

OMRON

INTEGRATED REPORT 2024

Empowering People Through Automation

About Integrated Report 2024

Since 2012, OMRON has been publishing the Integrated Report annually to promote constructive dialogue with all stakeholders. This year's Integrated Report (hereinafter referred to as "this issue") is the 13th. With the theme, "All for Creating Customer Value," we aim to show the path to value creation under the long-term vision Shaping the Future 2030 (SF2030). In editing, we paid particular attention to highlighting "management issues and the value creation story," which are the aspects of today's OMRON of most interest to stakeholders, and to responding to their "expectations for the integrated report."

To highlight "management issues and the value creation story," we emphasized three items throughout the report. Firstly, Structural Reform Program NEXT 2025. We take a deep dive into management's intention to undertake companywide structural reforms and the key issues involved. Secondly, a growth strategy from a medium- to long-term perspective that looks beyond structural reforms. As in this Integrated Reports, this one is structured according to the five material sustainability issues so that our value creation story synchronizes social sustainability with OMRON's sustainability. Thirdly, collaboration with JMDC Inc., which became an OMRON Group company in fiscal 2023. We cover from multiple perspectives the collaboration and synergies with JMDC Inc., which are key to the evolution of the business model toward the realization of SF2030.

We also address three points with regard to "expectations for the integrated report."

Firstly, the chapter structure has been revised. In Integrated Report 2023, we included a chapter on "Sustainability" for the first time in line with the requirement to disclose sustainability information in an annual securities report from fiscal 2023 onward. However, we changed the pagination, having concluded that a chapter structure based on the framework of OMRON's five material sustainability issues would more accurately express OMRON's initiatives and value creation story,

which fully integrates our business strategy and sustainability strategy. Secondly, we sought to further clarify the connectivity between financial and non-financial information. In fiscal 2023, we verified the hypothesis of a correlation between the performance indicators of human resource policies, which corresponds to "S" of ESG, and financial indicators. This year, the scope of the verification was expanded to cover "E." We also took on the challenge of impact-weighted accounting, which translates the impact of OMRON's environmental, product, and employment initiatives on society into monetary values. In this issue, we report on the progress to date. Thirdly, reduction in the number of pages. Having reviewed the content in light of feedback from stakeholders, we were able to reduce the number of pages by about 13% compared with last year's report.

In the production of this issue, the Board of Directors, the Audit & Supervisory Board, and executive divisions worked closely together and engaged in a series of discussions. Regarding key non-financial indicators, we obtained assurances from independent third parties to enhance reliability. I hereby state that I, as the Publisher and Editor-in-Chief of the Integrated Report, certify that the production process for this issue was legitimate and honest, and that the information contained herein is accurate.

We will continue according great value to our dialogue with you. It is our earnest desire that this issue will facilitate your deeper understanding of OMRON.

Managing Executive Officer
Senior General Manager, Global Corporate Communication &
Engagement HQ and Sustainability Executive
Tsutomu Igaki

Editorial Policy: OMRON's Integrated Report aims to create a virtuous cycle of "fostering mutual understanding" and "enhancing our management" through dialogue with all stakeholders. In editing, we refer to the "International Integrated Reporting Framework" of the International Financial Reporting Standards Foundation (IFRS), the "Guidance for Collaborative Value Creation 2.0" of the Ministry of Economy, Trade and Industry (METI), the Guidelines for Governance of Intellectual Property and Intangible Assets Ver. 2.0 of the Cabinet Office, and the resources of The World Intellectual Capital/Assets Initiative (WICI). We are striving to strengthen communication of OMRON's value creation story in an integrated manner encompassing all corporate reporting, centering on the Integrated Report, while also endeavoring to enhance the quality of dialogue.

Covered Organizations: As a general rule, this report covers 165 companies in the OMRON Group, consisting of OMRON Corporation, 156 subsidiaries, and 9 affiliates (as of March 31, 2024).

Covered Period: Fiscal 2023 (April 1, 2023 through March 31, 2024). However, this report includes some disclosure items and business activities that were initiated after April 2024.

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 2024" when using the projection of results and conditions of assumptions for the results.



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About the Cover

The brand concept for realization of SF2030 is "Sparks of Creation."

The key to achieving SF2030 lies in the challenge each one of us at OMRON will take on. Each employee creates innovation driven by social needs, thus putting the OMRON Principles into practice to create a sustainable Earth and society. "Sparks of Creation" expresses that will and the creativity unleashed.

The cover art of this issue is inspired by the process whereby OMRON is creating and proposing a new tomorrow.



The background is a solid blue color with a series of thin, wavy, horizontal lines that create a sense of depth and movement. A prominent, curved streak of light, transitioning from purple to orange, sweeps across the lower right portion of the image. The word "VISION" is centered in the upper left area.

VISION

The OMRON Principles

OMRON's history began in 1933 with the passion and ambition of Kazuma Tateishi. Over the 90 years since then, OMRON has continued to take on the challenge of anticipating future social needs and has grown by creating various innovations as a pioneer.

The foundation of this centripetal force and the driving force for OMRON's development is the Corporate Mission, "to improve lives and contribute to a better society," established by our founder in 1959.

The founder incorporated two aspirations he had into the Corporate Mission. One is the conviction that "a business should create value for society through its key practices." The other is the "to take the initiative as pioneer." The establishment of the Corporate Mission created a sense of unity throughout the company, which led to subsequent dramatic growth.

Those of us working at OMRON today inherit the spirit of the Corporate Mission. The OMRON Principles were established in 1990, building on the Corporate Mission. Subsequently, following revisions in 1998 and 2006 to meet the changing times, the current OMRON Principles were established in 2015. At the same time, the Management Philosophy was introduced that indicates OMRON's management stance and approach to sustainable enhancement of corporate value, putting the corporate principles into practice. Furthermore, practice of the corporate principles has been included in the articles of incorporation since fiscal 2022 in order to clarify that we will continue to put our corporate principles into practice, always striving to contribute to the development of society while enhancing corporate value.

> The OMRON Principles

OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

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

Management Philosophy

We believe a business should create value for society through its key practices.

We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

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

Articles of Incorporation

Article 2

In the spirit of Our Mission, which is "to improve lives and contribute to a better society," the Company will put our corporate principles into practice, contribute to the development of society through its business, and strive to increase its value

OMRON's Core Technologies, "Sensing & Control + Think"

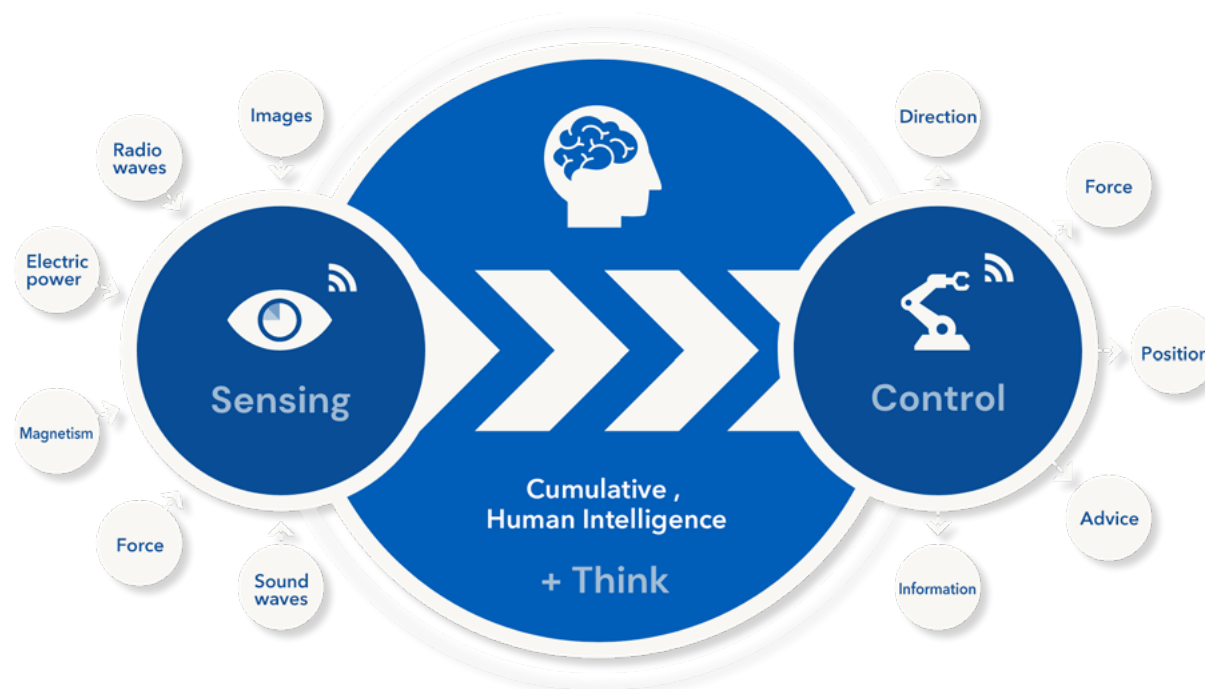
"Sensing & Control + Think" represents OMRON's core proprietary technologies. To create value that ushers in each new era, OMRON constantly evolves these unique technologies.

"Sensing & Control + Think" represents "Sensing technology" to extract necessary information from the field, "+Think" to analyze the accumulated field data using human knowledge and wisdom, and "Control technology" to provide solutions to the field based on such information. We have evolved each of these core technologies in our own unique way, as we combine them for social implementation in the form of products and services. Going forward, we will continue evolving our core technologies, while utilizing disruptive technologies that may arise along the way, to keep creating new value.

In order to achieve the goals of SF2030, namely, achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancy, OMRON is focusing its technological development efforts on robotics, sensing, power electronics, and the AI/data analysis technologies that support these technologies as "Sensing & Control + Think" evolves.

OMRON will continue evolving its core proprietary technologies to continue to create new value that will usher in a new era.

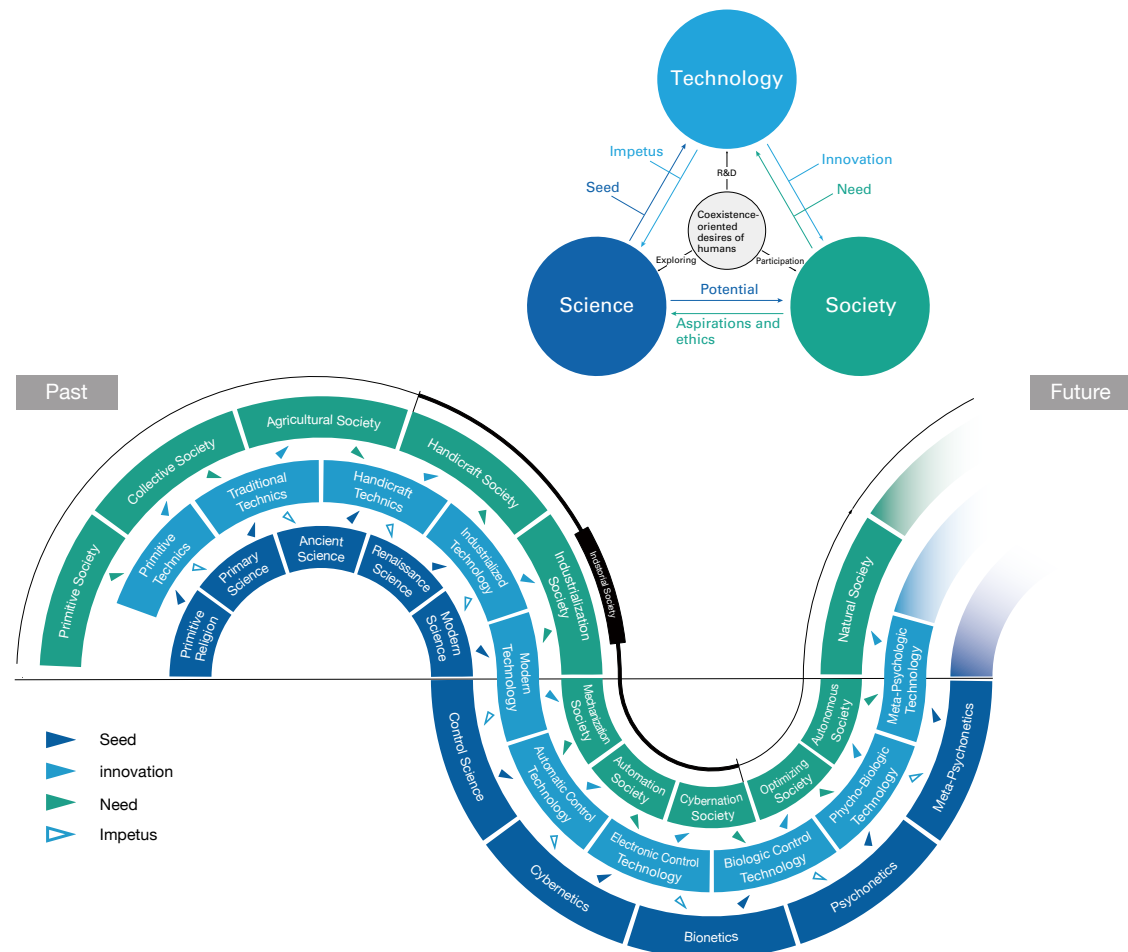
> Core Technology



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 from 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 technologies. These technologies gave rise to the PC and the internet, leading to the advent of the Cybernation Society. Society demanded more data, along with more accurate and rapid data analysis. These demands forced us to produce CPUs and GPUs with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science. The current Optimization Society is in a transitional period characterized by a paradigm shift from the Industrial Society to the Autonomous Society. At a time when society is undergoing significant change and the future seems uncertain, we openly share the SINIC theory and promote its use as social knowledge for future creation through discussions with various people.

 SINIC Theory



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

History of Innovation

Automation Society [1945-74]

1933

Tateisi Electric Manufacturing Co. established



1959

Our Mission established

1933 — Production of X-ray timers started



1934 — General-purpose electromagnetic relay developed



1943 — Japan's first Microswitch developed



1948 — Company name changed to Tateisi Electronics Co.

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

1960 — World's first Non-contact switch developed

1963 — Japan's first Meal ticket vending machine developed

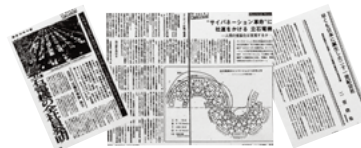


1964 — World's first Automated traffic signal developed

Cybernation Society [1974-2005]

1970

SINIC Theory announced



1966 — MY mechanical relay developed



1967 — World's first Unmanned train station system realized



1971 — World's first Online automated cash dispenser developed

1972 — OMRON Taiyo Co., Ltd. established

1973 — Programmable controller developed
— OMRON's first blood pressure monitor debuted



1974 — Tateisi Institute of Life Science established

1980 — OMRON'S first digital thermometer for home use developed

1987 — World's first Fuzzy logic controller developed



1990

Company name changed to OMRON
OMRON Principles established

1998

OMRON Principles revised (first revision)

1988 — Regional controlling company for Europe established in the Netherlands
— Regional controlling company for the Asia-Pacific region established in Singapore

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

1990 — Long-term vision "Golden '90s Plan" launched (1990-2000)

1991 — Yokohama Laboratory and Kumamoto Laboratory established
— Fuzzy logic-based blood pressure monitor developed



1994 — Regional controlling company for Greater China established in China
— Power conditioner for photovoltaic power generation systems launched

1995 — Industry's first Vision sensor developed
— Distance warning system developed
— Facial image sensing technology OKAO VISION developed



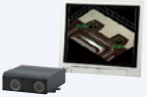


History of Innovation

Optimization Society [2005-]



1999

Internal company system introduced

- 2000 — **Japan's first** Digital fiber sensor developed 
- 2001 — Long-term vision "Grand Design 2010" launched (2001-2010)
- 2003 — Global R&D hub, Keihanna Technology Innovation Center, established
 - OMRON HEALTHCARE Co., Ltd. established
 - OMRON RELAY & DEVICES Co., Ltd. established
- 2004 — Fully automatic Spot Arm blood pressure monitor 
- 2005 — OMRON R&D Collaborative Innovation Center (Shanghai) opened
- 2007 — **World's first** Real-color three-dimensional vision sensor developed 
- 2009 — **World's first** "ene-brain" CO₂ visualization system launched, system capable of automatically analyzing areas for potential energy conservation
- 2010 — OMRON SWITCH & DEVICES Co., Ltd. established
 - OMRON Automotive Electronics Co., Ltd. established

2006

OMRON Principles revised (second revision)



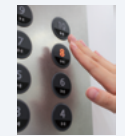

- 2011 — Long-term vision "Value Generation 2020" launched (2011-2020)
 - OMRON SOCIAL SOLUTIONS Co., Ltd. established
 - **Industry's first** Power conditioner equipped with anti-islanding control technology (AICOT®) launched
- 2014 — OMRON VENTURES CO., LTD. established
- 2015 — Automated ticket gate system that allows the use of both QR Code tickets and IC card tickets began operation
- 2016 — **World's first** SCARA robot with predictive maintenance functions developed 
 - Environmental sensor that measures temperature, humidity, air pressure, illuminance, ultraviolet rays, sound pressure, and acceleration developed
 - **World's first** On-vehicle sensor using artificial intelligence (AI) developed
- 2017 — AI-incorporated machine automation controller developed
- 2018 — Innovation Exploring Initiative HQ (IXI) established
 - **World's first** High-performance smart camera with multi-color light launched
 - **World's first** Wearable blood pressure monitor developed 
 - DriveKarte® driver management service for safe driving launched
 - Smare® self-check-in terminals launched

2015

OMRON Principles revised (third revision)

2022

The corporate principles incorporated in the articles of incorporation

- 2019 — **Japan's first** Mobility as a Service (MaaS) application combining private vehicle-for-hire by residents and public transportation such as bus and taxi started
 - Sold Automotive Electronic Components Business
 - Blood pressure monitor with electrocardiograph launched in the U.S. 
- 2020 — **World's first** Integrated controller launched 
 - Touchless hybrid elevator switch launched 
- 2022 — Long-term vision "Shaping the Future 2030" launched (2022-2030)
- 2023 — Data Solution Business HQ established
 - CT-type automatic X-ray inspection systems that enable high-speed 3D inspection developed 
- 2024 — Structural Reform Program NEXT 2025 launched (April 1, 2024-September 30, 2025)

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

OMRON’s fundamental purpose

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

Society in 2030 Envisioned by OMRON

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

In formulating the long-term vision, OMRON views the coming decade, in which existing social issues will become more pressing and new ones will arise, as a great opportunity to create new markets and businesses. Under SF2030, in order to be sure to seize this opportunity, we have identified three priority change factors: “The Aging of Population,” “Climate Change,” and “Increasing Economic Disparities among Individuals.” Based on these three change factors, we have identified three social issues that OMRON should address, namely, “Achievement of Carbon Neutrality,” “Realization of a Digital Society,” and “Extension of Healthy Life Expectancy.” We selected these three issues in view of their huge impact on society and from the perspective of leveraging OMRON’s strengths in automation, our customer assets, and business assets. For the achievement of carbon neutrality, we will contribute to the creation of energy systems that strike a balance between safety, security, convenience, and the natural environment. For the realization of a digital society, we will contribute to manufacturing and infrastructure that will free people from all restrictions, regardless of age or wealth, and realize an enjoyable, creative, and sustainable society. And for the extension of healthy life expectancy, we are tackling the problems of the aging society by building healthcare systems that enable people to lead healthy, prosperous, and

independent lives.

To address these three social issues, we revised the OMRON Group’s business domains and set four domains, namely, “Industrial Automation,” “Healthcare Solutions,” “Social Solutions,” and “Device & Module Solutions,” defining social value corresponding to these domains. Through Industrial Automation, we aim to contribute to the advancement of manufacturing that will support a sustainable society. Through Healthcare Solutions, we aim to contribute to the achievement of “Zero Events” for cardiovascular diseases. Through Social Solutions, we aim to contribute to the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society. In addition, through Device & Module Solutions, we aim to contribute to the spread of new energy and high-speed communications.

Direction of OMRON’s Evolution

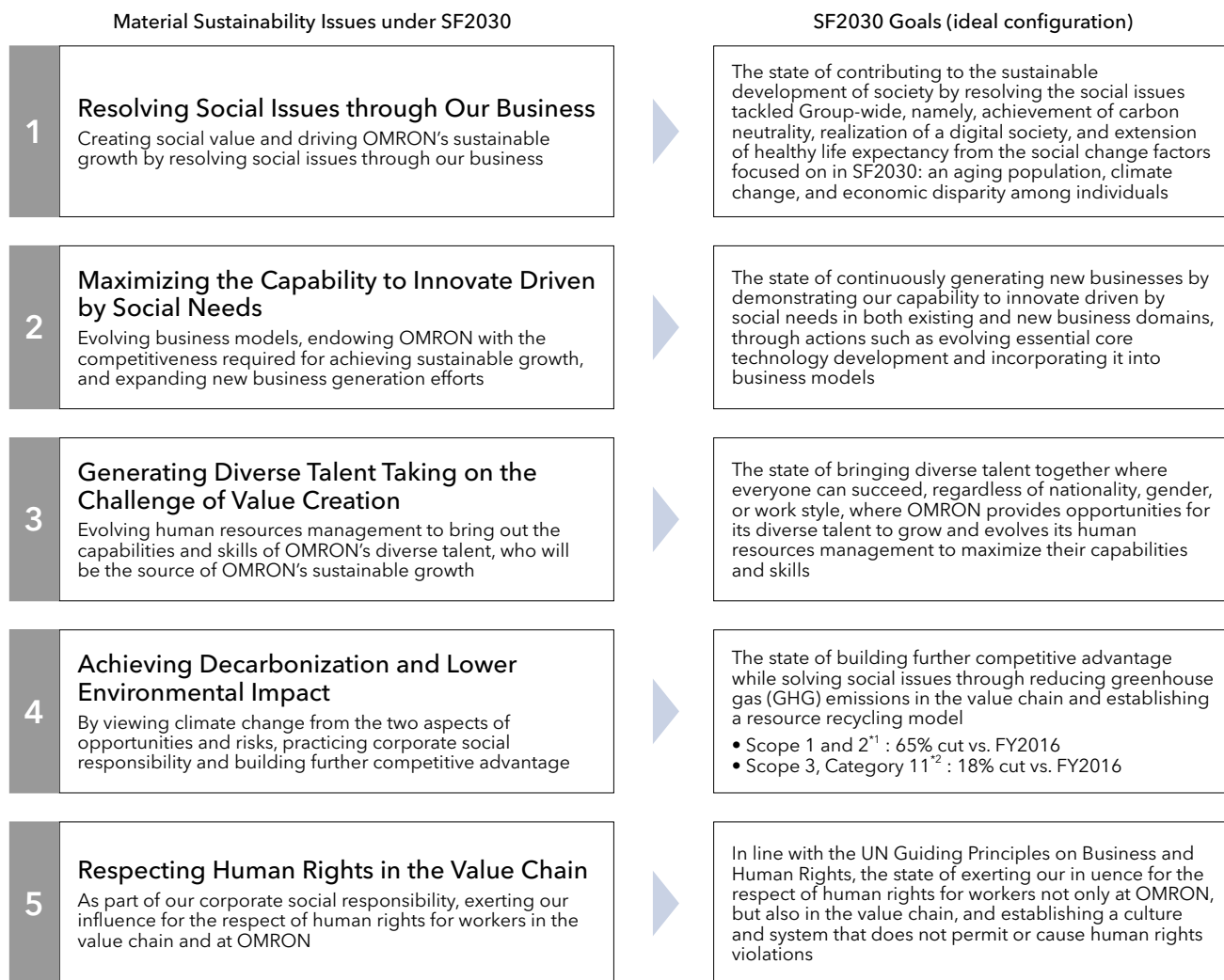
OMRON is changing the way it perceives value creation, shifting its emphasis from “products” to “products and services” in order to create social value. We pursue realization of value not only through products and other goods but also through combinations of products and services that help solve the fundamental problems confronting society. When society and markets are at a turning point, intrinsic value is not limited to products but 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. In order to remain true to this purpose, material sustainability issues are fully reflected in SF2030 and the medium-term management plan "SF 1st Stage." In identifying material sustainability issues, we adopted three viewpoints: "the OMRON Principles and fundamental purpose," "backcasting from a society envisioned for 2030 and beyond," and "calls on companies to contribute to environmental and social sustainability." Five material issues were identified as a result of a series of management discussions, reflecting suggestions gained through internal discussion and dialogues with external experts. (See [Figure 1]).

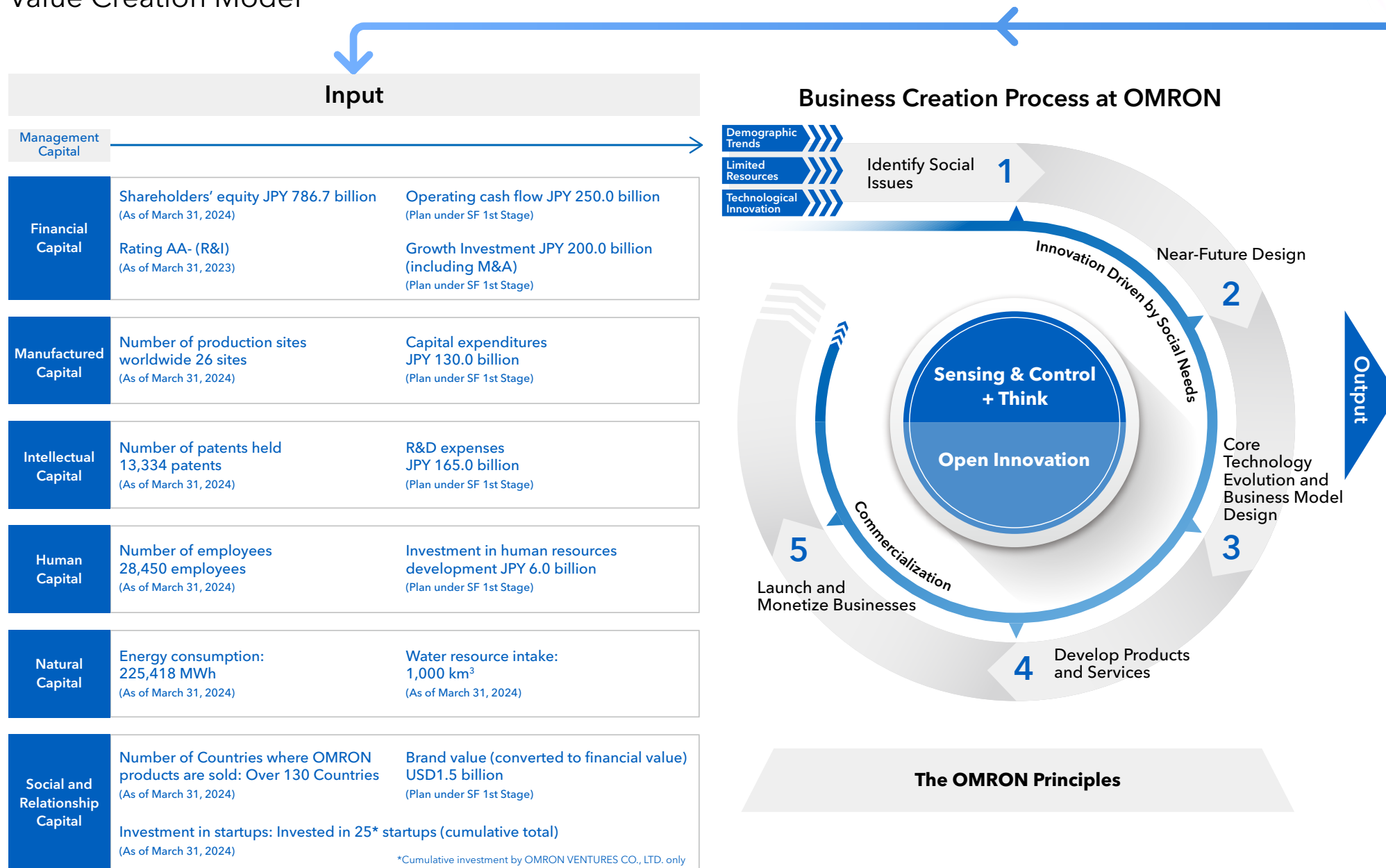
Figure 1



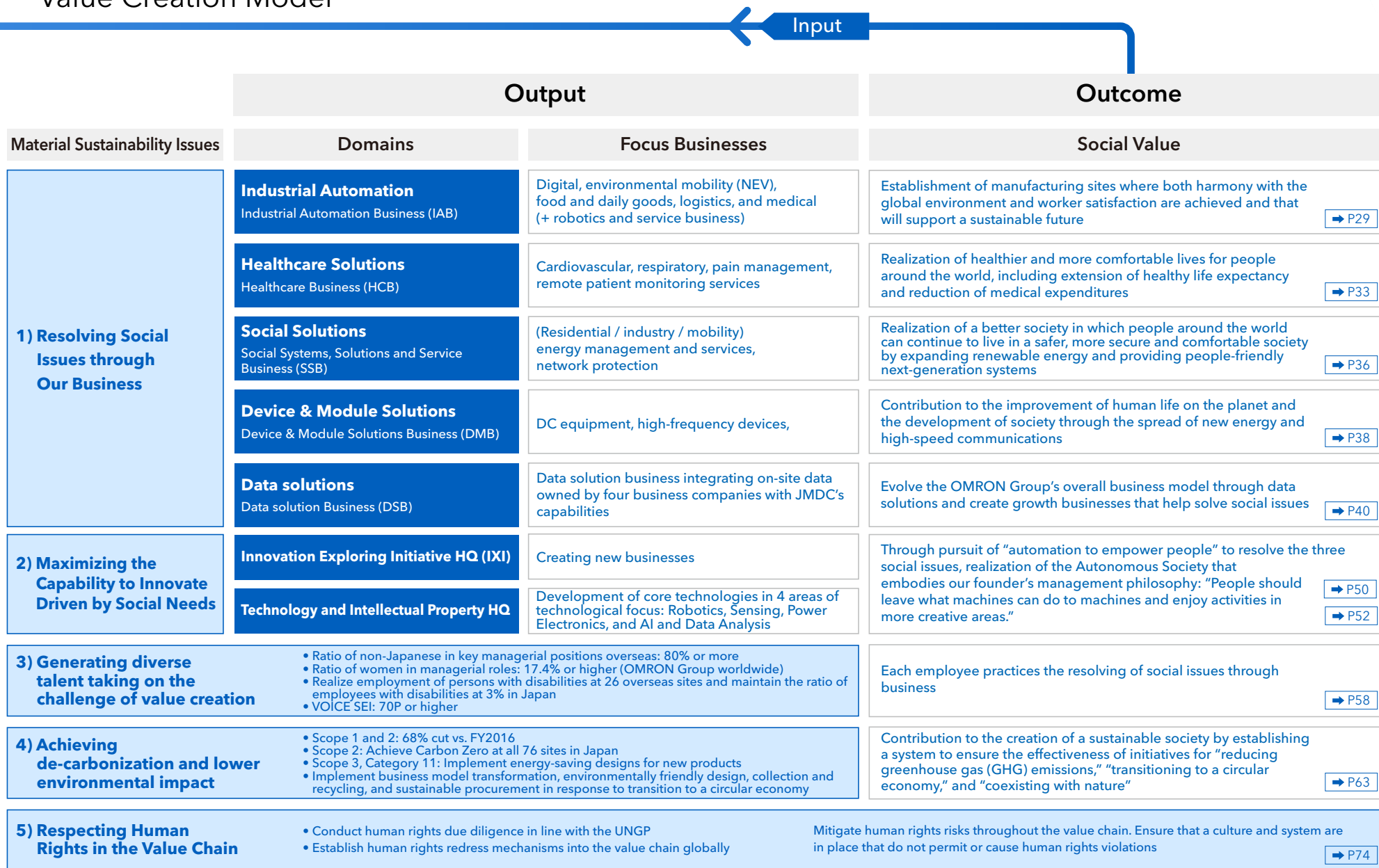
*1 Scope 1 and 2: Direct and indirect GHG emissions from the company

*2 Scope 3, Category 11: Scope 3 corresponds to GHG emissions from the company's value chain. Category 11 of Scope 3 corresponds to emissions from use of manufactured/sold products, services, etc.

Value Creation Model



Value Creation Model



Progress of and Changes to the Medium-term Management Plan “SF 1st Stage”

Having positioned fiscal 2022 to fiscal 2024 as the “transformation acceleration phase” to accelerate the shift to value creation and sustainable growth in response to social issues, in order to achieve the vision of SF2030, we aimed to achieve strong growth by seizing growth opportunities arising from changes in the social structure and by leveraging the competitiveness we have cultivated to date. In fiscal 2023, however, the business environment deteriorated more than expected, owing to the slowdown of the Chinese economy and supply chain disruptions. Since OMRON was unable to respond to this rapid change because of overdependence on certain businesses and areas as OMRON’s growth drivers, the financial performance deteriorated significantly. In light of these circumstances, we withdrew SF 1st Stage, which was originally scheduled to run through fiscal 2024, and designated April 1, 2024 to September 30, 2025 as a structural reform period for implementing the Structural Reform Program NEXT 2025. Plans call for the next medium-term management plan “SF 2nd Stage” to run from fiscal 2026 to fiscal 2030. Under SF 1st Stage, we pursued “taking on the challenge of value creation by accelerating transformation” and set three

Group strategies to achieve this goal. The first Group strategy is transformation of business. Specifically, we promoted evolution of four core businesses (Industrial Automation Business, Healthcare Business, Social Systems, Solutions and Service Business, Device & Module Solutions Business), expansion of customer asset-type service businesses, and creation of new businesses sparked by social issues.

To evolve four core businesses, we identified the growth field in each of the core businesses, set focus domains, and aimed at driving sales growth by achieving new value creation. The second Group strategy is transformation of corporate management and organizational capabilities. In order to keep creating value while adapting to change in the business environment, we implemented initiatives for acceleration of diversity and inclusion, data-driven enterprise operations through digital transformation (DX), and enhancement of supply chain resilience.

The third Group strategy is strengthening of sustainability initiatives. Specifically, we pursued reduction of greenhouse gas (GHG) emissions for decarbonization and minimizing environmental impacts, and strove to ensure thorough

respect for human rights throughout the value chain. Based on the above strategies, under the SF 1st Stage, we have set financial targets and non-financial targets that integrate business strategies with sustainability. In fiscal 2022, despite significant impacts, such as the lockdowns in Shanghai, rising inflation worldwide, and tight supply of parts and materials, both net sales and operating income set new records and return on invested capital (ROIC) and return on equity (ROE) both exceeded the 10% level. This was mainly due to the rapid ramp-up of supply capacity to respond to the heavy order backlog and the ongoing companywide efforts to improve value added ratios through price optimization and other measures. In fiscal 2023, however, financial performance deteriorated significantly and indicators we set as financial targets also significantly declined compared to fiscal 2022. On the other hand, the initiatives for non-financial targets continue to be generally favorable. GHG emissions achieved the initial target, and the progress of human rights initiatives was as planned. With these initiatives recognized, we continued to be included in the Dow Jones Sustainability World Index (DJSI World) for fiscal 2023.

SF 1st Stage Financial Targets and Progress

Financial Targets	FY2022 (Results)	FY2023 (Results)	FY2024 (Plan)	[Reference] FY2024 (Initial Targets)
Net Sales	JPY 876.1 billion	JPY 818.8 billion	JPY 825.0 billion	JPY 930.0 billion
Operating Income	JPY 100.7 billion	JPY 34.3 billion	JPY 49.0 billion	JPY 120.0 billion
ROIC	10.40%	1.0%	around 1%	>10%
ROE	10.60%	1.1%	around 1%	>10%
EPS	JPY 372	JPY 41	JPY 43	>JPY 400

SF 1st Stage Non-financial Targets and Progress

Non-financial targets ^(Note 1)		FY2022 (Results)	FY2023 (Results)
1	Increase sustainability-related sales ^(Note 2) , an indicator of contributions to the resolution of the three social issues, by 45% vs. FY2021	Sustainability Sales: JPY 417.8 billion +28% (vs. FY2021)	Sustainability Sales: JPY 433.8 billion +33%* (vs. FY2021)
2	Increase the ratio of women in managerial roles to 18% or higher (OMRON Group worldwide)	16.6% ^(Note 5)	19.1% ^{(Note 7)*}
3	Realize employment of persons with disabilities at 28 overseas sites and maintain the ratio of employees with disabilities at 3% in Japan	Overseas: 27 sites, Japan: 3.1%	Overseas: 28 sites, Japan: 3.5%
4	Reduce Scope 1 & 2 GHG ^(Note 3) emissions by 53% vs. FY2016	62% reduction ^(Note 6) (vs. FY2016)	68% reduction (vs. FY2016)
5	Achieve Carbon Zero at all 76 sites in Japan	10 sites	39 sites (cumulative)
6	Conduct human rights due diligence in line with the UNGP and build a human rights remedy mechanism into the value chain	- Identified human rights issues - Developed and piloted a primary human rights redress mechanism	- Formulated measures to resolve identified human rights issues - Operated and monitored redress mechanism
7	Continue implementing sustainability initiatives steadily to maintain our listing in the Dow Jones Sustainability World Index (DJSI World)	Selected for DJSI World	Selected for DJSI World
8	100% participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources	46%	70%
9	In all regions, introduce a training program covering the basic knowledge required for DX: statistics, data analytics, AI and others	Began pilot operation of a training program in Europe	Began training in all areas except Japan
10	Make full use of digital tools to reduce use of paper	44% reduction (vs. FY2019)	54% reduction (vs. FY2019)
+1	Top management of each region ^(Note 4) declares their commitment to their host community in accordance with the OMRON Sustainability Policy	Declared in each region and continued implementation	Declared in each region and continued implementation

Notes:

1. Figures presented for the non-financial targets are the initial SF 1st Stage targets set in fiscal 2022.

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

3. GHG: Greenhouse gas

4. Regions: Americas, Europe, Asia, Greater China, South Korea, and Japan

5. Aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2023, including OMRON KIRIN TECHNO-SYSTEM CO., LTD., in which investment was completed on April 3, 2023.

6. Figures for fiscal 2022 GHG emissions reflect the temporary impact of the Shanghai lockdowns, etc.

7. Aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2024

8. Non-financial targets (8) to (10) were decided by employee vote.

9. Figures with * include JMDC Inc.

SF 1st Stage Strategic Objectives and Progress

Industrial Automation Business (IAB) Number of customers using innovative-Automation 4315 companies (Target: 5000 companies)	Healthcare Business (HCB) Global blood pressure monitor sales 44.69million units (Target: 94million units) Number of telemedicine service users 165000users (Target: 600000users)	Expanding Customer* Asset-type Service Businesses Ratio of service business sales 10.3% (Target: >10%) <small>*Businesses based on combination of products and services utilizing customer assets</small>	Creating New Businesses New businesses created 31 (Target: 3 or more businesses)
Social Systems, Solutions and Service Business (SSB) Connected energy management devices 40000 units (Target: 50,000 units)	Device & Module Solutions Business (DMB) Sales volume for products contributing to the spread of new energy and high-speed communications Products for DC equipment 30million units (Target: 60 million units) Products for high-frequency devices 120million units (Target: 170 million units)	Diversity & Inclusion Investment in human resources development JPY 3.0billion (Target: JPY 6.0 billion) VOICE SEI 76P (Target: >70 points)	Enhancing Profit Generating Capability Gross Profit Margin 42.3% (Target: >47.0%)

Structural Reform Program NEXT 2025

Under NEXT 2025, OMRON is addressing two management issues, namely, rebuilding the Industrial Automation Business (IAB) as quickly as possible and restructuring the foundation for earnings and growth, implementing five management measures to ensure sustainable sales growth with profit, as well as endeavoring to achieve sustainable enhancement of corporate value.

Management Issues	Management Measures	Plan (as of February 26)	Progress (as of August 31)
Rapid rebuilding of the Industrial Automation Business	1) Initiatives to resume growth of the Industrial Automation Business	To resume growth of the Industrial Automation Business, its current strategy and plan will be revamped from the perspectives of the customer-driven approach and effectiveness. Specifically, we will review resource allocation and accelerate the implementation of measures during the structural reform period to maximize the operating income margin of the Industrial Automation Business and establish a growth foundation to achieve the growth envisaged under SF2030.	Following completion of the analysis of the root causes of the poor performance and formulation of a structural reform plan, we established 10 task forces to complete the structural reform and began implementation.
Restructuring of the foundation for earnings and growth	2) Portfolio optimization	We will strengthen the resilience of each business to changes in the business environment and optimize each portfolio of businesses, products, and areas to achieve sustainable growth with profit. At the same time, led by the Data Solution Business HQ, we will accelerate the creation of the data solution business in the industrial automation, healthcare, and social systems, solutions and service business domains by leveraging JMDC Inc.'s capabilities.	We evaluated each business and proceeded to the implementation phase, including prioritizing investment in growth businesses and areas, pursuing initiatives to make low-profit businesses more profitable, and considering termination of such businesses. To achieve synergy with JMDC Inc. in each business company, we are accelerating the study and implementation of co-creation in the Industrial Automation Business, the Healthcare Business, and the Social Systems, Solutions and Service Business. ➡ Discussion: OMRON x JMDC toward Evolution
	3) Headcount and capacity optimization	In order to establish a workforce and labor cost structure that will enable us to expand customer value and achieve profitable growth, we will promote headcount and capacity optimization globally. Specifically, we will reduce the number of employees by approximately 2,000, consisting of approximately 1,000 in Japan and 1,000 overseas, to optimize total labor costs. This measure will be implemented in accordance with local labor laws, rules, and regulations.	Retirement of 1,206 employees in Japan was completed on July 20, 2024. Overseas, 1,055 employees agreed to retire as of June 30, and final adjustments are being made in accordance with local labor laws and regulations. Before the voluntary retirement was finalized, we conducted career interviews with all eligible employees, held career support briefings and provided career counseling opportunities for individuals, and offered outplacement services by a company specializing in human resources.
	4) Fixed cost productivity improvement	We will pursue maximization of fixed cost productivity throughout the Group. Specifically, by introducing and thoroughly implementing fixed cost discipline, we intend to realize a ratio of selling, general and administrative expenses to net sales of less than 30% over the medium term (less than 28% when excluding the impact of inclusion of JMDC Inc. within the scope of consolidation; forecast for fiscal 2023 of 32.7%).	We have established a budget for the current fiscal year based on the new fixed cost discipline and are thoroughly implementing fixed cost management in accordance with this discipline. In addition, we are implementing new initiatives to improve fixed cost productivity, such as consolidation of purchasing of indirect materials and consolidation of sites. As a result of these measures, the progress of fixed cost reduction against the target for fiscal 2024 is as planned.
	5) Introduction and operation of customer-driven management systems	The Company intends to introduce and execute measures to orient management, business, and headquarters management toward customer-driven thinking and behavior. Specifically, in addition to measures from a financial perspective, we intend to adopt and apply consistent human resources policies to control business operations and change management thinking and behavior from the customer's perspective.	After setting the customer-driven approach as the company-wide guideline, KPIs to embody customer-driven thinking and actions have been set in all divisions and implementation has begun. In addition, we are designing new human resource policies that will enable management to embody customer-driven thinking and behavior, and we plan to begin implementing these policies in Japan in October. ➡ CHRO Message

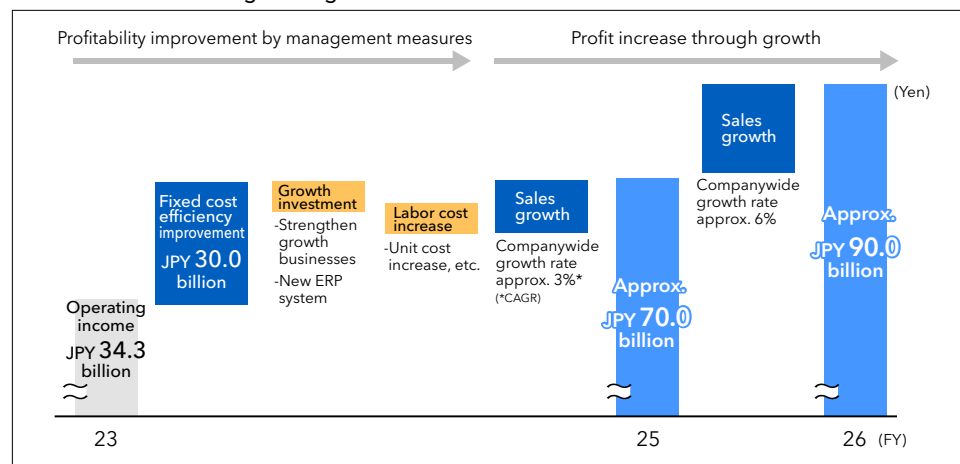
As a scenario for maximizing earnings, we envision a recovery in market conditions for IAB in fiscal 2025 and sales growth in the Healthcare Business, the Social Systems, Solutions and Service Business, and the Data Solution Business. Leveraging the initiatives during the structural reform period, we intend to achieve earnings growth through sustainable growth from fiscal 2026 onward, centering on IAB where the impact of the structural reform will be fully evident.

Moreover, we will complete fixed cost efficiency improvements amounting to JPY 30.0 billion by fiscal 2025. While significantly raising the baseline of the Group's earnings, we plan to invest in businesses that will drive the Group's future growth and in the new enterprise resource planning (ERP)* system that will serve as the foundation for management and business activities.

In this way, we will address the two management issues through five measures, aiming for operating income of JPY 70.0 billion in fiscal 2025, when the structural reform period ends, and of JPY 90.0 billion in fiscal 2026.

※Enterprise Resource Planning

Scenarios for maximizing earnings



Initiatives to Resume Growth of IAB

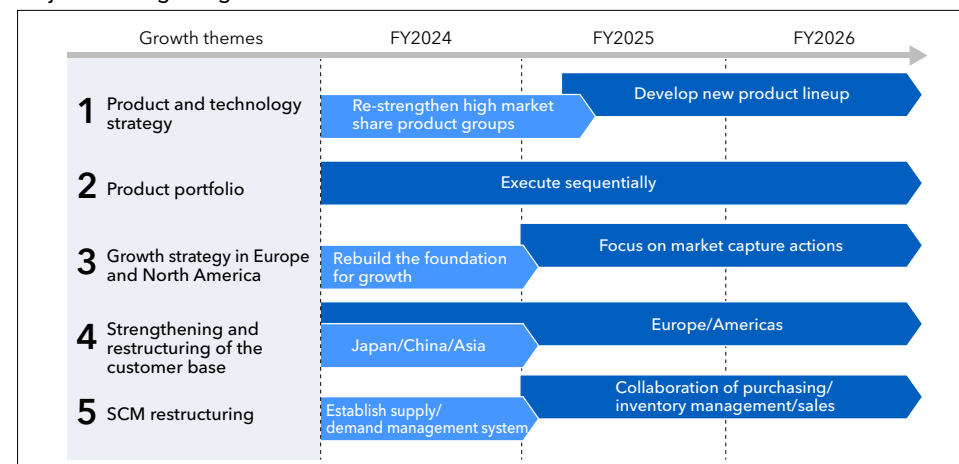
To achieve its business vision of "Enriching the Future for People, Industries and the Globe by Innovative-Automation," IAB is strengthening the business foundation (customer base/business operations) through Structural Reform Program NEXT 2025. Specifically, 10 task forces have been launched as companywide projects under the direct supervision of the CEO, including "product and technology strategy," "product portfolio," "growth strategy in Europe and North America," "strengthening and restructuring of the customer base," and "restructuring of supply chain management (SCM)."

For example, regarding "product and technology strategy" and "product portfolio," IAB has begun companywide actions, including reinforcement of the development structure, to strengthen the competitiveness of its core product groups, such as controllers and sensors, which support IAB's competitive strengths in control applications

and data application services, and component product groups in which IAB has a high global market share. Production bases previously concentrated mainly in China are now being dispersed to Europe, the Americas, and other regions. Regarding the "growth strategy in Europe and North America," to capture this global trend, we have begun creation of solutions that accelerate the automation of manufacturing sites and strengthening of the business foundation, including sales networks, for provision of services.

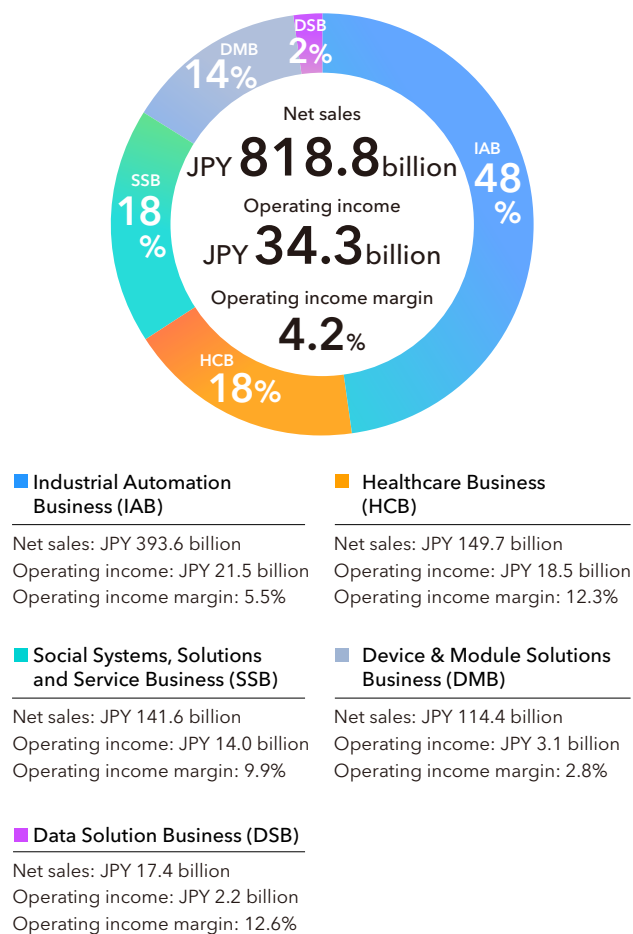
We are mobilizing the Group's resources to complete each of these projects through companywide initiatives. Our target is to increase IAB's sales in fiscal 2025 and achieve sales of JPY 400.0 billion and operating income of more than JPY 50.0 billion in fiscal 2026, even if the ratio of development expenses to net sales is at 7%, the highest level in manufacturing industry.

Projects for Regaining Growth of IAB



OMRON's Business and Fiscal 2023 Results

Consolidated Sales by Business Segment



*The figures for the Data Solution Business include the financial figures of JMDC Inc. from October 16, 2023, onward, the date on which it became a consolidated subsidiary of the Company.

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



Number of employees	Ratio of overseas sales	Ratio of overseas employees to total employees	Production sites	Non-production sites
28450 employees	Approx. 57 %	Approx. 59 %	24 sites	448 sites

* Regional categories are defined as follows:

Americas: U.S., Canada, Brazil Europe: Netherlands, U.K., Germany, France, Italy, Spain Greater China: China, Hong Kong, Taiwan Asia Pacific: Singapore, Korea, India, Australia

* As of March 31, 2024

Outlook for Fiscal 2024

The business environment for OMRON in fiscal 2024 will likely remain uncertain owing to global inflation and persisting geopolitical risks in Europe, Russia, the Middle East, and elsewhere.

In the business domains in which OMRON operates, gradual recovery in demand is expected in the second half of the year for the Industrial Automation Business and the Device & Module Solutions Business. Meanwhile, the market for the Healthcare Business is expected to grow steadily, and the Social Systems, Solutions and Service Business is also expected to continue benefitting from a favorable business environment.

Given these circumstances, OMRON forecasts an increase in net sales and operating income as a result of restructuring the foundation for earnings and growth under Structural Reform Program NEXT 2025. On the other hand, we expect income before income taxes to decrease since we have included a one-time cost of approximately JPY 28.0 billion resulting from a workforce reduction of 2,000 employees in the forecast.

In fiscal 2024, we will accelerate initiatives to complete Structural Reform Program NEXT 2025 under the companywide policy of "All for Creating Customer Value: Focus all actions on creating value for customers and restructure the foundation for earnings and growth." In view of these initiatives, plans call for net sales of JPY 825.0 billion (up 0.8% year on year), a gross profit margin of 44.7% (up 2.4 percentage points year on year), and operating income of JPY 49.0 billion (up 42.7% year on year) for fiscal 2024.

(Billions of yen, except exchange rate data and percentages)			
	FY2023	FY2024 (Plan)	Change
Net sales	JPY 818.8	JPY 825.0	+0.8%
Gross profit (Gross profit margin)	JPY 346.5 (42.3%)	JPY 368.5 (44.7%)	+6.4% (+2.4P)
Operating income (Operating income margin)	JPY 34.3 (4.2%)	JPY 49.0 (5.9%)	+42.7% (+1.7P)
Net Income Before Income Taxes	JPY 35.0	JPY 21.0	-39.9%
Net income attributable to OMRON shareholders	JPY 8.1	JPY 8.5*	+4.9%
Average USD exchange rate (Yen)	JPY 143.9	JPY 145.0	+JPY 1.1
Average EUR exchange rate (Yen)	JPY 156.3	JPY 155.0	-JPY 1.3
Average RMB exchange rate (Yen)	JPY 20.1	JPY 20.0	-JPY 0.1
* Reflects non-operating expenses of approximately 28.0 billion yen as expenses such as special lump-sum payments associated with "optimizing the number of personnel and capabilities" in structural reforms			

	Net sales			Operating income		
	FY2023	FY2024 (Plan)	Change	FY2023	FY2024 (Plan)	Change
Industrial Automation Business (IAB)	JPY 393.6	JPY 355.0	-9.8%	JPY 21.5 (5.5%)	JPY 27.5 (7.7%)	+27.9% (+2.2P)
Healthcare Business (HCB)	JPY 149.7	JPY 161.0	+7.5%	JPY 18.5 (12.3%)	JPY 22.0 (13.7%)	+18.9% (+1.4P)
Social Systems, Solutions and Service Business (SSB)	JPY 141.6	JPY 154.5	+9.1%	JPY 14.0 (9.9%)	JPY 17.0 (11.0%)	+21.4% (+1.1P)
Device & Module Solutions Business (DMB)	JPY 114.4	JPY 110.0	-3.8%	JPY 3.1 (2.8%)	JPY 4.0 (3.6%)	+29.0% (+0.8P)
Data Solution Business (DSB)	JPY 17.4	JPY 43.0	+147.1%	JPY 2.2 (12.6%)	JPY 3.0 (7.0%)	+36.4% (-5.6P)
Eliminations and Corporate	JPY 2.1	JPY 1.5	-28.6%	-JPY 24.2	-JPY 24.5	-1.2%
Risk of performance fluctuations	-	-	-	-	-	-
Total	JPY 818.8	JPY 825.0	+0.8%	JPY 34.3 (4.2%)	JPY 49.0 (5.9%)	+42.7% (+1.7P)

■ Industrial Automation Business (IAB)

Net Sales	We expect investment demand related to semiconductors to recover beginning in the third quarter, centering on Japan and Korea. At the same time, we assume that the recovery in demand for investment in other industries will be gradual. We believe that in the first half of the year, our distributors will generally reach normalization of inventory levels that have remained at high to date. Given the circumstances, we project a year-on-year decrease in sales to JPY 355.0 billion in fiscal 2024.
Operating Income	Despite lower net sales compared with the fiscal year under review, we forecast an increase in operating income to JPY 27.5 billion in fiscal 2024 through improvement of gross profit margin and optimization of fixed costs by steady implementation of structural reform.

