

# OMRON

## Integrated Report 2021

Year Ended March 31, 2021

### To improve lives and contribute to a better society



# Integrated Report 2021 Contents

## Vision

- 3** The OMRON Principles
- 4** SINICTheory: Predicting the Future Through the Interrelationships of Science, Technology, and Society
- 5** Value Creation Model
- 7** CEO Interview

## Strategy

- 13** OMRON's Business and Fiscal 2020 Results
- 17** Review of Long-Term Vision: Value Generation 2020
- 23** The Direction of Our Next Long-Term Vision
- 25** CFO Interview
- 30** Risk Management

## Business

- 35** CTO Interview
- 39** Industrial Automation Business (IAB)
- 45** Electronic and Mechanical Components Business (EMC)
- 49** Social Systems, Solutions and Service Business (SSB)
- 53** Healthcare Business (HCB)
- 59** Innovation Exploring Initiative HQ (IXI)

## Technology

- 63** Technology & Intellectual Property HQ

## People

- 65** Human Resources Management

### Editorial Policy

### Covered Organizations

As a general rule, this report covers 133 companies in the OMRON Group, consisting of OMRON Corporation, 126 consolidated subsidiaries, and 6 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2021).

### Covered Period

Fiscal 2020 (April 1, 2020 through March 31, 2021). However, this report includes some disclosure items and business activities that were initiated after April 2021.

### References

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

### Caution Concerning Performance Forecasts Statements

Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors. See "Outlook for Fiscal 2021" when using the projection of results and conditions of assumptions for the results.



## Environment

### 72 Environment

## Governance

### 75 Round Table Discussion on Corporate Governance

### 79 Advanced Compensation Governance

### 83 Corporate Governance

### 93 Audit & Supervisory Board and Key Audit Matters (KAM)

### 97 Directors, Audit & Supervisory Board Members, and Executive Officers

## Financial Information

### 101 Financial and Non-Financial Highlights

## Corporate Information

### 113 Responsible Engagement with Our Stakeholders

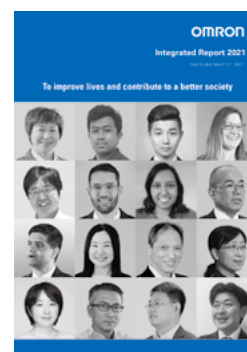
### 115 OMRON Recognitions

### 117 Corporate Information and More

#### About the Cover

OMRON practices the OMRON Principles, working to solve social issues through our businesses. Each and every one of our employees is a principal driver of this mission. OMRON has been holding The OMRON Global Awards (TOGA) since 2012, encouraging our employees to set their own goals for solving social issues in the aim of fostering a culture of ongoing aspiration toward putting the OMRON Principles into practice.

The cover of this issue features 16 employees who were selected, from the 6,405 entries submitted to the eighth instalment of TOGA (FY2019), as representatives and leaders in the practice of the OMRON Principles.



In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.

**Investor Relations** <https://www.omron.com/global/en/ir/>

#### Sustainability Information

- Sustainability initiatives <https://sustainability.omron.com/en>
- GRI Content Index [https://sustainability.omron.com/en/guide\\_line/](https://sustainability.omron.com/en/guide_line/)
- Major Sustainability Data <https://sustainability.omron.com/en/performance/>

#### Reports

- Corporate Governance Report [https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20210701\\_governance\\_report\\_e.pdf](https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20210701_governance_report_e.pdf)

# The OMRON Principles

OMRON founder Kazuma Tateishi resonated with the public nature of business, saying, “A company shouldn’t be just about pursuing profits...it has an obligation to serve society.” In 1959, he publicly announced the OMRON’s Corporate Motto, to improve lives and contribute to a better society. In 1990, we transformed this motto into the OMRON Principles and have since evolved it with the times.

## OMRON Principles

### Our Mission

**To improve lives and contribute to a better society**

### Our Values

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

## Management Philosophy

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

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



# SINIC\* Theory: Predicting the Future Through the Interrelationships of Science, Technology, and Society

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

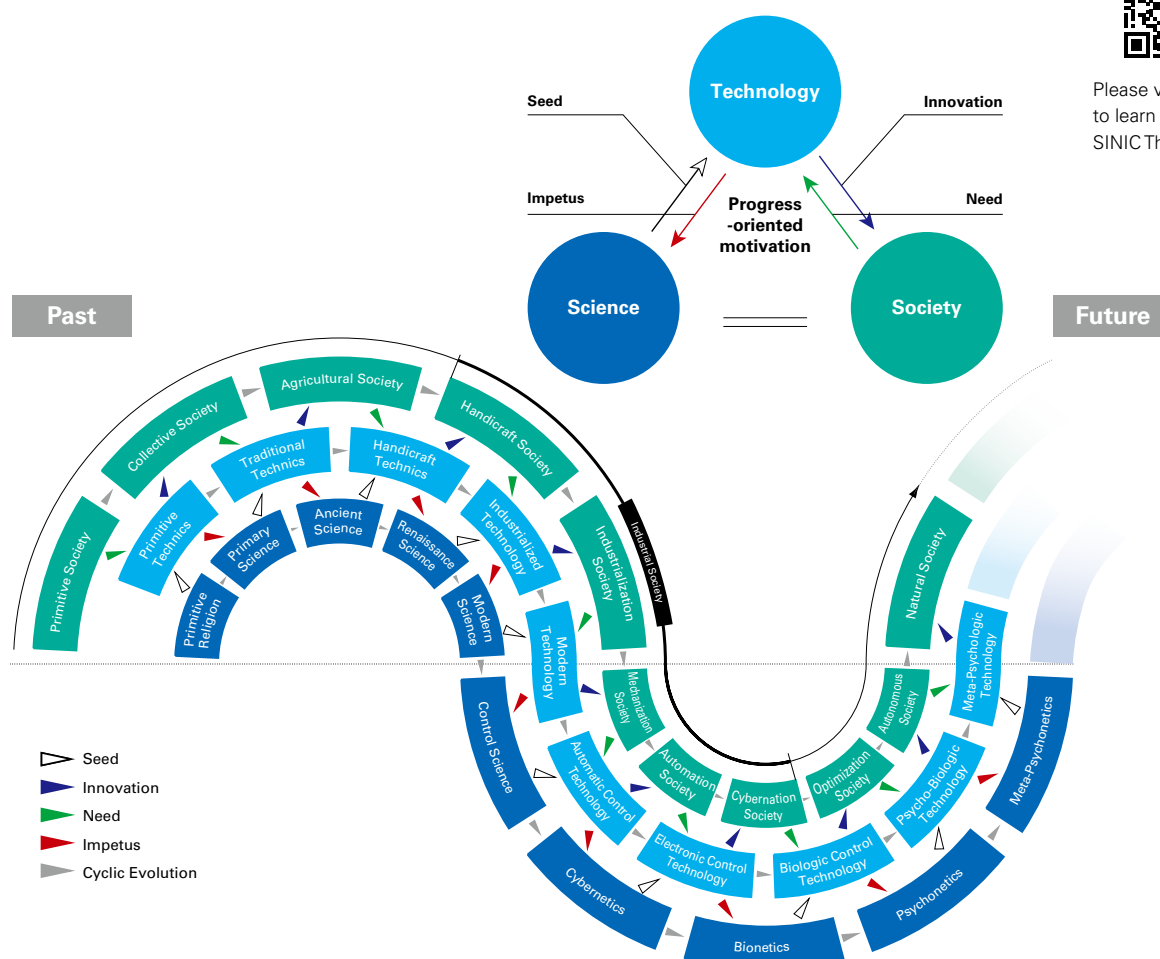
The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds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

The current Optimization Society is going through a transition period of the paradigm shift from the Industrial Society to the Autonomous Society. Now, in a time when society is facing drastic changes and the future is uncertain, we are openly promoting use of the SINIC Theory as social knowledge to build the future through discussions with a diverse array of people.

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

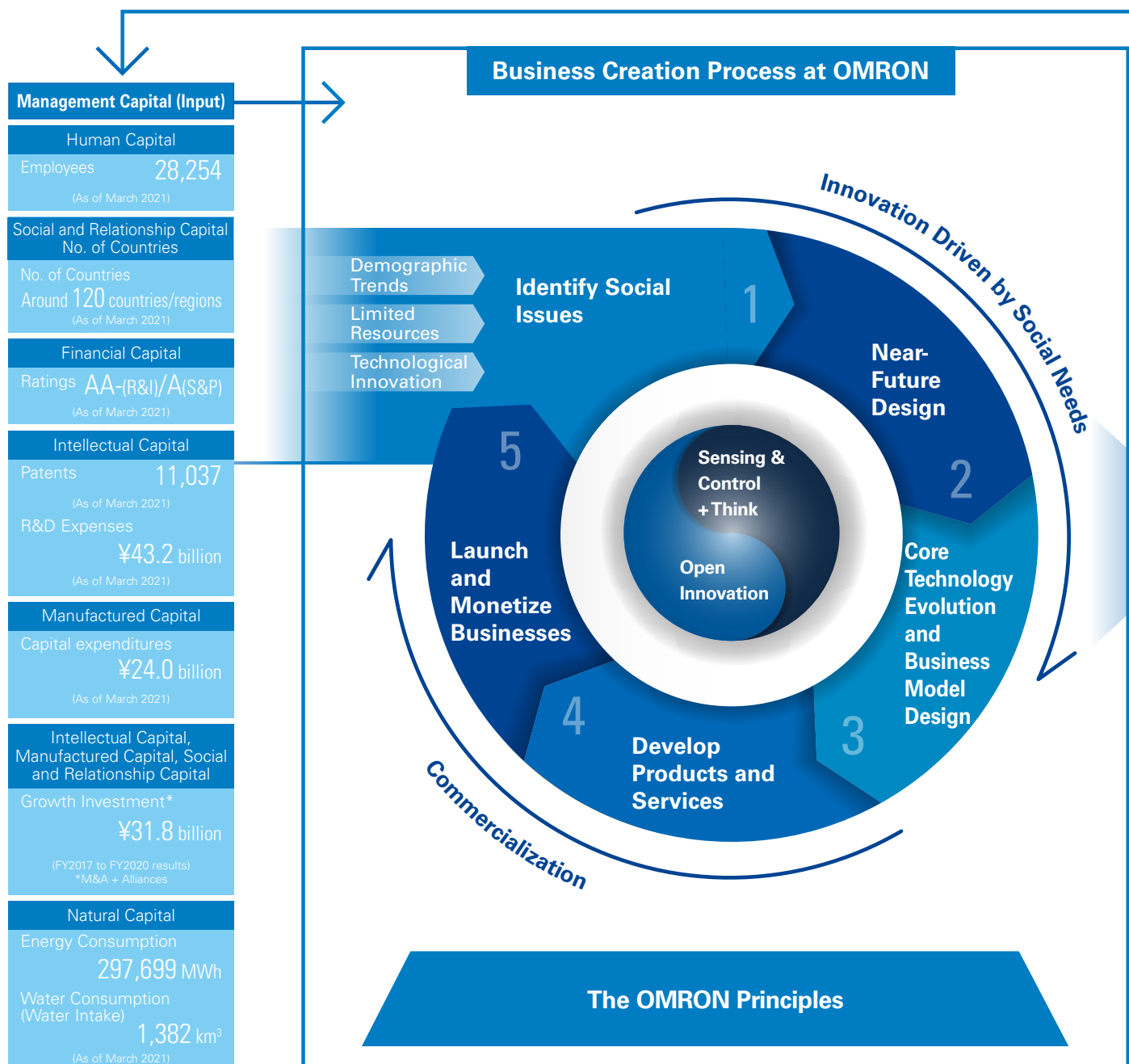


Please visit our website to learn more about the SINIC Theory.



# Value Creation Model

OMRON value creation is anchored to future social needs as we work toward our vision of a better society. Innovation driven by social needs means creating new value through inspired solutions to social issues. At OMRON, we base value creation on the OMRON Principles and the SINIC Theory (future predictive model). We commercialize innovations as products and services for our customers, contributing to a better society as these solutions are put into use. Our value creation model results in business growth and sustainable corporate value improvement. As we grow, we generate larger amounts of management capital for use in creating innovation driven by new social needs.



## Business Creation Process at OMRON

### Innovation Driven by Social Needs

#### ① Identify Social Issues

Identify signs of change in the world and search for social issues (including customer issues) in key areas of focus.

#### ② Near-Future Design

Develop near-future design for the next three to ten years, anchored to our future vision of social issues, technological innovation, and developments in science.

#### ③ Core Technology Evolution and Business Model Design

Evolve core technologies and design business models necessary for achieving our vision of the near future.

### Commercialization

#### ④ Develop Products and Services

Develop products and services for customers and society.

#### ⑤ Launch and Monetize Businesses

Incubate and grow businesses to solve social issues, while identifying new and emerging social issues.



## CEO Interview



### Fiscal 2021: The “Start Dash” Year Ahead of our Next Long-term Vision

President and CEO **Yoshihito Yamada**

OMRON has overcome the trials of fiscal 2020 in the form of the unprecedented COVID-19 crisis by maximizing the three areas of growth potential, profitability, and ability to respond effectively to change that we have worked to strengthen under our Value Generation 2020 (VG2020) vision. However, we are not contented to stop there but have our sights set on firmly grasping our next future. OMRON president and CEO Yoshihito Yamada says “we will make a start dash toward our next long-term vision, acquire the autonomous growth potential to bounce back from any form of adversity, and draw our future with our own hands. We are confident and capable enough to do that.” We asked him about his plans and his determination to charge up to the company’s next growth stage.

(Interviewer: Integrated Report Production Team)



## Looking Back on a Year of Unprecedented Crisis Caused by COVID-19

— The COVID-19 pandemic, which grew into an unprecedented crisis, hit just as OMRON was preparing to wrap up your VG2020 long-term vision. Can I ask you to reflect on the past year when you had to respond to a crisis with precious little visibility into the future?

In March 2020, when COVID-19 spread across the globe, we witnessed the declaration of a succession of lockdowns and states of emergency, we had no idea how far the virus would spread and how long it would last.

Fiscal 2020 was meant to be the final year of our VG2020 long-term vision and the year in which formulated our next long-term vision and medium-term management plan. However, given the state of emergency, it would have caused inevitable confusion on the frontlines if we tried to formulate our new long-term vision and crisis response at the same time. We judged that the COVID-19 pandemic would not be easily brought under control, so we determined to temporarily freeze our work on structuring our next long-term vision and medium-term management plan, and concentrate on responding to the immediate crisis. Instead, we characterized fiscal 2020 and 2021 as a business transformation period with a focus on immediate crisis response and the post-COVID world, and decided to structure our next long-term vision in fiscal 2022.

I set out three policies for combatting the COVID emergency in order of priority. The first was to put the health and safety of our employees first. The

## FY 2020 Results

(Billions of yen)

	FY2020 Results	Y/Y
Net Sales	655.5	- 3.3%
Gross Profit	298.4	- 1.8%
Operating Income	62.5	+ 14.1%
Net Income	43.3	+ 10.6%
Gross Profit Margin	45.5%	+ 0.7%pt

second was to fulfill our responsibility to supply our customers. The third was to minimize the negative COVID-19 impact on our business.

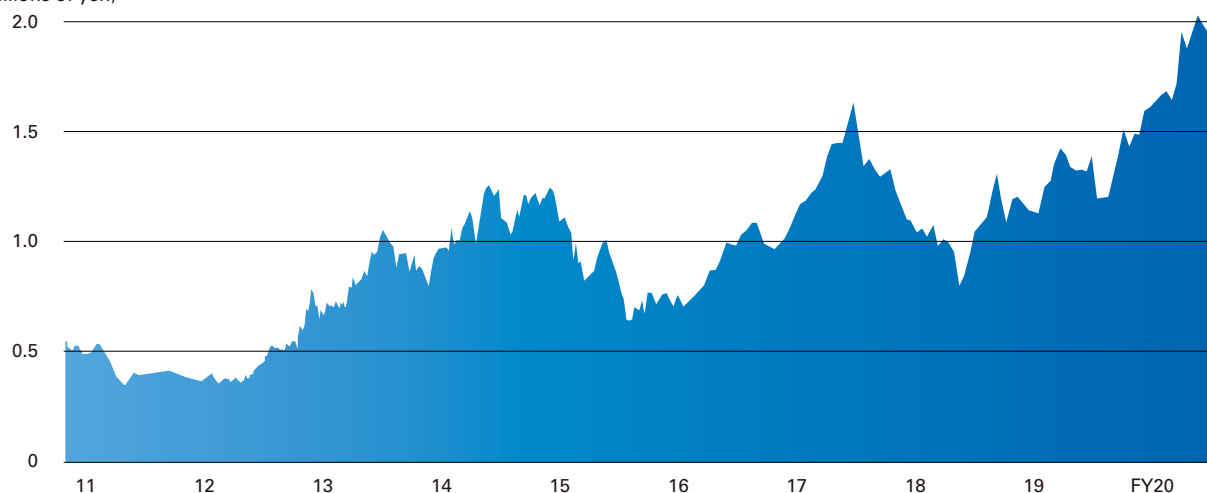
Given the uncertain outlook, we were prepared for a decline in sales of ¥100 billion. However, from the second quarter onward, we started to see clear signs of a nascent recovery in the global economy fueled by China.

In July, we announced a full-year operating income forecast of ¥30 billion, but, thanks to our ability to quickly grasp changing market trends, we were actually able to achieve an increase in both sales and profits in the second half. For the full year, we achieved double-digit year-on-year growth in operating income to ¥62.5 billion and our gross profit margin improved to 45.5%. Market expectations also increased as a result, with OMRON's share price reaching its highest level in January 2021 since the company was listed, and market capitalization also reaching a record high. Our ability to generate increased profits even during the extremely tough COVID-19 business environment is proof that our ability to respond effectively to change is growing stronger.

