal rules, the content of reports will be kept confidential, and whistleblowers will not be treated unfairly.

### Example of Information Security Measures: Email Security Awareness Training to Enhance Information Security Strength of "People"

In recent years, cyberattacks have become increasingly sophisticated and complex, and there have been many incidents that have had a significant impact on corporate activities, making implementation of further security measures an urgent necessity. We are implementing various system security measures to prevent cyberattacks. However, attacks that attempt to penetrate through "people" (employees), which have been a weak point in security, especially those via email, are becoming increasingly sophisticated.

To this end, we are conducting email security awareness training throughout the OMRON Group, including overseas, as part of our initiatives to increase the sensitivity of "people" to security. The purpose of this training is to have employees experience simulated email attacks by sending simulated threat emails, thereby enhancing their ability to prevent attacks. Training content is modified by changing the timing and the number of times such emails are sent, randomly selecting employees who will be the recipients, and changing the text of the emails to express a variety of content. In addition, interviews and follow-up training are conducted with employees who opened attachments or clicked on links in simulated emails to ascertain the reasons why they did so, and the results of the training are disclosed internally to create a sense of urgency. As a result of these initiatives, the number of inappropriate responses to threat emails in training has steadily decreased, and individual employees' awareness about email attacks has increased, as evidenced by an increase in requests from employees for more challenging training and inquiries about suspicious emails.

We will continue to build a safer and more secure security system by strengthening our technical security measures as well as the information security strength of "people."

### Fiscal 2021 Global Corporate Ethics Month: Raising Ethical Awareness of Employees Globally

Since 2016, the OMRON Group has designated October of each year as Global Corporate Ethics Month and has been implementing initiatives to raise employees' ethical awareness and enhance their relevant knowledge. During this month, all employees receive training and learn about the OMRON Group Rules for Ethical Conduct, which stipulate actions to be taken by employees in accordance with the OMRON Principles and laws and regulations.

In fiscal 2021, the CEO message for the Corporate Ethics Month was delivered in 11 languages (Japanese, English, Chinese, Korean, Spanish, French, Portuguese, Thai, Indonesian, Vietnamese, and Malay). Also, the training, centering on e-learning, was tailored to the actual situation in each region, reflecting the risks inherent in daily operations.

In Japan, the training programs covered cybersecurity, intellectual property protection, insider trading, and bribery. In the U.S. and Europe, lectures were provided on how a whistle-blower system works and how to use the web platform that protects the privacy of whistle-blowers. Quizzes and games were incorporated in the training to enhance the level of understanding, and manuals in local languages were distributed to inculcate the whistle-blower system.

Through these activities, more than 99% of eligible employees participated in the training globally during the Global Business Ethics Month in fiscal 2021, resulting in higher employees' awareness of ethics.

## Roundtable Discussion on Corporate Governance



Enhancing the Effectiveness of the Board of Directors to Support Increasingly Sophisticated and Complex Management

**Fumio Tateishi**

Chairman (Chairman of the Board of Directors)  
Member of the CEO Selection Advisory Committee



**Takehiro Kamigama**

Outside Director  
Chairman of the Corporate Governance Committee  
Chairman of the CEO Selection Advisory Committee  
Chairman of the Compensation Advisory Committee  
Member of the Personnel Advisory Committee

### SF2030 Long-term Vision and SF 1st Stage Medium-term Management Plan Reflect the Results of Discussion

— Through the “initiatives to improve the effectiveness of the Board of Directors,” which have been established as a mechanism, in fiscal 2021 OMRON worked on three focus themes: “completion of the next long-term vision and determination of the next medium-term management plan,” “response to increasing geopolitical risks,” and “checking the progress of establishing a companywide IT system.” As regards “completion of the next long-term vision and determination of the next medium-term management plan,” what did discussion center on?

**Tateishi:** We placed particular emphasis on “completion of the next long-term vision and determination of the next medium-term management plan.” We had been working on formulation of a long-term vision for two years, as well as engaging in vigorous insightful discussion on the medium-term management plan, backcasting from 2030.

The Board of Directors set a new course by resolving the key sustainability issues and medium-to long-term targets of the long-term vision. By clarifying the Board of Directors’ responsibilities for sustainability, we were able to reiterate to OMRON’s stakeholders our commitment to “resolving social issues through its businesses.”

#### Board of Directors Operational Policy for Fiscal 2021

To enable the OMRON Group to achieve a drastic increase in corporate value over the next 10 years, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium-to long-term perspectives.

#### Focus Themes

- 1) Completion of the next long-term vision and determination of the next medium-term management plan  
Points to be supervised
  - Response to the new normal era post COVID
  - Initiatives for key sustainability issues
  - Transformation of the business model and acceleration of innovation
  - Reform of human resources management
  - Strengthening resilience
- 2) Response to increasing geopolitical risks
- 3) Checking the progress of establishing a companywide IT system

OMRON aims to achieve a drastic increase in its corporate value in the next decade. We had intensive discussions on “human resources,” “diversity and inclusion (D&I),” and “the environment,” which are indispensable for realizing this aim. Of these, the biggest issue is human resources to lead growth. Our Outside Directors and Outside Audit & Supervisory Board Members have pointed out the need to utilize human resources for business growth and the evolution of the business model. Our discussions covered not only education and training of employees and mid-career hiring, but also various other possibilities, such as the use of external human resources through M&A and business alliances. As for D&I, I believe that new ideas will bubble to the surface as diverse values interact. We should not just pursue quantitative targets, such as the ratio of female managers. Having more female managers will bring about qualitative changes. For example, addition of a new perspective will stimulate discussion, leading to innovation and renewal of the corporate culture. In our discussions, we tackled these issues in depth. It is the responsibility of the Board of Directors to oversee the effectiveness of D&I and to further evolve OMRON’s initiatives in this regard. On the environment, clearly both environmental protection and corporate growth should be achieved. For reduction of greenhouse gas emissions, in addition to Scope 1 and 2 emissions from OMRON’s own activities, we have had a number of discussions on how best to promote reduction of Scope 3 Category 11 emissions, which are emissions from the use of OMRON’s products and services sold, accounting for 80% of the total emissions of the OMRON Group.

**Kamigama:** As for the long-term vision, conceptualizing OMRON’s ideal configuration in 2030 and beyond, and then incorporating it in the medium-term management plan by backcasting, was no simple matter and we had to be creative to accomplish this challenging task. The Outside Directors and Outside Audit & Supervisory Board Members were able to make proposals to the Board of Directors from diverse perspectives based on their own experience and knowledge. OMRON’s inclusion of non-financial targets in its medium-term management plan is noteworthy. And OMRON’s actual integration of business growth and promotion of sustainability is truly impressive. Nowadays, there is hardly a company that does not advocate sustainability, but I think OMRON is a rare example of a company that integrates sustainability into the main stream of its business, rather than treating it as an obligation or a social contribution.

### Agile Response to Geopolitical Risks

— What were the main points of discussion

### on the second focus theme, “response to increasing geopolitical risks”?

**Tateishi:** Long before COVID-19 appeared on the scene, OMRON was strengthening integrated risk management so as to adapt to changes in the environment and promptly tackle problems through concerted efforts of the management team and employees. These accumulated efforts have helped us respond agilely to the growing geopolitical risks of recent years.

Immediately after Russian invasion of Ukraine, we raised geopolitical risk to the highest rank on the list of material risks. Specifically, we examined the impact of the worsening Russia-Ukraine situation on our business in terms of law and regulation, tariffs, competition, restrictions likely to be imposed by various countries, and prospects. Based on this analysis, the Board of Directors discussed how to minimize the impact. We are continuously monitoring the implementation of measures and changes in the international situation.

Geopolitical risk is inseparable from our business and regional headquarters, and we have to think about it. We had in-depth discussion at the Board of Directors’ meetings on the need to increase the speed of management by enhancing flexibility of our global operations, for example by promoting greater delegation of authority to overseas subsidiaries.

Geopolitical risk is an important issue for every company, regardless of industry or region. At OMRON, having positioned “response to risks in an era of uncertainty” as a focus theme for fiscal 2022, the Board of Directors will continue to exercise its oversight functions regarding geopolitical risk.

### Companywide IT System Indispensable in an Increasingly Uncertain and Complex Environment

— Mr. Kamigama, how do you rate the achievements to date for the third focus theme, “checking the progress of establishing a companywide IT system”?

**Kamigama:** Given the transition of OMRON’s business from a focus on “products” to “services,” as well as the need to further strengthen integrated risk management mentioned by Chairman Tateishi, establishment of a corporate IT system is indispensable. The Board of Directors has been deliberating on this as a focus theme since fiscal 2019.

Though good progress has been made so far, the big challenge lies ahead. I have observed a number of attempts by companies to introduce unified IT systems throughout their operations. Such projects tend not to proceed as initially planned both in terms of schedule and budget. But you must go on because in an increasingly uncertain and complex environment, you can’t run a business effectively



without a companywide IT system.

It is understandable that employees engaged in businesses and operations closer to customers have reservations and anxieties about the implementation of a new companywide IT system. This is because they may have to review their existing workflow or are concerned that they may no longer be able to meticulously respond to customers. However, allowing exceptions and customization will compromise operational efficiency by impeding introduction of a unified companywide IT system. So, the exercise of leadership by top management will be crucially important from now on. That is why I have urged CEO Yamada to rally the workforce in this endeavor and proceed with determination. OMRON's first attempt to establish a companywide IT system is a major project that will span 10 years. Therefore, in a new initiative, the Board of Directors has established an independent third-party evaluation team consisting of experts and experienced professionals to monitor the progress and other aspects of the project. We expect this mechanism to ensure objectivity will help complete the project on schedule.

### New Possibilities Expanded by Capital and Business Alliance with JMDC

#### — What opinions were expressed at meetings of the Board of Directors about the capital and business alliance with JMDC Inc.?

**Tateishi:** This was OMRON's largest investment project to date and the Board of Directors held wide-ranging discussions on the matter. For example, we considered the possibility of creating a personalized solution for the prevention of serious illness by combining JMDC's medical data, such as health insurance claims and records of medical examinations, with blood pressure and vital data that OMRON possesses, in order to achieve our goal of extending healthy life expectancy. Naturally,

we discussed the appropriate acquisition price of common stock in terms of both return and risk, taking into consideration the impairment risk after the acquisition of common stock.

As collaborative business creation with JMDC is about to get into full swing, I believe it is essential to learn from our partner and emulate the best aspects of its organizational culture. I made a recommendation along these lines at a meeting of the Board. The Outside Directors suggested that OMRON should establish a project team consisting of people from both companies, not only at the executive level but also at the front line. Having a joint team should accelerate discussions and enable OMRON and JMDC to create new businesses offering value that cannot be realized by either company acting alone.

**Kamigama:** In my view, the biggest difference between OMRON and JMDC concern organizational culture and human resources. OMRON is diligent yet somewhat rigid, and one cannot deny the impression that it is culturally rather conservative. On the other hand, JMDC is freewheeling and open-minded, and the individuality and opinions of each employee seem to be respected. I think it is evident that the tempo of management is also quite different between the two companies.

What we must never do is to try to shoehorn our partner into OMRON's way of doing things. As Chairman Tateishi said, it is important to respect one's partner, diligently learn everything that can be learned from the partner, and apply it. This approach will lead to true synergy. All the Outside Executives, that is, Outside Directors and Outside Audit & Supervisory Board Members, were at one on this point.

The setting up of a carefully selected team drawn from both companies, consisting of people who are flexible in their thinking and have a positive mindset, and engaging in open discussions is the best way forward. It will lead to new data-driven businesses offering essential value, not only in the Healthcare Business but also in OMRON's mainstay Industrial Automation Business.

### Toward an Ever-evolving Board of Directors

#### — How would you rate the skills matrix of OMRON's Board of Directors?

**Tateishi:** OMRON has ensured the diversity of its Board of Directors, which is composed of individuals who possess the knowledge, expertise, and experience necessary to realize our long-term vision and medium-term management plan. Nevertheless, in order to transform business models and oversee new businesses, the Board of Directors must also have knowledge and expertise

that are different from what were required in the past.

Speaking from first-hand experience, the tempo of management decision-making increased sharply after the outbreak of the COVID-19 pandemic. Many social issues that were expected to emerge in the future have suddenly confronted us as pressing issues during the pandemic. Remote medical care without face-to-face contact is a typical example. In these circumstances, a rich and varied set of skills is needed for swift managerial decision-making and decisions must be thoroughly implemented in business operations. I believe it is important to clarify the skills needed to realize strategies through backcasting and to configure the Board of Directors accordingly.

**Kamigama:** I think that OMRON's Board of Directors is well-balanced and diverse in its composition but it definitely needs to evolve as we look to the future. As OMRON promoted digital transformation and the transition to a business offering essential value, the need for expertise in IT, AI, and cybersecurity is certain to increase. In nominating Directors, we need to take this into account.

#### — Mr. Kamigama, since your appointment as Outside Director in 2017, have you noticed any change in the characteristics and strengths of OMRON's Board of Directors?

**Kamigama:** The atmosphere of the Board of Directors has remained unchanged. The atmosphere in which our discussions are held is very relaxed. I also feel that not only Outside Directors but also Outside Audit & Supervisory Board Members state their opinions more frequently than at other companies. This is supported by succinct information materials prepared for Board of Directors meetings. So, we are able to have focused discussions at Board of Directors meetings and resolve matters. In addition, in response to a request by the Corporate Governance Committee based on evaluation of the Board of Directors' effectiveness for fiscal 2021, Internal Directors and Internal Audit & Supervisory Board Members have become more proactive in stating their opinions, resulting in more vibrant discussion. This is indicative of how the Board of Directors is evolving. Exchanges of ideas and opinions between Internal Executives and Outside Executives, that is, Outside Directors and Outside Audit & Supervisory Board Members, are enhancing Outside Executives' understanding, enabling them to engage in deeper discussion. Another characteristic is that every Board of Directors meeting is shortly followed by a review to evaluate its effectiveness. This ensures prompt and accurate feedback, which is indispensable for the evolution of the Board of Directors.

#### — What are OMRON's issues?

**Kamigama:** OMRON should make The OMRON Global Awards (TOGA), an annual event, more practical in nature. The participants' enthusiasm and their seemingly inexhaustible ability to generate ideas impress me. These attributes are among OMRON's strengths. On the other hand, the ideas presented at TOGA have yet to become businesses of reasonable scale. There are several ideas with great potential. I would like to see OMRON develop the next pillar of its business from among the solutions proposed at TOGA.

#### — What is the operational policy of the Board of Directors for fiscal 2022?

**Tateishi:** The Corporate Governance Committee judged that the Board of Directors exercised its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives in fiscal 2021. In fiscal 2022, centering on three focus themes, namely "monitoring the progress of the long-term vision and the medium-term management plan," "response to risks in an era of uncertainty," and "checking the progress of establishing a companywide IT system," the Board of Directors will continue exercising its oversight functions and implementing the plan-do-check-act (PDCA) cycle so as to contribute to the realization of sustainable enhancement of corporate value.

#### — Finally, why did OMRON include the OMRON Principles in its Articles of Incorporation?

**Tateishi:** It is rare for a company to include its corporate principles in its articles of incorporation. We took this step in order to make OMRON's resolve widely known. By declaring both within the OMRON Group and to external parties that the basis of OMRON's management, the very core of our approach, remains unchanged, regardless of changes in the environment, I believe that OMRON's initiatives to "resolve social issues through its businesses" will gain greater impetus.



## Interview with Outside Director

### Path to Diversity Management

Outside Director  
Chairman of the Personnel Advisory Committee  
Vice Chairman of the Corporate Governance Committee  
Member of the CEO Selection Advisory Committee  
Member of the Compensation Advisory Committee

### Izumi Kobayashi



#### — What do you think of the way Japanese companies view “human capital”?

The collapse of Lehman Brothers triggered a renewed emphasis on the concept of “human capital.” People and environmental protection came to be perceived as sources of value creation rather than costs.

Although in Japan there was a term for “human resources,” the unfamiliar Japanese translation of “human capital” hadn’t readily taken hold. As a result, although Japanese companies have traditionally placed great importance on maintaining employment, the idea that people are not a cost but capital that is the key to enhancement of corporate value and social value if education is provided and the environment is improved faded away in the course of the shift to management emphasizing financial performance. This is most unfortunate. Regarding the commitment toward employees that today’s younger generation, in particular, is demanding, Japan, with its emphasis on maintaining employment, had been in the lead in the past.

The most important thing in utilizing human capital is “human resources development.” My impression is that whereas European and American businesses invest heavily in human resources development, Japanese businesses do not invest to the same extent. Although “membership-based employment” built on the principle of lifetime employment has its advantages, “job-based employment” is more appropriate for raising the value of human capital. Which is selected will likely differ among companies, but OMRON’s announcement that it will be shifting to job-based employment is something that, as one who knows the merits of such an approach, I welcome.