■ Healthcare Business (HCB)

Net Sales	As the number of patients suffering from chronic diseases continues to increase worldwide, we expect rising global demand for blood pressure monitors and other health devices. In these circumstances, we intend to boost sales through expansion of online channels globally and to capture growing demand in emerging countries. We expect net sales in fiscal 2024 to increase year on year to JPY 161.0 billion owing to growing sales of ECG monitors in Japan, Europe, the U.S., and China, as well as focused product development in response to local needs in each area.
Operating Income	We expect operating income to increase year on year to JPY 22.0 billion in fiscal 2024, owing to prudent fixed cost management, improved profit margins resulting from changes in the sales composition, and cost reductions related to logistics expenses, in addition to the increase in sales.

■ Social Systems, Solutions and Service Business (SSB)

Net Sales	In view of soaring energy prices and ongoing initiatives to achieve carbon neutrality, we expect demand for renewable energy in the residential and industrial domains of the Energy Solutions Business to remain firm. The Public Transportation System Business should benefit from customers' continued robust capital investment. As a result, we project a year-on-year increase in sales to JPY 154.5 billion in fiscal 2024.
Operating Income	We expect operating income to increase to JPY 17.0 billion in fiscal 2024 owing to sales growth and improved productivity.

■ Device & Module Solutions Business (DMB)

Net Sales	While a moderate recovery in demand from semiconductor-related industries is in prospect, we expect demand for the consumer industry to remain weak as customers continue to adjust inventories. We do not expect normalization of inventory levels until the third quarter or later. We expect these developments will result in a year-on-year decrease in net sales to JPY 110.0 billion in fiscal 2024.
Operating Income	While we forecast a decrease in sales, operating income for fiscal 2024 is expected to increase to JPY 4.0 billion owing to business structure reform that includes price optimization and fixed cost reductions.

■ Data Solution Business (DSB)

Net Sales	As regards the JMDC Inc. business, we expect the trend toward increased medical data use, mainly by pharmaceutical companies, to continue. We also expect further growth in demand for services for insurers and consumers as individuals become more conscious of health and prevention. We expect net sales for fiscal 2024 to increase significantly to JPY 43.0 billion, reflecting the full-year contribution of JMDC Inc. to this segment.
Operating Income	We expect operating income to increase to JPY 3.0 billion in fiscal 2024 owing to an increase in sales. Our forecasts for this segment also incorporate growth investments to create new data services. (This segment includes the financial results of JMDC Inc., as well as the amortization of intangible assets identified in the consolidation of JMDC Inc. and financial figures related to the Data Solution Business promoted by OMRON.)

CEO Message

Aiming to Further Enhance Corporate Value by Completing Structural Reform



President and CEO
Junta Tsujinaga

Background to the Decision to Execute Structural Reform

A year has passed since I became CEO. It was a year in which I recognized my responsibility as CEO for the trouble and concern experienced by our stakeholders due to the rapid deterioration of OMRON's business performance. At the same time, it was an important year in which I made important decisions to overcome the difficult business environment and achieve sustainable growth of OMRON.

Although OMRON got off to a flying start in the first quarter

of fiscal 2023, the business environment deteriorated rapidly from the second quarter onward. As a consequence of our inability to detect indications of change in the overall trend, we twice had to make downward revisions to the earnings forecasts. The direct cause of this deterioration of performance was that we misjudged the slowdown of investment in the digital industry and in China, which was the main focus of the Industrial Automation Business (IAB), as well as the stagnation of distribution inventories. Deeply reflecting on this point, we, OMRON's executive team, thoroughly investigated not only the current events, but also their root causes. We concluded that the root cause of the deterioration of our performance is the dilution of the principle that should govern all that we do, namely, management and actions driven by the customer's perspective. In other words, considerable resources, whether people, investment, or time, were devoted to inward-looking tasks. As a result, three negative factors emerged, hindering both business growth and earnings: "Unbalanced portfolio for growth", "rigid fixed cost structure", and "delay in converting skills of organization and human resources." These factors led to a deterioration in performance. This was not limited to IAB, but was an issue common to OMRON as a whole.

Therefore, I believed that delaying a drastic solution could one day put OMRON in an irretrievable situation, even affecting the businesses that are currently performing well. Against this backdrop, I made the decision to implement not only short-term countermeasures but also drastic measures to resolve the root cause and negative factors from a medium- to long-term perspective.

Based on this recognition, we, the executive team, designated "completion of structural reform from the customer-driven perspective" as a key management task and began developing a structural reform program aimed at rebuilding a foundation for earnings and growth. The executive team also shared a sense of urgency, recognizing that failing to promptly present a scenario for rebuilding could lead to a loss of trust

from customers, shareholders, and other stakeholders. In this context, we designated the period from April 2024 to September 2025 as a time for structural reform and launched Structural Reform Program NEXT 2025. Simultaneously, we decided to withdraw the medium-term management plan "SF 1st Stage" and focus companywide on NEXT 2025. Under NEXT 2025, our focus is on "IAB Revival Plan" and "rebuild a base for earnings and growth." As CEO, I am determined to work tirelessly to complete structural reform.

[→ NEXT2025](#)

To Regain Growth of the Industrial Automation Business

We are making steady progress with NEXT 2025, with the top priority being the rapid rebuilding of IAB. Transitioning to the profitable growth phase after the completion of NEXT 2025, we aim to resume IAB's ROS of 17%, the fiscal 2022 level, as soon as possible. To achieve this, we have established 10 task forces and launched initiatives, including "technology & product strategy," "SCM (supply chain management) reform" "product portfolio," and "growth strategy in Europe and North America." These task forces are positioned as companywide projects under the direct oversight of the CEO and are being promoted with investment of companywide resources. Let me introduce two specific initiatives.

One key initiative is the "growth & profitability in the North American market." To establish a system and structure that ensures the improvement and sustainability of overall earnings in the Americas, centering on the North American market, in May 2024, I appointed a new executive with business leadership experience in the Americas to spearhead this initiative. The global trend to restructure supply chains is a business opportunity for OMRON, and we are strengthening customer development not only in the Americas but also in Europe and other areas to seize this opportunity.

Another key initiative is our "technology and product strategy,"

that is, strengthening the competitiveness of core products. OMRON's major strength has always been its wide range of industrial automation equipment, particularly components such as controllers, sensors, and safety devices. However, as the digital society becomes more sophisticated and consumers continue to pursue high-performance end products, our customers in manufacturing industry are demanding even greater sophistication in their production processes. At the same time, they are grappling with labor shortage at their manufacturing sites. OMRON's mission is to address these challenges and provide solutions at manufacturing sites. OMRON aims to drive further business growth by prioritizing investment in development of core products that can lead to production innovations, addressing management issues such as the growing sophistication of manufacturing processes and labor shortage at our customers' sites. IAB is OMRON's core business. I will not let it remain in its current state. I will ensure IAB's full recovery.

Return to the Customer-driven Approach

To restructure the foundation for earnings and growth, we are implementing the following measures: portfolio optimization, fixed cost productivity improvements, headcount and capacity optimization, and evolution of management systems. Once structural reform is completed, we intend to make sure all employees are customer-oriented, all departments collaborate to create new value with customers, and employee and organizational engagement continues to improve through daily activities. In order to achieve this ideal state, we are implementing customer-driven management in the first year of structural reform. Customer-driven management means concentrating on what creates value for customers to enhance investment efficiency and working to rebuild performance emphasizing sales and restructuring of the foundation for earnings and growth.

Why do we emphasize sales? Because sales represent the

extent of customer expectations regarding the value our products and services provide. While this may seem obvious, we thought it was crucial to return to the spirit of the company's founding and create greater customer value. So, how will we work to restructure the foundation for earnings and growth to improve the top line? OMRON has steadily enhanced its earnings power by implementing management focused on the gross profit margin (GP ratio) and return on invested capital (ROIC) as indicators for value enhancement. As a result, we achieved record operating income of JPY 100 billion in fiscal 2022. However, looking back over the past 10 years, the top line has not grown significantly partly owing to the reshuffling of the business portfolio.

I acknowledge that we have not invested sufficient capital in growth opportunities. In addition, fixed costs have increased over the past few years owing to soaring raw materials prices and logistics costs attributable to geopolitical risks and the COVID-19 pandemic. Combined with the impact of inflation and the weak yen, expenses and labor costs have surged rapidly. This fixed cost structure, with its high break-even point, has put pressure on profit and cash generation. Under this cost structure, when sales decline, the decrease in profit is even more pronounced.

To address the high fixed cost structure and workforce challenges, NEXT 2025 will prioritize sales growth through a focus on customer-driven management. To achieve this, we are working on four actions: understanding our customers, connecting and creating value, eliminating redundancy and irrationality, and creating a system that enables management, i.e., directors, executive officers, and key managerial personnel, to manage from the customer's perspective. Among these actions, I would like to elaborate on what we are doing to fulfill our commitment to connecting and creating value in order to achieve OMRON's transition to a fully customer-driven approach.

To create value from a customer-driven perspective, we have

changed the companywide and division-based key performance indicators (KPIs) to align them with sales across divisions. Specifically, we set key goal indicators (KGIs) and KPIs linking all divisions, including staff divisions, to enable monitoring of the processes necessary to achieve sales targets. It is important that the KPIs set by each division are linked with the behavioral KPIs of individual personnel on-site. Customer-driven behavior and appropriate management of such behavior will lead to achievement of financial performance targets. I believe that by resolutely implementing such a management approach, each division can create a unique customer-driven business model. We will introduce a new system, including an evaluation system, designed to ensure that directors, executive officers, and key managerial personnel implement this management without fail. Our aim is to achieve a staffing and labor cost structure resilient to rapid changes in the business environment. We will invest in human resource development to enrich customer value and achieve profitable growth.

Our policy of using ROIC as an indicator to measure capital efficiency is unchanged. However, as I mentioned, we have been overly focused on achieving the ROIC hurdle rate, prioritizing cost reductions when sales were stagnant, and



have not invested sufficiently in future growth. We need to reflect on this. What is essential for OMRON now is to rebuild its earnings structure while increasing sales through companywide efforts in customer management. In fiscal 2025 when the structural reform period will end, we intend to recover operating income to around JPY 70 billion. From fiscal 2026 onward, plans call for OMRON to enter a phase focused on expanding earnings through growth, with a target operating income of approximately JPY 90 billion in fiscal 2026. Going forward, I am committed to putting OMRON on a growth trajectory so that we can return companywide ROIC to a level above 10%, exceeding the weighted average cost of capital (WACC).

[→ CFO Message](#)

[→ CHRO Message](#)

Transformation to Solutions Business is a Growth Driver

Although we withdrew the medium-term management plan in order to concentrate on structural reform, the basic strategy under the long-term vision SF2030 is unchanged.

OMRON will continue to address three social issues, namely, achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancy. These challenges will be tackled through our business operations to drive growth. Since the launch of the new long-term vision in fiscal 2022, each business has made progress with the initiatives to resolve these three social issues. With a view to the fundamental resolution of these increasingly serious and complex social issues, in addition to strengthening hardware, which is one of our core strengths, we are working to create a new business model. This is a shift from a business centering on products to a business based on the combination of products and services.

OMRON has traditionally grown by providing products. For instance, IAB offers the industry's most comprehensive and diverse product lineup. In the Healthcare Business (HCB),

the main products, namely, blood pressure monitors and ECG for home use, have the No. 1 market shares globally.

However, as social issues become increasingly serious and complex, there is a limit to what can be achieved by products alone. From this perspective, we are actively accelerating the shift to a business based on the combination of products and services, i.e., a business that transforms data obtained from devices at sites of every kind into solutions.

OMRON's diverse range of products are widely used in manufacturing, social infrastructure, homes, and everyday life worldwide. Via these products, we gather a vast amount of on-site data—such as operating statuses of manufacturing lines, flows of people at train stations, vehicle movements on streets, transactions at convenience stores and hotels, and personal health data such as blood pressure and ECG readings—and use it. It was essential for OMRON to strengthen its capabilities and expertise to further advance the use of this data, developing it into a feasible, scalable standalone business. The key to resolving this issue is JMDC Inc., which became a Group company in October 2023.

I am convinced that combination of OMRON's potential ability to utilize data with JMDC Inc.'s analytical capabilities and the volume of data it possesses, including medical data, will yield unique new OMRON solutions. In December 2023, we established the Data Solution Business HQ (DSB), a new organization reporting directly to the CEO, to accelerate the solution business through collaboration with existing businesses based on co-creation with JMDC Inc. DSB aims to foster synergies in the healthcare solutions domain, particularly within the corporate health solutions business. DSB has also launched the smart M&S solutions business* and carbon neutrality solutions business in the industrial automation and social systems domains, which are gaining traction as they become established. Among these businesses, the smart M&S solutions business is the one that is showing the most positive signs of business growth and profitability.

FY2025
Operating Income

Approx. JPY 70.0 billion

FY2026
Operating Income

Approx. JPY 90.0 billion

Target ROIC

10% or more

In fiscal 2024, we are targeting sales of about JPY 6 billion in smart M&S solutions for distribution. By putting OMRON's data solution business on track, we target total DSB sales of JPY 100 billion in fiscal 2027.

[→ DSB Section](#)

[→ Discussion: OMRON x JMDC toward Evolution](#)

* The smart M&S solutions business provides one-stop solution services that address issues faced by on-site, administrative, and managerial personnel of client companies.

Unleashing the Potential of Employees to Realize SF2030

Since becoming CEO, I have been making efforts to visit OMRON sites in Japan and around the world to meet and talk directly with our employees in order to realize SF2030. As of August 31, 2024, I had held more than 110 dialogues with employees, totaling more than 800 people. Using digital communication tools, I have also increased the frequency of message distribution and interactive communication with employees. By hearing directly from employees, I can understand the actual situations at sites. I also believe that directly conveying top management's attitude, message, and encouragement to employees will increase their motivation and sense of unity. We are currently promoting initiatives to find out what each individual wants to do, ascertaining their will. This involves increasing the frequency of workplace dialogues in which any employee who wishes to participate can do so on their own initiative, thereby supporting customer-driven activities. We are creating an organization with a free and open atmosphere where each employee's will is respected and employees support one another to unleash their collective willpower. I believe that by ensuring that all employees are customer-oriented and focused on increasing sales, we can regain our momentum as an enterprise overflowing with a venture spirit.

Aiming to Further Enhance Corporate Value

I recognize that the valuations of OMRON shares since last

year reflect the capital market's critical view of OMRON's future growth potential. The only way to regain the trust and expectations of the capital market is by completing structural reform with agility and demonstrating the prospect of growth. Since becoming CEO, I have had numerous opportunities to engage in dialogue with investors. Through these conversations—while receiving candid opinions and suggestions—I have come to realize that expectations for OMRON are even higher than I had initially imagined. I am committed to the transformation of OMRON with agility to meet the expectations of all stakeholders, including investors. We will also communicate our transformation in various ways.

I remain devoted to the accomplishment of OMRON's fundamental purpose, "to create social value through business and continue to contribute to a better society." By promoting co-creation of new value with our stakeholders, we will resolve social issues and achieve sustainable, profitable growth. We are dedicated to maximizing corporate value and meeting the expectations of our stakeholders. In all these endeavors, I will appreciate your continued understanding and support.

September 2024
President and CEO

Junta Tsujinaga

FY2027
DSB's Net Sales

JPY 100.0 billion

Dialogues with Employees

110 times,
800 people or more



CFO Message

Achieve Robust Regrowth by Implementing ROIC management



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

Seiji Takeda

Strengthen Portfolio Management in Anticipation of Future Business Environments

OMRON has been implementing management based on return on invested capital (ROIC) since 2013. Specifically, ROIC management consists of the Down-Top ROIC Tree approach and portfolio management. With the Down-Top ROIC Tree approach, the effects created by actions at each frontline are quantified and linked with the components of ROIC so that all organizations take ownership of the achievement of the ROIC target. Portfolio management is for improving

low-profitability businesses and promoting allocation of investment to growth businesses. The purpose of this ROIC management structure with two elements is to achieve profitability exceeding the cost of capital and to enhance corporate value through sustainable growth of sales and profit (See [Figure 1](#)).

However, ROIC declined significantly to 1% in fiscal 2023 and is expected to be around 1% in fiscal 2024. This decline is mainly attributable to (1) a significant decline in gross profit margin (GP ratio) due to supply chain disruptions during the COVID-19 pandemic, (2) a significant decrease in profit in the Industrial Automation Business (IAB) and the Device & Module Solutions Business (DMB) against the backdrop of decreased sales, especially in Greater China, reflecting stagnant capital investment in the semiconductor, EV, and PV industries and other sectors, and (3) recording of costs for structural reform. Nevertheless, even in this phase, the GP ratio is already on a recovery trend thanks to prompt actions at each frontline using the Down-Top ROIC Tree (See [Figure 2](#)). Moreover, optimization of labor costs and expenses is progressing through headcount optimization and review of business processes, and recovery of profitability is in sight.

On the other hand, for sustainable growth of sales and profit, it is important to evolve the portfolio of products and services that will make this possible. Specifically, we are currently strengthening portfolio management from two perspectives. Firstly, business valuation in anticipation of future business environments. In recent years, capital investments in the semiconductor and EV industries have become larger, and the fluctuation of supply and demand for factory automation (FA) equipment has increased accordingly. Moreover, the Chinese market, which has been a driver of global economic growth, is experiencing slower GDP growth and local companies are becoming a source of stiffer competition as they increase their speed of execution and enhance QCD (Quality, Cost, and Delivery). Conventionally, we identified

Figure 1 OMRON's ROIC Management

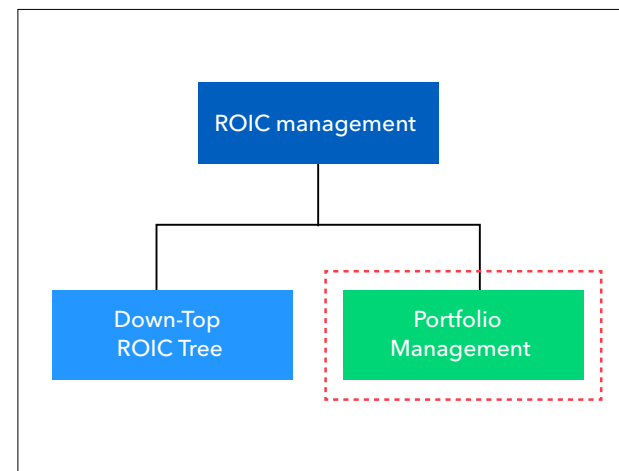
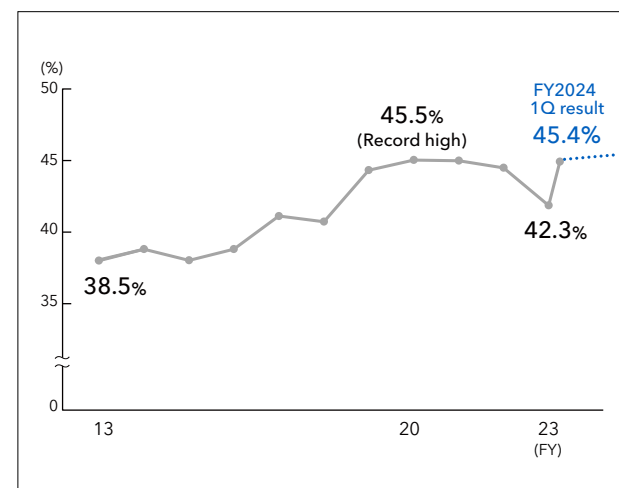


Figure 2 GP Ratio



low-profitability and unprofitable businesses based on past performance and implemented portfolio management to achieve improvement. However, this approach alone proved inadequate in the recent business environment, and we regret that it resulted in a situation that undermined business stability. Reflecting on this experience, we now conduct valuation of businesses in anticipation of future business environments in addition to valuation based on actual performance results. In particular, regarding IAB's business environment, restructuring of global supply chains is accelerating to avoid geopolitical risks, and we are strengthening business valuation not only in terms of products and services but also from an area perspective. Secondly, capital allocation with a focus on high-growth, high-return businesses. OMRON currently has 64 product and service businesses. In order to accelerate sales and profit growth, we will implement more focused capital allocation than ever before. In particular, IAB, with its wide range of products, will focus its own resources on products that can achieve sales and profit outperforming market growth so as to maximize business performance. Selection of target products is being finalized and speedy introduction of competitive products and services will be promoted. Moreover, market growth is expected for storage batteries and power conditioners of the Social Systems, Solutions and Service Business (SSB) and for blood pressure monitors and portable electrocardiographs (ECG) of the Healthcare Business (HCB).

By investing appropriately in these products and services that have the potential for sustainable growth far into the future, we will build a stronger position than ever before. The same is true for the Data Solution Business (DSB) in this regard. In this area, we were able to lay a stepping stone through the acquisition of JMDC Inc. in fiscal 2023. Leveraging JMDC Inc.'s capabilities, DSB will accelerate value creation not only in the healthcare domain, but also in the factory automation and social solutions domains. Restructuring of the portfolio with an eye to future business environments is the cornerstone of ROIC management as it ensures sustainable sales and profit

growth. I recognize that completing this initiative is one of my principal tasks.

Operating Cash Flow to Enter Re-expansion Phase

Although OMRON's operating cash flow had been stable at around JPY 70 billion to JPY 90 billion, it declined significantly in fiscal 2023 against the backdrop of a decrease in IAB's sales and a large increase in inventories (See [Figure 3](#)). In fiscal 2024, we expect operating cash flow to remain at a lower level than in the past because recovery of financial performance will be limited and one-time costs for structural reform will be recorded.

However, operating cash flow is expected to move into an expansion phase again from fiscal 2025 onward. Inventories, which pressurized cash generation, are expected to normalize along with a gradual recovery of orders because the effectiveness of procurement control implemented in fiscal 2023 is becoming apparent. In addition, IAB has begun to restructure its supply chain management (SCM) system so as to be able to respond quickly to market volatility. Moreover, since the reduction of the ratio of selling, general and administrative expenses and optimization of headcount and the labor cost structure are progressing as planned, and the recording of one-time costs for structural reform will be completed in fiscal 2024, we expect operating cash flow to recover to a near historical level from fiscal 2025 onward. In terms of capital allocation, we will accord the highest priority to investment for structural reform in fiscal 2024, but from fiscal 2025 onward, we will make solid investment to support sales and profit growth under the new portfolio plan. Furthermore, we will continue to invest in IT including restructuring of SCM systems, so that we can quickly identify changes in the market and enhance our ability to effectively respond to such changes. We also recognize the importance of shareholder returns in enhancing corporate value, and will maintain a policy of dividends on equity (DOE) of around 3%

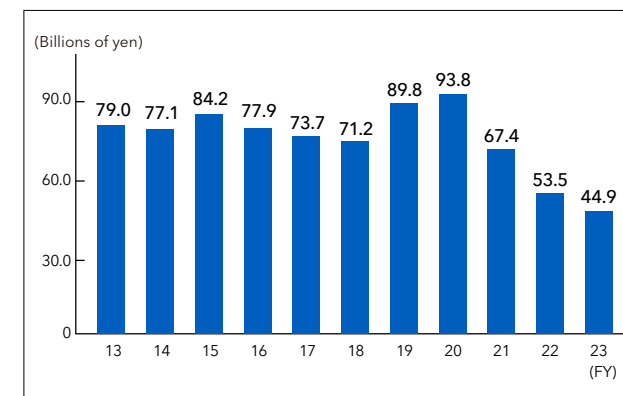
to ensure sustainable and stable dividends, while making appropriate decisions on share buybacks in view of the stock price and investment situations.

To Reduce the Cost of Capital

So far, I have focused on improving ROIC, but we recognize that reducing the cost of capital is also an important factor in enhancing corporate value, and will continue to pursue an initiative in this regard. The cost of capital is currently at around 8%, higher than in the past, due in part to interest rate increases. For reducing the cost of capital, of course, establishment of a stable profit and growth structure remains of primary importance. However, from the perspective of financial value, we will also reinforce two initiatives.

Firstly, financial discipline. OMRON's shareholders' equity ratio was 58% as of the first quarter of fiscal 2024, and interest-bearing debt was about JPY 200 billion due to the financing of about JPY 85.5 billion for the investment in JMDC Inc. in fiscal 2023. However, net interest-bearing debt (net debt) after taking into account cash and cash equivalents is about JPY 40 billion, without any major concerns about

Figure 3 Operating Cash Flow



the soundness of the current balance sheet, which we consider to be an appropriate level with sufficient capacity for investment in growth. Balance sheet evaluation should be performed, taking into account strategy and the timeline, and management is conducted under appropriate financial discipline while grasping future cash flows (See [Figure 4](#)). We thoroughly evaluate corporate value from various angles, in particular, when executing M&A. In verifying the return on investment, we not only control liabilities based on the EBITDA plan, but also clarify the impact of risk-weighted assets, such as goodwill, and set a cap on risk-weighted assets for the entire balance sheet. By doing so, we maintain a balance between growth and financial soundness. In addition, OMRON has long been eliminating cross-shareholdings in accordance with the corporate governance guidelines. We will continue to respond appropriately in accordance with the guidelines.

Secondly, dialogue with capital markets. Although we have been placing importance on dialogue with capital markets, I believe that we should further strengthen the dialogue. I myself have received many thought-provoking opinions and advice in the course of dialogues with numerous investors and shareholders since last year. Business valuation and suggestions from investors' perspectives are stimulating and valuable factors that may trigger improvement of the quality of our strategy and acceleration of its execution. In retrospect, no dialogues were more fruitful than those in which we received candid critical comments.

We emphasize dialogue with investors and shareholders also from the perspective of appropriate stock price formation. The goal of the structural reform underway is to ensure sustainable growth, but many initiatives are still in progress and there may be a time lag between the necessary investment and returns. This is because we think it is necessary to formulate an equity story and share it with investors as a tool to facilitate their understanding and create a situation in which investors can support us in our efforts to increase

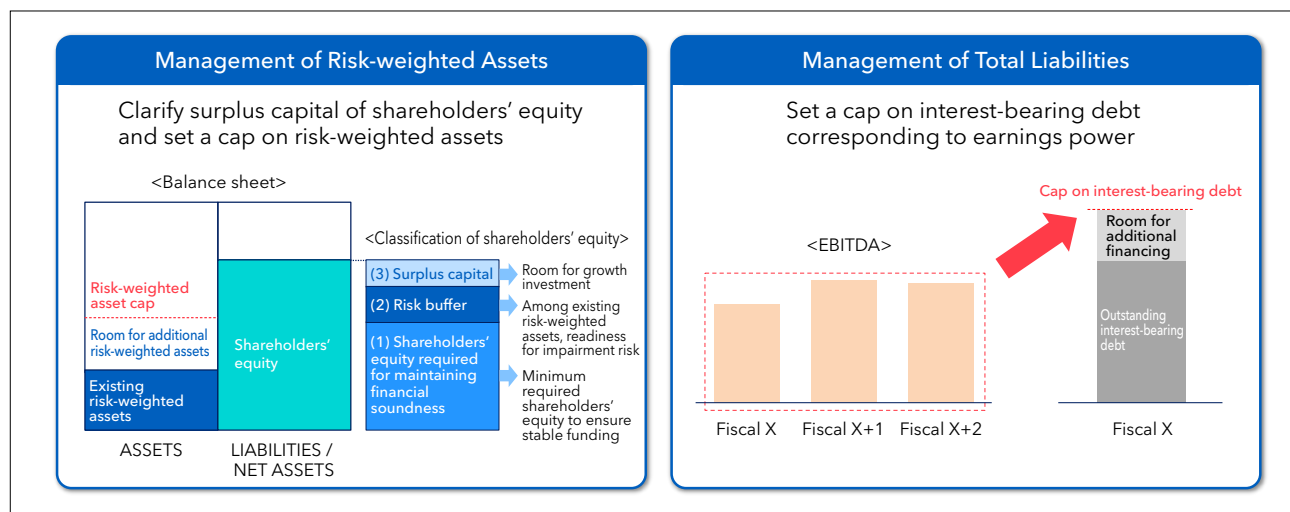
OMRON's corporate value. To this end, both the Group's Corporate Planning Department and Investor Relations Department have been placed directly under the CFO from the current fiscal year. Under this structure, we will engage in transparent, consistent, and continuous dialogue and disclosure of our vision and progress, ensuring linkage to enhancement of corporate value.

To Our Shareholders

In conclusion, let me mention that structural reform launched in the current fiscal year is making steady progress, and we are implementing companywide initiatives to achieve transformation into a stronger OMRON. As we achieve progress in strengthening the earnings base, we are accelerating each of our initiatives with our sights set on medium- to long-term sustainable growth. My role is to ensure appropriate risk management and allocation

of management resources to maximize the outcome of each business's initiatives. OMRON possesses many tangible and intangible assets that have been cultivated over the years, and many of our businesses have growth potential to address growing markets. We will identify businesses that address the three social issues defined in our long-term vision SF2030 and are capable of sustainable sales and profit growth, and make solid investment leading to the next stage of growth and returns. By reinforcing this cycle, we aim to enhance corporate value and contribute to our shareholders and society.

Figure 4 Management to Strengthen Financial Discipline



STRATEGY & BUSINESS

Resolving Social Issues through Our Business

Creating social value and driving OMRON's sustainable growth by resolving social issues through our business

Industrial Automation Business (IAB)

Market Environment

Manufacturing processes are becoming increasingly sophisticated worldwide and major changes are afoot, such as the shift from gasoline-powered to hybrid vehicles and EVs. At the same time, soaring labor costs and labor shortages due to a shrinking workforce are becoming more pronounced. Moreover, initiatives to promote decarbonization of production processes and introduce energy management are underway in response to customer needs for more sustainable products and services. In fiscal 2024, as these factors continue to reshape society, recovery in demand for factory automation (FA) is expected to commence, gaining traction from the second half of the year onward. In particular, capital expenditure in the semiconductor industry is recovering thanks to rapid growth in global demand for AI, and we expect continued expansion of investment in the technology sector, especially in Japan, South Korea, and Taiwan. In addition, we anticipate a further rise in demand, coupled with investment in semiconductor production in each country and region. Attuned to this market environment, we aim to grow our business by resolving issues at manufacturing sites.

Our Strengths

We have a threefold value proposition that can resolve issues at our customers' manufacturing sites. Firstly, the most extensive product lineup in the industry. We will begin strengthening our core products, such as various sensors for monitoring equipment status and collecting other information, and controllers and robots enabling high-speed, high-precision control of equipment. Drawing on the wealth of knowledge that OMRON has cultivated at manufacturing sites, we will further enhance our product lineup to contribute to the progress of manufacturing.

Secondly, control applications that are an elegant solution for advanced control. Our control applications, created through the combination of OMRON's product lineup and software technology, are widely used at manufacturing sites where advanced production technology is required, such as in semiconductor manufacturing where unceasing technological innovation is the norm, as typified by three-dimensional device structures including chiplets, and in the manufacture of rechargeable batteries, which are a key enabler of a decarbonized society. In addition, our experienced application engineers deployed worldwide provide field technical services to implement tailored solutions that meet individual customer needs. In cooperation with our customers, we will continue making a concerted effort to resolve new issues at manufacturing sites by leveraging OMRON's automation technology. Thirdly, the provision of services to help resolve issues related to energy management and human resources engaged in manufacturing, which are directly related to customers' business management. Notable examples are i-BELT and the Industrial Automation Academy (IA Academy). As a service that utilizes on-site data while leveraging the customer's knowledge, and through consulting, i-BELT is highly regarded for its ability to facilitate identification of on-site issues and thorough implementation of improvement activities. Many of our customers have incorporated IA Academy into their human resources development programs. The unique curriculum, which covers not only conventional training for FA devices operation but also manufacturing and equipment management methods, is customizable according to customer needs.

Growth Strategy to Achieve SF2030

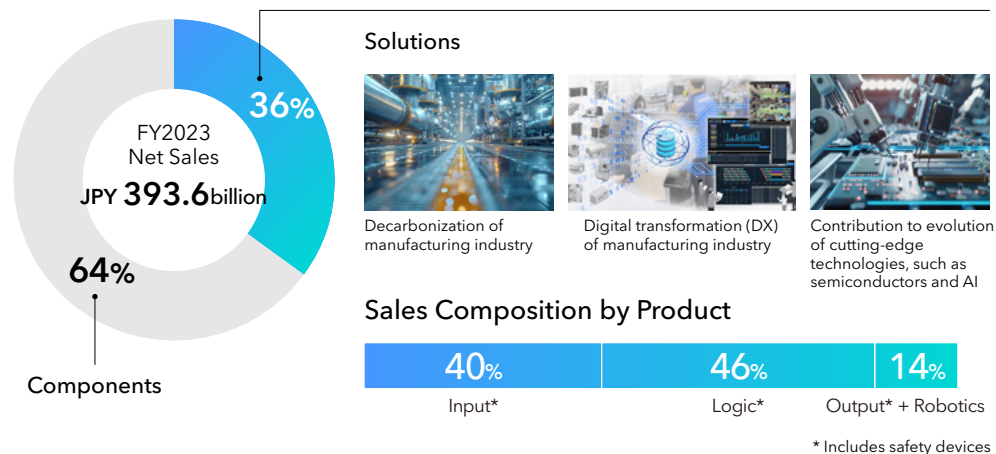
Production sites previously concentrated in China are rapidly being dispersed to Europe, the U.S., Asia, India, and elsewhere in light of soaring labor costs, geopolitical risks, and the trend toward local production for local consumption. Furthermore, with manufacturing technology

evolving at an ever-faster pace, we assume that responses to labor shortages in manufacturing industry and structural transformation of the sector through such inexorable trends as decarbonization and digitalization will remain a defining feature of the industrial landscape for the foreseeable future. In response to the burgeoning needs for FA, IAB aims to increase sales by steadily resolving customers' manufacturing issues one by one. In particular, we aim to achieve regionally balanced sales growth by deploying our automation technology, which we have established in response to changes in manufacturing mainly in China and Asia, to production sites worldwide.

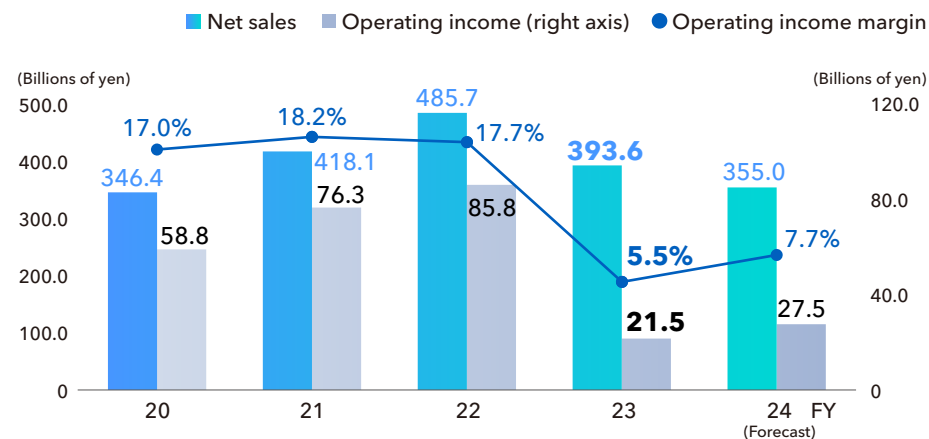
To this end, under NEXT 2025, we will reinforce our capabilities for resolving customers' manufacturing issues. Firstly, we will pursue optimization of our product portfolio, centering on core products. We will focus companywide development resources on creation of a highly competitive product lineup to amplify our growth potential. Secondly, we will continue to enhance our control applications in response to the evolution of manufacturing technology, which is tantamount to structural transformation. Our field engineers deployed around the world will work with customers at their sites, resolving issues with them as control applications continue to evolve. Furthermore, we will refine our services to effectively resolve issues using our products and control applications. For example, OMRON invested in SALTYSER, Inc.*, whose technology is capable of integrating all types of data at manufacturing sites at unparalleled speed. Through co-creation with SALTYSER, we intend to expand i-BELT services that utilize on-site data for such purposes as "predictive maintenance," "manufacturing that does not produce defective products," and "energy-saving production." There is an urgent need to address issues arising from increasing consumer demand for high-quality, sustainable products and the ongoing changes in manufacturing. Capitalizing on its industry-leading product lineup and automation technology, OMRON will create a stream of innovations that resolve social issues and contribute to the progress of manufacturing that supports a sustainable society.

*Investment in SALTYSER was executed in October 2023.

Sales Composition by Business Domains



Net Sales / Operating income / Operating income Margin



Net Sales for Fiscal 2023

Demand for capital investment in manufacturing industry was sluggish globally throughout the year. In particular, we saw a significant negative impact stemming from postponements or reductions in investments related to rechargeable batteries for EVs and semiconductors. Inventory at distributors, which had been an issue, remained at high levels, despite a trend toward drawdowns. As a result, net sales were JPY 393.6 billion, significantly lower year on year.

Operating income for Fiscal 2023

Operating income was JPY 21.5 billion, significantly lower year on year due to lower sales, changes in the sales composition by product, write-down of slow-moving inventories, and other factors affecting gross profit margin negatively.

INPUT

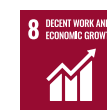
- R&D cost: JPY 25.9 billion (results for FY2023)
- Capital expenditure: JPY 7.3 billion (results for FY2023)
- Invested in SALTYSER, Inc., which has high-speed data integration technology applicable to any product data at manufacturing sites (October 2023)
- Launched CT-type automatic X-ray inspection systems that enable one of the highest-speed inspection in the industry (November 2023)
- Strengthened product supply capabilities by implementing SCM reform, including design changes, enhanced procurement of components, and parallel production at multiple sites (July 2024)
- Proactively pursued strategic alliances to respond to diversifying robotics needs (Lowpad BV in November 2023, NEURA Robotics GmbH in April 2024)

OUTPUT

- Net sales: JPY 393.6 billion (-19.0% YoY)
- Operating income: JPY 21.5 billion (-75.0% YoY)
- Number of customers using innovative-Automation: 4,315 companies
- Sales of the solutions business as a proportion of total sales of IAB: 36% (+1% points YoY)
- The high-definition, high-speed in-line CT-type automated X-ray inspection technology for semiconductor chiplets received the Minister of Education, Culture, Sports, Science and Technology Award at the 53rd Japan Industrial Technology Awards. (March 2024)

OUTCOME

- Contributed to the progress of "manufacturing that will support a sustainable society" through the combination of products and services to resolve essential issues facing society



SDGs 8.2.1



SDGs 9.2.1



SDGs 17.16

SF2030 Topics

"Realization of a Digital Society"

OMRON's Board Inspection Solutions Supporting Evolution of Digital Technology

Under SF2030, OMRON aims to contribute to "realization of a digital society," where people are free from restrictions and can pursue individual fulfillment. For example, this will be a society where the evolution of automation combined with control devices supports the spread of advanced technology, allowing everyone to be creative in their own way. Generative AI and high-speed communication technologies such as 5G/6G are shaping the digital society of the near future, as are smartphones and IoT devices that are now integral to our lives. Semiconductors are incorporated in these products and technologies, underpinning technological innovation. The strategic importance of semiconductors has gained widespread recognition. Semiconductors, which are at the heart of myriad products, are always subject to quality issues. Semiconductor chips have traditionally achieved higher performance through miniaturization of the wiring width of

device and circuits, but the technical challenge of microfabrication technology has increased with the passage of time, making it increasingly difficult to produce non-defective products. In the case of advanced semiconductors, the costs of R&D and production equipment have soared, pushing manufacturing costs ever higher. Therefore, improvement of pass yields has become a crucial challenge. To address such technological issue, a new technology, the "chiplet" (See [Figure 1](#)), which involves fitting multiple tiny semiconductor chips into a single package, is attracting attention as a means of improving performance in addition to miniaturization. On the other hand, in contrast to conventional planar designs (monolithic), 3D mounting makes chiplets' structures more complex. This means that transmission images obtained by 2D X-ray inspection systems are of limited effectiveness as a basis for determining whether chiplets are non-defective. A means of inspection offering greater precision is required. The VT-X950 high-speed in-line CT-type X-ray automatic inspection system unveiled in November 2023 enables high-speed,

high-precision inspection. (See [Figure 2](#))

Resolving industry's technological issues with inspection systems that revolutionize the semiconductor manufacturing process

By combining OMRON's proprietary control and image processing technologies, VT-X950 achieves high-speed, high-precision inspection of advanced semiconductor packages. Utilizing state-of-the-art 3D CT technology, the system captures images with resolution as small as $0.2\ \mu\text{m}$ ($1/1000$ of $1\ \text{mm}$), visualizes the quality of minute amounts of solder inside semiconductor packages, and enables automatic judge of good/defective by means of quantitative inspection. Through utilization tailored to customers' specific applications, the VT-X950 will contribute to higher development speed, yield improvement, and stabilization of mass-production quality in all phases of semiconductor manufacturing, from R&D through to mass production. (See [Figure 3](#))

The VT-X950's high-definition, high-speed in-line CT-type

Figure 1 Semiconductor Industry's Evolution and Challenges

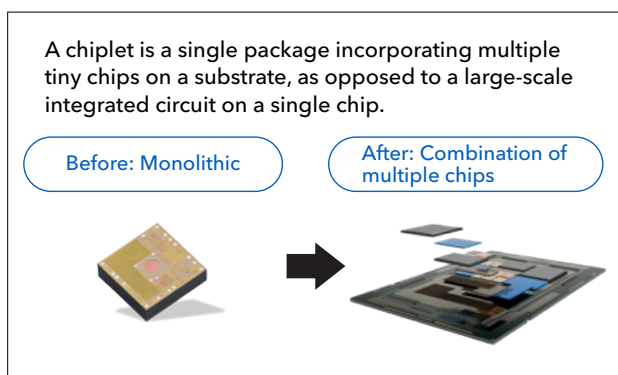


Figure 2 VT-X950 CT-type Automatic X-ray Inspection System and X-ray Images

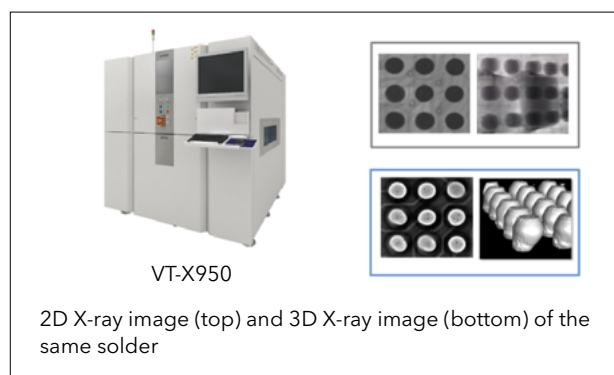
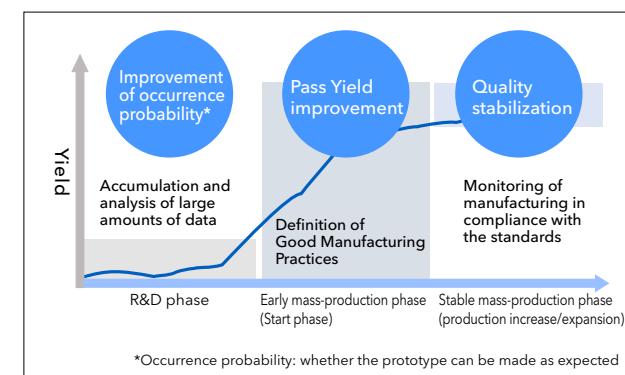


Figure 3 Contribution to Every Phase of Semiconductor Manufacturing



automated X-ray inspection technology for semiconductor chiplets received the Minister of Education, Culture, Sports, Science and Technology Award at the 53rd Japan Industrial Technology Awards. Comments of the panel of judges included the following: "It is a technology necessary for the advancement of the semiconductor industry and an important automated inspection technology for the improvement of semiconductor performance," and "The minimum resolution per pixel for CT type X-ray inspection has been improved from 0.3 μm to 0.2 μm ."

Addition of new models for power semiconductor modules and for data centers contributes to the spread of advanced technologies

In addition to the model for advanced semiconductors, OMRON developed the VT-X850, a model for power semiconductor modules, to meet the inspection needs of the automotive industry. With their excellent environmental credentials, EVs will be a primary means of transportation in the emerging digital society. Integration (X in 1) of components that combine multiple functions, such as the "eAxe," which is an integrated unit comprising major power

devices such as gears, motors, and inverters in EVs, has become the technological mainstream. As more items must be inspected because of the increasing complexity of the internal structure, the need for high-resolution 3D inspection is increasing. The VT-X850 uses a high-power X-ray tube suitable for large, thick power semiconductor modules, and improves semiconductor yields through in-line high-speed inspection that is not burdensome for production lines. (See [Figure 4](#))

By applying our proprietary AI technology, inspection settings have been automated and AI image processing technology for generating high-definition images that facilitate determination of good/defective products has been reinforced. Moreover, the creation of inspection programs for image processing, which was previously reliant on the expertise of experienced technicians, has been automated. This function will help address labor shortages in the semiconductor industry, which are becoming more pressing as a result of technological innovation. Devices indispensable for an advanced digital society offer higher performance and greater ease of use, but at the same time, their technical structures have become more

complex, and from a manufacturing perspective, quality assurance through appearance and functional inspections is becoming more difficult. Going forward, as technological innovation propels semiconductor performance to new heights, advanced inspection technology will remain essential for stable production and high quality. OMRON presented these technologies at SEMICON TAIWAN held from September 4 to September 6, 2024. In Taiwan, a hub of advanced semiconductor manufacturing, we presented our innovation-driven value proposition to numerous customers from the semiconductor industry.

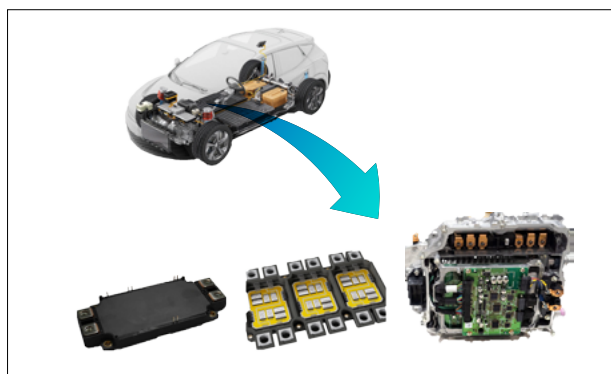
OMRON's offering is by no means limited to PCBA inspection systems, but encompasses many other products and solutions for improving productivity and quality in the semiconductor industry. By continuing to create solutions that underpin technological innovation, we aim to support the digital society, creating a better society and a brighter future.

Received the Minister of Education, Culture, Sports, Science and Technology Award at the Japan Industrial Technology Awards



(Far right)
Kazuhisa Shibuya, Senior General Manager, Inspection Systems Business Division HQ, Industrial Automation Company, OMRON Corporation

Figure 4 Power Modules and Automotive electrical components



OMRON's booth at SEMICON TAIWAN



Healthcare Business (HCB)

Market Environment

There are estimated to be 1.28 billion hypertensive patients and 46 million atrial fibrillation (AFib) patients worldwide. As these numbers are increasing globally in the context of accelerating population aging in developed countries and a growing middle class in developing ones, demand for healthcare products is destined to grow. We believe growth potential is high in developing countries such as India and other nations in Asia, where the penetration rate of blood pressure monitors is low.

In addition, we believe digital technology and AI will become increasingly prevalent, and will be introduced not only for personal health management but also as new medical infrastructure for treatment and diagnostic support. Meanwhile, as consumer purchasing behavior shifts online globally, the market environment is changing faster with the emergence of new ecosystems as well as the new entrants from different industries and startups.

Our Strengths

One of our strengths is the trust of medical professionals, patients, and consumers that we have cultivated through the market penetration of blood pressure monitors. This is also reflected in our new initiative, “to develop an at-home electrocardiogram (ECG) recording culture.” Though it is yet not widely known that AFib is a risk factor for stroke or that an ECG can be obtained at home, we are participating in related academic conferences, raising consumer and media awareness of the disease and of ECG. We conducted joint research with Kyoto Prefectural University of Medicine on

the effectiveness of home ECG recording in early detection of AFib and prevention of its recurrence. Of 94 patients with AFib, we detected recurrence of AFib in 31 patients. Our blood pressure monitors satisfy the safety and accuracy standards required for medical devices and they are available in more than 130 countries and regions. We are advocating deregulation to promote the devices. Provision of product information on ECGs to general consumers was previously prohibited in Japan. However, leveraging relationships with governmental and other organizations that we have cultivated through our activities to obtain regulatory approval, OMRON was involved in drafting the Guidelines for Appropriate Advertising and Labeling of Cardiac Activity Recording Devices and Programs for Cardiac Activity Recording Devices during Events. The introduction of the Guidelines means it is now allowed to provide information on blood pressure monitors with ECG and portable ECGs directly to consumers.

Growth Strategy to Achieve SF2030

Inspired by our vision, “Going for ZERO, Preventive Care for the Health of Society,” we aim to resolve health issues concerning cardiovascular diseases, respiratory diseases, and pain management.

In the device business, we will work to further strengthen sales channels both offline and online, so that customers can purchase products at their preferred timing and place. In the new business, we are focusing on promoting ECGs. In Europe, we visited more than 1,500 cardiologists and developed some 1,600 sales outlets in a year. Moreover, we launched a global campaign to raise awareness of AFib in February 2024 and produced a movie featuring an AFib sufferer who comments on her experience, commentary by a cardiologist, and a piece of music expressing the

irregular heartbeat to highlight the risk of AFib.

In April 2024, OMRON made Luscii Healthtech B.V., a Dutch company that provides remote patient monitoring services, a wholly owned subsidiary. Luscii offers care at home programs for over 150 conditions to healthcare institutions, many of which have proven to be effective. Luscii has a flat “holacracy organizational structure,” which we will refer to when considering future organizational reform. In the digital health domain, we will strengthen our health management service “OMRON connect,” which is currently distributed in more than 130 countries and regions worldwide. In Japan, data linkage of OMRON connect with JMDC Inc.’s lifestyle modification solution service for corporate health insurance associations has started.

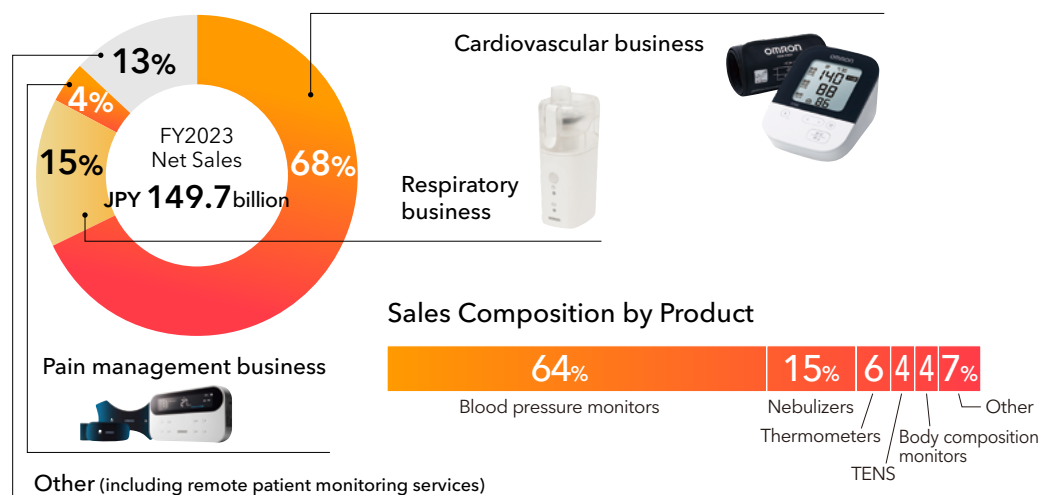
To quickly identify customer needs in the digital health domain and accelerate the pace of business, we consolidated planning and development functions of digital health services into a single organization, which has started operation, based in North America. We will continue evolving our services from a global perspective.

To achieve carbon neutrality, an energy consumption visualization system and air conditioning and lighting control systems were installed in the office space and on the production lines at the Matsusaka Factory in April 2023. Energy control according to the operating conditions of each space is implemented through DX.

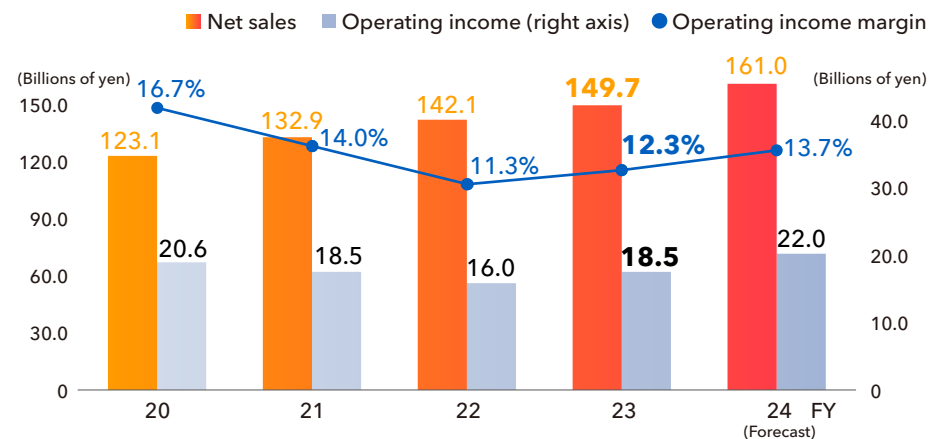
➡ SF2030 Topics “Achievement of Carbon Neutrality”

In January 2024, we launched Vision Link Meeting, a forum for the management team and employees to freely exchange opinions. We will endeavor to foster a culture geared to creation of customer value to become an organization capable of acting more quickly and flexibly. Through these initiatives, HCB will create new preventive care solutions.

Sales Composition by Business Domains



Net Sales / Operating income / Operating income Margin



Net Sales for Fiscal 2023

Demand for mainstay blood pressure monitors remained strong, particularly in Europe. In addition, demand for nebulizers increased significantly in China due to an increase in pneumonia and other respiratory diseases. As a result, sales increased year on year to JPY 149.7 billion, due in part to the depreciation of the yen.

Operating income for Fiscal 2023

Operating income significantly increased year on year to JPY 18.5 billion due to the increase in sales, as well as cost reductions for logistics and components.

INPUT

- R&D cost: JPY 8.3 billion (results for FY2023)
- Capital expenditure: JPY 3.9 billion (results for FY2023)
- Started data linkage between the OMRON connect smartphone health management app and JMDC Inc.'s Pep Up personal health record (PHR) service. (April 2023)
- Introduced an energy consumption visualization system and air conditioning and lighting control systems in the office space and on the production lines at the Matsusaka Factory. Implementation of energy control according to the operating conditions of each space to achieve carbon neutrality (April 2023)
- Launched a portable ECG in Japan that can record ECG data useful for physicians' diagnosis (April 2023)
- Began domestic procurement of parts for blood pressure monitors manufactured at the Matsusaka Factory. Aim to reduce greenhouse gas emissions and coexist with the local community (July 2023)
- New factory in Dalian, China, began operation (August 2023)
- Launched a global campaign "Listen to Your Heart" to raise awareness of AFib

OUTPUT

- Net sales: JPY 149.7 billion (+5.3% YoY)
- Operating income: JPY 18.5 billion (+15.3% YoY)
- Cumulative global sales of blood pressure monitors: 22.46 million units (FY2023)
- Number of countries where portable ECGs and blood pressure monitors + ECG are marketed: 45 countries

OUTCOME

- To advance health and empower people worldwide to live life to the fullest by creating eco-systems for preventive medicine to decrease the onset of chronic heart disease events



SDGs 3.4.1

SF2030 Topics

"Extension of Healthy Life Expectancy"

Helping People Fulfill Their Desire to Stay Healthy through Preventive Care

For "extension of healthy life expectancy," as one of the targets of SF2030, OMRON aims to contribute to a society where people can pursue individual fulfillment by staying healthy.

