

## Medium-term Management Plan “SF 1st Stage” (2022-2024)

### | SF 1st Stage Overall Policy

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

The first is “Transformation of Business.” We will promote three initiatives to resolve increasingly complex and sophisticated customer issues and to gain the ability to achieve sustainable growth. Specifically, we will promote evolution of four core businesses, expansion of customer asset-type service businesses, and creation of new businesses sparked by social issues. The second is “Transformation of Corporate Management and Organizational Capabilities.” In order to achieve transformation of corporate management and organizational capabilities to keep creating value while adapting to change in the business environment, we will promote acceleration of diversity and inclusion, data-driven enterprise operations through digital transformation (DX), and enhancement of supply chain resilience.

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

### | Transformation of Business

#### ▶ Evolution of four core businesses

In order to create social value defined by SF 2030, each of the four core businesses reappraised and clarified their focus business fields so as to evolve the business portfolio. To seize new growth opportunities in each

focus business field, we will make full use of assets and capabilities we cultivated during the VG period (from fiscal 2011) and the business transformation period (fiscal 2020 and fiscal 2021). Moreover, we will create new customer value and build strong intangible assets that will enable us to prevail over competitors in the market and achieve high sales growth.

#### ▶ Expanding customer asset type service businesses

By approaching fundamental issues of customers from a service value perspective, rather than from a product value perspective, we aim to create and expand new service businesses by leveraging customer assets, such as field knowledge and data, we have cultivated to date. We will continue to connect with customers by offering new value through the combination of products and services and implement a cycle of identifying issues of customers and resolving them.

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

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

### | Transformation of Corporate Management and Organizational Capabilities

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

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

Based on these three viewpoints, we have identified three key areas to be focused: “Acceleration of Diversity and Inclusion,” “Data-driven Enterprise Operations through Digital Transformation,” and “Enhancement of Supply Chain Resilience.”

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

In accelerating D&I, we aim to ensure that the OMRON Group continues to attract diverse talented people who aspire to resolve social issues and encourage each individual to seize the initiative and demonstrate their abilities. To achieve this goal, we will expand measures to attract human resources and unleash the passion and ability of each individual, such as “continuing global hiring of specialist human resources,” “vigorous investment in individuals keen

to grow,” “implementation and expansion of diverse career, employment status and work style options,” and “introduction of a job-based HR system worldwide.”

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

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

#### ▶ Enhancement of supply chain resilience

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

#### | Strengthening Sustainability Initiatives

The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas (GHG) emissions for decarbonization and lower environmental impacts

while thoroughly addressing human rights issues on a global basis. As well as achieving sustainable business growth, society expects OMRON to contribute to the sustainable development of society. Under SF2030, OMRON has set “achieving decarbonization and reducing environmental impacts” and “respecting human rights in the value chain” as key sustainability issues. On March 1, 2022, we established the OMRON Environmental Policy and the OMRON Human Rights Policy as important guidelines for promoting and achieving these goals under SF2030 and SF 1st Stage. Going forward, in accordance with these policies, OMRON will strive to meet the expectations of its stakeholders, thereby enhancing its corporate value.

#### ▶ Reduction of GHG emissions for decarbonization and lower environmental impacts

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

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

#### ▶ Thoroughly addressing human rights issues on a global basis

OMRON has conducted human rights risk assessments and implemented countermeasures by using sustainability self-assessment, etc. of its own production sites and major suppliers. In addition to these efforts, under SF 1st Stage, we aim to establish

a global human rights governance system by expanding the scope to include the entire value chain and promoting efforts in accordance with the OMRON Human Rights Policy and the United Nations Guiding Principles on Business and Human Rights (UNGPs). Major initiatives under SF 1st Stage are as follows:

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

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

#### | Management Targets

Under SF2030, we aim to maximize corporate value by maximizing social value and economic value. As milestones, under SF 1st Stage, we set non-financial targets as management targets for the first time, in addition to financial targets. Our financial targets are net sales of ¥930 billion, operating income of ¥120 billion, ROIC of at least 10% and ROE of at least 10% in fiscal 2024. As well as realizing high sales and profit growth, we intend to create value with ROIC of over 10% so as to enhance corporate value.