[P13 Fiscal 2020 corporate results](#) →

## Market Capitalization During VG2020

(Trillions of yen)



## Growth Potential, Profitability, Ability to Respond to Change

### — You worked on strengthening three areas in VG2020: growth potential, profitability, ability to respond to change. How are those abilities faring now?

We have been building up assets to ensure future growth through active investment in order to strengthen our growth potential. Specifically, that involves strengthening our solution capabilities, building new business models, and acquiring new products and technologies. In terms of strengthening our solution capabilities, for instance, we have expanded our automation centers to 37 global locations. Those centers provide venues to create value together with customers in the Industrial Automation Business using competitive and innovative new products and applications. We are also expanding the number of sales engineers who can communicate that value to over 1,000 people. We are still creating innovative solutions to onsite production issues in these automation centers today. In terms of building new business models, we have been investing in commercializing services that are expected to grow significantly going forward, such as the i-BELT service that uses data from production sites in the Industrial Automation Business to improve productivity and quality, our VitalSight service that offers Remote patient monitoring services for high blood pressure in the healthcare business, or our Station Management Service that provides comprehensive station management support in the Social Systems, Solutions and Service Business. In terms of acquiring new products and technologies, we have been working to acquire robots and motion controllers through M&A in the Industrial Automation Business, develop innovative devices such as wearable blood pressure monitors with electrocardiograph functionality in the Healthcare Business, and to further strengthen our Nebulizer Business.

Regarding profitability, we focused our resources

on businesses with high profits and high market share by thoroughly managing our portfolio based on return on investment capital (ROIC). We have transferred and converged businesses that have not shown any evidence of increased profitability and further strengthened high-profit businesses through M&A and alliances. These efforts have boosted the share of total sales contributed by Industrial Automation and Healthcare Businesses, which are recognized as the drivers of corporate growth, has increased from 44% to 72% over the past 10 years.

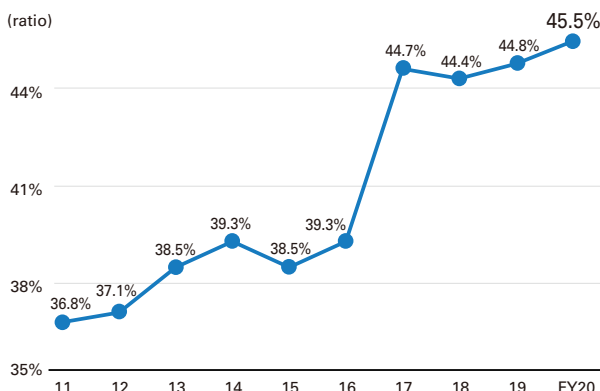
Finally, a few words on our ability to respond to change. OMRON has been working to diversify our production bases to enhance our ability to respond to changes in the external environment, such as changing business environments and natural disasters. In our fiscal 2020 integrated report, I introduced the concept of selection and decentralization that we had been working on, but we have also been working on a form of delegation through localization, whereby we delegate authority to the people in charge of our individual organizations and production sites around the world. By appointing local human resources to head up our global regions and promoting localization, those individual regions are able to think for themselves, act autonomously, and take speedy decisions and action. For instance, at our Dalian plant in China, we resumed production of healthcare products, such as thermometers, in response to request from local government after taking the necessary precautions, despite the city being in lockdown. I think we can safely say that this improvement in our ability to respond to change is a result of delegation.

As you can see, we have steadily strengthened our growth potential, profitability, and ability to respond to change over the past decade, but we still do not have sufficient ability to boost sales even in adverse circumstances. If you are asking me whether we can achieve self-propelled growth in other businesses, like the double-digit growth rise we achieved last year in the Healthcare Business, I think that will really test our true value.

[P17 VG2020 Overview](#) →

[P39 Business](#) →

### Gross Profit Margin Trend



### — What is behind the significant improvement in OMRON's gross profit margin?

Over the past ten years, we have been able to continuously improve our gross profit margins thanks to coordinated sales planning. In particular, the inclusion of gross profit margins in our sales department evaluations had a considerable impact. Introducing a common companywide measure such as the gross profit margin into the sales department as well made people feel more responsibility for profit and cost and inspired a new sense of solidarity with our production centers. We will continue to improve our gross profit margin and

consequently our earning potential, and increase our cash flow so that we can reinvest it in our business and drive further growth. In terms of our cash allocation policy, we will continue to prioritize R&D centric growth investment. This includes investments in M&A and corporate alliances. We will also continue to pay stable dividends. Having said that, when we expect to be able to accumulate some cash, we will consider making agile purchases of treasury stock.

[P25 CFO Interview →](#)

## Corporate Philosophy Management Earns Strong Market Praise

### — OMRON has been including in multiple ESG indices, including the Dow Jones Sustainability Index (DJSI). What points do people evaluate the most strongly?

We linked our medium-term management plan VG2.0 started in 2017 with our key sustainability issues and set sustainability targets across 11 items. We are also accelerating ESG initiatives to meet the expectations of various stakeholders. First on the environment element of ESG, we are working on two vectors under our Green OMRON 2020 environmental vision: reducing environmental impact through our own business activities, and helping customers contribute to the environment through our products and services. On the former, we have made our OMRON Carbon Zero declaration to reduce greenhouse gas emissions to net zero by 2050. We had already achieved a 50% reduction by fiscal 2020 compared to fiscal 2016 levels, well above target. We will continue to press ahead with achieving this plan. In 2019, we also expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and are promoting the relevant information disclosure. On the social element of ESG, our staff have embraced not only OMRON's corporate philosophy of creating a better society but they are also committed to acting as a good corporate citizen. This stance was evident in the various global initiatives we undertook even during last year's COVID-19 pandemic based on our corporate philosophy. One example was that resumption of production in China. Another was the decision by our Industrial Automation employees in Spain to participate in a ventilator development project together with non-profit organizations attempting to combat the virus. Finally, we are constantly evolving our approach to the governance element of ESG. We chose a company with an Audit and Supervisory Board framework because OMRON develops various businesses on a global scale and so we respect the independent appointment of auditors for the

purpose of strengthening internal control. Furthermore, in order to strengthen the supervisory function of the Board of Directors, we have established four arbitrary committees under the jurisdiction of the Board and introduced a hybrid governance framework that also incorporates the excellent features of a company with a Nomination Committee. The heads of the four committees, including the CEO Selection Advisory Committee, are outside directors, and I, as the CEO, do not sit on any of the committees. In 2015, we introduced evaluations of the Board of Directors to strengthen its effectiveness. We also revised our executive compensation system in fiscal 2021. This serves as added motivation to achieve the next long-term vision and medium-term management plan. I believe our inclusion in various ESG indices reflects investors high evaluations and expectations of these kinds of efficiency-related initiatives. We have been included in the DJSI World Index for four consecutive years. We have also been consistently assigned the top rating in all ESG indices recommended by Japan's Government Pension Investment Fund. Being included in these indices helps curb stock price volatility and reduce capital costs.

[P19 Improved Non-financial Value →](#)

[P65 Human Resources Management →](#)

[P72 Environment →](#)

[P75 Corporate Governance →](#)

[P115 OMRON Recognitions →](#)

### — You breathed new life into OMRON's corporate philosophy through VG2020 and launched the company's corporate philosophy management.

When I took up the position of president and CEO in 2011, I felt OMRON was somewhat entrapped. I took over the reins directly after the March 2011 the Great East Japan Earthquake and tsunami when we were also still feeling the residual effects of the 2008 global financial crisis. I wanted to break free from the dark mood and stagnation that characterized that period of confusion. I thought it through and decided to make our corporate philosophy a key source of development. OMRON's corporate philosophy DNA is based on the venture spirit of our founder Kazuma Tateishi. I want to liberate and support the energy and challenging spirit of our employees, who have inherited that DNA and want to contribute to the development of the society and to create new social needs, through our corporate philosophy. In 2015, we revised our corporate philosophy to make it more readily understandable and to ensure steady sustainable develop could be achieved by putting that philosophy into practice. Over the past 10 years, I have focused on how to get employees to empathize and sympathize with our corporate philosophy and how to instill the philosophy in the field.

**— The OMRON Global Awards (TOGA) were launched as a way to instill the company's corporate philosophy in the field. It has blossomed into a major events in which all employees participate globally. Why do you think it has expanded and evolved to this extent?**

Over 15,000 employees from all over the world took part remotely in the TOGA Global Meet held in December last year and received valuable feedback from as many as 200 externally invited business partners.

When we started TOGA in 2012, I never thought it would develop this far. Original TOGA's predecessor was a performance commendation system that rewarded initiatives from previous fiscal years. However, I started TOGA because I wanted to share the challenges not of the past, but of the present and the future with everyone, and to praise those efforts. The magnitude of TOGA's sphere of resonance both inside and outside the company has greatly exceeded my expectations.

Why do our employees get so involved in TOGA? I feel it goes beyond institutional mechanisms and a desire for self-approval. I often use the words self-esteem and a sense of mission. I think employees feel a sense of pride in the feeling that their work contributes to social development, and that is what drives such enthusiastic participation in TOGA. The desires to develop solutions that solve social issues and to create values that contribute to social development are powerful magnetic forces that attract those around you. The sense of accomplishment that you get from seeing the project that we launched expand in tandem with its sphere of influence is unbeatable and extremely satisfying.

TOGA is a part of our business. While we refer to it internally as planting the flag, TOGA starts with finding initiatives that could help solve social issues, getting two or more colleagues together, and declaring your plan (planting the flag). If the supervisor approves the plan as a potential contributor to social development, we will create the required environment for employees to actively engage in the activities during working hours and approve a budget. As a result, we received 6,461 entries last year, with employees in different countries planting various different flags.

[P65 Human Resources Management →](#)

**— Have you ever had an idea emerge from TOGA that have proved successful in your actual business?**

Yes, of course, many. For example, the Metabolic Management Center (MMC) announced by a Chinese team in fiscal 2018. Previously people suffering from diabetes that can cause various complications had to visit a clinical department to receive treatment for each symptom but we created a one-stop medical service solution by

collaborating with key opinion leaders, hospitals, medical device manufacturers, and other players. There are already over 650 MMC bases in China and we are aiming to open the 1,000th center in fiscal 2021.

The MMC sphere of resonance has spread to pharmacy chains and MMC Health Convenience Stores are being set up to help prevent lifestyle-related diseases such as diabetes and hypertension. This MMC Health Convenience Store is a health management and medical services platform that is transforming urban retail pharmacies. We can seamlessly connect hospitals, pharmacies, and households and contribute to the health and healthy lifestyles of Chinese people with health check services that use a variety of testing equipment from blood pressure monitors to electrocardiographs, and weighing scales. We plan to increase the number of Health Convenience Stores from 15 in fiscal 2020 to 100 in fiscal 2021.

## Growth Strategy Leading Up to Next Long-term Vision

**— OMRON has your SINICTheory that serves as a compass for predicting the future. How do you think society will change as it seeks to become an autonomous society over the next ten years? Also, what will be the likely content of your next long-term vision?**

When formulating the next long-term vision, I took the opportunity to reconsider OMRON's fundamental significance as a company.

OMRON's reason for being is to create social value through business and continue to contribute to the development of society. That is precisely what the practical application of our corporate philosophy seeks to do.

According to our seed innovation to need-impetus cyclic evolution (SINIC) theory, current times are to be considered as a transition period from an optimized society to an autonomous society. An autonomous society is a balanced society in which people cooperate with each other while demonstrating their own individuality. You could say that, right now, the social and economic systems that were forged on rising economic growth are on the verge of collapse due to the rapid onslaught of social issues caused by climate change, super-ageing societies, and economic disparities, etc. Of the various issues, OMRON considers reducing CO<sub>2</sub> emissions, the collaboration and coexistence of people and machines, and extending a healthy life expectancies as social issues that need to be solved and will lead to self-driven growth if we can create the social needs to solve these problems.

[P4 SINICTheory →](#)

[P23 Direction of Next Long-Term Vision →](#)



**— You have positioned fiscal 2021 as the year of the “start dash” for your next long-term vision. Can you tell us about the specific action plans?**

During this defined two-year business transition period, I feel that the three domains we focused on during VG2020, namely factory automation, healthcare, and social solutions, along with the Electronic and Mechanical Components Business that supports them, are all now moving nicely into a new stage of growth.

In the Industrial Automation Business, the paradigm shift in each industry will likely prove to be a great chance to develop business opportunities. In the automobile industry for instance, investment in electric vehicles (EV) through green recovery policies is expanding. In the food and daily goods industry, the development of new production methods using recycled materials is progressing on the back of accelerated deplasticization. Growth areas inspired by digitalization are also expanding, such as the expansion of production facilities spurred by increased global semiconductor demand and the expansion of 5G base stations.

In the Electronic and Mechanical Components Business, the structural reforms that we have undertaken to date are starting to bear fruit and business performance is improving as a result of us swiftly catching the wave of post-COVID economic recovery. Going forward, we will continue to accelerate our development of high value-added module products tailored to the specific needs of our customers to help boost earnings.

In the Social Systems, Solutions and Service Business, while we are impacted by railway customer decisions to curb investment in the wake of the COVID-19 pandemic, demand for remote station services and maintenance is steadily increasing. I also expect to see growing demand for renewable energy linked to policies designed to reduce greenhouse gases and continued rising demand for power conditioners and energy storage systems to ensure that energy is used effectively. In the Healthcare Business, full-fledged telehealth services have accelerated around the world in the face of COVID-19. In the United States, telehealth services provided by OMRON are already covered by Medicare public health insurance for elderly people. In order to prevent an increase in medical

costs due to aging populations, global healthcare trends are shifting from symptom treatment to prevention to arrest the onset of disease. This just goes to show that the business vision OMRON has been championing since 2015, Zero Events: Reducing the Incidence of Cerebrovascular and Cardiovascular Disease Caused by High Blood Pressure to Zero, is perfectly aligned with the needs of current times.

As you can see, OMRON's business model is not just about things, but is evolving in the direction of providing solutions that combine various services. In other words, we are evolving from an exhaustive sell-out model to a continuous recurring model. The data business is also important for developing a business model that generates compensation and new needs by continuing to connect with customers. OMRON has been practicing Sensing & Control+Think methods, so we are perfectly positioned to provide a potential data business and establish a business model that combines goods and services.

[P35 CTO Interview →](#)

[P39 Business →](#)

**— Self-driven growth refers to a structure that can grow steadily by increasingly profits even in adverse circumstances. At the same time, in a broad sense, you could consider this suitable growth for an autonomous society.**

We don't know when the COVID-19 pandemic will be brought under control, but the move toward an autonomous society has already begun. The next 10 years may prove more uncertain and difficult than ever. In such a situation, OMRON must swiftly detect nascent signs of change by maintaining close contact with customers and various stakeholders, firmly incorporate those changes, and create self-driven growth that can increase earnings even in adverse circumstances.

The people who will be responsible for doing this will be our employees who sympathize with implementing our corporate philosophy and are driven by self-esteem and a sense of mission. I want to create a company that enables the flags that they hoist to help solve social issues to flutter proudly across the globe. To that end, we will realize growth that befits an autonomous society by promoting the selection and decentralization, and the delegation and localization that enable employees to play a leading role. This is the self-driven growth that OMRON aims to achieve.

As I have already said, we are prepared for that. Fiscal 2021 is the “start dash” year for our next long-term vision. I feel we are poised for growth and am confident that OMRON can realize an even greater transformation. We will draw in an autonomous society with our own hands....and run up to the next stage with that determination in our hearts.