#### — You serve as Chairman of the Personnel Advisory Committee. How do you view the “current state of human capital utilization” in OMRON?

As all the outside directors including myself unanimously note, the activity that stands out most at OMRON is “The OMRON Global Awards (TOGA).” It is splendid how OMRON employees

worldwide actively come together as one, in line with the OMRON Principles, to “create business or products and services useful to society,” and do so not out of a sense of duty or in accordance with instructions, but spontaneously.

TOGA is indeed a fine model of the utilization of human capital to create corporate value. Recently, in the context of purpose management, a value system such that an enterprise in its totality naturally endeavors to solve social issues in accordance with its corporate philosophy is permeating every aspect of business activities. Indeed, through TOGA, personal growth is evident throughout the OMRON workforce. I hear that many of OMRON’s foreign employees joined OMRON because they empathized with the OMRON Principles. I have rarely come across a company where an opportunity such as TOGA is provided.

#### — Among the non-financial goals posted in the medium-term management plan SF 1st Stage, there are such goals as “ratio of women in managerial roles of at least 18% worldwide” and “100% attendance by managers of management training to draw out the abilities of diverse human resources.”

Although summed up in the single word “diversity,” I consider there is “visible diversity” expressed by numbers, such as the ratio of male to female or the ratio of non-Japanese nationals, and “invisible diversity” that cannot be expressed quantitatively. Regarding “visible diversity,” I think OMRON is promoting this quite vigorously. Although all OMRON’s directors are Japanese nationals, the number of executive officers who are non-Japanese nationals is on the rise, and, overseas, local employees are taking responsibility for business development. Moreover, at Board of Directors meetings, female employees make presentations about their business or projects on various occasions, and I think that the commitment being shown by OMRON to diversity is considerable. However, visible diversity is no more than the beginning of the matter. The diversity that I have in mind involves people with different experiences or opinions respecting each other, at times arguing, and, as a result achieving empathy and creating something new. This is the real attraction and true value of diversity. However, in Japan, raising an objection or expressing doubt about someone’s opinion in a meeting may be viewed as a personal attack. However, different opinions and discussions are about business matters, and if we do not put aside not only gender differences, but also

personalities or age and hierarchical relationships, then it is not possible to have a fruitful discussion. Diversity is frequently discussed at board meetings too. On those occasions, I always comment along the following lines. “Visible diversity should of course be pursued, but, much more importantly, we should aim to be an organization where different highly individual people can constructively encounter one another, rather than taking a cookie-cutter approach such that however you cut it, the same kind of ‘excellent’ person based on the same design appears.”

In addition, I make the following point. “Everyone has strengths and weaknesses. How are those strengths to be stretched and developed? And how are those weaknesses to be covered and compensated by the team? Surely that is the true meaning of nurturing human resources.” At board meetings, I can sense OMRON’s serious commitment to strengthening its organizational ability. This is why I have great expectations that a virtuous cycle of diversity & inclusion will be created, a cycle such that “every member of the organization can fully display their individuality and ability,” “the company draws out their individuality and ability,” and “as a result, the organization is activated and new value is created.”

#### — What do you think is required to strengthen human capital? Ultimately, what do you imagine will be the “New OMRON”?

I think OMRON employees are mainly serious-minded, value the OMRON Principles, and have a great desire to do something useful for society. However, that vector is by and large uniform, and in an era in which it is unclear in what direction the world is heading, I think one could say without fear of being misunderstood that there may be a need for “misfits” and “eccentrics.”

In Japan, basic public services are well provided and all needs are conveniently catered for. However, what is taken for granted in Japan, may be novel and pressing needs in other countries. If we fail to notice those needs, there is a possibility that we will end up missing good business opportunities. Sure enough, various chances are concealed in our encounters with those who differ from us. By mixing with those of a different nature, I anticipate, among other things, that “ways of thinking and plans that were absent up to now will be born,” “our hypotheses will become more accurate, throughput will change” and “decision-making will accelerate.”

— **Forward-looking Japanese companies are currently shifting to “job-based employment.” What changes do you anticipate as a result of this spread of job-based employment in the Japanese industrial sphere? How do you think OMRON’s human resources development and requirements will change from now on?**

I think that in order to make the most of each person’s individuality, in other words, in order to increase the value of human capital, there is no option but to shift to job-based employment. OMRON is currently forging ahead with this. However, one point that must be given sufficient attention is the question of who is to bear responsibility for the nurturing of human resources. Generally, in job-based employment, the authority and responsibility that up to now had been held by the human resources department are delegated to the on-site managers. Though bearing responsibility for profit, their most important job is “human resources development.” In foreign companies, the higher one’s job position, the more time one devotes to human resources. However, looking at Japanese enterprises, the money and time invested in training and evaluating human resources seems quite inadequate. Actually, in the work of an executive, considerable weight should be given to nurturing subordinates and developing their talent. I think there are several points to be considered. In the case of education and training, for example, given the Japanese ethos of “equality,” it is usual for everyone to uniformly receive the same program. However, in order to leverage people’s diverse strengths, programs should be customized for each individual.

Moreover, although it requires time and effort, a 360-degree appraisal is of course effective. This is because as well as leading to an understanding of how various people evaluate the person subject to evaluation, comparing evaluations by the superior and by others, it is possible to ascertain the superior’s abilities as a manager. One other important thing is the setting of goals. Even in job-based employment, it is necessary at the beginning of the period for the superior and the subordinate to discuss business and behavioral goals sufficiently and align their perspectives. Unless consensus is established, the superior and the subordinate will be working toward different goals, thus compromising the value of the evaluation results and, in the worst case, destroying a relationship based on mutual trust. Moreover, although it is common for circumstances to change midway in a project, many evaluation systems cannot handle such changes. So, initially

set goals should not be strictly adhered to no matter what happens. It is important to be able to adjust them as necessary. This may be a troublesome task, but it is one of the responsibilities that comes with management. In OMRON’s case, since the spirit of OMRON’s Corporate Motto and the OMRON Principles are well-established and widely known, the values system of the organization and the direction in which it should be heading are clear. That is why I expect even matters generally regarded as difficult, whether it be on-site human resources development or 360-degree appraisal, to proceed smoothly. I relish the prospect.

— **What contribution do you envisage making as a director of OMRON?**

I have worked for many years in organizations outside Japan, so when some difference in opinion or the way of thinking arises, I always throw in the question “why?” Whatever the subject might be, I think the biggest contribution I can make is to continue to pose the question “why?” on matters taken for granted within the company or in Japan. I think it is dangerous for matters to proceed unchanged because “everyone in the company thinks so” or “this is the way we do things in our company,” for example, without introducing any viewpoints such as from outside the company. I intend to keep on asking, from a global perspective, not a Japanese perspective, whether the way of doing things before my eyes is “the best and only one,” “why it is regarded as normal,” and “whether it really must be so,” and continue to assert the need to consider matters from different angles.



## Message from New Outside Director



**Yoshihisa Suzuki**

Outside Director  
 Member of the CEO Selection Advisory Committee  
 Member of the Personnel Advisory Committee  
 Member of the Compensation Advisory Committee  
 Member of the Corporate Governance Committee

### On My Appointment as Outside Director

It is a great honor for me to be appointed as a new Outside Director of OMRON. Longing to be an aircraft engineer, I entered the engineering department in university, but a realistic appraisal of the capabilities of my fellow students and seniors convinced me it was not for me. So, instead, I joined ITOCHU Corporation, a general trading company, that handles aircraft. In the more than 40 years since then, I have accumulated wide-ranging business experience. Having started with sales in the aerospace defense fields, I served as CEO of the US headquarters and managed a manufacturing subsidiary in Japan. At the head office, I served as president of ICT & Financial Business Company, CDO/CIO, and then as president and COO of ITOCHU Corporation, in which capacity I was involved with the integration of information and finance, decarbonization, and so on. Currently, as Vice Chairman of ITOCHU Corporation, I am undertaking various roles, ranging from my role in Keidanren (Japan Business Federation) to my roles in the British Market Council and Japan-U.S. Business Council, and also in the Association of Corporate Executives and the Chamber of Commerce and Industry in Tokyo and Osaka. I would be happy if my experiences to date can assist in OMRON’s further development.

I felt great sorrow on learning of the assassination of former Prime Minister Abe. Prime Minister Kishida, following in the tradition of former Prime Minister Abe, has announced a policy of “new capitalism.” What will be the nature of this new capitalism? Also called multi-stakeholder capitalism, it is I think essentially the traditional principle associated historically with the merchants from Omi, present-day Shiga prefecture, namely, “all three parties doing well,” “the seller doing well, the buyer doing well, society doing well,” which eventually led to the rise of general trading companies, and also is expressed by OMRON’s Corporate Motto with its emphasis on the “public nature of business.” Although the central government will prepare the systems and mechanisms needed to realize the new capitalism, it will in the end be the enterprises themselves that implement this new capitalism. Its essence will lie in raising the motivation of employees, promoting diversity & inclusion and innovation to contribute to the resolution of various social issues, and increasing corporate value. OMRON’s long-term vision SF2030 will be its embodiment, and I look forward to participating in its implementation as an outside director.

It should also be noted that the previous world order ended with the worsening of the Russia-Ukraine situation. There is no doubt that for at least the following five years or so, Russia will represent the biggest risk to the world. And there is one other risk too, which is likely to be found in the U.S. rather than in China. Divisions within the U.S. are profound, with politics and diplomacy becoming increasingly inward-looking, making it hard for the U.S. to display its former global leadership. I think one could say that we are now in a period in which both the Japanese government and those of us in the business world will have to resolutely carve out a new path on our own. OMRON is a global enterprise whose powers of technological innovation and progressive governance system are already widely known. What will OMRON, as a pioneer of the “New Capitalism” operating in the uncertain atmosphere of a post-COVID world, aim for next? Thinking about this question and reaching a solution to it along with all of you is something I am very much looking forward to doing.

### Career Summary

April 1979	Joined ITOCHU Corporation	April 2018	Appointed President & Chief Operating Officer of ITOCHU Corporation
June 2003	Appointed Executive Officer of ITOCHU Corporation	April 2020	Appointed President & Chief Operating Officer and CDO-CIO of ITOCHU Corporation
April 2006	Appointed Managing Executive Officer of ITOCHU Corporation	April 2021	Appointed Member of the Board and Vice Chairman of ITOCHU Corporation
April 2007	Appointed President (CEO) of ITOCHU International Inc.	April 2022	Appointed Vice Chairman of ITOCHU Corporation (to present)
June 2012	Appointed President and Representative Director of JAMCO CORPORATION	June 2022	Outside Director, OMRON (to present)
June 2016	Appointed Representative Director and Senior Managing Executive Officer of ITOCHU Corporation		



## Roundtable Discussion between Outside Audit & Supervisory Board Members (Independent)



Deepening Diversity and Strengthening Growth Potential  
Contributions to Corporate Value by Outside Audit & Supervisory Board Members

**Tadashi Kunihiro**

Audit & Supervisory Board Member (Independent)  
Member of the Corporate Governance Committee



**Hideyo Uchiyama**

Audit & Supervisory Board Member (Independent)  
Member of the Corporate Governance Committee

### Role and Posture of Outside Audit & Supervisory Board Members (Independent) to Meet the Expectations of Stakeholders

**Uchiyama:** Under the Companies Act of Japan, the role of company auditors is to audit the execution of duties by directors. Having been elected at the General Meeting of Shareholders of OMRON, we audit the execution of duties by Directors in order to earn the trust of stakeholders. At the same time, however, OMRON wants both Directors and Audit & Supervisory Board Members to serve as one team in performing their functions to enhance corporate value, while always mindful of their respective legal statuses. OMRON's Corporate Governance Committee consists of Outside Directors and Outside Audit & Supervisory Board Members and its main function is to evaluate and report on the effectiveness of the Board of Directors. However, going beyond evaluating and reporting on effectiveness, this committee serves as a forum for those being supervised and those supervising to exchange frank opinions on how to improve governance. Furthermore, in the process of deliberating on the formulation of the long-term vision "SF2030" and

the medium-term management plan "SF 1st Stage," we, Outside Audit & Supervisory Board Members, actively participated in the discussions at the Board of Directors meetings to ensure more effective monitoring.

**Kunihiro:** Yes, that's right. I think Audit & Supervisory Board Members should actively participate in discussions at meetings of the Board of Directors in their capacity as board members. Some companies consider the role of auditors is to check the directors' discussions when necessary and otherwise to keep quiet. But OMRON does not see it that way. At OMRON, three Outside Directors and two Outside Audit & Supervisory Board Members with great experience in wide-ranging fields represent stakeholders and discuss OMRON's potential and how to enhance its corporate value. In doing so, we are not preoccupied with whether we are Audit & Supervisory Board Members or Directors. Of course, when it is necessary to prevent damage to corporate value, Audit & Supervisory Board Members must apply the brakes to fulfill their role. That is ultimately the point of being Audit & Supervisory Board Members. However, such situations are rare. We, Outside Audit & Supervisory Board Members, will consider various

aspects of OMRON's corporate value from outside perspectives in response to the views expressed by internal parties. For this purpose, there is no distinction between Outside Directors and Outside Audit & Supervisory Board Members.

**Uchiyama:** What we must always keep in mind is that we are representing stakeholders, as Mr. Kunihiro just mentioned. We must consider what we should do to enhance or prevent damage to OMRON's corporate value from the viewpoint of "representatives of stakeholders."

**Kunihiro:** According to the traditional view, there are "offensive" discussions to enhance corporate value and "defensive" discussions to prevent damage to corporate value, and both of internal and outside Audit & Supervisory Board Members, should focus exclusively on "defensive" discussions and not get involved in "offensive" discussions. However, defense and offense cannot be neatly separated in that way. Since we are living in uncertain times and prospects are unclear, risk management is inextricably linked to finding opportunities. So, the roles cannot be neatly separated. To maintain that Outside Directors should be "offensive" and Outside Audit & Supervisory Board Members should be "defensive" is simplistic. For example, Outside Directors should be involved in discussions on compliance and Outside Audit & Supervisory Board Members should be involved in discussions on growth strategies.

Therefore, Outside Executives need to be eagle-eyed, knowledgeable, and insightful concerning the company. For example, "I am an Audit & Supervisory Board Member, so I don't know anything about growth strategies," would not be a helpful attitude. It is also important that diverse Outside Directors and Outside Audit & Supervisory Board Members can communicate fully with one another and work constructively together while demonstrating their personal qualities.

### Evaluation of Long-term Vision and Medium-term Management Plan and OMRON's Issues from Outside Perspectives

**Uchiyama:** A project team consisting of people from whom the next generation of OMRON's leaders will likely be selected identified the fields where OMRON should compete, based on their view of current circumstances and forecasts of the changes shaping the future business environment presented by the executive team. This is how the long-term vision "SF2030" and the medium-term management plan "SF 1st Stage" were formulated with a timeframe extending far into the future. I highly regard the fact that the members involved in the project took the initiative, assumed responsibility, and developed the narrative of OMRON's enhancement of corporate value in an objective manner.

OMRON's management, based on the SINIC Theory proposed by OMRON founder Kazuma Tateishi accords value to predicting the future based on an appreciation that three elements, namely, science, technology, and society, develop cyclically. In addition to these three elements, I think the new long-term vision has another element, the global environment. However, in the global market where OMRON operates, the stages of social development such as "introduction of IT" and "optimization," are discontinuous and unbalanced. In addition, I believe that the cycle has been accelerating owing to the progress of digital technology. In other words, no matter how elaborate a vision or plan may be, there is always a risk that unpredictable environmental changes will occur that render the vision or plan obsolete. So we must recognize such environmental changes and act accordingly. Or, even in times when it is particularly difficult to predict the future, if you can create the future through innovation, there will be no need for prediction. With regard to such autonomous initiatives, I have great expectations of OMRON.

**Kunihiro:** Management issues related to achieving this long-term vision and the medium-term management plan will be the themes that we Outside Audit & Supervisory Board Members will monitor from now on.

**Uchiyama:** Absolutely. As I mentioned, I highly regard OMRON's plan for SF2030, but on the other hand I have some concerns. For example, when we interview the managers responsible for OMRON's businesses, they give polished presentations and respond to our questions well. I wonder whether there are signs of "big company disease." I say this because, in order to achieve the vision, it is important to be ready and willing to implement a plan even if there is a 30% risk provided there is a 70% chance of success, as Kazuma Tateishi advocated in his "7:3 Principle" regarding the venture spirit. It is also important to resolve on-site issues promptly. I feel that too polished a presentation might be an indication that OMRON managers may be succumbing to the mindset of seeking "10:0" instead of "7:3."