■ Health management at home as preventive care for serious diseases

OMRON Healthcare, in charge of the healthcare business, is implementing initiatives to extend healthy life expectancy centering on cardiovascular diseases, respiratory diseases, and pain management under the vision "Going for ZERO, Preventive Care for the Health of Society." For cardiovascular diseases, OMRON has been partnering with healthcare professionals to promote home blood pressure monitoring for more than 40 years. Today, home blood pressure monitoring has become standard practice for hypertension management, and its market is expanding globally. We will continue to focus on further market penetration of home blood pressure monitoring in cooperation with academic societies in various countries. This year we again extended cooperation for the May Measurement Month; a global blood pressure screening awareness campaign held every May in more than 100



countries around the world on the initiative of the International Society of Hypertension (ISH). To date, OMRON has donated a cumulative total of more than 20,000 blood pressure monitors and more than 4 million people have had their blood pressure measured in this campaign. In addition, we are working to encourage ECG recording at home for early detection of AFib, which is one of the causes of stroke. In February 2024, we launched a new portable ECG device that can easily record ECG when subjective symptoms such as chest pain or palpitations are felt at home or when out and about. By making ECG checks, which are normally performed at healthcare institutions and during medical checkups, more accessible, we will help reduce cerebrovascular and cardiovascular events.

In fiscal 2023, demand for nebulizers for healthcare institutions increased due to a sharp rise in the number of patients with respiratory diseases in China, and the sales marked a record high in the online market. A nebulizer is a medical device used to deliver medications for asthma, etc. to the bronchi and lungs in the form of a fine mist. The number of patients suffering from asthma and other respiratory diseases continues to increase, especially in China and other developing countries where air pollution persists. We are contributing to the treatment of asthma and prevention of aggravation through the global provision of nebulizers, which are useful in the treatment of respiratory diseases.

Regarding pain management to alleviate chronic pain, we are working to create a new market in the sports recovery domain for alleviating muscle fatigue and muscle pain after exercise by applying TENS. Through partnerships with professional soccer and basketball teams, as well as universities and high schools with notable clubs, we aim to expand product recognition in the sports recovery market. From the treatment of chronic pain to conditioning for

athletes, we aim to help more people lead their daily lives without worrying about pain.

■ Remote patient monitoring service to support medical treatment

In April 2024, OMRON Healthcare acquired all issued shares of Luscii, provider of a remote patient monitoring service in Europe. We entered a business partnership with Luscii in 2018, linking our devices with Luscii's treatment support programs. By making Luscii a wholly owned subsidiary, we strengthen and accelerate the remote patient monitoring service business in Europe.

Healthcare support solutions provided by Luscii include care plans based on biometric data measured at home and care at home programs to help maintain treatment. This service has been introduced in about 70 major hospitals, mainly in the Netherlands and the U.K., and is used to improve the efficiency of medical care and prevent aggravation. The greatest strength is that the programs offered by Luscii cover more than 150 diseases including not only cardiovascular and respiratory diseases but also COVID-19, cancer, inflammatory bowel disease, and diabetes. By integrating the strengths of our devices and know-how with Luscii's healthcare support solutions, we will develop remote patient monitoring services to provide appropriate treatment to more patients.

■ Creating new value through preventive care and extending healthy life expectancy

OMRON Healthcare will continue striving to extend the healthy life expectancy of people around the world by providing devices and services that facilitate early detection of disease and early intervention for treatment, to "prevent illness," "prevent aggravation," and "prevent recurrence of serious illness."

Social Systems, Solutions and Service Business (SSB)

Market Environment

In fiscal 2024, in view of global warming and continued investment in upgrading and renewal of existing social infrastructure facilities, the social infrastructure market is expected to be firm, led by greater investment in energy facilities. In the energy market, especially in the residential and industrial domains, demand for solar power generation systems and energy storage systems is expected to continue increasing as the need for consumption of renewable energy for homes persists, reflecting the trend toward carbon neutrality and soaring electricity prices. In the distribution and retail market, we expect demand for store operations and management to continue over the medium term, as labor-saving needs persist in view of rising labor costs and labor shortages. We aim to grow the business by providing solutions that help resolve customer issues, while ensuring that we retain a sure grasp of the market environment.

Our Strengths

SSB is a one-stop provider of product value through products and systems that resolve on-site issues in each social infrastructure market, from development to maintenance. Our products and systems support stable operation of social infrastructure by responding to various site environments and operating conditions and we hold a high share of each market. These are our strengths. Going forward, while strengthening and utilizing products, we will create “service” solutions from an “essential value perspective” that resolve issues facing the market and management. “Products and services” constitute SSB’s strength and we intend to reinforce it.

In energy solutions, we will widely deploy storage battery systems in the market while enhancing their functions to promote the spread of renewable energy. In addition, to address the soaring cost of electricity procurement due to soaring oil prices, which is an issue from a market perspective, we have launched a service that reduces the cost of electricity procurement by controlling storage battery systems and recharging and discharging them with optimal timing during each day. We will address the challenges of adjusting electricity supply and demand while enhancing and utilizing storage battery systems.

Moreover, regarding management and service solutions (M&S), we are implementing continuous improvement in maintenance services for store equipment. In addition, in order to develop these services and respond to the needs for energy-saving management and labor saving, which are issues from a management perspective in the distribution and retail market, we are working with OMRON’s Data Solution Business HQ (DSB) to create a menu of proposals for optimizing store operations based on environmental data, such as store electricity usage, and equipment maintenance trend analysis.

In this way, we will continue to strengthen the products that hold a high share in each market, and by creating services from an essential value perspective that resolve issues facing the market and management, and furthermore by combining such services with products, we will apply our strengths based on such combination in each social infrastructure market.

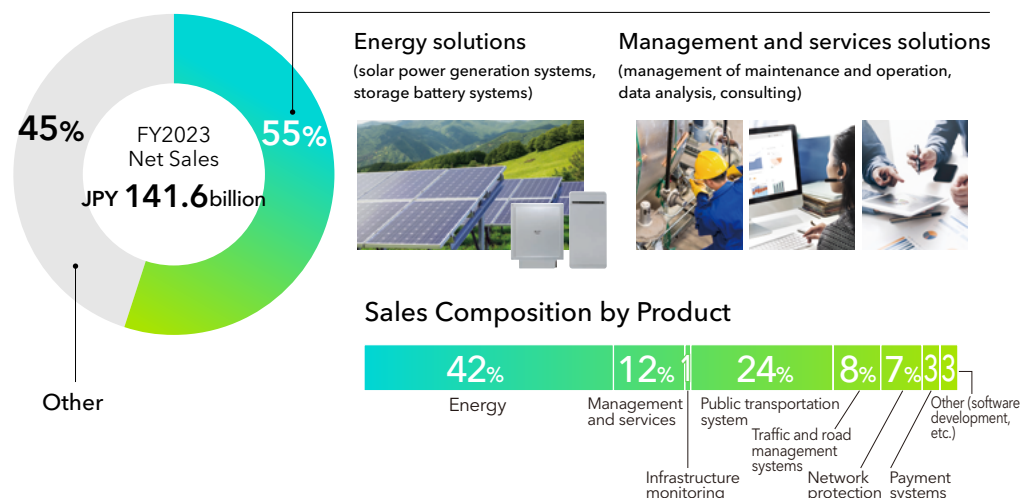
Growth Strategy to Achieve SF2030

Toward 2030, we expect society to pursue decarbonization with a mounting sense of urgency in view of global warming while also emphasizing labor-saving and manpower-saving in line with the labor shortages caused by the declining birthrate and population aging. In these circumstances, SSB aims to create social values that “contribute to the spread and efficient use of renewable energy and the sustainability

of the infrastructure supporting a digital society.” SSB’s SF2030 vision is “Design Next Social Structure - Creating “Social Good” by Organically Linking People and Society through Social Automation.” This vision reflects our will to continue designing “next-generation social systems” by responding to customer needs from the customer’s perspective, always mindful of the issues confronting the world, and illuminating a path toward the social systems that the future requires.

SSB has three targets under SF2030. Firstly, “provision of control systems that stabilize power generation.” In addition to the deployment of solar power generation systems and storage battery systems, which are our current strengths, we have begun offering power purchase agreement (PPA) services, for which SSB owns power generation facilities, which are assets that also serve as control systems to stabilize power generation, and provide a stable supply of electricity. We have also begun offering energy management systems for smart control of electricity. Secondly, “development of management and service systems that support efficient use of on-site systems.” We provide swift and uniform services by utilizing our nationwide maintenance network and multivendor support regardless of the manufacturers of the equipment installed at the customer’s premises. In addition, in the distribution and retail market, we are conducting demonstration tests of management and services to improve the efficiency of store operations by analyzing and evaluating various data, including maintenance data, equipment operation data, and the store facility environment. We are focusing on these two targets as medium-to long-term growth drivers of SSB. Thirdly, “enhancement of operational efficiency of the social infrastructure business.” In the railway market, we are promoting “predictive maintenance” to optimize maintenance based on on-site equipment operation data. SSB will continue to design next-generation social systems and help achieve a future full of smiles by creating “social good.”

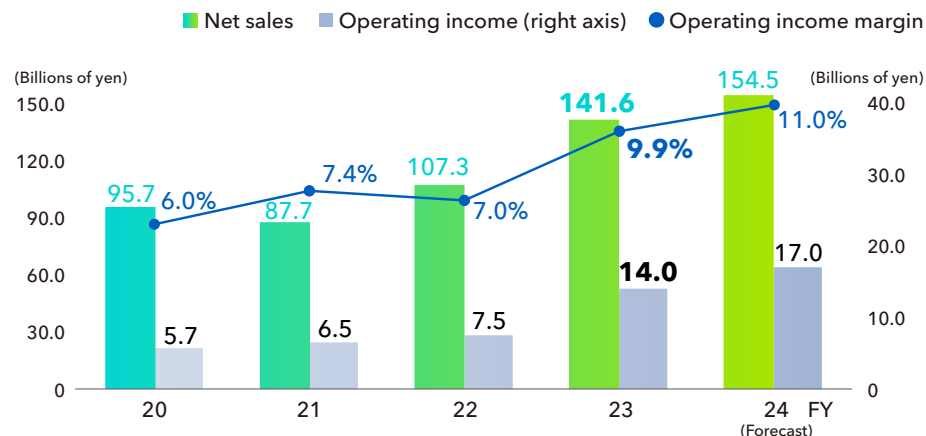
Sales Composition by Business Domains



Net Sales for Fiscal 2023

The storage battery systems and other businesses within the Energy Solutions Business performed well as a result of an increase in needs for captive consumption of renewable energy and subsidy programs, as well as increased investments in the industrial and commercial domains as part of accelerated efforts toward carbon neutrality. The Public Transportation System Business saw robust demand for capital investment amid strong performance among railway companies in response to a recovery in passengers and fare revisions. As a result, sales increased significantly year on year to JPY 141.6 billion.

Net Sales / Operating income / Operating income Margin



Operating income for Fiscal 2023

Operating income increased significantly year on year to JPY 14.0 billion, mainly due to the increase in sales

INPUT

- R&D cost: JPY 4.3 billion (results for FY2023)
- Capital expenditure: JPY 5.6 billion (results for FY2023)
- Started providing a three-phase system for self-consumption of electricity and sale of surplus electricity compatible with the new output control regulation (February 2024)
- Started providing a centralized energy monitoring service (February 2024)
- Started demonstration of a remote recharge/discharge control service using storage batteries for home use (September 2023)
- Launched POWER JUGGLING, a solution to reduce electricity procurement costs (August 2023)
- Signed a partnership agreement with a local government to revitalize the forestry industry (August 2023)
- Started providing a three-phase system for full self-consumption of electricity for commercial solar power generation (April 2023)

OUTPUT

- Net sales: JPY 141.6 billion (+32.0% YoY)
- Operating income: JPY 14.0 billion (+87.2% YoY)
- Connected energy management devices: 80000 units (March 2024)
- Cumulative shipped capacity of solar power systems: 12.0 GW (March 2024)
- Cumulative shipped capacity of storage battery systems: 1.4 GW (March 2024)
- Cumulative total of carbon offset volume certified under J-Credit Scheme: 56 GW/5647 t-CO₂ (March 2024)
- Started introduction and operation of solar power generation systems at OMRON factories in Japan

OUTCOME

- Contributed to realization of better societies in which people worldwide can enjoy safer, more secure and more comfortable lives through expanded provision of renewable energy and people-friendly next-generation systems



SDGs 7.1.2



SDGs 11.2.1



SDGs 13.2.1

Device & Module Solutions Business (DMB)

Market Environment

Demand for electronic components in fiscal 2024 is patchy, depending on industries and areas. In the first half of the fiscal year, demand was somewhat weak due to the continued impact of inventory adjustments in the market and by customers. A resolution of this issue is expected in the second half due to an improvement in demand for factory automation equipment and building facilities, and in addition to a recovery in the semiconductor market, moderate recovery in demand is expected. In addition, while environmental issues are becoming increasingly pressing due to the ongoing global warming, the energy management market is expanding, such as for solar power generation systems, storage batteries, and EVs, all of which contribute to the spread of renewable energy. In particular, the EV charger market is growing, underpinned by policies such as subsidies and tax incentives to promote the spread of EVs in various countries, and demand for electronic components to install in EVs is also increasing. As for the semiconductor market, growth is expected globally in the second half of fiscal 2024 amid the spread of data centers and the expansion of digital transformation (DX) initiatives among companies that utilize the latest technologies such as generative AI. Notably, we expect similar growth in business for semiconductor inspection in line with expansion of demand, especially for advanced semiconductors such as those for generative AI. Thus, demand for electronic components is expected to grow steadily. DMB will strengthen its approach targeting rapidly growing applications in industries, capture orders, and aim for business growth that exceeds the rate of market growth.

Our Strengths

DMB has three strengths. Firstly, a global sales network

capable of providing leading companies in a wide range of industries with optimal solutions corresponding to customer assets and requirements. Having swiftly identified social changes and needs, we have been able to develop and provide products globally and ahead of our competition. Our customer base is a significant element that supports DMB. Our second strength is quality and performance reliability, which we have continued to refine in the course of transactions with leading companies. We provide products with stable quality by thoroughly evaluating quality in all manufacturing processes from development and design to completion, and by visualizing the quality status of our production lines worldwide. In terms of product performance, we are working to provide value that anticipates trends through product development based on a backcasting approach to capture the market and customer needs. This approach has enabled us to earn the trust of our customers and build long-term partnerships. The third is our technologies based on “connecting” and “switching.” In addition to the technology for stable on/off switching, we possess microfabrication technology that we have cultivated since our founding as well as the technology for enabling various functional features packed in a compact-sized product. With a broad array of technologies, we can create unique, highly functional devices and modules that differ from those of specialist manufacturers. To further reinforce and leverage these strengths in the future, we practice high-cycle management, aiming to “strengthen our ability to make proposals and realize them quickly” and “improve our ability to effectively respond to change through data-driven decisions.” Specifically, our aim is to shorten the lead time until new product releases by 50% through concurrent activities and to quadruple the speed of business control including procurement, production, and sales. We will further reinforce these three strengths to ensure that DMB is always the first choice among customers.

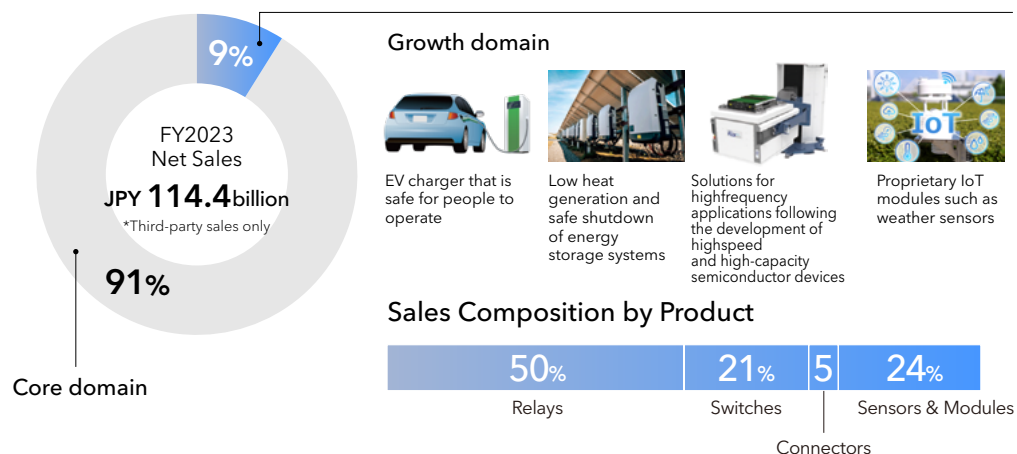
Growth Strategy to Achieve SF2030

Under NEXT 2025, we will strengthen our business portfolio and earnings structure to achieve SF2030. Our first objective is the “creation of new pillars for growth.” By focusing on the

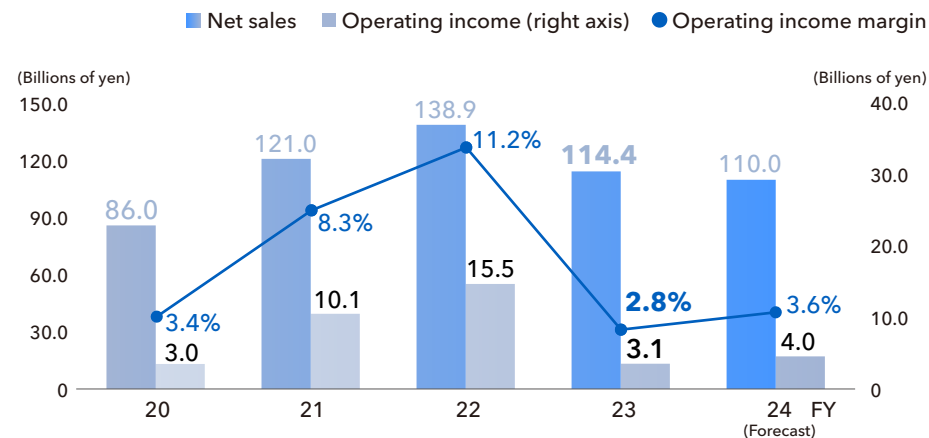
domains that contribute to the achievement of carbon neutrality and the realization of a digital society as new pillars for growth, we aim to achieve sales of JPY 50 billion in these domains, accounting for 30% of DMB’s net sales by fiscal 2027. The spread of new energy devices, such as solar power generation systems and EV chargers, is making advancements to accomplish reduced environmental impacts, and we are promoting high-capacity relays and modules to respond to these needs. In response to the demand for products for device testing due to the spread of advanced semiconductors for generative AI and high-speed communications, we will strengthen the provision of high-frequency relays and modules for testing equipment to increase sales. We are also engaged in the co-creation of modules that incorporate IoT communication technology to realize our customers’ new data businesses, such as weather IoT sensors that contribute to effective responses to extreme weather events.

Our second objective is to “re-strengthen our core businesses.” In addition to the strengths in quality and technical support that we have cultivated, we will enhance flexible delivery management in response to demand fluctuations by transitioning to an AI-based statistical forecasting model and investing in increased production based on demand forecasts. With a view to new value propositions as a step toward re-strengthening our core businesses, we are working to create new value based on “Green,” “Digital,” and “Speed.” For example, as a Green value proposition, we are accelerating initiatives such as the provision of carbon footprint information of our high-capacity relay products in order to contribute to the reduction of CO₂ emissions throughout the supply chain. Finally, our last objective is the reform of the earnings structure. DMB is also working to establish a strong earnings structure that can maintain ROIC of 10% or more by improving production efficiency through consolidation of commercial logistics, consolidation and elimination of product item numbers, and introduction of statistical demand forecasting, in addition to improvement of productivity through automation of production lines and digital transformation (DX) of indirect operations.

Sales Composition by Business Domains



Net Sales / Operating income / Operating income Margin



Net Sales for Fiscal 2023

Demand for components for the consumer industry fell sharply, particularly in the Americas and China. This decrease was largely due to controlled investment, stagnant production activities, and inventory adjustments among our customers. Demand for automotive components was sluggish in general, although automobile production volume showed signs of recovery in certain markets in the second half of the year. As a result, sales were JPY 114.4 billion, significantly lower in terms of year-on-year.

Operating income for Fiscal 2023

Operating income declined significantly year-on-year to JPY 3.1 billion as a result of the decrease in sales and other factors.

INPUT

- R&D cost: JPY 4.9 billion (FY2023 results)
- Capital expenditure: JPY 6.1 billion (FY2023 results)
- Accelerated creation of new products by strengthening the R&D system
 - Reinforced product development system at the Shenzhen factory in China, and achieving the China National Accreditation Service for Conformity Assessment (CNAS) certification, an international laboratory accreditation standard
 - Accelerated development by strengthening industry-academia collaboration
- Promotion of sustainability
 - Conducted RBA-VAP audits in accordance with the Responsible Business Alliance (RBA) Code of Conduct at the Malaysia factory

OUTPUT

- Net sales: JPY 114.4 billion (-17.6% YoY)
- Operating income: JPY 3.1 billion (-79.7% YoY)
- Development of technologies and products that contribute to the achievement of carbon neutrality and the realization of a digital society
- Commercialization of Soratena Pro, a new type of IoT weather sensor that helps mitigate climate change and disaster risks
- Commercialization of EV Charging Smart Plug to promote the spread of EVs
- Expansion of clean energy production
 - GHG emissions: 48 Kt-CO₂ (-25 Kt compared to FY2021)
 - Obtainment of third-party certification for carbon footprint based on ISO14067

OUTCOME

- Contribution to the improvement of human life on Earth and the development of society through the diffusion of new energy and high-speed communications
- Social value KPI: 30 million units for DC devices, 120 million units for high-frequency devices (cumulative total for FY2022-FY2023)



SDGs 9.4.1

Data Solution Business (DSB)

Market Environment

The mission of the Data Solution Business HQ (DSB) is to “Go beyond the boundaries of products. Transform OMRON and create true customer value.” We will transform the OMRON Group’s value creation away from manufacturing to data-driven solutions.

Penetration and diversification of digital devices have led to a sharp increase in the number of data-driven companies and data-driven services, regardless of the industry, that utilize data owned by individuals and companies to achieve business results.

DSB is eyeing markets in three domains, namely, industrial automation, healthcare solutions, and social solutions, which are OMRON’s focus domains. These domains have plenty of social issues related to such matters as sustainability of the global environment, the super-aging society, and labor shortages. DSB sees the three social issues identified in SF2030 as business opportunities, and through its unique approach of building an ecosystem based on open innovation and developing and providing data-driven solutions, will contribute to the optimizing of social costs, which are increasing as society matures, and achieve business growth.

Our Strengths

DSB is the cornerstone of collaboration between JMDC Inc. and OMRON’s existing businesses. We will lead the business growth of the entire OMRON Group by integrating the strengths of OMRON, JMDC Inc., and DSB. OMRON’s strengths lie in the hardware installed base established by

the four existing business companies, on-site data that can be obtained from such hardware, and the customer base, which spans a wide range of industries worldwide. On the other hand, JMDC Inc. has the data management capabilities to utilize large amounts of different types data for business purposes, and the solution development capabilities to convert the data into customer value and monetize it. DSB’s strengths are the business development capabilities to create new value by integrating OMRON’s business assets and JMDC Inc.’s capabilities and the DX promotion capabilities to transform the business models of existing businesses.

DSB started with six businesses and will further accelerate collaboration with the four business companies in order to transform OMRON’s value creation from businesses centering on products to data-driven solution businesses (combination of products and services).

Growth Strategy for SF2030

There are three growth drivers for DSB. The first is to “accelerate the growth of JMDC Inc.,” the second is to “create a data solution business in the healthcare domain,” and the third is to “create a data solution business outside the healthcare domain.” The growth strategy for each item is described below.

1) Accelerate the growth of JMDC Inc.

JMDC Inc. has achieved annual growth of almost 30% in sales and profit to date. DSB will help JMDC Inc. accelerate its growth by offering OMRON’s business assets required for JMDC Inc.’s further growth. For example, the Health & Productivity Management Alliance®, which was established in June 2023 and has 424 member companies and organizations*, has adopted JMDC Inc.’s data analysis

method for its “health & productivity management assessment” service, showing the potential for wider use as a service for companies.

*As of August 29, 2024

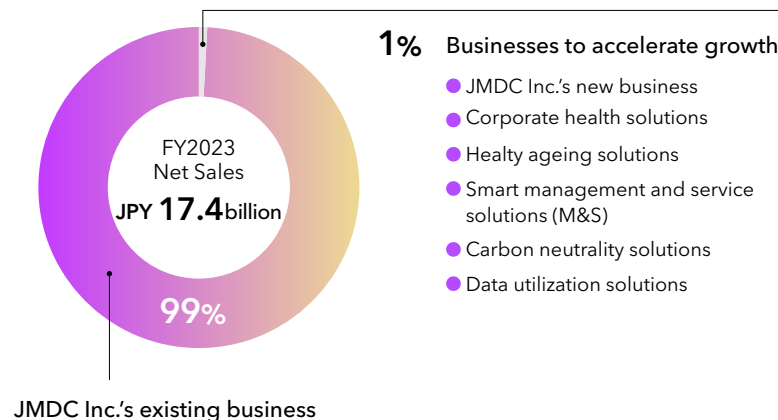
2) Create a data solution business in the healthcare domain
We are promoting various themes, including the development of services that combine JMDC Inc.’s medical data with OMRON Healthcare’s vital data, and the launch of a business through collaboration among JMDC Inc., OMRON, iCARE Co., Ltd., which operates the health management cloud service “Carely.” OMRON Healthcare and iCARE formed a capital and business alliance in July 2024.

3) Create a data solution business outside the healthcare domain

We will also accelerate business development in the industrial automation and social solutions domains by leveraging JMDC Inc.’s data management capabilities. In the smart management and service solutions (M&S) business, which has already been launched, we plan to expand DX services in wide-ranging fields, starting with retail and distribution, which are suffering from significant labor shortages, and then infrastructure monitoring, railways, etc. With these three growth drivers, DSB aims to achieve data solution business sales of JPY 100 billion in fiscal 2027.

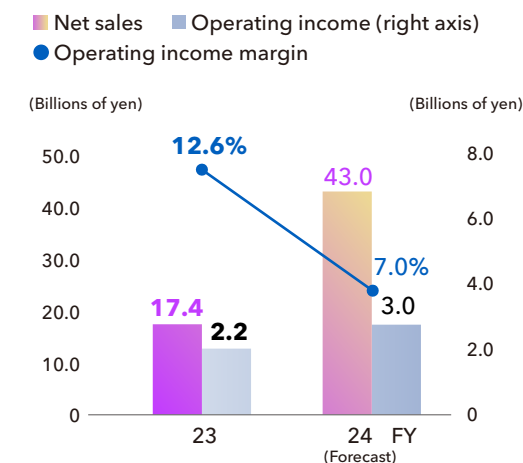
Health & Productivity Management Alliance® is a registered trademark of OMRON Corporation.

Composition of business domains



* The figures for the Data Solution Business include the financial figures of JMDC Inc. from October 16, 2023, onward, the date on which it became a consolidated subsidiary of the Company.

Net Sales / Operating income / Operating income Margin

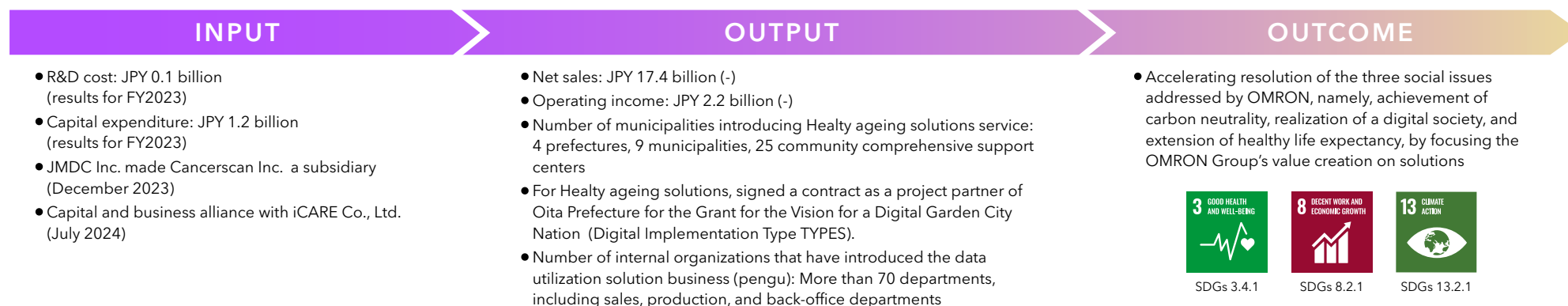


Net Sales for Fiscal 2023

Sales continued to be firm with ongoing growth in the number of health insurance association contracts at JMDC Inc., increasing transaction volume with pharmaceutical companies and insurance companies for whom we provide data, and growing numbers of medical institutions utilizing remote image interpretation services. Sales amounted to JPY 17.4 billion.

Operating income for Fiscal 2023

Operating income was JPY 2.2 billion, remained firm, supported by sales growth.



Discussion: OMRON x JMDC toward Evolution



Senior General Manager,
Data Solution Business HQ and
Senior General Manager,
Innovation Exploring Initiative HQ

Hidetaka Ishihara

President and CEO,
Representative Director,
JMDC Inc.

Ryo Noguchi

Outcomes of Collaboration to Accelerate Solutions Business and Expectations for Both Sides

— OMRON and JMDC concluded a capital/business tie-up agreement in February 2022 and JMDC joined the OMRON Group in October 2023. Please share your respective expectations regarding this partnership.

Ishihara: We are truly thankful that JMDC joined the Group. JMDC is a company that develops solutions using data and has generated great value in the healthcare field. On the

other hand, OMRON's business is focused on manufacturing, but we aim to evolve into a company that offers value through solutions that provide services in addition to products. This means that we intend to first help JMDC realize considerable growth, and then link this to the growth of the OMRON Group. To achieve this, we will take a "give and give" approach to JMDC. We want it to use our Group assets freely to achieve a high level of growth that it would not be able to realize alone. The growth of JMDC is directly connected to the sales and profit growth of the OMRON Group. As we gain a better understanding of skills and capabilities possessed by JMDC, we will evolve and become able to provide customers with business and value that differ from what we could offer before. In the medium-to long-term, we also think it will help OMRON's corporate culture to change for the better. Taking a long-term perspective, I think this collaboration will create a ripple effect that will have a huge impact on the Group.

Noguchi: Thank you for expecting so much of us. We see OMRON as an incredibly reliable partner and shareholder. You respect our autonomy and independence and since starting the capital/business tie-up, we have built a strong relationship of trust. At JMDC, we will first work to achieve firm growth, while also incorporating OMRON's corporate culture so we can fully benefit from the positive effects. The way our mutual perspectives are in alignment is very reassuring and I look forward to furthering our collaboration.

Ishihara: I think a big part of why our perspectives align is that our visions for healthcare are focused on the same area. Over half a century, OMRON HEALTHCARE has built up a blood pressure monitor business that has a share of over

50% of the global market. However, in order to realize our goal of eliminating events of cardiovascular disease (Zero Event), we need to find a way to encourage changes in the behavior of patients. We think the key to this is data. JMDC gathers a wide variety of healthcare data in large volumes and uses it to prevent the worsening of medical conditions. It is the strongest and most appropriate partner for realizing our Zero Events vision and that is why we wanted to work together.

Noguchi: Our mission is "A healthy and prosperous life for all people" and we aim to realize this through data and information and communication technology (ICT). OMRON's assets are a good fit for achieving this mission. We want to get closer to solving these social issues.

— How do you plan to grow existing businesses through the collaboration?

Noguchi: In regard to which of OMRON's assets we can use to grow our business, we would like to engage in the development of new services and devices that combine OMRON HEALTHCARE's devices with our data and solutions. Also, the Health & Productivity Management Alliance we are currently advancing together will be extremely important for JMDC going forward in regard to expanding into the corporate health field. Furthermore, OMRON also engages in an extremely wide range of business areas other than healthcare, so we would like to realize growth by working together on the challenge of applying JMDC's data science and data solution capabilities in these areas. We would also like to use OMRON's diverse global footprint to accelerate the global development of JMDC.

Ishihara: The assets we could use together in the healthcare field were clear from the very start of the collaboration. What is becoming clearer as we advance the collaboration into non-healthcare fields is the interest in healthcare among non-healthcare customers and the size of the challenge in regard to data usage. The former is because every industry is beginning to focus on the health of its people while the latter is because data use is a key technology in regards to advancing digital transformation (DX). I feel that the data usage expertise that JMDC has accumulated in the healthcare field is a strong asset that can potentially be used in a wide range of non-healthcare fields.

Business Growth Realized Through the Health & Productivity Management Alliance

— Collaboration between OMRON and JMDC started with the Health & Productivity Management Alliance. Please share some examples of how this alliance has created business growth.

Noguchi: JMDC's business started with the handling of data from health insurance associations and then providing support for its use within those associations. Health insurance associations still account for a large part of our business and we currently handle the data of about 19 million people a month for over 400 associations. The next stage will be to expand our business into the corporate human resources field. As the number of working-age people falls due to population decline and the aging of society, extending the healthy life expectancy of employees will lead to greater profitability in the future. More companies are advocating health and productivity management and the importance of human capital, so we want to engage the corporate health business field. For JMDC, entering the corporate human resources field is a

challenge but our activities as part of the Health & Productivity Management Alliance with OMRON have increased our opportunities to provide services to companies. For example, we are receiving enquiries from companies we have not interacted with before. This is an important initiative for our business growth, and we have great expectations.

Ishihara: The alliance started because OMRON did not have any healthcare business assets that we could offer companies, but JMDC has solutions that can promote the health of individuals based on data analysis. Therefore, by working together, we can approach member companies with confidence. We truly complement each other.

Evolving 4BC to a Combination of Products and Services through the DSB

— Please tell us about the Data Solution Business HQ (DSB), which was established in December 2023 as an organization under the direct supervision of the President and CEO.

Ishihara: OMRON originally comprised four business companies (BCs) but we have established the DSB as a fifth. As it is a BC, it naturally has a commitment to generate sales and profits. It will work to create its own sales and profits in the same way as the other four BCs, but it also has another unique role. This is to drive the evolution of the four BCs toward a business model that combines "products and services." In other words, the DSB has a "vertical" role that involves the realization of growth through the creation of its own data solution business and a "horizontal" role that involves leading the business model transformation of the other four BCs. These two roles are what makes it unique. OMRON's business models have traditionally focused on manufacturing and selling products, and although we have

always had access to huge volumes of data, we have not moved beyond the provision of product value. We intend to dramatically change this situation.

Noguchi: It has an important role.

Ishihara: Since our establishment, the OMRON Principles have included that "creating a better society through our business." We are facing an "optimization challenge" in which we have to find ways to balance economic growth with global environmental conservation, the super-aging of society, and efforts to overcome labor shortages. There are limits to the solutions that can be achieved through the provision of product value alone. Data will be the key to overcoming this challenge. Specifically, we will use data to explore optimal solutions, as well as to create solutions through repeated "Try & Learn." This will result in value for customers and turn our business into services. The role of the DSB will be to drive these initiatives at a high cycle. During the period of our current long-term vision, SF2030, we will attain social recognition by evolving to business models that combine products and services on a Group-wide basis. This will raise the proportion of total sales accounted for by the Data Solution Business from about 20% to 30%. That is what we are envisioning. Considering the above, it is likely that JMDC's sales and profits will occupy a significant portion of the Group's overall results. We are determined to make the DSB into an organization that can lead the Group forward by further accelerating the growth of JMDC and driving the transformation of the OMRON Group's business models.

Noguchi: It is an ambitious vision. We will work to realize the firm growth of JMDC so we can make a contribution.

— From the DSB's perspective, what kind of growth do you want to see at JMDC?

Ishihara: We want JMDC's first priority to be the growth of

its own business. It is already recording sales at levels of over JPY 40.0 billion and its performance in terms of profit margins is exceptional. If we can grow these to two or three times the current levels, then the impact of JMDC alone will be considerable. Additionally, we are combining the assets of both JMDC and OMRON to create new businesses. For example, we are currently collaborating over a corporate health business, and I am confident that this will contribute to the considerable further growth of JMDC. We want to lead the creation of a large framework, like the Health & Productivity Management Alliance, while working together to strongly cultivate preventive medicine and health promotion markets. We are also collaborating in the social systems and industrial automation sectors to advance the use of data in the DX of social infrastructure and in the realization of carbon neutrality of manufacturing industry. As part of this initiative, data science teams from JMDC are participating in each of OMRON's businesses to support business model evolution. It is still early, but we are already seeing considerable results. After seeing JMDC create value by demonstrating its data usage capabilities in fields other

than healthcare, I feel reassured that it still has plenty of growth potential.

Noguchi: Providing support in non-healthcare fields has also had positive effects on JMDC, including increasing the size of our data science team. As we engage in a wider range of fields, we are able to incorporate people with more acute expertise into the team. The addition of these personnel has also made our existing engagement in the healthcare field more dynamic and enhanced our ability to take on new initiatives. I think this is a very positive result of the collaboration.

Ishihara: I am glad to hear that. At the start of the collaboration, we were worried that the data scientists who joined JMDC to work in healthcare would not be motivated to engage in initiatives in different areas.

Noguchi: It is true that we have many members whose ambitions lie in healthcare, but being able to deepen knowledge and engage in a wider range of initiatives by participating in OMRON projects is by no means a negative.

Ishihara: I am impressed at how the data scientists take on the challenges in front of them with a sense of curiosity and

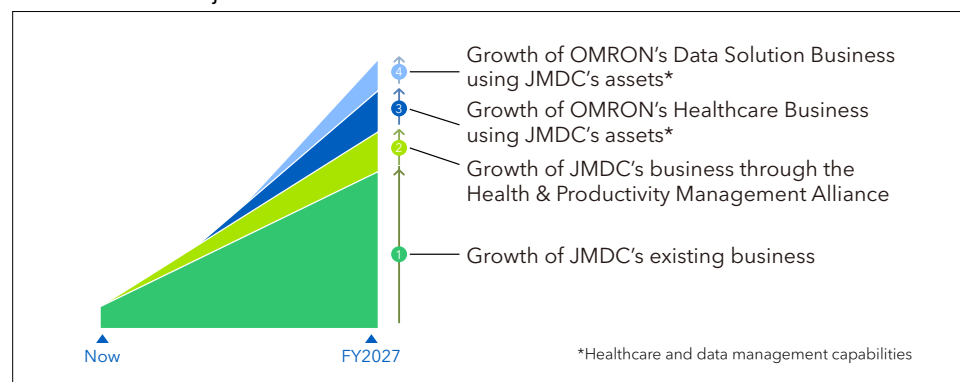
a forward-looking attitude. They also show a hunger to solve problems using data. They actively take part in our discussions regarding any field. I think this sense of togetherness is really special.

Using Data to Raise Productivity with the Aim of Solving Social Issues

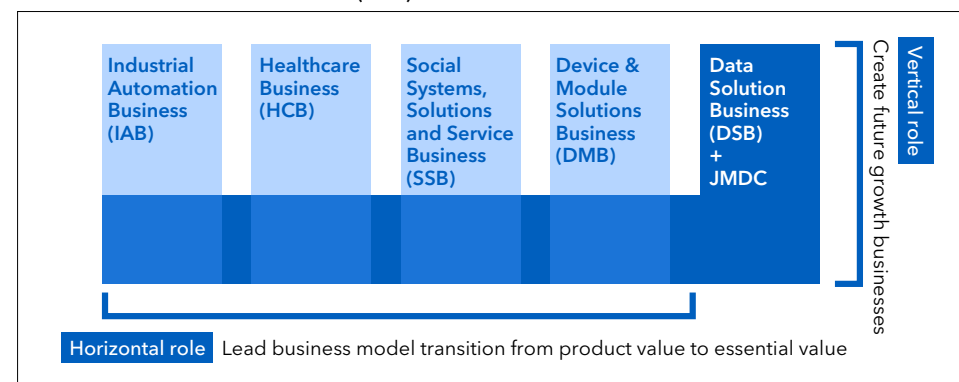
— The DSB has established five business fields where it will aim to create the next growth businesses. One of these is the Smart management and service (M&S) solutions. Please describe the current situation in this field. Also, what is your evaluation of the current state of the collaboration with JMDC?

Ishihara: The smart M&S solutions has its basis in the repair and maintenance business that OMRON FIELD ENGINEERING Co., Ltd. (OFE) has been engaged in for a long time. We are currently tackling how to raise productivity using data, how to create greater value through management services that go beyond just repairs and maintenance, and how to deliver this value to customers. It

Business Growth Projection



Role of the Data Solution Business (DSB)



is one of the projects that is progressing extremely smoothly, and we are already seeing big results. For example, our past records concerning enquiries for customers represent a huge volume of data and they contain knowledge accumulated over many years of experience, such as "For this kind of case, you should do this." Previously, the handling of this operation was just left to the relevant staff, but now, we have started using this data comprehensively to raise productivity. It looks like this initiative will lead to the saving of at least 1000 man-hours per year at a certain contact center. If we can roll it out at other locations, we will raise productivity across the entire OMRON Group and the results will be incredible. At the same time, we are starting work on the development of services for raising the net sales and profit margins of customers through the implementation of digitalization at their business sites. Four or five data scientists from JMDC are involved in both of these initiatives. There has been a great response and we are already getting enquiries from multiple customers. We want to advance the development of these services and realize social applications as quickly as possible.



Noguchi: It's really amazing. It is also having a positive impact on our data scientists. It is truly a win-win situation. I think we are advancing extremely well-made projects together.

Ishihara: It really is win-win. To supplement the areas in which we do not have capabilities, we have to ask external partners for help. In this case, we can pay JMDC the appropriate price for services without any cash outflow from the Group, and this leads to JMDC investing in new personnel. That leads to making the data science team bigger, enabling it to support OMRON in other projects. I think it is generating a positive spiral.

— Please explain how the solutions businesses created by OMRON and JMDC are differentiated from other companies.

Ishihara: Even before the OMRON and JMDC collaboration, OMRON had a significant advantage due to being a conglomerate carrying out business in a wide range of fields. This is mainly because data usage is not just limited to one field. The value provided by solutions needs to cover multiple fields. For example, the use of data concerning peoples' health and lifestyle habits should not be confined to just the healthcare field. Also, something that happens often is that we will make a proposal in a certain field, such as social systems, and the customer will then request a comprehensive proposal that includes various solutions from across the OMRON Group, including areas such as automation and healthcare. If we only pursued data use in a single field, then we would not see this kind of broadening of scope. The importance of business that provides solutions combining products and services is being recognized by many manufacturing businesses, but there are not so many companies that can use data to provide solutions that have social applications in multiple fields. So that is a major point of differentiation.

Noguchi: At JMDC, we do not have any experience of manufacturing products, such as devices, but our strong point is that we possess various internal assets, including knowledge and expertise, particularly in the healthcare field, and we know how to monetize these. Another of our major strengths is the large volumes and variety of healthcare data we have accumulated. Even if you have various solutions or plan to create them, nothing can begin without the data. This is where a lot of healthcare services trip up. We handle the data of about 19 million people and about seven million of them use our PHR service. I think there are places where these capabilities overlap with OMRON's abilities as a conglomerate to provide products in a wide range of fields. There are virtually no other organizations that can offer both of these businesses, so that is a point of differentiation.

Ishihara: One of the things that I think makes us a good combination is that at OMRON, with our history of providing products, we tend to take a product-oriented approach that starts with how a product will be used, while JMDC, which is not a manufacturing business, takes a customer-oriented approach that starts by looking at how a problem can be solved. The combination of these two differing approaches provides an excellent stimulus.

Driving the Growth of the Data Solution Business

— JMDC's business results are growing smoothly but there has been feedback saying that it should be receiving a higher evaluation of its intrinsic value from the markets. What are your views on this point? Additionally, what action do you plan to take?

Noguchi: Our business itself is growing vigorously and there are strong signs that this growth will continue going forward, so it is important that the markets receive a correct understanding of our value. Due to the COVID-19

pandemic, we have not had many opportunities to speak with investors directly, so this year we are taking steps such as going on a tour to provide explanations to investors, including overseas investors, in person. We feel that we have not conveyed the current state of the Japanese health tech market sufficiently to overseas investors. Therefore, we will strive to enhance information provision so that they can understand the sound growth potential of our business.

Ishihara: After two and a half years of collaboration with JMDC, I am only now fully understanding the essence of JMDC's business. There is a wide range of stakeholders in the healthcare industry, including data owners, service providers and receivers, and parties who bear the expenses, and regulations also differ between countries. The variety and volume of the data handled by JMDC is also literally growing day by day, and the scope of its business model is broad. This is difficult enough for Japanese investors to understand so it must be even more challenging for overseas investors. I think dialogue will be extremely important to ensuring a correct understanding of JMDC's intrinsic value.

Noguchi: JMDC's asset is the healthcare data itself. We can find out in detail what kind of ailments patients of different ages or genders are suffering from and what treatments they are receiving. This data is essential to refining judgements. During the COVID-19 pandemic, various undertakings between pharmaceutical companies took a DX route, so using data and making it more visual became extremely important for refining judgements.

— Additionally, it cannot be said for certain that evaluations of OMRON's corporate value incorporate the effects of synergies with JMDC. What kind of challenges and initiatives do OMRON need to take on?

Ishihara: There are limits to the extent that synergies can be

represented quantitatively in business results, so they are not always appreciated. We need to find ways to generate visible results as quickly as possible. The smart M&S solutions is beginning to produce visible results. Steady progress is being made on the development of new services that coordinate JMDC's medical data with OMRON's healthcare vitals data. The immediate challenge is to reflect this achievement in business results so that it can be converted into a sense that OMRON is growing. Then the next big challenge is to create ripples that will spread across the entire Group. If we do not create a situation in which a noticeably large proportion of OMRON's net sales are accounted for by products combined with services, then the fundamental evolution of our business will not be reflected in market evaluations. Therefore, we will create a Group-wide data solutions business model that brings together the four BCs. I think that will be our greatest challenge.

Outlook: Aiming to Develop Higher Dimension Solutions After Joining the Group

— From JMDC's perspective, what kind of company is OMRON? Also, please describe the growth scenarios you are envisioning as a member of the OMRON Group and your expectations regarding OMRON.

Noguchi: We see OMRON as a partner we can really rely on. As we collaborate on shifting from product value to a combination of products and services, we are creating win-win situations. While the growth of our own business is our first priority, we will work to connect this growth to the growth of the OMRON Group.

Ishihara: From my perspective, JMDC is extremely thorough in handling information and practicing compliance, possibly because its business involves handling sensitive information about people's health. It is very serious, in a good way.

Furthermore, it is agile at using information to develop services and it provides customers with value at an exceptional speed. I think this sense of speed and a culture of just trying things out first are extremely positive. It contains many members who engage in business with sincerity and focus on trying new things, and I think it is on the same wavelength as the organization the DSB is aiming to become. I look forward to taking on challenges and growing together.

Noguchi: OMRON is surprisingly eager to add JMDC's characteristics to its own. It has a culture of taking on new challenges while also working with an understanding that it is important to produce results. We look forward to continuing our collaboration.

> Website exclusive content available here



INNOVATION & TECHNOLOGY

Maximizing the Capability to Innovate Driven by Social Needs

Evolving business models, endowing OMRON with the competitiveness required for achieving sustainable growth, and expanding new business generation efforts

CTO Message

Complete NEXT 2025 through Companywide Application of the Business Creation Process based on Established Technology Management to Enhance Corporate Value



Representative Director,
Executive Officer Vice President, CTO
Kiichiro Miyata

OMRON's Business Creation Process Capitalizing on Technology Management Expertise

OMRON positions the SINIC Theory, proposed by our founder Kazuma Tateishi to predict future developments, as a management compass. Through innovation driven by social needs, we have achieved growth by addressing societal challenges. Under our NEXT 2025 initiative, we will continue pursuing innovation to tackle the three key issues outlined in the long-term vision SF2030, launched in fiscal 2022: "Achievement of Carbon Neutrality," "Extension of Healthy Life Expectancy," and "Realization of a Digital Society." However, in order to put OMRON back on a sustainable growth trajectory in a rapidly deteriorating business environment, we must now integrate the expertise gained through the process of establishing "Technology Management" into business development under NEXT 2025.



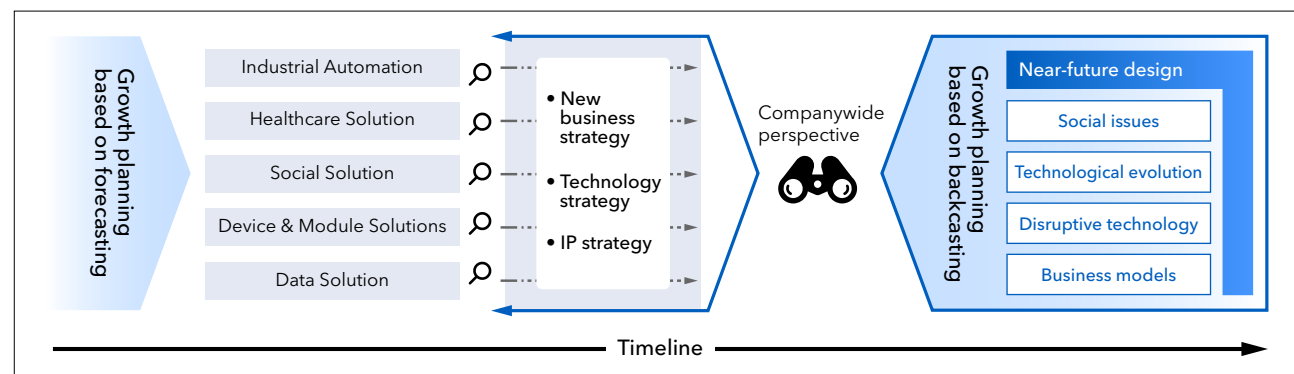
Since taking on the role of CTO, I have been focused on the challenge of establishing technology management. Technology management emphasizes growth planning from two perspectives, forecasting and backcasting, both grounded

in "near-future design," which is a concrete depiction of the near-future society. Business, technology, and intellectual property strategies are then formulated and implemented based on this framework (See [Figure 1](#)). Three organizations are dedicated to technology management.

The first organization is the Innovation Exploring Initiative HQ (IXI), which is a platform for OMRON's innovation. The second is the Technology and Intellectual Property HQ, responsible for evolving OMRON's core technologies, "Sensing & Control + Think," and for formulating and implementing strategies for intellectual property and intangible assets. The third is OMRON SINIC X Corporation (OSX), which promotes research through open innovation, guided by near-future design. During the recent years of rapid change, these three organizations have worked to establish a process for agile creation of new businesses and technologies by backcasting from near-future design. Through the initiatives of IXI and OSX, new businesses and technologies are beginning to sprout that could help resolve social issues.

For example, in its initiatives to evolve the business model from one based on "products" to one based on the

Figure 1 OMRON's Technology Management Based on Backcasting and Forecasting



"combination of products and services," IXI has launched new businesses, including services that support the independence of the elderly and the digital transformation (DX) of manufacturing sites. The newly established Data Solution Business HQ (DSB), which is in charge of evolving OMRON's business model, is promoting initiatives aimed at further growth.

While the Technology and Intellectual Property HQ focuses on developing core technologies to achieve business growth and reinforcement, OSX has steadily accumulated research outcomes utilizing cutting-edge AI and robotics. Currently, OSX is strengthening collaboration with

customers and business divisions to implement these research outcomes in society. Intellectual property and intangible assets determine "competitive advantage" and "sustainability" driven by the business strategy, the business model, and the technology strategy.

In utilizing intellectual property and intangible assets, we have adopted ambidextrous IP activities by combining "Exclusive to Other Type" and "Sharing & Resonating Type" policies to implement both a closed strategy and an open strategy with partners (See [Figure 2](#)). This ambidextrous

approach is effectively employed in building a patent network for OMRON's sensing technology and in implementing the Health & Productivity Management Alliance. In light of our challenges to date, I believe that technology management is essential for establishing a business creation process. This involves formulating concrete business, technology, and intellectual property strategies by backcasting from near-future design, involving partners who can share in the benefits of these strategies together with OMRON, and firmly linking these elements into a business model.

Management Issue to be Addressed under NEXT 2025: Reestablish a Growth Strategy from the Customer's Perspective

While new businesses and technologies have begun to emerge based on established technology management, an issue that has come to light in the current downturn is the decline in development productivity of existing businesses. This stems from placing too much emphasis on a strategy that concentrated our resources on customers and businesses in specific industries, despite the rapidly changing market

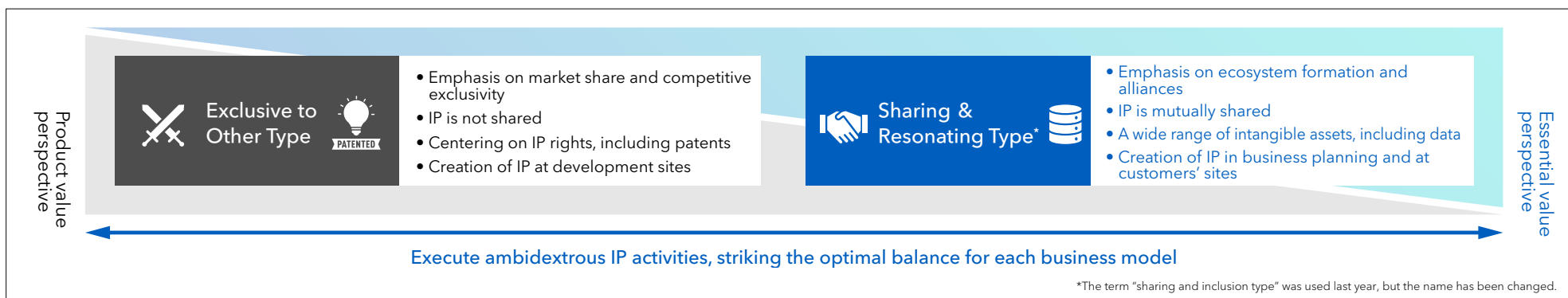
environment and evolving business models. Although the strategy yielded good business results for targeted industries and customers, we were unable to grasp the wide range of customer needs quickly and accurately. As a result, regrettably, we were unable to introduce products meeting market requirements.

In addition, because the development process was time-consuming and cumbersome, development themes took too long and we lagged behind competitors. In essence, OMRON's essential issue was that we placed too much emphasis on product-out product planning and development to meet the immediate needs of specific customers, rather than forecasting from the customer's perspective and formulating growth and product strategies accordingly.