**FY2021 Plan**

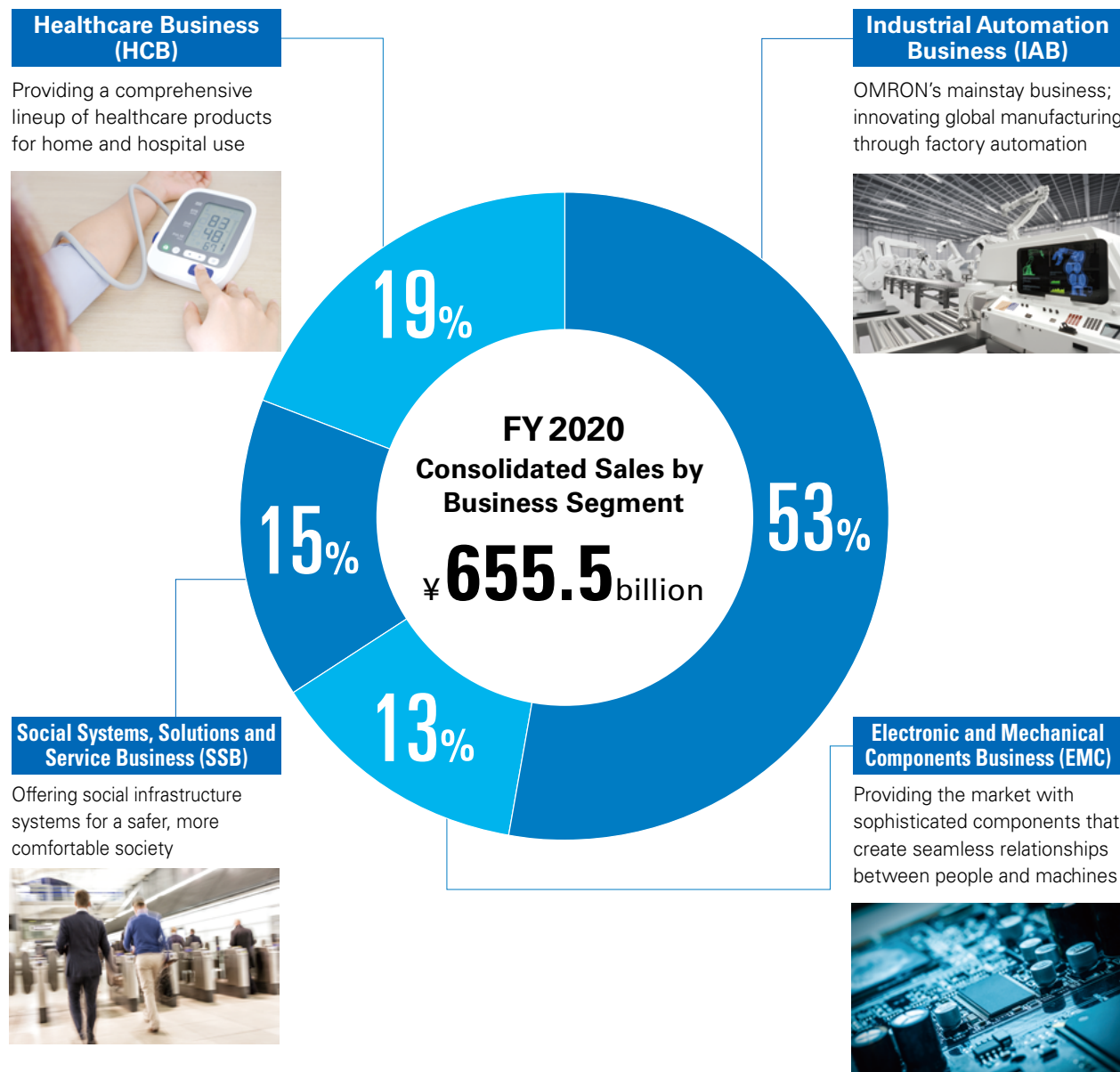
(Billions of yen)

	FY2021 Plan	Y/Y
Net Sales	700.0	+ 6.8%
Gross Profit	325.0	+ 8.9%
Operating Income	70.0	+ 12.0%
Net Income	48.0	+ 10.8%
Gross Profit Margin	46.4%	+ 0.9%pt

# OMRON's Business and Fiscal 2020 Results

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

## Consolidated Sales Composition Ratio

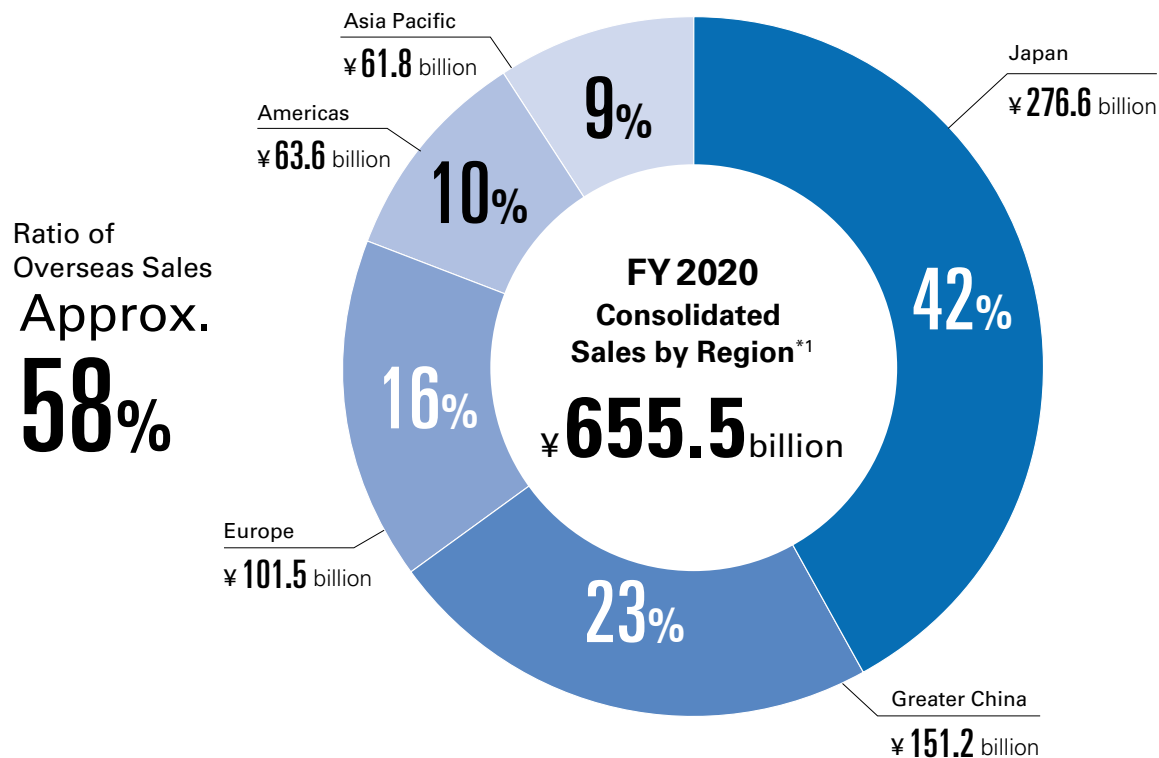


## Net Sales, Operating Income, and Operating Income Margins by Business Segment for Fiscal 2020

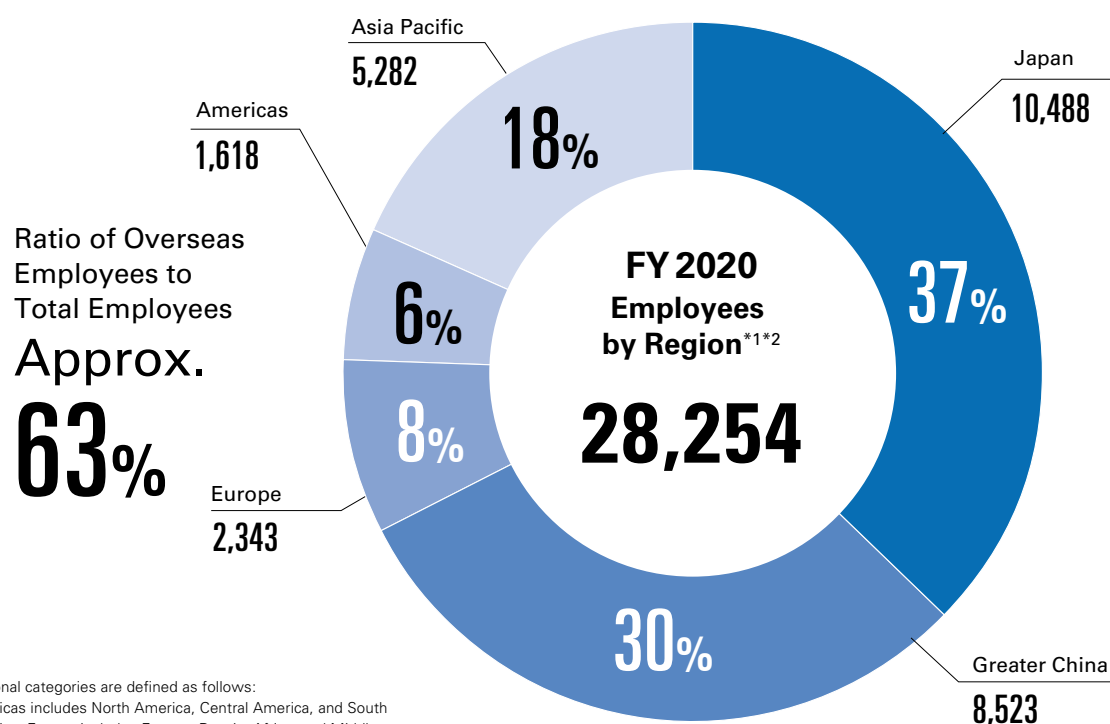
(Billions of yen)

Business Segment	Net Sales	Operating Income	Operating Income Margin
Industrial Automation Business (IAB)	346.4	58.8	17.0%
Electronic and Mechanical Components Business (EMC)	86.0	3.0	3.4%
Social Systems, Solutions and Service Business (SSB)	95.7	5.7	6.0%
Healthcare Business (HCB)	123.1	20.6	16.7%
Eliminations and Corporate	4.3	(25.5)	—
<b>Total</b>	<b>655.5</b>	<b>62.5</b>	<b>9.5%</b>

## Net Sales by Region



## Number of Employees by Region



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

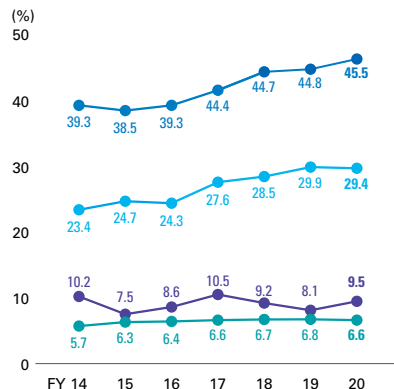
\*2 As of March 31, 2021.

## Financial Highlights

### Gross Profit Margin

45.5%

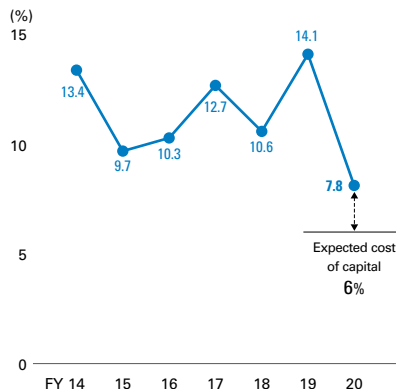
● Gross Profit Margin ● Selling, general and administrative expenses ratio (excluding R&D expenses) ● R&D expenses ratio ● Operating income margin



Gross profit margin reached a record high, driven by stronger group-wide earnings capacity.

### ROIC

7.8%

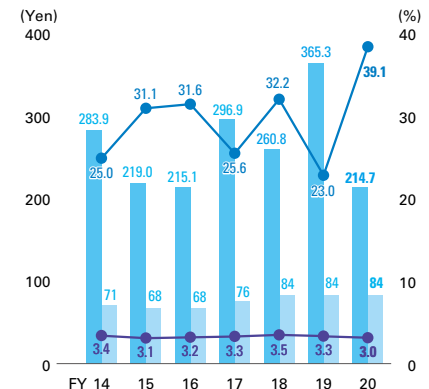


Our focus on ROIC management resulted in a 7.8% ROIC, above our 6% expected cost of capital.

### EPS and Dividend

¥214.7

■ Earnings per share ■ Cash dividends per share ● Dividend payout ratio ● Dividend on equity

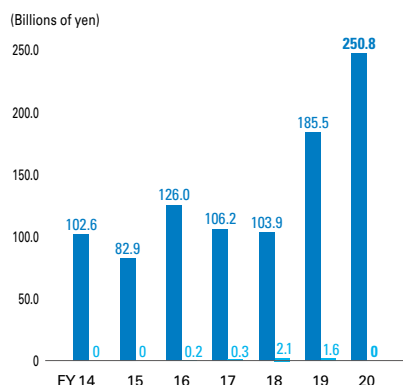


OMRON paid dividends of ¥84 per share, representing dividend on equity above our target of approximately 3%.

### Cash and Cash Equivalents

¥250.8 billion

■ Cash and cash equivalents ■ Total interest-bearing liabilities

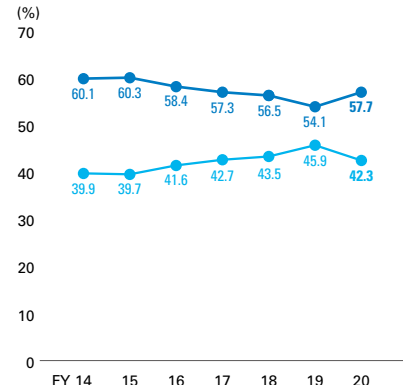


As a result of increased operating cash flow, cash and cash equivalents increased significantly.

### Ratio of Overseas Sales

57.7%

● Overseas Total ● Japan

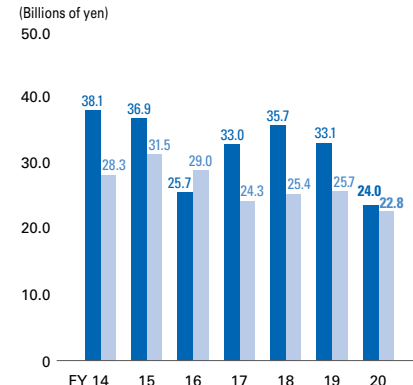


OMRON's overseas sales ratio remains over 50%.

### Capital Expenditures

¥24.0 billion

■ Capital expenditures ■ Depreciation and amortization



OMRON made carefully selected capital investments, including increased production facilities and investment in operating sites for future growth.

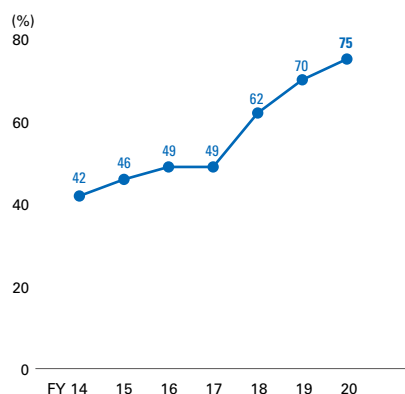
\* The Automotive Electronics Components Business (AEC) was transferred, and the AEC business was classified as a "discontinued business." Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.



## Non-Financial Highlights

### Ratio of non-Japanese in managerial positions overseas

75%

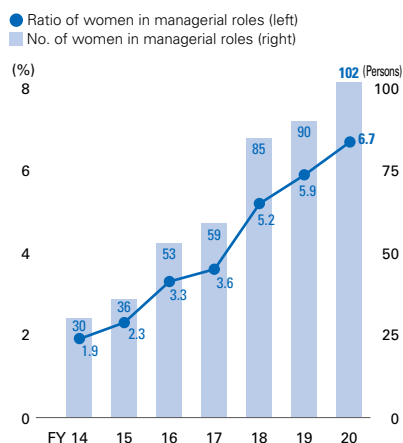


Depending on the size of the overseas OMRON Group companies, we increase the ratio of local employees to the number of important positions determined by OMRON. In fiscal 2020, in contrast to a target ratio of non-Japanese of 2/3 (66%), as a result of planned personnel changes taking effect, we achieved a ratio of 3/4 (75%).

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

### Ratio of women in managerial roles (OMRON Group in Japan)

6.7%

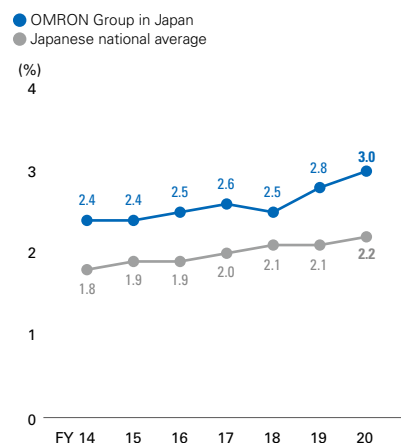


In contrast to a target of 8%, the ratio for fiscal 2020 was 6.7%. Although the desire for career development is growing among young female employees, forming a group of medium-to-long-term candidates is a challenge.

\* To date, the ratio of women in managerial positions in the OMRON Group in Japan has been expressed as the result for the fiscal year under review as of April 20 of that year (the date on which job titles reflecting the OMRON Group's human resource evaluations for the previous year took effect). This has been changed to express the ratio as the result for the previous fiscal year (in this report, the ratio as of April 20, 2021 is expressed as the result for fiscal 2020). In accordance with this change, the expressions of the ratios of previous fiscal years have also been retroactively changed to this format.

### Ratio of employees with disabilities (OMRON Group in Japan)

3.0%



We are striving to create more employment opportunities and fulfilling work for disabled persons. In fiscal 2020, the ratio of employees with disabilities was 3.0%, above the legally mandated ratio of 2.2%.

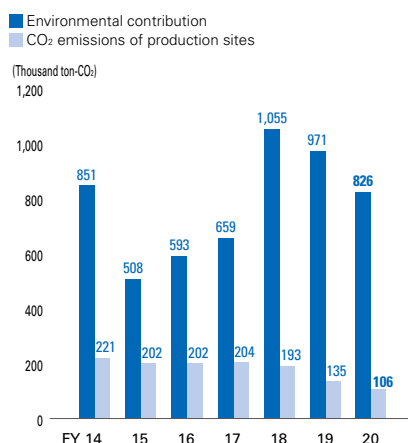
\* Figures represent results as of June 20.

\* For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities.

\* Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.

### Environmental Contribution☆

826 thousand ton-CO<sub>2</sub>



We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO<sub>2</sub> emissions at our production centers through the use of our own energy saving products. In fiscal 2020, our environmental contribution was 826 thousand ton-CO<sub>2</sub>, exceeding production site emissions of 106 thousand ton-CO<sub>2</sub>.