So, I have recently changed the nature of my questions. I ask OMRON managers: "What are three issues that you have as the person in charge of this business?" In order to fulfill my responsibility as an Outside Audit & Supervisory Board Member, I need to bring inherent management issues to the surface and focus on whether OMRON is implementing effective measures to deal with them. I would like those responsible for OMRON's businesses to appreciate this.

**Kunihiro:** I totally agree with you. It is natural that there will be difficulties and challenges to overcome, and I hope OMRON managers will be shrewd enough to use Outside Executives to address these challenges. We, Outside Audit & Supervisory Board Members, as well as Outside Directors, share a concern that OMRON's venture



spirit may be weakening. In plain words, “boldness” may be weakening. OMRON is a very well-organized company with solid management based on a corporate philosophy, but I feel that the OMRON Principles based on the founder’s venture spirit are sometimes put in a “frame” and hung on the wall and are not really a springboard to decisive action by OMRON.

Tackling challenges and innovating to advance boldly are not at odds with management based on a corporate philosophy, rather they can be integral to it. But I cannot deny my impression that OMRON feels comfortable when chanting its corporate philosophy by rote and sometimes doesn’t translate it into action.

As an indication of this concern, investors have commented that the challenge for OMRON is to have an insatiable appetite for progress. We are aware of that.

**Uchiyama:** Looking at the figures regarding OMRON’s growth potential, total assets increased 73% from ¥537.3 billion in fiscal 2011, 10 years ago, to ¥930.6 billion in fiscal 2021, while the number of employees decreased from 35,992 to 29,020 in 10 years, and capital efficiency has also improved. However, when it comes to sales, OMRON’s net sales have grown only 23% over the 10 years from ¥619.5 billion in fiscal 2011 to ¥762.9 billion in fiscal 2021. Some companies in the same industry as OMRON have nearly quadrupled their sales over the past decade. That is why OMRON’s lack of growth is pointed out.

OMRON uses return on invested capital (ROIC) as a KPI in management, but ROIC is an efficiency indicator and does not include the concept of growth. There is a need to examine whether the emphasis on ROIC has been at the expense of growth.

I agree with Mr. Kunihiro about management based on corporate philosophy. The OMRON Principles should be the driving force behind OMRON’s focus on identifying social needs and its wholehearted pursuit of solutions. You can only say that the corporate philosophy has penetrated when management based on the corporate philosophy has reached that level.

**Kunihiro:** The key to strengthening OMRON’s growth potential is to take advantage of its diversity. The actions of all OMRON employees are based on the OMRON Principles. This is the result of management based on the corporate philosophy and it is one of OMRON’s strengths. But at the same time, we are concerned that the OMRON Principles might become a superficial phenomenon rather than penetrating and that OMRON employees might become increasingly homogeneous.

The investment in JMDC Inc. in February 2022 was the subject of much discussion at the Board of Directors meeting, as it was a case of investment in a company with a very different corporate culture. OMRON Directors and Audit & Supervisory Board Members agreed that the investment in JMDC should be a catalyst for changing OMRON by learning from JMDC’s corporate culture, rather than trying to instill OMRON’s corporate culture and ways of doing things in JMDC. In pursuing collaboration and synergy, if OMRON were to attempt to compel the partner to become like OMRON, the partner’s momentum would cease and collaboration would go nowhere. OMRON should emulate those attributes of the partner in which OMRON is deficient while maintaining a healthy tension and distance.

#### Evaluation of Effectiveness of the Audit & Supervisory Board and Issues to be Addressed

**Uchiyama:** Every year, OMRON conducts a questionnaire-based evaluation of the effectiveness of the Audit & Supervisory Board, and along with self-evaluation, issues for the next fiscal year are identified. This year, three issues were identified: (1) enhancing opportunities for more open discussion between Audit & Supervisory Board Members and Outside Directors, (2) considering a new approach for auditing in an increasingly uncertain business environment and reforming the Audit & Supervisory Board, and (3) strengthening cooperation with the Internal Audit Division to further enhance its performance.

As I mentioned at the outset, I believe that both Directors and Audit & Supervisory Board Members should fulfill their functions to enhance corporate value as one team while taking into account their respective stances. We have long been making efforts to break down the barriers between Outside Directors and Outside Audit & Supervisory Board Members. However, the Corporate Governance Committee is the only committee of which Outside Audit & Supervisory Board Members are a part of. As the Corporate Governance Committee is a voluntary committee that does not meet frequently, there are not many opportunities for Outside Directors and Outside Audit & Supervisory Board Members to discuss their views in a formal setting.

**Kunihiro:** That is why we have been creating opportunities for the five Outside Executives (Outside Directors and Outside Audit & Supervisory Board Members) of OMRON to meet and discuss on an ad hoc basis, in addition to discussion in a formal setting as in a committee meeting. The role of both Outside Directors and Outside Audit & Supervisory Board Members is to oversee execution as representatives of stakeholders, always with a view to accomplishing the goal of enhancing corporate value. Therefore, it is in the best interest of OMRON to have Outside Directors and Outside Audit & Supervisory Board Members discuss freely and openly and collaborate as one team, rather than remaining in silos corresponding to the difference in their legal statuses under the Companies Act.

**Uchiyama:** “Enhancing opportunities for more open discussion” does not mean simply increasing the number of discussions but rather to always act based on that awareness. So, from now on, this mindset will be important.

**Kunihiro:** That’s right. The mindset of Outside Executives will be tested in the future. Outside Directors and Outside Audit & Supervisory Board Members should be predisposed to act for the purpose of enhancing corporate value and preventing damage to corporate value, rather than simply following what is stipulated in the Companies Act or the Corporate Governance Code about the roles of outside directors and outside company auditors.

In this era of change, risks and opportunities are shrouded in fog and always in flux. In these circumstances, it would be wasteful to segregate outside directors from outside company auditors who, by virtue of their wide-ranging backgrounds, have much to offer. It would prevent them from making a valuable contribution to the management of OMRON. At Japanese companies, outside auditors’ narrow conception of their own role and a sense of corporate stagnation may be connected. The second issue, “considering a new approach for auditing in an increasingly uncertain business environment and reforming the Audit & Supervisory Board,” concerns the operation of auditing. OMRON’s Audit & Supervisory Board has been quite progressive compared to counterparts at other companies, but we are looking for ways to improve the operation of auditing.

**Uchiyama:** We are considering that the activities of the Audit & Supervisory Board in various phases should be evaluated objectively.

**Kunihiro:** Is the Audit & Supervisory Board really useful? In what sense are these activities of the Audit & Supervisory Board meaningful? Such questions have a particular resonance for us as Outside Audit & Supervisory Board Members, and our evaluation by the Board of Directors and other bodies, for example, would be valuable, leading to improvements.

**Uchiyama:** Regarding the third issue, “strengthening cooperation with the Internal Audit

Division,” I would like to express my opinion. The conventional auditing by OMRON’s Internal Audit Division is, to put it simply, to check whether compliance is ensured. I would like this to be changed. I want the Internal Audit Division to perform internal auditing from the perspective of Audit & Supervisory Board Members and enhance risk-management-oriented internal audit functions. For this purpose, strengthening cooperation between the Audit & Supervisory Board and the Internal Audit Division is necessary.

For example, when you audit a subsidiary and find a problem, what is the recognition of the person in charge of the subsidiary about management issues, how are these issues addressed, are measures adequately implemented, and is the relationship with the parent company properly taken care of? We are telling the Internal Audit Division that they need to adopt such perspectives, otherwise they will not know where the risks are.

**Kunihiro:** Internal audits progress from audits to find deficiencies to risk-based audits, and then to management audits. If the concept of risk management as broadly conceived, policies, and strategies do not permeate workplaces, they will not benefit the company. The Internal Audit Division must be able to find out what is really happening. The consensus among us is that whether a company’s growth strategy is actually working should also be subject to audit. The Internal Audit Division cannot adopt such an approach in a single step, but the Audit & Supervisory Board will encourage and cooperate with the Internal Audit Division to move in that direction.

**Uchiyama:** In doing business globally with overseas sales accounting for 60% of total net sales, it is essential for OMRON to grasp what is happening at each site and to constantly examine, improve, and refine its basic functions, such as development, production, and sales, as well as its management decision-making process to draw out the potential of the diverse human resources underpinning the OMRON Group. I believe this is a precondition for securing OMRON’s future growth.



# Corporate Governance

## Basic Stance for Corporate Governance

At the OMRON Group, corporate governance is defined as the system of processes and practices based on the OMRON Principles and the OMRON Management Philosophy. The system is intended to ensure transparency and fairness in business and speed up management decisions and practices. This is done by connecting the entire process from oversight and supervision all the way to business execution in order to boost the OMRON Group's competitive edge. OMRON's corporate governance also involves building such a system and maintaining its proper function. The ultimate objective is to achieve sustainable enhancement of corporate value by earning the support of all stakeholders.

## OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies\* based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 25 years formalizing and strengthening our framework of corporate governance.

We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

\* OMRON Corporate Governance Policies <https://www.omron.com/global/en/about/corporate/governance/policy>

## Corporate Governance Initiatives

	1999	2003	2011
OMRON Principles	1959: Corporate Motto	1990: OMRON Principles	1998: Revised
OMRON Corporate Governance Policies			2015: Established
Chairman of the Board	Representative Director and President	2003: Chairman serves as Chair of the Board of Directors and Chairman of the Board	
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Separation of management oversight and business execution	30 directors	1999: Revised the Articles of Incorporation, setting number of board members to 10 or fewer 1999: Adopted executive officer system	
Advisory Board		1999: Advisory Board	
Outside Directors		2001: One outside director	2003: Two outside directors (seven directors) 2015: Three outside directors (eight directors)
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2003: Three members (four auditors) 2011: Two members (four auditors)
Advisory and Other Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee
		2003: Compensation Advisory Committee	
		2006: CEO Selection Advisory Committee	
		2008: Corporate Governance Committee	

## Corporate Governance Framework

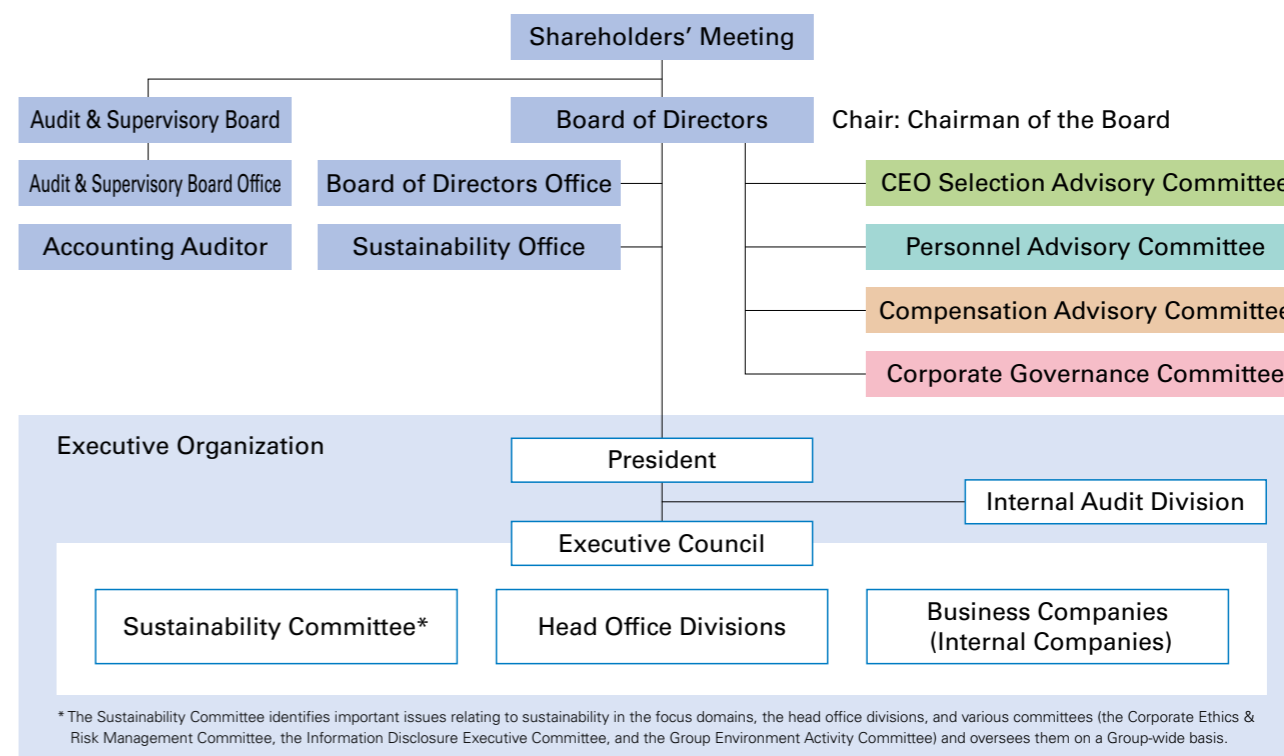
OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. OMRON has separated the management oversight and business execution functions within the company, creating a system whereby the majority of Board Directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one-third of the total number of directors on the board. To increase objectivity on behalf of the Board of Directors, the titles and roles of chair of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority.

OMRON has established several advisory committees to enhance the oversight functions of the Board of Directors. These committees include the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The CEO Selection Advisory Committee, the Personnel Advisory Committee, and the Compensation Advisory Committee are all chaired by outside directors with at least half of the committee members being outside directors. The President and CEO is not a member of any of these committees. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit & Supervisory Board. This structure offers another layer of transparency and objectivity to the decision-making process.

In these policies, OMRON has created a hybrid governance framework that combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee.

Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2021 at a rate of 100%. Outside members had an attendance rate of 100% at the 13 meetings of the Audit & Supervisory Board.

## Fiscal 2022 OMRON's Corporate Governance Structure



\* The Sustainability Committee identifies important issues relating to sustainability in the focus domains, the head office divisions, and various committees (the Corporate Ethics & Risk Management Committee, the Information Disclosure Executive Committee, and the Group Environment Activity Committee) and oversees them on a Group-wide basis.

- Board of Directors**  
Selects board directors, auditors, and executive officers, determines compensation for directors and executive officers, makes decisions on important business issues, and performs other supervisory functions.
- Audit & Supervisory Board**  
Oversees corporate governance framework and execution of business operations; conducts audits of day-to-day business activities, including those performed by directors.
- CEO Selection Advisory Committee**  
Deliberates candidates for selection as new CEO; deliberates succession plans and candidates in the event of an emergency.
- Personnel Advisory Committee**  
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; deliberates on proposed candidates.
- Compensation Advisory Committee**  
Sets policies for director and executive officer compensation; deliberates compensation levels and specific compensation packages.
- Corporate Governance Committee**  
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.
- Executive Council**  
Deliberates and discusses important operational matters within the scope of the authority of the president and CEO; determines the future direction.

Fiscal 2022 Advisory Committee

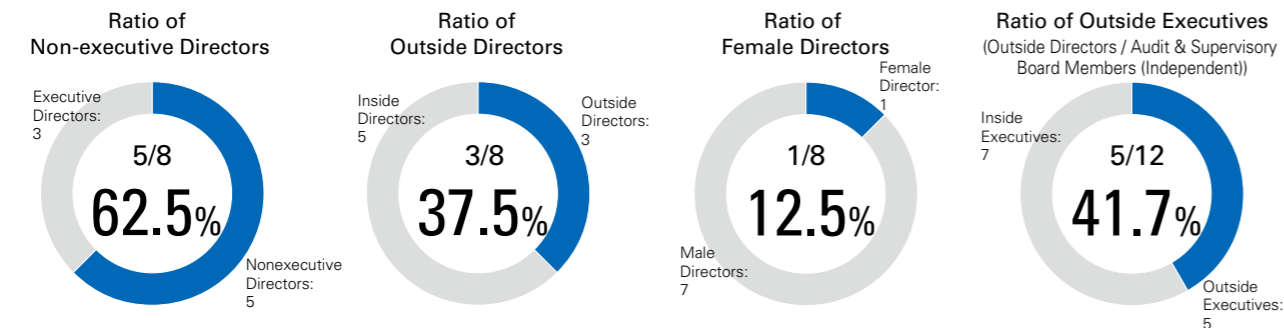
Title	Name	CEO Selection Advisory Committee	Personnel Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi	☐			
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata		☐		
Director	Koji Nitto			☐	
Director	Satoshi Ando	○	○	○	
Outside Director	Takehiro Kamigama ◆	◎	☐	◎	◎
Outside Director	Izumi Kobayashi ◆	☐	◎	☐	○
Outside Director	Yoshihisa Suzuki ◆	☐	☐	☐	☐
Audit & Supervisory Board Member	Shuji Tamaki				
Audit & Supervisory Board Member	Kiyoshi Yoshikawa				
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama ◆				☐
Audit & Supervisory Board Member (Independent)	Tadashi Kunihiro ◆				☐

◎ Chairperson ○ Vice-Chairperson ☐ Committee Member ◆ Independent under Tokyo Stock Exchange rules

Approach to Composition of the Board of Directors

In order to strengthen the supervisory function of the Board of Directors, supervision is separated from execution, and the majority of the Board consists of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors consists of Outside Directors. To ensure independence, Outside Directors and Outside Audit & Supervisory Board Members (Independent) are appointed based on OMRON's Independence Requirements for Outside Executives. The diversity of the Board of Directors will also be ensured by providing a well-balanced mix of human resources with experience, expertise, and knowledge required for realizing our management vision among the Directors and Audit & Supervisory Board Members who are the members of the Board of Directors.