In terms of non-financial targets, we have set 10+1 goals that indicate the social value to be created by the OMRON Group and secure our ability to compete in the future. Three of the ten non-financial targets were determined by global employee vote. All employees will take action, driven by the targets they set. The +1 target is a declaration of commitment to community-based social contribution activities in each region in accordance with OMRON’s Sustainability Policy. We will work to achieve each of the 10+1 targets.

We have established strategic objectives, key objectives of the OMRON Group’s initiatives, leading to achievement of these financial and non-financial targets.

### SF 1st Stage Financial Targets

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

		FY2021 Results	FY2024 Targets
<b>Industrial Automation Business (IAB)</b>	Net Sales	¥ 418.1 billion	¥ 515.0 billion
	Operating Income [Operating Income Margin]	¥ 76.3 billion [18.2%]	¥ 104.0 billion [20.2%]
<b>Healthcare Business (HCB)</b>	Net Sales	¥ 132.9 billion	¥ 180.0 billion
	Operating Income [Operating Income Margin]	¥ 18.5 billion [14.0%]	¥ 28.0 billion [15.6%]
<b>Social Systems, Solutions and Service Business (SSB)</b>	Net Sales	¥ 87.7 billion	¥ 100.0 billion
	Operating Income [Operating Income Margin]	¥ 6.5 billion [7.4%]	¥ 10.0 billion [10.0%]
<b>Device &amp; Module Solutions Business (DMB)</b>	Net Sales	¥ 121.0 billion	¥ 125.0 billion
	Operating Income [Operating Income Margin]	¥ 10.1 billion [8.3%]	¥ 13.0 billion [10.4%]

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

### SF 1st Stage Non-financial Targets

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

\*1 Net sales of focus domains that lead to "achievement of carbon neutrality," "realization of a digital society," and "extension of healthy life expectancy"

\*2 Targets 8 to 10 were decided by employee vote.

### SF 1st Stage Strategic Objectives

<b>Industrial Automation Business (IAB)</b> Number of customers using innovative-Automation <b>5000 companies</b> <small>(2X vs. FY2021)</small>	<b>Healthcare Business (HCB)</b> Global blood pressure monitor sales <b>94 million units</b> <small>(3-year total)</small>	Number of telemedicine service users <b>600000 users</b> <small>(cumulative total)</small>
<b>Social Systems, Solutions and Service Business (SSB)</b> Connected energy management devices <b>50000 units</b> <small>(3-year total)</small>	<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</b> <b>60 million units</b> <small>(3-year total)</small>	
<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>	

Social Contribution Activities in Each Region	
<b>The Americas</b>	Engage in volunteer activities that reflect the diverse values of our employees to address issues of local communities
<b>Europe</b>	Support the employability of the disabled and socially vulnerable (refugees, minority groups and others)
<b>Asia</b>	Engage in volunteer activities for local communities in countries in the region Implement internship program to raise employability, enabling disabled and disadvantaged individuals to acquire technical expertise and skills
<b>Greater China</b>	Engage in volunteer activities, such as setting up school libraries and donating PCs, to redress educational inequality in impoverished areas
<b>South Korea</b>	Engage in volunteer activities that promote wellness, address labor shortages, and support the economically disadvantaged
<b>Japan</b>	Create an environment combining physical and remote tools allowing individual employees to participate in activities supporting local communities based on their personal values from anywhere

**Case 1** **Activities to Achieve Employee's Daily Goals Contribute to Environmental Conservation**

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



**Case 2** **Equal Learning Opportunities for Children in Rural Areas!**

For China, with a population of 1.4 billion in a vast land, providing equal educational opportunities to all of its people is one of the nation's top priorities. A 2022 survey\* found that rural elementary school children have fewer books and there is a gap in children's reading opportunities between urban and rural areas. OMRON China, in cooperation with the China Guanghua Foundation, has launched a public welfare project, Fostering Fairness in Education and Brightening the Child's Heart, with the aim of improving and revitalizing rural education. Via the foundation, OMRON China donated 21068 books to primary schools in Jiange County, Sichuan Province, and 23913 books to primary schools in Zhengfeng County, Guizhou Province. In the spirit of Our Mission to "contribute to a better society," OMRON will continue to enrich people's lives.

\* "2022 Rural Primary School Reading Status Survey Report" released by Nanwang Zhixing Education, Development Fund and Chinese Academy of Press and Publication