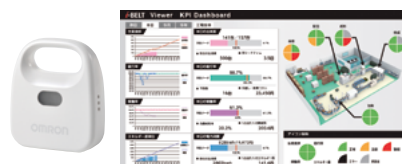
\* Environmental Contribution = Volume of CO<sub>2</sub> emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services.  
[https://sustainability.omron.com/en/enviro/climate\\_change/contribution/](https://sustainability.omron.com/en/enviro/climate_change/contribution/)

### Energy-Generation and Storage Products



Solar power multi-storage platforms

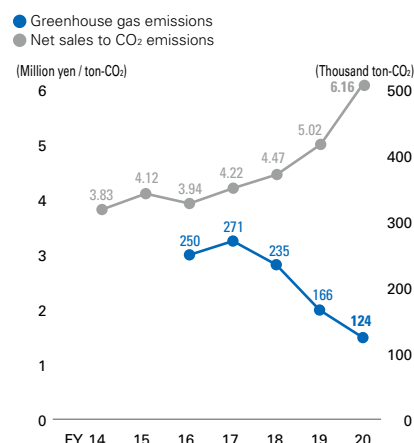
### Energy-Saving Product



Left: Environmental sensor  
 Right: i-BELT energy visualization and analysis service

### Greenhouse Gas Emissions☆

124 thousand ton-CO<sub>2</sub>



OMRON has established its new environmental target "OMRON Carbon Zero" with the goal of reducing greenhouse gas emissions to zero by 2050. OMRON has set greenhouse gas emissions as an indicator to achieve that goal. In fiscal 2020, we achieved a 50% reduction compared to fiscal 2016, substantially exceeding our initial target of a 4% reduction.

\* Net sales to CO<sub>2</sub> emissions: Net sales per one ton of CO<sub>2</sub> emissions

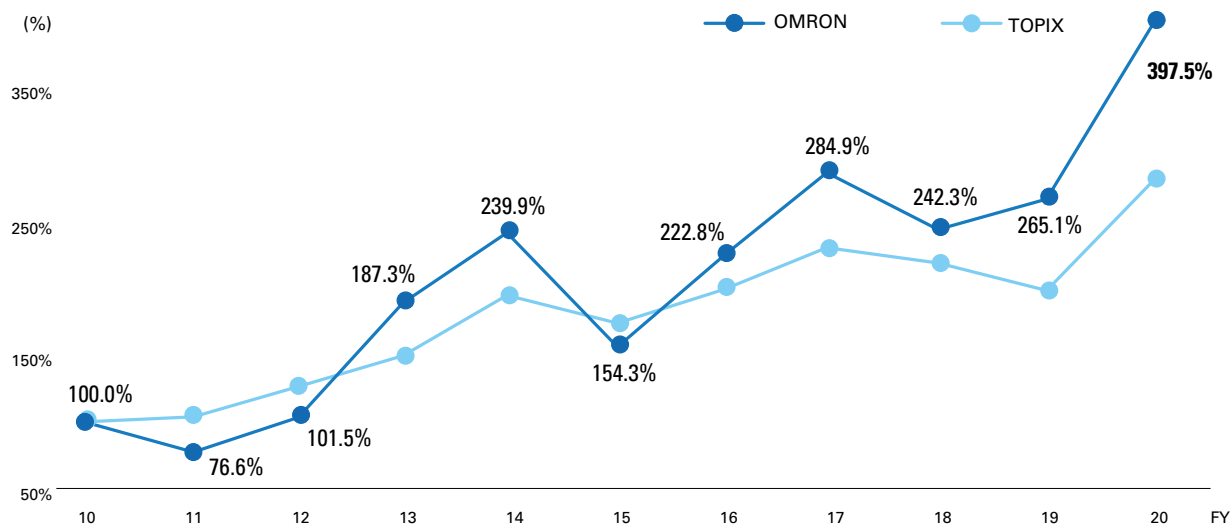
\* Since fiscal 2016, OMRON has been using the following published figures for the CO<sub>2</sub> emissions coefficient associated with electric power: Japan: Ministry of the Environment, by power company (updated annually); China: National Development and Innovation Committee, by power company (updated annually); Other: IEA, by country (2011) [https://sustainability.omron.com/en/enviro/data/ghg\\_emissions/](https://sustainability.omron.com/en/enviro/data/ghg_emissions/)

☆ Indicates independent verification or review performed by a third party.

# Review of Long-Term Vision: Value Generation 2020

OMRON has conducted business from a long-term perspective under its 10-year long-term vision, Value Generation 2020 (VG2020), from fiscal 2011 to fiscal 2020. During the effective period of VG2020, we endeavored to enhance financial value by strengthening our three abilities of growth power, earning capacity and responsiveness to changes, and non-financial value by engaging in sustainability initiatives. As a result of our efforts, total shareholder return (TSR), which is an indicator of corporate value creation, roughly quadrupled over the past ten years, proving a significant increase in corporate value.

## Total Shareholder Return (TSR)



## Improved Financial Value through the Enhancement of Growing Power, Earning Capacity, and Responsiveness to Changes.

### Enhancing Growing Power

By actively engaging in investment in order to achieve growth throughout the effective period of VG2020, we have built up three assets which will sustain future growth. The first is a strengthened ability to provide solutions. In our mainstay Industrial Automation Business, we have developed competitive and innovative products and applications, while strengthening our front-line human resources (sales and sales engineers) to communicate the value of these products and applications. The second is the formation of new business models. We invested in commercializing services that we expect to grow significantly in the future. These services include i-BELT, a manufacturing site data utilization service in our Industrial Automation Business, and remote medical consultation services in our Healthcare Business. The third is the acquisition of new products and new technologies. Focusing on fields such as robotics and AI, we have implemented M&As and created alliances in order to acquire innovative technologies and products which OMRON is lacking. We have acquired businesses in fields such as robotics and motion controllers for our Industrial Automation

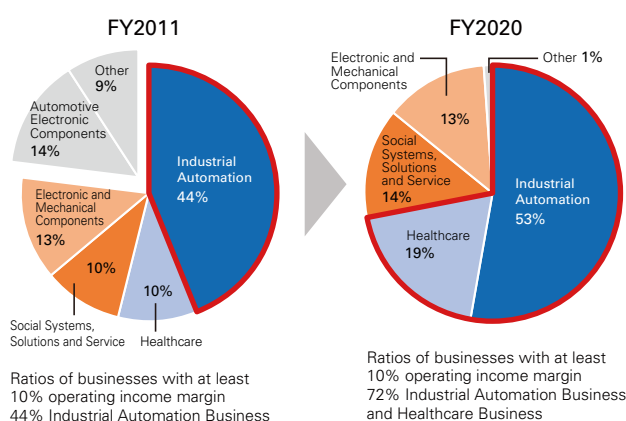
Business, enhancing our product lineup and technological capabilities. In addition, we have strengthened the competitiveness of our Healthcare Business through means such as acquiring nebulizer businesses and investing in a partner companies possessing electrocardiogram analysis technology. Through these approaches, we have been able to build a foundation for further growth.

### Increasing Earning Capacity

We have been strengthening our earning capacity steadily by improving our gross profit margin and optimizing our business portfolio through ROIC management. We transferred the Automotive Electronic Components Business and wrapped up low-profit businesses, narrowing our business portfolio to businesses with higher profits and market shares, while concentrating our management resources. In fiscal 2011, our only business with an operating income margin of more than 10% was the Industrial Automation Business, which accounted for about 40% of total net sales. In fiscal 2020, our Healthcare

Business' operating income margin also exceeded 10%. Combined with the Industrial Automation Business, these two businesses have grown to account for approximately 70% of total net sales. In addition to these portfolio management actions, we have continued to improve our earnings power through efforts conducted jointly among manufacturing, sales, development and planning, including expanding sales of high-value-added products, strengthening our ability to provide solutions, and reducing variable costs and manufacturing costs. As a result, we improved gross profit margin, our focus for the past ten years, from 36.8% in fiscal 2011 to 45.5% in fiscal 2020.

### Changes in Sales Ratio by Segment



### Strengthening Responsiveness to Changes

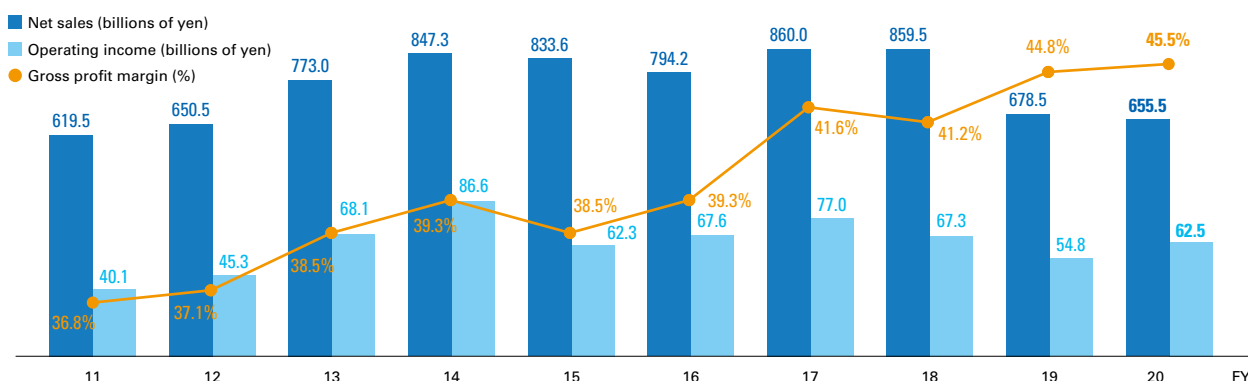
Since 2011, we have engaged in integrated risk management to support global business expansion, improving our responsiveness to changes. Aiming to further increase productivity and build resilience which will enable us to weather change, we are working to optimize our production locations and supply chain. In addition to M&A activities to acquire new businesses in our Industrial Automation Business, we doubled the number of production centers from four in fiscal 2011 to eight, responding to the global expansion of our customers. In our Healthcare Business, we have utilized M&As to acquire production locations in Brazil and Italy in order to position production close to consumers. In fiscal 2011, we had three production locations; this has now grown to five. This increase in production has enabled us to quickly respond to demand fluctuations in the major markets of the Americas and Europe. At the same time, we consolidated 11 production centers to seven in our Electronic and Mechanical Components Business. We were able to improve our productivity by consolidating and eliminating small production centers.

### Future Challenges

During the effective period of VG2020, operating income went from ¥40.1 billion in fiscal 2011 to ¥62.5 billion in fiscal 2020. At the same time, establishing a sound self-driven growth structure that will help us fight against headwinds and grow profits solely through our own capabilities remains a challenge.

As part of our next long-term vision, we will continue to polish our existing businesses and strive to create further value in order to acquire the power to achieve self-driven growth. Moreover, we will also work to evolve our business model into one combining goods and services and, through joint development with our partners, accelerate our challenge to shift to new value generation, achieving self-driven growth.

### Net Sales, Operating Income, Gross Profit Margin Results (FY2011–2020)





## Improving Non-Financial Value through Sustainability Initiatives

As part of VG2.0, our medium-term management plan launched in fiscal 2017, we established material sustainability issues (materialities) and worked to improve corporate value. These material sustainability issues are comprised of two key points: social issues to be solved through our business, and issues responding to stakeholder expectations. We have set VG2.0 targets for social issues to be solved in our mainline business domains and are taking action to achieve them. In addition, through the achievement of goals in the fields of human resources management, manufacturing and the environment, and risk management, we have strengthened our business foundation, built a relationship of trust with society, and fulfilled our corporate responsibility to society.

### Goals for Social Issues to be Solved through Business

Factory Automation 		  
Social Issues to be Solved	<ul style="list-style-type: none"> <li>Shrinking labor force, as an issue in global manufacturing.</li> <li>Shortage of skilled workforce on production floors and requirements of increasingly advanced &amp; diversifying manufacturing processes.</li> </ul>	
VG2.0 Goals	Generate applications to embody the concept of innovative-Automation* in our four focused industries, establish control technologies, and develop new products —Generate Control Technologies for Manufacturing Innovation—	
Fiscal 2020 Progress	<ul style="list-style-type: none"> <li>Integrated: Released the world's first robotic integrated controller. Facilitated the building of systems remotely through the fusion of virtual and real, achieving these and other advanced, automated manufacturing innovations.</li> <li>Intelligent: Tested and developed 5G solutions, accelerated productivity improvement using IoT data.</li> <li>Interactive: Contributed to the automation of assembly, feeding, and inspection operations at customer manufacturing sites by utilizing mobile robots and collaborative robots.</li> </ul>	
Social Value	Contribute to economic development by improving social productivity.	

\* innovative-Automation is the unique OMRON concept to bring innovations to production floors.

Healthcare 		
Social Issues to be Solved	<ul style="list-style-type: none"> <li>Increased incidence of brain diseases and cardiovascular diseases attributable to hypertension.</li> <li>Increased worldwide prevalence of asthma and other respiratory diseases.</li> </ul>	
VG2.0 Goals	<ul style="list-style-type: none"> <li>Blood pressure monitor sales: 25 million units/year.</li> <li>Development of analytical technologies to continuously track blood pressure fluctuations.</li> <li>Nebulizer and wheeze detector sales: 765 million units/year.</li> </ul>	
Fiscal 2020 Progress	<ul style="list-style-type: none"> <li>Blood pressure monitor sales: 24 million units/year.</li> <li>Conducted two clinical research projects. Launched telemedicine service in North America.</li> <li>Nebulizer and wheeze detector sales: 3.41 million units/year. Launched wheezing sensor in Europe. Promoted the value of wheeze sensors via seminars with doctors in Europe.</li> </ul>	
Social Value	Contribute to healthy lives globally by extending healthy life expectancies and reducing medical expenses (initiatives to expand and continue blood pressure monitoring at home to achieve vision of zero heart attacks and strokes; early detection and treatment of asthma via nebulizers and wheeze sensors).	

Social Solutions 		   
Social Issues to be Solved	<ul style="list-style-type: none"> <li>Increase in traffic accidents and traffic jam.</li> <li>Global warming from CO<sub>2</sub> emissions.</li> <li>Slow growth of the renewable energy market.</li> </ul>	
VG2.0 Goals	<ul style="list-style-type: none"> <li>Create driving safety support systems and technologies.</li> <li>Cumulative shipped capacity of solar power/storage battery systems: 11.2GW.</li> <li>Build the energy resource aggregation business using solar power/storage battery systems (Japan).</li> </ul>	
Fiscal 2020 Progress	<ul style="list-style-type: none"> <li>Analyzed and verified the correlation between risk and changes in driving behavior in certain psychological states, including joint research on driving risk detection in collaboration with universities.</li> <li>Solar power systems: Cumulative shipped capacity of 10.3 GW; Storage battery systems: Cumulative shipped capacity of 695 MWh.</li> <li>Provided PV inverters to maximize self-consumption and energy management systems for business continuity measures in emergencies.</li> </ul>	
Social Value	<ul style="list-style-type: none"> <li>Contribute to a safe, secure, comfortable, and clean society for all.</li> <li>Contribute to building a sustainable society by promoting renewable energy.</li> </ul>	



## Solving Issues Responding to Stakeholder Expectations

### Human Resources Management

Employees are the most critical element to promote OMRON Principles Management. As employees supporting the growth of OMRON, we enjoy our work and commit to building an attractive company that accepts the challenge of creating social needs that solve social issues. We create and evolve conditions where the company and its employees can grow together.

#### Talent Attraction and Development



OMRON's Initiatives	Human Resources Strategy <ul style="list-style-type: none"> <li>● Securing and training of next-generation leaders (candidates for important positions).</li> <li>● Providing of a workplace environment that can attract and empower the diverse talent necessary for business growth.</li> <li>● Fostering of self-motivated employees who can achieve self-transformation and development.</li> </ul>
VG2.0 Goals	<ul style="list-style-type: none"> <li>① Continued evolution of TOGA*1 towards meeting OMRON Principles.</li> <li>② Ratio of non-Japanese in key managerial positions overseas: Two-thirds (66%).</li> <li>③ Accelerate PDCA implementation through VOICE*2 employee engagement surveys.</li> </ul>
Fiscal 2020 Progress	<ul style="list-style-type: none"> <li>① Participation in the 8th (FY2019) TOGA Global Conference: A record 16,000 people, including 200 guests from outside OMRON. Steadily accelerated the expansion of the circle of empathy and resonance.</li> <li>② Ratio of non-Japanese in managerial positions overseas: Three-fourths (75%).</li> <li>③ Response rate: 90% (established consistent cycle of listening to and implementing employee feedback).</li> </ul>
Examples	<ul style="list-style-type: none"> <li>● For the 9th (FY2020) TOGA, a total of 51,033 employees (1.8 times entire employee base) engaged in 6,461 projects.</li> <li>● Used periodic talent reviews in the selection of successors, and in localized positions. Systematic provision of opportunities for rotating roles and responsibilities as well as training aimed at the appointment of selected successors.</li> <li>● To create a work environment in which employees can fully express their abilities, we strengthened workplace communications between superiors and subordinates, simplified rules, adopted systems for more flexible work styles, and leveraged IT infrastructure.</li> </ul>
Social Value	OMRON is creating leaders who can drive innovation and employees who possess and express diverse abilities to solve social issues through our businesses.

\*1 TOGA: An abbreviation for The OMRON Global Awards, a participation-type approach for employees worldwide to foster a challenge-oriented corporate culture that uses our business activities to put into practice the OMRON Principles. Through these activities, each and every employee seeks to voluntarily take on the challenges of solving social issues, and of creating value.

\*2 VOICE: VG OMRON Interactive Communication with Employee.