Composition of Board of Directors



Main Areas of Experience and Expertise of Directors and Audit & Supervisory Board Members

Title & Name	Corporate management	Sustainability ESG	New business creation Innovation	Technology Production Quality	Financial accounting	Legal affairs Compliance Internal control	Global experience	Background and Qualifications
Chairman of the Board Fumio Tateishi	●	●					●	
Representative Director and President Yoshihito Yamada	●	●					●	
Representative Director, Senior Managing Executive Officer, CTO Kiichiro Miyata	●		●	●			●	
Director, Senior Managing Executive Officer, CFO Koji Nitto					●	●	●	
Director Satoshi Ando		●			●	●	●	Finance
Outside Director Takehiro Kamigama	●	●	●	●			●	Manufacturing industry
Outside Director Izumi Kobayashi	●	●	●				●	Financial and international organization
Outside Director Yoshihisa Suzuki	●	●	●	●			●	General trading company
Audit & Supervisory Board Member Shuji Tamaki						●	●	International lawyer
Audit & Supervisory Board Member Kiyoshi Yoshikawa		●		●			●	
Audit & Supervisory Board Member (Independent) Hideyo Uchiyama	●	●			●	●	●	Certified public accountant
Audit & Supervisory Board Member (Independent) Tadashi Kunihiro	●	●				●	●	Lawyer

Director Compensation

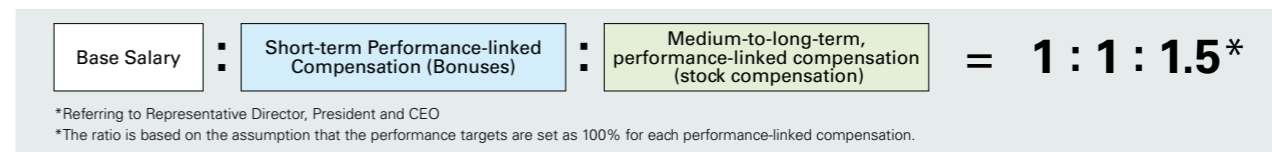
Compensation Policy for Directors

- Basic Policy**
  - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
  - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
  - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.
- Structure of Compensation**
  - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
  - The compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director's role and responsibility.
  - Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- Base Salary**
  - The amount of a base salary, paid monthly, shall be determined for each role by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
- Performance-Linked Compensation**
  - As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid as a lump sum after the conclusion of the fiscal year.
  - As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
  - The performance-linked component of stock compensation shall be paid after the medium-term management plan concludes, while the non-performance-linked component shall be paid after the Director retires.
  - The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.
- Compensation Governance**
  - The compensation composition, compensation composition ratio, level of the base salary, as well as performance indicators and evaluation methods of performance-linked compensation shall be determined based on the deliberations and recommendations of the Compensation Advisory Committee.
  - The amount of compensation for each Director shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors (From fiscal 2021)

(1) Compensation Composition Ratio

Compensation for Directors and Executive Officers consists of a base salary (fixed compensation) and compensation according to Company performance, namely short-term performance-linked compensation (bonuses) and medium-to-long-term, performance-linked compensation (stock compensation). The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role:

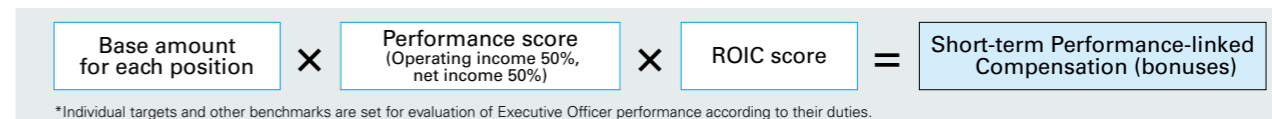


(2) Base Salary

A base salary is paid monthly to Directors and Executive Officers as fixed compensation. Base salaries are determined for each role by taking into account the salary levels of officers at other companies (benchmarked companies of the same industry and scope selected by the Compensation Advisory Committee), as surveyed by a specialized outside organization.

(3) Short-term Performance-linked Compensation (Bonuses)

Bonuses are paid as a lump sum after the fiscal year concludes to Executive Officers and Directors excluding Outside Directors as short-term performance-linked compensation, which is linked to yearly performance indicators and the degree of achievement of performance targets. Director bonuses vary between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.



(4) Medium-to-long-term, performance-linked compensation (stock compensation)

Stock compensation is paid as medium-to-long-term, performance-linked compensation to Executive Officers and Directors excluding Outside Directors. Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the nonperformance-linked component (40%), which aims for retention and motivation to improve share prices over the medium- to long-term, and is paid under the condition of a certain term of service. The performance-linked component of stock compensation is paid after the medium-term management plan concludes, while the non-performance-linked component is paid after the Director retires. The performance-linked component will fluctuate in the range of 0% to 200% depending on the degree of achievement of performance targets in the medium-term management plan. In the event of serious misconduct during their term of office, and such misconduct harms the Company, the Compensation Advisory Committee will deliberate and make a recommendation. Based on this discussion and recommendation, the Board of Directors and President shall resolve to limit the payment of stock-based compensation for Directors and Executive Officers, respectively.

$$\text{Base amount for each position} \times \left( \text{Financial targets evaluation 60\%} + \text{Corporate value evaluation 20\%} + \text{Sustainability evaluation 20\%} \right) = \text{Performance-linked portion}$$

	Evaluation weight	Evaluation indicators	Targets
Financial targets evaluation	60%	• EPS	¥400
		• ROE	10%
Corporate value evaluation	20%	• Relative TSR*1	100%
Sustainability evaluation	20%	• Reduction of greenhouse gas emissions (internal target)	-53% from FY2016
		• Score of Sustainable Engagement Index (SEI)*3 in engagement survey*2 (internal target)	70 points
		• Dow Jones Sustainability Indices (third-party evaluation)	DJSI World

\*1 Indicator that compares total shareholder return (TSR) of OMRON in the covered period to the percentage change of TOPIX, dividends included (Relative TSR = TSR ÷ Percentage change of TOPIX, dividends included)

\*2 Survey measuring employees' voluntary motivation to contribute to targets of the organization

\*3 Indicator that measures the presence of a high level of motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

**(5) Performance indicators of performance-linked compensation**

- The performance indicators for short-term performance-linked compensation (bonuses) were set from the short-term management plan's indicators for financial targets towards the realization of the short-term management plan based on "SF 1st Stage" (fiscal 2022 to fiscal 2024).
- The performance indicators for medium- to long-term performance-linked compensation (stock compensation) were set from the indicators in SF 1st Stage for financial targets, non-financial targets and strategic targets towards the realization of "SF 1st Stage" (fiscal 2022 to fiscal 2024). In addition, the long-term vision for 2030 "SF2030" aims to maximize corporate value, and indicators for directly evaluating corporate value have been set.

**Initiatives Towards Improving the Board of Directors' Effectiveness**

**1. Overview of initiatives towards improving the Board of Directors' effectiveness**

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and strives to boost the OMRON Group's competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the supervisory functions of the Board of Directors through initiatives for improving its effectiveness.

Such initiatives are undertaken in a cycle of (1) evaluation of the Board of Directors' effectiveness and (2) determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans.

**(1) Evaluation of the Board of Directors' effectiveness**

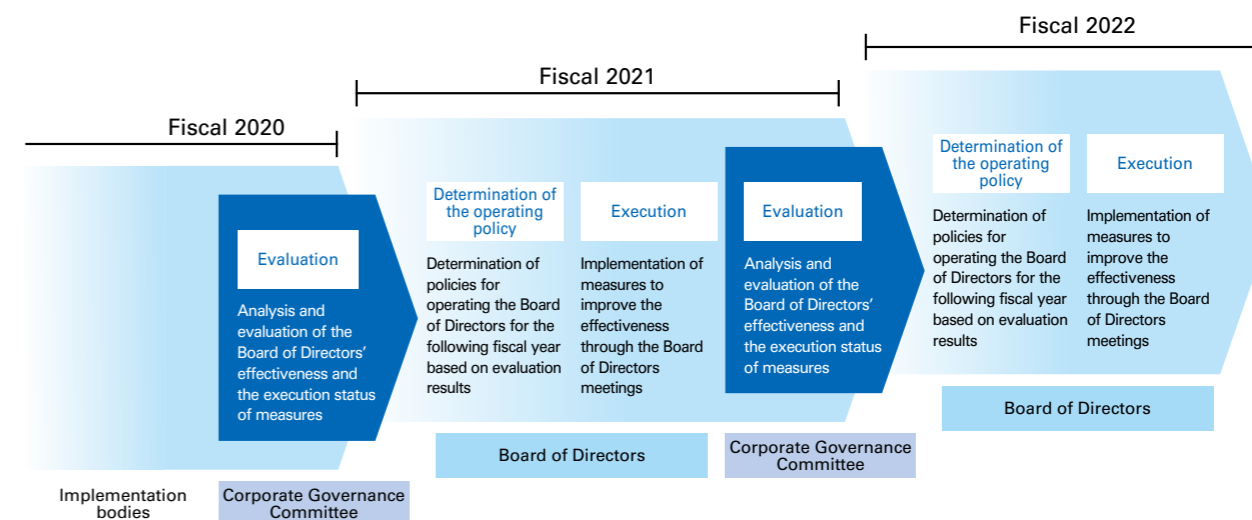
The Company's evaluation of the Board of Directors' effectiveness is conducted by the Corporate Governance Committee chaired by an Outside Director and comprising only Outside Directors and Audit & Supervisory Board Members (Independent) (hereinafter "Outside Executives"). Outside Executives act as members of the Board of Directors while having the perspectives of all stakeholders including the shareholders. The Corporate Governance Committee, which is composed only of Outside Executives, performs evaluations in order to ensure that evaluations are both objective and effective.

**(2) Determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans Based on the evaluation results by the Corporate**

Based on the evaluation results by the Corporate Governance Committee in (1) and the business environment, etc., the Board of Directors determines the policy for the operation and focus themes of the Board of Directors for the next fiscal year. The Board of Directors formulates and implements annual plans based on this operation policy.

The Company continues to improve the Board of Directors' effectiveness by implementing (1) and (2) above on a yearly basis. The Corporate Governance Committee has evaluated these initiatives to be the Company's unique, optimal activities that are both objective and effective. The Board of Directors recognizes the Company's initiatives as being more effective than evaluations by third parties.

**Initiatives Towards Improving the Board of Directors' Effectiveness**



**2. Evaluation of the Board of Directors' effectiveness for fiscal 2021**

The methods of the evaluation of the Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2021 are as described below.

**2-1. Evaluation methods**

**1) Self-evaluations by Directors and Audit & Supervisory Board Members**

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors. Immediately after each meeting of the Board of Directors, Outside Executives evaluated the Board of Directors and held a review meeting to review the Board of Directors.
- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of the Board of Directors over the course of the year following the meeting of the Board of Directors held on March 1, 2022.

**2) Interviews by the Chairman of the Board of Directors**

- The Chairman of the Board of Directors conducted individual interviews to Directors and Audit & Supervisory Board Members between January and March 2022.

**3) Evaluation by the Corporate Governance Committee**

- The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness on March 25 and April 26, 2022.

**2-2. Self-evaluation items**

Self-evaluation items are as follows. Evaluations were performed from the perspectives of whether or not the Board of Directors sufficiently exercised its oversight functions, and whether it contributed to the exercise of its oversight functions. Evaluations are performed by completing anonymous questionnaires. For each evaluation item, answers are provided using five-point scales and free comment fields.

**1) Self-evaluations performed immediately following meetings of the Board of Directors**

- Contents of discussions at the meeting of the Board of Directors
- Extent of oversight functions exercised by the Board of Directors

**2) Self-evaluations for the entire year, performed at the end of the fiscal year**

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Operation of the Board of Directors                     <ol style="list-style-type: none"> <li>1) Policy for the operation of the Board of Directors for fiscal 2021</li> <li>2) Fiscal 2021 focus themes</li> <li>3) Deliberations and reports regarding issues other than focus themes</li> <li>4) Policy for the operation and focus themes of the Board of Directors for fiscal 2022</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>2. Increasing information sharing opportunities                     <ol style="list-style-type: none"> <li>1) Individual meetings</li> <li>2) Initiatives on information sharing opportunities</li> </ol> </li> <li>3. Advisory committees</li> <li>4. Other overall issues regarding the Board of Directors</li> </ol> |
|---|--|

### 3) Other self-evaluations (evaluations performed when new officers are appointed, when changes are made to the corporate governance system, etc.)

- Scale and composition of the Board of Directors
- State of operations of the Board of Directors
- Operation of advisory committees

### 3. Policy for the operation and focus themes of the Board of Directors for fiscal 2021

#### Board of Directors Operation Policy for Fiscal 2021

"To enable the OMRON Group to achieve a drastic increase in corporate value over the next 10 years, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives."

#### Focus Themes

##### 1) Completion of the next long-term vision and determination of the next medium-term management plan

< Points to be supervised >

- Response to the new normal era post COVID
- Initiatives for key sustainability issues
- Transformation of business model and acceleration of innovation
- Reform of human resources management
- Strengthening resilience

##### 2) Response to the increasing geopolitical risks

##### 3) Checking the progress of establishing a companywide IT system

### Background of the establishment of the policy for the operation and focus themes of the Board of Directors for fiscal 2021 (discussed and decided at the Board of Directors meeting held in May 2021)

#### Focus theme 1: Completion of the next long-term vision and determination of the medium-term management plan

As the long-term vision "SF2030" (hereinafter, the "Long-term Vision") and the medium-term management plan "SF 1st Stage" (hereinafter, the "Medium-term Management Plan") begins in fiscal 2022, the Board of Directors confirmed that exercising oversight functions towards the determination of the Long-term Vision and the Medium-term Management Plan was a top-priority matter. Accordingly, when determining the Long-term Vision and the Medium-term Management Plan, the Board of Directors discussed the improvement of corporate value from a medium- to long-term perspective, including the response to the era post COVID, the strengthening of sustainability initiatives, the transformation of the business model, the acceleration of innovation and the reform of human resources management.

#### Focus theme 2: Response to the increasing geopolitical risks

As geopolitical risks have a material impact on business and performance, the focus theme from fiscal 2020 was continued and the Board of Directors supervised in a timely and continuous manner.

#### Focus theme 3: Checking the progress of establishing a companywide IT system

Establishing a companywide IT system is OMRON's first initiative, and as it is a large-scale decade-long project, the focus themes from fiscal 2019 and fiscal 2020 were continued, and the Board of Directors supervised the progress in fiscal 2021.

### 4. Results of evaluation of the Board of Directors' effectiveness for fiscal 2021

#### 4-1. Performance of operation of the Board of Directors

##### 4-1-1. Focus themes

#### Focus theme 1: Completion of the next long-term vision and determination of the medium-term management plan

##### ■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- Beginning with a look back at VG2020, they reported on how OMRON views social issues with a long-term vision, how to create social value, the direction of the evolution of a business model that combine goods and services, initiatives that aim for the realization of a carbon-neutral society, initiatives to respect human rights in the value chain, the concepts of diversity and inclusion, data-driven corporate management based on DX, etc.
- A new initiative to link employee thoughts with Company targets by deciding three out of the eleven non-financial targets of the Medium-term Management Plan through a vote by all global employees was reported. In addition, in order to raise employee awareness about participation in the Long-term Vision, they created and reported an easy-to-understand Long-term Vision story for employees.
- They reported the introduction of stock compensation for employees as a measure to maximize corporate value in the Long-term Vision by uniting management, employees and shareholders. After a resolution by the Board of Directors, stock compensation for employees that is linked to the degree of achievement of financial and non-financial targets in the Medium-term Management Plan was introduced.
- In addition to the strategic and financial targets of the Long-term Vision, material sustainability issues and Medium-term Management Plan, the Board of Directors resolved non-financial and strategic targets related to the environment, human rights and diversity, as well as the newly formulated environmental policy and the human rights policy.

##### ■ Main contents of discussions at the meeting of the Board of Directors

##### ● Human resources

The Board of Directors pointed out the importance of the utilization of human resources for business growth and the evolution of the business model and discussed the need to secure human resources not only through employee training and mid-career hires, but also through M&A and business alliances with other companies.