Strengthen Collaboration with Business Divisions and Leverage Technology Management Capabilities to Support Completion of NEXT 2025

Under NEXT 2025, head office divisions are deeply involved from the outset, participating in discussions as each business division formulates its growth strategy based on forecasting. Growth strategies, product planning, development themes,

Figure 2 Ambidextrous IP Activities



etc. are being reviewed from the ground up. By incorporating the technology management expertise that we have been cultivating from a backcasting perspective, we will strive for innovation driven by social needs from the customer's perspective. Let me mention some specific initiatives. Previously, each business division formulated a growth strategy based on forecasting and collaborated with the Technology and Intellectual Property HQ to strengthen core technologies, intellectual property, and intangible assets. However, under NEXT 2025, instead of leaving growth strategy planning solely to individual business divisions, collaboration with the head office divisions, which have established technology management, is being further strengthened. So, the entire company is working as one to build a pipeline that tightly links business and technology. For example, in the rebuilding of the Industrial Automation Business under NEXT 2025, the Senior General Manager of the Technology and Intellectual Property HQ and I are actively involved in the Product and Technology Strategy task force, driving the restructuring of the strategy based on the processes and expertise we have cultivated in the course of technology management based on backcasting. Co-creation with partners is also an effective option to increase the pace of business. Previously, co-creation with partners was led by individual business divisions for themes relevant to their areas. Going forward, in order to gain further results, we will also actively invest the head office budget and resources to accelerate these efforts. In terms of technology strategy, the Technology and Intellectual Property HQ, as the responsible unit, has appointed technology officers and formulation of a technology strategy for each business division has started. To avoid falling into product-driven technological development in each business-planning, sales & marketing, and engineering work together to connect the supply chain and the engineering chain, ensuring that a technology strategy firmly linked to the business strategy is formulated. The technology strategies

of individual business divisions are then compiled and integrated into a companywide technology strategy. In the development of multiple businesses driven by social needs, which is a characteristic of OMRON, we aim to identify high-impact technologies that contribute to differentiation across businesses and concentrate management resources on R&D expected to have a high return on investment. We have also initiated reform of the companywide development structure that consists of three tiers—research, technology development, and product development—and are aligning the execution process with the characteristics of our business model, providing value to customers.

Development of Human Capital for Technology Management for the New Era is Critical to Realizing SF2030

We are committed to completing NEXT 2025 by restructuring the forecasting-based growth strategy, as outlined above, and accelerating innovation driven by social needs from the customer's perspective through both forecasting and backcasting. In technology management, we have focused on development of “architects” capable of formulating business, technology, and intellectual property strategies. In addition, we will develop “visionary human capital” who can chart the course of our growth strategy. This is because, to ensure OMRON's sustainable growth, it is essential to have human capital who can design the near future based on the SINIC Theory, sensitively grasp changes in society, and create a vision for the entire business creation process by connecting diverse information and people. These individuals must be able to understand and interpret the essence of customer value and technology, bridging the gaps between society (customers), business, and technology. In terms of technology strategy, increasing the speed from research to social implementation requires the capability to identify the essence of customer issues, recognize the value of research outcomes, and formulate hypotheses that

challenge conventional wisdom. This is not something that can be achieved by simply relying on generative AI. To cultivate human capital with these capabilities, the educational programs that have traditionally been planned by each business division for young employees are no longer sufficient. Instead, we need a companywide, systematic approach to human capital development with a clear purpose. This includes rotating young employees through various departments and giving them the opportunity to take on high-responsibility tasks, enabling them to gain experience and build expertise through iterative “trial and learning.” With this in mind, we have begun management-level discussions on a program to develop the human capital who will lead OMRON's technology management in the new era.

According to the SINIC Theory advocated by our founder, society will enter a transitional period by 2025, moving from the Optimization Society to the Autonomous Society. OMRON today is also at a turning point in its journey toward realization of SF2030. As CTO, I am committed to forging ahead with OMRON's structural reform to complete NEXT 2025 by further advancing the technology management that we have been working on and ensuring that each employee contributes to innovation driven by social needs from the customer's perspective. Together with our stakeholders, we will continue to create new businesses and technologies that will shape the Autonomous Society.

Innovation Exploring Initiative HQ (IXI)

Achievements in Fiscal 2023

The Innovation Exploring Initiative HQ (IXI) achieved a strong start in fiscal 2023. Of particular significance was the establishment of the Data Solution Business HQ (DSB), OMRON's fifth business company, originating from IXI. DSB has two missions. One is to accelerate the growth of JMDC Inc., which has joined the OMRON Group. The other is to integrate JMDC Inc.'s data management and solution development capabilities with the vast amount of on-site data obtained from OMRON's devices and components, in order to evolve OMRON's business model and create growth businesses that will help resolve social issues. Collaboration between JMDC Inc. and OMRON, which have different business models and corporate cultures, is rooted in a relationship of trust in which each views the other as the best partner. IXI played a central role in acting promptly and decisively to capitalize on OMRON's unique capabilities, including establishment of the Health & Productivity Management Alliance.

Another milestone is the launch of services—the data utilization solution business and the elderly care solution business—by two in-house startups that IXI incubated and whose business hypotheses it validated. In fiscal 2024, the two businesses were transferred to DSB following its establishment. The data utilization solutions and the Healy Ageing Solutions are experiencing accelerating sales growth, aiming for profitability in fiscal 2025 and fiscal 2026, respectively.

Evolution of Business Creation Approach

The establishment of DSB has clarified OMRON's strategy to create new businesses and transform business models. All of DSB's focus businesses are based on themes that IXI earmarked for promotion, such as data healthcare and support for achieving carbon neutrality in manufacturing industry. Viewing DSB's focus businesses as "stepping stones," IXI will concentrate on expanding their peripheral businesses by implementing timely measures to accelerate their growth.

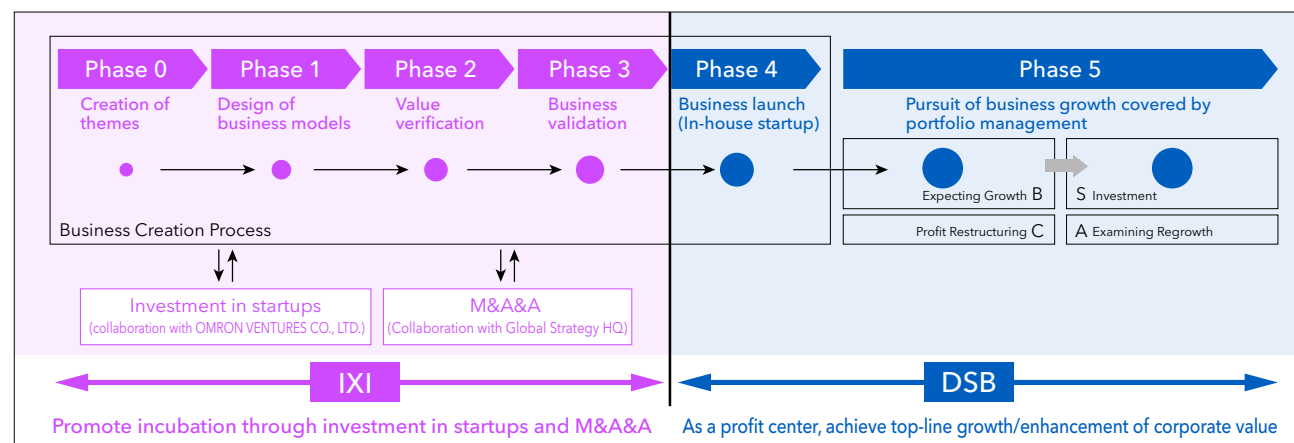
In creating peripheral businesses, we will shift our approach from germinating business seeds based on ideas to achieving progress through open innovation, such as by means of M&A&A (the last A being alliance) and co-creation with startups. We draw up new business concepts from a

medium- to long-term perspective and link them with the business expansion strategies of DSB and other business companies to contribute to OMRON's growth.

Promotion of DX throughout the OMRON Group

Since fiscal 2023, OMRON has been tackling companywide business innovation using generative AI, positioning IXI as a Center of Excellence (CoE). In promoting NEXT 2025, companywide business process reform through DX is indispensable, but a strong engine is needed to drive initiatives across the board. By taking maximum advantage of IXI's expertise in value verification of new businesses and business transformation for NEXT 2025, we intend to lead transformation of the entire OMRON Group.

New Approach for Business Creation



Implanting a Culture of Innovation throughout OMRON

One of IXI's missions is to "develop human resources," that is, to foster a large number of people who can drive innovation across OMRON. DSB's establishment and DX promotion throughout the OMRON Group, which were achievements of fiscal 2023, were the fruits of our efforts to strengthen the human resource portfolio and human resources development.

IXI has introduced the Employee Experience (EX) Journey, a systematized approach to human resources development. The goal is to have IXI members rapidly unleash their full potential after joining IXI so that they can achieve impactful results. Additionally, the initiative aims to ensure that employees seconded to IXI return to their respective organizations as ambassadors of the culture of innovation. The "employee experience" encompasses every stage, from pre-transfer (or pre-joining), onboarding, and the first day to career development, and even the post-IXI journey. As a result of the introduction of EX Journey, employees with diverse backgrounds drawn from inside and outside the company are able to take on the challenge of creating new businesses and promoting DX for OMRON as a whole while leveraging their respective strengths. An increasing number of employees who have gained experience at IXI are bringing the culture of innovation back to their respective organizations after leaving IXI, driving cultural transformation throughout OMRON. This includes fostering a heightened sense of urgency by stressing speed and promoting value enhancement, with ideas for improvement shared freely, regardless of positions in the corporate hierarchy.

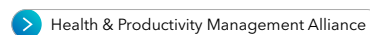
Toward Further Advancement

IXI underwent a major evolution in fiscal 2023, but its goals remain the same. As an innovation platform for the entire OMRON Group and as an experimental organization that transforms challenges into opportunities for learning, IXI strives to create new businesses, transcending the boundaries of business companies, and contribute to the maximization of OMRON's corporate value.

Column 1: Establishment of the Health & Productivity Management Alliance

The Health & Productivity Management Alliance is a collaborative framework for companies that share a vision of "revitalizing Japanese companies and securing the sustainability of company-run health insurance societies by promoting employees' well-being." At the initiative of IXI, plans were firmed up and OMRON and eight other leading managing companies created a framework for collaboration with ministries, agencies, and academic institutions, transcending the boundaries of industries, business sectors, and companies. In just over a year since its establishment, the Health & Productivity Management Alliance has expanded to include 424 companies and organizations*, and has emerged as a platform where members share pioneering initiatives. From fiscal 2024, subcommittee activities will be emphasized to achieve results through collaboration among companies in a more practical manner for further evolution.

*As of August 29, 2024



Column 2: Promoting Generative AI Utilization Promotion Project

The "Generative AI Utilization Promotion Project (AIZAQ)" was launched to apply IXI's expertise in value verification for new businesses and business transformation across OMRON. More than 200 people from across OMRON, all with a strong desire to raise productivity and innovate the customer value proposition through the use of generative AI, have joined forces in this project led by IXI. Participants include not only those with generative AI expertise who can provide technical support, but also employees without experience of AI who are eager to improve the efficiency of their daily work and drive meaningful change. A broad spectrum of individuals—ranging from managers to young employees, regardless of position, age, or department—are actively engaged in AIZAQ and are practicing trial & learning. At first, themes were solicited from across the company wherever generative AI could be applied. Personnel were assigned to each theme, goals were set and verification of AI's utilization began. During the first six months of the initiative, issues in utilizing generative AI were identified and concrete results were achieved for some 20 use cases. For example, one use case involved tabulating and analyzing customer questionnaires about products. The desirability of replacing existing tasks with generative AI was verified, and positive results prompted horizontal deployment to other divisions. From fiscal 2024, the goal is to annually develop 50 use cases so as to continually accumulate and share knowledge throughout the company, while achieving further progress through horizontal deployment.

Technology and Intellectual Property HQ

Core Technologies as One of the Key Sources for Innovation Driven by Social Needs

The Technology and Intellectual Property HQ, OMRON's corporate R&D unit, is responsible for strengthening the competitiveness and growth of each business. By anticipating social issues that may arise in the near future and evolving core technologies to resolve them, we are endeavoring to achieve innovation driven by social needs. For this purpose, the Technology and Intellectual Property HQ oversees governance across OMRON of intellectual property and intangible assets, which are important corporate management resources, formulating and implementing intellectual property strategies for R&D and each business. Thus, our role encompasses OMRON's technology management with respect to both "technologies" and "intellectual property." Our core technologies "Sensing & Control + Think" are the source of OMRON's creation of customer value through innovation driven by social needs. In order to address the three social issues set under SF2030—"achievement of carbon neutrality," "realization of a digital society," and "extension of healthy life expectancy"—the Technology and Intellectual Property HQ has been focusing on the core technology domains of robotics, sensing, power electronics, and AI and data analysis, while promoting technological development for social implementation based on "near-future design." Specific initiatives are described below.

■ Robotics

OMRON began verification tests with Chugai Pharmaceutical Co., Ltd. to realize a next-generation laboratory automation system that automates a series of

experiments in drug discovery research. (July 2023)
Technologies, such as robotics to assist/automate drug discovery experiments conducted by humans and autonomous driving to enable robots to move freely in the confined spaces of laboratories, are being verified.

■ Sensing

A simple means of measuring blood pressure anywhere, anytime to estimate the degree of hypertension—a key factor in cardiovascular and cerebrovascular diseases—would meet a pressing need. To address that need, we are integrating sensor device design technology and AI technology to develop innovative blood pressure measurement technology enabling easy measurement with improved accuracy. We are presenting our findings at academic conferences and other events.

■ Power Electronics

We have developed new power supply technologies, including design optimization technology based on computer aided engineering (CAE) and resonant circuit design technology. These innovations enable both downsizing and efficiency improvements of the power supply, which is at the core component of the control panels that efficiently operate production equipment in factories.

■ AI and Data Analysis

We have developed causal analysis technology that reduces facility start-up time by 75% compared with conventional methods. This was accomplished by adjusting the start-up process in collaboration with local team members, based on the analysis of data obtained from production facilities and quantitative evaluation of causal structures related to quality characteristics.

In addition to the development of these technologies, the Technology and Intellectual Property HQ took the lead in drafting the OMRON AI Policy to promote the ethical use of AI technology. (June 2024)

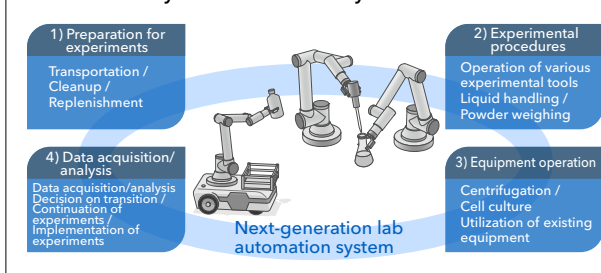


In this way, we have evolved our core technologies while staying closely connected with both internal and external customers. However, society continues to undergo profound change. The replacement of human tasks with, and collaboration between, generative AI and robots are advancing at an increasing pace. As a result, challenges at workplaces across a wide range of industries—not just manufacturing but also healthcare and food—are becoming more complex and customer needs are shifting dramatically. In such an environment, it is critical to develop technologies that will be a source of timely value for our customers. This requires a companywide technology strategy closely aligned with our business strategy, raising development productivity, and maintaining competitiveness. We need a technology development process that continually assesses the evolving direction of customer needs amid rapid societal changes, identifies the necessary technologies, and creates value in advance.

In fiscal 2024, we will focus on strengthening technology governance to further advance robust technology management.

Next-generation Lab Automation System

Realization of a flexible and highly human-friendly lab automation system that is handy for researchers to use



Technology Governance Enhances Development Productivity and Competitiveness and Supports Technology Management

Technology is at the source of the challenge we have undertaken, namely, to create innovation driven by social needs and continuously resolve social issues. Strengthening the competitiveness of individual businesses is insufficient. The Technology and Intellectual Property HQ must spearhead OMRON's ongoing efforts to create technologies and achieve intellectual property outcomes. To achieve this, it is crucial to create technologies that are needed by both business and society, while firmly linking R&D, technology development, and product development from the customer's perspective. As a companywide organization, the Technology and Intellectual Property HQ is uniquely positioned to facilitate collaboration across businesses, maximizing the impact of development outcomes. Working together with technological talent from across the company, the Technology and Intellectual Property HQ is the central unit driving technology management with the goal of maximizing OMRON's corporate value. To further enhance R&D productivity and sharpen competitiveness, we are implementing two initiatives to strengthen technology governance.

■ Formulating a technology strategy for each business domain

Closely aligning the business strategy with the technology strategy, we will formulate a technology strategy for each business domain and prioritize technologies from a companywide perspective. This approach will enable us to execute high-quality development themes based on these strategies, leading to more efficient contributions to business and higher development productivity.

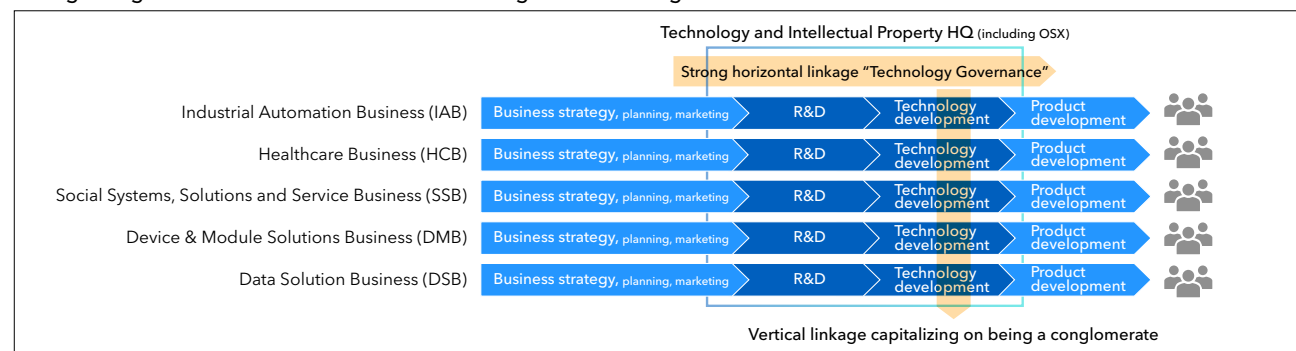
■ Development of indicators to enhance effectiveness of technology strategies and their companywide implementation

To monitor the effectiveness and progress of on-site development productivity and technology strategies, we will

develop indicators to help determine whether our technological capabilities are necessary and sufficient for success in terms of "competitiveness." These indicators will be integrated into our companywide business operations system to inform management discussion and decision-making. Through these initiatives, we are endeavoring to evolve robust technology management. For instance, collaboration with the Social Systems, Solutions and Service Business (SSB) has led to the creation of technology that delivers customer value through a pipeline reflecting strong linkage between business strategies, product strategies, and technology development. An example of this is the pursuit of carbon neutrality, which requires the reduction of CO₂ emissions from homes through the use of solar power generation, storage batteries, electric vehicles, plug-in hybrid vehicles, etc. A vehicle-to-everything (V2X) system, which enables bidirectional power supply between the home and vehicle, can greatly contribute to energy management tailored to household lifestyles. V2X is also attracting attention as a means of strengthening resilience against natural disasters, which have occurred frequently in recent years. With a business strategy focused on addressing these social issues, SSB has been promoting product development to realize a highly flexible system that can be installed in limited spaces and other locations where

installation was previously difficult. Meanwhile, the Technology and Intellectual Property HQ has been conducting advanced research and technology development in the energy solution business domain, and proposed to SSB the use of gallium nitride (GaN) devices to realize this V2X system. Although GaN devices had not yet become commonplace in power conditioners, we forecast that they would eventually become the de facto industry standard. GaN devices, which are next-generation semiconductor power devices formed on gallium nitride crystals, offer several advantages over conventional silicon-based power devices. They can handle higher power with less loss and allow much more compact circuit design. However, GaN devices are difficult to use because they tend to generate noise. By developing drive and filter circuits to suppress the noise, we realized one of the smallest and lightest power conditioners in the industry at that time. We continue to develop leading-edge technologies to address future business challenges. Furthermore, the GaN device technology we adopted in view of technological evolution can be horizontally deployed across other business domains, such as factory automation, to meet customer needs. We believe that by linking this technology with each business strategy and incorporating it into our products, we will be able to exceed customer expectations. The ability to

Strong linkage with business units and vertical linkage within the organization



undertake such initiatives is a key advantage of the Technology and Intellectual Property HQ, a corporate R&D unit conducting technology development. We believe this is one of OMRON's core strengths as a conglomerate able to leverage manifold capabilities.

Unceasing Creation of Innovative Technologies for Social Implementation

In a rapidly changing society, to create technologies that exceed customer expectations, we must continuously anticipate future technological needs from a medium- to long-term perspective and accumulate the necessary technological capabilities. OMRON SINIC X (OSX) is in charge of this task. OSX is taking on the challenge of creating innovative technology by employing a "near-future design" approach from a broad perspective unconstrained by the frameworks of existing business or technological development, viewing society and technology from the "science" perspective of the SINIC Theory. AI came its own in society in 2023. Typified by generative AI, social implementation of AI technologies, which had been in the R&D phase, began and they spread worldwide. In light of this technological progress, OSX is conducting research on cutting-edge themes, including robot learning technology, which utilizes machine learning and reinforcement learning, and AI technology to increase the efficiency of materials research within materials science. With a cumulative total of more than 60 research papers accepted at top-tier international conferences, OSX has gained recognition both in Japan and internationally as a unique corporate research institute and continues to steadily accumulate research outcomes. In fiscal 2023, to facilitate the social implementation of this research outcomes, OSX focused on promoting collaboration, establishing a co-creation processes from the customer's perspective and seeking co-creation partners, while actively engaging in technology communication activities. For example, through an internal open recruitment system

for concurrent positions, OSX recruited "near-future design evangelists" who will communicate OSX's vision of "near-future design" to the public. These are individuals who aspire to create pioneering products and services that set OMRON apart from the competition through collaboration with cutting-edge researchers. They are also inspired by the challenge of contributing to business by "communicating" and "delivering" both within the company and externally. In fiscal 2023, to enhance the competitiveness of each business, together with the "evangelists" we sought to create opportunities for proposing technological outcomes of OSX and the Technology and Intellectual Property HQ in collaboration with the product development teams of each business unit HQ. While interacting with various departments—including sales, planning, and product development—we focused on finding intersections where our technologies could help resolve customer issues. We also strengthened the dissemination of our results through the web and social media. Moving beyond simply announcing the acceptance of papers, we now explain our technological outcomes in a way that is easy for non-specialists to understand, aiming to generate interest so as to facilitate co-creation with external parties. As a result of these activities, customers consult with our sales department on the issues they are facing, and these interactions have evolved into co-creation of solutions.

In-house technical exchange



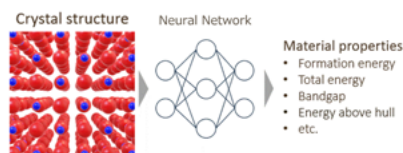
Case Study: Co-creation Process for Social Implementation of Research Outcomes

In business development based on cutting-edge technologies, there is often a "valley of death" where R&D outcomes are not commercialized, thwarting their advancement to the social implementation phase. To overcome this challenge, it is crucial to generate ideas by identifying issues from the customer's viewpoint in a timely manner. We use an in-house recruitment system to attract motivated individuals from throughout OMRON who are eager to link R&D outcomes to business and achieve social implementation. However, if they are "transferred" to another organization, they may lose touch with the voice of the customer, making it difficult to identify the issues. Therefore, recognizing the need to engage in the commercialization process while continuing their regular duties, we actively utilize the internal open recruitment system for concurrent positions. By fostering a co-creation process from the customer's perspective, we aim to spur business creation.



Research Showcase: Crystalformer

While the application of generative AI is rapidly progressing in the digital realm, particularly for text creation and image generation, research is also underway for its use in the real world. For example, generative AI is beginning to be used to increase the efficiency of materials development, such as for finding new materials for all-solid-state batteries with better energy efficiency. OSX is developing AI technology to improve productivity in inorganic materials development. Recently, we developed "Crystalformer", a Transformer-based neural network to predict the physical properties of materials from their crystal structures with high accuracy. The transformer is a neural network architecture that was originally conceived for text translation and is now the foundation for large language models used in recent AI chat technologies. The transformer uses its main module, called the self-attention mechanism, to capture the meaning of words in context while estimating relationships between them. In our work, we point out the similarity between Transformer's self-attention mechanism and the interatomic potential summations used in the energy calculation algorithms for crystal structure simulations. By taking advantage of this similarity, Crystalformer performs physically inspired calculations for interatomic interactions, which enable the accurate estimation of states of atoms in crystal structures. We believe this technology will significantly enhance development productivity and contribute to new discoveries and applications in materials science and nanotechnology. This research is conducted as part of the "Materials Exploration Platform; Expanding Search Space by high-throughput technology" (Project Leader: Mr. Keisuke Nagato, The University of Tokyo) which is a full-scale R&D project in the "Common Platform Technology, Facilities, and Equipment" mission area of the Japan Science and Technology Agency's JST-Mirai Program. The research is being promoted through open innovation in collaboration with various research institutes and researchers.



Evolution of customer-centric IP and intangible asset activities

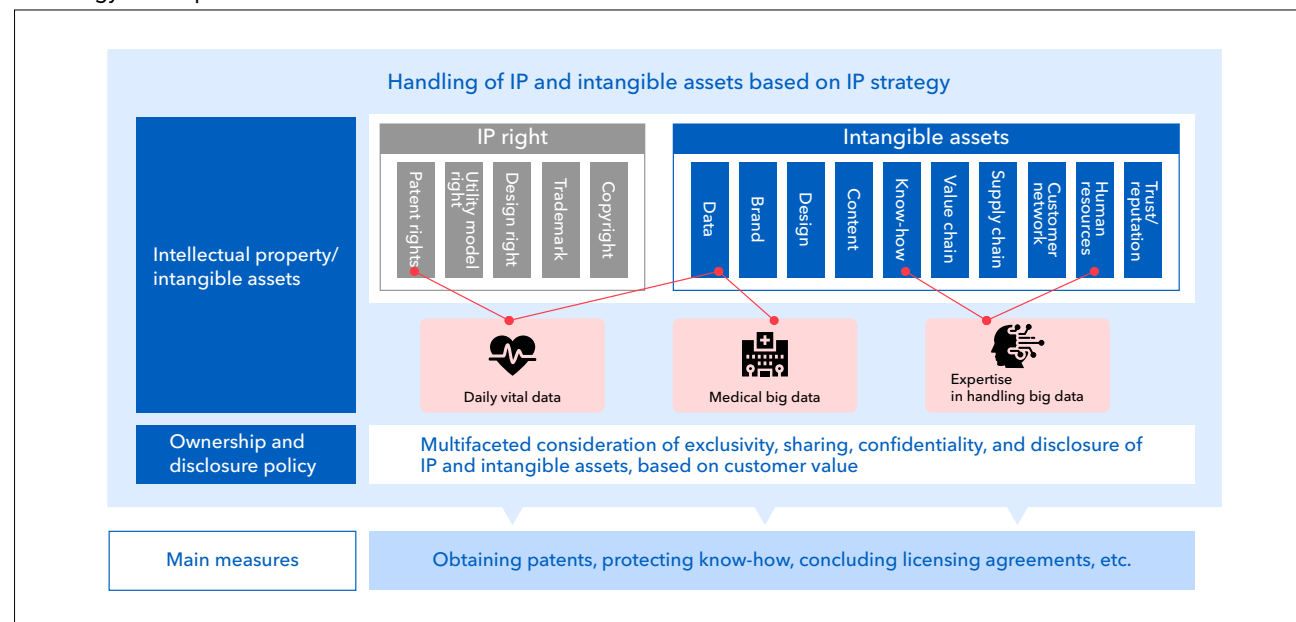
In fiscal 2018, the Intellectual Property Center defined its mission and vision for the creation and delivery of new value through intellectual property, setting OMRON on a trajectory of sustainable growth. Since then, it has been evolving its intellectual property/intangible assets initiatives. In recognition of these IP and intangible asset activities, OMRON has been selected as one of the "Top 100 Global Innovators" by Clarivate, which selects the world's most innovative companies and research institutions, for eight consecutive years.

OMRON's IP activity policy is to pursue "Ambidextrous IP Activities" by combining "Exclusive to Other Type" and

"Sharing & Resonating Type" in an optimal balance. In Exclusive to Other Type, IP is used only by the company in principle for the purpose of increasing sales and market shares of the company's products, whereas in Sharing & Resonating Type, necessary IP is mutually shared while emphasizing alliances with partners.

In particular, in Sharing & Resonating Type IP activities, we cover not only individual IP rights, which have been the focus of our activities so far but also intangible assets. We are working to manage IP and intangible assets with a view to maximizing customer value. As the first step, for businesses that utilize data, such as the Health & Productivity Management Alliance, members of the Intellectual Property Center participate in projects from the phase of business conception onward and establish IP strategies closely linked

IP Strategy Development Process



with business strategies, including the handling of IP and intangible assets that are essential to the business. Going forward, the IP strategy establishment process cultivated through involvement in data utilization businesses will be horizontally deployed to other businesses of the OMRON Group. Improvement of the efficiency of companywide utilization of IP and intangible assets will become increasingly important for obtaining the maximum advantage from investment in terms of business competitiveness. All employees need to recognize the IP and intangible assets that exist within the OMRON Group and be able to utilize them. The Intellectual Property Center is categorizing the in-house technologies accumulated for each business based on the functions necessary to realize customer value, while also working on systematic visualization, linking the technologies with human resources by utilizing information such as inventor information related to patents. Through these activities, we aim to improve the efficiency of utilization of IP and intangible assets. In order to further promote these IP and intangible asset activities, we are considering KPIs for IP activities linked to business success from the perspective of “advanced technology development efficiency,” that is, how efficiently R&D investments are converted into competitive technologies; the perspective of “social implementation rate,” that is, to what extent the IP and intangible assets created are linked to OMRON’s business growth and business advantages; and the perspective of “human resources capability,” that is, to what extent human resources capabilities are improved as a result of development activities.

Customer-centric IP and intangible asset activities

We apply “IP landscaping,” which uses IP information to analyze customer and business environments, in marketing and other business decision-making processes. For example, in the phases of formulation of business hypotheses and establishment of development themes, we are efficiently running a cycle of hypothesis testing to

promote “identifying customer needs,” “creating a story to win in business,” and “improving return on investment in business.” Such IP information analysis activities are conducted by a dedicated team directly under the Intellectual Property Center, and are implemented from upstream of the business process to enhance the quality of management, business, and technology strategies. Moreover, the Intellectual Property Center consolidates the technologies and knowledge of each business unit as IP/intangible assets and deploys them companywide. For this purpose, we are preparing to transition the structure of the Intellectual Property Center from a structure based on business to one based on IP function, thereby eliminating the barriers between businesses and enabling companywide management of IP/intangible assets. In the future, the Intellectual Property Center will centrally manage the technologies and knowledge held by each business of OMRON, aiming for their efficient companywide utilization. Furthermore, we are emphasizing the use of AI to accelerate customer-centric IP activities. For example, we aim to dramatically improve operational efficiency by proactively

utilizing generative AI to generate ideas that it was previously thought could only be conceived by humans. We also aim to further improve the quality of hypothesis testing in IP landscaping and achieve high-cycle management. To achieve these aims, we are implementing systematic and continuous education programs designed to refresh the mindsets and enhance the skillsets of all members of the Intellectual Property Center. Through these customer-centric IP and intangible asset activities, the Intellectual Property Center endeavors to improve the efficiency of investment in technological development from the perspective of IP/intangible assets and contribute to creation of the value propositions of businesses. We will continue to be the source of a stream of technologies that exceed customers’ expectations, illuminating a path to the future through innovation driven by social needs.

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.

PEOPLE

Generating Diverse Talent Taking on the Challenge of Value Creation

Evolving human resources management to bring out the capabilities and skills of OMRON's diverse talent, who will be the source of OMRON's sustainable growth

CHRO Message

Creating an Environment where the Company and Employees Empathize with the OMRON Principles, Always Choose Each Other, and Continue Growing Together



Director, Senior Managing Executive Officer
CHRO and Senior General Manager, Global Human
Resources and Administration HQ

Masahiko Tomita

OMRON's human capital strategic vision under SF2030 is: "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." Pursuing this human capital strategic vision, we are

implementing our human capital strategy globally with a long-term outlook, in order to enhance corporate value through sustained business growth. I see the transformation of society as we move toward 2030 as a major opportunity to create new markets and business activities. At the same time, I realize that these are uncertain, unpredictable times, with dramatic changes in our business environment. Based on this awareness, I have been promoting a shift in our organizational capabilities, so we can generate customer value on an ongoing basis as we adapt to changing business conditions. Under the medium-term management plan (SF 1st Stage) that began in fiscal 2022, we positioned employees as the driving force for creation of new value, and established "human creativity" as a quantitative indicator of the extent of new value created as we invest in human capital. We have specifically focused on eight policies considered most effective in improving human creativity. Nonetheless, business performance up to fiscal 2023 clearly demonstrates that OMRON has not been able to keep pace

with rapidly changing business conditions, nor to respond to them pre-emptively. Put another way, our eight human resource policies have been progressing steadily, but we must reflect seriously on the fact that this progress has not yet led to an adequate improvement in human creativity. I see three major issues in this regard.

The first is that our staffing and labor cost structure is not resistant to dramatic changes in the business environment. To date, OMRON has invested in developing a human capital portfolio consistent with its business strategy. However, we did not take adequate steps to actively transform the human capital portfolio in line with the changing environment, or to assess return on investment in the portfolio in a timely and appropriate manner. This resulted in a high ratio of selling, general and administrative expenses to net sales, which was one of the reasons for the major breakdown of profit structure in the recent performance fluctuation. From this standpoint, we are aware of the need to move quickly to build a staffing

Eight Human Resource Policies

Initiatives to Accelerate Diversity & Inclusion	FY2023 Performance Indicators and Targets	FY2023 Results
Global hiring of specialist human resources to lead value creation	Recruitment sufficiency rate	Fulfilled as planned
Promote localization of globally important positions	80% or more	80% or more
Promote career advancement for women by developing next-generation female leaders	Ratio of women in managerial roles globally: 17.4% or more	Ratio of women in managerial roles globally: 19.1%
Implement and expand diverse career, employment status and work style options	Promoting resolution of issues in "operational efficiency" and "performance management"	Progressing as planned
Invest in individuals keen to grow	Investment in human resource development: Over 2 billion yen	Approx. 1.4 billion yen
Establish job-based HR system with defined roles, responsibilities, and specialties	-Introduction/operation of non-managerial staff wages/evaluation system -Certification of 100 or more specialists	Completed as planned
Cultivate a workplace environment that supports personal growth and motivated individuals	360-degree evaluation Related item scores	Achieved as planned
Initiatives and programs to share achievements of resolution of social issues	-Evolution of TOGA -Expansion of external partners	-Participants/live viewers/post-event viewers: 116% of previous year's figure -420% expansion in partners in wider society

and labor cost structure that is resistant to dramatic changes in business conditions.

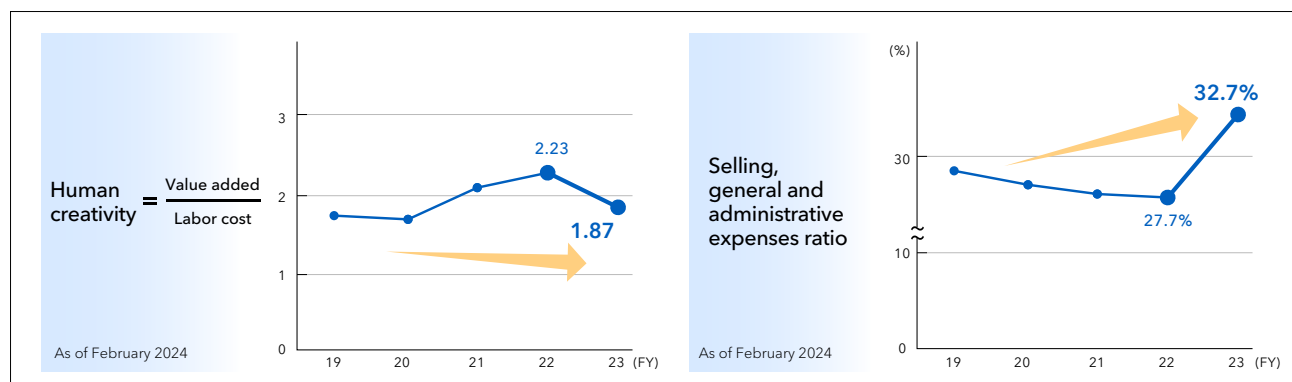
Secondly, the shift to organizational capabilities essential to accomplish the SF2030 vision was markedly inadequate in terms of both speed and impact. Specifically, we have been unable thus far to develop adequate human resources to advance the solution businesses that are crucial to attaining high revenue growth by solving the three social issues identified in SF2030. Naturally, we have been investing in capacity development to hone individual employees' specialties to support transformation of organizational capabilities, as well as investing in human resource development to enable the acquisition of new specialties. However, on the abovementioned indicator of human creativity, the rise in labor costs has not yet been surpassed by a rise in value added. This leaves me no choice but to conclude that at present, we are not doing enough. What OMRON needs now is the "capacity to create new customer value" and the "capacity to deliver value reliably to customers." Moving forward, we are committed to accelerating the transformation in organizational capabilities by renewing our training structures centered on the above capacities, with a strong focus on our customers.

The third issue is that we have been unable to concentrate our efforts on creating value for our customers. Thus far we have been working on recruitment of specialist personnel to lead value creation and the development of an environment that supports diverse working styles. However, I feel there is still room for improvement in terms of giving free rein to the abilities and high level of motivation of employees with diverse value outlooks, comprehending customer needs at team level, and continuing to deliver value to customers. We must view changes in the current business environment as an opportunity to cultivate customer-driven management, where diverse human resources connect to develop and lead teams that create value.

In order to adapt to the changing environment and generate customer value on an ongoing basis under NEXT 2025, based on the learnings I have described above, I will focus on customer-driven management and accelerate the transformation of organizational capabilities. Let me explain the concrete measures we will be pursuing.

Initiatives Under NEXT 2025

(1) What We Will Keep Doing



Human capital management in pursuit of sustained growth for both the company and its employees

I believe that the purpose of human capital strategy is to make management strategy and business strategy into reality. Striving to solve social issues through our business is something that each and every one of our employees does. This is why we established a new relationship between the company and employees in the SF2030 human capital strategic vision, focusing on always choosing each other and continuing to grow together. There will be no change in this approach.

I believe that to generate new value on an ongoing basis at the same time as adapting to changes in the business environment, it will be essential for OMRON to bring together a variety of specialized individuals keen to solve social issues, and enable them to continue deploying their abilities in the course of tackling new challenges. This idea informs OMRON's distinctive definition of Diversity and Inclusion (D&I), which is another thing we will not be changing. Based on this human capital strategic vision and concept of D&I, we will continue investing in human capital and increasing human creativity.

(2) What We Will Change

Transformation of organizational capabilities through reconstruction of the HR portfolio

We recently pursued a rationalization at a scale of 2,000 people across Japan and globally. The reason we did so was to rebuild the HR portfolio to make it capable of withstanding dramatic changes in the business environment. Moving forward, we will work to ensure that each and every employee can develop the abilities needed for OMRON to continue growing. Specifically, this will involve capacity development to enable each employee to acquire a specialty for the creation of new customer value and to demonstrate high levels of performance. Among our existing initiatives for "leader development and promotion,"

"enabling diverse and versatile talent to play active roles," and "hands-on training for the acquisition of new value creation abilities," we will be accelerating the latter type of initiatives especially. For example, as a form of capacity development contributing to the realization of high-productivity corporate management, we will be expanding training programs to support the uptake and full utilization of digital technologies and generative AI in the workplace.

We will also pursue external recruitment of individuals possessing experience and knowledge beyond OMRON. The development and enhancement of employees' abilities are the cornerstone of sustained growth not only at individual level but also for the organization and company as a whole. In addition to the training already conducted in each business area, we will also be developing company-wide systems to enable a full range of basic capabilities to be acquired at an early stage, provide opportunities to deploy those capabilities to the full, and thereafter allow each employee to develop their own capabilities autonomously and grow continually. The involvement and support of managers with responsibility for their team members' development is also important in order to enhance the abilities of diverse

employees and enable them to play active roles and grow in the workplace. What is crucial here is dialogue in which managers and team members exchange opinions frankly. We will be creating a suite of diverse opportunities for learning and dialogue to encourage employees to grow and mechanisms for encouraging them to act.

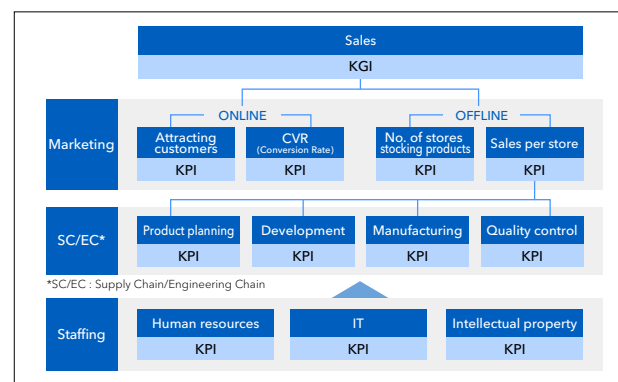
Strengthening Customer-driven Management

I also believe it is extremely important for managerial personnel (executive officers and senior managers) to possess the managerial abilities to mobilize diverse talents and facilitate the creation of new customer value. For this purpose, with a view to creating value for customers, from this fiscal this year we are working on strengthening managerial abilities in both "performance management" to link all parts of the organization and produce results, and "people management" to mobilize diverse team members' talents and appetite to contribute proactively (See [Figure 1]). The aim of these initiatives is to strengthen management's capacity to drive the development of an organization capable of high-cycle provision of value to its customers.

Figure 1

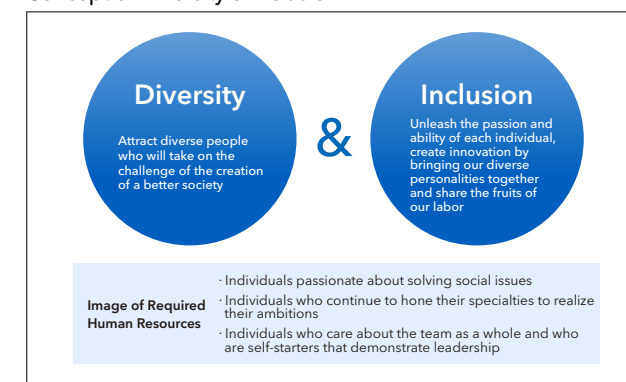


Figure 2 Example: Healthcare Business



With a view to cultivating leaders capable of speeding up our responsiveness to change, leading organizational linkage, and mobilizing the talents of diverse individuals, this fiscal year we will be introducing a system to assess the abovementioned two types of managerial ability and assign managerial personnel appropriately in light thereof. In the area of performance management, we have set company-wide and departmental KGIs and KPIs linked to cross-departmental sales (See [Figure 2]), with an emphasis on reliable implementation and management while manifesting results as a team. In people management, we have defined the skills required of managerial staff as "persuasive storytelling," "flat communication," and "individual empowerment," and are considering the adoption of new evaluation criteria and skills enhancement training. We will be developing mechanisms to maximize diverse employees' talents and appetite to contribute proactively, as we seek to create value for our customers.

Concept of Diversity & Inclusion



OMRON's Distinctive Approach to D&I

We aim to be a corporate group that encourages a diverse range of people with many different ways of thinking can play active roles, unleashing their abilities and individual traits regardless of factors such as nationality, religion, marital status, gender, sexual orientation, gender identity, gender expression, and disability. As noted earlier, the distinctive D&I initiatives that OMRON has pursued thus far will be continued through this period of structural reform.

This is because it is the diversity of the people who work at OMRON that makes it possible for us to generate innovation based on the OMRON Principles and realize solutions to social issues through our business.

(1) Women's Empowerment

Promoting career advancement for women by strengthening development of next-generation female leaders

At OMRON, we regard women's career advancement as a key management strategy, and we are pursuing initiatives to increase the percentage of women in management roles globally. This percentage was 16.6% in fiscal 2022, but rose to 19.1% in fiscal 2023, demonstrating that the initiatives pursued thus far are yielding concrete results. However, there is still a shortage of women as both current incumbents and successor candidates for most important positions leading management and business across the Group. To address this issue, in fiscal 2023 we launched the Women Leaders Circle for female managers. The Women Leaders Circle aims to identify and foster women with the potential to take up key positions in the Group in future, and to create a community of women leaders. To promote a career advancement mindset among participants, a program was offered in which participants engage in dialogue with women leaders within and outside OMRON on themes such as "carving out your own career and leadership style," "what OMRON can do to empower women further," and

"overcoming your own biases." Comments from the 19 women from 8 countries who participated in the program in fiscal 2023 included: "I was able to form my own leadership vision," "I moved closer to a management perspective, linking my own advancement to the advancement of all women working at OMRON," and "I realized that my own worries were actually healthy concerns." The program thus fostered participants' motivation to aim for higher positions. Some of the participants were also cultivated as successor candidates for key positions leading management and business. We will be continuing our initiatives to support women's advancement and to form and nurture communities for this purpose.

(2) Empowerment of People with Disabilities

Ongoing career advancement of people with disabilities

As part of OMRON's efforts to empower people with disabilities, we have defined an "empowerment cycle for all employees with disabilities." This cycle involves four types of activities: (1) understanding the employment of people with disabilities: promoting understanding in all departments of OMRON's approach to employing people with disabilities; (2) finding jobs required for our business: defining jobs down to the level of specific duties in order to enhance the fields of activity; (3) talent matching: improving the precision of matching; (4) creating a well-suited environment: strengthening both hard and soft infrastructure development. By implementing this cycle, we are aiming to promote the employment of people with disabilities on an ongoing basis, and to realize a working environment in which both individuals and the company can grow.

From internships to employment

We conduct internships for people with disabilities interested in working at OMRON, with the aim of matching individuals' skills to the jobs they may perform after joining

OMRON, and ascertaining one another's potentials. These internships have enabled both prospective employees and the workplaces that host them to develop a common understanding of capabilities, skills, and characteristics (environments required), enabling more concrete preparations to be made for welcoming new employees to the workplace. As a result, more people have been able to achieve a smooth transition to work.

Building systems to support secure work and deployment of capabilities

For more than 50 years, OMRON has been developing environments that allow people with disabilities to work with peace of mind. Currently we are proactively building such an environment not only for employees with physical disabilities but also those with a range of other disabilities (including mental and developmental). Specifically, we are establishing consultation desk staffed by specialists where employees with disabilities, their supervisors and co-workers can seek advice, enabling them to work together to resolve day-to-day issues and fully demonstrate their capabilities. These specialists are also developing more secure working environments by collaborating with workplaces and healthcare professionals, informed by routine feedback from employees.

As a result of these initiatives, the ratio of employees with disabilities at OMRON has reached 3.5% in fiscal 2024, well above the ratio of 2.5% stipulated in a statutory amendment this fiscal year in Japan. OMRON will continue to pursue the active engagement of employees with disabilities through activities under the "empowerment cycle for employees with disabilities" in individual workplaces.

ENVIRONMENT

Achieving Decarbonization and Lower Environmental Impact

By viewing climate change from the two aspects of opportunities and risks, practicing corporate social responsibility and building further competitive advantage

Achieving Decarbonization and Lower Environmental Impact

OMRON's Approach to the Environment

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

OMRON Environmental Policy

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



Environmental Promotion System

OMRON management and executives work together to address environmental issues, with the Board of Directors fulfilling its responsibility for supervision and oversight. As part of our governance system, the president and CEO delegates authority to the individual executive division heads, who are responsible for pursuing environmental issues such as climate change and creation of circular economies. Additionally, the president and CEO reports to the Board of Directors on progress status and important matters, while the Board makes decisions and carries out oversight of executive matters.

Furthermore, as part of efforts to strengthen sustainability governance, which includes environmental initiatives, a director in charge of the environment and a Sustainability Executive were appointed in fiscal 2023. In addition, a Sustainability Committee chaired by the Sustainability Executive (which meets every quarter, in principle) was established to deliberate on environmental measures across the Group and ensure compliance with environmental laws.

OMRON Environmental Objectives

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

OMRON Carbon Zero Medium- and Long-term Environmental Targets			
Zero GHG emissions (scope 1 and 2) by 2050			
Material sustainability issues under SF2030	SF2030 (FY2030) goals	SF 1st Stage (FY2024) goals	
Achieving decarbonization and lower environmental impact	<p>The state of building further competitive advantage while solving social issues through reducing greenhouse gas (GHG) emissions in the value chain and establishing a resource recycling model</p> <ul style="list-style-type: none"> ● Scope 1 and 2: 65% cut^{*1} vs. FY2016 ● Scope 3: 18% cut^{*1} vs. FY2016 	<ul style="list-style-type: none"> ● Scope 1 and 2: 68% cut vs. FY2016 ● Achieve Carbon Zero at all 76 sites in Japan^{*2} ● Scope 3, Category 11: Implement energy-saving designs for new products ● Implementing business model transformation, environmentally friendly design, collection and recycling, and sustainable procurement in response to transition to a circular economy 	
Issues	FY2024 targets	FY2023 results	Evaluation
Reduction of greenhouse gas emissions	Achieved 68% reduction in absolute amount vs. FY2016 result [*]	Achieved 68% reduction in absolute amount vs. FY2016 result	Exceeded plan
	Environmental contribution ^{*3} > CO ₂ emissions from production sites	Environmental contribution (1,158 thousand ton-CO ₂) > CO ₂ emissions from production sites (75 thousand ton-CO ₂)	As planned
Proper waste management and production	Maintain zero emissions ^{*4} at all global production sites	23 sites (100% progress)	As planned
Compliance with environmental laws	Perform environmental legal assessments at all global production sites	24 sites (100% progress)	As planned
Effective usage of water resources	Reduce water usage at all global production sites by 20% vs. FY 2015 result	Down 48%	Exceeded plan
Facilitating environmental management	Acquire and maintain ISO 14001 certification at all global production sites	24 sites (100% progress)	As planned

^{*1} Certified under SBT Initiative in May 2022.

In May 2024, the SF2030 (FY2024) target was revised upward from a 53% reduction in the absolute amount to a 68% reduction in the absolute amount vs. FY2016.

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

^{*3} Volume of CO₂ emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services

^{*4} Recycling of waste: 98% or higher

Key Environmental Initiatives under SF2030

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

Reduction of GHG Emissions

(Scope 1 and Scope 2: Emissions from the OMRON Group)

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

Reduction of GHG Emissions

(Scope 3, Category 11: Use of Sold Products)

With regard to Scope 3, we will promote power-saving design, downsizing and weight reduction of new products, and replacement with low-power-consumption products in each business to prioritize reductions in Scope 3, Category 11, which accounts for approximately 70% of OMRON's GHG emissions.

Transitioning to a Circular Economy

In order to solve the problems of resource depletion and environmental destruction, we will work to transition to a circular economy through such initiatives as "transformation of business models," "extension of product life," "expansion of collection and recycling," "procurement of recyclable raw materials," and "maximization of recycling rates." Specifically, for "procurement of recyclable raw materials," we are

reducing plastic waste in the production process and replacing containers (outer packaging) for products with paper packaging materials. For "expansion of collection and recycling," we are promoting in-process recycling, collection and recycling of OMRON products in cooperation with partners and customers and reviewing the production process and improving the recycling rate of resin waste materials generated in the production process.

*1 J-Credit Scheme: Under this scheme, the Japanese government certifies a company's environmental value (the effect of not emitting CO₂).

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

Environmental Evaluation Framework

Through our environmental evaluation framework, OMRON minimizes negative environmental impacts throughout the product life cycle to reaffirm our commitment to environmental protection, thus contributing to both environmental issue resolution and sustainable business growth. Within this framework, we classify products that take their environmental impact into account as "Environmentally Conscious Products" and those with a clear contribution to environmental protection throughout their life cycle as "Environmentally Contribution Products."

In line with this approach, we have drawn up our own guidelines for calculating the carbon footprint of a product (CFP) in accordance with relevant global standards.

Environmentally Contribution Products

Environmentally contribution products refer to OMRON products that help customers address their environmental issues, either through the products themselves or associated services. OMRON uses LCA to assess products with high

environmental performance and visualize the added value of these products in a reliable and transparent manner.

Environmentally Conscious Products

Environmentally conscious products refer to OMRON products that reduce or mitigate negative environmental impacts and material issues to be addressed during the life cycle of said products. These products must pass the product environmental assessment in the product planning and design stages. As such, all new OMRON products are environmentally conscious.

In the Device & Module Solutions Business, CFPs (Carbon Footprint of Products) have been calculated in accordance with the guidelines for the G9KB series of high-capacity power relays used in new energy equipment, such as power conditioners and energy storage systems. Starting in May 2024, we began providing CFP data of this product series, certified by a third-party organization in accordance with ISO 14067^{*3}, to customers upon request.

In our ongoing effort to support a decarbonized society, we will continue offering CFP data for this product series. We will also expand the range of models included, while further advancing experiments to monitor GHG emissions across the supply chain.

*3 ISO 14067: A standard on climate change that specifies the requirements and guidelines for quantifying CFPs

Major FY2023 Initiatives

Initiatives to Reduce GHG Emissions

We are reducing emissions steadily every year to achieve our environmental targets, exercising energy conservation and using cleaner electricity from renewable energy sources. In fiscal 2023, we continued with capital investment into replacing existing equipment with more efficient, energy-saving equipment, operational optimization based on energy saving diagnostics, and further expansion of solar power generation equipment. Mainly due to the expansion of carbon-zero sites in Japan by utilizing J-Credits and the lowering of production output, as well as the better-than-expected outcomes of energy-saving and energy generation efforts, we achieved a 68% reduction in the absolute amount of GHG emissions in Scope 1 and 2 (compared with fiscal 2016). Accordingly, we have revised upward our targets for fiscal 2024 from a 53% reduction in the absolute amount of emissions to a 68% reduction in the absolute amount of emissions (compared with fiscal 2016). We also achieved a 32% reduction in the absolute amount of GHG emissions in Scope 3 (Cat. 11) (compared with fiscal 2016).