#### Diversity and Inclusion



OMRON's Initiatives	Advancement of Diversity <ul style="list-style-type: none"> <li>● Promoting career advancement for women (OMRON Group in Japan).</li> <li>● Promoting career advancement for persons with disabilities.</li> </ul>
VG2.0 Goals	<ul style="list-style-type: none"> <li>① Ratio of women in managerial roles: 8% *1 (OMRON Group in Japan).</li> <li>② Ratio of employees with disabilities: Increase number of such employees to above the legally-mandated ratio (OMRON Group in Japan).</li> </ul>
Fiscal 2020 Results*2	<ul style="list-style-type: none"> <li>① Ratio of women in managerial roles: 6.7% (OMRON Group in Japan)</li> <li>② Ratio of employees with disabilities: 3.0% (OMRON Group in Japan) (legally mandated ratio: 2.2%)</li> </ul>
Examples	<ul style="list-style-type: none"> <li>● Promoting career advancement for women <ul style="list-style-type: none"> <li>• Provided leadership training, career training, and networking opportunities for female employees.</li> <li>• Trained managers in employee development skills.</li> <li>• Female management mid-career hires.</li> <li>• Enhanced systems that enable flexible work styles.</li> </ul> </li> <li>● Employment of employees with disabilities <ul style="list-style-type: none"> <li>• Empowerment support and verification of reasonable accommodations at all OMRON Group companies.</li> <li>• Established a consultation system and support for activities using professional counselors.</li> <li>• Expanded duties aimed at increasing employment opportunities.</li> <li>• Implemented heart barrier-free training—an awareness amongst everyone of accessibility issues.</li> </ul> </li> </ul>
Social Value	Achieving a workplace in which diverse human resources can play an active role, regardless of the presence of limitations such as gender or disabilities.

\*1: Ratio of women in managerial roles—April 2022 Goal/KPI. \*2: ⓐ is for April 2021, ⓑ is for June 2020.

#### Wellness Management



OMRON's Initiatives	Advancement of Health Management <ul style="list-style-type: none"> <li>● Issuing of employee health management declaration.</li> <li>● Implementation of employee education.</li> <li>● Implementation of initiatives towards ameliorating factors that inhibit good health.</li> </ul>
VG2.0 Goals	Improve awareness of wellness management (spread activities based on Boost5* globally).
Fiscal 2020 Progress	Employees who have achieved at least three of the Boost5 categories: 45.3%. Issues related to exercise and meals remained due to COVID-19. Online events held to improve health awareness of overseas employees.
Examples	<ul style="list-style-type: none"> <li>● Within Japan <ul style="list-style-type: none"> <li>• Published the OMRON White Paper, and made employees aware of the relationship between Boost5 and employee health and performance.</li> <li>• As one measure to support smokers in quitting tobacco, the Quit Smoking Marathon was held to offer them team support.</li> </ul> (In FY2020, OMRON Group companies in Japan adopted a policy prohibiting smoking during work hours including break time while in the office.) </li> <li>● Overseas <ul style="list-style-type: none"> <li>• Established unique Boost5 in each overseas region and implemented activities.</li> <li>• (10,000 steps-per-day challenge to all employees, weight-loss competition, kickboxing classes, health seminars, mental health counselors, smoking cessation support by specialists, etc.)</li> </ul> </li> </ul>
Social Value	Promoting employee health management and fitness increases productivity and employee creativity, as well as contributing towards job satisfaction and a sense of meaning in life for all employees. This is also effective in reducing medical costs.

\*Boost5: We selected and created guidelines for five key themes for evaluating the health of mind and body (exercise, sleep, mental health, nutrition, and smoking).

## Occupational Health and Safety



OMRON's Initiatives	Health and Safety-related Management System and Improvement Activities	<ul style="list-style-type: none"> <li>Promote the acquisition of international health and safety standards at major production centers.</li> <li>Ensure personnel for promotion, and carry out education.</li> </ul>
VG2.0 Goals	<ol style="list-style-type: none"> <li>Number of major production centers acquiring international health and safety standards: Acquisition at centers comprising 80% of production.</li> <li>Continue assignments of promotion personnel: All covered sites.</li> </ol>	
Fiscal 2020 Results	<ol style="list-style-type: none"> <li>Completed certification for sites representing more than 80% of production capacity</li> <li>Maintained assignments of occupational health and safety managers</li> </ol>	
Examples	<ul style="list-style-type: none"> <li>Introduced an OSH management system to investigate occupational risks; pursuing measures to improve processes for self-directed recurrence prevention at each location.</li> <li>Identified and prioritized regions/facilities requiring more personnel; implemented appropriate personnel assignments.</li> </ul>	
Social Value	While ensuring compliance with laws and regulations concerning workplace occupational health and safety, we are creating a work environment to ensure the wellbeing of all employees at the OMRON Group and to maximize their abilities, by striving to create workplaces at which employees can work safely and healthfully — both physically and mentally.	

## Respect for Human Rights and Labor Practices

P71 →



OMRON's Initiatives	Human Rights-related Management System and Improvement Activities	<ul style="list-style-type: none"> <li>Establishment of management system (human rights policy and organizational structure).</li> <li>Human rights risk analysis and corrective actions at production sites.</li> </ul>
VG2.0 Goals	<ol style="list-style-type: none"> <li>Define and adopt due diligence process.</li> <li>Implement analyses and corrective actions regarding human rights risks at all production sites.</li> </ol>	
Fiscal 2020 Results	<ol style="list-style-type: none"> <li>In addition to our own employees, we expanded the scope for employees of temporary staffing companies and contractors, both in Japan and at targeted overseas sites.</li> <li>Conducted risk analyses and implemented corrective measures at all 25 manufacturing sites.*</li> </ol>	
Examples	<ul style="list-style-type: none"> <li>Developed training content for employees of contractors working at our locations; implemented human rights training for representatives of the said employees; provided access to relief measures for employees of contractors.</li> <li>Communicated our policies to employee dispatch companies and contractors.</li> <li>Implemented risk assessments at 19 production locations using RBA SAQ (self-assessment questionnaire); confirmed all locations qualified as Low Risk. In the Labor section, as well, sites qualified as Low Risk expanded to 16 (6 additional sites over the previous year).</li> </ul>	
Social Value	Achieving a better work environment in which the human rights of all people working in the OMRON Group are respected.	

\* Production sites accounting for 80% or more of Group production (excludes minor production).

## Manufacturing, Environment

By putting the OMRON Principles into practice in a way that complies with its Manufacturing Policy,\* OMRON will create social value and strives to contribute to sustainable manufacturing. In conformance with OMRON's Purchasing Policy, OMRON also seeks to achieve sustainable procurement together with suppliers through purchasing practices that conform to our guidelines.

## Product Safety and Quality



OMRON's Initiatives	Advancement of Groupwide Product Quality Management	<ul style="list-style-type: none"> <li>Conducting group-wide product quality management reform.</li> <li>Reducing product safety risk.</li> </ul>
VG2.0 Goals	<ol style="list-style-type: none"> <li>Ratio of newly developed products undergoing safety assessment: 100%.</li> <li>Improve product safety assessments.</li> </ol>	
Fiscal 2020 Results	<ol style="list-style-type: none"> <li>Product safety assessments for newly developed products: 100%.</li> <li>Confirmed regular application to 101 newly developed products.</li> </ol>	
Examples	Expanded assessment details for the application of latest safety standards, laws, and regulations and to improve market and customer usability, and applied this to assessment processes in each business.	
Social Value	Incorporating quality, safety, environmental, and human rights into products and services, to bring about sustainable manufacturing.	

\* OMRON's manufacturing policy comprises three principles: Quality First; 3F (Front-loading, Flowing & Flexible), and H&E (Human-oriented & Eco-manufacturing). The 3F policy refers to the creation of value upstream in the development process and delivering that which is required in the needed quantities and at the needed times. The H&E policy refers to achieving the best match between people and machines and promoting humanity-focused, environmentally friendly manufacturing.

## Supply Chain Management



OMRON's Initiatives	Engagement with Partners	<ul style="list-style-type: none"> <li>Promotion of sustainability self-assessment for important suppliers.*1</li> <li>Introduction of management compliant with RBA,*2 and initiatives to maintain and improve this</li> </ul>
VG2.0 Goals	<ol style="list-style-type: none"> <li>Sustainability self-assessment for important suppliers (Partner Suppliers): 100% implementation ratio</li> <li>Sustainability self-assessment: Achieve RBA score of 85 or more</li> </ol>	
Fiscal 2020 Progress	<ol style="list-style-type: none"> <li>Self-checks: 100% of critical suppliers.</li> <li>All critical suppliers achieved at least 85 points (low risk) in RBA standard score.</li> </ol>	
Examples	<ul style="list-style-type: none"> <li>Used individual meetings to dialogue with these suppliers, and to further communicate that sustainability self-assessment is an issue for business.</li> <li>Visited suppliers who have not implemented sustainability self-assessment, and requested their cooperation.</li> <li>Conducted individual dialogues with suppliers with less than 85 points, and conducted follow-up to improve understanding (Based on the improvement plans, we verified the consistency of initiatives between the person in charge at the critical supplier and our CSR manager, completing the self-check.).</li> </ul>	
Social Value	By solving social issues in the supply chain in cooperation with suppliers, achieving a society capable of sustainable production and consumption.	

\*1 Sustainability self-assessment: Supplier self-evaluation of their own labor, safety, health, and environment, etc. initiatives using a questionnaire. 85 points or above is considered low risk, whereas 65 points or less is considered high risk. Compliant with RBA (Responsible Business Alliance).

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

## Reduction of Greenhouse Gas Emissions

P72 →



OMRON's Initiatives	Advancement of Green OMRON 2020 <ul style="list-style-type: none"> <li>● Reduction in greenhouse gas emissions by improving the efficiency of power usage, and by introducing renewable energy.</li> <li>● Provision of products and services that contribute to the spread of clean energy.</li> </ul>
VG2.0 Goals	① Reduce total GHG emissions by 4% (vs. fiscal 2016). ② Environmental contribution to exceed CO <sub>2</sub> emissions from production centers
Fiscal 2020 Results	① Reduced total GHG emissions by 50% (vs. fiscal 2016). ② Environmental contribution of 826kt-CO <sub>2</sub> > Production location CO <sub>2</sub> emissions: 106kt-CO <sub>2</sub>
Examples	Examples of Greenhouse Gas Reduction <ul style="list-style-type: none"> <li>● Solar power generation system installations: 3 locations in Japan, 1 overseas</li> <li>● Renewable energy procurement: 6 locations in Japan, 1 overseas.</li> <li>● Energy reduction through equipment upgrades and optimized operations (production site in Shenzhen, China).</li> <li>● Potential assessment by professionals to plan mid-term measures for energy conservation and use of renewable energy at production factory in Indonesia.</li> </ul>
Social Value	Making sustainable manufacturing a reality by reducing greenhouse gas emissions, and bringing about decarbonized society.

## Appropriate Management and Reduction of Hazardous Substances

P72 →



OMRON's Initiatives	Advancement of Green OMRON 2020 <ul style="list-style-type: none"> <li>● Build a framework for the management of the chemical substances used in production processes.</li> <li>● Stop use or reduce the use of harmful chemical substances, responding to high social demand.</li> </ul>
VG2.0 Goals	① Reduce mercury through prevalent usage of digital thermometers and blood pressure monitors: 69 tons/year. ② Stop use of equipment using CFCs in FY2018. Also stop use of equipment using HCFCs and mercury (fluorescent lamps) in FY2020.
Fiscal 2020 Results	① Mercury reduction: 70 t/year. ② Eliminated the use of equipment using CFCs in fiscal 2018, and equipment using HCFCs and mercury (fluorescent lamps) one year ahead of schedule.
Examples	Exhibits at trade shows and academic societies for ongoing educational activities for doctors.
Social Value	Realization of decarbonized society that is in harmony with nature, by reducing negative impacts of chemical substances on people, organisms, and the environment.

## Risk Management

OMRON promotes risk management that integrates all risk-related activities at the global level, in order to ensure business continuity and the achievement of goals, while also fulfilling its social responsibilities. By disseminating the policies and rules established in-house, OMRON seeks to build long-term relationships of trust with stakeholders while helping employees engage in work and business with pride and a sense of security.

## Fair Business Practices

P30 →



OMRON's Initiatives	Enhanced Compliance Program <ul style="list-style-type: none"> <li>● Periodic reviews of OMRON Group Rules for Ethical Conduct in order to reflect laws and regulations, and social demand of countries around the world.</li> <li>● Offer continuous, periodic and necessary training and education in order to maintain awareness of compliance and instill matters stipulated in rules.</li> <li>● Assess issues using the whistle-blower system and promptly take corrective actions.</li> </ul>
VG2.0 Goals	Dramatic evolution of group governance.
Fiscal 2020 Results	Completed OMRON Group Rules (OGR)* development and mechanism for global rollout.
Examples	<ul style="list-style-type: none"> <li>● CEO message (translated into 25 languages; delivered to all global company employees).</li> <li>● E-learning for all employees during Global Corporate Ethics Month (bribery prevention, etc.).</li> <li>● Use promotion videos and posters, etc., to encourage understanding of the internal whistleblowing system (Europe).</li> </ul>
Social Value	Implementing appropriate anti-corruption measures taking into account the political, economic, and cultural circumstances of each country, and contributing to the maintenance of an orderly and healthy society based upon the rule of law. Ensuring fair business practices in conformance with applicable laws of respective countries and global rules, thereby contributing to the realization of the society that allows fair and free competition.

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

## Privacy and Data Security

P30 →



OMRON's Initiatives	Rebuilding an Information Security Management System <ul style="list-style-type: none"> <li>● Support for revised and newly enacted laws worldwide concerning the protection of personal information.</li> <li>● Strengthened technical measures to counter the sharply increasing cyber attacks.</li> </ul>
VG2.0 Goals	Build a new information security system.
Fiscal 2020 Results	Consistent engagement in activities based on clearly defined responsibilities, including the promotion of measures by specialized departments such as legal and IT, as well as regular activities by the Information Security Management Committee.
Examples	<ul style="list-style-type: none"> <li>● Survey into personal information protection laws in each country, and updated OMRON Group Rules.*</li> <li>● Improved training of employees in personal information security and dealing with targeted emails.</li> <li>● Globally conducted website vulnerability assessment and management monitoring.</li> </ul>
Social Value	Enable appropriate management of confidential data and personal information to help conduct business safely and securely in a digitized society.

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

# The Direction of Our Next Long-Term Vision

## Positioning of Fiscal 2020 and 2021

In 2011, OMRON started Value Generation 2020 (VG2020), a plan that outlines a 10-year vision for our company. Marking the plan's final stage and last four years, fiscal 2017 was also the year we launched VG2.0, a medium-term management plan which additionally defines our growth strategy to respond to social change beyond the timeframe of VG2020. VG2.0 forecasts future world trends and social changes, incorporating these projections of the future into our strategies. VG2.0 also reflects considerations of the SINIC theory (OMRON's unique future predictive model) and the international initiative Sustainable Development Goals. In VG2.0, we tackled the creation of social needs through co-creative activities with customers and partners, while focusing on three anticipated business growth domains: Factory automation (FA), healthcare, and social solutions. These are three domains in which we can expect to experience business growth by contributing to the resolution of social challenges while at the same time demonstrating OMRON'S strengths.

In response to the COVID-19 pandemic, we have positioned the two years from fiscal 2020 to fiscal 2021 as a period of business reform with an eye not only on responding to the immediate crisis but also on the post-COVID world. We see this as a time in which to accelerate business reform in order to realize sustainable growth in the coming age of the new normal. Our next long-term vision will begin in fiscal 2022.

## The Coming 10 Years as Perceived by OMRON

The world is facing extensive and unpredictable social change unlike anything which has come before, including natural disasters becoming more powerful and frequent, a headlong plunge into a super-aging society, increasing economic disparity, and an increasing risk of global division caused by US-China conflict. In addition, the COVID-19 pandemic has caused people to question just what society and they truly need, transforming people's values from a focus on material to emotional wealth, and accelerating the creation of a new, sustainable society and economic system.

OMRON sees the next 10 years as a transition period during which time we will move from a socioeconomic system predicated on increasing growth through mass production and mass consumption, to a socioeconomic system aiming to realize a sustainable society. Going forward, in the process of realizing that sustainable society, OMRON perceives that clashes between old and new values and the strain generated by the existing socioeconomic system will result in a wealth of social issues which will need to be solved.

## OMRON's purpose

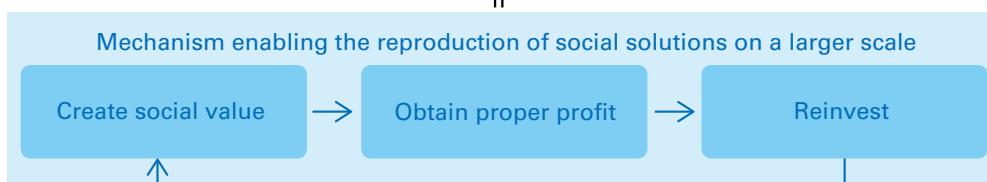
Looking back on our past, whenever the socioeconomic system has undergone great change, OMRON has always built up its business and grown by identifying social issues and creating social needs. During the period of rapid economic growth, OMRON solved the social issues found on production floors and at the sites of transportation infrastructure with new solutions that used machines and systems to automate human work, bringing innovation to peoples lives and creating an abundant society in which people can live in safety, security, and comfort. Further, in the time of the advanced information society, OMRON has supported the development of lifestyles, industry, and society by applying the extensive value it had generated to widely deployable system components and providing them to the global market. In ways such as these, OMRON has identified the burgeoning social issues of the day and, by transforming them into economic value, achieved growth together with society. When looking back on the challenges we have overcome using the OMRON Principles as our driving force, we can perceive our *raison d'être* clearly. The purpose of OMRON's existence is to create social value through our businesses and continue to contribute to society. The next 10 years will be a time when social issues well forth in the realization of a sustainable society, and they will be a time for OMRON to demonstrate its *raison d'être* so that it may remain OMRON. In our next long-term vision, we aim to demonstrate our reason for existing and respond flexibly to change even in a highly unpredictable society, identify social issues, create social value and, at the same time, transform social value into economic value and maximize our corporate value.