##### ● Diversity and inclusion

The Board of Directors recognized that the concepts of diversity and inclusion lead to the creation of new things through the interaction of diverse values. Moreover, the Board of Directors discussed the need to not only pursue quantitative targets for the number and percentage of women and foreigners, but also to develop substance through the promotion of diversity.

##### ● Environment

The Board of Directors recognized the importance of addressing Scope 3 to reduce greenhouse gas emissions not only within the Company, but also in the value chain as a whole, and discussed concrete initiatives to realize carbon neutrality.

##### ● Disclosure

There was a discussion concerning the need to clarify the relationship between the Long-term Vision, the Medium-term Management Plan and the material sustainability issues in order to increase empathy and resonance with stakeholders, including investors and employees, and the Board of Directors recognized the need to clarify and disclose the relationship among the three.

##### ● Examination system

The Board of Directors pointed out the need for the Long-term Vision and Medium-term Management Plan to be recognized by all global employees, regardless of whether they are Japanese or foreigners. The Board of Directors discussed the examination project system, the formulation process and the method of disseminating information inside and outside the Company after formulation.

### Focus theme 2: Response to the increasing geopolitical risks

#### ■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- After providing an opportunity for economists to explain the relationships and economic conditions of countries that are at conflict from a macro perspective, the Global Strategy H.Q. reported on the business impact of geopolitical risks at OMRON from the perspective of legal regulations, customs, competition, etc.
- In the item on the operational status of the internal control system, it was reported that the geopolitical risk would be raised to the highest rank of the material Group risks in light of the recent tense situation in Russia and Ukraine.

#### ■ Main contents of discussions at the meeting of the Board of Directors

- Discussions were held at the Board of Directors on how to reduce the impact of various countries' imposition of regulations on business while hypothesizing the future trends of each country.
- The Board of Directors recognized that how to perceive geopolitical risks is synonymous with thinking about the ideal state of each business and regional headquarters, and discussed the need to increase the speed of management with global flexibility through delegation to each region.

### Focus theme 3: Checking the progress of establishing a companywide IT system

#### ■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- Beginning with a look back on the basic plan of the new companywide system, they reported on the project promotion system, including the Company and vendors, project progress in fiscal 2021, initiative planning for fiscal 2021 and beyond, and issue recognition as a business execution division ((1) cost control, (2) scope control, (3) resource securing, and (4) thorough enforcement of Fit to Standard).
- The annual investment plan up until the completion of the project (fiscal 2030) was reported from the perspective of cash flow and profit and loss impact, and the Board of Directors resolved the capital investment plan for fiscal 2022.

#### ■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed the need to visualize operations before establishing the new system, the need for a prioritized introduction plan based on the characteristics of each area, and the sustainability of the new system.
- The project is a large-scale decade-long project that requires a reasonable amount of investment, and as it has begun in earnest, the Board of Directors discussed the need for the introduction of a new mechanism for third parties to monitor the progress of the project and to increase the frequency of reports to the Board of Directors.

#### 4-1-2. Significant matters other than the focus themes (business portfolio management)

##### ■ Board of Directors' supervision of M&A and alliances, and business transfers

- The Board of Directors regularly checks and discusses M&A candidates, mainly in the FA and healthcare fields, using long lists and short lists.
- M&A, including minority investments, and alliances with other companies were discussed from a wide range of perspectives at the Board of Directors meeting in 2021. In addition to the acquisition of the common stock of JMDC, investment into Techman Robot, a cooperative robot manufacturer in Taiwan (investment ratio: about 10%), and the initiatives of the corporate venture capital company OMRON VENTURES CO., LTD. were reported. Moreover, while working to transform the business model and create new businesses, the Board of Directors promoted the strengthening of business portfolio management, as well as discussed and resolved on the transfer of semiconductor/MEMS (Micro Electro Mechanical Systems) factories and MEMS development/production functions to MinebeaMitsumi Inc.

##### ■ Acquisition of JMDC common stock

#### Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- The business execution division reported to the Board of Directors that it was considering acquiring the common stock of JMDC, a company that operates a healthcare data platform business. Regarding the acquisition of JMDC's common stock, the business execution division aims to develop personalized aggravation and nursing care prevention solutions that support prescription medication treatments and patient lifestyle changes, by predicting the risk of the onset of individual patient events (possibility and timing). They aim to offer these solutions through the analysis of medical data that the JMDC Group possesses (such as medical prescriptions and medical examinations) combined with blood pressure, vital signs and levels of physical activity data gathered by OMRON.
- This is OMRON's largest investment project ever, and it was discussed from various perspectives. The Board of Directors resolved to acquire 33.0% of JMDC's common stock for JPY 111,864.6 million (JPY 6,000 per share) and to conclude a capital and business alliance with JMDC.

#### Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed how the combination of medical data possessed by the JMDC Group (such as medical prescriptions and medical examinations) and data possessed by OMRON (such as blood pressure, vital signs and levels of physical activity data) will lead to health promotion and aggravation prevention measures with the goal of Zero Events.
- In addition to co-creating a business with JMDC, the importance of learning the good points of JMDC's organizational culture was discussed, and the Board of Directors recognized the need to learn from JMDC and utilize the knowledge gained in OMRON's management.
- The Board of Directors recognizes the need to build a dedicated team at both companies not only at the management level, but also at the basic operating level to accelerate discussions and lead to the creation of new businesses in order to collaborate with JMDC.
- The Board of Directors discussed the appropriate acquisition price of common stock in terms of both risk and return, taking into consideration the impairment risk after the acquisition of common stock.

#### 4-2. Evaluation by the Corporate Governance Committee

The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness during fiscal 2021 and reported the following evaluation results at the Board of Directors meeting held on May 16, 2022.

##### 4-2-1. General comments on evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2021.

##### ■ Points commended

- Based on the policy for the operation of the Board of Directors and the focus themes for fiscal 2021, the Board of Directors exercised their supervisory functions from various points of view from a short-term and medium- to long-term perspective.
- As the percentage of items centered on discussions about focus themes was more than 70% of the time required for the Board of Directors meetings, the Board of Directors fulfilled their function as a monitoring board for improving corporate value over the medium to long term.
- In response to the presentation by the business execution division, the Outside Directors had various opinions and suggestions from the viewpoint of management and the Audit & Supervisory Board Members (Independent) had various opinions and suggestions from the viewpoint of legality and appropriateness, which enhanced the feasibility of strategies. Moreover, there was an increase in remarks from the perspective of Audit & Supervisory Board Members, such as the sharing of information obtained by internal Audit & Supervisory Board Members through on-site inspections.

##### ■ Points requested

- Internal Executives should speak more actively based on their respective roles, experience and expertise in order to deepen two-way discussions with Outside Executives.
- The reported items of the Board of Directors should further clarify issues and report them in order to enhance discussions about solving issues.

##### 4-2-2. Individual evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2021.

##### ■ Points commended

- The Board of Directors fulfilled a significant role by recognizing that "completion of the next Long-term Vision and determination of the Medium-term Management Plan" was a top-priority matter within the focus themes and completing it after a total of six meetings over a two-year period.

- The Board of Directors clarified their responsibility towards sustainability initiatives by approving financial and non-financial targets as management targets in the Medium-term Management Plan after identifying material sustainability issues in the Long-term Vision.
- The newly introduced stock compensation for employees was a measure that allowed management, employees and shareholders to work together to maximize corporate value in the Long-term Vision, and it is a compensation system that is more effective than conventional monetary compensation and enhances employee motivation. In addition, management's intention to practice management with multi-stakeholder awareness inside and outside the Company was concretely shown.
- Considering the situation in Russia and Ukraine, as well as from the perspective of how to set up a risk management network in an era characterized by Volatility, Uncertainty, Complexity and Ambiguity (VUCA), the Board of Directors showed good foresight by continuing the focus theme "response to the increasing geopolitical risks" from fiscal 2020 in fiscal 2021.
- Regarding "checking the progress of establishing a companywide IT system," understanding of the overall picture of the project, the progress at the present time and the approval of the investment plan were a result of continuously exercising supervisory functions as a focus theme since fiscal 2019. In addition, the Board of Directors agreed to the introduction of a new mechanism for third parties to monitor the progress of the project and to increase the frequency of reports to the Board of the Directors.
- The Board of Directors has continuously considered growth investments such as M&A in order to improve corporate value over the medium to long term and approved the acquisition of JMDC's common stock. Regarding the acquisition of JMDC's common stock, in addition to the goal of creating a healthcare data platform business, the significance of acquiring JMDC's common stock developed into discussions concerning what OMRON can learn from JMDC's organizational culture and how it can be utilized in OMRON's management in an era of rapid change, and thus the Board of Directors fulfilled a significant role.

#### ■ Points requested

- Regarding the "Long-term Vision and the Medium-term Management Plan," "response to the increasing geopolitical risks" and "checking the progress of establishing a companywide IT system," the Board of Directors should continue to exercise its supervisory functions in fiscal 2022, including progress.

### 4-3 Initiatives on information sharing opportunities and evaluation by the Corporate Governance Committee

#### 4-3-1. Initiatives on information sharing opportunities

##### ■ On-site visits

Opportunities are provided for Outside Executives to visit major bases, exhibitions, etc. and participate in in-house events, which leads to an improvement in understanding of the Company's business and organizational culture.

##### ■ Outside Executives' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Executives. In addition, through this approach, we are building a relationship in which Outside Executives directly exchange information about risks in the Company with the Accounting Auditor.

##### ■ Interviews by the Chairman of the Board of Directors (continuously held from fiscal 2016)

The Chairman of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.

##### ■ Outside Executives' and top Executives' opinion exchange meeting (continuously held from fiscal 2019)

Opportunities are provided for the exchange of opinions between Outside Executives and top Executives, which leads to an improvement in understanding of the Company's business and organizational culture.

##### ■ Board of Directors review (held from fiscal 2021)

Outside Executives conduct a review of the Board of Directors immediately after meetings of the Board of Directors. Outside Executives sharing amongst themselves what they felt immediately following meetings of the Board of Directors leads to the improvement of the evaluation of the Board of Directors.

##### ■ Observation of Executive Committee meetings (held from fiscal 2021)

Outside Executives may observe Executive Committee meetings (management meetings by Executives), as fully understanding the situation of the business execution division will lead to the expansion of the breadth and depth of discussions at the Board of Directors meetings.

#### 4-3-2. General comments on evaluation

The Corporate Governance Committee commended the implementation of various initiatives on information sharing opportunities for Outside Executives to deepen their understanding of organizational culture and the situation of the business execution division in order to improve the effectiveness of the Board of Directors.

#### 4-3-3. Individual evaluations

The Corporate Governance Committee commended the following points regarding individual information sharing opportunities.

##### ■ On-site visits

- Due to the impact of COVID-19, on-site visits did not take place in fiscal 2020, but in fiscal 2021, the committee visited the Ayabe factory, automation centers and robot exhibitions, and we deepened our understanding of the production status of the Company's main business, the Industrial Automation Business (IAB), and applications that combine multiple products and software.
- Going forward, in order to deepen the understanding of business content and organizational culture, the effectiveness of on-site visits will be further enhanced through the creation of opportunities to hear the voices of on-site staff.

##### ■ Outside Executives' and Accounting Auditor's opinion exchange meeting

- At the opinion exchange meeting between Outside Executives and the Accounting Auditor in fiscal 2020, the committee did not dig deeper into management issues due to differences in perspectives and positions, but in fiscal 2021, efforts were made to match the perspectives of both parties before the exchange of opinions took place, which led to deeper discussions.
- The Accounting Auditor raised current issues and potential risks such as goodwill impairment risks, securing accounting personnel in emerging countries and unification of accounting IT systems globally, which led to a deeper understanding of the items of the Board of Directors.

##### ■ Interviews by the Chairman of the Board of Directors

- Interviews by the Chairman of the Board of Directors are an opportunity for the Chairman of the Board of Directors and each member of the Board of Directors to discuss issues and directions for the future, and they are beneficial as a place for frank exchanges of opinions.

##### ■ Observation of Executive Committee meetings

- The establishment of a mechanism that allows Outside Executives to observe Executive Committee meetings makes it possible to directly check the details, quality, quantity, etc. of the discussions of the business execution division before presentation to the Board of Directors, and it is beneficial from the perspective of exercising supervisory functions.
- Listening to the remarks of top Executives at Executive Committee meetings will help determine who will become the next generation of top Executives.

### 5. Policy for the operation and focus themes of the Board of Directors for fiscal 2022

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2022. Based on the results of this discussion, Board of Directors operational policy for fiscal 2022 and its focus themes were determined at Board of Directors meeting held on May 31.

#### Board of Directors Operational Policy for Fiscal 2022

"Fiscal 2022 saw the launch of the OMRON Group's long-term vision, SF2030, and the medium-term management plan, SF 1st Stage. Toward achieving them, the Board of Directors will exercise its oversight functions together with the ability to respond to change from near-term as well as medium- to long-term perspectives. This will be done recognizing the link between the following three focus themes and issues subject to oversight."

#### Focus Themes

##### 1) Monitoring progress of the long-term vision and medium-term management plan

<Points to be supervised>

- Transformation of business models (promotion of businesses reflecting an essential value perspective, including alliance with JMDC)
- Acceleration of diversity and inclusion
- Improvement of supply chain resilience
- Promotion of initiatives aimed at addressing important sustainability issues

##### 2) Response to risks in the era of uncertainty

<Points to be supervised>

- Improvement of ability to detect changes in the global geopolitical environment
- Transformation of global business operations
- Enhancement of cybersecurity

##### 3) Confirmation of progress in the construction of the Corporate IT System

<Points to be supervised>

- Monitoring corporate IT system construction with third-party evaluation in mind



### Directors / Audit & Supervisory Board Members (As of June 30, 2022)

#### Directors



**Fumio Tateishi**  
Chairman  
Chair of the Board of Directors  
CEO Selection Advisory Committee Member

Aug. 1975 Joined OMRON  
Jun. 1997 Director  
Jun. 1999 Managing Executive Officer  
Jun. 2001 Senior General Manager, Corporate Strategic Planning HQ  
Jun. 2003 Executive Officer and Executive Vice President, President, Industrial Automation Business Company  
Jun. 2008 Director and Executive Vice Chairman  
Jun. 2013 Chairman of the Board (to present)



**Yoshihito Yamada**  
Representative Director

Apr. 1984 Joined OMRON  
Jun. 2008 Executive Officer, Representative Director and President, OMRON Healthcare Co., Ltd.  
Mar. 2010 Senior General Manager, Corporate Strategic Planning HQ  
Jun. 2010 Managing Executive Officer  
Jun. 2011 Representative Director and President (to present)



**Kiichiro Miyata**  
Director, Senior Managing Executive Officer, CTO  
Personnel Advisory Committee Member

Apr. 1985 Joined Tateisi Institute of Life Science, Inc. (now OMRON HEALTHCARE Co., Ltd.)  
Mar. 2010 Representative Director and President of OMRON Healthcare Co., Ltd.  
Jun. 2010 Executive Officer  
Jun. 2012 Managing Executive Officer, OMRON  
Apr. 2015 Chief Technology Officer (CTO) and Senior General Manager of Technology & Intellectual Property HQ  
Apr. 2017 Senior Managing Director (to present)  
Jun. 2017 Representative Director (to present)  
Apr. 2018 Senior General Manager of Innovation Exploring Initiative HQ



**Koji Nitto**  
Director  
Senior Managing Executive Officer, CFO  
Member of the Compensation Advisory Committee

Apr. 1983 Joined OMRON  
Mar. 2011 Senior General Manager, Global Resource Management HQ  
Jun. 2011 Executive Officer  
Mar. 2013 Senior General Manager, Global SCM and IT Innovation HQ  
Apr. 2013 Managing Executive Officer  
Mar. 2014 Senior General Manager, Global Strategy HQ (to present)  
Apr. 2014 Senior Managing Executive Officer (to present)  
Jun. 2014 Director (to present)  
Apr. 2017 Chief Financial Officer (CFO) (to present)

#### Directors



**Satoshi Ando**  
Director

Vice Chairman of the CEO Selection Advisory Committee  
Vice Chairman of the Personnel Advisory Committee  
Vice Chairman of the Compensation Advisory Committee

Apr. 1977 Joined The Bank of Tokyo, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)  
July 2003 Branch Manager of Jakarta Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Resigned in Jun. 2007)  
Jun. 2007 Audit & Supervisory Board Member (Independent), OMRON  
Jun. 2011 Executive Officer and Senior General Manager, Investor Relations HQ  
Mar. 2015 Senior General Manager, Global Investor Relations & Corporate Communications HQ  
Apr. 2015 Managing Executive Officer  
Jun. 2017 Director (to present)

#### Outside Directors



**Takehiro Kamigama**  
Outside Director

Chairman of the CEO Selection Advisory Committee  
Chairman of the Compensation Advisory Committee  
Chairman of the Corporate Governance Committee  
Member of the Personnel Advisory Committee