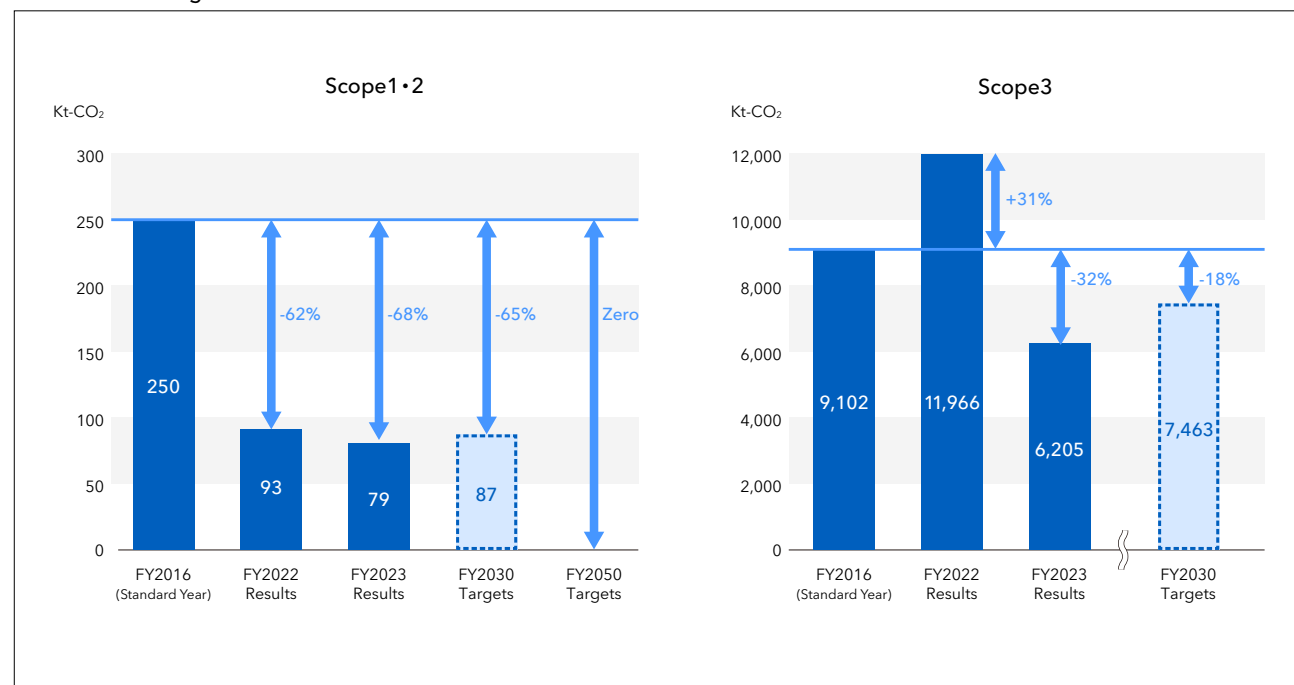
Initiatives to Transition to a Circular Economy

With the aim of realizing a “circular society,” we are working to reduce waste at all our production sites across the globe. In more concrete terms, we are reducing waste production by minimizing resource usage and promoting efficient use of resources, expanding reuse and recycling efforts, and cutting down on hazardous waste emissions. In fiscal 2023, 23 OMRON Group production sites maintained or achieved zero emissions (11 in Japan and 12 out of Japan). Furthermore, we follow strict waste-sorting practices, ensuring that waste from production sites is categorized

and prepared for recycling before being handed over to recycling services. This process helps reduce landfill waste and promotes more efficient resource use. For example, at the production sites of the Device & Module Solutions Business, they successfully reduced plastic waste produced when molding components by improving production equipment or changing metal molds. This also allowed them to utilize recycled materials while curbing energy consumption. Also, by increasing the recycling rate of molded resin, it

became possible to significantly reduce plastic waste. Likewise, improvements in logistics and reductions in the weight of containers and packaging materials led to a 9% reduction in container material usage and a 17% reduction in packaging material usage (both compared with fiscal 2022). In fiscal 2024, we continue to focus on logistical improvements and reductions in weight.

GHG Emission Targets and Results



Disclosure in Line with TCFD Recommendations

Responses to Climate Change

With numerous major disasters occurring worldwide due to extreme weather events, OMRON considers climate change to be one of the most important issues we need to address. Guided by SF2030, we are committed to creating a carbon-neutral society, one of the contemporary issues in our society.

After endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2019, we are promoting information disclosure in accordance with the TCFD framework in a bid to enhance the engagement with our shareholders, investors, and other stakeholders with regard to the OMRON Group's initiatives for climate change.

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 Group's sustainability policy, material sustainability issues, and targets, including initiatives to address climate-related risks based on the TCFD and other frameworks. In accordance with TCFD recommendations and in connection to SF2030 and the medium-term management plan, the Executive Council and the Sustainable Committee discuss risks, business opportunities, targets, and specific measures related to climate change for each business, as identified by scenario analyses, make decisions, manage progress, and conduct monitoring on a regular basis, and consider corrective measures, as necessary. The Board of Directors receives, on a regular basis, reports on what has been discussed and decided by the Executive Council and deliberates on and supervises the matters. Evaluations concerning the GHG

emissions reduction target and evaluations based on sustainability indicators (Dow Jones Sustainability Indices) by third parties are included among the evaluation indicators for the medium- to long-term, performance-linked compensation for inside 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, we have defined "achieving decarbonization and lower environmental impact" as a material sustainability issue. Viewing climate change from two aspects, opportunities and risks, we are committed to fulfilling our corporate social responsibility and further building our competitive advantage. In order to prevent the expansion of the serious impacts of climate change on ecosystems and human society, we will work to reduce GHG emissions throughout its value chain through "products and services that contribute to carbon neutrality," "evolved business models that combine products and services," "co-creation with our partners," "improved energy efficiency," and "expanded use of renewable energy."

Amid these initiatives, the OMRON Group analyzed risks and opportunities based on two scenarios as announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and others: one assuming a rise in global average temperature of 4°C or more, and the other assuming that the increase in global average temperature is kept to below 2°C (1.5°C in some cases) as agreed under the Paris Agreement. We reaffirmed that we must act to solve climate change issues. Specifically, in the field of industrial automation, we will develop innovative-Automation to establish manufacturing sites that support a sustainable future of job satisfaction and

harmony with the environment, and will aim for automation that increases productivity and energy efficiency. In the field of social solutions, OMRON has already contributed to the spread of solar power generators and storage batteries. Moving forward, we will contribute to the further spread of renewable energy by eliminating instable generation through advanced energy control technologies. Additionally, in the field of device and module solutions, we will accelerate the development and supply of devices and modules in response to the growing interest in improving environmental performance and reducing the carbon footprints of products. OMRON connects with society in a variety of ways, and will contribute to the realization of a carbon-neutral society on multiple fronts. In fiscal 2022, OMRON became the first Japanese manufacturer to join the EP100, and declared its commitment to doubling "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. At the Matsusaka Factory, which is a production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and the Healthcare Business are working together to create a system to double production while reducing energy consumption.

➡ SF2030 Topics "Achievement of Carbon Neutrality"

Company-wide Sales Targets and Progress in Contributing to Carbon Neutrality through our Businesses

In fiscal 2023, company-wide sales contributing to carbon neutrality (Green Revenue) amounted to JPY 102.4 billion. Given the revision to performance forecasts, we have revised our earlier target for fiscal 2024 to JPY 116.0 billion (The original target for SF 1st Stage was JPY 130.0 billion).

Risk Management

Processes for Assessing, Identifying, and Managing Risk

OMRON conducts scenario analysis for each business to identify a comprehensive set of “transition risks” and “physical risks” related to climate change. We then visualize the “time horizon” and “amount of impact on business and finances” of each of the extracted climate-related risks for each adopted scenario, and evaluate the degree of impact on business and finances. Based on the assessment, we identify climate-related risks that are significant to the OMRON Group, incorporating these results into company-wide risk management as integrated business risk. Important matters related to risk identification and formulation of countermeasures are reported to the Board of Directors. In fiscal 2023, we confirmed that the scenario analysis outcomes for IAB, HCB, DMB, and SSB remained unchanged. Additionally, we verified that the Structural Reform Program NEXT 2025 will not alter the results of scenario analysis for

each business. For the Data Solutions Business (DSB), which was established in December 2023, we will incorporate it into the scope of scenario analysis and plan to conduct this analysis in conjunction with the next medium-term management plan (SF 2nd Stage).

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 risks for the Group and monitor risk management by aligning these risks with the risks identified by scenario analysis.

Indicators and Targets

Indicators for Climate-related Risks and Opportunities

We have established indicators for Scope 1, 2, and 3¹ GHG

emissions and for renewable energy as a percentage of electricity used in our business activities. We use these indicators to manage risks and business opportunities.

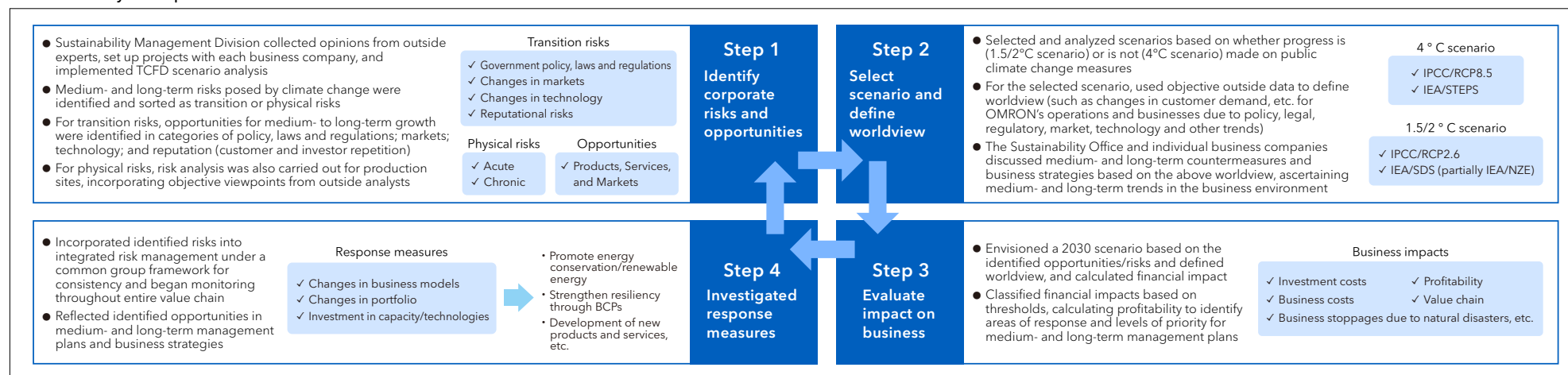
Targets and Results of GHG Emissions (Scope 1, 2, and 3)

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

For Scope 1 and 2 and Scope 3, Category 11, we have set 2030 targets, each of which has been certified by the SBTi as 1.5°C and 2.0°C pathway targets, respectively*. In an effort to achieve these targets, OMRON aims to achieve Carbon Zero for Scope 2 at our sites in Japan by fiscal 2024, utilizing the renewable electricity-derived J-Credit Scheme provided by our energy solutions business and self-consignment, while continuing efforts to improve energy efficiency.

*The 2030 targets for Scope 1 and 2, as well as Scope 3, will be reviewed in 2027 in accordance with the SBTi standards

Scenario Analysis Steps



Evaluated Business and Financial Impacts of Climate Change

● Assumed period: Period covered by SF2030 (through fiscal 2030)

● Adopted scenarios:

- 4°C Scenario: IPCC/RCP8.5, IEA/STEPS

- 1.5/2°C Scenario: IPCC/RCP2.6, IEA/SDS (portions of IEA/NZE)

● Time horizon: Short-term: less than 3 years; Medium-term: 3 to 10 years, Long-term: 10 to 30 years

● Scenario analysis targets: Industrial Automation Business, Healthcare Business, Social Systems, Solutions and Service Business, and Device & Module Solutions Business

● Definition of business and financial impact (large, medium, and small)

<Impact on risk: Positive or negative impact on operating income>

Large	We expect ongoing regulations, policies, etc. on climate change at our customers, markets, etc., to have an impact in the future, resulting in an estimated impact on operating income of JPY 10.0 billion or more per year.
Medium	A change in response to climate change is already ongoing among customers and markets. We expect ongoing impacts to continue. However, we expect responses to change over the medium to long term, depending on whether consumers are accepting and on judgments related to return on investment. As a result, we expect the impact on operating income to be between JPY 3.0 billion and JPY 10.0 billion per year.
Small	An awareness change against climate change is already ongoing among our customers, markets, etc. However, we expect the medium- to long-term impact to be limited. As a result, we estimate the impact on our operating income to be less than JPY 3.0 billion per year.

*The impact is defined as a positive or negative impact on operating income. Impact is defined as the response to the identified risk/opportunity.

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

Type of Risk	Time horizon	Risk Overview	Business and financial impact		Response to risks
			1.5°C/2°C	4°C	
Transition	Government policy and regulations	- Increase in business costs (introduction of carbon tax, emissions trading, circular economy regulations, etc.) as a result of complying with climate change regulations	Small	Small	- 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.)
	Markets and technology	- Increased competition in areas related to decarbonization, such as improving the environmental performance of products and reducing the carbon footprint of products	Small	Small	- Developing products and services to solve environmental issues, such as reduction of GHG emissions and compliance with circular economy regulations
	Reputation	- Changes in reputation due to inability to meet customer needs - Changes in investor evaluation due to poor performance attributable to inability to capture the needs associated with the resolution of environmental issues	Small	Small	- Attracting ESG investment and enhancing the added value of our products through proactive response to climate change and the circular economy
	Physical	- 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.)	Small*	Small*	- Strengthening resilience by reestablishing business continuity plans (BCPs) of OMRON sites - Securing multiple 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

Type of opportunities	Time horizon	Overview of opportunities	Business and financial impact		Response to risks
			1.5°C/2°C	4°C	
Products, services, and markets	Industrial Automation Business	Increased opportunities to provide factory automation equipment in the following business fields: [By field] - Digital devices: Increased demand for semiconductors to support the spread of environmentally friendly vehicles and EVs - Environmental mobility: Increased demand for EV-related components such as rechargeable batteries and for EVs - Food and daily necessities: Increased demand for environmentally friendly packaging materials such as plastic-free packaging materials to realize a decarbonized society - Growing need for decarbonization of production processes	Large	Medium	- Providing innovative-Automation solutions to the needs associated with production method changes, new capital expenditure, and enhanced energy productivity at production sites
	Healthcare Business	Increased demand for environmental performance due to the expansion of ethical consumption	Small	Small	- Capturing consumer demand by enhancing environmental performance (carbon reduction, circular economy, etc.)
	Social Systems, Solutions and Service Business	Increased needs for renewable energy creation and energy management in response to decarbonization, rising electricity prices, and disaster countermeasures [Common] - Acceleration of the models toward private energy creation, storage, and use, due to the expansion of the renewable energy, energy storage, and energy management markets - Expanded demand for solar power generation systems and power conditioners as their installation is made obligatory or given preferential treatment by municipal ordinances - Expanded demand for bi-directional charging systems and energy supply-demand control systems for EVs in response to increased natural disasters and soaring electricity prices [By field] - Households (housing): Increased demand for private power generation and storage battery systems due to preferential measures by municipal governments and the need for more robust measures against natural disasters - Business/industry: Increased demand for solar power systems and energy supply-demand control systems due to accelerated decarbonization	Medium	Small	- Expanding sales of PV inverters and storage batteries further in the energy management markets that utilize solar and other renewable energy sources - Securing V2X and other new technologies in the energy management market
	Device & Module Solutions Business	Increased opportunities to provide electronic and mechanical components because of the following: [Common] - Increased interest in enhancing the environmental performance of products and reducing their carbon footprint [By field] - 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 - 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 - FA: Increased demand for new FA equipment installment and replacement as a result of increased demand for new products (EVs, next-generation power semiconductors, recycled plastics, alternative foods, etc.) and the progress of decarbonization of production processes	Small	Small	- 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 - Timely monitoring of market trends to capture opportunities associated with changes in demand and design of products for decarbonization

* We analyzed physical risks using hazard maps and AQUEDUCT for 15 major production centers, mainly in Japan and China. Although it is clear that two centers would be exposed to risk in the event of a once-in-a-century disaster, the annual impact, taking into account the replication period, is extremely small for both the 1.5/2°C and 4°C scenarios. Therefore, we rated the impact as small.

SF2030 Topics

"Achievement of Carbon Neutrality"

Achievement of Carbon Neutral Production through Cross-Business Initiatives

For the "achievement of carbon neutrality," which is being tackled under SF2030, OMRON aims to realize a society that balances safe, secure, and convenient lifestyles with environmental preservation. For instance, we envision a future where the widespread use of renewable energy enables households to live harmoniously with nature, generating, storing, and utilizing electricity as part of their daily routine. To bring this vision to life, we develop and deliver to the public power conditioners and energy storage systems for solar power generation systems. OMRON's contributions extend beyond the promotion of renewable energy; we are also focused on sustainable manufacturing initiatives, including calculating PCF for each product and verifying GHG emissions across the supply chain.

In order to realize sustainable manufacturing, it is important not only to reduce GHG emissions but also to enhance productivity and keep increasing economic value. OMRON believes that realizing both the "achievement of carbon neutrality" and "Increasing productivity" is the social issue whose solution we should contribute to. Based on this idea, the OMRON Group became the first Japanese manufacturer to join the EP100, pledging to double "energy productivity," which is the ratio of sales per gigawatt-hour (GWh), at all production sites of the Industrial Automation Business and the Healthcare Business by 2040 compared to 2016. Accordingly, we are working on initiatives that prioritize "energy productivity," that is, increasing productivity to boost production volume while reducing energy consumption. Presented below is a case study of the Matusaka Factory of the Healthcare Business (HCB), which

exemplifies this approach. (See [Figure 1](#)).

A Project to Increase Energy Productivity through Collaboration among Businesses

At the Matusaka Factory, which is a production base for blood pressure monitors and thermometers in Japan, they have chosen three keywords of "Reduce," "Create," and "Absorb" as they work toward the realization of carbon neutrality. They aim to "reduce" CO₂ emissions by lowering energy consumption, "create" clean energy that does not produce CO₂, and "absorb" CO₂ that remains to be reduced to achieve net-zero emissions. (See [Figure 2](#)) The principal focus is on reducing CO₂ emissions, where IAB and HCB are collaborating to increase energy productivity.

Providing Insights to Employees to Encourage Improvement through "Visualization"

We at the Matusaka Factory began by visualizing energy consumption using i-BELT Data Management Platform (i-DMP), a data utilization platform implemented by IAB. As illustrated in [Figure 1](#), i-DMP displays factors that lower energy productivity in a simple, easy-to-understand format. This is because even if a large amount of information is visualized, it does not necessarily work positively. If it is hard for front-line workers to identify significant information within the big data, it could prevent them from making improvements instead. With i-DMP offering clear, simple data points, all team members are aware of the need to reduce energy consumption while improving productivity. This awareness helps identify the next issues to tackle, effectively motivating employees who are charged with the mission to increase energy productivity. What follows is a story of how this visualization approach bore fruit.

Figure 1 Increasing Energy Productivity Solves Manufacturers' Dilemma

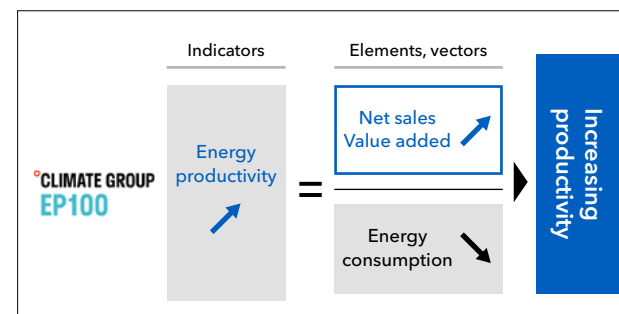
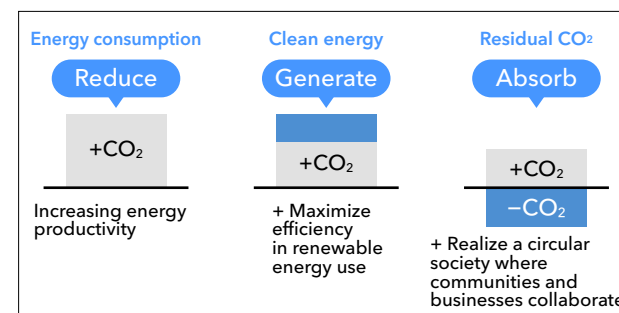


Figure 2 Three Keywords at the Matusaka Factory



Combining Insights-driven Improvement and IAB's Advanced Control Technology to Reduce GHG Emissions at Each Process by Half

On the board mounting line, which involves soldering, energy is constantly consumed to maintain high temperatures, even when equipment is idle. Improvements had been made before, but further progress was realized after visualizing the production status of each equipment alongside energy consumption over time. Through discussions and analysis based on actual data, front-line members realized there was still room for improvement. This insight led to a behavior change in at the Factory, that is, improving the way of feeding the boards to the line, thus optimizing downtime use and enhancing production efficiency. Ultimately, productivity increased by 40% through reduced downtime and enhanced uptime. There was another issue to address concerning the equipment itself: each time it was turned off, it required 60 to 90 minutes to return to stable, high-temperature operation, adding extra downtime instead. So, we asked IAB to share their technology and know-how and introduced a control system that predicts the time taken to restore based on seasonal variation and production data. While the system is still being verified, it is expected to reduce energy consumption by approximately 20%. This improvement is projected to increase energy productivity by 75% and reduce CFP by 42.9%. (See [Figure 3](#))

We also applied the platform to our blood pressure monitor assembly line for improvement. Blood pressure monitors are assembled both automatically and manually. At our automated line, processes such as soldering inspection and transportation were optimized using automation techniques proven effective at the Ayabe and Kusatsu Factories, increasing productivity by 30%. Meanwhile, one-quarter of

the energy consumed at the Matsusaka Factory is used for air conditioning, and air conditioning energy used over the space for the assembly line was 2.5 megawatts per year. By amassing improvement know-how cultivated at each factory, the Factory successfully reduced the space required for the assembly line by 30%, as well as the energy consumed for air conditioning and lighting in the surplus space by an equivalent amount. The shorter distance between processes also reduced operator motion, increasing production efficiency by 30%. Together with the reduction in air conditioning energy, energy productivity increased by 85% overall, and CFP at the assembly line was reduced by 45.9%. (See [Figure 4](#))

Logistics Reform to Achieve Higher Energy Productivity and Lower Waste Production

Our drive to make improvements did not stop at the production line but led to logistics reform as well. To begin with, we replaced out-of-Japan suppliers with Japanese ones and then switched to component suppliers in their vicinity to shorten the distance of transportation. This shift is estimated to cut GHG emissions related to component procurement by 3.4 tons. At the same time, the Matsusaka Factory achieved waste reduction by using "returnable boxes." When imported, components arrived in durable cardboard boxes with thick buffer materials, resulting in 90 tons of waste annually. In switching to nearby suppliers, the Factory started using returnable boxes for transportation that directly go back and forth between the Factory and suppliers, which is only possible when sourcing from within the vicinity. The direct delivery cut unloading space, time and retained parts inventory, led higher energy productivity, and reduced waste of approximately 30 tons so far. Going forward, we will accelerate initiatives to focus on

energy productivity improvements by utilizing field data while expanding clean energy initiatives. Moreover, we aim to share this know-how with global manufacturing customers, fostering sustainable manufacturing practices worldwide. OMRON will remain committed to realizing a society that balances safe, secure, and convenient lifestyles with environmental preservation.

> OMRON's Innovation in Energy Productivity from the Manufacturing Site

Figure 3 Improvement Effects at the Board Mounting Line

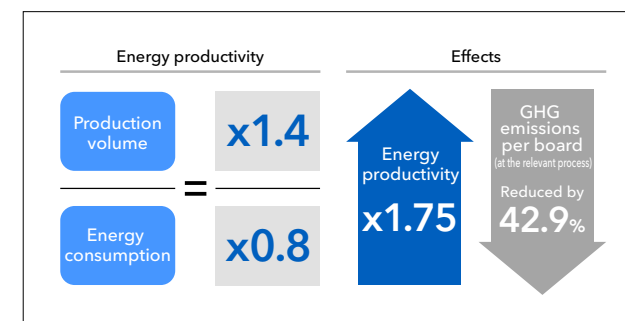
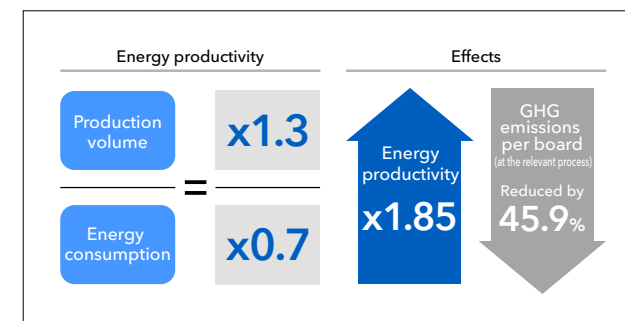


Figure 4 Improvement Effects at the Blood Pressure Monitor Assembly Line



Initiatives for Coexisting with Nature (Preserving Biodiversity)

Revision of the OMRON Biodiversity Policy

Our everyday lives, economy, and well-being are built on biodiversity, which forms the foundation of life. Yet, biodiversity is facing a serious decline. Recognizing the conservation and restoration of biodiversity as a key challenge, OMRON established its Biodiversity Policy in 2010 and has been working on “Coexisting with Nature,” which is an important environmental issue to address as declared in the OMRON Environmental Policy. To further strengthen this initiative, we endorsed the concept of the Kunming-Montreal Global Biodiversity Framework, adopted in December 2022, which aims to achieve coexistence with nature and a nature-positive world, and revised the OMRON Biodiversity Policy in July 2024. In making the revision, we referred to key resources such as the disclosure recommendations and guidance by the Task Force on Nature-related Financial Disclosures (TNFD), a framework for disclosing risks and opportunities related to natural capital. Going forward, guided by the OMRON Biodiversity Policy, the OMRON Group is dedicated to biodiversity conservation, viewing it as part of both business risk management and a growth opportunity. By doing so, OMRON is committed to contributing to generating social and economic value and achieving a nature-positive future.



What We Do

Commencing the Initiative for TNFD Recommended Disclosures

Since the second half of fiscal 2023, OMRON has been an active participant in the TNFD Forum, getting ready for disclosures as per TNFD recommendations. In fiscal 2024, we applied the LEAP approach to locate the state of nature around our production sites and evaluate our dependencies and impacts on natural capital. Based on the findings of “Locate (Interface with nature) and Evaluate (Dependencies & impacts), we will assess key risks and opportunities and disclose them accordingly.

	Locate: Interface with nature	Evaluate: Dependencies & impacts
What to assess	24 production sites	Industrial Automation Business, Device & Module Solutions Business
Scope of assessment	- Assessment of activity locations - Identification of priority locations	- Confirmation of industrial classification by business based on sales and other information - Assessment of sector-level dependencies and impacts - Careful review of assessment results based on the actual site status - Identification of high-priority dependency assets and impact drivers
Outputs	- Assessment findings of activity locations - List of priority locations	- Assessment results of dependencies and impacts - Identification of high-priority dependency assets and drivers

L: Interface with nature

In this phase, we assessed our production sites in terms of ecosystem integrity, importance of biodiversity, physical water risks, and soil contamination in order to identify priority locations.

Evaluation items	Evaluation tools	Evaluation indicators	Sites (with High risks or higher)
(1) Importance of biodiversity	IBAT ^{*1}	IUCN Red List, Protected Areas(National, Natura2000 Regional Seas, World Heritage, Ramsar, MAB, Emerald Network), KBA	Japan (Aichi, Tottori, Oita, Saga, Kumamoto, Kyoto, Shiga, Mie), Italy (Lonato), the Netherlands ('s-Hertogenbosch), Indonesia (Bekasi), Malaysia (Petaling Jaya), China (Shenzhen), the U.S. (Pleasanton, Renton), Brazil (Sao Paulo), Vietnam (Thu Dau Mot)
	Biodiversity Risk Filter ^{*2}	Protected/Conserved Areas, KBA, Other Important Delineated Areas, Range Rarity	
(2) Ecosystem integrity	Biodiversity Risk Filter	Ecosystem Condition	None
(3) Physical water risks (water stress, flood risks, water quality)	Aqueduct Water Risk Atlas ^{*3}	Baseline water stress	China (Dalian, Shanghai), Indonesia (Bekasi)
		Riverine flood risk, Coastal flood risk	Japan (Aichi, Mie, Kumamoto), China (Dalian, Shanghai), Vietnam (Thu Dau Mot), Indonesia (Bekasi), the U.S. (Pleasanton)
	Water Risk Filter ^{*4}	Surface Water Quality Index	Italy (Frosinone, Lonato), the Netherlands ('s-Hertogenbosch), China (Dalian, Shanghai), Brazil (Sao Paulo)
(4) Soil contamination	None	Investigation/analysis by OMRON	None

^{*1} IBAT: Integrated Biodiversity Assessment Tool developed by the UN Environment Programme (UNEP). For the purposes of this report, the number of species within 50km of the site is measured.

^{*2} Biodiversity Risk Filter: Developed by the World Wide Fund for Nature (WWF), this tool helps assess biodiversity-related risks and opportunities across the value chain

^{*3} Aqueduct Water Risk Atlas: Provided by the World Resources Institute (WRI), this tool helps identify and assess water risks around the world.

^{*4} Water Risk Filter: Co-developed by WWF and the German financial institution DEG, this tool helps identify and assess risks associated with the water environment.

What We Do

E: Dependencies & impacts

With businesses spanning Industrial Automation, Device & Module Solutions, Healthcare, and Social Systems, Solutions and Service, OMRON is involved in various manufacturing sectors. In fiscal 2023, we prioritized assessing the Industrial Automation Business and the Device & Module Solutions Business based on business scale and site number. We then identified target sectors according to the sales composition ratios of products representing these two businesses, and evaluated their dependencies and impacts using ENCORE*. The analysis found that scores for water-related (groundwater and surface water), pollution-related (water pollutants, soil pollutants, and solid waste), and others (noise, light) categories were rated Medium or above. (See Table 1 and 2). Based on this analysis, we concluded that the key high-priority dependencies/impacts are related to groundwater and surface water only.

[Water-related]

At OMRON's production sites, most water withdrawals come from third party suppliers and are primarily used for domestic purposes. As such, we assume that our direct dependencies on groundwater and surface are actually smaller than what ENCORE says. However, considering that "using water resource effectively" is part of the "Coexisting with nature," which is one of the key environmental issues laid out in the OMRON Environmental Policy, we have determined that addressing dependencies on groundwater and surface water remains a high priority.

[Pollution-related]

At all our production sites, OMRON conducts Phase 1 surveys (initial surveys including written surveys, interviews, and on-site reviews) to carry out qualitative risk analysis. At some sites, we conduct Phase 2 surveys (soil and groundwater research) to analyze potential risks. Based on these analyses, we have found no evidence of soil contamination at any of our production sites or their surrounding areas, allowing us to conclude that the risk of soil contamination is minimal. Furthermore, OMRON mainly performs assembly at its production process and rarely uses liquid chemical substances. As such, we assume that our impact on soil, groundwater, and solid waste pollution is smaller than what ENCORE says.

[Others]

Likewise, based on our site environmental performance data, we believe that the impacts of noise and light pollution are smaller than indicated by ENCORE.

* ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. Developed by the UNEP World Conservation Monitoring Centre, this tool assesses risks associated with biodiversity.

Table (1) Evaluation results (Dependencies)

Business	Industrial classification	Direct physical input					Production process						Mitigating direct impacts				Protection from disruption					
		Animal-based energy	Fibers and other materials	Genetic materials	Groundwater	Surface water	Maintains nursery habitats	Pollination	Soil quality	Ventilation	Water flow maintenance	Water quality	Bio-remediation	Dilution by atmosphere and ecosystems	Filtration	Mediation of sensory impacts	Buffering and attenuation of mass flows	Climate regulation	Pest control	Disease control	Flood and storm protection	Mass stabilization and erosion control
Industrial Automation	Electronic devices/equipment	—	—	—	Medium	Medium	—	—	—	—	—	—	—	Low	—	—	—	—	—	—	—	—
	Electronic components/facilities	—	—	—	Medium	Medium	—	—	—	—	—	—	—	Low	—	—	—	—	—	—	—	—
Device & Module Solutions	Electronic devices/equipment	—	—	—	Medium	Medium	—	—	—	—	—	—	—	Low	—	—	—	—	—	—	—	—

Table (2) Evaluation Results (Impacts)

Business	Industrial classification	Change in use of land, water, and oceans			Resource development		Climate change	Pollution				Others
		(1) Terrestrial ecosystem use	(2) Freshwater ecosystem use	(3) Marine ecosystem use	(4) Water use	(5) Other resource use	(6) GHG emissions	(7) Non-GHG air pollutants	(8) Water pollutants	(9) Soil pollutants	(10) Solid waste	(11) Disturbances
Industrial Automation	Electronic devices/equipment	—	—	—	—	—	—	—	High	High	Medium	Medium
	Electronic components/facilities	—	—	—	—	—	—	—	High	High	Medium	Medium
Device & Module Solutions	Electronic devices/equipment	—	—	—	—	—	—	—	High	High	Medium	Medium

HUMAN RIGHTS

Respecting Human Rights in the Value Chain

As part of our corporate social responsibility, exerting our influence for the respect of human rights for workers in the value chain and at OMRON

Respecting Human Rights in the Value Chain

OMRON's Approach to Human Rights

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

The Guiding Principles on Business and Human Rights (UNGPs) adopted by the United Nations in 2011 made it clear that every business enterprise has a responsibility to respect human rights. The scope of this responsibility is not limited to our company alone, but society demands that it expand to the entire value chain. Given this, we chose "Respecting Human Rights in the Value Chain" as one of the material sustainability issues and established the OMRON Human Rights Policy on March 1, 2022 to address this material issue. In recent years, in particular, human rights initiatives in accordance with the UNGPs have mandated progressively greater regulatory obligations on companies across the globe, and we have had a growing number of inquiries from customers about the status of such initiatives. Legal compliance and fulfillment of those obligations are thus becoming increasingly important from the perspective of business continuity. OMRON is committed to ensuring that its management practices and actions align with those of the international community and strives to reduce human rights violation risks throughout its value chain.

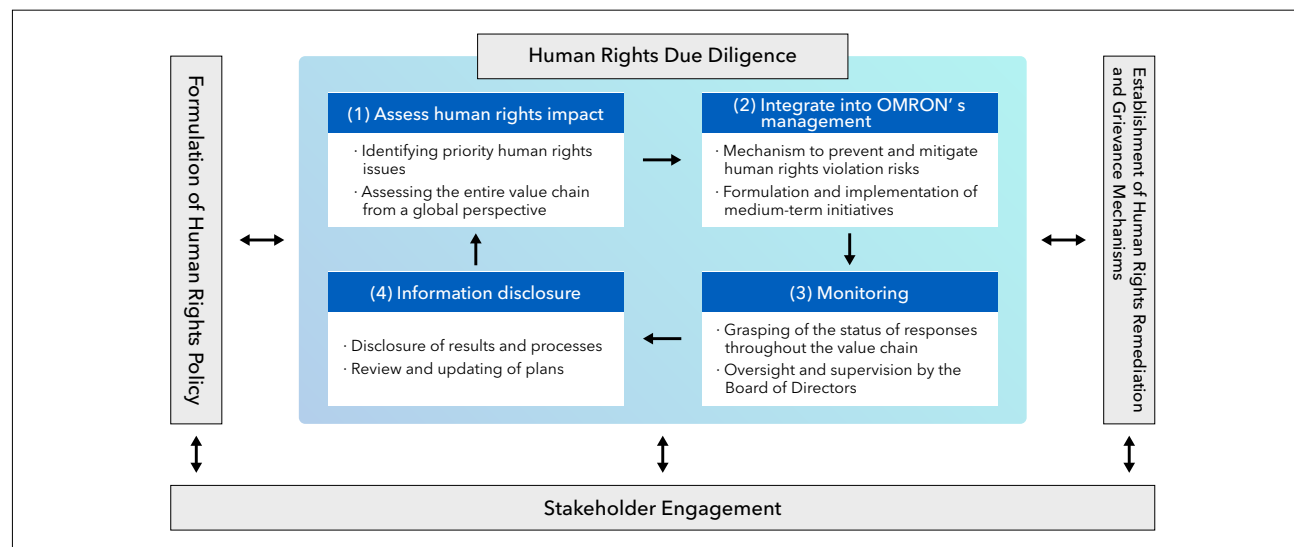


Human Rights Promotion Structure

As illustrated in the overview of human rights initiatives [Figure 1](#) below, OMRON is working to build a system in which management and front-line employees work together to fulfill their responsibility to respect human rights globally. Under the responsibility of the Sustainability Executive, to whom the President & CEO delegates authority, the Global Corporate Communications & Engagement HQ leads the promotion of these initiatives. The Senior General Manager of the Global Human Resources and Administration HQ oversees the company's human rights efforts, while the Senior General Manager of the Global Procurement, Quality and Logistics HQ supervises supply chain responsibilities.

Each business company president directs their own business strategies, the Senior General Manager of the Technology and Intellectual Property HQ ensures the ethical use of AI and other technologies, and the Senior General Manager of the Global Risk Management and Legal HQ maintains remediation and grievance mechanisms. Matters that are important to the company's commitment to human rights are reported to the Board of Directors, who monitors and supervises these matters. As in the case of appointing a director in charge of environmental matters, a director responsible for human rights was appointed in fiscal 2023. The Sustainability Committee, chaired by the Sustainability Executive, discusses and deliberates on human rights initiatives that apply across the Group.

Figure 1 Overview of OMRON's Initiative for the Respect of Human Rights



Key Human Rights Initiatives under SF2030

To achieve the goals laid out in SF2030, we have set goals for up to 2024 and aim to establish a global human rights governance system.

SF2030 Goals

In line with the UN Guiding Principles on Business and Human Rights, the state of exerting our influence for the respect of human rights for workers not only at OMRON, but also in the value chain, and establishing a culture and system that does not permit or cause human rights violations.

Goals to be Achieved by 2024

Execution of human rights due diligence in accordance with the UNGPs

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.

Establishment of a Human Rights Remediation and Grievance Mechanism Appropriate to Each Country and Region

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

Progress has been made toward these goals in creating a cycle of risk research, assessment, and remediation for due diligence on suppliers and OMRON. We have also built an AI ethics governance system, one of our key human rights initiatives, to mitigate the impact of our products and

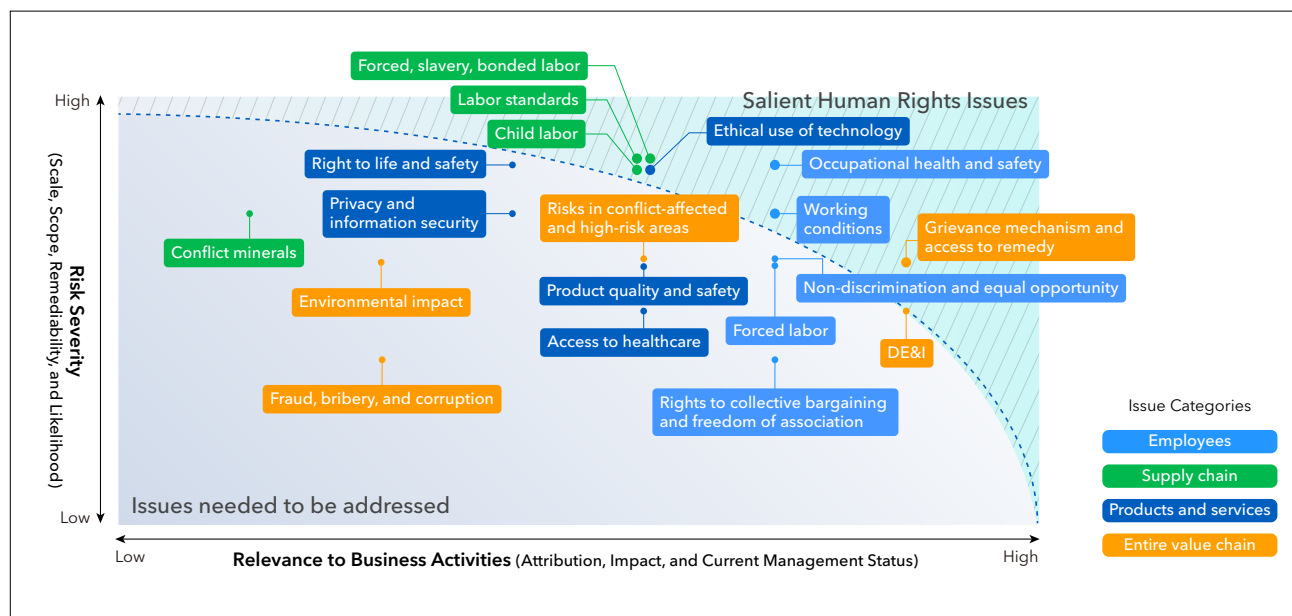
services in the downstream portion of the value chain. We have also expanded the remediation and grievance mechanism to accept consultations and grievances from a broader range of stakeholders. In January 2024, we joined the Responsible Business Alliance (RBA), an international industry coalition dedicated to realizing a responsible supply chain. OMRON has already referred to the RBA's Code of Conduct. Going forward, we will expedite the application of these principles to both OMRON's internal efforts and those of the broader supply chain. As outlined above, OMRON aims to improve the efficiency of the cycle that has already been established.

Human Rights Impact Assessments

In fiscal 2022, OMRON conducted a group-wide human rights impact assessment based on the UNGPs. In conducting this assessment, we evaluated and identified human rights violation risks that we may cause or contribute to through our business activities in our value chain. Of the 19 priority issues thus identified, seven were prioritized based on risk severity and relevance to the business. Each responsible department is now addressing these salient human rights issues, as shown in [Figure 2](#) below.

[Details of the Steps in Human Rights Impact Assessments](#)

Figure 2 Overview of OMRON's Initiative for the Respect of Human Rights



Initiatives in the Supply Chain

In the supply chain, OMRON works with suppliers to prevent human rights issues from occurring and periodically surveys them.

In more concrete terms, we send them a self-assessment to verify the conformity to the OMRON Group Sustainable Procurement Guidelines, which include respect for human rights and labor practices, and request improvement, if needed. These guidelines were prepared in compliance with the RBA Code of Conduct. Critical suppliers, who are designated as such based on the transaction volume and importance, are assessed annually, while other suppliers (all suppliers) are assessed at least once every three years, as detailed [Figure 3] below. In fiscal 2023, 60 critical suppliers and 575 all suppliers completed self-assessments. Meeting RBA requirements is a shared goal for critical suppliers. Based on the results of human rights impact assessments conducted in fiscal 2022, we have designated suppliers with production bases in China and Malaysia for intensive improvements through fiscal 2024. In fiscal 2023, we asked

the following suppliers to conduct a detailed self-assessment on human rights.

- China: Suppliers in labor-intensive industries
- Malaysia: Suppliers who employ foreign workers from neighboring countries

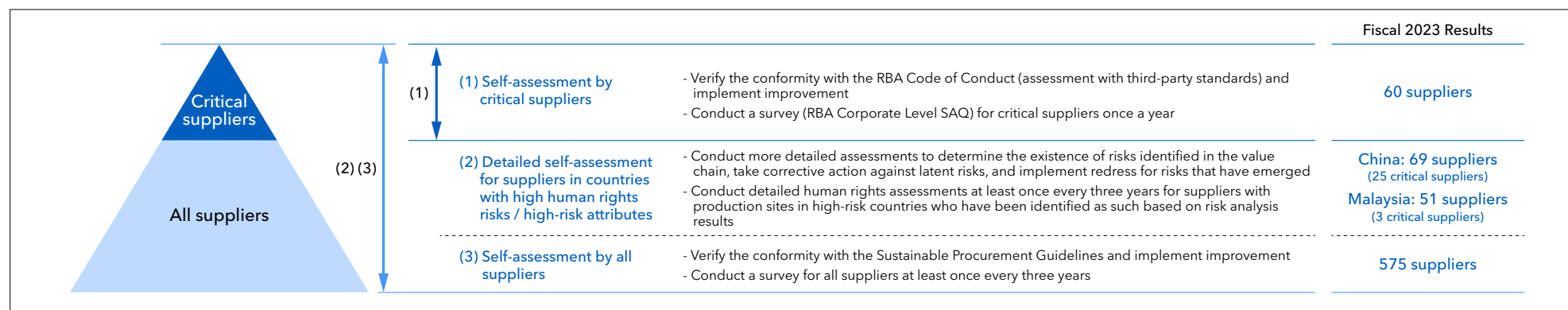
After careful examination of the responses to the self-assessment, we sent our employees to high-risk suppliers (China: 2 companies, Malaysia: 3 companies) to assess the situation. Their on-site visits revealed cases where “personnel who are trained to offer first aid to injured or sick workers are unavailable” (China) or “employment contracts for foreign workers are not translated in their mother tongue” (Malaysia). These suppliers have agreed on an improvement plan based on our feedback provided in person and are currently implementing corrective action plans. For lower-risk suppliers (China: 16 companies, Malaysia: 1 company), we briefed them on their evaluation results individually and agreed on areas of improvement. They are currently working on improvements according to agreed plans. In fiscal 2024, while monitoring the progress

in these correction plans, we are expanding the scope of the assessment by asking suppliers in China and Malaysia, to whom we have yet to send the survey, to answer a detailed survey as others have. The cycle of human rights due diligence will continue through ongoing assessments of both critical and all suppliers.

Initiatives at OMRON Sites

At OMRON, we are primarily working on “occupational health and safety” and “employees’ working conditions (including forced labor),” two of the salient issues identified in human rights impact assessments. To monitor the status and degree of achievement of human rights initiatives at each site, OMRON uses the RBA Self-Assessment Questionnaire (SAQ) annually. In fiscal 2023, we conducted the SAQ at 25 OMRON Group production sites in Japan, China, the Asia-Pacific, Europe, and the Americas to analyze and mitigate human rights violation risks. To address salient issues individually, we focused on analyzing and correcting occupational health and safety concerns, including work-

Figure 3 Classified Sustainability Assessment for Suppliers



related accidents at each site. We will continue monitoring and addressing work-related accidents in fiscal 2024, especially in key regions and sites. For improving working conditions, a labor management system that adheres to the RBA Code of Conduct has been introduced and implemented globally. Given that production sites in China, those in Malaysia where on-site contractors employ migrant workers, and those in Japan where trainees on the Technical Intern Training Program (TITP) are employed by on-site contractors pose a high risk for forced labor, we secured the agreement of on-site contractors to follow the OMRON Group Supplier Code of Conduct. Procedures to prevent, detect, and address forced labor and child labor were also formalized. In addition, in fiscal 2024, OMRON is reviewing five sites in Japan where TITP trainees are employed by on-site contractors to check for any forced labor cases, based on data gathered on the number and nationality of the trainees. To address the risk of long working hours, we monitored selected production sites in China, Malaysia, and Japan, where such a risk is considered high. In fiscal 2024, our principal focus will be on building a global monitoring system to track these issues. In addition to these initiatives designed to reduce human rights violation risks, production sites in China (Dalian City), Vietnam, and Malaysia underwent third-party audits based on RBA standards, specifically the RBA Validated Assessment Program (VAP). Based on the audit findings, improvements were made to the working environment, occupational health and safety, and other areas. For instance, in fiscal 2023, the Vietnamese factory that had undergone the VAP introduced adequate personal protective equipment for its workers as recommended in the audit. The Dalian factory, which achieved Platinum status in the VAP, continues monthly reviews of compliance with specific standards to maintain and enhance RBA

compliance. The Malaysia factory is correcting issues found in the audit, including management of on-site contractors, employment conditions, and evacuation equipment. For future initiatives, OMRON will continue to prioritize addressing human rights issues and sites with high-priority concerns while establishing a monitoring system and sharing knowledge across regions to reduce human rights violation risks throughout the entire Group.

Initiatives for Products and Services

OMRON has identified “ethical use of technology” as a salient issue. Accordingly, in our human rights policy, we have made the following statement: **“OMRON will take account of potential impact for human rights caused by technologies such as AI, robotics and IoT, and will take advantage of them appropriately to avoid problems, including but not limited to cause of accident, discrimination and invasion of privacy.”**

Of all these technologies, AI is evolving rapidly, leading to the emergence of associated risks worldwide. Animated discussions are underway to seek an optimal balance between its utilization and regulation, as the G7, OECD, and the UN are calling on countries to devise safe and appropriate frameworks for its use. OMRON provides AI-powered products and services, with their number expected to grow. In response, we formulated the OMRON AI Policy in June 2024 to establish an AI governance system. Under this policy (see [Figure 4](#), Page 78), we aim to promote the safe and secure use of AI while minimizing the risk of accidents and human rights violations. Meanwhile, the AI Governance Committee (see [Figure 5](#), Page 78) began operations in March 2024 with the aim of supporting the appropriate use of AI and reducing associated risks pursuant to the OMRON AI Policy. We are

also working on building a governance system and process in compliance with government guidelines for AI operators to collect information and provide guidance. Going forward, this committee will focus on legal compliance, formulating and revising guidelines, and addressing specific inquiries from various departments from within the Group regarding AI usage. Through these initiatives, we will reinforce our AI governance, preventing human rights violations from occurring through the products and services we deliver.

Establishment of a human rights remediation and grievance mechanism appropriate to each country and region

For OMRON Group employees (including temporary workers), a whistleblower system is in place in each region for them to use. The system, open to all employees within the OMRON Group, enables them to report human rights concerns such as discrimination, harassment, legal violations, breaches of laws/regulations and internal rules, or unethical behavior, and to seek advice on their concerns. Such reports may be made anonymously unless prohibited by the laws and regulations of the respective countries. In fiscal 2023, a total of 106 reports were received globally via the whistleblower system. OMRON considers this a sign of organizational health.

In fiscal 2023, we made the system open to suppliers in our supply chains across all regions, enabling them to report questionable behavior or seek advice via the system. Confidentiality is strictly maintained, and whistleblowers are protected from any retaliation. OMRON verifies reports impartially and takes appropriate measures. Please visit our corporate website for more information on the operating status of the whistleblower system.

In addition, the OMRON Group became a full member of

the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) in fiscal 2022. JaCER offers the Engagement and Remedy Platform, a non-judicial grievance platform in compliance with the UNGPs, which OMRON began operating in fiscal 2023. Through this platform, we receive grievances from all stakeholders, including local communities, customers, and secondary and subsequent suppliers with whom we have no direct business relationship.

These initiatives taken up to fiscal 2023 have allowed us to steadily expand systems for receiving consultations and grievances from a broader range of stakeholders. Going forward, we will focus on strengthening the application of the systems thus expanded, monitoring the status of consultations and grievances and improving the effectiveness of the redress mechanisms.

 The Operating Status of the Whistleblower System

Education on Human Rights

In order to promote honest and fair business activities, OMRON designates October of each year as Corporate Ethics Month. We distribute top management messages to directors and employees including subsidiaries in Japan and outside Japan (in 14 languages) and organize workplace training sessions. Under the theme of "Business and Human Rights," the fiscal 2023 human rights training session featured self-paced e-learning designed to raise awareness of the OMRON Human Rights Policy and human rights issues in line with relevant international standards. Mutual discussion sessions were also held to emphasize the "importance of protecting human rights as a key element of business." As many as 98.9% of OMRON employees and on-site contractors workers took the session globally, which helped them better understand the necessity of respecting human rights. Additionally, for managers and those who raise awareness and lead efforts to encourage respect for human rights, specialized training sessions were provided to deepen

their understanding of international guidelines like the UNGPs and the RBA Code of Conduct. Furthermore, we held study sessions under the themes of "Increasing Responsibility to Respect Human Rights and the Expected Role of the Board of Directors" for Directors and Audit & Supervisory Board Members and "Growing Human Rights Concerns and Their Impact on Business" for Executive Officers. Regarding procurement, the OMRON Group Management Policy includes a commitment to "integrated, sustainable procurement" that ensures legal compliance and environmental considerations, which also involves efforts to prevent forced labor. To ensure the successful implementation of this policy, we have set up the OMRON Group Rules for Procurement, disseminated through individual informational meetings for purchasing managers and staff at business divisions and other occasions. For suppliers, we prepared training materials to facilitate their understanding of sustainable procurement, encouraging them to take e-learning opportunities. In fiscal 2023, a total of 481 suppliers around the world took the sessions.

Figure 4 OMRON AI Policy


OMRON AI Policy (Preamble)
<p>OMRON will take advantage of AI in a proper way to contribute to a better society. AI is a technology for implementing intelligent features including but not limited to reasoning and estimation. OMRON has established this OMRON AI Policy to ensure that the company takes advantage of AI with proper risk management and avoids serious problems, such as accidents or violations of human rights. The scope of this policy includes AI systems developed by OMRON, as well as those that OMRON may use. OMRON will continually review and update this policy.</p> <p>As respect for humanity is one of OMRON's most important guiding principles, OMRON will continue its challenge to solve social issues by taking advantage of AI with proper care, in alignment with the international standards of human rights and the rules of human society. This policy has two parts. The first part outlines OMRON's commitment to the responsible use of AI, and the second part describes OMRON's approach to AI governance.</p>
<p><small>*The full text is on the OMRON website.</small></p> <p> OMRON AI Policy</p>

Figure 5 Overview of the AI Governance

Main Roles	Participating Divisions/Companies
<ol style="list-style-type: none"> 1. Gather and analyze risk factors 2. Formulate, revise, and spread guidelines 3. Develop and raise awareness of educational content 4. Respond to consultation on risks associated with AI-enabled operations and product development 5. Cooperate with the Corporate Ethics and Risk Management Committee 6. Establish the global governance system 7. Determine guidelines on legal compliance in each country and prepare necessary action 	<ul style="list-style-type: none"> - Technology and Intellectual Property HQ (Secretariat, Technology, Intellectual Property) - Global Business Process and IT Innovation HQ (IT Security) - Global Risk Management and Legal HQ (Laws/Regulations, Protection of Confidential Information, Protection of Personal Information) - Global Corporate Communications & Engagement HQ (Social Receptivity, Human Rights) - Each business company (Technology, Intellectual Property, Protection of Personal Information)
	<p><small>*In parentheses: Areas of responsibility</small></p>

GOVERNANCE

Interview with the Chairman of the Board

Our directors and executive team will work together to complete structural reforms to ensure OMRON's sustainable growth, determined to get OMRON back on a growth trajectory and further enhance corporate value.



Chairman of the Board
Chair of the Board of Directors
Member of the CEO Selection Advisory Committee
Vice Chairman of the Corporate Governance Committee
Yoshihito Yamada

— One year has passed since you assumed office as Chairman of OMRON and Chair of the Board of Directors. How would you summarize the past 12 months?

OMRON started fiscal 2023 with a fresh executive structure and a new CEO, as well as a new CFO and newly appointed heads of all Business Companies (BC heads). The new executive team has been resolutely advancing toward realization of the SF2030 vision, including making JMDC Inc. a Group company and achieving steady progress in establishing the Data Solution Business. On the other hand, OMRON has been underperforming financially. The Board of Directors considers this to be a matter of the utmost gravity.

When I was CEO, I worked to enhance OMRON's ability to effectively respond to change. However, OMRON was not yet fully equipped with the ability to deal effectively with drastic change in the business environment. The Board of Directors also recognizes that the framework and approach were insufficient to accurately detect changes in the business environment, centering on the emergence of China risk, at an early stage enabling timely action. It is particularly regrettable that we were unable to avoid the second downward revision of the performance forecast. The Board of Directors has been working since fiscal 2023 to improve the situation to prevent recurrence.

— What improvements have been made based on the review?