OMRON Principles: To improve lives and contribute to a better society

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Raison d'être: Create social value through our businesses and continue to contribute to society

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## Social Issues Being Tackled by OMRON

In our next long-term vision, based on the perspective of the business domains we are engaged in and the technologies which are OMRON's strengths, we have identified the following social issues: Curbing CO<sub>2</sub> emissions, extending health expectancy, and cooperation and harmony between humans and machines.

In addition, in the resolution of those social issues, OMRON has established the following four solutions as business opportunities to pursue and will be creating new value accordingly: Increasing sophistication on the production floor, automating primary and tertiary industries, providing preventative medical support for chronic diseases, and delivering energy solutions toward carbon neutrality.

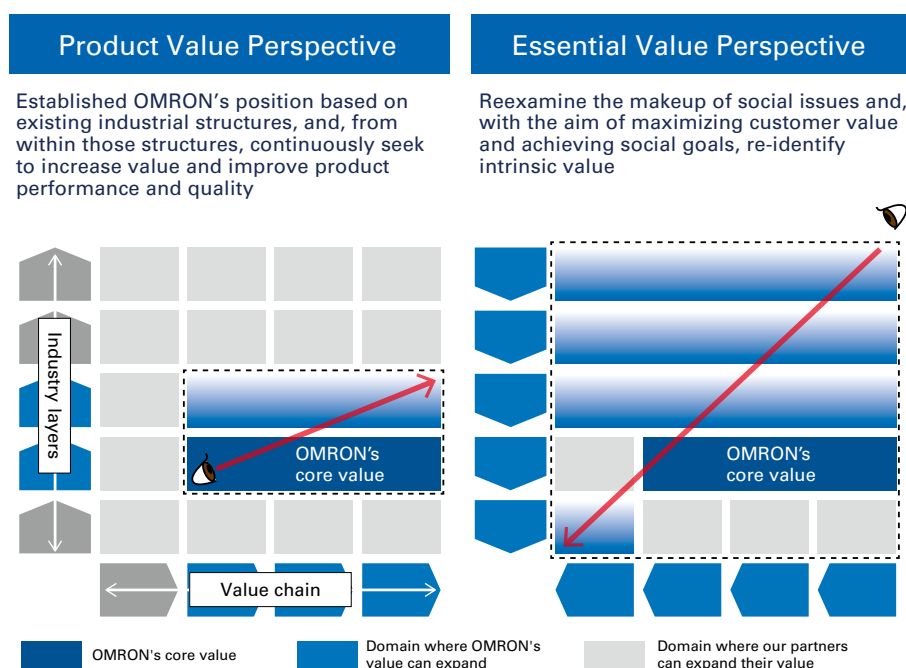


## OMRON's Value Generation

What is needed in the transition period to a new socioeconomic system is a change in perspective. Industrial structures will undergo drastic change, and so too will sources of value change. It is essential that we shift away from a value generation system derived from a product value perspective and look at markets and ascertain the essence of issues from the perspective of re-identifying intrinsic value, what we call a essential value perspective. From this essential value perspective, OMRON will strive to maximize customer value and achieve social goals. To this, OMRON will also be changing the forms in which value is implemented. In addition to conventional value implementation in the form of goods, we will also be combining goods and services for each business and selecting the implementations which offer the highest value.

At the same time, when one has an overarching view of the makeup of social issues from such a essential value perspective, one can see that the requirements for realizing a sustainable society are complex, and that at times the entire social system may need to be redesigned. Resolving these social issues and producing new value will be difficult for OMRON to do alone. Accordingly, we will be accelerating our efforts to tackle the creation of new value with a focus on collaboration with our partners.

### Perspectives Needed for Value Generation

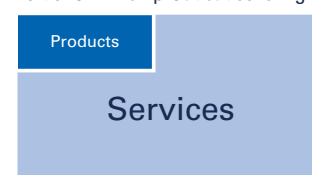


### Implementation Needed for Value Generation

Social implementation for business value for which disparity between goods continues to be important



Social implementation for business value for which product use is high







## CFO Interview

### Constantly Evolving ROIC Management Enabling Omron's Self-driven Growth

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

Koji Nitto

#### Earning Capacity Further Enhanced despite an Unprecedented Contingency

**— You have led Omron's COVID-19 countermeasures requiring difficult decisions amid the challenging situations found all over the world. What are your thoughts looking back on the previous fiscal year?**

After launching the COVID-19 Emergency Headquarters in January 2020, as deputy general manager I oversaw the implementation of countermeasures while working closely with each business unit and our overseas sites. During the pandemic, I focused on our responsibilities as a member of local communities and our responsibility to supply products to customers, with employees' safety and health a top priority. The number of infections varied by country and region, so our basic policy was to disseminate information from the headquarters in Japan while setting up emergency headquarters in each region; thereby, ensuring an independent and agile response, including in terms of working styles.

Furthermore, we reduced fixed costs by more than ¥20 billion per year and actively worked on solution proposal-based sales and business process reforms utilizing remote work, in order to survive this crisis when a substantial drop in sales was expected. As a result, in fiscal 2020 we posted a 14.1% year-on-year increase in profits, despite a downturn in revenue, and gross profit margin, an indicator of profitability, rose by 0.7 points to 45.5%, marking the highest level on record.

Our reduction in fixed costs in fiscal 2020 went beyond just cutting or stopping fixed costs. We recognized this as an opportunity to transform our conventional approaches to work, such as face-to-face communication. Therefore, we were able to lower fixed costs by ¥22.2 billion, well above the target of ¥20 billion. At the same time, investments in IT systems along with the future growth drivers of the Industrial Automation Business (IAB) and Healthcare Business (HCB) were carried out after careful consideration during the COVID-19 pandemic. We were able to progress according to plan because we worked with the shared recognition that reducing fixed costs and making growth investments are actions paving the way to the future.

## ROIC Management Underpinned by Portfolio Management and Down-Top ROIC Tree

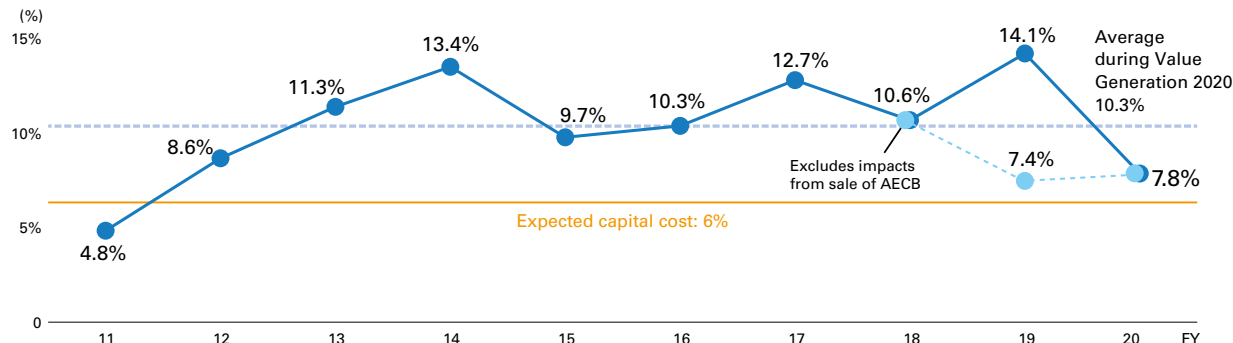
— **Fiscal 2020 marked the final year of Omron's 10-year long-term vision Value Generation 2020. During this period, the Company promoted management based on the OMRON Principles using both ROIC Management and Technology Management. How do you evaluate the results over this 10-year period?**

Our corporate Principles form the foundation of ROIC Management. Based on this recognition, we are focusing first and foremost on rebuilding our business portfolio. Our aim is to contribute to the development of society through our business, going beyond increasing sales and profits. If we can supply the world with essential products, this will naturally lead to higher sales and profits and as a result we will be in a position to invest in the next stage of growth. As such, we will explore ways to enhance the value we offer by accelerating growth investments in businesses that generate profits. At the same time, since

businesses that do not generate profits do not contribute to the world, we will search for the best partner outside Omron to take over these businesses or consider exiting them altogether. In making these decisions, we will not rely simply on the numbers, but rather deliberate over the technologies of these businesses and future potential of the market.

ROIC was 4.8% in fiscal 2011 at the start of Value Generation 2020. Since fiscal 2012, though, ROIC has trended above expected capital cost of 6%, with the 10-year average sitting at 10.3%. In fiscal 2020, ROIC fell back to 7.8%, but this was impacted by the transfer of the Automotive Electronic Components Business in fiscal 2019 and because cash on hand is at 4.6 months of sales, which greatly exceeds the target range of one to two months during normal times. Going forward, in order to further enhance corporate value, the cash stockpiled until now and the cash generated from businesses in the future will be used to strengthen existing businesses and invest in new opportunities to accelerate our growth. We will continue to increase capital efficiency and our ability to generate future cash flow by allocating management capital in the best way possible.

### Trends in Return on Invested Capital (ROIC)



### Business Portfolio Management is important in promoting ROIC Management.

Omron had a total of 63 business units as of the end of fiscal 2020. When evaluating business units using ROIC, we have established the level of 6% of expected capital cost for each business to measure where corporate value is being undermined or not. From this, the hurdle rate is set at 10%, exceeding the cost of salespeople and administrative departments. However, first discussions are held based on present numbers while considering differences in the business life cycle and stage, without making a judgement based solely on this hurdle rate, to determine problem areas and how to make improvements. Next, an action plan is formulated and explained which contains the milestones and measures needed to clear the hurdle rate. At that time, I take ownership as the

person responsible for ROIC Management and need to reach a consensus with the heads of business units.

Business units probably feel a constant sense of pressure, but amid our discussions using the common language of ROIC repeated every year, composed and realistic opinions naturally emerge. This includes recognition that a business unit's problems can be fully resolved organically, determination of who to partner with, or whether it is wise to transfer the business. Furthermore, from the perspective of the company's entire business portfolio, we are now able to examine business repositioning or organizational restructuring. For example, we determined that IAB and HCB should be focus areas as our core business, that the Social Systems, Solutions and Service Business (SSB) should develop the solutions business together

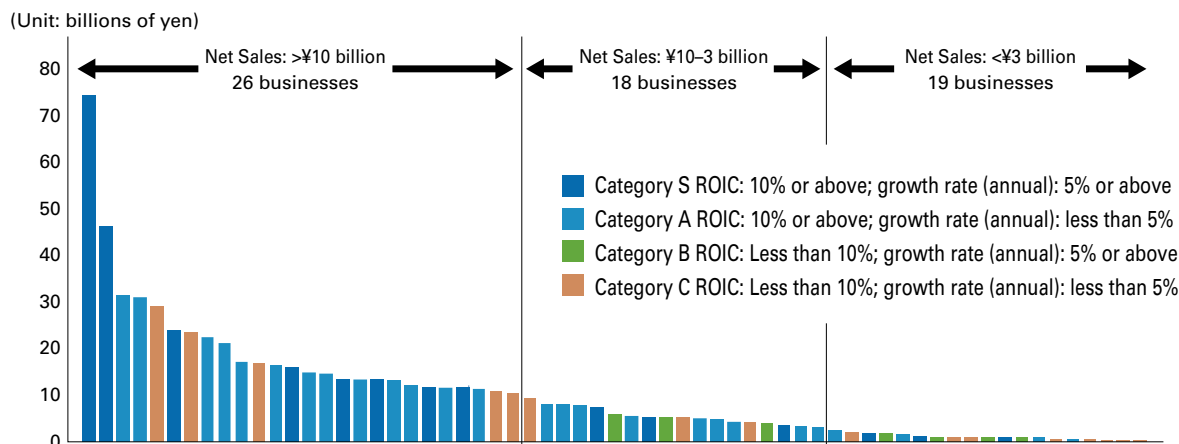
with the environmental business, and that the Electronic and Mechanical Components Business (EMC) should consolidate its production sites to enhance its earnings structure.

In fiscal 2020, we added three business units to investment domains (Category S) compared to fiscal 2019 and removed four business units from the profitability restructuring domains (Category C), which greatly improved the evaluations of business units compared to fiscal 2019. Going

forward, we will continue to deepen discussions with business units using the common language of ROIC to build a more powerful and pliable business portfolio.

Furthermore, we have changed our expected capital cost from 6% to 5.5% starting from fiscal 2021. The hurdle rate for the businesses, though, remains the same at 10%. We will continue aiming to enhance corporate value by improving ROIC and lowering capital cost.

## Business Units Subject to Portfolio Management (FY2020)



## Evolving ROIC Management toward Self-Propelled Growth

**— Could you provide a general overview of Omron's improved financial resiliency, which can be considered as an outcome from a decade of ROIC Management? Could you also share the company's cash allocation policy?**

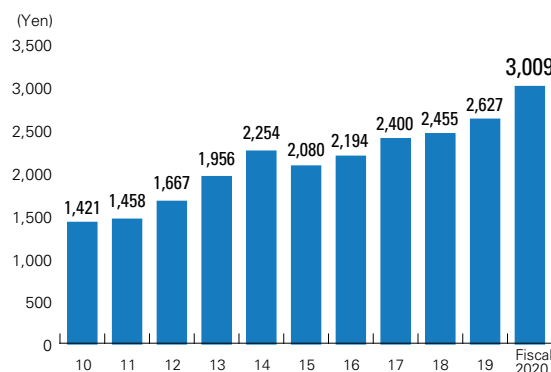
Looking at cash allocation, we have greatly improved our earnings power compared to 10 years prior and we have built up capital. Furthermore, we integrated cash management operations globally and established as system where cash can be allocated by the Head Office.

Operating cash flow during Value Generation 2.0 (fiscal 2017 to fiscal 2020) has steadily risen owing to our enhanced earnings power and efficient use of working capital. Furthermore, we saw a major inflow of cash together with these operating cash flows following the transfer of AEC. Meanwhile, we are funding capital investment aimed at future growth and executing strategic investments such as M&A focused on our core IAB and HCB segments. As for shareholder returns, we continued to pay out a stable dividend and initiated stock buybacks in an agile manner considering capital efficiency.

As a result of these initiatives, book value per share (BVPS) at the end of fiscal 2020 totaled ¥3,009, which is roughly double the level of fiscal 2010. In addition, total shareholder returns including stock price increased by 397.5% as of the end of fiscal 2020 when using the closing price as of the end of fiscal 2010, roughly quadrupling.

As for our cash allocation policy including shareholder returns, we will continuously increase operating cash flow generated from existing businesses and prioritize investments needed for future growth, aiming to sustainably enhance corporate value. After securing internal reserves

## Book Value Per Share (BVPS)

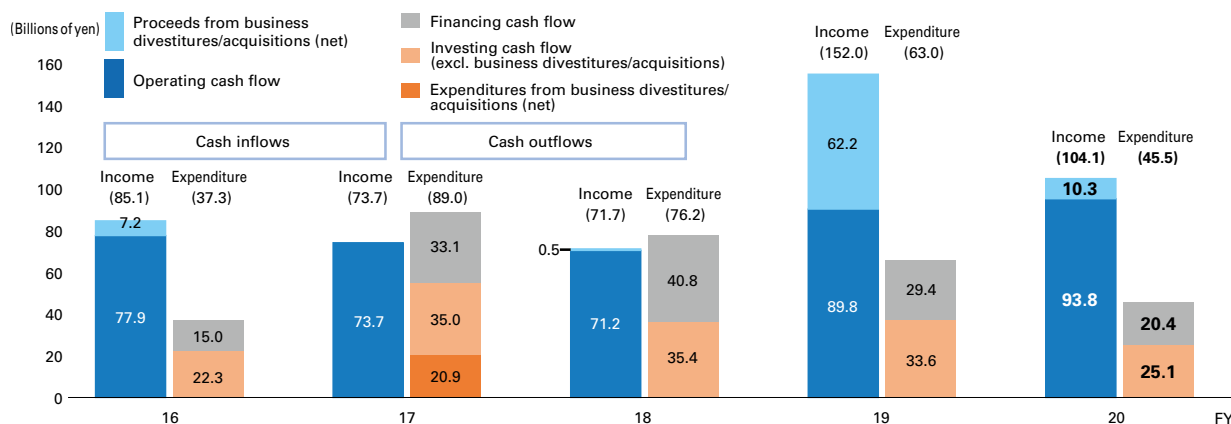


\*Figures as of the end of each fiscal year in the case of purchasing at the closing price as of the end of fiscal 2010.

needed to fund future investments, we will pay out a stable and continuous dividend to our shareholders. To efficiently administer surplus funds

accumulated over many years, we will work toward management conscious of capital efficiency and execute stock buybacks in an agile manner.

## Trends in Cash Flow



Note 1: Figures presented exclude impacts of foreign exchange rates.

Note 2: Figures for cash flow from investing activities are presented separate from impacts due to business divestitures/acquisitions. Proceeds and expenditures from business divestitures/acquisitions include "Acquisition of business, net of cash acquired (net with cash outflow amount)," "Proceeds from sale of business, net of cash paid (net with cash outflow amount)" and "Decrease in investments in affiliates (increase)" appearing in the consolidated statements of cash flows.