Apr. 1981 Joined TDK Corporation  
Jun. 2002 Corporate Officer, TDK Corporation  
Jun. 2003 Senior Vice President, TDK Corporation  
Jun. 2004 Director & Executive Vice President, TDK Corporation  
Jun. 2006 President & Representative Director, TDK Corporation  
Jun. 2016 Chairman & Representative Director, TDK Corporation  
Jun. 2017 Outside Director, OMRON (to present)  
Jun. 2018 Mission Executive, TDK Corporation  
Jul. 2021 Chief Consultant, Contemporary Ampere Technology Japan KK (to present)



**Izumi Kobayashi**  
Outside Director

Chairman of the Personnel Advisory Committee  
Vice Chairman of the Corporate Governance Committee  
Member of the CEO Selection Advisory Committee  
Member of the Compensation Advisory Committee

Apr. 1981 Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)  
Jun. 1985 Joined Merrill Lynch Futures Japan Inc.  
Dec. 2001 President and Representative Director of Merrill Lynch Japan Securities Co., Ltd. (now BofA Securities Japan Co., Ltd.)  
Nov. 2008 Executive Vice President of Multilateral Investment Guarantee Agency, The World Bank Group  
Apr. 2015 Vice Chairperson of Japan Association of Corporate Executives  
Jun. 2016 Governor of Japan Broadcasting Corporation  
Jun. 2020 Outside Director, OMRON (to present)



**Yoshihisa Suzuki**  
Outside Director

Member of the CEO Selection Advisory Committee  
Member of the Personnel Advisory Committee  
Member of the Compensation Advisory Committee  
Member of the Corporate Governance Committee

Apr. 1979 Joined ITOCHU Corporation  
Jun. 2003 Appointed Executive Officer of ITOCHU Corporation  
Apr. 2006 Appointed Managing Executive Officer of ITOCHU Corporation  
Apr. 2007 Appointed President (CEO) of ITOCHU International Inc.  
Jun. 2012 Appointed President and Representative Director of JAMCO CORPORATION  
Jun. 2016 Appointed Representative Director and Senior Managing Executive Officer of ITOCHU Corporation  
Apr. 2018 Appointed President & Chief Operating Officer of ITOCHU Corporation  
Apr. 2020 Appointed President & Chief Operating Officer and CDO-CIO of ITOCHU Corporation  
Apr. 2021 Appointed Member of the Board and Vice Chairman of ITOCHU Corporation  
Apr. 2022 Appointed Vice Chairman of ITOCHU Corporation (to present)  
Jun. 2022 Outside Director, OMRON (to present)

#### Audit & Supervisory Board Members



**Shuji Tamaki**  
Audit & Supervisory Board Member

Apr. 1985 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)  
Mar. 2008 General Manager of the Legal Center, Management Resources Innovation HQ  
Mar. 2015 Senior General Manager of Global Risk Management and Legal HQ  
Apr. 2015 Executive Officer  
Jun. 2021 Audit & Supervisory Board Member (to present)



**Kiyoshi Yoshikawa**  
Audit & Supervisory Board Member

Apr. 1983 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)  
Mar. 2010 Senior General Manager, Monozukuri Innovation HQ (now Global Manufacturing Innovation HQ)  
Jun. 2010 Executive Officer  
Apr. 2016 Managing Executive Officer  
Jun. 2019 Audit & Supervisory Board Member (to present)



**Hideyo Uchiyama**  
Audit & Supervisory Board Member (Independent)  
Corporate Governance Committee Member

Nov. 1975 Joined Arthur Young & Company  
Dec. 1979 Joined Asahi Accounting Company (now KPMG AZSA LLO)  
Mar. 1980 Registered as Certified Public Accountant  
July. 1999 Representative Partner, KPMG AZSA LLO  
May 2002 Board Member, KPMG AZSA LLO  
Jun. 2006 Executive Board Member, KPMG AZSA LLO  
Jun. 2010 Managing Partner, KPMG AZSA LLO, Chairman, KPMG Japan  
Sep. 2011 Chairman, KPMG Asia Pacific  
Oct. 2013 CEO, KPMG Japan  
Sep. 2015 Executive Advisor, ASAH Tax Corporation (to present)  
Jun. 2016 Audit & Supervisory Board Member (Independent), OMRON (to present)



**Tadashi Kunihiro**  
Audit & Supervisory Board Member (Independent)  
Corporate Governance Committee Member

Apr. 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office  
Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)  
Jun. 2017 Audit & Supervisory Board Member (Independent), OMRON (to present)

#### Audit & Supervisory Board Members (Independent)

### Executive Officers (As of June 30, 2022)

#### President and CEO

Yoshihito Yamada

#### Senior Managing Executive Officers

Kiichiro Miyata Koji Nitto

#### Managing Executive Officer



**Shizuto Yukumoto**  
Company President,  
Device & Module Solutions Company



**Toshio Hosoi**  
President and CEO,  
OMRON SOCIAL SOLUTIONS Co., Ltd.



**Isao Ogino**  
President and CEO,  
OMRON HEALTHCARE Co., Ltd.



**Nigel Blakeway**  
Chairman and CEO,  
OMRON MANAGEMENT CENTER OF AMERICA, INC. and Chairman,  
OMRON MANAGEMENT CENTER OF EUROPE and Chairman,  
OMRON MANAGEMENT CENTER OF ASIA PACIFIC



**Seigo Kinugawa**  
Senior General Manager,  
Global Business Process and IT Innovation HQ

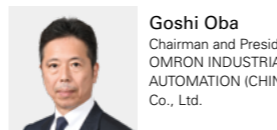


**Masahiko Tomita**  
Senior General Manager,  
Global Human Resources and Administration HQ

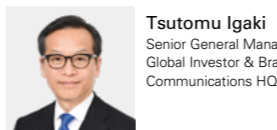


**Junta Tsujinaga**  
Company President,  
Industrial Automation Company

#### Executive Officers



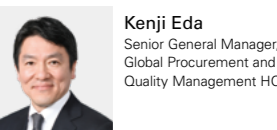
**Goshi Oba**  
Chairman and President,  
OMRON INDUSTRIAL AUTOMATION (CHINA) Co., Ltd.



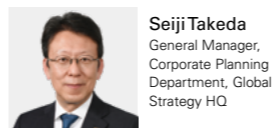
**Tsutomu Igaki**  
Senior General Manager,  
Global Investor & Brand Communications HQ



**Jian Xu**  
President and CEO,  
OMRON (CHINA) Co., Ltd.



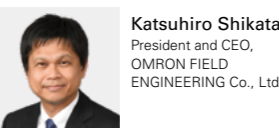
**Kenji Eda**  
Senior General Manager,  
Global Procurement and Quality Management HQ



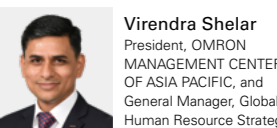
**Seiji Takeda**  
General Manager,  
Corporate Planning Department, Global Strategy HQ



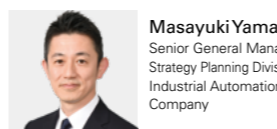
**Taisuke Tateishi**  
Senior General Manager,  
Energy Solutions Business HQ,  
OMRON SOCIAL SOLUTIONS Co., Ltd.



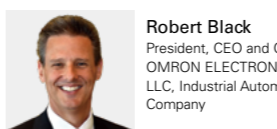
**Katsuhiko Shikata**  
President and CEO,  
OMRON FIELD ENGINEERING Co., Ltd.



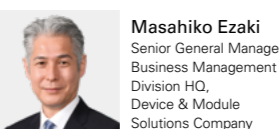
**Virendra Shelar**  
President, OMRON MANAGEMENT CENTER OF ASIA PACIFIC, and  
General Manager, Global Human Resource Strategy Dept.



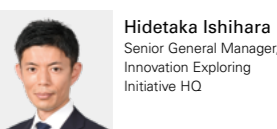
**Masayuki Yamamoto**  
Senior General Manager,  
Strategy Planning Division HQ,  
Industrial Automation Company



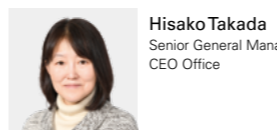
**Robert Black**  
President, CEO and COO,  
OMRON ELECTRONICS LLC, Industrial Automation Company



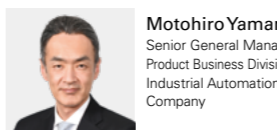
**Masahiko Ezaki**  
Senior General Manager,  
Business Management Division HQ,  
Device & Module Solutions Company



**Hidetaka Ishihara**  
Senior General Manager,  
Innovation Exploring Initiative HQ



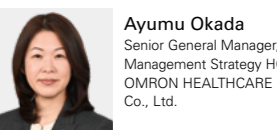
**Hisako Takada**  
Senior General Manager,  
CEO Office



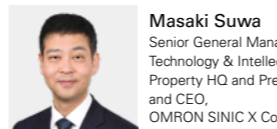
**Motohiro Yamanishi**  
Senior General Manager,  
Product Business Division HQ,  
Industrial Automation Company



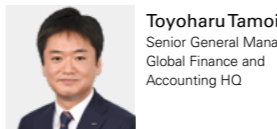
**Masato Nishiyama**  
Senior General Manager,  
Manufacturing and Supply chain Management Division HQ,  
Industrial Automation Company



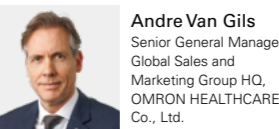
**Ayumu Okada**  
Senior General Manager,  
Management Strategy HQ,  
OMRON HEALTHCARE Co., Ltd.



**Masaki Suwa**  
Senior General Manager,  
Technology & Intellectual Property HQ and President and CEO,  
OMRON SINIC X Corp.



**Toyoharu Tamoi**  
Senior General Manager,  
Global Finance and Accounting HQ



**Andre Van Gils**  
Senior General Manager,  
Global Sales and Marketing Group HQ,  
OMRON HEALTHCARE Co., Ltd.

# Consolidated Financial Statements

## Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2021 and 2022

(Millions of yen)			(Millions of yen)		
ASSETS	FY2020	FY2021	LIABILITIES AND SHAREHOLDERS' EQUITY	FY2020	FY2021
<b>Current Liabilities:</b>			<b>Current Liabilities:</b>		
Cash and cash equivalents	¥ 250,755	¥ 155,484	Notes and accounts payable - trade	¥ 69,561	¥ 86,827
Notes and accounts receivable - trade	135,161	151,820	Short-term borrowing	—	20,000
Allowance for doubtful receivables	(756)	(798)	Accrued expenses	44,441	48,365
Inventories	103,265	141,935	Income taxes payable	3,504	5,657
Assets held for sale	—	363	Short-term operating lease liabilities	11,179	11,549
Other current assets	26,007	34,101	Other current liabilities	32,685	39,274
<b>Total Current Assets</b>	<b>514,432</b>	<b>482,905</b>	<b>Total Current Liabilities</b>	<b>161,370</b>	<b>211,672</b>
<b>Property, Plant and Equipment:</b>			<b>Deferred Income Taxes</b>	<b>1,671</b>	<b>2,177</b>
Land	19,778	20,926	<b>Termination and Retirement Benefits</b>	<b>7,598</b>	<b>8,194</b>
Buildings	124,404	130,863	<b>Long-term Operating Lease Liabilities</b>	<b>27,709</b>	<b>28,567</b>
Machinery and equipment	153,142	174,184	<b>Other Long-term Liabilities</b>	<b>12,673</b>	<b>12,048</b>
Construction in progress	3,281	4,748	<b>Total Liabilities</b>	<b>211,021</b>	<b>262,658</b>
Total	300,605	330,721	<b>Shareholders' Equity:</b>		
Accumulated depreciation	(187,577)	(208,623)	Capital	64,100	64,100
<b>Net Property, Plant and Equipment</b>	<b>113,028</b>	<b>122,098</b>	Common stock		
<b>Investments and Other Assets:</b>			Authorized: 487,000,000 shares in FY2020		
Right-of-use assets under operating leases	38,153	39,746	487,000,000 shares in FY2021		
Goodwill	39,160	39,718	Issued: 206,244,872 shares in FY2020		
Investments in and advances to affiliates	13,159	124,691	206,244,872 shares in FY2021		
Investment securities	33,423	43,757	Capital surplus	101,403	100,652
Leasehold deposits	7,675	7,815	Legal reserve	22,931	24,503
Prepaid benefit costs	6,736	14,391	Retained earnings	476,185	517,566
Deferred income taxes	24,179	18,116	Accumulated other comprehensive income (loss)	(32,945)	13,013
Other assets	30,434	37,392	Treasury stock	(24,816)	(54,607)
<b>Total Investments and Other Assets</b>	<b>192,919</b>	<b>325,626</b>	4,574,294 shares in FY2020		
			7,053,647 shares in FY2021		
			<b>Total Shareholders' Equity</b>	<b>606,858</b>	<b>665,227</b>
			<b>Noncontrolling Interests</b>	<b>2,500</b>	<b>2,744</b>
			<b>Total Net Assets</b>	<b>609,358</b>	<b>667,971</b>
<b>Total</b>	<b>¥ 820,379</b>	<b>¥ 930,629</b>	<b>Total</b>	<b>¥ 820,379</b>	<b>¥ 930,629</b>

## Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2020, 2021 and 2022

(Millions of yen)			
	FY2019	FY2020	FY2021
<b>Net Sales</b>	<b>¥ 677,980</b>	<b>¥ 655,529</b>	<b>¥ 762,927</b>
<b>Costs and Expenses:</b>			
Cost of sales	374,278	357,178	416,100
Selling, general and administrative expenses	202,954	192,687	213,234
Research and development expenses	45,988	43,184	44,277
Other expenses, net	2,924	(2,609)	2,602
Total	626,144	590,440	676,213
<b>Income before Income Taxes and Equity in Earnings of Affiliates</b>	<b>51,836</b>	<b>65,089</b>	<b>86,714</b>
<b>Income Taxes</b>	<b>11,270</b>	<b>15,093</b>	<b>23,046</b>
<b>Equity in Earnings of Affiliates</b>	<b>963</b>	<b>6,098</b>	<b>1,624</b>
<b>Net Income from Continuing Operations</b>	<b>39,603</b>	<b>43,898</b>	<b>62,044</b>
<b>Net Income from Discontinued Operations</b>	<b>35,732</b>	<b>—</b>	<b>—</b>
<b>Net Income</b>	<b>75,335</b>	<b>43,898</b>	<b>62,044</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>440</b>	<b>591</b>	<b>644</b>
<b>Net Income Attributable to OMRON Shareholders</b>	<b>¥ 74,895</b>	<b>¥ 43,307</b>	<b>¥ 61,400</b>

(Yen)			
	FY2019	FY2020	FY2021
<b>Per Share Data:</b>			
Net Income Attributable to OMRON Shareholders:			
Net Income Attributable to OMRON Shareholders from Continuing Operations	¥ 191.00	¥ 214.72	¥ 305.65
Net Income Attributable to OMRON Shareholders from Discontinued Operations	174.26	—	—
Basic	¥ 365.26	¥ 214.72	¥ 305.65
Diluted	—	—	—

## Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2020, 2021 and 2022

(Millions of yen)			
	FY2019	FY2020	FY2021
<b>Net Income</b>	<b>¥ 75,335</b>	<b>¥ 43,898</b>	<b>¥ 62,044</b>
<b>Other Comprehensive Income (Loss), Net of Tax:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	(23,674)	23,138	40,078
Reclassification adjustment for the portion realized in net income	(119)	310	2,029
Net unrealized gain (loss)	(23,793)	23,448	42,107
Pension liability adjustments:			
Pension liability adjustments arising during the year	7,033	24,630	1,625
Reclassification adjustment for the portion realized in net income	3,365	3,053	3,012
Net unrealized gain (loss)	10,398	27,683	4,637
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	77	(629)	(1,066)
Reclassification adjustment for the portion realized in net income	(160)	295	383
Net unrealized gain (loss)	(83)	(334)	(683)
Other Comprehensive Income (Loss)	(13,478)	50,797	46,061
<b>Comprehensive Income</b>	<b>61,857</b>	<b>94,695</b>	<b>108,105</b>
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>368</b>	<b>727</b>	<b>747</b>
<b>Comprehensive Income Attributable to OMRON Shareholders</b>	<b>¥ 61,489</b>	<b>¥ 93,968</b>	<b>¥ 107,358</b>

## Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries  
Years ended March 31, 2020, 2021 and 2022

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling interests	Total net assets
<b>Balance, March 31, 2019</b>	213,958,172	¥ 64,100	¥ 100,233	¥ 21,826	¥ 433,639	¥ (70,200)	¥ (45,386)	¥ 504,212	¥ 2,099	¥ 506,311
<b>Net Income</b>					74,895			74,895	440	75,335
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests									(293)	(293)
Equity transactions with noncontrolling interests and other			2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries			(74)	(2,386)	2,460					
Stock-based payment*1			360					360		360
Transfer to legal reserve				1,541	(1,541)					
Other comprehensive income (loss)						(13,406)		(13,406)	(72)	(13,478)
Acquisition of treasury stock							(18,541)	(18,541)		(18,541)
Cancellation of treasury stock					(40,578)		40,578			
<b>Balance, March 31, 2020</b>	206,244,872	¥ 64,100	¥ 100,521	¥ 20,981	¥ 451,768	¥ (83,606)	¥ (23,349)	¥ 530,415	¥ 2,174	¥ 532,589
<b>Net Income</b>					43,307			43,307	591	43,898
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(16,940)			(16,940)		(16,940)
Cash dividends paid to noncontrolling interests									(401)	(401)
Equity transactions with noncontrolling interests and other			0					0		0
Stock-based payment*2			882					882		882
Transfer to legal reserve				1,950	(1,950)					
Other comprehensive income (loss)						50,661		50,661	136	50,797
Acquisition of treasury stock and others							(1,467)	(1,467)		(1,467)
<b>Balance, March 31, 2021</b>	206,244,872	¥ 64,100	¥ 101,403	¥ 22,931	¥ 476,185	¥ (32,945)	¥ (24,816)	¥ 606,858	¥ 2,500	¥ 609,358
<b>Net Income</b>					61,400			61,400	644	62,044
Cash dividends paid to OMRON Corporation shareholders, ¥92 per share					(18,447)			(18,447)		(18,447)
Cash dividends paid to noncontrolling interests									(503)	(503)
Stock-based payment*3			(751)					1,639	888	888
Transfer to legal reserve				1,572	(1,572)					
Other comprehensive income (loss)						45,958		45,958	103	46,061
Acquisition of treasury stock and others							(31,430)	(31,430)		(31,430)
<b>Balance, March 31, 2022</b>	206,244,872	¥ 64,100	¥ 100,652	¥ 24,503	¥ 517,566	¥ 13,013	¥ (54,607)	¥ 665,227	¥ 2,744	¥ 667,971

\*1 Includes ¥(275) million, the amount of decrease in capital surplus due to changes in the estimates of stock-based payment.