Specifically, we have established a new meeting body called the "off-site meeting" as a forum for Outside Directors to have frank discussions with Business Company Presidents and Heads of Head Office Divisions at normal times, not only when the Board of Directors senses changes in the

performance trend or business environment forecasts. At off-site meetings, issues at the draft stage are discussed, prior to submission to the Board of Directors, and Executive members receive advice from Outside Directors on operational issues. The frequency and density of communication and information distribution within the management team have been increased by creating opportunities outside Board of Directors meetings to deepen cooperation between Outside Directors and Executives. Now, Business Company Presidents and Heads of Head Office Divisions actively seek advice from Outside Directors on the changes and challenges they face. My impression is that communication among the management team has been further enhanced.

In my first year as Chair of the Board of Directors, I learned that enhancement of the effectiveness of the Board of Directors is in large measure dependent on factors besides the actual discussion at Board of Directors meetings. I have seen a definite improvement in the effectiveness of the Board of Directors meetings as a result of more opportunities for the members of the Board of Directors and executives to engage in open and substantive discussions, such as freewheeling discussions at off-site meetings.

— In last year's integrated report, you highlighted your commitment to continuing to evolve governance from diverse perspectives. What has that evolution entailed so far?

The Corporate Governance Committee has evolved. The composition of the Committee was reviewed in order to strengthen its function as an advisory body that discusses and deliberates for the "purpose of enhancing corporate

governance over the medium to long term.” Previously, the Committee was composed solely of Outside Directors and Outside Audit & Supervisory Board Members, but from fiscal 2023, the Committee also includes two non-executive inside Directors, including myself.

The aim of this change is to continuously evolve corporate governance, a key responsibility of the Board of Directors. This is because discussion based on experience and information of inside Directors, who are familiar with the business environment and what is happening inside OMRON, crossed with the external perspectives of Outside Directors, is beneficial from the viewpoint of effectiveness. However, it is important that the participating inside Directors are in a non-executive capacity, because the purpose is to strengthen the governance function. The participation of non-executive inside Directors enables in-depth discussion in line with the actual circumstances in the field and the reality of the business.

— OMRON has embarked on drastic structural reform. What was discussed at Board of Directors meetings?

It is important that the executive team viewed the issues highlighted as medium- to long-term issues, not from a short-term perspective, and took action. Therefore, in response to the executive team’s decision, the Board of Directors carefully deliberated on this initiative from a medium- to long-term perspective, representing shareholders and all other stakeholders. Under Structural Reform Program NEXT 2025, our focus is on rebuilding the Industrial Automation Business (IAB) as quickly as possible and restructuring the foundation for earnings and growth. Specifically, having earmarked April 2024 through September 2025 as a period for concentrating on structural reform companywide, we are implementing five management measures. In particular, for IAB, the Head Office and the business division are jointly running 10 task

forces, and the Board of Directors is monitoring their progress.

The Board of Directors has also begun discussing medium- to long-term growth strategies to follow structural reform. Although we set aside the medium-term management plan in order to focus on the completion of NEXT 2025, we have not lowered the flag that we raised under the long-term vision SF2030. There are two things we need to work on to realize this vision. One is to reinforce existing businesses, and the other is to establish a new business model.

Reinforcing existing businesses means rebuilding IAB. We are currently working to improve IAB’s competitiveness by strengthening product appeal and proposal capabilities. Regarding the area portfolio, our aim is to expand the customer base in Europe, the Americas, Asia, and Japan in order to achieve balanced overall global growth, shifting from the overdependence on China. As for the Healthcare Business, we seek growth globally centering on channel expansion in Asia and India.

Regarding establishment of a new business model, we are also working to shift our business model to one based on the “combination of products and services” utilizing data in order to realize SF2030. One of the results of this initiative was that OMRON made JMDC Inc. a Group company. OMRON’s strength lies in products (devices) incorporating OMRON’s core technologies, “Sensing & Control + Think.” Pursuing a customer-driven approach, each business is further strengthening the products it has been offering in its respective domains. By adding JMDC Inc.’s technology and solution development expertise to data obtained from products used in these various domains, it will be possible to create a new data solution business that is not limited to the healthcare field. For example, in the Social Systems, Solutions and Service Business, in collaboration with JMDC Inc., OMRON has already launched a solutions business in the current fiscal year that utilizes electricity usage data and

data on customers’ purchases obtained from convenience stores, retail stores, and restaurants to support their energy saving.

The Board of Directors will support the executive team not only in promoting NEXT 2025 but also in reinforcement of existing businesses and establishing a new business model for future growth.

— Finally, please send a message to your stakeholders.

I am confident that the new executive team led by CEO Tsujinaga will complete structural reform and lead OMRON to a V-shaped recovery. We, the Board of Directors, as representatives of shareholders and all other stakeholders, will closely monitor and supervise progress, while at the same time taking calculated risks and supporting the challenges of the executive team. And as Chair of the Board of Directors, I will continue to do my utmost to enhance the effectiveness of the Board of Directors and OMRON’s corporate value over the medium to long term. I greatly appreciate our stakeholders’ continued understanding and support.

Interview with the Outside Directors: One Year into the New Management Structure—What Kind of Governance Can Overcome Challenges?



The Board of Directors' Responsibilities and Reflections on Failing to Detect Changes in the Business Environment

— How do the Outside Directors view the significant underperformance against the initial plan for FY23? Please share your reflections as members of the board and thoughts on areas for improvement.

Kamigama: Honestly, when I received the report, I was shocked by how far things had suddenly deteriorated. It's my deep regret that, had we analyzed the indicators more effectively, we could have caught it sooner. The board should have been more proactive and engaged in deeper discussions about the factors that ultimately led to the delay in responding to the changes in conditions.

Kobayashi: Looking back, one major point of reflection is that we didn't take action to address the overly concentrated portfolio. The primary factor behind the underperformance on this occasion was the economic slowdown in China, but the management team had been concerned about our dependence on China for some time. At that point, we were in a position to insist on the development of an action plan to adjust our strategy. Portfolio imbalances are always going to occur, but we should have conducted a thorough risk analysis based on multiple scenarios. I have to say that OMRON is currently weak when it comes to building a portfolio that prepares for worst-case scenarios.

Suzuki: I had also stressed the risks of relying on China since I became an Outside Director, but I regret not pushing for concrete action sooner. For example, if we had expanded

business in North America, we could have diversified the risk, but we never took the discussions far enough to implement concrete measures. Surface-level discussions ultimately don't accomplish anything. This lowered forecast has been a valuable lesson for us.

Kobayashi: The portfolio should also be analyzed from multiple perspectives, including business domains and regions. There's no such thing as permanence in business. This has served as a reminder that we must all stay mindful of the inherent risks that come with overconcentration.

Suzuki: We also need to consider the fact that there were two lowered forecasts. This indicates that the issues were not identified after the first lowered forecast. In management, being unable to identify issues is extremely dangerous. So why were we unable to identify them in this case? Since the supply chain was involved, re-evaluating our business model and processes will likely be a topic for discussion moving forward. On the other hand, we should acknowledge President Tsujinaga's decision to cut 2,000 jobs during a difficult time in his first year. There may have been other decisions that could have been made earlier, but identifying the right time to act requires management instinct that comes only with experience. I hope the executive team can develop that kind of instinct through this experience.

Deepened Communication under a New Management Team

— What are your views of the current executive team led by President Tsujinaga, who has been navigating through such a challenging business environment?

Kamigama: OMRON has always been known for its open internal communication, but I feel it has improved even further. President Tsujinaga frequently visits employees on the field and speaks to everyone without favoritism. Communication between the board and the executive team has also improved. In particular, in FY23, new opportunities such as “off-site meetings” were introduced for the management team to have more casual discussions outside of the regular board meetings. Through such initiatives, we have been able to have open and candid exchanges with the new Business Companies heads (BC heads) over the past year.

I feel that sharing concerns and topics for discussion has become much smoother. It is as though President Tsujinaga’s personality is beginning to shine through in a positive way.

Kobayashi: The challenges faced by the BC heads become much clearer when we have open and candid conversations. In particular, in building future business models, they are likely to face many challenges precisely because of their fresh perspectives. If they communicate those challenges directly to us, as Outside Directors, we can offer more tailored advice and support. The fact that we now have an environment where we can openly share concerns about challenges is a big step forward.

Suzuki: Stakeholders had high expectations for President Tsujinaga when he took up his post, given his contributions to the growth of our core business, the Industrial

Automation Business (IAB). However, after taking office, he faced the significant challenge of having to revise the earnings forecast downward twice. The challenge now is how to navigate this difficult situation, and the new management team, which brings together young talent, is actively exchanging ideas. The transition to a new management structure in FY23 was aimed at bringing in a new generation and driving OMRON’s further growth with young talent. As such, the management team’s calm and diligent approach in determining our next steps is commendable.

Further Enhancing the Board of Directors’ Effectiveness and Sharing Concerns about Challenges Internally and Externally

— What changes have you observed at board meeting discussions?

Kamigama: Looking back, I feel that the executive team’s reports at board meetings in the past were rather formal and standardized, often simply stating: “There are no particular issues.” Now, they come to us not only with requests for proposals on topics but also to share their challenges and concerns about reports, creating an atmosphere where we can engage in constructive, in-depth discussions.

Kobayashi: We’ve always had open exchanges of opinion, but there were times in the past when “perfect” answers had been prepared in advance, or when presentations were so polished that it was hard to see what the core issues were.

Suzuki: Before the change in leadership, the board meetings had a structured, orderly atmosphere, much like a

well-coordinated formation flight. The Chairman of the Board of Directors has now shifted from Mr. Tateishi to Mr. Yamada, along with President Tsujinaga, Mr. Yukumoto, and Mr. Tomita being newly appointed as Directors. With so many changes to the board members, it is only natural that there has been a change in atmosphere as well. The first year was a period for President Tsujinaga and the BC heads to develop their own style from the ground up, and I am looking forward to seeing how the board further evolves moving forward. Now, at a time when it’s more important than ever for Outside Directors to voice their honest opinions, I believe communication with President Tsujinaga, who is a great listener, will continue to grow even further.

Kobayashi: Corporate governance should be adaptable to changes in both society and the company. What makes OMRON’s current governance system so strong is that inside Directors openly report internal challenges, offering Outside Directors and Outside Audit & Supervisory Board Members new perspectives. New non-executive Directors like Mr. Yukumoto ask very direct questions during board meetings, and this atmosphere is quite unique compared to



other companies. It allows us, as Outside Directors, to understand internal matters, receive feedback, and ask questions from an independent standpoint. This can be seen as an effective system where internal and external parties complement each other's roles.

With the Continued Evolution of the Corporate Governance Committee, Discussions on our Medium- to Long-Term Vision have Now Begun

— Amid significant changes to the Board of Directors, the structure of the Corporate Governance Committee was also revised in FY23. What was the purpose behind this change?

Kamigama: The Corporate Governance Committee is responsible for discussing measures to continuously strengthen governance and enhance management transparency and fairness from a medium- to long-term perspective. In FY23, a non-executive inside Director was added to the committee. The main goal is to strengthen discussions on future governance by considering societal changes and our business vision moving forward.



Kobayashi: Up until then, the primary role of the Corporate Governance Committee had been to evaluate the effectiveness of the Board of Directors, led by Outside Directors and Outside Audit & Supervisory Board Members. However, to shift the committee's focus toward discussions on future governance, it is important to have people who understand the internal dynamics and changes in the business. Bringing in a non-executive inside Director was a natural progression.

> Fiscal 2024 Advisory Committee

Suzuki: When I first became an Outside Director, I saw OMRON as a company that excels in governance. However, there were certain functions whose roles and initiatives hadn't changed for years, and the Corporate Governance Committee was one of them. It was the recommendation from the Outside Audit & Supervisory Board Members that "conducting regular effectiveness evaluations alone is insufficient and this should be reviewed" which made me realize OMRON itself had entered a phase where restructuring its governance system was necessary.

— What kinds of discussions are happening among Corporate Governance Committee Members?

Kamigama: Lately, there have been active discussions about revising OMRON's traditional governance system, which aims to achieve a perfect score in every area. For example, it was suggested within the committee that, even if not everything is perfect and there are gaps in certain areas, as long as corporate value increases, we should pursue a governance approach that leverages OMRON's unique strengths. The reason is that if we don't focus on initiatives that capitalize on OMRON's distinctive strengths, we risk running short on resources.

Suzuki: Innovative initiatives like Management based on the OMRON Principles and ROIC management, which OMRON has championed, are now at a stage where they need to be re-evaluated and evolved in response to changing times. Even if the governance were perfect, the fact is that earnings declined in FY23. We must keep updating our management practices in general, including governance, to keep pace with the rapid changes in the world.

Kobayashi: It's time to move away from governance aimed solely at achieving a perfect score in compliance with the Corporate Governance Code. The primary purpose of corporate governance should be to enhance profitability and growth. We have now been acutely reminded of this fact. Perhaps OMRON, as a company that excels in governance, ought to be communicating this mindset to the wider world.

Accomplishing NEXT 2025 and Rebuilding the Cycle for Enhancing Corporate Value

— Under an evolved governance system, we will tackle the challenge of completing ongoing structural reforms while also pursuing medium- to long-term growth. How should the Board of Directors respond to this challenge? Could you say a few words about your plans moving forward?

Kamigama: The top priority for the board is to closely monitor the process of achieving a V-shaped recovery for the IAB. We will establish appropriate KPIs and create an environment where Outside Directors can regularly monitor the product and area portfolios. Of course, simply monitoring will not be enough. If performance does not improve, we must push strongly for corrective action.

Customers who leave do not come back so easily, so we need to thoroughly analyze our businesses in China, North America, Europe, Japan, and new markets to identify areas with growth potential. Each region presents both risks and opportunities, which is precisely why we also wish to strengthen our monitoring efforts.

Suzuki: Portfolio optimization is a key pillar of NEXT 2025, our structural reform program. In addition, we need to focus on optimizing both the size and capabilities of our workforce.

Kamigama: In particular, optimizing organizational capabilities following our workforce reductions will be a top priority. We need to boost productivity through the use of AI and secure talent more efficiently. What's important is not the number of people, but rather a system that focuses on mid-career recruitment of individuals with truly essential skills.

Kobayashi: If the goal of optimizing organizational capabilities is clear, this company-wide structural reform should work effectively. For example, as we transform the business structure, we may need to acquire new skills, particularly in the digital space. In an extreme case, if the structural reforms involved adjusting the workforce composition and headcount to maintain the capacity to develop or recruit such talent externally, I would find that reasonable. The organization must evolve to fully leverage new talent and nurture our businesses. It is only with such a broad, strategic plan in place that structural reforms can truly have meaning. What will be crucial moving forward is fostering an organizational culture that fully utilizes the abilities of new external talent and drives the enhancement of corporate value.

— What are the key considerations when outlining a growth strategy that looks beyond the structural reforms?

Kamigama: What benefits will emerge once the reforms are completed, and what new paths for growth will open up? The key is for the executive team to be identifying that from this stage onward. If we misjudge that, we could reach the end of the structural reforms only to realize that we took the wrong path. To avoid that, it is important to have a growth strategy where, even if the path is hazy at first, the outlook becomes clearer as the structural reforms progress.

Kobayashi: If we do not have the ambition to reach the top of the mountain, the way there will never reveal itself. Once you start climbing, you might find the path blocked by a landslide. In that case, it is important to adjust course flexibly. But if you lose sight of the summit, you will not be able to move forward any further. The important thing is for the management team to have a shared vision of what OMRON should look like as a company once the structural reforms are complete.

Suzuki: It is important not only to have a shared understanding of the challenges and the path forward but also the execution ability to see it through. From the start of his term, President Tsujinaga was emphasizing that OMRON's growth requires stronger execution. Mr. Yamanishi, as the BC President that directs the IAB, has also outlined a plan to start things over again with a customer-oriented approach. The key will be to not only set the direction but also to strengthen the execution ability to see it through.

Data Solution Business Enabling Sustainable Growth in Collaboration with JMDC Inc.

— Through its partnership with JMDC Inc., OMRON is steering itself toward transforming into a data solutions business. Could you share your thoughts on creating new business value beyond the structural reforms?

Kobayashi: A key responsibility of Outside Directors is to support the executive team in taking calculated risks. But those risks must be manageable. We need to thoroughly examine the strategy behind the risks that the executive team is planning to take. If the underlying assumptions, such as market trends or geopolitical risks, are misjudged, the outcomes will inevitably be wrong, and we may end up taking risks that we should not. It's our role as Outside Directors to objectively assess the validity of the overall strategy.

Kamigama: The transformation from product value to essential value (the combination of products and services) that we're pursuing with JMDC Inc. has been attempted in various industries, but not all have succeeded. That is





because it requires a strong customer base and solid business infrastructure. However, I believe that OMRON and JMDC Inc., by leveraging their respective expertise, can make this transition more quickly than others in terms of taking on the challenge of creating value through data utilization. The vast amounts of on-site data accumulated by the Healthcare Business, as well as the Social Systems, Solutions and Service Business, should prove powerful in this new venture. That said, since it will take time to generate a profit, we, as Outside Directors, will need to monitor the progress closely.

Suzuki: Even JMDC Inc., whose core business is data, has struggled to commercialize and monetize it as a solution, despite their ability to collect and process it. Since OMRON is also entering this challenging field, it is only natural that growth will take time, and we will need strong commitment and execution to move the business forward at a steady pace.

— Could you share your expectations for OMRON's new initiatives and future following the addition of JMDC Inc. to the Group?

Kamigama: JMDC Inc.'s entrepreneurial spirit is having a positive influence on OMRON. It would be interesting to create an environment going forward where OMRON can actually learn from JMDC Inc. by leveraging the differences in our cultures.

Suzuki: Synergies like that are created when opposites collide. Extending our current path will not lead to significant change. OMRON's culture needs to evolve. If the culture changes, I believe the potential for growth will increase dramatically.

Kamigama: A data utilization mindset within the Group is essential, starting with streamlining business operations. For example, when it comes to expanding overseas operations, if we continue to just send personnel from Japan each time and try to build from scratch, we will not be able to compete with local providers. A business model that leverages databases to operate remotely at pace would likely be in demand in markets like Europe and the U.S. as well.

Kobayashi: For example, our Medium-term Management Plan (SF 1st Stage) talks about "data-driven enterprise operations through DX." If Mr. Ishihara, who is Senior General Manager of Data Solution Business HQ, can take the lead and begin initiating action internally now, it could accelerate the entire Group's progress in this area. Data is meaningless if it is not used. We need to create an environment where everyone in our Group can utilize the various data that exist internally. I would like to see Mr. Ishihara's team, which can leverage the resources of JMDC Inc., take the lead in this.

Suzuki: It is also important for President Tsujinaga to send a message from the top to encourage the new team that Mr.

Ishihara has formed. We have both the immediate goal of completing the current structural reforms as well as the transformation of our business model, which is focused on medium- to long-term growth. A balance needs to be struck to ensure messaging from the top does not favor one goal over the other.

Kobayashi: It is a matter of the timeline. While our immediate focus is on re-strengthening the IAB and rebuilding our revenue and growth base, JMDC Inc.'s capabilities will be crucial for enhancing OMRON's corporate value over the next 10 years. That is the kind of message that needs to be communicated. Ultimately, prioritization is key. While there are countless tasks at hand, our resources are limited, so we need to change the way we think and act. Continuing with the old mindset will inevitably lead to inefficiencies. By eliminating unnecessary effort, even through small things like simplifying written material for the Board of Directors, we can reduce waste. We are now in a phase where each and every one of us needs to adopt that mindset. If our cultural reform proceeds in this way, new value can be created.



Kamigama: It is important to deepen the capital market's understanding of the future potential of our collaboration with JMDC Inc. I would also like us to strengthen our IR activities as well. If the new corporate value OMRON gains by incorporating JMDC Inc. into the Group is properly recognized by investors, it should allow us to take risks with greater confidence.

Kobayashi: That would have a positive effect on OMRON's share price as well. Recently, we've gradually begun to see more media coverage highlighting JMDC Inc.'s competitive edge in the health tech industry. I hope we can capitalize on this positive momentum and further intensify our IR activities.

Kamigama: While it is important to remember that both companies are independently listed, I think it would be beneficial for OMRON's and JMDC Inc.'s experienced IR teams to work together. I would also like to see enhanced information sharing within the Board of Directors.

In Challenging Times, Leaders Need to Lead and Listen to People

—What qualities do you think will be required of President Tsujinaga's leadership going forward?

Kamigama: What is great about President Tsujinaga is that he really listens to people. He is also leading by example with his customer-oriented approach. He puts a lot of effort into communicating with staff. He knows that by going directly to people rather than relying on intermediaries, he can hear frank and honest feedback. I hope he continues to take this approach, directly identifying areas where OMRON can improve and using that insight to guide his management decisions.

Kobayashi: By engaging in ongoing dialogue with a wide range of internal and external stakeholders, President Tsujinaga is enhancing his abilities as CEO, thoughtfully reflecting on the core of the business and working to convey that insight to those around him. I believe this is a strength

that only someone like President Tsujinaga, who values the opinions of others, can demonstrate.

Suzuki: I am confident that President Tsujinaga will transform OMRON as a whole into a stronger, more profitable company. He often talks about "reviving the entrepreneurial spirit from the company's founding days," but I believe OMRON will also need a strong, warrior-like mindset going forward. I would like to see us take a stronger, more aggressive approach to maximizing profits. President Tsujinaga is well-equipped with the leadership skills gained during his time at the IAB, and I am confident he will continue to leverage those skills to deliver even greater results.



Dialogue between Audit & Supervisory Board Members: "Audit 3.0" to Strengthen Resilience in the Face of Headwinds



Full-time Audit & Supervisory Board Members Contributing to the Enhancement of Corporate Value by Leveraging Their Information-Gathering Capabilities to Deep-Dive into Fundamental Issues

— In addition to the outside Audit & Supervisory Board Members, this discussion also features two full-time Audit & Supervisory Board Members. Please remind us of the roles of the full-time Audit & Supervisory Board Members at OMRON.

Tamaki: The Corporate Governance Code stipulates that "effectiveness should be enhanced by organically combining the strong independence provided by outside audit & supervisory board members with the advanced information gathering capabilities possessed by full-time audit & supervisory board members." As the full-time Audit & Supervisory Board Members at OMRON, we have always abide by those words. Gathering internal information and sharing it with the Outside Audit & Supervisory Board Members to enhance the effectiveness of governance is a key role for the full-time Audit & Supervisory Board Members. Last year's dialogue between two Outside Audit & Supervisory Board Members focused on the demonstration of independence, but this time we would like to give you a complete picture of the audits conducted by OMRON's Audit & Supervisory Board Members, including the work of the full-time Audit & Supervisory Board Members.

Hosoi: We, the four Audit & Supervisory Board Members are constantly striving to increase OMRON's corporate value through the achievement of sustainable growth. However, auditing activities cannot be carried out fully by just the four of us or our staff. By transparently and effectively communicating the activities of the Audit & Supervisory Board to external stakeholders and taking various opinions

on board, we hope to enhance the quality of audit activities.

— At the meetings of OMRON's Audit & Supervisory Board, what is the format for your discussions?

Hosoi: At the meetings, the independence of Outside Audit & Supervisory Board Members constitutes an "Outer Eye," while the information-gathering power of the full-time Audit & Supervisory Board Members constitutes an "Inner Eye." We aim to create synergies between the two and produce results by multiplying the two together rather than simply adding one to the other. Although we all come from different backgrounds, we work together as one to achieve the shared objective of maintaining and enhancing corporate value. To come up with best ideas within a limited time, it is important that everyone is moving in the same direction. In this way, we combine our respective perspectives and operate with a solid foundation.

Kunihiro: When I look around at other companies in Japan, I feel that their full-time audit & supervisory board members tend to avoid proactively speaking up at the meetings of the board of directors. So one thing that makes OMRON distinctive is the way the full-time Audit & Supervisory Board Members also actively express their opinions. In addition, at each meeting of the Audit & Supervisory Board, we also have time for free discussion. This aims to ensure thorough discussion that is not limited to a specific theme. The topics of discussion are management issues for which there are no clear-cut answers. The subjects are raised mainly by the full-time Audit & Supervisory Board Members, and the issues brought up at the Audit & Supervisory Board meetings are shared by the Outside Audit & Supervisory Board Members at the meetings of the Board of Directors. To create this cycle, thorough information-gathering skills are vital. Since the Outside Audit & Supervisory Board Members have

limited time at the Company and the information they can obtain is limited, the ability to identify issues is a prerequisite for the full-time Audit & Supervisory Board Members.

Evolution to "Audit 3.0" to Enhance Corporate Value

— In last year's dialogue, there was talk about the Audit & Supervisory Board's position in leading "Audit 3.0." In what form is Audit 3.0 functioning right now?

Kunihiro: At OMRON, the Audit & Supervisory Board has established its own principles of conduct for Audit & Supervisory Board Members*. At the top of the document are these words: "We not only conduct compliance audits (Audit 1.0) and point out deficiencies; but also conduct risk-based, internal control audits (Audit 2.0) and state our views; and conduct management issue audits (Audit 3.0) and provide advice." In other words, the Audit & Supervisory Board is also committed to raising questions about the sound development of OMRON's business and the enhancement of its corporate value. At many companies in Japan, there tends to be an unspoken rule that "audit & supervisory board members should keep quiet when it comes to matters of corporate management," but at OMRON it is the opposite, we are also expected to state our views. A unique feature of OMRON is that we're required to adopt a proactive stance that goes beyond just pointing out deficiencies. For example, Directors have asked us to be more forthright in expressing opinions on management issues.

* For details of the Principles of Conduct for Audit & Supervisory Board Members, please see the OMRON website.

> Corporate Governance Framework

Tamaki: However, there is something about "Audit 3.0" that mustn't be misunderstood. This is that as a result of evolving from 1.0 to 2.0 and then 3.0, we're constantly tackling three audit areas, not just Audit 3.0. We're covering all the areas

from 1.0 to 3.0. In a nutshell, the purpose of "Audit 1.0" is to point out deficiencies and discover issues. So it is what's described as a compliance audit. But we do not stop there. Next, we have "Audit 2.0", where we endeavor to prevent recurrences and pinpoint risks. For example, we might consider the possibility that the same problem is also occurring in other departments. However, fundamental management issues, such as insufficient personnel or budgets, may be lurking in the background to that issue. And this is where "Audit 3.0" comes in. Because it's integrated with Audit 1.0 and 2.0, we're able to clearly state our opinions to the management team.

Kunihiro: If there is a difference between Audit & Supervisory Board Members and Directors, it is in the way they deal with issues. While Directors are responsible for driving the business forward, the Audit & Supervisory Board Members must focus on what the issues with that approach to business might be. What can we do as Audit & Supervisory Board Members to increase OMRON's corporate value? Our mission is to seek and present optimal solutions, without shying away from discovering issues. And of course, we must not slack off with Audit 1.0 or 2.0.

Tamaki: Looking at it from another angle, I think that precisely because we are conscious of Audit 3.0, and probe management issues such as the adequacy of resources on the frontline, the meanings of deficiencies and risks in the corporate management context become clearer. If a lack of resources is the cause of deficiencies and risks, and you try to prevent recurrences without addressing the underlying issue, sooner or later the same thing will happen again. I believe that only when Audit 1.0-3.0 are implemented as a set can true governance be achieved.

— How would you rate the progress made so far with "Audit 3.0"?

Hosoi: Comparing the progress we have made so far to

climbing a mountain, I would say we have reached the third station. So while it's still nothing to write home about, we have been making steady advances with our activities. The aim of Audit 3.0 is to examine the health condition of the company, and take steps to prevent it from getting sick and strengthen its constitution. The company's financial performance in FY23 left a lot to be desired, but we, the Audit & Supervisory Board Members identified two challenges as we discussed its health condition. One is to build a foundation for ensuring that the new restructuring-related measures take root, and the other is to transform OMRON's corporate culture, which has been handed down over many years. To tackle these challenges, the Audit & Supervisory Board has been working with the management team since FY23, providing back-up for reform. In the sense that we have been able to advance our Audit 3.0 activities, I view this as a big step.

Kunihiro: To bring management issues to light, it is also essential to learn from other companies. There is no single form of governance. Diversity is now crucial. Objectively grasping OMRON's flaws is another important role of Audit & Supervisory Board Members.



Hosoi: I feel that to evolve Audit 3.0, it is critical to learn from other companies. In FY23, we actively exchanged opinions with CEOs and audit & supervisory board members from eight companies. This exposed us to a variety of perspectives and ideas, and it was a valuable opportunity to reaffirm our own strengths and challenges. To continue to evolve further, I would like to learn from the examples of other companies and look ahead to a new way forward.

Tamaki: The Company's Principles of Conduct for Audit & Supervisory Board Members also states that we should "strive for self-improvement, be trustworthy at all times." To make this attitude a part of us, learning from other companies is imperative.

Hosoi: Going forward, we on the Audit & Supervisory Board will be observing the company not only from ground level but also from above, and digging beneath the surface to dive deep into the organization. We will keep striving to uncover management issues and address them through the evolution of Audit 3.0.

Collaborative Risk Management and Shared Awareness Essential for Governance of a Large Organization

— Mr. Miura, you became an Outside Audit & Supervisory Board Member in June 2024, so what have been your impressions of OMRON's audit and governance frameworks?

Miura: To be honest, I do not think I have ever come across audit & supervisory board members who conduct themselves so courageously. Given the nature of their responsibilities, audit & supervisory board members normally find just asking themselves how they can contribute to the enhancement of corporate value to be an immense challenge. At many companies, even just assessing the compliance status of operations and the effectiveness of

internal control systems, which is their basic mission, is actually not easy. So three to five audit & supervisory board members, working in cooperation and receiving help from the internal audit division, department, the accounting auditors, and so on, are tasked with gauging the status of a huge corporate group, including its subsidiaries and affiliates domestic and overseas. But at OMRON, they are intent on doing even more, assessing risk management processes and even recommending solutions to management issues. I feel that this corporate culture, in which management seeks the views of the Audit & Supervisory Board Members and they endeavor to respond to such requests, is illustrative of an excellent governance framework.

Kunihiro: In a sense, fundamental topics such as management issues are where we are finally going to end up no matter what we are talking about. One of our strengths is a structure whereby not only the Outside Audit & Supervisory Board Members but also the full-time Audit & Supervisory Board Members bring up issues based on facts. I think we have gone one step beyond just a simple atmosphere of it being "easy to speak up," and represents a step forward in terms of sharing a common understanding.

Miura: I agree. It is certainly true that the world of corporate management is one in which there are no single right answers. There are always multiple options for the future, and managers must ultimately reject indecisiveness and choose one path with conviction. And during this process, it might be the Audit & Supervisory Board Members who can give objective advice from a slightly different perspective than on the executive side. There's a concept called the "Three Lines Model", which divides the organization into the Governing Body, Management, and Internal Audit, with each conducting monitoring from their respective standpoints, but audit & supervisory board members are in a position to make recommendations to management based on the

overall picture, rather than from the third line. In fact, for executives to make appropriate management decisions, it is also important to adopt macro perspectives, asking questions like "Does this meet the needs of society?" and "Does this meet the expectations of stakeholders?" The fact that the Audit & Supervisory Board Members fulfill this role in cooperation with the Outside Directors can be regarded as demonstrative of OMRON's pioneering approach to governance.

The Ideal Situation is for Directors and Audit & Supervisory Board Members to Work Together and Blurring the Boundaries between "Offense" and "Defense"

— How do the Outside Audit & Supervisory Board Members function within the governance framework? Please tell us what makes OMRON distinctive.

Kunihiro: OMRON's Board of Directors shares the view that governance is a function for enhancing corporate value, and cooperation between Outside Directors and Outside Audit & Supervisory Board Members is very strong. The Corporate Governance Committee also includes members from both groups, and provides a forum for close information exchange and discussion. I think with monitoring, which is among the tasks of the Outside Directors, there is a lot of overlap with the Audit & Supervisory Board Members. Personally, in my own work, I do not think much about whether I am an Outside Director or an Outside Audit & Supervisory Board Member. At the meeting of the Board of Directors or the Corporate Governance Committee, everyone speaks freely without imposing constraints on their own roles. No one says things like "I am a Director so ..." or "I am an Audit & Supervisory Board Member so ..." Although a distinction is made in the text of the Companies Act, the reality is that we just have different perspectives and backgrounds. A characteristic of OMRON is that both Outside Directors and Outside Audit & Supervisory Board

Members are committed to sharing their wisdom to the greatest extent possible in order to enhance corporate value.

Miura: Yes, I have really noticed that myself. A general view is that within a governance framework, the Audit & Supervisory Board Members are responsible for "Defense" while the Outside Directors handle "Offense". This binary distinction makes the roles easy to understand. However, in the case of a big M&A deal, for instance, the Outside Directors may take a cautious approach. And given that the Audit & Supervisory Board Members sometimes support the hefty capital expenditures required for growth businesses, I think that a sound governance framework entails both groups being conscious of both the defense and offense sides. I think OMRON is a good example of this happening naturally.

Kunihiro: Especially when responding to emergencies, action that straddles the boundary between the two is essential. When it comes to managing risks, it is not enough to simply leave it to the Audit & Supervisory Board Members.

Tamaki: "Defense" and "Offense" is a frequent topic of discussion in governance, and it is easy to understand if you compare it to soccer. During a spell when you're scoring a lot of goals (which can be compared to increasing corporate value), it's usually the forwards who are attacking, but sometimes the defenders take shots, too. Conversely, when you're under attack (protecting corporate value), even the forwards have to drop back and help out with the defense. You will never have a strong team if your attackers are saying, "I am an attacker so I will not go the defense."

Miura: When the Corporate Governance Code was first announced, it was said that the authorities' aim was to reverse the recent tendency of Japanese companies to overemphasize "Defense", and instead to promote "Offense"

in management through sensible risk-taking. So it was viewed as strategy for reviving Japan. The renewed emphasis that was put on "Offense" reflected a mood of crisis, as many companies that had grown large were being shackled by their past glories, and were lagging behind in transforming their business models to respond to the changes of the times, causing their international competitiveness to decline. During that period, however, corporate scandals were occurring one after another, and this became a national talking point. Nowadays, the concern is that most companies consider governance to be synonymous with internal control, and that little progress has been made with the discussion of "Offense-Oriented Governance".

To Avoid a Repeat Deterioration in Financial Performance, Essential to Have Wild Attitude, Rather Than Being a Straight-A Student

— FY23 saw earnings forecasts revised downward twice. Looking back on that as the Audit & Supervisory Board Members, what do you think some of the issues were?

Hosoi: We on the Audit & Supervisory Board also regret the fact that the Company did not grasp market and internal changes and take action at an early stage. By studying the past, I have discovered that when a downward revision was made, it was sometimes due to the lack of a swift response to signs of trouble. So there had been a failure to take lessons from the past. Looking ahead, discussions are currently ongoing about how to collect and analyze information more speedily and accurately, identify risks at an early stage, and take appropriate measures to enable more proactive responses.

Tamaki: During our free discussions, we ask ourselves, "What could have been done?" Communicating this experience to future generations is another responsibility of the Audit & Supervisory Board Members. We have to analyze

what happened so that we can become the storytellers. Right now, we still don't have any clear answers, but multiple hypotheses are beginning to emerge through our honest discussions.

Kunihiro: Discussing these hypotheses, I have come to believe that it was OMRON's weakness that led to the deterioration in financial performance. Specifically, an excessive preoccupation with "scoring 100% in all aspects of governance" resulted in sanitized presentations and reports, which ultimately shielded underlying issues from view. The times are changing dramatically. To earn money in this challenging operating environment, it is vital to have a wild and aggressive attitude, even if that means being a bit rough and ready, rather than being a serious, straight-A student. Unless OMRON adopts a hungry spirit, keeps an eye on competitive fundamentals, and engages in thorough discussions, it will probably make the same mistake again.

Transforming the Constitution of OMRON, Which Has Lost the Venture Spirit Exhibited by JMDC Inc.

— Another big topic last fiscal year was making JMDC Inc. a subsidiary. Please give us your current assessments.



Tamaki: JMDC Inc. is a fast-growing company. And from the perspective of "Audit 3.0", too, we have a lot to learn from them. Meanwhile, OMRON, which has acquired the shares, needs to fulfill its responsibilities to investors and other stakeholders by taking a firm approach to grasping risks, and that falls under the heading of "Audit 2.0". I have been trying to analyze JMDC Inc. myself in my own way, for example, by carefully reading the securities reports it has filed since it was listed. And I intend to keep working to gain a full understanding of the company and the challenges it faces.

Kunihiro: OMRON was once a start-up company, but gradually turned into a dignified large corporation without even realizing it. A culture that has been built up over many years is difficult to change from the inside. What kind of chemical reaction will JMDC Inc., with its venture spirit, bring to OMRON's corporate culture? I am really looking forward to finding out. For JMDC Inc. to be a catalyst, it should not be restricted to being a "little OMRON." I want it to demonstrate uniqueness as a transmitter of different cultures, much like the island of Dejima did during Japan's long period of isolation during the Edo period.

Hosoi: It's important that OMRON and JMDC Inc. collaborate by leveraging and synergizing their respective traits. I believe that making the most of the unique strengths of both companies and building a cooperative relationship that allows them to complement each other will lead to an increase in corporate value. By working with JMDC Inc.'s Director Audit & Supervisory Committee Members, we hope to unlock the full potential of both companies and contribute to building a foundation for achieving sustainable growth.

Miura: Changing the corporate culture is important. If the corporate culture can be evolved to take it to the next level, it can also bring about a change in the business model. Facilitating a transformation from "Selling Product Value" to "Selling Essential Value (products + services)" is a key

objective of the collaboration with the JMDC Inc. Group. I believe that the data sales style, which involves not only selling products but also providing solutions tailored to customer needs, can be utilized not only in JMDC Inc.'s data solution business, but also in the Industrial Automation Business, Healthcare Business, and Social Solution Business, and that synergies with JMDC Inc. will be maximized. I think the success of business acquisitions is measured by these sorts of intrinsic synergies.

Kunihiro: The success of the transformation from "Products" to "Products + Services" may also help with the transformation of the corporate culture. The next step should be to create a new cycle in which businesses and organizations have a positive impact on each other.

Monitoring of Structural Reform Programs Should Be Approached from Two Axes: "Present Perspective" and "Future Perspective"

— OMRON is currently pursuing a structural reform program called "NEXT2025," but it must also balance that with medium- to long-term growth. Given these circumstances, please share your thoughts on how the Audit & Supervisory Board Members should contribute to the enhancement of corporate value.

Hosoi: For the Audit & Supervisory Board members to contribute to the enhancement of corporate value, they will need to approach it not only from the perspective of restructuring, but also from the perspective of balancing that with medium- to long-term growth. One of the priorities for the Audit & Supervisory Board this fiscal year is to check on the progress with restructuring. And we're going to be approaching that from two perspectives: a "Present Perspective" to check whether there are any omissions in the content of the measures and whether they are taking root, and a "Future Perspective" to ascertain what kinds of results will appear over the medium to long term. With a

restructuring program, we should not only observe short-term outcomes, but also rigorously follow up on medium- to long-term themes. Furthermore, from FY26, the company will be implementing a new medium-term management plan to take it closer to its long-term vision, "SF2030." A crucial role of the Audit & Supervisory Board Members is to contribute to the development of strategies for the maximization of corporate value while keeping an eye on the future and properly assessing risks.

Kunihiro: The key question is how monitoring should be conducted. Medium- to long-term monitoring by the Audit & Supervisory Board alone is insufficient. The Outside Directors should also be involved, so as to allow the executive side to be observed from a range of perspectives. The forwards and the defenders must work together to deploy a variety of approaches for optimizing governance.

Tamaki: Ultimately, I think there ought to be a break from "scoring 100% for governance." Choices about what to focus on should be made, and flexible thinking should be the order of the day. OMRON's corporate climate is characterized by seriousness, but the founder, Kazuma Tateishi, advocated the "7:3 principle," which states that if



there's a 70% chance of success, you should go for it. So instead of waiting till the probability is 100%, you get going when it's 70%, and then gradually eliminate the 30% failure risk as you move forward. OMRON ought to revisit that spirit and regain the eagerness to take on challenges.

"Flexible" as the Keyword for Transforming the Corporate Culture to Realize SF2030

— How should the Audit & Supervisory Board evolve as OMRON restructures en route to SF2030? Please tell us how you envisage the future?

Miura: Generally in Japan, the larger a company grows, the greater the pressure it comes under to meet societal expectations, and it tends to fall back into a defensive approach to management in order to avoid failure. Of course, fatal mistakes cannot be tolerated, but the fact is that achieving resounding success entails taking on risk. Minor missteps can be corrected while on the go, and a corporate culture of proactively embracing risk will be a powerful weapon in the future. Faced with financial under-performance right now, tough situations will keep coming up, but I hope that this period will be valued as an

opportunity to make necessary changes. To that end, I think the Audit & Supervisory Board should evolve so that it can help the company take a new step forward.

Kunihiro: Hard times are opportunities for change, aren't they? The keyword might be "flexible." With flexibility the preoccupation with "scoring 100% for governance" as the starting point, excess, duplication, and waste must be discarded, and the focus must be narrowed. I have also seen numerous examples of companies being reborn after running into difficulties. For OMRON, this is an opportunity.

Tamaki: To abandon the pursuit of "scoring 100% for governance," the Audit & Supervisory Board must also not permit its meetings to be clean and cordial. My aim is for the Audit & Supervisory Board to also explore a new governance model that is not constrained by pre-existing notions, and to present that to the world.

Hosoi: We are going to keep striving to evolve the Audit & Supervisory Board so that when its members a decade from now look back on today, there will be no regrets. With a venture spirit, we will actively incorporate AI utilization and

collaboration with other companies to build an "Audit 4.0" future that puts us a step ahead of the pack. As a future-oriented audit team, we intend to deliver more valuable audits by constantly taking on challenges and adapting to changes.

— Mr. Miura, you've just started your first year as an Outside Audit & Supervisory Board Member, but please remind us of your future aspirations.

Miura: I became an Outside Audit & Supervisory Board Member in June 2024, so I have only recently joined the Audit & Supervisory Board, but the spirit of OMRON's Audit & Supervisory Board Members, which has been created by all of the previous Audit & Supervisory Board Members, is already infusing me. The immediate challenge is to analyze the causes of the deterioration in financial performance, create a scenario for recovery, and transform the corporate culture for the next stage of growth. While making use of my "Outer Eye" as an Outside Audit & Supervisory Board Member, I intend to work closely with the "Inner Eye" of the Full-time Audit & Supervisory Board Members and the Directors to contribute to the enhancement of OMRON's corporate value.



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 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 improvement of corporate governance to achieve sustainable enhancement of corporate value.

[➤ OMRON Corporate Governance Policies](#)

Corporate Governance Framework

OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors consists of eight members to ensure substantive discussion and deliberations. To increase objectivity on behalf of the Board of Directors, the titles and roles of the 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. To enhance the oversight functions of the Board of Directors, OMRON has established the committees include the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate

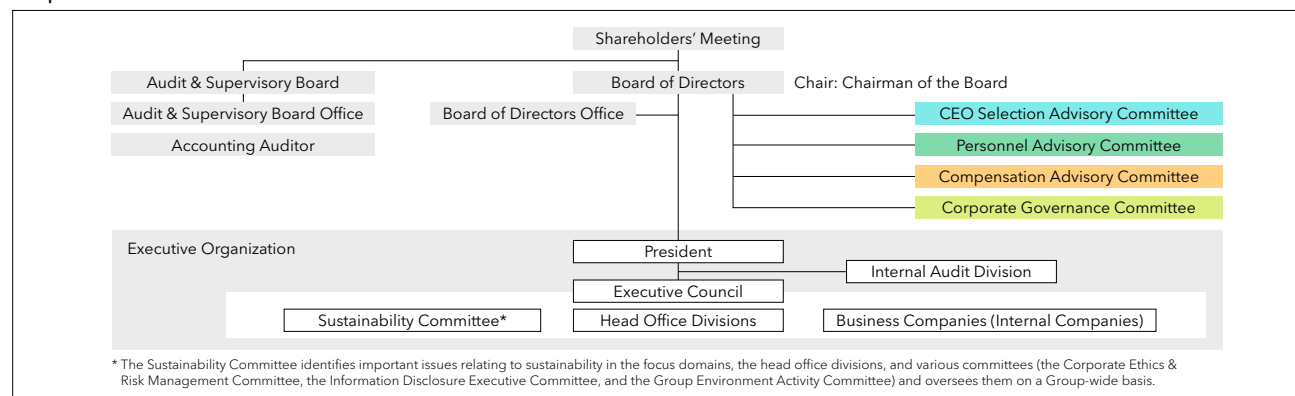
Governance Committee.

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 Corporate Governance Committee is chaired by an independent outside director and its members are independent outside directors and independent outside Audit & Supervisory Board Members as well as non-executive inside directors. This structure endows the decision-making process with another layer of transparency and objectivity. The President and CEO is not a member of any of these committees. With these policies, OMRON has created a hybrid governance framework combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee.

Policy regarding Composition of the Board of Directors

In order to strengthen the supervision function of the Board of Directors, at OMRON, management oversight and business execution are kept separate, and a majority of the Board of Directors shall consist of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors shall consist of Outside Directors. Regarding Outside Directors and Outside Audit & Supervisory Board Members, from the perspective of ensuring their independence, they are elected in accordance with OMRON's "Independence Requirements for Outside Executives." Based on the above, the Board of Directors shall consist of diverse members who possess the experience, specialized knowledge, and insights necessary to realize the OMRON Group's management vision and shall ensure diversity without distinction as to gender, nationality, international experience, or age.

Corporate Governance Framework



Policy regarding Appointment of Directors and Audit & Supervisory Board Members

- Directors, Audit & Supervisory Board Members, and Executive Officers are composed of diverse members who possess the experience, specialized knowledge and insights necessary to realize the OMRON Group's management vision and shall ensure diversity without distinction as to gender, nationality, international experience, or age.
- To swiftly respond to the need for global-scale growth and greater competitive strength, as well as significant changes in the business environment, the Personnel Advisory Committee shall work to ensure diversity in the Board of Directors, Audit & Supervisory Board, and among Executive Officers in terms including work experience, specialized knowledge, insights, gender, nationality, international experience, and age.
- The experience, specialized knowledge, and insight necessary for the realization of the OMRON Group's management vision related to Directors and Audit & Supervisory Board Members is presented in the skill matrix.

[Criteria for Appointment of Outside Directors]

- Outside Directors are deeply involved in the CEO Selection Advisory Committee, which specializes in matters such as the appointment of the President, which is the top-priority matter in management oversight. In order to establish a highly transparent and objective system for appointing a President and CEO, Outside Directors must have management experience or equivalent experience.

[Criteria for Appointment of Outside Audit & Supervisory Board Members]

- Audit & Supervisory Board Members must possess the necessary insight, high ethical standards, fairness, and integrity as an Audit & Supervisory Board Member, as well as specialized knowledge in law, finance, accounting, management, or other areas.

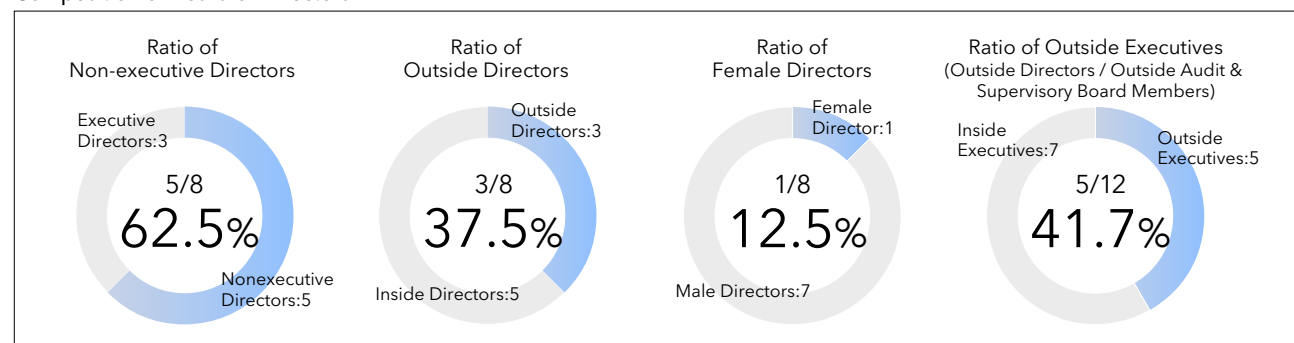
Fiscal 2024 Advisory Committee

Title	Name	Ceo selection advisory committee	Personnel Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Yoshihito Yamada	□			○
Representative Director	Junta Tsujinaga				
Representative Director	Kiichiro Miyata			□	
Director	Masahiko Tomita		□		
Director	Shizuto Yukumoto	○	○	○	□
Outside Director	Takehiro Kamigama ◆	◎	□	□	◎
Outside Director	Izumi Kobayashi ◆	□	◎	□	□
Outside Director	Yoshihisa Suzuki ◆	□	□	◎	□
Audit & Supervisory Board Member	Shuji Tamaki				
Audit & Supervisory Board Member	Toshio Hosoi				
Outside Audit & Supervisory Board Member	Tadashi Kunihiro ◆				□
Outside Audit & Supervisory Board Member	Hiroshi Miura ◆				□

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

* In September 2023, the Corporate Governance Committee membership was revised to consist of outside directors, outside Audit & Supervisory Board Members, and non-executive inside directors.

Composition of Board of Directors



Officer Compensation

OMRON has set up Compensation Advisory Committee for the purpose of bolstering the management oversight function of Board of Directors by enhancing transparency and objectivity in determining compensation amounts for each director and executive officer. In response to a consultation request from the chairperson of Board of Directors, Compensation Advisory Committee deliberates on and makes recommendations regarding the Compensation Policy for Directors. Compensation Advisory Committee also deliberates on and determines the Compensation Policy for Executive Officers in response to a consultation request from the CEO. Reflecting the committee's recommendations, Board of Directors determines the Compensation Policy for Directors. Based on the above-mentioned respective Compensation Policy, Compensation Advisory Committee deliberates on compensation of Directors and Executive Officers. The amounts of compensation for individual Directors shall be determined by a resolution of Board of Directors, reflecting the recommendations of Compensation Advisory Committee. These amounts shall be within the maximum limit of the sum of compensation amounts for all

directors, as set by a resolution of the General Meeting of Shareholders. The amounts of compensation for individual executive officers shall be determined according to the recommendations of Compensation Advisory Committee. The amounts of compensation for individual Audit & Supervisory Board members shall be determined in accordance with the Compensation Policy for Audit & Supervisory Board Members, which is set forth through discussions among Audit & Supervisory Board members. These amounts shall be within the maximum limit of the sum of compensation amounts for all Audit & Supervisory Board members, as set by a resolution of the General Meeting of Shareholders.

> Compensation Policy for Directors and Overview of the Compensation Structure

Status of 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

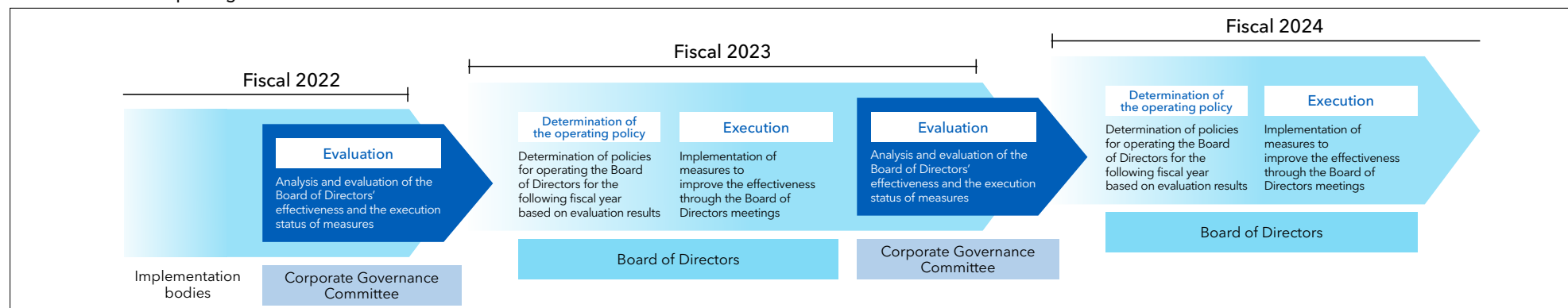
competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the supervisory functions of the Board of Directors through initiatives for improving its effectiveness.

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 Outside Directors and Outside Audit & Supervisory Board Members (hereinafter "Outside Executives"), as well as non-executive internal Directors. 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 of Outside Executives and non-executive internal Directors, performs evaluations in order to ensure that evaluations are both objective and effective.

Initiatives Towards Improving the Board of Directors' Effectiveness



(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 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.

2. Methods of Evaluation of the Board of Directors' effectiveness for fiscal 2023

The methods of the evaluation of the Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2023 are as described below.

(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 meetings of the Board of Directors held on February 26 and March 26, 2024.

* Self-evaluation: Performed by completing 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 [Operation of the Board of Directors, Increasing information sharing opportunities, Each advisory Committee, Other overall issues regarding the Board of Directors]

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

- The Chairman of the Board of Directors conducted individual interviews of Directors and Audit & Supervisory Board Members between December 2023 and February 2024.

(3) Evaluation by the Corporate Governance Committee

- The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness on March 26 and April 24, 2024.

3. Policy for the operation and focus themes of the Board of Directors for fiscal 2023

<Board of Directors Operational Policy for Fiscal 2023>

The Board of Directors will exercise its oversight functions from a medium- to long-term perspective as we move forward to achieving the OMRON Group's long-term vision, SF2030, and the medium-term management plan, SF 1st Stage, under the new business execution system. This will be done by recognizing the link between the following focus themes and issues subject to oversight.

<Focus Themes>

1) Monitoring progress of the long-term vision and medium-term management plan

<Points of oversight>

- Operational status of the new business execution system
- Progress of global human resources strategy implementation
- Autonomous growth and business model transformation
- Future business strategy in alliance with JMDC Inc.

2) Response to risks in the era of uncertainty

<Points of oversight>

- Response to global geopolitical risks including changes in markets
- Enhancement of cybersecurity

3) Construction of the Corporate IT System

<Points of oversight>

- Progress of Enterprise Resources Planning (ERP) system deployment in Europe and Japan

*ERP: Enterprise Resources Planning

Background of the establishment of the policy for the operation and focus themes of the Board of Directors for fiscal 2023

(discussed and decided at the Board of Directors meeting held in May 2023)

The Board of Directors confirmed that monitoring progress of the long-term vision and the medium-term management plan led by the new executive structure, following the changes in President and CEO, CFO and Presidents of all Business Companies, was an important part of oversight functions, and confirmed its intent to continue discussions with an emphasis on a medium- and long-term perspective. It was also confirmed that the alliance with JMDC Inc. would be a significant, revolutionary theme for the Company. The Board also confirmed that "2) Response to risks in the era of uncertainty" and "3) Checking the progress of establishing a companywide IT system" would remain focus themes, following on from the previous fiscal year.

4. Results of evaluation of the Board of Directors' effectiveness for fiscal 2023

4-1. Performance of operation of the Board of Directors

Focus Theme 1

Monitoring progress of the long-term vision and medium-term management plan

<Operational status of the new business execution system, Autonomous growth and business model transformation>

■ 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.

- In an agenda item regarding the business plan for fiscal 2023, each of the business companies reported on sales growth plans based on self-propulsion amid the continued slow growth in the global economy, and the Board of Directors resolved on this. In reporting Short-Term Management Plans, the President of each Business Company reported on specific initiatives toward

encouraging self-propulsion. In particular, the Industrial Automation Business (IAB) reported on a plan for winning orders by shifting toward customers with growth potential and adopting the solution business model.