## How will ROIC Management evolve in Omron's future growth?

There are new ways of generating earnings through the service business and recurring business amid the worldwide trend of combining products and user experience. This change has not been fully reflected in our Down-Top ROIC Tree previously; thus, we will need to ascertain initiatives underway while reviewing KPI as necessary. At the same time, we will have to establish a new indicator going forward, since ROIC indicates the present value calculated as financial information but cannot measure the value of intangible assets linked to future growth. As such, aimed at the next long-term vision, we are holding discussions on indicators and visualization of future growth including ESG (Environmental, Social, Governance) issues and non-financial value.

## Fiscal 2021 has been positioned as the starting line for the Company's efforts toward self-driven growth. As CFO, how will you work to achieve this growth?

In addition to a recovering global economy, there are growing demands in society to address sustainability including reducing CO<sub>2</sub> emissions. In fiscal 2021, we will boost revenue across all business segments by steadily capturing these business opportunities. In addition, we will work on structural reforms and on increasing added value by strengthening the marketability of our products, while prioritizing investments needed for future growth along with continuously increasing operating cash flow generated from existing businesses aimed at continuing new working styles implemented during the COVID-19 pandemic. After securing internal reserves needed to fund future

investments, we will pay out a stable and continuous dividend to shareholders. Additionally, surplus funds accumulated over the years will be used toward management conscious of capital efficiency by executing stock buybacks in an agile manner. We will minimize any uptick in fixed costs to further boost earning capacity going forward. Currently, our core IAB and HCB segments are expected to see substantial growth in the future and for this reason we will work to achieve robust sales growth here. The cash generated from this sales growth and strong earnings power will be deployed to fund M&A, business alliances, and investments in venture companies, unlocking new growth opportunities, which will pave the way for the next stage of our growth. To actualize this growth, we will invest in human capital and further accelerate digital transformation (DX) including the evolution of our core IT systems currently underway. Since both require a long-term perspective, we will work toward each with an eye toward future cash flows.

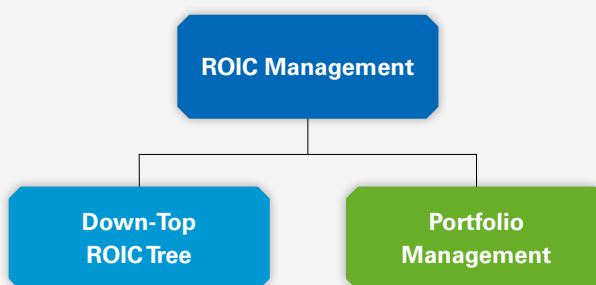
Today the world is experiencing profound changes characterized by Volatility, Uncertainty, Complexity and Ambiguity (VUCA). We will be left behind if we simply maintain the status quo. In such an era, Omron will further strengthen its existing businesses while also creating value based on new growth opportunities. Under our next long-term vision, we will evolve our business model by not only providing value through products, but also combining them with services and user experience and co-creating with partners. Toward this end, in fiscal 2021 we will speed up our business model reforms and concepts for our next management system to actualize growth during the next long-term vision.



## ROIC Management

ROIC management consists of Down-Top ROIC Tree and Portfolio Management.

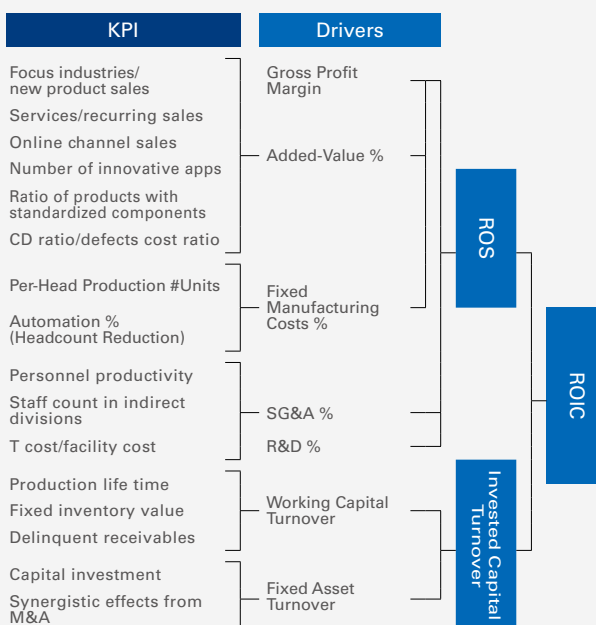
OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope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



### Down-Top ROIC Tree

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

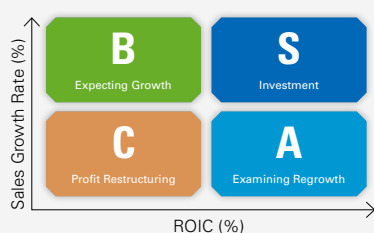
### Down-Top ROIC Tree



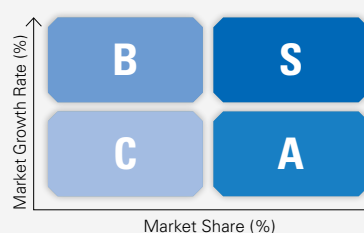
### Portfolio Management

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

#### Assessing Economic Value



#### Assessing Competitiveness





# Risk Management

Corresponding SDGs



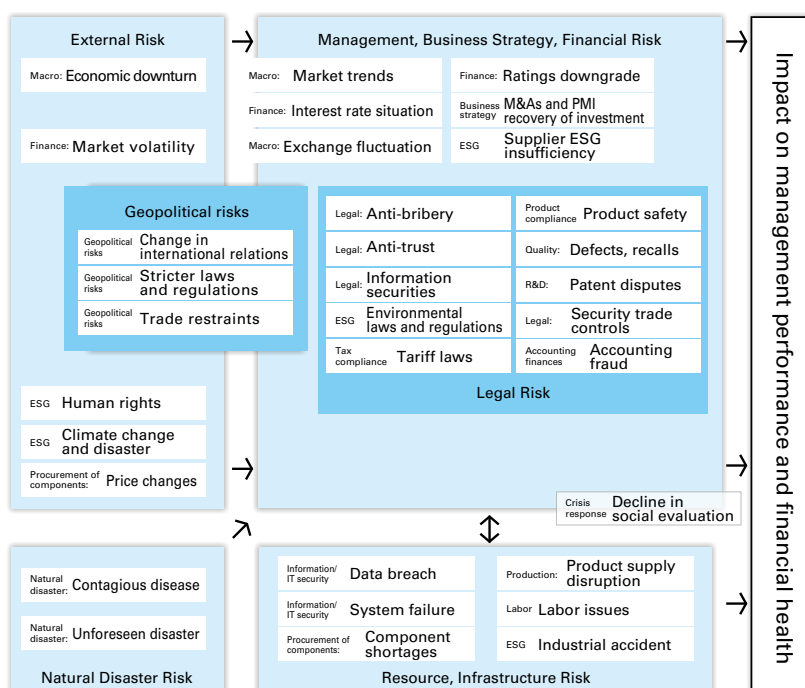
## Integrated Risk Management for Supporting Global Business Activities

OMRON started integrated risk management in order to manage the risks of the Group via a shared framework in 2011, the same year OMRON initiated VG2020. The reason for this was that in order to rapidly respond to the faster pace of change in the operating environment and rising levels of uncertainty, we needed to become more attuned to risk, scenting and addressing risks before they became actualized.

We aim to develop effective risk management whereby all employees and management teams can work together to solve issues arising from environmental changes that cannot be resolved at the working level. We work to improve the quality of our initiatives by following the plan-do-check-act (PDCA) cycle on a global scale. We also regard the accelerated business environmental changes as

opportunities, and perceive determining how to take risks as an essential perspective. We are additionally addressing how to build mechanisms enabling efficient, effective, and prompt risk decisions to be made while still adhering to the OMRON Principles and relevant business rules.

### Overview of Business Risks



## Integrated Risk Management Structure

OMRON has established a PDCA cycle that is conducted throughout the year to analyze risks, respond to material risks, and engage in crisis management. To promote initiatives on a global scale with all employees, risk managers are appointed for each headquarters, division, regional headquarters, and group company across the world.

### Activity Cycle for Integrated Risk Management



## Risks Surrounding Management and Businesses, and Risk Analysis

As OMRON does business globally, we must respond to a variety of risks. Therefore, the OMRON Group breaks down all risks that may impact its management or financial condition into categories and determined their interrelationships. For major risks, we regularly (at least once a year) conduct comprehensive analyses of expected environmental changes, the appropriateness/sufficiency of Group measures, and actual risk cases that have occurred, and rank these risks accordingly. S-rank and A-rank risks, as defined below, are called significant Group risks. For these, we monitor the implementation status of countermeasures and situational changes.

- 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

### Addressing Material Group Risks

The following examples of significant Group risks represent those matters related to business and finance which may impact the Group's operating results and financial condition (including stock price). Items which have undergone a particularly extensive change in management or business environment and which the OMRON Group is currently prioritizing are labeled with an asterisk in the table below. However, this is not an exhaustive list of all risks; the Group may be affected in the future by risks that are not currently foreseeable or considered significant.

Matters discussed here that are not historical fact reflect the judgment of OMRON Group management as of June 25, 2021 (the date of submission of the annual securities report).

#### S Rank

- \* **COVID-19**
- \* **Global information & IT security**
- \* **Business continuity**
- \* **Quality issues**
- Crisis response
- Accounting/financial fraud
- Violation of global laws and regulations (e.g. cartels, bribery)

#### A Rank

- \* **Geopolitical risks**
- \* **Addressing sustainability issues**
- Human rights risks**
- Climate change risks**
- \* **Recovering M&A and alliance investments**
- Product compliance
- Tax compliance (e.g. customs)
- Group company governance systems
- Internal fraud
- Labor issues
- Employee safety
- Intellectual property disputes and legal proceedings
- Environment/occupational health and safety

\* Priority topics to be addressed

Risk	COVID-19 (S Rank)
Risk Scenario	Since the OMRON Group does business at locations and with suppliers on a global scale, prolonged spread of COVID-19 worldwide would significantly impact Group business activities. Specifically, in the event of decreasing demand caused by stagnating customer business activities and capital investment or stagnating individual consumption, or in the event of delayed supply of products to customers over the long term due to events such as stoppages in parts supply from important suppliers and internal outbreaks of infection, the reduced production performance and declining sales could impact the Group's operating results or financial condition.
Measures	<p>Continuing from our efforts last year, the Pandemic Response Headquarters, led by our CEO, addresses the pandemic with top priority to ensuring health and safety of our employees and the prevention of the spread of infection in regions where we operate. In addition, based on our COVID-19 Business Continuity Plan (BCP), we are continuing to expand telecommuting and take infection control measures in the workplace in consideration of various national government/regional laws, regulations, and guidance. Infection status and Group efforts to address the pandemic have been brought up and discussed at the Board of Directors as a priority topic. In addition, we are working to improve productivity through new work styles such as remote work and going paperless cultivated amid the COVID-19 pandemic, while promptly responding to demand generated in the pandemic armed with ample infection control measures.</p> <p>Assuming a future business environment with COVID-19, we will continue to maintain our supply chain, accomplish our responsibility to supply our customers, and fulfill our social responsibilities.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Implementation of measures based on the COVID-19 Business Continuity Plan (BCP)</li> <li>● Monitoring of suppliers in major countries (54 countries/regions)</li> <li>● Implementation and continuous improvement of in-house infection control measures</li> <li>● Monitoring of infection outbreak status, work attendance rates, etc.</li> </ul>

Risk	<b>Global information &amp; IT security (S Rank)</b>
Risk Scenario	<p>The OMRON Group possesses essential business information, as well as personal or confidential information obtained from business partners during the course of business. New, growing cyberattacks worldwide and revisions to laws on data and personal information protection in the Americas, China, and Asia, such as stronger enforcement of GDPR* in Europe, are greatly impacting business activities. In the event of leakage of essential confidential or personal information due to virus infection of the Group's IT systems, suspension of production activities, or insufficient Company management in accordance with personal information laws and regulations of various nations in data, imaging and other businesses, the stoppage of business activities, administrative penalties, damage to social trust in our brands, and other instances could impact the Group's operating results or financial condition.</p> <p>*GDPR: EU regulations for protection of personal information</p>
Measures	<p>In order to strengthen information security on a global scale, we hold integrated cybersecurity meetings under the control of the CFO, creating a system for monitoring and taking preventive actions before risks arise even during normal times, and for taking unhindered, prompt action in the event of an incident. We also evaluate measures based on global standard information security management systems, and address issues accordingly. Furthermore, we have established Group rules on information security and personal information protection. We are improving the effectiveness of our measures in these areas through initiatives such as website vulnerability checkups, cyberattack drills, and employee education for enhanced information literacy.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Website vulnerability checkups and addressing issues</li> <li>● Segmenting factory network environments and strengthening protection</li> <li>● Conducting cyberattack drills</li> <li>● Implementing data encryption measures based on analyses of increasingly sophisticated cyber risk cases</li> <li>● Understanding personal data regulations and implementing measures to protect individual rights</li> <li>● Thorough handling of information based on information security rules (e.g. usage, storage, disposal, measures to take in the event of an incident)</li> <li>● Employee education for enhanced information literacy</li> </ul>

Risk	<b>Business continuity (S Rank)</b>
Risk Scenario	<p>The OMRON Group operates production sites in China, Asia, and other regions around the world. We deliver products to our clients globally through sales sites in these countries and regions. The supply chain for parts and other items used by the Group is also diversified in processes globally, from materials procurement to the production assembly process. Our dependence on highly-competitive manufacturers is increasing. Recently, climate change has caused major natural disasters and earthquakes, large-scale fires at business partners, and other unforeseen disasters. Tightening product supplies due to this and rising demand has a significant impact on our business activities. In the event that social infrastructure or economic activities were to halt in a broad area, or if supply shortages were to occur for critical components, our business activities could be partially suspended or curtailed, which could have an impact on OMRON Group operating results or financial condition.</p>
Measures	<p>The OMRON Group has devised a business continuity plan (BCP) for not only production, but also purchasing and procurement, logistics, and IT, and is taking actions to provide for necessary safety measures, business continuity, and rapid recovery in preparation for the outbreak of new infectious diseases and all kinds of natural disasters. We also conduct simulations and training drills for emergency situations, operate an employee safety confirmation system in preparation for disasters, and stockpile emergency food and drinking water to improve the effectiveness of our continuity plans.</p> <p>Furthermore, in preparation for an emergency in the supply chain, we are taking measures such as building a mechanism to ascertain parts supply risk immediately after a disaster and securing strategic parts inventory according to degree of importance. At present, global supply of semiconductors is tight due to greater use of electrical equipment in automobiles and increasing demand for personal computers caused by the COVID-19 pandemic-driven acceleration of remote work, as well as due to the expectations of economic recovery in Europe and the United States. While resolution is not considered likely over the short term, we are striving to secure supply through strong trust relationships and close communications via strategic dialogue with our suppliers. At the same time, we are trying to minimize risks by exploring and adopting alternative materials for high-risk parts.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Formulating and updating business continuity plans (BCP)</li> <li>● Conducting simulations and training drills</li> <li>● Centralized management of supplier production area information and establishment of evaluation systems for alternative production sites</li> <li>● Understanding and analyzing market/material information using third-party information</li> <li>● Regular meetings with suppliers (dialogue based on information analysis)</li> <li>● Securing parts inventories according to degree of importance</li> <li>● Establishing escalation routes for emergencies</li> </ul>