\*2 Includes ¥309 million, the amount of increase in capital surplus due to changes in the estimates of stock-based payment.

\*3 Includes ¥19 million, the amount of increase in capital surplus due to changes in the estimates of stock-based payment.

## Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries  
Years ended March 31, 2020, 2021 and 2022

(Millions of yen)

	FY2019	FY2020	FY2021
<b>Operating Activities:</b>			
<b>Net Income</b>	¥ 75,335	¥ 43,898	¥ 62,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,605	22,756	23,367
Net gain (loss) on sale and disposals of property, plant, and equipment	(1,487)	(325)	901
Impairment losses on long-lived assets	498	1,976	410
Loss on impairment of goodwill	—	—	3,384
Loss related to sale of business	—	—	1,116
Net loss on valuation of investment securities	1,170	(7,615)	(5,447)
Net loss on sale of investment securities	43	—	—
Termination and retirement benefits	(436)	(617)	(662)
Deferred income taxes	(125)	1,164	4,632
Equity in earnings of affiliates	963	6,098	1,624
Gain on sales of business	(51,450)	—	—
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	12,944	3,893	(9,074)
Decrease (increase) in inventories	10,704	5,425	(30,427)
Increase in other assets	6,442	955	(3,178)
Decrease in notes and accounts payable - trade	(1,319)	6,237	13,293
Increase (decrease) in income taxes payable	15,614	833	1,749
Increase (decrease) in accrued expenses and other current liabilities	3,570	5,301	2,316
Other, net	1,600	3,852	1,380
<b>Total adjustments</b>	14,452	49,933	5,384
<b>Net Cash Provided by Operating Activities</b>	89,787	93,831	67,428
<b>Investing Activities:</b>			
Proceeds from sale or maturities of investment securities	1,423	751	921
Purchase of investment securities	(2,344)	(1,057)	(5,386)
Capital expenditures	(37,629)	(26,662)	(33,357)
Decrease (increase) in leasehold deposits, net	62	(189)	(140)
Proceeds from sale of property, plant, and equipment	4,565	2,069	748
Increase in investments in affiliates	(2,231)	7,850	(112,444)
Proceeds from sale of business, net of cash paid	64,460	2,453	(505)
Acquisition of business, net of cash acquired	—	—	—
Other, net	333	0	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	28,639	(14,785)	(150,163)
<b>Financing Activities:</b>			
Net borrowings (repayments) of short-term debt	6,365	(1,587)	20,000
Dividends paid by the Company	(17,250)	(16,952)	(17,754)
Dividends paid to noncontrolling interests	(293)	(352)	(504)
Acquisition of treasury stock	(18,571)	(1,471)	(31,430)
Other, net	319	10	85
<b>Net Cash Used in Financing Activities</b>	(29,430)	(20,352)	(29,603)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(13,713)	6,528	17,067
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	75,283	65,222	(95,271)
<b>Cash and Cash Equivalents at Beginning of the Year</b>	110,250	185,533	250,755
<b>Cash and Cash Equivalents at End of the Year</b>	185,533	250,755	155,484
<b>Cash and Cash Equivalents from Continuing Operations at End of the Year</b>	¥ 185,533	¥ 250,755	¥ 155,484

\* Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations.

# 11-Year Financial and Non-Financial Highlights

OMRON Corporation  
and Subsidiaries

## Long-term Management Strategy

### Value Generation 2020 (VG2020)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Financial Indicators:</b> (Millions of yen)											
<b>Operating Results:</b>											
Net sales	¥619,461	¥650,461	¥772,966	¥847,252	¥833,604	¥794,201	¥732,306	¥732,581	¥677,980	¥655,529	¥762,927
Gross profit	227,887	241,507	297,208	332,607	320,812	312,161	327,585	325,484	303,702	298,351	346,827
Selling, general and administrative expenses (excl. R&D expenses)	145,662	152,676	181,225	198,103	205,735	193,093	201,777	208,895	202,954	192,687	213,234
R&D expenses	42,089	43,488	47,928	47,913	52,790	50,539	48,622	49,335	45,988	43,184	44,277
Operating income	40,136	45,343	68,055	86,591	62,287	68,529	77,186	67,254	54,760	62,480	89,316
EBITDA <sup>(Note 1)</sup>	62,753	67,795	93,144	114,930	93,747	97,495	101,501	92,609	80,466	85,236	112,683
Net income (loss) attributable to OMRON shareholders	16,389	30,203	46,185	62,170	47,290	45,987	63,159	54,323	74,895	43,307	61,400
<b>Cash Flows:</b>											
Net cash provided by operating activities	31,946	53,058	79,044	77,057	84,207	77,875	73,673	71,245	89,787	93,831	67,428
Net cash provided by (used in) investing activities	(26,486)	(28,471)	(31,125)	(39,517)	(67,116)	(15,041)	(55,842)	(34,957)	28,639	(14,785)	(150,163)
Free cash flow <sup>(Note 2)</sup>	5,460	24,587	47,919	37,540	17,091	62,834	17,831	36,288	118,426	79,046	(82,735)
Net cash provided by (used in) financing activities	(33,492)	(18,550)	(16,298)	(29,303)	(31,550)	(15,012)	(33,082)	(40,783)	(29,430)	(20,352)	(29,603)
<b>Financial Position:</b>											
Total assets	537,323	573,637	654,704	711,011	683,325	697,701	744,952	749,878	758,124	820,379	930,629
Cash and cash equivalents	45,257	55,708	90,251	102,622	82,910	126,026	106,223	103,850	185,533	250,755	155,484
Total interest-bearing liabilities	18,774	5,570	488	0	0	156	298	2,086	1,593	0	20,000
Total shareholders' equity	320,840	366,962	430,509	489,769	444,718	469,029	505,530	504,212	530,415	606,858	665,227
<b>Per Share Data:</b>											
Net income (loss) attributable to OMRON shareholders (EPS) (Yen)	74.5	137.2	209.8	283.9	219.0	215.1	296.9	260.8	365.3	214.7	305.7
Shareholders' equity	1,457.5	1,667.0	1,956.1	2,254.4	2,080.0	2,193.7	2,400.4	2,455.2	2,626.6	3,009.2	3,339.6
Cash dividends <sup>(Note 3)</sup> (Yen)	28	37	53	71	68	68	76	84	84	84	92
Dividend payout ratio	37.6%	27.0%	25.3%	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%	39.1%	30.1%
<b>Other Financial Data:</b>											
Gross profit margin	36.8%	37.1%	38.5%	39.3%	38.5%	39.3%	44.7%	44.4%	44.8%	45.5%	45.5%
Operating income margin	6.5%	7.0%	8.8%	10.2%	7.5%	8.6%	10.5%	9.2%	8.1%	9.5%	11.7%
EBITDA margin	10.1%	10.4%	12.1%	13.6%	11.2%	12.2%	14.6%	12.6%	11.9%	13.0%	8.6%
Return on invested capital (ROIC)	4.8%	8.6%	11.3%	13.4%	9.7%	10.3%	12.7%	10.6%	14.1%	7.8%	9.6%
Return on equity (ROE)	5.2%	8.8%	11.6%	13.5%	10.1%	10.1%	13.0%	10.8%	14.5%	7.6%	9.7%
Ratio of shareholders' equity to total assets	59.7%	64.0%	65.8%	68.9%	65.1%	67.2%	67.9%	67.2%	70.0%	74.0%	71.5%
Total return ratio <sup>(Note 4)</sup>	37.7%	27.0%	25.3%	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%	42.6%	79.0%
Capital expenditures	28,341	28,285	33,653	38,143	36,859	25,692	33,027	35,661	33,110	23,959	34,210
Depreciation and amortization	22,617	22,452	25,089	28,339	31,460	28,966	24,315	25,355	25,706	22,756	23,367
Ratio of overseas sales	52.2%	51.1%	55.4%	60.1%	60.3%	58.4%	57.3%	56.5%	54.1%	57.8%	62.0%
<b>Non-Financial Indicators:</b>											
Number of employees	35,992	35,411	36,842	37,572	37,709	36,008	36,193	35,090	28,006	28,254	29,020
Ratio of overseas employees to total employees	67.7%	67.4%	69.1%	69.7%	69.3%	68.3%	68.1%	67.6%	62.2%	62.9%	65.0%
Ratio of non-Japanese in key managerial positions overseas <sup>(Note 5)</sup>	34%	36%	42%	42%	46%	49%	49%	62%	70%	75%	80% ★
Ratio of women in managerial roles (OMRON Group worldwide) <sup>(Note 6)</sup>	—	—	—	—	—	—	—	12.7%	16.0%	16.4%	16.9%
Ratio of women in managerial roles (OMRON Group in Japan) <sup>(Note 7)</sup>	1.4%	1.5%	1.8%	1.9%	2.3%	3.3%	3.6%	5.2%	5.9%	6.7%	8.0% ★
Ratio of employees with disabilities (OMRON Group worldwide) <sup>(Note 8)</sup>	—	—	—	—	—	—	—	—	—	2.0%	2.2%
Ratio of employees with disabilities (OMRON Group in Japan) <sup>(Note 9)</sup>	2.2%	2.2%	2.4%	2.4%	2.4%	2.5%	2.6%	2.5%	2.8%	3.0%	3.1% ★
Number of overseas sites employing employees with disabilities	—	—	—	—	—	—	—	—	—	25	27
Number of patents held <sup>(Note 10)</sup>	5,959	6,448	6,635	7,194	7,686	8,224	8,774	9,782	10,087	11,037	12,061
Environmental contribution (thousand ton-CO <sub>2</sub> )	189	313	661	851	508	593	659	1,055	971	826	881 ☆
CO <sub>2</sub> emissions of production sites (thousand ton-CO <sub>2</sub> )	193	203	215	221	202	202	204	193	135	106	109
Number of carbon zero sites in Japan	—	—	—	—	—	—	—	—	—	—	5
Net sales to CO <sub>2</sub> emissions (million yen / ton-CO <sub>2</sub> )	3.21	3.21	3.60	3.83	4.12	3.94	4.22	4.47	5.02	6.16	7.02 ★
Greenhouse gas emissions (thousand ton-CO <sub>2</sub> ) <sup>(Scope 1 - 2)</sup>	—	—	—	—	—	250	271	235	166	124	123 ★

Note: 1. EBITDA = Operating income + Depreciation and amortization  
 2. Free cash flow = Net cash provided by operating activities + Net cash provided by (used in) investing activities  
 3. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.  
 4. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to OMRON shareholders (does not include repurchases of less than one trading unit)  
 5. The ratio of local employees to the number of important positions determined by OMRON depending on the size of the overseas OMRON Group companies, concurrent positions for governance and development positions are excluded.  
 6. Figures for overseas sites represent results as of March 31 of each fiscal year.  
 The ratio of women in managerial roles in the OMRON Group worldwide has been calculated since fiscal 2018.  
 7. The ratio of women in managerial roles (section managers or higher) at OMRON Group companies in Japan.  
 8. For the ratio of employees with disabilities (OMRON Group worldwide), applicable sites in countries with legally mandated employment rates are within the scope. The ratio is calculated based on the calculation method stipulated by laws and regulations of each country.

9. Figures represent results as of June 20 of each fiscal year.  
 For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities. Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.  
 10. Patent information is as of March 31 of each fiscal year.  
 ★ Indicates assurance performed by Bureau Veritas Japan Co., Ltd. ☆ Indicates independent verification or review performed by Bureau Veritas Japan Co., Ltd.  
 Operating Income  
 OMRON applies the single step presentation of income under U.S. GAAP (that is, the various levels of income are not presented) in its consolidated statements of income. For comparison with other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.  
 Changes in Accounting Policies  
 With the company's adoption of US GAAP in fiscal 2018, we have reclassified consolidated statements of income for fiscal years 2016 and later for presentation herein.  
 Financial Data Reclassification  
 The Automotive Electronics Components Business (AEC) was transferred, and the AEC business was classified as a "discontinued business."  
 Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.

# Responsible Engagement with Our Stakeholders

As stated in our Management Philosophy, OMRON cultivates strong relationships with its stakeholders through responsible engagement. Relationships of trust cultivated through engagement with stakeholders is an indispensable asset for the sustainable growth of OMRON and an essential element in our creation of innovation driven by social needs. We are committed to responsible engagement with all of our stakeholders to sustainably improve our corporate value and solve social issues through our business.