- Regarding an agenda item of “forecasts of the consolidated financial results for the second quarter and for the full-year” (hereinafter, “financial results forecast for the second quarter”), in which the first downward revision was made to the forecasts, they reported that demand had slowed down more than expected in the Chinese market and elsewhere, resulting in sluggish net sales in IAB and the Device & Module Solutions Business (DMB). They also reported that a decrease in operating income was attributable to decreased added value due to lower sales, as well as decreased sales in China that accounts for a large portion of our sales of the solution business with high added value. This resulted in changes in the sales composition of products and geographical areas and led to a lower gross profit margin. Business environment projections for the second half of the fiscal year they reported were continued sluggishness for IAB and DMB, mixed conditions for the Healthcare Business (HCB), and a continuous favorable environment for the Social Systems, Solutions and Service Business (SSB). Under these circumstances, they reported that they would accelerate the respective actions they had set, such as capturing demand through enhancing and demonstrating self-propulsion, toward fully achieving the financial results forecast for the second quarter.
- Regarding an agenda item of “forecasts of the consolidated financial results for the third quarter and for the full-year” (hereinafter, “financial results forecast for the third quarter”), in which the second downward revision was made to the forecasts, it was reported that the business environment underlying the full-year forecast worsened compared to that at the time of the forecast of the second quarter results, despite signs of moderate recovery seen in some industries served by IAB and DMB. As a result, sales, gross

profit margin and operating income would all fall well below the financial results forecast for the second quarter. Contributing factors reported by IAB were the impact from postponement or contraction of capital expenditures by major clients, such as those in the semiconductor and rechargeable battery industries. They also reported that a significant decrease in operating income was mainly attributable to an increase in inventory provisioning, in addition to lower added value accompanying decreased sales, and that the current rigid fixed cost structure allows little room for All OMRON to respond to market condition changes. In light of these circumstances and with a view to returning IAB to growth, transformation to customer-driven management and a reform of the rigid fixed cost structure were determined as challenges for expanding customer value (added value). They reported on the IAB Revival Plan and five management measures, including headcount and capacity optimization.

■ Main contents of discussions at the meeting of the Board of Directors

- Regarding the agenda item on the management plan for fiscal 2023, the Board of Directors suggested that in order to achieve the plan, it is essential to prepare for changes in the market environment, such as the possibility of a crisis in the U.S. financial markets. Next, with regard to evolving the profit structure for businesses reflecting an essential value perspective, which is important for autonomous growth, the Board of Directors confirmed that discussion had started between distributors and the management team on the solution business. In IAB’s report on the Short-Term Management Plan, the Board discussed the current state of value transfer capability, which is important for shifting to customers with growth potential and evolving into the solution business, and confirmed the need for reviewing the human resources portfolio.
- With regard to the report on the financial results forecast for the second quarter, given the drastic changes in

circumstances after the first quarter, the Board of Directors confirmed what kind of analysis and scenarios had been developed based on the latest market situation and medium- to long-term changes. The Board also mentioned the division’s failure to grasp the inventory status of distributors, and pointed out that in a highly volatile business, it is essential to improve the system so as to get the picture of real demand in the market. The Board also requested that the current inventory status be analyzed carefully, with factors other than the economic climate taken into account.

- In the reporting on the financial results forecast for the third quarter, the Board of Directors confirmed the causes of differences between our results and those of competitors, and discussed how the unbalanced area portfolio and industry portfolio, which is an issue of IAB, can be optimized and lead to growth. In terms of portfolio, the Board considered the most profitable business structure and combination and discussed how to ensure resilience in the event of a downside phase marked by economic fluctuations. The Board of Directors confirmed that the client portfolios and area portfolios need to be reviewed for all of our businesses, not just for IAB. Then, as to the fixed cost structure, in which selling and administrative expenses are relatively high, the Board confirmed that the problem lies in labor cost, IT-related operation/ maintenance, and depreciation expenses. The Board of Directors therefore confirmed the need for changing the labor cost structure, the significance of launching a companywide IT system on schedule, which is currently under development, and the importance of a shift to cash flow management for increasing investment efficiency by going beyond ROIC management led by each Business Company. Lastly, the Board of Directors discussed the withdrawal of the medium-term management plan 1st Stage, deliberated about five structural reform programs and passed resolutions on them.

<Progress of global human resources strategy implementation>

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- They reported on the evolution of Global Core Position and Core Human Resource Strategy (hereinafter, "Core Position Strategy") with a mission to "continue supplying human resources optimal for the core positions of the OMRON Group and support OMRON's long-term growth." In this report, it was explained that the Core Position Strategy succeeded in optimal personnel placement and supply of human resource pipelines Through following a cycle of "clarification of requirements for each position," "identification of successor candidates," "development" and "evaluation and promotion" (See [Figure 1](#)), along with the report on the results and outcome after more than 10 years of continuous efforts.
- On the other hand, toward realizing the ideal state in the future, some items had been identified as issues, such as delay in empowerment of women in current positions, aging of incumbents and insufficient successor candidates for the positions in production- and quality-related divisions, and supply of successors with an eye to the next five years. They reported on the current state of these issues and measures to be taken.

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed the fact that the ratio of women in officer positions is not high, and confirmed that to accelerate diversity in the management, it is important to augment human resource pipelines from general employees. To this end, the Board discussed the need for eliminating bias in every corner of the company and for promoting women by taking various opportunities, and confirmed that the business execution division would make a conscious effort to proceed with these initiatives.

<Future business strategy in alliance with JMDC Inc.>

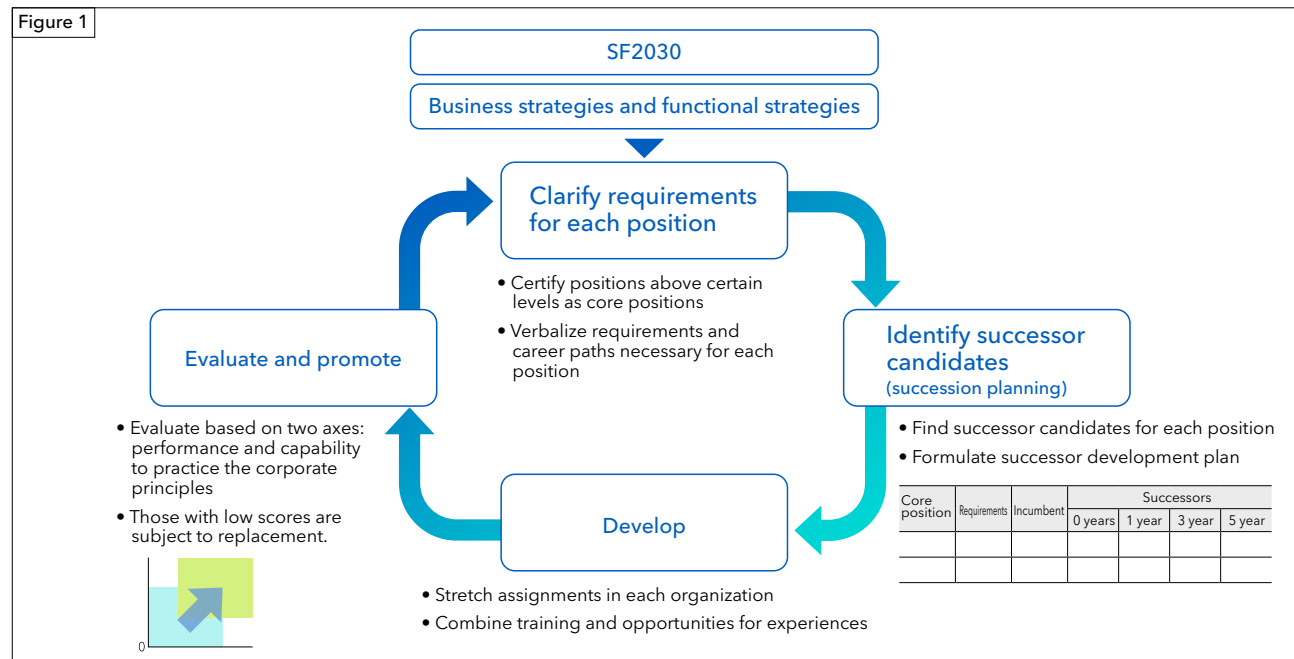
■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- Regarding an agenda item of "consideration on the acquisition of additional shares of JMDC Inc.," they reviewed and evaluated developments after the conclusion of a capital and business alliance with JMDC Inc. following the acquisition of 33% of its shares on February 25, 2022. They reported that a strong relationship of trust was established and that JMDC Inc.'s competitive edge and the growth potential of both companies have become clear through the collaboration. With the purpose of concretizing and accelerating the

growth potential of both companies and expanding the Company's corporate value through incorporating JMDC Inc.'s business performance into that of the Company, they reported on a draft proposal for the acquisition of JMDC Inc. as a consolidated subsidiary.

- Regarding an agenda item on the acquisition of additional shares of JMDC Inc. for making it into a consolidated subsidiary, they reported on items such as a business plan premised on the consolidation, policies on TOB, investment evaluations, and risks and measures upon consolidation. Referring to a case of the business model in the M&S business*, the business plan premised on the consolidation explained that OMRON and JMDC Inc. would be able to accelerate and expand not only their respective healthcare businesses, but also the data service



business in the industrial automation and social solutions domains. In addition, they reported on governance practice that would achieve JMDC Inc.'s sustainable growth and how to protect from any damage the corporate values of both companies.

*M&S Business: Management service business, such as a comprehensive maintenance service

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed the ideal practice of governance of JMDC Inc. after the consolidation, and confirmed that it is essential to conclude a capital and business alliance for the Company to conduct governance while leveraging JMDC Inc.'s strengths and ensuring its independence. The Board also confirmed that OMRON's purpose in the alliance with JMDC Inc. is to develop and provide devices intended for monitoring use to individuals with high risks identified through algorithms owned by JMDC Inc., which should be a major step toward reducing to close to zero the number of those experiencing an onset of serious events.
- The Board of Directors discussed how to utilize data scientists of JMDC Inc. and confirmed that, through promoting DX of the field maintenance data possessed by SSB, greater operational efficiency and other new values would be generated, which would lead to significant business growth. In addition, it was confirmed that the Company would strengthen IAB's and SSB's data business to press forward with the transformation of the entire company. The Board also requested a clear explanation as to the significance of acquiring over 50% of JMDC Inc. shares to OMRON, bearing in mind the voices of shareholders that OMRON received upon acquiring 33% of JMDC Inc. shares.
- In the conduct of TOB, the Board of Directors confirmed forecasts on corporations that might offer prices higher than the Company's projection and risks therefrom, and also confirmed that JMDC Inc. expects to learn from OMRON the capabilities for "managing a large

organization" and "executing overseas development." It was also confirmed that there is much for us to learn from JMDC Inc., such as superior human resources and high-cycle decision-making that OMRON aspires to practice. The Board urged a successful TOB and acquisition of knowhow thereafter, and passed a resolution on this agenda item.

Focus Theme 2

Response to risks in the era of uncertainty

<Response to global geopolitical risks including changes in markets>

- There was a lecture by an economist and an exchange of opinions on the U.S.-China geopolitical risk and its impact on Japan and the world economy. The Board of Directors confirmed the current state of the EV market and the possibility of expansion of hydrogen technology in China. Opinions were also exchanged about changes in people's stance on consumption after the Zero-COVID policy.

<Enhancement of cybersecurity>

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- They reported on external evaluations on the results of executing cybersecurity measures and on maturity of the current security status, mentioning the steady progress in security strength. On the other hand, it was reported that there remain issues such as automation of IT assets management and response to risks across the supply chain. They also reported on the formulation and disclosure of Information Security Basic Policy.

■ Main contents of discussions at the meeting of the Board of Directors

- As cyber-attacks are becoming increasingly sophisticated, the Board of Directors discussed the need for confirming the level that the Company must achieve and for setting

out a security level commensurate with the characteristics of its business. The Board also requested that they examine unnecessary IT assets in order to enhance security strength.

Focus Theme 3

Construction of the Corporate IT System

<Progress of Enterprise Resources Planning (ERP) system deployment in Europe and Japan>

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- At the Board of Directors meeting in January, they reported on the progress of ERP deployment in Europe and Japan, and that there is no major change in the schedule and budgets. In relation to this topic, they reported on lessons learnt during the deployment in Europe, where the system had been introduced in advance, and on measures and actions to be taken upon deployment in Japan.

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors confirmed the results of explanation to distributors along with their feedback and confirmed that there was no major concern. The Board also confirmed the state of customer-facing operations, and by presenting case studies at other companies, pointed out that it is important to communicate well with customers in order not to accept their requests for securing extra inventory, which may stem from their anxieties concerning problems upon system start-up.
- Next, with regard to the three areas for which the system had been introduced in advance, namely, "indirect material procurement," "expense reimbursement" and "human resources management," the Board of Directors discussed the importance of confirming the post-deployment results and requested a thorough utilization of the system from here onward.

4-1-2. Significant matters other than the focus themes

<Report on the progress of important M&As and alliances>

- The business execution division reported on the business value evaluation of the important M&As and alliances that had been deliberated by the Board of Directors in the past, along with the progress of business plans and future plans pertaining to these cases. To make reports more from a business perspective, the business execution division had Presidents of business companies explain the progress of business plans that were initially laid out at the time of acquiring three businesses.

<Increasing responsibility for respecting human rights and the role expected of the Board of Directors>

- The Board of Directors invited an external lecturer and exchanged opinions to obtain the latest information about rising demands for addressing human rights issues in all the nations and regions involved in the value chain, and to confirm the role expected of the Board of Directors, as well as the current position of the Company.

<Report on the progress of intellectual property activities>

- The business execution division reported on and discussed at the Board of Directors meeting the two initiatives on intellectual property reforms started in 2015, namely, "initiative to enhance the ability to generate patents in terms of both quantity and quality" and "initiative to promote and strengthen intellectual property and intangible assets, which are the source of competitive advantage of our business model."

4.2. Evaluation by the Corporate Governance Committee

The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness during fiscal 2023 and reported the following evaluation results at the Board of Directors meeting held on May 8, 2024.

4-2-1. Evaluation

■ Points commended

- Discussions by the Board of Directors were generally active. Many of the agenda items were commended for having a medium- to long-term perspective, and selection of the focus themes was also appropriate.
- The Board of Directors were commended for increasing opportunities for dialogue and discussions with the business execution division, which allowed for deeper discussions.
- With regard to the consolidation of JMDC Inc., the Board of Directors meetings were commended for growing understanding of this matter, through having discussions on JMDC Inc.'s positioning in our business along with issues to be focused.
- The establishment of a companywide IT system is steadily underway with concerns addressed appropriately, which had arisen before the start of the project.

■ Issues

- The Company made downward revisions to the financial results twice. The Board of Directors viewed this fact as a matter of great regret and considered insufficient discussions about downward revisions to be an issue. The Board also recognized that it is essential to detect any signs, increase predictability in the performance, and engage in preliminary discussions proactively.
- Some agenda items submitted to the Board of Directors meetings lacked pursuit of the root causes of problems. The Board of Directors viewed this as an issue.

- The Board of Directors recognized the need for exchanging opinions among the Board members and further vitalizing discussions on agenda items submitted to the Board meetings.
- In discussions about strategies of each business, the Board recognized the need to present the current state in numerical terms more clearly than ever, so as to clarify the Company's competitive advantages over competitors or to achieve uniformity in market analysis data.

■ Points requested

Toward resolving the issues mentioned above, the Corporate Governance Committee presented the following directions to be taken and made requests to the Board of Directors.

- Based on reflection on the two downward revisions, it was requested that business execution divisions share information with the members of the Board of Directors and set up a forum for discussion with them by using an Informal Meeting and the like, in the event of any signs felt in the trends in business performance or in the operating environment.
- With regard to the submission of agenda items, the Corporate Governance Committee requested the business execution division to conduct in-depth analysis of issues and clarify obstacles to the execution of plans.
- The Corporate Governance Committee requested that discussions be held among members of the Board of Directors (many-to-many discussion), instead of discussions held between an explainer and members of the Board of Directors (one-to-many discussion), to generate greater value.
- The Corporate Governance Committee requested that facts and data be organized, which are the base of discussions, and that a system be devised for allowing continual confirmation of the data.

4-3. Initiatives by the Advisory Committees and evaluation by the Corporate Governance Committee

■ CEO Selection Advisory Committee

Members / Chair	Five members (three Outside Directors and two internal Directors) / Mr. Takehiro Kamigama, the lead Outside Director
Committee composition	<ul style="list-style-type: none"> ● The majority shall be Outside Directors ● The two internal Directors shall be non-executive internal Directors (the President and CEO is not a member of the committee)
Number of meetings held / Attendance rate	1 / 100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> ● Deliberation on candidates for CEO ● Deliberation on a CEO successor candidate in the event of a crisis in fiscal 2024
Points commended	The CEO Selection Advisory Committee was commended for appropriately confirming a candidate for the President and CEO for the next fiscal year and a successor candidate in the event of a crisis.
Comments from the chair	Fiscal 2023 saw a change of President and CEO and the Advisory Committee entered a new cycle toward selecting a next President in the future. During the fiscal year, we focused on the review of Mr. Tsujinaga's first year in office as the President, and confirmation of issues. From the next fiscal year onward, we will engage in discussions on successors development planning for the future.

■ Personnel Advisory Committee

Members / Chair	Five members (three Outside Directors and two internal Directors) / Ms. Izumi Kobayashi, Outside Director
Committee composition	<ul style="list-style-type: none"> ● The majority shall be Outside Directors ● The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held / Attendance rate	8 / 100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> ● Study toward increasing the ratio of women in officer positions ● Determination of criteria for appointing Directors, Audit & Supervisory Board Members, and Executive Officers ● Deliberation on Director candidates, Audit & Supervisory Board Member candidates, and Executive Officer candidates ● Reporting on succession planning for management executives ● Reporting on the list of candidates for Outside Director and Outside Audit & Supervisory Board Member ● Deliberation on the members of each Advisory Committee
Points commended	It was confirmed that the Personnel Advisory Committee appropriately pooled successors of top executives (CFO and other CxOs), and the committee was commended for this point. The Committee was also commended for actively seeking female candidates and reflecting them in the talent pool in an effort to increase women in officer positions.
Comments from the chair	The Committee has discussed development and promotion of global and diverse human resources, in addition to reviewing various personnel systems. We will focus on more drastic utilization of human resources, personnel development transcending the bounds of Companies, and promotion and development planning for leaders, in particular.

■ Compensation Advisory Committee

Members / Chair	Five members (three Outside Directors and two internal Directors) / Mr. Yoshihisa Suzuki, Outside Director
Committee composition	<ul style="list-style-type: none"> ● The majority shall be Outside Directors ● The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held / Attendance rate	4 / 100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> ● Deliberation of compensation policy for Directors and Executive Officers ● Deliberation of compensation levels and tables for Directors and Executive Officers ● Deliberation of compensation for foreign Executive Officers ● Deliberation of evaluation criteria and payment amounts for Director bonuses and stock compensation ● Reporting on evaluation criteria and payment amounts for Executive Officer bonuses and stock compensation
Points commended	The Compensation Advisory Committee was commended for deliberating the compensation levels and other items based on the compensation structure determined in fiscal 2021 and for its appropriate operation.
Comments from the chair	We will emphasize more flexibility in the operation of the Advisory Committee in order to ensure appropriateness in the compensation system and its operation even amid rapid changes in the business performance and the start of structural reform.

■ Corporate Governance Committee

Members / Chair	Seven members (three Outside Directors, two Outside Audit & Supervisory Board Members and two non-executive internal Directors) / Mr. Takehiro Kamigama, the lead Outside Director
Committee composition	<ul style="list-style-type: none"> ● The majority shall be Outside Executives (Outside Directors and Outside Audit & Supervisory Board Members) ● Directors engaged in business execution are not members of the committee
Number of meetings held / Attendance rate	6 / 100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> ● Discussion on the purpose of the Corporate Governance Committee ● Deliberation of evaluation of effectiveness of the Board of Directors in fiscal 2023 ● Deliberation of the process for evaluation of the Board of Directors' effectiveness for fiscal 2023 ● Deliberation of appointment/dismissal of Executive Officers (in the narrow sense) and heads of departments directly under the President and CEO ● Discussion on common matters pointed out in the Board of Directors review
Points commended	The Corporate Governance Committee was commended for redefining the purpose of the Committee and evolving into a forum for discussion on the essence of corporate governance, following the addition of non-executive internal Directors as Committee members from the fiscal year under review.
Comments from the chair	We welcomed non-executive internal Directors as new members and repeatedly discussed what should be the Committee's role in enhancing governance of the Company, and this process helped us evolve. Going forward, we will deepen discussion on the ideal shape of governance from a medium- to long-term perspective.

4-4. Initiatives on information sharing opportunities and evaluation by the Corporate Governance Committee

To improve the Board of Directors' effectiveness, the Corporate Governance Committee deems it important to focus not only on the time devoted to the Board of Directors meetings, but also on relevant activities as a whole. Based on this belief, the Committee commended opportunities for discussions and other various initiatives for information sharing, and requested the continued provision of such opportunities.

■ Informal Meeting

(continuously held from 2014. In addition, starting in fiscal 2023, informal meetings with a new positioning called "off-site meetings" were held.)

Purpose (Number of meetings held)	The meeting was set up as a forum to discuss business strategies and business issues, etc. at an early phase or to consult on specific themes. Moreover, meetings are held as an opportunity for sharing the latest case studies and trends that the Board of Directors must be aware of, helping Outside Executives to deepen their understanding and the business execution division to resolve their issues. (8)
Structure	Determined depending on themes; some meetings are attended by all Directors and Audit & Supervisory Board Members, while others may be attended only by Outside Executives.
Initiatives	<ul style="list-style-type: none"> ● All Directors and Audit & Supervisory Board Members engaged in discussion on the themes of "Increasing responsibility for respecting human rights and the role expected of the Board of Directors," "Study on corporate governance" and "U.S.-China geopolitical risk and its impact on Japan and the world economy." ● An opportunity was set up for the business execution division to individually consult with Outside Executives and non-executive internal Directors on the theme of "Policies and guidelines for Short-Term Management Plan." ● An opportunity was held for opinion exchange among Outside Directors and internal Directors on the theme of "Progress of the global human resource strategy" and "Value-up of the Board of Directors."

■ Outside Executives' and top Executives' opinion exchange meeting (continuously held from fiscal 2019)

Purpose (Number of meetings held)	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. (4)
Initiatives	<ul style="list-style-type: none"> ● An opinion exchange meeting between newly appointed Presidents of Business Companies and Outside Directors was held individually to discuss on the theme of "the operation status of the new executive structure and issues toward growth."

■ Interviews by the Chairman of the Board of Directors
(continuously held from fiscal 2016)

Purpose (Number of meetings held)	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. 1 for each (for a total of 11) * Individual interviews with all Directors and Audit & Supervisory Board Members
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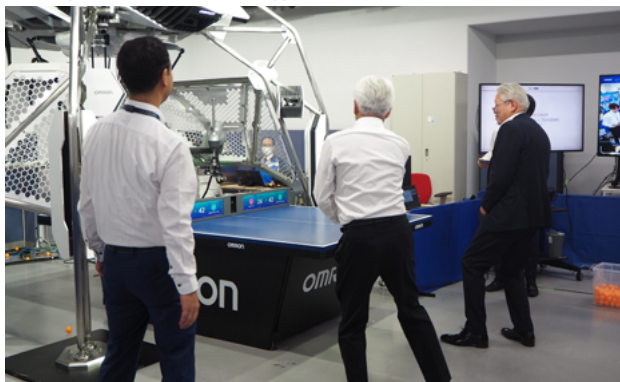
■ Board of Directors review (continuously held from fiscal 2021)

Purpose (Number of meetings held)	Outside Executives conduct a review of the Board of Directors immediately after meetings of the Board of Directors. Outside Executives sharing amongst themselves impressions, issues and improvements immediately following meetings of the Board of Directors lead to the improvement of the evaluation of the Board of Directors. (13)
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■ Outside Executives' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Purpose (Number of meetings held)	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. (2)
Initiatives	<ul style="list-style-type: none"> Opinions were exchanged about the Accounting Auditor's attention points regarding potential business management issues in the future. Opinions were exchanged about points in addressing fraud and risk and about governance enhancement based on onsite audits from the viewpoint of the Accounting Auditor.

Visiting Keihanna Technology Innovation Center



■ Observation of Executive Committee meetings
(continuously held from fiscal 2021)

Purpose (Number of meetings held)	Outside Executives may observe monthly 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
Initiatives	<ul style="list-style-type: none"> Agenda of Executive Committee Meeting is sent to Outside Executives before the meeting every month. Outside Executives monitor online the agenda item they want to observe. Meeting minutes are sent to members of the Board of Directors every quarter.

■ On-site visits (continuously held from fiscal 2015)

Purpose (Number of meetings held)	Opportunities are provided for Outside Executives to visit major bases, exhibitions, etc. and participate in in-house events, which lead to an improvement in understanding of the Company's business and organizational culture. (5)
Initiatives	<ul style="list-style-type: none"> Had a tour of renovated OMRON Communication Plaza. Visited Keihanna Technology Innovation Center, our global R&D core base. Visited OMRON SINIC X Corporation engaged in research and development of innovative technologies needed in society in the near future. Visited the booth of IAB at International Robot Exhibition 2023 (iREX2023). Visited the booth of IAB at Japan's largest automation exhibition IIFES 2024.

Visiting OMRON SINIC X Corporation



5. Policy for the operation and focus themes of the Board of Directors for fiscal 2024

Based on the results of evaluation conducted by the Corporate Governance Committee, the Board of Directors engaged in a discussion to determine its operational policy for fiscal 2024. Based on the results of this discussion, the Board of Directors operational policy for fiscal 2024 and its focus themes were determined at the Board of Directors meeting held on June 4.

<Board of Directors Operational Policy for Fiscal 2024>

The Board of Directors will exercise its oversight functions from a medium- to long-term perspective as we move forward to realize the OMRON Group's Long-term Vision SF2030 and accomplish the Structural Reform Program NEXT 2025. This will be done by recognizing the link between the following two focus themes and issues subject to oversight.

<Focus Themes>

1) Progress monitoring toward accomplishing the structural reform program (NEXT 2025)

< Points of oversight>

- Business/regional portfolio optimization
- Organizational capability to realize the above

2) Progress monitoring toward realizing the long-term vision

< Points of oversight>

- Issues in achieving growth for the data solution business and countermeasures
- Global human resources strategy

Risk Management

Integrated Risk Management for Supporting Global Business Activities

OMRON implements integrated risk management under a common framework throughout the Group. This is because, it is necessary to increase our risk sensitivity, and identify and take action before risks become apparent in order to respond quickly to changes as the speed of environmental changes surrounding management and business increases and the degree of uncertainty rises. We aim for active risk management where front-line employees and management work together to solve problems arising from changes in the environment that cannot be addressed by front-line employees alone. We are implementing a PDCA cycle

globally to improve the quality of this activity. 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

Under the internal control system, the framework for integrated risk management is summarized in the OMRON Group Rules (OGR)* for Integrated Risk Management, which clarify the position of the risk management framework within Group management. The Senior General Manager of the Global Risk Management and Legal HQ (GRL Manager) is the person in charge of its promotion. Additionally, risk

managers (160 in total) have been appointed for head office divisions, business companies, regional headquarters and Group companies across the world, to help promote initiatives on a global scale through the concerted effort of management and front-line employees. The three main activities are as follows:

- Grasp changes in the environment in a timely manner, share this information with relevant parties, and assess the impact in a timely manner
- Conduct global risk analysis to identify critical risks and establish appropriate responses
- Implement crisis response measures when risks become apparent in a crisis

* The OMRON Group has established shared OMRON Group Rules (OGR) as the foundation for fair and transparent management. The OGR has been established for major functions such as risk management, accounting and finance, human resources, information security, and quality assurance. The rules are reviewed annually to ensure that changes in the environment are reflected in the rules in an appropriate and timely manner.

➤ Compliance and Risk Management

Corporate Ethics and Risk Management Committee Structure



Integrated Risk Management Cycle



Group Critical Risks and Analysis

In SF2030, the OMRON Group aims to solve social issues that arise in the transition to a new social and economic system. To this end, we are working to create social value in business domains and are implementing initiatives integrating sustainability with business. We designated April 2024 to September 2025 as a period of structural reform and launched Structural Reform Program NEXT 2025. We consider the key factors that must be addressed in the execution of these initiatives to be risks.

In operating our group, we have identified the following two Group Critical Risks. S Rank: Risks of utmost importance to the operation of the Group, which may jeopardize its survival or bring severe social liability, A Rank: Risks that

impede the achievement of important group goals. We monitor the implementation of measures and changes in the risk situation. If the Group does not take appropriate measures for the Group Critical Risks, it will incur serious social responsibility. It could also lead to the failure of business strategy, resulting in the loss of corporate value.

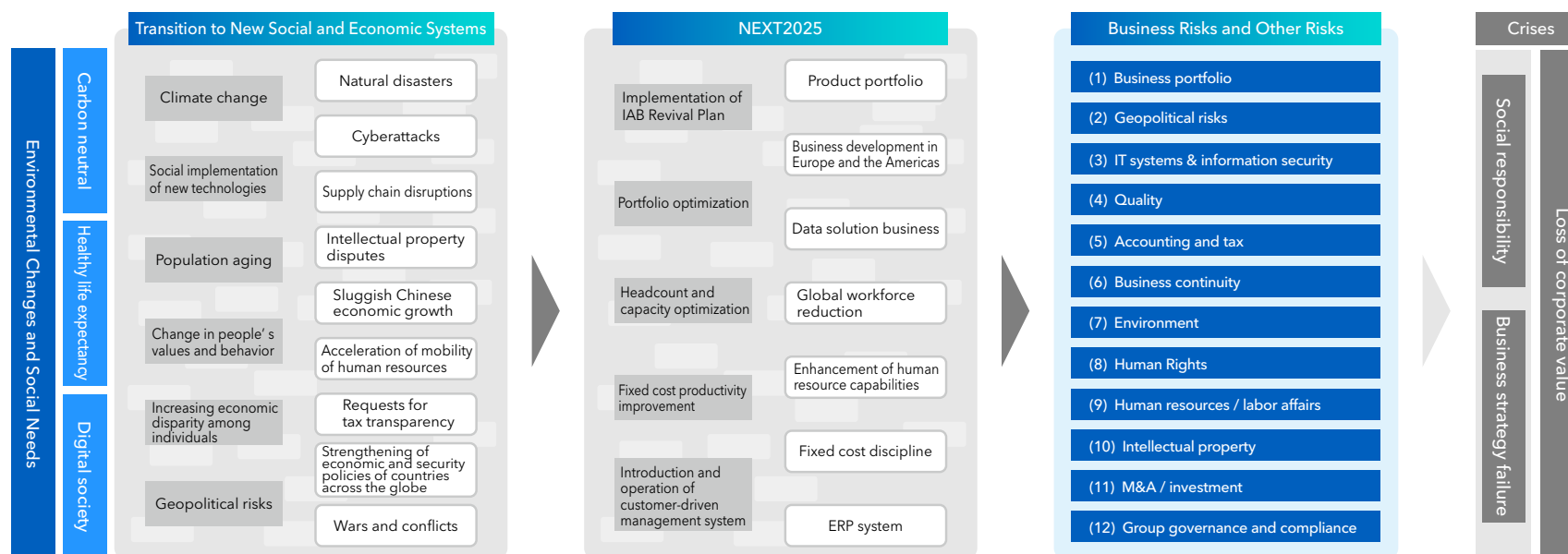
Risk assessment as of the end of fiscal 2023

Themes of Group Critical Risks based on the OMRON Group's risk analysis conducted at the end of fiscal 2023 are presented in the table below. We will pay particular attention to risks associated with executing NEXT 2025, such as business portfolio and headcount and capacity optimization, as well as Group governance and compliance

risks as we seek to accelerate business and improve profitability. If appropriate and sufficient measures are not taken, these risks could impact the Group's operating results, financial condition, or the accomplishment of its long-term vision. Accordingly, we consider them to be matters that could have a material impact on judgment by investors.

However, this is not an exhaustive list of all risks; the Group may be affected in the future by risks that are currently unforeseeable or considered insignificant. Matters discussed here that are not historical facts reflect the judgment of OMRON Group management as of the date of submission of this annual securities report (June 21, 2024).

Overview of Businesses and Other Risks



Addressing Group Critical Risks

1) Business Portfolio

Risk Scenario	<p><Environment> While the OMRON Group faces a mounting need to address social issues, the economic environment today is worsening against the backdrop of China's slowing economic growth and disruptions in the supply chain, and the outlook for the future remains volatile and uncertain. Such changes in the environment will have a material impact on the areas of activity and product offerings of each of the Group's businesses, including the following:</p> <ul style="list-style-type: none"> • Business expansion of the Industrial Automation Business in Greater China • Blood pressure monitor business of the Healthcare Business • Energy solutions business of the Social Systems, Solutions and Service Business
	<p><Impact> Adequately responding to the rising demand from growing industries and areas will create new value for society and business opportunities. Meanwhile, if the business environment deteriorates more than expected in Greater China, on which we are currently highly dependent, or for the businesses and products that drive growth in each business segment, and if we fail to optimize our portfolio to respond to changes in the environment, there is a risk of a decline in sales and other performance downturns, as well as the risk of not realizing sustainable and profitable growth.</p>
Response	<p><System> Under the Structural Reform Program NEXT 2025, we will build industry/area portfolios to reduce dependence on China through such efforts as accelerating business expansion in Europe and the Americas.</p>

(2) Geopolitical Risks

Risk Scenario	<p><Environment> The global business environment is growing increasingly complex due to policies enacted in various countries and regions in response to issues such as US-China relations, the situation in Russia and Ukraine, and the conflict in the Middle East. Notably, economic security policies, including formation and deployment of multilateral frameworks, are evolving further, related to the stable supply of important commodities such as semiconductors, promotion of advanced technologies, and regulation of exports, imports and investments. Political confrontations, human rights issues, and heightened risks of conflicts may lead to further expansion of various measures in the future as well as policy changes due to elections in some countries. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Supply of products to global markets from major factories in China, Asia, etc. • Investment and business expansion in cutting-edge technologies such as robotics in the United States and other countries • Sales to customers with respect to products covered by economic security policies, and the promotion of businesses related to social infrastructure such as finance and transportation
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Risk Scenario	<p><Impact> Developments such as restructuring of supply chains globally will create new social value and present business opportunities. On the other hand, if we fail to adequately respond to market changes, demand for the OMRON Group's products and services will decline, and if we fail to adequately respond to new laws and regulations, it may result in export restrictions, sanctions violations and others. There is a risk that it may cause sales to decrease, strategies to be reviewed, serious administrative penalties to be incurred, or our brand value to be damaged.</p>
Response	<p><System> OMRON business response policies are deliberated on by management bodies such as the Board of Directors and the Executive Council. Legal and regulatory response is overseen by each responsible department. For instance, in regard to export controls, the Global Risk Management and Legal HQ conducts global security trade management via a companywide export control committee.</p> <ul style="list-style-type: none"> • Related OGR: Integrated Risk Management Rules, and Export Control Rules
	<p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Exploring and promoting medium- to long-term production and research and development systems to reduce the impact of geopolitical risks • Monitoring global political and economic conditions and trends in laws and regulations, and ascertaining the impact of economic sanctions and responding to them <p>[Example of a specific risk countermeasure: Responding to the situation in Russia and Ukraine] Regarding export control, we have strengthened the process of pre-screening transactions that may pose security risks globally in order to better respond to increasingly complex export regulations and sanctions imposed by various countries.</p>

(3) IT and Information Security

Risk Scenario	<p><Environment> The rapid digitalization of socioeconomic activity is bringing about a transformation in corporate management, for instance through the use of data to make management decisions or development of new products and services centered on AI and IoT devices. While the infrastructure for data distribution is being developed globally, the risk of cyberattacks due to the misuse of AI as well as the risk of technical information leaks due to the mobility of human resources is increasing more than ever. Countries are strengthening regulations on the handling and transfer of important information such as personal data and technical information from the perspective of protecting privacy and ensuring economic security. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Business operations using global systems, including our supply chains • "Corporate IT System Project" with the aim of building a new management system • Promotion of a new business model focused on goods and services, such as the utilization of health data in the Data Solution Business
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Risk Scenario	<p><Impact> Developments such as the use of big data in medical services will create new social value and present business opportunities. On the other hand, if measures to deal with information security risks, such as cyberattacks, are not adequate, it may cause the OMRON Group's business activities and provision of products and services to be suspended or result in information leakage. If measures to comply with global personal data regulations, particularly those on international transmission, are not taken appropriately, it could result in violations of laws and regulations. There is a risk that it may lead to a decrease in sales, serious administrative penalties, or damage to our brand value.</p>
Response	<p><System> As the basic policy, we have newly established and published the "Basic Policy on Information Security." Under the supervision of a supervising director, the Senior General Manager of each head office division controls and manages measures for each area of information security, product security and personal information management as a person with operational responsibility. For issues encompassing the respective areas, the Cyber Security Integration Conference chaired by the supervising director meets to resolve them. Additionally, in order to provide direction at higher levels, the Information Security Strategies Conference, chaired by the President and CEO, deliberates on priority issues and strategies. In terms of implementation, policies are promoted and managed through the Information Security Promotion Conference chaired by the Senior General Manager of Global Business Process and IT Innovation HQ as the supervising director for cybersecurity and participated in by persons in charge of IT of all regional headquarters. As for personal data, we strive to grasp trends in laws in various countries and the status of the OMRON Group and strengthen actions to ensure compliance with laws and regulations, with the Senior General Manager of the Global Risk Management and Legal HQ being the person in charge.</p> <ul style="list-style-type: none"> • Related OGR: IT Governance Rules, and Information Security Rules
	<p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Evaluation and strengthening of measures based on NIST-CSF*, a global standard framework • Collection of comprehensive threat information through external specialized agencies and rolling out countermeasures within the Group • Prompt reporting and actions to minimize damage in the event of an incident by the Incident Response Office (CSIRT) • Implementation of risk assessment and measures to ensure the security of high-risk supply chains • Employee education for enhanced information literacy and conducting of drills to prepare for cyberattacks • Implementation of website vulnerability checkups and improvements • Construction of a global system to respond to personal data regulations <p>[Example of a specific risk countermeasure: Enhancing the system and process for responding to an emergency] We developed ransomware crisis management procedures, conducted cyberattack drills for management, provided incident response training at regional headquarters, and conducted other activities to improve our ability to respond to emergencies.</p>

* NIST-CSF: Cyber Security Framework (CSF) published by the National Institute of Standards and Technology (NIST) in 2014. This framework is generic and systematic. Countries around the world are moving toward compliance, including the U.S.

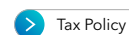
(4) Quality

Risk Scenario	<p><Environment> Quality is the foundation of a company's public trust. A high degree of safety and accuracy is demanded for innovative products and services that utilize new technologies, with many governments exploring or even implementing new regulations covering issues such as use of AI and product security. Public appeals to reduce health and environmental impacts are also higher than ever, and regulations in each country covering the presence, recycling and labeling of organic fluorides (PFAS) and other chemical substances are growing stricter. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Control equipment and energy solution products that can lead to fires, accidents, and shutdowns of facilities in the event of product defects • Global products to which various countries' laws and regulations on product safety, chemical substances, cybersecurity and others are applicable • Promotion of a business model that combines goods and services, such as the i-BELT service to make use of data for manufacturing sites <p><Impact> Ensuring quality that responds globally to high standards for new technologies and product safety will create new social value and present business opportunities. On the other hand, in the event that we provide inadequate product design/inspection, inappropriate customer support or inappropriate reporting in the event of quality defects and others, or in the event that we fail to appropriately comply with laws, regulations, and standards globally, it may result in large-scale recalls of the OMRON Group's products or suspension of production and distribution of products. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.</p>
	<p><System> OMRON's basic quality policy is based on the principle of quality first. Our quality assurance system is pursued by the Global Procurement and Quality & Logistics HQ, with the President and CEO assuming ultimate responsibility. Swift and appropriate measures are taken, under oversight by the Board of Directors, if and when serious quality issues arise.</p> <ul style="list-style-type: none"> • Related OGR: Quality Assurance Rules, and Product Quality Risk Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Acquisition of Quality Management System (QMS) such as ISO9001 (ISO13485: Medical equipment industry, IATF16949: Automotive industry) • Application and deployment of a QMS adapted to the service business • Establishing quality technologies for technologies with high risks (such as lithium-ion batteries and power devices) • Strengthening a product security system (gathering external vulnerability information and a response system (Product Security Incident Response Team, PSIRT), security monitoring activities, etc.) • Currently working to ascertain trends in environmental and safety-related laws, regulations, and standards related to products, and to strengthen management systems conducting impact assessments • Establishment and operation of quality consultation desks and implementation of quality compliance training and on-site quality inspections

5) Accounting and Tax

Risk Scenario	<p><Environment> Proper financial reporting and tax compliance are fundamental to corporate activities. As the globalization of companies accelerates and transactions are becoming increasingly borderless with new business models and services created, accounting standards are getting more advanced and tax systems are becoming more complex. Also, with progress in cooperation and coordination among countries, companies are subject to growing demands regarding tax transparency. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Transactions with customers and intragroup transactions on a global basis • Development of diverse services through a combination of products and services, in addition to products only <p><Impact> Ensuring compliance with global accounting standards and confidence in tax procedures will create new social value and present business opportunities. On the other hand, if we fail to manage assets appropriately or conduct appropriate accounting for new services/businesses or restructuring, or fail to respond appropriately to tax laws, transfer pricing taxation systems, customs laws, and other related regulations of various countries, or trends in enforcement by the authorities, we may be required to revise the financial statements, or pay substantial additional penalties or settlements from the authorities, or suffer damage to our brand value.</p>
	<p><System> Pursuant to the basic framework for internal control on financial reporting and the "Tax Policy*" approved by the Board of Directors, and led by the Global Finance and Accounting HQ, we have established and operate systems and rules aimed at ensuring appropriateness in accounting and tax operations.</p> <ul style="list-style-type: none"> • Related OGR: Accounting and Finance Rules, Anti-Fraud Rules, Implementation and Promotion of J-SOX Rules, and Customs Clearance Administration Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Strengthen self-inspection of internal controls and conduct audits focused on indications of risk • Regularly gather information on accounting standards using outside experts, etc. and assess and respond to their impact, etc. • Review policies related to international taxation in light of various OECD reports and the development of new international taxation rules • Work with local subsidiaries to respond to changes in taxation systems and enforcement by authorities in each country and region • Strengthen customs compliance system and monitoring

*For the "Tax Policy," please refer to the following:

**6) Business Continuity Risks (Natural Disasters, etc.)**

Risk Scenario	<p><Environment> There remains a possibility globally that natural disasters such as floods, torrential rains and huge earthquakes and emergence of infectious diseases could cause society to become dysfunctional. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Suppliers and production bases in various countries and regions across the world • Provision of products and services for social infrastructure and human health management that are required to continue even in the event of an emergency • Development of energy solutions business to respond to demands for disaster prevention and mitigation <p><Impact> Demands for companies regarding business continuity and initiatives to enhance social resilience will create new social value and business opportunities. On the other hand, in the event of unforeseen disasters, there is a possibility of partial suspension or reduction of business activities due to large-scale suspension of social infrastructure and economic activities, production stoppage at our plants, or long-term suspension of parts supply from important suppliers. There is a risk that it may lead to a decrease in sales or damage to our brand value.</p>
	<p><System> Based on basic policies for personal safety, preservation of public infrastructure and full cooperation in recovery efforts, individual business companies and head office divisions cooperate to establish business continuity plans that include matters of production, procurement, distribution, and IT.</p> <ul style="list-style-type: none"> • Related OGR: Integrated Risk Management Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Simulations and training drills for emergency situations • Operation of an employee safety confirmation system and stockpiling of emergency food and drinking water at business sites according to risks • Centralized management of supplier production area information and establishment of evaluation systems for alternative production sites • Establishing escalation routes for emergencies and a structure to ascertain impacts

7) Environment

Risk Scenario	<p><Environment> Toward the realization of decarbonization and lower environmental impact, we are required to view climate change from the two aspects of "opportunity" and "risk" to put our corporate social responsibility into practice and build further on our competitive advantage. In addition, demand for disclosure on corporate initiatives for environmental issues is growing year by year in order to reflect the information in corporate valuation and investment activities, and there is an increasing trend for third-party assurance of disclosed information to be regulated by laws. On the other hand, food and water shortages caused by frequent floods and droughts due to global warming, issues concerning plastics, and ecosystem destruction have become a social issue at the global level. As countries across the globe accelerate their policies toward carbon neutrality, requests for companies to reduce greenhouse gas emissions and ensure traceability are also expanding. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Realization of automation at production sites to increase productivity and energy efficiency in the Industrial Automation Business • Widespread use of renewable energy through evolution of energy control technology in the Social Systems, Solutions and Service Business • Development and provision of components that lead to a reduction in carbon footprint in the Device & Module Solutions Business • Waste reduction at all production sites across the globe with the aim of realizing a circular economy <p><Impact> Growing need for products and services that contribute to decarbonization will create new social value and provide business opportunities. On the other hand, as many companies seek to solve social issues, business competitiveness directly hinges on whether or not strategies and execution are successful. Further, inappropriate disclosure called greenwashing in sales promotional activities may lead to the loss of social confidence, which in turn may cause transactions to be suspended, product development to be discontinued, strategies to be reviewed, and our brand value to be damaged.</p>
	<p><System> To address environmental issues, we carry out activities in accordance with the OMRON Environmental Policy established by resolution of the Board of Directors. In terms of the concrete execution system, the Global Corporate Communications & Engagement HQ takes the lead in promoting initiatives under the responsibility of a director in charge of sustainability promotion who has been delegated authority from the President and CEO. The Senior General Manager of the Global Human Resources and Administration HQ, the Senior General Manager of the Global Procurement and Quality & Logistics HQ, and the Presidents of respective business companies are responsible for measures for the internal domain, supply chain domain, and business strategy domain, respectively.</p> <ul style="list-style-type: none"> • Related OGR: Environmental Management Rules and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Accelerating reductions in greenhouse gas emissions for which a target is set for each of Scope 1 and 2 and Scope 3 Category 11 • Transitioning to a circular economy through the expansion of collection and recycling efforts, circular material procurement, the maximization of the resource recycling rate, and other efforts • Disclosure of information on sustainability issues, including information in line with TCFD recommendations

8) Human Rights

Risk Scenario	<p><Environment> Toward the realization of a sustainable society, companies are being required to take responsibility for human rights issues not only within their own companies but also across the entire value chain. On the other hand, remedying forced labor, child labor, low or unpaid wages, long working hours, working environments with inadequate safety and hygiene, and harassment has become a social issue. Efforts to ensure respect for human rights through legislation are progressing, by visualization of supply chains through due diligence and prohibiting imports from countries and regions with human rights concerns. New human rights issues have also arisen as a result of technological innovations such as the use of AI. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Global business sites and supply chains, including those in China and Asia • R&D and provision of products and services using AI <p><Impact> Building value chains and utilizing AI in consideration of human rights will create new social value and provide business opportunities. On the other hand, failure to respond appropriately to human rights issues in the value chain, or failure to comply with laws and regulations on AI that results in discrimination and other human rights issues through products and services may lead to the loss of social confidence, which in turn may cause transactions to be suspended, product development to be discontinued, strategies to be reviewed, and our brand value to be damaged.</p>
	<p><System> To address human rights issues, we carry out activities in accordance with the OMRON Human Rights Policy established by resolution of the Board of Directors. In terms of the concrete execution system, the Global Corporate Communications & Engagement HQ takes the lead in promoting initiatives under the responsibility of a director in charge of sustainability promotion who has been delegated authority from the President and CEO. The Senior General Manager of the Global Human Resources and Administration HQ, the Senior General Manager of the Global Procurement and Quality & Logistics HQ, the Presidents of respective business companies, the Senior General Manager of Technology and Intellectual Property HQ, and the Senior General Manager of Global Risk Management and Legal HQ are responsible for measures for the internal domain, supply chain domain, business strategy domain, ethical utilization of technologies including AI, and redress mechanism, respectively.</p> <ul style="list-style-type: none"> • Related OGR: HRM Rules, Occupational Safety and Health Management Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures to fulfill corporate responsibility to respect human rights in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs):</p> <ul style="list-style-type: none"> • Risk assessment using the RBA* Assessment Tool • Presenting sustainable procurement guidelines to suppliers and confirming compliance status • Collecting information on AI and developing internal rules for use of AI in businesses • Operating a human rights redress mechanism globally

* RBA: Responsible Business Alliance. Global CSR alliance focused mainly on the electronics industry.

9) Human Resources and Labor

Risk Scenario	<p><Environment> As the mobility of human resources increases globally, the competition for hiring scarce talent who have advanced technological skills, such as IT expertise, is becoming more intense than ever. On top of that, wage levels are rising across the globe, triggered by global inflation and labor shortages. In such an environment, it is important to implement human capital management that makes us attractive to job seekers and enhance employee engagement. In addition, there has been demand for disclosure on human capital from society in recent years. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Further efforts to develop the skills of the current workforce and securing talent with required abilities • Accelerating diversity and inclusion <p><Impact> The development of human resources and an environment that attracts diverse talented human resources and encourages each individual to seize the initiative and demonstrate his/her abilities is a driving force for increasing corporate value. On the other hand, if the human resource strategies implemented during the structural reform period is not sufficiently effective, it could lead to an exodus of employees with scarce skills and experience or labor problems while making the recruitment of new talent difficult. In addition, if the disclosure of information on human capital is inappropriate, it may lead to damage to our brand value due to a decrease in confidence from investors.</p>
	<p><System> Important human resource strategies are discussed and decided by the Board of Directors and Executive Council. Under the Chief Human Resources Officer (CHRO), the Global Human Resources and Administration HQ is taking the lead in implementing measures.</p> <ul style="list-style-type: none"> • Related OGR: HRM Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Restructuring of human resource portfolio • Fair evaluation, appointment, and placement of executive officers and key management personnel • Investment in human resources with an eye to transforming organizational capabilities • Initiatives and programs to share achievements that solve social issues (medium-term performance-linked stock-based compensation, etc.) • Implementing "TOGA" to instill the OMRON Principles in all employees and promote greater empathy and resonance

10) Intellectual Property

Risk Scenario	<p><Environment> It is essential to form intellectual property and intangible assets with a competitive edge and link them with value creation stories in order to improve corporate value sustainably while solving social issues, and open innovation and alliances are accelerating in technology development and the development of business models. On the other hand, competition and confrontations among companies and countries over intellectual property have also intensified, and issues from the perspective of fair trade in business alliances with start-up companies have been pointed out. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Technology fields of focus such as robotics, sensing, power electronics, and AI/data analysis • Creation of new businesses such as data healthcare, food production automation, and DX support for manufacturing sites <p><Impact> The trend of promoting investment in intellectual property and intangible assets as a source of competitiveness will create new social value and business opportunities. On the other hand, if the acquisition and protection of such assets are not done adequately, leakage of technologies and know-how or imitation of our brands may occur, causing our business to lose its competitive edge. In addition, in the event of a patent infringement dispute, etc. or unauthorized use, it may cause the provision of the products and services of the OMRON Group to be suspended and result in claims for substantial compensation for damages or payment of royalty. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.</p>
	<p><System> The Technology and Intellectual Property HQ is responsible for intellectual property activities based on the basic policy. Intellectual property strategies are regularly reported at and discussed by the Board of Directors.</p> <ul style="list-style-type: none"> • Related OGR: Intellectual Property Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Initiatives to improve the accuracy of the decisions on directions of research themes and the selection of partners by utilizing the IP landscape • Developing and implementing an intellectual property strategy linked to business and R&D, to accumulate intellectual property rights with a competitive edge • Research of third parties' intellectual property rights in conducting R&D and design • Analysis and evaluation of third parties' infringement of the OMRON Group's intellectual property rights, and strengthening of the enforcement of rights • Measures against counterfeiting activities, including online transactions, and preventing the acquisition of trademarks similar to the Company's brand names with malicious intent

11) M&A and Investment

Risk Scenario	<p><Environment> While the need to advance technologies as a means to solve social issues increases, companies are expected to accelerate innovation through alliances, M&A, and investments with companies with technological capabilities. On the other hand, in addition to fluctuations in the performance and valuation of investee companies, there have also been developments such as the tightening of investment restrictions due to economic security policies and the operation of antitrust laws in additional sectors including IT. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Promotion of M&A and investment, including alliances and divestitures, under portfolio management • Co-creation with partners who share and resonate with the social issues that OMRON perceives, in order to create new businesses <p><Impact> Acquiring new management resources through strategic M&A and investments will create social value and business opportunities. On the other hand, if companies fail to do enough planning or due diligence, or post-merger integration (PMI) and governance for M&A counterparties or investees are not properly implemented, the anticipated synergies or alliance may not proceed as planned. There is a risk that a substantial impairment loss may be recognized and material revisions to the plans may need to be made.</p>
	<p><System> The policies for and implementation of M&A and investments are discussed and determined by the Board of Directors and other executive committees with investment discipline in accordance with the responsibility and authority specified in the management rules, and each transaction is promoted by a project team comprised of the business company, head office divisions, and outside experts.</p> <ul style="list-style-type: none"> • Related OGR: Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Exploring and assessing M&A and investment candidates based on business strategy • Detailed prior review and due diligence such as confirmation of the financial condition and contract details of the target company • Review of specific target progress for post-acquisition or post-investment economic impact by the Board of Directors (at least once a year) <p>[Example of a specific risk countermeasure: Monitoring and oversight of the listed subsidiary] We made a takeover bid for JMDC Inc., our investee company, and made JMDC Inc. a consolidated subsidiary in October 2023. Our Board of Directors will monitor and supervise JMDC Inc.'s strategies and business plans, including progress and challenges, in order to ensure the company's sustainable growth.</p>

12) Group Governance and Compliance

Risk Scenario	<p><Environment> As efforts to address social issues such as climate change and population aging accelerate globally and the role played by companies becomes more important, social demands for fair trade are also growing. International organizations and various governments have tightened laws and regulations against anti-competitive behavior and bribery. Also, regulations in response to the evolution of IT, AI, and other technologies, and the promotion of innovation through alliances and other means are being increasingly explored and implemented. In addition, in some emerging countries and regions, corruption is a social problem due to weak legal governance and unstable political conditions. In Japan, the demand to protect subcontractors is increasing in response to the recent depreciation of the yen and soaring energy prices. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Provision of products and services globally, including those licensed by the governments of various countries • Development of new products and business models through co-creation with various business partners <p><Impact> Meeting globally expanding demands accurately and expectations for innovation by companies will create new social value and present business opportunities. On the other hand, as we address the need to accelerate business and improve profitability as well as increase the independence of business operations in each region and at each group company, we expose ourselves to the risk of legal and regulatory non-compliance concerning fair business transactions and accounting practices that could result from poor governance and internal control. If any such non-compliance occurs, it could result in serious administrative penalties and damage to our brand value.</p>
	<p><System> The response policy for internal control including corporate ethics and compliance is discussed and determined by the Board of Directors. Under the OMRON Group Management Policy, we have established and operate a governance system for group companies pursuant to the OGR, and the Corporate Ethics and Risk Management Committee carries out activities.</p> <ul style="list-style-type: none"> • Related OGR: Corporate Administration Rules, Ethical Conduct Rules, Internal Audits Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Global checks and monitoring by division in charge of each function • Risk management at each regional headquarters to address critical risks according to the characteristics of each area • Regular compliance education through Global Corporate Ethics Month in October of each year, etc. • Operating whistleblower hotlines worldwide • Internal audit and guidance for improvement based on a risk-based approach • Monitoring and training on the Subcontract Act for relevant business sites by the purchasing division

Directors / Audit & Supervisory Board Members (As of 2024)

[Officers' Professional Career](#)

Directors



Yoshihito Yamada

Chairman
Chair of the Board of Directors
Member of the CEO Selection Advisory Committee
Vice Chairman of the Corporate Governance Committee

For nearly twelve years from 2011, Mr. Yoshihito Yamada led the drive to enhance the OMRON Group's corporate value as Representative Director and President & CEO. Since 2023, he has effectively managed the Board of Directors in his capacity as Chairman of the Board of Directors and the chair of the Board of Directors meeting. He has a high level of insight into corporate management, sustainability, and ESG, and is working actively to instill the OMRON Principles within the Group.