Stakeholders	Major initiatives	Means of communications	Actual initiatives (examples)
Customers	The OMRON Group provides better products and services with the aim of solving social issues through its business.	Communication through sales activities	Collaborative creation with our customers by utilizing 37 Automation Centers (ATC) of the Industrial Automation Business. FY2021 results: • Established a structure with 1,600 engineers (45% increase from FY2017) • Renewed ATC-KUSATSU (January 2022)
		Customer support	Industrial Automation Business: Contributed to the improvement of customers' global competitiveness through 150 or more support networks in 40 countries around the world. Healthcare Business: Inquiries about thermometers and blood pressure monitors and access to the website's FAQs doubled amid the COVID-19 pandemic. Focused on improving website navigation and response content to enhance customer satisfaction.
		User monitoring	Healthcare Business: Set up a residential environment space for monitoring and utilized the results to develop wheeze detectors.
		Exhibitions	We enhanced the recognition of the OMRON brand through exhibition at China International Import Expo (CIIE) 2021. Communicated a message as "an innovative enterprise that resolves social issues through automation."
Transaction partners	The OMRON Group is engaged in global procurement activities and working with its suppliers to improve the level of sustainability in its supply chain.	Briefings on our purchasing policy (Global Partner Conference)	We shared OMRON's management policies and sustainable procurement policies with major suppliers. We held one-on-one online meetings with some 20 suppliers in FY2021.
		Sustainability self-assessment	We requested suppliers to conduct self-assessment of compliance with the Sustainable Procurement Guidelines. We confirmed the compliance status of 603 global suppliers in FY2021.
		Assessment based on third-party standards	We conducted self-checks using the RBA* evaluation tool. We requested 50 suppliers that were identified as having sustainability risks to implement corrective actions. *RBA: Responsible Business Alliance
		"Green procurement" that helps reduce negative environmental impact	Awarded or renewed green supplier certification. During FY2021, we certified 100 more companies as green suppliers and completed assessments for a cumulative total of 3,126 companies. We proactively adopted materials that do not contain hazardous chemical substances to help reduce negative environmental impacts in the OMRON Group's supply chain.
		Survey on conflict minerals	Using the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI), which is a standardized reporting template, conducted a survey of 286 suppliers worldwide from which the OMRON Group purchased parts and materials in the past 2 years. We promoted procurement in a manner not to drive environmental destruction and human rights violation.
Employees	The OMRON Group is committed to creating a company where employees can unleash their abilities and passions and demonstrate them to the fullest.	VOICE (Global Employee Engagement Survey)	In FY2020, the survey covered all 28,006 employees of the OMRON Group. (The survey to be conducted every other year.) Response rate of 90%, more than 40,000 free comments
		"The KURUMAZA" meeting to facilitate direct communication between the CEO and employees	We organized a forum for communication between the CEO and employees to make the OMRON Principles the driver of OMRON's growth.
		"OMRON Principles Missionary Dialogues" to facilitate direct communication between the Chairman and employees	Held direct dialogues with top executives to inculcate the practice of the OMRON Principles throughout the organization. In FY2021, held the dialogues in 4 overseas areas. A cumulative total of about 100 people, mainly leaders and young employees, participated.
		TOGA (The OMRON Global Awards)	An event where teams that received Gold Awards gather at the Kyoto Head Office, make presentations on their commitment to putting the OMRON Principles into practice to the executives and employees, and are applauded. In FY2021, TOGA was conducted as a hybrid of real and virtual events. It drew a total of 12,000 entries from inside and outside the Company, inspiring more and more people to embrace the OMRON Principles and practice them.
		Employee Health Management Declaration "Boost5 Project"	We consider the health of our employees as an important management foundation, and issued "The OMRON Health White Paper" based on the visualization and analysis of the status of their health.
Shareholders and investors	The OMRON Group is working to engage in two-way interactive communication with shareholders and investors, with the aim of "realizing highly transparent management."	Briefing on business results / briefing on medium-term management plan / individual meetings	We held briefings on business results (four times), briefing on SF2030 long-term vision and medium-term management plan, and meetings with institutional investors (more than 700 times) online and face to face. As always, conducted highly transparent IR activities.
		Ordinary General Meeting of Shareholders	The Ordinary General Meeting of Shareholders was also streamed online (June 24, 2021). Fifty-six shareholders attended the Meeting at the venue and 120 shareholders viewed the live streaming. The percentage of voting rights exercised was 89.1%, hitting an all-time high.
		Publication of IR-related materials	We actively disclosed information through publication of IR-related materials, including the Integrated Report and Shareholders' News. In addition, enhanced the information in the annual securities report (including the value creation story, sustainability targets and results, risk information, etc.) to strengthen information disclosure to a wide range of investors.
		Planning and operation of the IR website and sustainability website	We conducted timely disclosure of financial results-related materials (financial statements, presentation materials, financial data compilations, etc.). Provided a broader range of non-financial information.

# External Evaluation

## Inclusion in Japanese and International Investment Indexes

- OMRON has been a component of the world-renowned Dow Jones Sustainability World Index (DJSI World) for five consecutive years since 2017 and a component of the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) for twelve consecutive years since 2010.
- OMRON has been selected for the MSCI ESG Leaders Indexes for eight consecutive years since 2015
- OMRON has been selected for the FTSE4Good Index Series for seven consecutive years since 2016
- OMRON has been selected for the following indexes for six consecutive years since 2017: FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN), MSCI AAA & GPIF, FTSE indexes adopted by GPIF
- OMRON has been selected for Nikkei 225 since 2019
- OMRON has been selected for the S&P/JPX Carbon Efficient Index for four consecutive years since 2018



## Evaluation by International ESG Ratings Organizations

- OMRON awarded the Silver Class Distinction in the S&P Global Sustainability Awards 2022
- OMRON Awarded Gold Rating from EcoVadis for sustainability in FY2021
- OMRON included in the "Nadeshiko Brand" for five consecutive years since 2017
- OMRON included in the "Health & Productivity Stock Selection" for four consecutive years since 2018
- OMRON certified as "Health & Productivity Management Organization" for six consecutive years since 2016
- OMRON rated "A-" by CDP in Climate Change Report
- OMRON awarded the Gold Rating under the PRIDE Index for five consecutive years since 2017



## Other External Evaluation

- OMRON selected as Top 100 Global Innovator 2022 (six consecutive years since 2016)
- OMRON included in the Best Japan Brands Top 100. OMRON's brand value amounted to 1,088 million US dollars (approximately 124 billion yen), up 14% from the previous year.
- OMRON ranked No.1 overall in Toyo Keizai Inc.'s SDGs Ranking of 500 Companies Representing Japan for two consecutive years
- OMRON won the Governance Award at the 1st Nikkei Integrated Report Awards
- OMRON received Award for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan for two consecutive years (7th time to receive this award)



# Corporate Information As of March 31, 2022

### Established

May 10, 1933

### Incorporated

May 19, 1948

### Capital

¥64,100 million

### Number of Employees

(Consolidated)

29,020

### Common Stock

Issued: 206,245 thousand shares

Trading Unit: 100 shares

Number of Shareholders: 29,390

### Stock Listings

Tokyo Stock Exchange

Frankfurt Stock Exchange

(listing of depositary receipts)

### Securities Code

6645

### Fiscal Year-End

March 31

### Annual Shareholders' Meeting

June

### Custodian of Register of Shareholders

Mitsubishi UFJ Trust and Banking Corporation

### Depository and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank, N.A.

### Head Office

Shiokoji Horikawa,

Shimogyo-ku, Kyoto

600-8530, Japan

Tel : +81-75-344-7000

## Major Manufacturing & Development, Sales & Marketing, and Research & Development Centers in Japan

### Manufacturing & Development

Kusatsu Office

Okayama Office

Ayabe Office

Yasu Office

### Research & Development

Keihanna Technology

Innovation Center

### Sales & Marketing

Tokyo Office

Osaka Office

Nagoya Office

Mishima Office

### Subsidiaries and Affiliates

OMRON SOCIAL SOLUTIONS Co., Ltd.

OMRON HEALTHCARE Co., Ltd.

OMRON RELAY & DEVICES Co., Ltd.

OMRON SWITCH & DEVICES Co., Ltd.

OMRON AMUSEMENT Corporation

OMRON FIELD ENGINEERING Co., Ltd.

OMRON SOFTWARE Co., Ltd.

OMRON ASO Co., Ltd.

OMRON EXPERTLINK Co., Ltd.

## Regional Headquarters

### North America

OMRON MANAGEMENT CENTER OF AMERICA (United States of America, Illinois)

### Europe

OMRON MANAGEMENT CENTER OF EUROPE (The Netherlands, North Holland)

### Greater China

OMRON MANAGEMENT CENTER OF CHINA (Shanghai)

### Asia Pacific

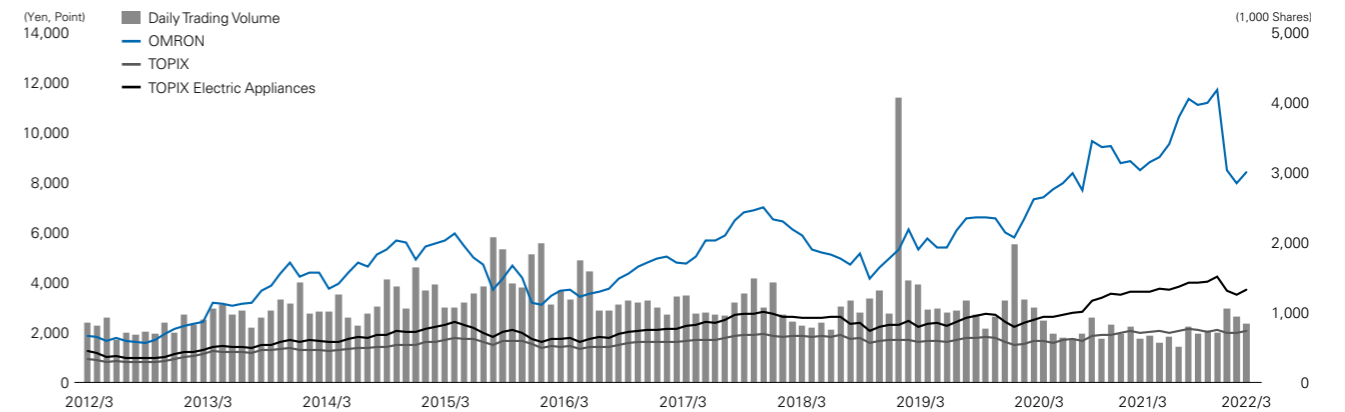
OMRON MANAGEMENT CENTER OF ASIA PACIFIC (Singapore)

### Korea

OMRON MANAGEMENT CENTER OF KOREA (Seoul)

# Stock Information

## Share Price and Volume



\* OMRON share prices prior to July 16, 2013 reflect prices on the First Section of the Osaka Securities Exchange. Share prices on July 16, 2013 and later reflect prices on the First Section of the Tokyo Stock Exchange.

## Total Shareholder Return (TSR)\*1

Holding Period	3 years	5 years	10 years
OMRON	163.6%	176.7%	506.9%
TOPIX	131.2%	144.3%	283.3%
TOPIX Electric Appliances	172.4%	191.2%	361.5%

\*1 Represents total investment return to shareholders, combining capital gains and dividends. The return for each holding period, which ended March 31, 2022, is calculated by referring to the calculation formula stipulated under Cabinet Office Ordinance. The 3 years return is calculated from the closing stock price at the end of fiscal 2018, the 5 years from 2016 and 10 years from 2011, respectively.

## 52-Week High / Low, Volatility\*2

FY	High (¥)	Low (¥)	Volatility (%)
2021	12,115	7,306	30.1
2020	10,040	5,330	28.8
2019	6,870	4,410	32.3
2018	6,300	3,740	34.5
2017	7,670	4,385	27.1
2016	5,120	3,045	32.5
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9
2013	4,730	2,213	39.7
2012	2,478	1,436	29.9

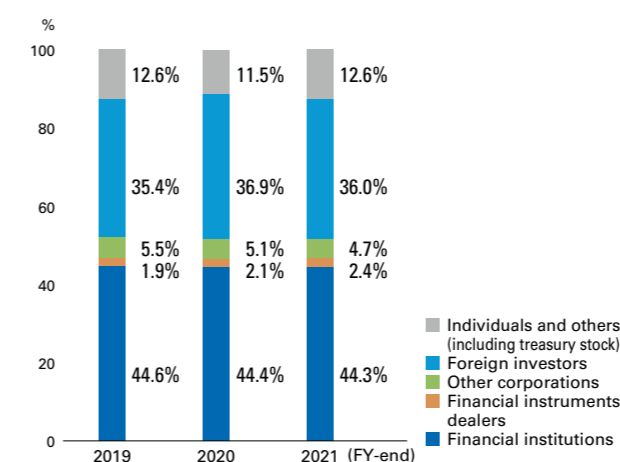
\*2 Volatility: Price fluctuation risk expressed in standard deviations

## Dividends per Share / Payout Ratio

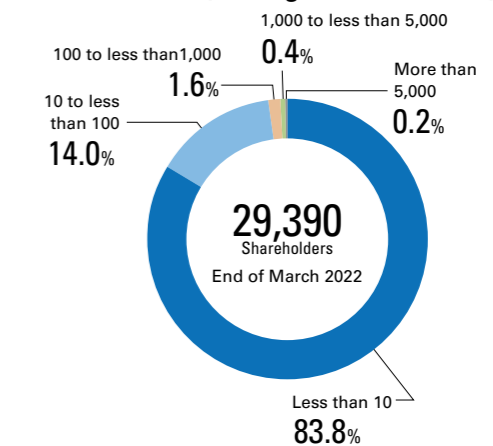
FY	Dividends per Share (¥)	Payout Ratio (%)
2021	92	30.1
2020	84	39.1
2019	84	23.0
2018	84	32.2
2017	76	25.6
2016	68	31.6
2015	68	31.1
2014	71	25.0
2013	53	25.3
2012	37 <sup>*3</sup>	27.0

\*3 Including ¥5.0 per share of 80th anniversary memorial dividend

## Ownership and Distribution of Shares



## Shareholder Distribution by Number of Shares Held (Trading unit: 100 shares)

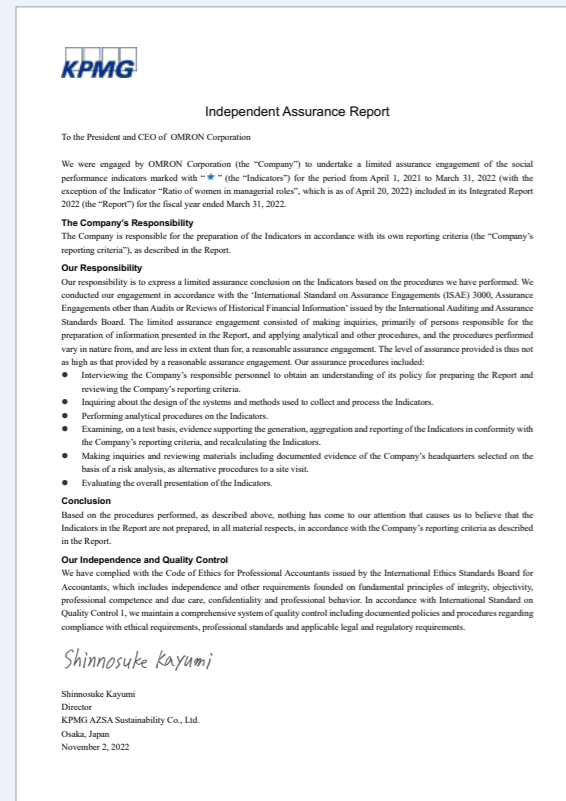


# Independent Third-Party Assurances

To enhance the reliability of the information presented in Integrated Report 2022, the following information associated with social and environmental performance provided herein has been assured or reviewed by independent third parties\*.

## Data subject to independent assurance

- Ratio of non-Japanese in key managerial positions overseas (P32, 118)
- Ratio of women in managerial roles (OMRON Group in Japan) (P32, 118)
- Ratio of employees with disabilities (OMRON Group in Japan) (P32, 118)

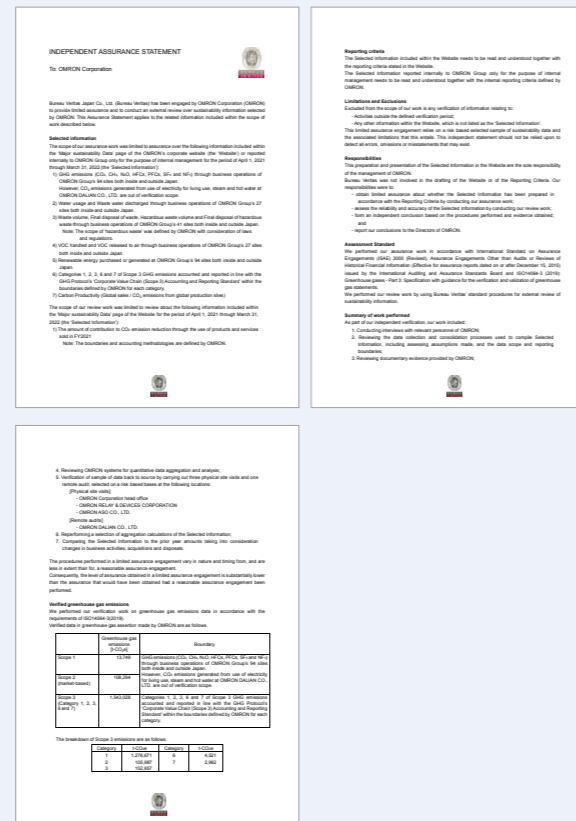


## Data subject to independent assurance

- GHG emissions (P32, 35, 77, 81, 118)
- Net sales to CO<sub>2</sub> emissions (P32, 35, 77, 81, 118)

## Data subject to independent review

- Environmental contribution (P32, 35, 77, 81, 118)



\* KPMG AZSA Sustainability Co., Ltd. Bureau Veritas Japan Co., Ltd.

## Editorial Team Members for Integrated Report 2022

### Global Investor & Brand Communications HQ

Tsutomu Igaki (Editor-in-Chief)  
 Satomi Somekawa (Deputy Editor-in-Chief) Kisho Iida Takuro Okada Hiroshi Oda  
 Kenji Kawauchi Masayuki Sato Arihiro Yokota

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 Takeshi Murakami

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 Atsushi Takahashi

Device & Module Solutions Company  
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 Naru Yasuda

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 Yoko Kitamura

Audit & Supervisory Board Office  
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Production cooperation  
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 Delights co ltd.

In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.

Investor Relations <https://www.omron.com/global/en/ir/>

### Sustainability Information

- Sustainability initiatives <https://sustainability.omron.com/en>
- GRI Content Index [https://sustainability.omron.com/en/guide\\_line/](https://sustainability.omron.com/en/guide_line/)
- Major Sustainability Data <https://sustainability.omron.com/en/performance/>

### Reports

- Corporate Governance Report [https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20220624\\_governance\\_report\\_e.pdf](https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20220624_governance_report_e.pdf)

# Shaping the Future 2030



Contact

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Please access the Inquiry Form from the QR Code on the right.