Junta Tsujinaga

Representative Director

Mr. Junta Tsujinaga has been involved in the Company's Industrial Automation Business for many years, serving as Senior General Manager of Product Business Division HQ and Company President of Industrial Automation Company. Having driven the growth of the Industrial Automation Business, he has gained a high level of insight into corporate management, technology, DX, and IT. Since 2023, he has demonstrated effective leadership toward accomplishing the Group's structural reform and improving corporate value over the medium and long term, in his capacity as Representative Director and President & CEO.



Kiichiro Miyata

Representative Director
Member of the Compensation Advisory Committee

Mr. Kiichiro Miyata has been involved in the Company's Healthcare Business for many years. After working in the development and technology departments, he was appointed President and CEO of OMRON HEALTHCARE Co., Ltd., where he gained a high level of insight into new business creation, innovation, DX, and IT. He currently serves as Executive Vice President and CTO to formulate and implement technology strategies from a management standpoint over the medium and long term.



Masahiko Tomita

Director
Member of the Personnel Advisory Committee

Mr. Masahiko Tomita has a wide range of business experience, including in the Device & Module Solutions Business, as the Executive Assistant to CEO, and in the Corporate Planning Department, which gave him deep insight into human resource development, diversity, and human resource management. Currently, he formulates and implements human resource strategies from a management standpoint over the medium and long term, in his capacity as CHRO and Senior General Manager of Global Human Resources and Administration HQ.



Shizuto Yukumoto

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

Mr. Shizuto Yukumoto has been involved in the Company's Industrial Automation Business for many years. After President & CEO of a European subsidiary, he has served as Senior General Manager of Environmental Solutions Business HQ and later Company President of the Device & Module Solutions Business. Based on his abundant global business experience and deep insight into DX and IT, he leverages these experiences to contribute to enhancing the Group's governance from an objective standpoint.



Takehiro Kamigama

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

Mr. Takehiro Kamigama has been involved in managing a global company, TDK Corporation, as Representative Director and President for many years and is concurrently Chief Consultant of Contemporary Amperex Technology Japan K.K. He has a considerable track record of management achievements and a high level of insight into innovation, technology, DX, and IT.

Outside Directors



Izumi Kobayashi

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

Ms. Izumi Kobayashi has served as President and Representative Director of Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.), Executive Vice President of Multilateral Investment Guarantee Agency, The World Bank Group, and outside director at diverse companies. She has abundant experience and international insight cultivated through these positions, as well as expertise in sustainability, ESG, and diversity.



Yoshihisa Suzuki

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

Mr. Yoshihisa Suzuki has experience serving in management positions at a global general trading company, ITOCHU Corporation, as President. He has also served as president of its overseas subsidiary and President and Representative Director of its manufacturing company. As such, he has a considerable track record of management achievements both in Japan and overseas, as well as superior insight into innovation, technology, DX, and IT.



Shuji Tamaki

Audit & Supervisory Board Member

Mr. Shuji Tamaki has been involved in the legal function of the Company for many years. As Senior General Manager of Global Risk Management and Legal HQ, he has worked to bolster Group governance, promote integrated risk management activities, and ensure the thorough enforcement of compliance. Through these experiences, he has earned superior insight into legal affairs, compliance, internal control, and risk management.



Toshio Hosoi

Audit & Supervisory Board Member

Mr. Toshio Hosoi has been involved in the Company's Social Systems, Solutions and Service Business for many years, has served as President of a software development subsidiary and Senior General Manager of Solutions Business HQ, and has led the Social Systems, Solutions and Service Business as President of OMRON SOCIAL SOLUTIONS Co., Ltd. Through these experiences, he has earned a high level of insight into new business creation, innovation, DX, and IT.



Tadashi Kunihiro

Outside Audit & Supervisory Board Member
Corporate Governance Committee Member

Mr. Tadashi Kunihiro is an attorney principally specializing in corporate governance, compliance and the Companies Act. He is an expert in establishing corporate crisis management and risk management systems and has been appointed to important positions including advisory roles in the Cabinet Office and the Consumer Affairs Agency.



Hiroshi Miura

Outside Audit & Supervisory Board Member
Corporate Governance Committee Member

Mr. Hiroshi Miura has years of valuable international work experience both in Japan and overseas as a certified public accountant at KPMG AZSA LLC and KPMG and has considerable knowledge regarding finance and accounting. In particular, he has expertise in international accounting standards, such as IFRS, and a high level of insight into governance and risk management.

Main Areas of Expertise and Specialization of Directors and Audit & Supervisory Board Members (Skill Matrix)

Areas of expertise and specialization (skills) required for Directors and Audit & Supervisory Board Members for the realization of the long-term vision "SF2030"























Areas Of Expertise And Specialization (Skills)	Definitions of skills
Corporate management	Experience as Chairman/President or equivalent experience (experience as Representative Director, etc.)
Sustainability, ESG	Possesses business, management experience, and specialized knowledge related to sustainability and ESG
New business creation, innovation	Possesses business, management experience, and specialized knowledge related to new business and innovation
Technology, production, quality	Possesses business, management experience, and specialized knowledge related to technology, production, and quality
DX, IT	Possesses business, management experience, and specialized knowledge related to DX and IT
Human resource development, diversity, human resource management	Possesses business, management experience, and specialized knowledge related to human resource development, diversity, and human resource management
Financial accounting	Qualified as a CPA, CFO experience, business experience in financial institutions and accounting departments, and listed company management experience
Legal affairs, compliance, internal control	Qualified as an attorney, experience as an auditor, work experience in legal and internal audit departments
Global experience	Global experience, overseas business experience

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	DX,IT	Human resource development, diversity, human resource management	Financial, accounting	Legal affairs, Compliance, Internal control	Global experience	Background and Qualifications
Chairman of the Board	Yoshihito Yamada	●	●					●		●	
Representative Director and President	Junta Tsujinaga	●			●	●				●	
Executive Officer Vice President, CTO	Kiichiro Miyata	●		●	●	●				●	
Senior Managing Executive Officer CHRO	Masahiko Tomita		●				●			●	
Director	Shizuto Yukumoto					●				●	
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	Toshio Hosoi			●		●					
Outside Audit & Supervisory Board Member	Tadashi Kunihiro	●	●						●	●	Lawyer
Outside Audit & Supervisory Board Member	Hiroshi Miura	●						●	●	●	Certified public accountant

Executive Officers (As of 2024)

> Officers' Professional Career

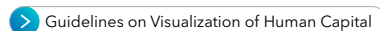
President and CEO		Executive Officer Vice President		Senior Managing Executive Officers		Managing Executive Officer	
	Junta Tsujinaga CEO		Kiichiro Miyata CTO		Masahiko Tomita CHRO and Senior General Manager, Global Human Resources and Administration HQ		Nigel Blakeway OMRON MANAGEMENT CENTER OF AMERICA, INC. and Chairman, OMRON MANAGEMENT CENTER OF EUROPE and Chairman, OMRON MANAGEMENT CENTER OF ASIA PACIFIC
	Seiji Takeda CFO and Senior General Manager, Global Strategy HQ		Seigo Kinugawa Senior General Manager, Global Business Process and IT Innovation HQ		Tsutomu Igaki Senior General Manager, Global Corporate Communications & Engagement HQ and Sustainability Executive		
Managing Executive Officer							
	Kenji Eda Senior General Manager, Global Procurement, Quality and Logistics HQ and Senior General Manager - Americas, Industrial Automation Company		Katsuhiro Shikata President and CEO, OMRON SOCIAL SOLUTIONS Co., Ltd		Masahiko Ezaki Company President, Device & Module Solutions Company		Motohiro Yamanishi Company President, Industrial Automation Company
	Ayumu Okada President and CEO, OMRON HEALTHCARE Co., Ltd		Hidetaka Ishihara Senior General Manager, Data Solution Business HQ, and Senior General Manager, Innovation Exploring Initiative HQ				
Executive Officers							
	Jian Xu President and CEO, OMRON (CHINA) Co., Ltd.		Taisuke Tateishi 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, Global Solution Sales Division HQ, Industrial Automation Company
	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.		Hiroto Iwasa Senior General Manager, Board of Directors Office
	Yoshichika Tanabe Senior General Manager, Global Risk Management and Legal HQ		Yusuke Muramatsu General Manager, Corporate System PJ Office, Global Strategy HQ		Tsunetoshi Oba Senior General Manager, Product Business Division HQ, Industrial Automation Company		Kotaro Suzuki Executive Officer General Manager, Corporate Planning Department, Global Strategy HQ
							Hisako Takada Senior General Manager, CEO Office
							Yukitaka Kamio Senior General Manager, Sales & Marketing Division HQ, Device & Module Solutions Company



CORPORATE INFORMATION

Initiatives to Increase Visibility of Non-financial Information and Monetize Impacts

In our Integrated Report 2023, OMRON conducted correlation analysis to verify how the utilization of human capital impacts financial indicators and contributes to corporate value, focusing on the material relevance and connection to financial indicators of diversity and inclusion (D&I) promotion strategies proposed under SF 1st Stage. The Down-Top ROIC Tree included in The Council of New Form of Capitalism Realization (Cabinet Office, Government of Japan)'s "Guidelines on Visualization of Human Capital" (August 2022) was taken into consideration as part of these verification analysis.



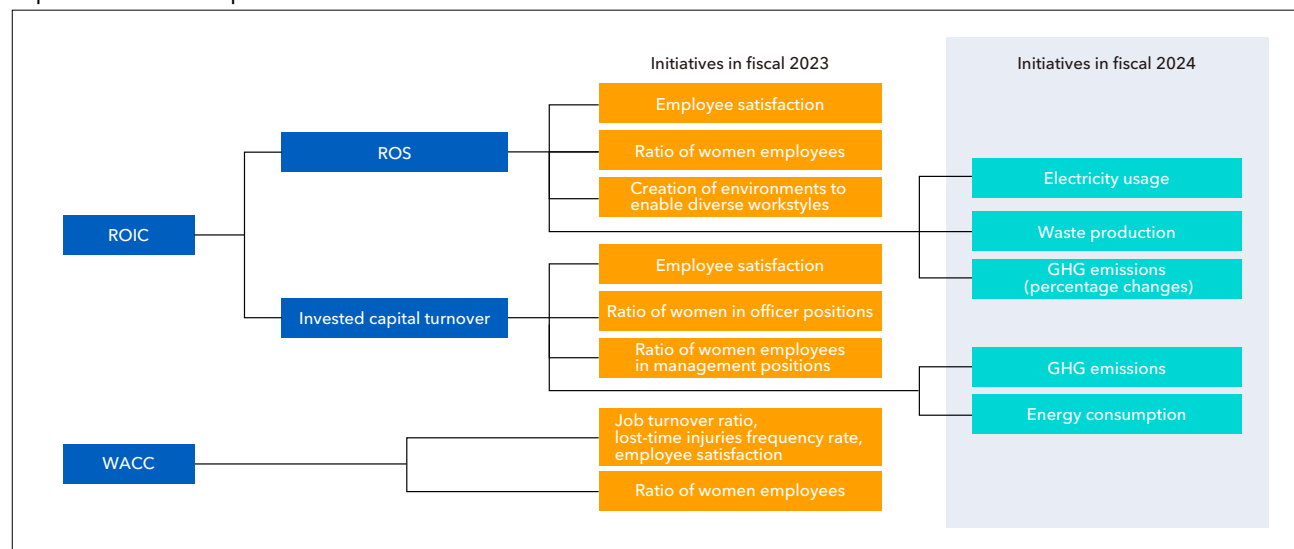
Specifically, we attempted to establish a human capital index correlating to ROS (Return on Sales) and invested capital turnover, which are elements that make up ROIC, and WACC. The reason for attempting to tie human capital not only to ROIC, as illustrated in the Guidelines, but also to explore a correlation to WACC, was to verify the relationship between utilization of human capital and equity stories. This year, we have expanded the scope of this verification to include "E (Environment)."

We also aimed to monetize the impacts that OMRON's initiatives in the areas of "Environment," "Products," and "Employment" have on society. We will leverage the insights gained from these analyses on the visualization of non-financial information and the monetization of our impacts to better identify materiality and set more informed goals for the next medium-term management plan.

As with the previous project, we received extensive support from Sustainable Lab Inc. in carrying out these analyses. OMRON will continue to capitalize on the knowledge and scientific approach of outside partners to further visualize non-financial information.

Analysis method	(1) Built machine learning models based on financial and non-financial indicators from 136 companies in the electronic equipment and components industry, including OMRON. Quantified the importance and weight of environment-related data to financial indicators (2) Similarly quantified non-disclosure data related to SF2030 environmental performance indicators (3) Visualized the various positive and negative correlations between individual financial and non-financial indicators. Results were interpreted by ESG consultants.
Target data	For analysis: 136 GICS Technology, Hardware and & companies, including OMRON Variables: - Financial: ROS (Return on Sales) and invested capital turnover - Non-financial: Indicators related to the environment from among ESG indicators Time series: 2016-2023
Result highlights	<ul style="list-style-type: none"> Within the sector, direct cost reduction through efforts to reduce electricity usage and waste production and indirect contributions to net sales by enhancing market competitiveness through continuous efforts to reduce GHG emissions are tied to increased profitability and, by extension, ROIC. For invested capital turnover, results suggested that reducing GHG emissions and energy consumption may contribute to the effective utilization of capital.

Expansion of Down-Top ROIC and ESG Trees



Initiatives to Increase Visibility of Non-financial Information

For environment-related indicators, we used a similar approach to what we used in fiscal 2023 to establish an index correlating to ROS and invested capital turnover, components of ROIC. This approach ensured that the impacts of consistent environmental initiatives by companies could be reflected through data analysis by considering both percentage changes and single-year emissions. The analysis findings suggest that environmental initiatives have a material impact on ROIC in our industrial sector, leading us to believe that our measures to “Achieve Decarbonization and Lower Environmental Impact,” as outlined in SF2030, have been validated to some degree.

Initiatives to Monetize Impacts

OMRON aims to maximize its corporate value by interpreting our initiatives to create social value into economic value. To present the social value we create in a more comprehensible way, we have enhanced the disclosure of non-financial data. In our latest initiative to quantify the value we create, we have begun monetizing the impact of our efforts on OMRON’s material sustainability

issues in relation to both business outcomes (business impact) and the effects of our business on society (social impact).

To monetize the impacts, in light of the trend in impact-weighted accounts by the Harvard Business School (HBS) (Impact-weighted Accounts Initiative <IWAII>) and the International Foundation for Valuing Impacts (IFVI), among others, we are attempting to visualize the impacts in the three areas of the environment, employment, and products, based on the outcomes (social value) of the material sustainability issues set forth in SF2030. In this issue, we report the results in the area of the environment as calculated thus far and provide an overview of the progress in the areas of employment and products.

Going forward, we will utilize the outcomes of our initiatives to monetize impacts, together with our initiatives for internal control, such as setting KPIs, for presentations to our external stakeholders.

Environmental Impact

For environmental impact, we see the reduction of GHG emissions as a key environmental benefit. We calculated this by determining the difference in Scope 1 and 2 GHG emissions between this fiscal year and the last. This difference was then multiplied by the appropriate carbon

prices.

In alignment with the OMRON Principles of “contributing to a better society,” we established the OMRON Carbon Zero target in July 2018, aiming for zero Scope 1 and 2 GHG emissions by 2050.

As such, beginning in fiscal 2019, we decided to monitor cumulative benefits to calculate the impact of GHG emissions reduction. In monetary value, the impact of the GHG emissions reduction effect between fiscal 2019 and fiscal 2023 totaled approximately 1.5 billion yen*. While the monetary valuation of this impact has provided clearer insight into the benefits of GHG emissions reduction, we have recognized a concern that the effect may be underestimated in emerging countries with lower carbon prices. One takeaway from this calculation process is the importance of monitoring both GHG emissions reductions and their monetary impact, regardless of carbon price, to ensure further emissions reductions across the entire Group.

* Calculated by multiplying by-country emissions by carbon prices for each developed country (those that have pledged net-zero targets) according to a scenario up to 2030 from the IEA World Energy Outlook 2023 (1USD = 157.83JPY, as of July 12, 2024). The calculating formula was prepared in consultation with data from IWAII and IFVI.

Employment Impact

For impact on employment, we deliberately chose D&I from among the indicators for material sustainability issues to visualize its impact on business, and examined possible evaluation items and necessary procedures. After a thorough analysis of OMRON’s data and prior studies, two key issues emerged: “narrowing down impacts to be emphasized” and “gathering the data needed to do so.” In other words, we realized that we need to monitor data for each specific project and team and feed the data back into the process.

By moving on with this calculation process and accumulating knowledge, we aim to visualize the monetary value OMRON creates in the area of employment.

Impact	Corresponding material sustainability issues	Target for visualization
Environment	Achieving decarbonization and lower environmental impact	Social impact of reduction in GHG emissions
Employment	Generating diverse talent taking on the challenge of value creation	Business impact of D&I
Products	Resolving social issues through our Business	Social impact of products/services of the Healthcare Business, Social Systems, Solutions and Service Business, and Device & Module Solutions Business

Product Impact

For the impact that our products have, we are attempting to visualize the monetary value of the impact that our products and services in the Healthcare Business, Social Systems, Solutions and Service Business, and Device & Module Solutions Business have on society.

For example, in the Healthcare Business, we are currently assessing the social impact of the introduction of home blood pressure monitors on hypertension treatment in Japan and North America.

OMRON not only promotes the use of home blood pressure monitors but also raises awareness of the importance of monitoring blood pressure at home. Furthermore, we are committed to preventing cerebrovascular and cardiovascular events that occur as a result of worsening hypertension, spanning a broad range of environments from home to medical settings. To this end, we are working to realize the proper blood pressure control through telemedicine services and supporting medical practices. By streamlining these processes through which these initiatives facilitate early detection and treatment of hypertension, prevent severe hypertension, reduce treatment costs, and lighten the workload of healthcare professionals, we are working to calculate the exact scale of their impact. Once these calculations are completed, we will consider disclosing information on our efforts to visualize the impact that our products and services from each business have on society (monetary value, etc.).

Comment from Experts in Impact Accounting

OMRON's efforts in impact accounting embody its fundamental purpose of "creating social value through businesses and continuing to contribute to the development of society." Their outstanding approach has set a model for other companies, identifying impacts in the three areas of environment, employment, and products based on material sustainability issues set forth in its long-term vision, SF2030. This initiative is highly significant as it not only details monetization of impacts but also shares the underlying ideas, takeaways, and measures for future improvement.

Impact accounting is a crucial tool for making better decisions for humanity and the earth. For business managers, it enhances the quality of decision-making and maximizes corporate value, including social value. For employees, it ensures a fair and equal workplace environment, boosts engagement and job satisfaction, and facilitates contributions to local communities. For stakeholders, it clarifies the impact businesses have on society and the environment, thus deepening trust and empathy. I expect OMRON to further advance its initiatives for impact accounting, true to its principle of "taking the initiative as pioneer."

Takeshi Igarashi, CPA

Comment from Our Partner, Sustainable Lab Inc.

We believe that these analyses successfully visualized the financial and societal impacts of OMRON's environmental initiatives and demonstrated how OMRON's sustainability contributes to value creation. In the future, we expect OMRON to deepen the visualization of non-financial information, expedite its attempt to monetize impacts, and further strengthen disclosure.

Daichi Maeda, ESG Consultant
Shohei Ikegami, Data Scientist
Satoko Maruyama, ESG Consultant

<About Sustainable Lab Inc.>

Established in 2019, Sustainable Lab Inc. is a startup company that uses AI and big data to collect and analyze non-financial data from companies. For these analyses, we used the dataset from TERRAST, a SaaS databank provided by Sustainable Lab.



Sustainable Lab

Evaluation of OMRON's Sustainability by External Parties (as of June 2024)

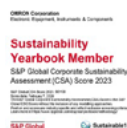
Customers and Business Partners (Global)



Achieved Highest Supplier Engagement Rating
Selected as a Supplier Engagement Leader for the Second Consecutive Year



Awarded top EcoVadis Rating (Platinum)



Selected as a member of the S&P Global Sustainability Yearbook 2024

Institutional Investors (Global)

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Selected for DJSI World for the Seventh Consecutive Year



Acquired Highest MSCI¹ ESG Rating (AAA)



Selected for the FTSE4Good Index Series² for the Eighth Consecutive Year



Selected for Euronext Vigeo World 120 Index



Awarded "Prime" in ISS ESG Corporate Rating for the First Time

¹ THE INCLUSION OF OMRON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF OMRON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES.

² FTSE Russell (Registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that OMRON Corporation has qualified for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of independent research. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

³ Morningstar, Inc., and/or one of its affiliated companies (individually and collectively, "Morningstar") has authorized OMRON Corporation to use of the Morningstar Japan ex-REIT Gender Diversity Tilt Logo ("Logo") to reflect the fact that, for the designated ranking year, OMRON Corporation ranks in the top quintile of companies comprising the Morningstar Japan ex-REIT Gender Diversity Tilt Index ("Index") on the issue of gender diversity in the workplace. Morningstar is making the Logo available for use by OMRON Corporation solely for informational purposes. OMRON Corporation use of the Logo should not be construed as an endorsement by Morningstar of OMRON Corporation or as a recommendation, offer or solicitation to purchase, sell or underwrite any security associated with OMRON Corporation. The Index is designed to reflect gender diversity in the workplace in Japan, but Morningstar does not guarantee the accuracy, completeness or timeliness of the Index or any data included in it. Morningstar makes no express or implied warranties regarding the Index or the Logo, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Index, and data included in it or the Logo. Without limiting any of the foregoing, in no event shall Morningstar or any of its third party content providers have any liability for any damages (whether direct or indirect), arising from any party's use or reliance on the Index or the Logo, even if Morningstar is notified of the possibility of such damages. The Morningstar name, Index name and the Logo are the trademarks or services marks of Morningstar, Inc. Past performance is no guarantee of future results.

For Institutional and Private Investors (Japan)



SX Brand by the Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE)
Selected as one of the First SX Brands



DX Stocks by METI, TSE, and Information-technology Promotion Agency, Japan (IPA)
Selected for the DX Stocks (First Selection)



Selected for the Nadeshiko Brand by METI for the Sixth Year in Total



Awarded the Gold Rating under the PRIDE (Highest Evaluation) Index for the Sixth Year in Total

Selection as a Constituent of ESG Indices Adopted by the Government Pension Investment Fund (GPIF)



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Index²
Selected for the Seventh Consecutive Year

2024 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数

FTSE Blossom Japan Sector Relative Index²
Selected for the Second Consecutive Year

2024 CONSTITUENT MSCI 日本株 女性活躍指数 (WIN)

MSCI Nihonkabu ESG Select Leaders Index¹
Selected for the Seventh Consecutive Year

MSCI Japan Empowering Women Index¹
Selected for the Seventh Consecutive Year

S&P/JPX Carbon Efficient Index
Selected for the Sixth Consecutive Year



Selected for the Morningstar Japan ex-REIT Gender Diversity Tilt Index^{TM3} (First Selection)

Awards Received by OMRON Integrated Report 2023



Semi-Grand Prize, Third Nikkei Integrated Report Awards
Excellent Integrated Report by GPIF's Domestic Equity Managers
Selected by Three Equity Managers
Asia Integrated Reporting Awards 2023
Governance Category: Bronze
Integrated Thinking: Silver

Consolidated Financial Statements

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries March 31, 2023 and 2024

(Millions of yen)

Assets	FY2022	FY2023	Assets	FY2022	FY2023
Current Assets:			Investments and Other Assets:		
Cash and cash equivalents	105,279	143,086	Right-of-use assets under operating leases	47,501	54,383
Notes and accounts receivable - trade	180,074	172,268	Goodwill	43,125	361,783
Allowance for doubtful receivables	(869)	(1,058)	Other intangible assets	45,247	108,881
Inventories	173,926	174,034	Investments in and advances to affiliates	134,557	13,931
Other current assets	28,482	59,273	Investment securities	46,123	33,897
Total Current Assets	486,892	547,603	Leasehold deposits	8,094	7,883
Property, Plant and Equipment:			Prepaid pension costs	29,103	65,267
Land	20,238	21,280	Deferred income taxes	23,513	19,382
Buildings	136,492	145,708	Other assets	4,420	4,944
Machinery and equipment	183,578	200,947	Total Investments and Other Assets	381,683	670,351
Construction in progress	6,363	9,662			
Total	346,671	377,597			
Accumulated depreciation	(217,086)	(240,822)			
Net Property, Plant and Equipment	129,585	136,775			
Total	998,160	1,354,729			

(Millions of yen)

Liabilities And Shareholders' Equity	FY2022	FY2023	Liabilities And Shareholders' Equity	FY2022	FY2023
Current Liabilities:			Shareholders' Equity:		
Notes and accounts payable - trade	92,855	82,548	Capital	64,100	64,100
Short-term debt	213	22,548	Common stock		
Current portion of long-term borrowings	—	6,451	Authorized: 487,000,000 shares in FY2022		
Accrued expenses	50,246	47,345	487,000,000 shares in FY2023		
Income taxes payable	10,560	6,457	Issued: 206,244,872 shares in FY2022		
Short-term operating lease liabilities	11,871	13,385	206,244,872 shares in FY2023		
Other current liabilities	44,275	52,426	Capital surplus	98,506	98,997
Total Current Liabilities	210,020	231,160	Legal reserve	24,729	27,457
Deferred Income Taxes			Retained earnings	571,807	556,705
2,052	16,419		Accumulated other comprehensive income (loss)	39,947	109,396
Termination and Retirement Benefits	9,348	8,310	Treasury stock	(70,616)	(69,969)
Long-term borrowings	—	92,075	9,417,692 shares in FY2022		
Long-term Operating Lease Liabilities	33,284	38,299	9,329,283 shares in FY2023		
Other Long-term Liabilities	12,229	17,473	Total Shareholders' Equity	728,473	786,686
Total Liabilities	266,933	403,736	Noncontrolling Interests	2,754	164,307
Total Net Assets			Total Net Assets	731,227	950,993
Total	998,160	1,354,729			

Consolidated Statements of Income

OMRON Corporation and Subsidiaries Years ended March 31, 2022, 2023 and 2024

(Millions of yen)

	FY2021	FY2022	FY2023
Net Sales	762,927	876,082	818,761
Costs and Expenses:			
Cost of sales	416,100	482,199	472,297
Selling, general and administrative expenses	213,234	243,015	261,978
Research and development expenses	44,277	50,182	50,144
Other expenses, net	2,602	2,277	(611)
Total	676,213	777,673	783,808
Income before Income Taxes and Equity in Earnings of Affiliates	86,714	98,409	34,953
Income Taxes	23,046	24,943	10,485
Share of loss (profit) of entities accounted for using equity method	1,624	(1,079)	14,519
Net Income	62,044	74,545	9,949
Net Income Attributable to Noncontrolling Interests	644	684	1,844
Net Income Attributable to OMRON Shareholders	61,400	73,861	8,105

(Yen)

	FY2021	FY2022	FY2023
Per Share Data:			
Net Income Attributable to OMRON Shareholders:			
Basic	305.65	372.19	41.17
Diluted	—	—	—

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries Years ended March 31, 2022, 2023 and 2024

(Millions of yen)

	FY2021	FY2022	FY2023
Net Income	62,044	74,545	9,949
Other Comprehensive Income (Loss), Net of Tax:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	40,078	17,840	44,771
Reclassification adjustment for the portion realized in net income	2,029	(337)	0
Net unrealized gain (loss)	42,107	17,503	44,771
Pension liability adjustments:			
Pension liability adjustments arising during the year	1,625	6,094	23,257
Reclassification adjustment for the portion realized in net income	3,012	2,610	1,577
Net unrealized gain (loss)	4,637	8,704	24,834
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,066)	(523)	(1,019)
Reclassification adjustment for the portion realized in net income	383	1,317	1,211
Net unrealized gain (loss)	(683)	794	192
Other Comprehensive Income (Loss)	46,061	27,001	69,797
Comprehensive Income	108,105	101,546	79,746
Comprehensive Income Attributable to Noncontrolling Interests	747	751	2,192
Comprehensive Income Attributable to OMRON Shareholders	107,358	100,795	77,554

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries Years ended March 31, 2022, 2023 and 2024

(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
Balance, March 31, 2021	206,244,872	64,100	101,403	22,931	476,185	(32,945)	(24,816)	606,858	2,500	609,358
Net Income					61,400			61,400	644	62,044
Cash dividends paid to OMRON Corporation shareholders, JPY 92 per share					(18,447)			(18,447)		(18,447)
Cash dividends paid to noncontrolling interests								–	(503)	(503)
Stock-based payment*			(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)
Balance, March 31, 2022	206,244,872	64,100	100,652	24,503	517,566	13,013	(54,607)	665,227	2,744	667,971
Net Income					73,861			73,861	684	74,545
Cash dividends paid to OMRON Corporation shareholders, JPY 98 per share					(19,394)			(19,394)		(19,394)
Cash dividends paid to noncontrolling interests								–	(741)	(741)
Stock-based payment			(2,140)				4,003	1,863		1,863
Transfer to legal reserve				226	(226)			–		–
Other comprehensive income (loss)						26,934		26,934	67	27,001
Acquisition of treasury stock and others			(6)				(20,012)	(20,018)		(20,018)
Balance, March 31, 2023	206,244,872	64,100	98,506	24,729	571,807	39,947	(70,616)	728,473	2,754	731,227
Net Income					8,105			8,105	1,844	9,949
Cash dividends paid to OMRON Corporation shareholders, JPY 104 per share					(20,479)			(20,479)		(20,479)
Cash dividends paid to noncontrolling interests								–	(581)	(581)
Equity transactions with noncontrolling interests and other			(54)					(54)	65	11
Increase in consolidated subsidiaries – non- controlling interests								–	159,877	159,877
Share-based compensation			619				666	1,285		1,285
Transfer to legal reserve				2,728	(2,728)			–		–
Other comprehensive income (loss)						69,449		69,449	348	69,797
Acquisition of treasury stock and others			(74)				(19)	(93)		(93)
Balance, March 31, 2024	206,244,872	64,100	98,997	27,457	556,705	109,396	(69,969)	786,686	164,307	950,993

* Includes JPY 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, 2022, 2023 and 2024

	(Millions of yen)		
	FY2021	FY2022	FY2023
Operating Activities:			
Net Income	62,044	74,545	9,949
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,367	26,587	30,816
Share-based compensation expense	864	1,863	1,237
Net gain (loss) on sale and disposals of property, plant, and equipment	901	45	1,517
Impairment losses on long-lived assets	410	1,768	1,285
Loss on impairment of goodwill	3,384	—	—
Gain related to sale of business	1,116	(922)	(328)
Net loss on valuation of investment securities	(5,447)	2,099	(6,731)
Net loss on sale of investment securities	—	—	—
Termination and retirement benefits	(662)	(574)	(2,080)
Deferred income taxes	4,632	(9,421)	(6,791)
Equity in earnings of affiliates	1,624	(1,079)	14,519
Gain on sales of business	—	—	—
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	(9,074)	(23,581)	27,341
Decrease (increase) in inventories	(30,427)	(29,004)	12,054
Increase in other assets	(3,178)	(2,331)	(13,366)
Decrease in notes and accounts payable - trade	13,293	4,667	(17,918)
Increase (decrease) in income taxes payable	1,749	4,758	(5,403)
Increase (decrease) in accrued expenses and other current liabilities	2,316	5,179	(1,120)
Other, net	516	(1,143)	(106)
Total adjustments	5,384	(21,089)	34,926
Net Cash Provided by Operating Activities	67,428	53,456	44,875

	(Millions of yen)		
	FY2021	FY2022	FY2023
Investing Activities:			
Proceeds from sale or maturities of investment securities	921	84	24,774
Purchase of investment securities	(5,386)	(2,860)	(3,299)
Capital expenditures	(33,357)	(45,018)	(45,378)
Decrease (increase) in leasehold deposits, net	(140)	(299)	756
Business and company acquisitions (net of cash acquired)	—	—	(82,173)
Proceeds from sale of property, plant, and equipment	748	1,614	539
Payments for loans receivable	—	—	(1,378)
Increase in investments in affiliates	(112,444)	(9,976)	(1,121)
Proceeds from sale of business, net of cash paid	(505)	922	0
Acquisition of business, net of cash acquired	—	—	—
Other, net	0	0	184
Net Cash Provided by (Used in) Investing Activities	(150,163)	(55,533)	(107,096)
Financing Activities:			
Net borrowings (repayments) of short-term debt	20,000	(19,787)	3,228
Proceeds from short-term borrowings	—	—	101,281
Repayments of short-term borrowings	—	—	(85,500)
Proceeds from long-term borrowings	—	—	88,000
Repayments of long-term borrowings	—	—	(485)
Dividends paid by the Company	(17,754)	(18,912)	(19,885)
Dividends paid to noncontrolling interests	(504)	(741)	(581)
Acquisition of treasury stock	(31,430)	(20,013)	(18)
Sales of Treasury Stock	0	772	—
Other, net	85	(76)	(53)
Net Cash Used in Financing Activities	(29,603)	(58,757)	85,987
Effect of Exchange Rate Changes on Cash and Cash Equivalents	17,067	10,629	14,041
Net Increase (Decrease) in Cash and Cash Equivalents	(95,271)	(50,205)	37,807
Cash and Cash Equivalents at Beginning of the period	250,755	155,484	105,279
Cash and Cash Equivalents at End of the period	155,484	105,279	143,086

11-Year Financial Highlights OMRON Corporation and Subsidiaries

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Financial Indicators: (Millions of yen)											
Operating Results:											
Net sales	772,966	847,252	833,604	794,201	732,306	732,581	677,980	655,529	762,927	876,082	818,761
Gross profit	297,208	332,607	320,812	312,161	327,585	325,484	303,702	298,351	346,827	393,883	346,464
Selling, general and administrative expenses (excl. R&D expenses)	181,225	198,103	205,735	193,093	201,777	208,895	202,954	192,687	213,234	243,015	261,978
R&D expenses	47,928	47,913	52,790	50,539	48,622	49,335	45,988	43,184	44,277	50,182	50,144
Operating income	68,055	86,591	62,287	68,529	77,186	67,254	54,760	62,480	89,316	100,686	34,342
EBITDA ^(Note 1)	93,144	114,930	93,747	97,495	101,501	92,609	80,466	85,236	112,683	127,273	65,158
Net income (loss) attributable to OMRON shareholders	46,185	62,170	47,290	45,987	63,159	54,323	74,895	43,307	61,400	73,861	8,105
Cash Flows:											
Net cash provided by operating activities	79,044	77,057	84,207	77,875	73,673	71,245	89,787	93,831	67,428	53,456	44,875
Net cash provided by (used in) investing activities	(31,125)	(39,517)	(67,116)	(15,041)	(55,842)	(34,957)	28,639	(14,785)	(150,163)	(55,533)	(107,096)
Free cash flow ^(Note 2)	47,919	37,540	17,091	62,834	17,831	36,288	118,426	79,046	(82,735)	(2,077)	(62,221)
Net cash provided by (used in) financing activities	(16,298)	(29,303)	(31,550)	(15,012)	(33,082)	(40,783)	(29,430)	(20,352)	(29,603)	(58,757)	85,987
Financial Position:											
Total assets	654,704	711,011	683,325	697,701	744,952	749,878	758,124	820,379	930,629	998,160	1,354,729
Cash and cash equivalents	90,251	102,622	82,910	126,026	106,223	103,850	185,533	250,755	155,484	105,279	143,086
Total interest-bearing liabilities (short-term borrowings)	488	0	0	156	298	2,086	1,593	0	20,000	213	22,548
Total interest-bearing liabilities (long-term borrowings)	—	—	—	—	—	—	—	—	—	—	98,526
Total shareholders' equity	430,509	489,769	444,718	469,029	505,530	504,212	530,415	606,858	665,227	728,473	786,686
Per Share Data:											
Net income (loss) attributable to OMRON shareholders (EPS) (Yen)	209.8	283.9	219.0	215.1	296.9	260.8	365.3	214.7	305.7	372.2	41.2
Shareholders' equity	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	3,701.1	3,995.0
Cash dividends ^(Note 3) (Yen)	53	71	68	68	76	84	84	84	92	98	104
Dividend payout ratio	25.3%	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%	39.1%	30.1%	26.3%	253.3%
Dividend on equity ratio	2.9%	3.4%	3.1%	3.2%	3.3%	3.5%	3.3%	3.0%	2.9%	2.8%	2.7%
Other Financial Data:											
Gross profit margin	38.5%	39.3%	38.5%	39.3%	44.7%	44.4%	44.8%	45.5%	45.5%	45.0%	42.3%
Operating income margin	8.8%	10.2%	7.5%	8.6%	10.5%	9.2%	8.1%	9.5%	11.7%	11.5%	4.2%
EBITDA margin	12.1%	13.6%	11.2%	12.2%	14.6%	12.6%	11.9%	13.0%	14.8%	14.5%	7.9%
Return on invested capital (ROIC)	11.3%	13.4%	9.7%	10.3%	12.7%	10.6%	14.1%	7.8%	9.6%	10.4%	1.0%
Return on equity (ROE)	11.6%	13.5%	10.1%	10.1%	13.0%	10.8%	14.5%	7.6%	9.7%	10.6%	1.1%
Ratio of shareholders' equity to total assets	65.8%	68.9%	65.1%	67.2%	67.9%	67.2%	70.0%	74.0%	71.5%	73.0%	58.1%
Total return ratio ^(Note 4)	25.3%	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%	42.6%	79.0%	53.4%	253.3%
Capital expenditures	33,653	38,143	36,859	25,692	33,027	35,661	33,110	23,959	34,210	45,074	44,894
Depreciation and amortization	25,089	28,339	31,460	28,966	24,315	25,355	25,706	22,756	23,367	26,587	30,816
Ratio of overseas sales	55.4%	60.1%	60.3%	58.4%	57.3%	56.5%	54.1%	57.8%	62.0%	62.7%	57.1%

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)

11-Year Non-Financial Highlights OMRON Corporation and Subsidiaries

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Financial Indicators:											
Number of employees	36,842	37,572	37,709	36,008	36,193	35,090	28,006	28,254	29,020	28,034	28,450
Ratio of overseas employees to total employees	69.1%	69.7%	69.3%	68.3%	68.1%	67.6%	62.2%	62.9%	65.0%	64.4%	58.7%
Ratio of non-Japanese in key managerial positions overseas ^(Note 5)	42%	42%	46%	49%	49%	62%	70%	75%	80%	80%	★ 81%
Ratio of female employees (OMRON Group worldwide) ^(Note 6)	—	—	—	—	—	—	41.2%	41.1%	43.2%	42.0%	41.5% ^(Note 13)
Ratio of women in managerial roles (OMRON Group worldwide) ^(Note 7)	—	—	—	—	—	12.7%	16.0%	16.4%	16.9%	16.6%	19.1% ^(Note 13)
Ratio of women in managerial roles (OMRON Group in Japan) ^(Note 8)	1.8%	1.9%	2.3%	3.3%	3.6%	5.2%	5.9%	6.7%	8.0%	8.7%	★ 11.9% ^(Note 13)
Ratio of users of childcare leave - Men	—	—	—	—	—	—	5.0%	10.0%	18.0%	41.0%	66.0% ^(Note 14)
Gender pay gap ^(Note 9)	—	—	—	—	—	—	—	—	—	—	72.2%
Ratio of employees with disabilities (OMRON Group in Japan) ^(Note 10)	2.4%	2.4%	2.4%	2.5%	2.6%	2.5%	2.8%	3.0%	3.1%	3.1%	★ 3.5%
Number of overseas sites employing employees with disabilities	—	—	—	—	—	—	—	25	27	27	28
Lost-time-injuries frequency rate - Employees	—	—	—	—	—	—	0.61	0.40	0.40	0.52	0.54 ^(Note 14)
Turnover rate (OMRON Group worldwide)	—	—	—	—	—	—	14.4%	8.5%	17.8%	17.8%	14.8% ^(Note 14)
Number of patents held ^(Note 11)	6,635	7,194	7,686	8,224	8,774	9,782	10,087	11,037	12,061	12,908	13,334
Environmental contribution (thousand ton-CO ₂)	661	851	508	593	659	1,055	971	826	881	938	☆ 1,158
CO ₂ emissions of production sites (thousand ton-CO ₂)	215	221	202	202	204	193	135	106	109	87	75
Number of carbon zero sites in Japan	—	—	—	—	—	—	—	—	5	10	39
Net sales to CO ₂ emissions (million yen / ton-CO ₂)	3.60	3.83	4.12	3.94	4.22	4.47	5.02	6.16	7.02	10.02	★ 10.96
Greenhouse gas emissions (thousand ton-CO ₂) ^(Scope 1, 2)	—	—	—	250	271	235	166	124	123	93	★ 79
Reduction in paper use ^(Note 12)	—	—	—	—	—	—	—	—	36%	44%	54%

Note: 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. OMRON Group worldwide data are as of April 20 of the following year until FY2022, and as of March 31 of FY2023; OMRON Group in Japan data are as of April 20 of the following year.

7. 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.

8. The ratio of women in managerial roles (section managers or higher) at OMRON Group companies in Japan.

9. With regard to the gender wage gap, the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) requires disclosure of information for companies with 301 or more full-time employees. However, we have gone beyond the legal requirement and disclosed information for consolidated subsidiaries with 101 or more full-time employees.

10. 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.

11. Patent information is as of March 31 of each fiscal year.

12. Ratio calculated in comparison to fiscal 2019.

13. Including OMRON KIRIN TECHNO-SYSTEM CO., LTD. and JMDC Inc. (as of March 31st)

14. Does not include OMRON KIRIN TECHNO-SYSTEM CO., LTD. and JMDC Inc.

★ 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 Japan Quality Assurance Organization

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 U.S. 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.

Corporate Information As of March 31, 2024

Established

May 10, 1933

Incorporated

May 19, 1948

Capital

JPY 64,100 million

Number of Employees (Consolidated)

28450

Common Stock

Issued: 206,245 thousand shares

Trading Unit: 100 shares

Number of Shareholders: 47096

Stock Listings

Tokyo Stock Exchange

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.
JMDC Inc.

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)

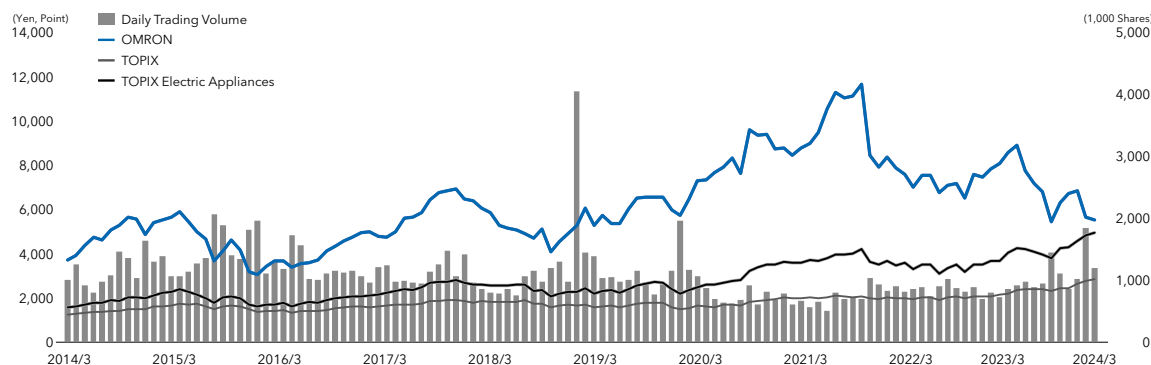
Korea

OMRON MANAGEMENT
CENTER OF KOREA
(Seoul)

Stock Information As of March 31, 2024

Share Price and Volume

* OMRON share prices Share prices on July 16, 2013 and later reflect prices on the First Section of the Tokyo Stock Exchange.

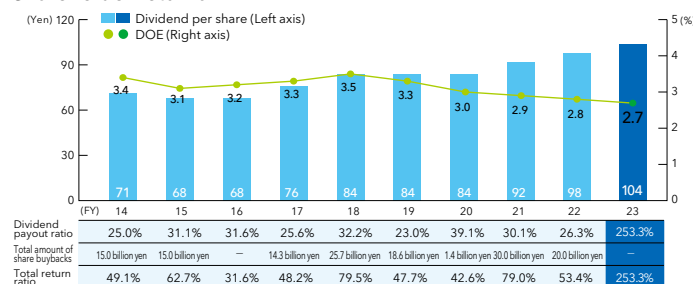


Total Shareholder Return (TSR^{*1})

Holding Period	3 years	5 years	10 years
OMRON	66.0%	113.4%	146.5%
TOPIX	152.5%	196.2%	288.6%
TOPIX Electric Appliances	144.2%	239.8%	362.9%

*1 Represents total investment return to shareholders, combining capital gains and dividends. The return for each holding period, which ended March 31, 2023, 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 2019, the 5 years from 2017 and 10 years from 2012, respectively.

Shareholder returns



52-Week High / Low, Volatility^{*2}

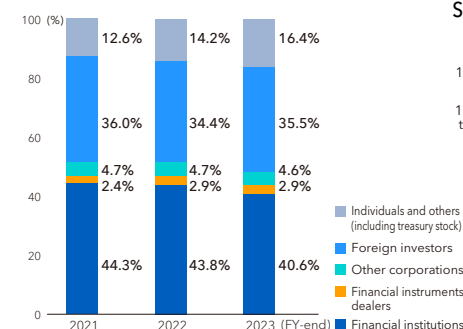
FY	High (JPY)	Low (JPY)	Volatility (%)
2023	9,329	5,245	34.2%
2022	8,164	6,237	29.1
2021	12,115	7,306	30.1
2020	10,040	5,330	28.8
2019	6,870	4,410	32.3
2018	6,300	3,740	34.5
2017	7,670	4,385	27.1
2016	5,120	3,045	32.5
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9

*2 Volatility: Price fluctuation risk expressed in standard deviations

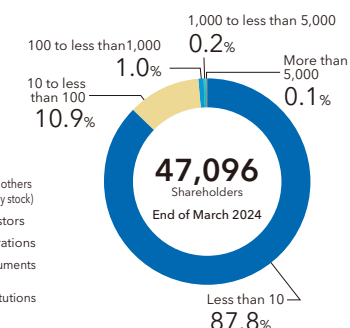
Dividends per Share / Payout Ratio / Dividend on equity ratio

FY	Dividends per Share (JPY)	Payout Ratio (%)	Dividend on equity ratio (%)
2023	104	253.3	2.7
2022	98	26.3	2.8
2021	92	30.1	2.9
2020	84	39.1	3.0
2019	84	23.0	3.3
2018	84	32.2	3.5
2017	76	25.6	3.3
2016	68	31.6	3.2
2015	68	31.1	3.1
2014	71	25.0	3.4

Ownership and Distribution of Shares



Shareholder Distribution by Number of Shares Held (Trading unit: 100 shares)



Major Shareholders (Top Ten Shareholders)

Name	Number of shares held (Thousand shares)	Percentage of shares held to the total number of shares issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	39,687	20.10
Custody Bank of Japan, Ltd. (trust account)	17,162	8.69
The Bank of Kyoto, Ltd.	7,069	3.58
MUFG Bank, Ltd.	5,143	2.60
OMRON Employee Stockholding Association	3,863	1.95
MOXLEY AND CO LLC	3,696	1.87
STATE STREET BANK WEST CLIENT - TREATY 505234	3,681	1.86
Nippon Life Insurance Company	3,640	1.84
BBH FOR GLOBAL X ROBOTICS AND ARTIFICIAL INTELLIGENCE ETF	2,661	1.34
Tateishi Science and Technology Foundation	2,625	1.32

Scale of the OMRON Employee Stockholding Association

	March 2020	March 2021	March 2022	March 2023 ^{*2}	March 2024
Number of shares held (Shares)	3,024,604	2,839,809	2,836,597	3,564,338	3,863,163
Percentage of shares held to the total number of shares issued (including treasury shares)	1.46%	1.37%	1.37%	1.72%	1.87%
Membership (Persons)	6,035	6,077	6,210	9,985	10,089
Sign-up rate ^{*1}	55%	54%	55%	92%	89%
Rank in major shareholders (including the Company)	11	12	12	8	6

*1 The sign-up rate is calculated based on the number of members and the number of eligible employees at OMRON Corporation and its affiliates in Japan.

*2 The increase in the number of shares held and the sign-up rate for the year ended March 2023 is mainly due to the introduction of the Stockholding Association Revitalization Plan for the Employee Stockholding Association using restricted stock.

Independent Third-Party Assurances

To enhance the reliability of the information presented in Integrated Report 2024, 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 (P123)
- Ratio of women in managerial roles (OMRON Group in Japan) (P123)
- Ratio of employees with disabilities (OMRON Group in Japan) (P123)

Data subject to independent assurance

- GHG emissions (P123)
- Net sales to CO₂ emissions (P123)

Data subject to independent review

- Environmental contribution (P123)



Independent on a Social Dimension
Verification Report

No.181108-0902

To: OMRON Corporation

1. Objective and Scope

Japan Quality Assurance Organization (hereinafter "JQA") was engaged by OMRON Corporation (hereinafter "the Company") to provide an independent verification on "OMRON Group Social Indicators (FY2023 Results)" (hereinafter "the Report"). The content of our verification was to express our conclusion, based on our verification procedures, on whether the statement of information regarding the indicators of a social dimension in the Report (hereinafter "the Statement") was correctly calculated, in accordance with the "OMRON Group Social Indicators Criteria for FY23 Performance" (hereinafter "the Rule"). The calculation period is as shown in Table 1 below. The purpose of the verification is to evaluate the Report objectively and to enhance the credibility of the Statement.

2. Procedures Performed

JQA conducted the verification in accordance with "ISAE 3000". The scope and organizational boundaries of the verification are as shown in Table 1. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent each of the verification objects in the Report.

Our verification procedures included:

- Confirming the Rule including the boundaries and the calculation formulas.
- Checking relevant records, identifying and calculating errors and no controls for overall.
- Working Cross-checking the Statement against evidence.

Table 1. Verification scope, organizational boundaries and calculation period

Verification objects	Organizational boundaries	Calculation period
Work-related indicators	OMRON Group worldwide	From January 1, 2023 to December 31, 2023
Lead Time Index (Program)	177 companies ^(*)	
Ratio of women in managerial roles	OMRON Group in Japan	From April 1, 2023 to March 31, 2023
Ratio of employees with disabilities	OMRON Group in Japan	From April 1, 2023 to March 31, 2023
Ratio of employees in key management positions	OMRON Group in Japan	From April 1, 2023 to March 31, 2023

^(*) JQA, the entire assurance boundary (OMRON group and its subsidiaries) is included in the verification scope.

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3. Conclusion

Based on the procedures described above, nothing has come to our attention that caused us to believe that the Statement is not materially correct, or has not been prepared in accordance with the Rule.

4. Consideration

The Company was responsible for preparing the Report, and JQA's responsibility was to conduct verification of the Statement only. There was no conflict of interest between the Company and JQA.

Shinji Asada, Board Director

For and on behalf of Japan Quality Assurance Organization

1-25, Kanda-Sanchi, Chiyoda-ku, Tokyo, Japan

July 4, 2024

INDEPENDENT ASSURANCE STATEMENT

To: OMRON Corporation

Reported information

The scope of our assurance work was limited to assurance over the following information included within the "Sustainability Data" page of the OMRON's corporate website (the "Website") on reported internally to OMRON Group (the "Report") for the period of April 1, 2023 through March 31, 2024 (the "Selected Information").

1) GHG emissions (CO₂, CH₄, N₂O, HFC, PFC, SF₆ and NF₃) through business operations of OMRON Group's 50 sites both inside and outside Japan.

2) Water usage and waste discharge through business operations of OMRON Group's 28 sites both inside and outside Japan.

3) Other waste and waste discharge through business operations of OMRON Group's 28 sites both inside and outside Japan.

4) Other waste and waste discharge through business operations of OMRON Group's 28 sites both inside and outside Japan.

5) Other waste and waste discharge through business operations of OMRON Group's 28 sites both inside and outside Japan.

6) Other waste and waste discharge through business operations of OMRON Group's 28 sites both inside and outside Japan.

7) Carbon footprint (Global value) (CO₂ emissions from global production sites)

The scope of our review work was limited to review about the following information included within the "Sustainability Data" page of the Website for the period of April 1, 2023 through March 31, 2024 (the "Selected Information").

1) The amount of contribution to CO₂ emissions reduction through the use of products and services sold in FY2023

Note: The boundaries and accounting methodologies are defined by OMRON.

Reported information

The Selected Information included within the Website needs to be read and understood together with the reporting criteria stated in the Website.

The Selected Information reported internally to OMRON Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by OMRON.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period.
- Any other information within the Website, which is not listed as the "Selected Information".

This limited assurance engagement relies on a risk-based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Website are the sole responsibility of the management of OMRON.

Bureau Veritas was not involved in the drafting of the Website or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria by consulting our assurance work,
- assess the reliability and accuracy of the Selected Information by consulting our review work,
- form an independent conclusion based on the procedures performed and evidence obtained, and
- report our conclusions to the Directors of OMRON.

Assessment Standard

We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements: Other than audits of Financials of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board and ISAE 3000 (2015) Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas information.

We performed our review work by using Bureau Veritas' standard procedures for external review of sustainability information.

Boundary of work performed

As part of our independent verification, our work included:

1. Consulting interviews with relevant personnel of OMRON.
2. Reviewing the data collection and consolidation processes used in compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries.
3. Reviewing documentary evidence provided by OMRON.

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* Japan Quality Assurance Organization
Bureau Veritas Japan Co., Ltd.

OMRON INTEGRATED REPORT 2024 126

Shaping the Future 2030

Contact

OMRON Corporation

Shiokoji Horikawa, Shimogyo-ku, Kyoto 600-8530, Japan
Global Corporate Communications & Engagement HQ
<https://www.omron.com/global/en/>

Please access the Inquiry Form from the QR Code on the right.