Risk	Quality issues (S Rank)
Risk Scenario	<p>The OMRON Group aims to provide products with a high degree of novelty for accelerating technological evolution and resolving social issues. Increasing demands for product safety and accuracy, as well as for reporting and actions taken against product quality defects, and furthermore the globally-growing rigor of environmental chemical substance regulations covering products (such as the European RoHS Directive) and laws, regulations, and standards relating to product safety are greatly impacting business activities. In the event that we provide inadequate product design/inspection, inappropriate customer support, or inappropriate reporting, or in the event that we are non-compliant with laws, regulations, and standards, the resulting large-scale recalls or damage to social trust in our brands could impact the Group's operating results or financial condition.</p>
Measures	<p>In order to maximize customer satisfaction, we have established a basic quality policy based on the principle of quality first. We have also established a quality management system based on international standard requirements. In addition, in order to further our quality governance, the Global Procurement and Quality Management HQ, which conducts top-level oversight of quality, holds company-wide quality meetings. In addition, we have established and enforce Group rules regarding our quality assurance system, quality assurance activities, and management in the event of a serious quality issue. Furthermore, we are strengthening our management system by ascertaining trends in globally-changing environmental and safety-related laws, regulations, and standards related to products and other areas.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Acquisition of ISO 9001 / ISO 13485 / IATF 16949*<sup>1</sup> Internal audits of QMS*<sup>2</sup> at business companies Promotion of design process problem solving activities</li> <li>● Currently working to ascertain trends in environmental and safety-related laws, regulations, and standards related to products and other areas, and to strengthen management systems conducting impact assessments</li> </ul> <p>*<sup>1</sup> ISO 9001: International standard for quality management systems  ISO 13485: International standard for quality management systems for medical devices  IATF 16949: International standard for quality management systems specifically for the automotive industry  *<sup>2</sup> QMS: Quality management system</p>
Risk	Geopolitical risks (A Rank)
Risk Scenario	<p>The OMRON Group operates production sites in China, Asia, and other regions around the world. We deliver products to our clients globally through sales sites in these countries and regions. Changes in policies and regulations following shifts in international relations, such as U.S.-China relations, greatly impact our business activities. In the event that various national export regulations, technology transfer restrictions, and tax increases impose limitations on development, production, logistics, and sales activities, this could impede the delivery of products to our customers, impacting the Group's operating results or financial condition.</p>
Measures	<p>We regularly monitor global political and economic conditions and trends in laws and regulations, ascertaining changing business environments in each area and their impact on our performance. We are also exploring systems for rapidly analyzing and generating insights on the state of optimal production, research and development, and intellectual property management, as well as on the impact of changes in laws and regulations on our various businesses. In addition, export regulations in various countries have wielded greater influence in recent years. Our Global Risk Management and Legal HQ manages a company-wide export control committee, conducting proper security trading management. These initiatives have been brought up and discussed at the Board of Directors as a priority topic.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Analyzing and evaluating policies such as tariff increases in major countries, export restrictions, and emerging technology trading restrictions based on security export controls</li> <li>● Re-evaluating transaction formats and our supply chain</li> <li>● Building a system to manufacture products in parallel at multiple locations</li> </ul>
Risk	Addressing sustainability issues (human rights risks) (A Rank)
Risk Scenario	<p>The OMRON Group has business locations around the world, and does business with suppliers across a number of countries. Awareness of business and human rights is growing more and more, particularly in developed countries. The increasing demand by stakeholders for addressing ESG concerns at a higher level, such as calls to address human rights and conflict minerals in the supply chain, greatly impacts our business activities. In the event that the Group and its suppliers were to fail to appropriately address these, the resulting suspension of customer transactions, administrative penalties, or damage to social trust in our brands could impact the Group's operating results or financial condition.</p>
Measures	<p>We maintain legal compliance in each country and region, refer to international rules and guidelines regarding sustainability, such as ISO 26000*<sup>1</sup>, and have formulated OMRON Group policies and codes of conduct. We have also declared our compliance with the UK Modern Slavery Act and have publicly announced Group initiatives to address human rights. We are also taking other measures, such as operating global whistle-blower hotlines. Regarding human rights risks, which fall under our sustainability targets, we are advancing initiatives through discussions at the Sustainability Committee, with the oversight and supervision of the Board of Directors. We also require our suppliers to manage their affairs properly in line with our sustainable procurement guidelines.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Establishing OMRON Group Sustainable Conduct Policies and OMRON Group Rules for Ethical Conduct</li> <li>● Implementing RBA*<sup>2</sup> risk assessments (at all 25 production sites*<sup>3</sup>)</li> <li>● Declaring compliance with the UK Modern Slavery Act</li> <li>● Conducting human rights training (Japan, China)</li> <li>● Operating whistle-blower hotlines worldwide</li> <li>● Conducting human rights training for on-site outsourced employees and establishing whistle-blower hotlines (Japan)</li> <li>● Presenting sustainable procurement guidelines to suppliers and confirming compliance status</li> </ul> <p>*<sup>1</sup> ISO 26000: International standard for social responsibility  *<sup>2</sup> RBA: Responsible Business Alliance  *<sup>3</sup> Production sites accounting for 80% or more of Group production (excludes minor production)</p>

Risk	<b>Addressing sustainability issues (climate change risks) (A Rank)</b>
Risk Scenario	<p>Customers, suppliers, and society as a whole are calling for reductions in greenhouse gas emissions in the supply chain toward a decarbonized society as well as environmental consideration in products and services as an international response to climate change risks.</p> <p>The OMRON Group has business locations around the world, and does business with suppliers and customers across a number of countries. Due to the rise in energy prices as a result of tightening regulations in various nations, additional capital investment to address energy savings and renewable energies, and impact from the introduction of carbon taxes, there are risks of increasing business costs. Furthermore, in the event that OMRON and its suppliers were to fail to appropriately address these, the resulting suspension of customer transactions, administrative penalties, or damage to social trust in our brands could harm business opportunities. If the aforementioned risks were to become apparent, this could impact the Group's operating results or financial condition.</p>
Measures	<p>The OMRON Group maintains compliance with environmental laws, regulations, and guidelines in each country and region, and has formulated Group policies with reference to international rules. We have also launched analyses of business opportunities and risks given future regulatory trends. In our declaration of the OMRON Carbon Zero target, we aim for the company to emit zero greenhouse gas emissions in 2050 (Scopes 1 and 2), and are steadily reducing emissions each year to achieve this goal. We have also declared our support for the TCFD<sup>*1</sup>. We conduct governance, risk management, target-setting, and strategy-building in accordance with this framework, and disclose information accordingly.</p> <p>Regarding reduction of greenhouse gas emissions and increase in environmental contribution<sup>*2</sup>, which fall under our sustainability targets, we are advancing initiatives through discussions at the Sustainability Committee, with the oversight and supervision of the Board of Directors.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● OMRON Carbon Zero declaration</li> <li>● Setting greenhouse gas emission reduction targets, implementing energy savings, implementing captive consumption of renewable energy, and advancing other initiatives based on the SBT<sup>*3</sup></li> <li>● Declaring support for TCFD, disclosing information in accordance with this framework, and implementing scenario analyses</li> <li>● Increasing environmental contribution<sup>*2</sup></li> <li>● Presenting sustainable procurement guidelines, including for addressing climate change, to suppliers and confirming compliance status</li> </ul> <p><sup>*1</sup> TCFD: Taskforce on Climate-Related Financial Disclosures</p> <p><sup>*2</sup> Environmental contribution: CO<sub>2</sub> emissions that can be reduced by utilizing products and services related to energy creation and savings in society</p> <p><sup>*3</sup> SBT: Science Based Targets, a series of medium to long-term targets for greenhouse gas reductions based on scientific evidence</p>
Risk	<b>Recovering M&amp;A and alliance investments (A Rank)</b>
Risk Scenario	<p>The OMRON Group considers M&amp;A and alliances to be necessary strategies for future growth. In accordance with this, we work to improve the corporate value of the Group with M&amp;A, alliances, and divestment of business based on portfolio management<sup>*</sup>.</p> <p>Here, in the event that governance or compliance issues arise at the company to receive investment, which could not be identified even with prior investigation, or in the event of failure to achieve the expected sufficient synergistic effects due to dramatic deterioration in the economy, changes in the competitive environment, or changes in laws and regulations, etc., there is a risk that impairment losses may occur due to failure to achieve the expected results, impacting the Group's operating results or corporate value.</p> <p><sup>*</sup>Portfolio management: Efforts to evaluate businesses based on assessments of economic value and market value for the approximately 60 business units OMRON controls at present</p>
Measures	<p>When executing M&amp;A and establishing alliances, we form project teams comprised of members from business divisions, headquarters units, and outside experts. These teams issue investment determinations in consideration of risks and synergistic effects from collaboration with the Group based on confirmation of financial and contract details with the company in question and a detailed preliminary examination through conversations with management, among other actions. Even after the acquisition, business divisions and HQ units work together to formulate and execute a post-merger integration (PMI) plan given the business strategy and risks. In addition, the performance of the company in question, the progress of the relevant business strategy, and the assessment of its business value are regularly reviewed by the Company's Board of Directors.</p> <p>[Major Initiatives]</p> <ul style="list-style-type: none"> <li>● Exploring and assessing M&amp;A and alliance candidates based on business strategy</li> <li>● Formulating due diligence and business plans according to M&amp;A and alliance projects</li> <li>● Review of specific target progress for post-acquisition economic impact by the Company's Board of Directors (At least once a year)</li> </ul>





## CTO Interview

### Technology Management Centered around our Corporate Philosophy

Representative Director, Senior Managing  
Executive Officer, CTO and Senior General  
Manager, Technology & Intellectual Property HQ

Kiichiro Miyata

#### Architectural Thinking Required in Changing Times

**—We have now been living with the COVID-19 pandemic for one and a half years. From the perspective of a CTO, what changes do you consider COVID-19 brought to society and business?**

COVID-19 has resulted in huge, fundamental changes worldwide. People's lives are now different, new values have emerged, and business rules and practices have changed. Taking a broader view of these changes, however, shows that we are being swept along by major trends. This trend is digital transformation (DX), which is fundamentally changing the way in which society and industries function. All around the world, the internet connects people with people, people with things, and things with things—diverse knowledge and information are generated, distributed, shared, and they are available whenever needed, in the needed formats. What makes this all possible is the exponential evolution of computing power. The pandemic has resulted in dramatic increases in the pace of these changes, and given that operating as we have done before is no longer an option, we need a fundamental rethink of what is really necessary.

For us as well, the pandemic has presented an opportunity to review the core value of science and technology required when confronted by rapid social change, and to envisage a future that we should aspire to. With the imposition of a state of emergency in spring last year, OMRON employees in principle had to work from home. In their efforts to carry out R&D and create new businesses, the Technology & Intellectual Property HQ and the Innovation Exploring Initiative HQ (IXI) also had to rein in some of their collaborative creation activities, especially some with parties outside the company. However, thanks to this, we were able to spend three months discussing in depth the areas that OMRON really needs to work on, the value within those areas, and what should be stopped or changed, without relying on any assumptions that had hitherto been made. Through this, we reaffirmed the importance of our “architecture capacity.”

This architecture capacity is the ability to look three to five years hence, precisely define an image of society at that time, and determine what social issues will need to be resolved, and then design and put in place the three architectures—business, technology, and intellectual property—that are needed to solve the problems and create social needs. Our experience in this unprecedented crisis that is the pandemic has made me very aware that this architecture capacity is indispensable in order that we can respond flexibly to change.

### — Have any businesses been spurred to make reforms by the pandemic?

Remote patient monitoring are a good example. In many parts of the world, people hesitate going to hospitals for fear of infection, and even in Japan, the ban on online initial diagnoses of patients has been lifted. However, even if we get past the COVID-19 pandemic, issues such as shortages of medical staff and a skewed distribution of medical services towards urban areas will not fundamentally be resolved, and are likely to worsen. It is here that we expect demand for remote consultation services to grow.

OMRON has invested in U.S. startup AliveCore, Inc. that provides home electrocardiographs, as well as Dutch company Luscii Healthtech B.V. that provides online medical services, and is moving forward with business alliances. Also, through our internal venture capital company OMRON VENTURES CO., LTD. we are investing in British company Patients Know Best Ltd. that is developing a medical data sharing system, and have started collaboration. We have considered the digitization of healthcare an area for strategic investment area for some time, but the COVID-19 pandemic has brought this to the fore.

\* Luscii

## Organizational Mechanism for Solving Social Issues

### — One of the mechanisms that supports management based on the OMRON Principles is “Technology Management.” What is OMRON’s Unique Technology Management that the company has been aiming for in VG2020?

Based upon OMRON’s Corporate Motto, the idea of discern new, hitherto not perceived social needs, and solve social issues is at the core of what we consider Technology Management. Central to this is the future predictive SINIC theory that acts as a lodestone for OMRON’s management, and that was presented by company founder Kazuma Tateishi at the World Futures Studies Federation. This theory was born from his strong conviction that it was necessary to grasp social needs by predicting future society, and to conduct management and business based upon these. The SINIC theory is based upon the idea that science, technology, and society will mutually interact with each other thus leading to a virtuous cycle—from these, OMRON’s particular emphasis is upon society. OMRON has a unique approach of predicting how society will change and what issues will arise as a result, and using science and technology to resolve these issues. Our founder excelled at quickly perceiving

indications of change in the world, creating a very specific vision of the future that no-one else had noticed, and understanding social needs. However, when the company no longer had someone with this particular skill, we were confronted with the problem of who would be able to forecast future social needs, and come up with solutions for these. Accordingly, we have established OMRON SINIC X Corporation (OSX) in 2018 together with IXI, an OMRON Group-wide innovation platform, in order to work systematically on business creation and developing solutions based on SINIC theory. This is nothing less than putting into practice “ambidextrous management”—this simultaneously promotes the deepening of existing businesses together with the quest for and establishment of new businesses. [P4 SINIC Theory →](#)

### — Please tell us about the roles of IXI and OSX, and their performance.

We are creating an image of the near future, and working on the architecture for the strategies needed to make this a reality in terms of technology, intellectual property, and business models. IXI is the organization that promotes this process of backcast-type innovation creation. OSX, however, is a strategic location that is tackling the creation of designs for the near future, based around technological innovation. This is an independent company that adopts a free research and development style not constrained by conventional OMRON systems and rules, and that hires from outside the company top human resources in the fields of cutting-edge technologies. We are working on open innovation with a diverse range of members. In the three years since IXI and OSX started, we have established the “template” for the OMRON-style innovation that we are pursuing. This is an Integrated Innovation Process that combines new business development with knowledge sharing. This process comprises four phases, namely “Phase 0: Business Ideation,” “Phase 1: Strategy Formulation,” “Phase 2: Business Verification & Technology Validation,” and “Phase 3: Business Development.” The most difficult of these is Phase 0. Determining the kinds of seeds to select for innovation, whether these respond to legitimate social needs, and whether these can be scaled up for a business exceeding its capital cost is no easy task. [P59 IXI →](#) [P63 OSX →](#)

### — How did you overcome this problem?

This time, we focused on “planting the flag.” At OMRON, when employees declare that they have set high goals, we refer to this as “planting the flag,” and we have also expanded this flag planting culture for working with business partners. For example, even though ostensibly a robotics business, our making a specific, pointed declaration on this will clarify what types of

technology and management resources will be needed as well as who we should work with, and what is still lacking in order to expand. Another thing we have learned is to not trust too much to on-site judgment. The more we aim for creation of a business that can predict the future and that can at times even reform social systems themselves, the more complex laws and regulations as well as relationships with stakeholders become, posing an onerous responsibility and burden for the sites alone. Therefore, we ventured to introduce a centralized decision-making system. This does not, of course, mean that we only use top-down decisions. Without losing our sense of haste, top management stresses conducting discussions and making rapid decisions with personnel on-site.

As the speed of change accelerates, rather than continuing with cautious discussions into whether something is right or not, the most important thing is to make a decision. If that decision proves to be wrong, then we should learn from that failure, and start over. Documenting this process makes it useful knowledge that can be shared.

#### — Are these seeds ever in short supply?

No, they're not. This is because all OMRON employees are provided the opportunity to think of themes, and take it upon themselves to work towards making products or services commercially feasible. IXI is not simply a dedicated organization for creating new business, but rather a platform. This has as its purpose having people aware that new business development is not just something to be done by others, but instead the entire group's ability to create innovation is also something they need to embrace.

The Technology & Intellectual Property HQ has up until now also been considering many new themes. However, there are some areas that are still unclear in the process of selecting themes, so from this year we have streamlined how to select business ideas in Phase 0. Ideas that have been brought in are refined in weekly themed meetings, and discussions are held to determine the next step. Each presentation is limited to 10 minutes and five pages, with plenty of time spent on discussions. I am the organizer of these themed meetings, and as such have attended all of them.

The important thing here as well is to reach conclusions, or put simply, make decisions. I briefly cover and share with everyone involved what we need to do as the next step or whether this is to be halted, and the reasons for this. I feel strongly that these highly transparent discussions and prompt decision-making processes foster a mindset of innovation within the company.

#### — Please tell us about some projects in the works using IXI.

I'll introduce two challenges that aim to create new businesses, from the perspective of creating social needs. One of these is our agri-automation project in China, currently undergoing business verification. This is so-called smart agriculture that utilizes OMRON's strength of "Sensing & Control + Think" core technology. We are verifying an Agricultural Cultivation Support Service that automatically measures sunlight, temperature, humidity, carbon dioxide levels, and other variables, thereby determining optimal conditions for each crop and providing timing for when to open and close windows, irrigate, and similar. A feature of this service is that it is unique in not providing hardware in order for automation or to save manpower—rather it provides information that helps humans in making decisions. Its instructions let even those workers with little farming experience produce high-quality crops both efficiently and stably. At the same time as helping resolve social issues such as shortages of agricultural workers and food safety and security, this will also improve the ability of the algorithms to analyze and provide feedback for the data obtained from the system.

Another challenge currently in the business verification phase is a service using ICT to provide long-term care prevention services for the elderly under a partnership agreement with Oita Prefecture. We know that it is possible to prevent a high percentage of elderly people from progressing to needing nursing care if they can be adequately supported by nursing care specialists at the stage where they need assistance. However, there is a serious shortage of specialists who have the skills and expertise in this field. Accordingly, we have developed software that replicates the procedures and thought processes of nursing care specialists. We first asked the elderly themselves and their families about issues with daily life, and how they'd like these improved. We then analyzed these responses using this software, so we could formulate a plan for life function training. At present, the commonality between these two products, which we are now aiming to commercialize, is not only that they respond to social needs, but the concept of "harmony between humans and machines." Specifically, this is a hybrid system in which technology assists humans in maximizing their own abilities and their motivation.

P59 IXI →



## Changing our Business Style and Seeking Self-driven Growth through Collaborative creation

### — President Yamada is committed to achieving self-driven growth—increasing earnings and growing steadily even under adverse business conditions. As the CTO, how are you supporting him?

There are two main challenges we need to confront. The first is to change our existing business model, or put differently, our business style. Our existing business model will only serve us in the future if the market itself is growing, or if we can acquire more market share from our competitors. For OMRON, the increasingly aging population means that the healthcare market is expanding, and we hold the top market share, so at this point we have some control over the market. However, this may not be the case in the future. We therefore need to change our business style. OMRON's business style up until this point has been to use our technologies and products to solve problems faced by customers. Put differently, we have been providing product value perspective. However, society is in the midst of rapid changes, with issues faced by customers becoming increasingly complex. Solving fundamental issues thus requires of us a business model that not only differentiates between technologies, but that also takes a broader view of social structures. This is why we are working for essential value perspective business expansion centered around IXI. We will evolve our business style into one that selects the optimal form of the social implementation of value, including in areas into which we have not yet forayed.

The other challenge is of collaborative creation. Given the current pace of the times, we cannot hope for innovation if we only pay attention to self-reliance. Furthermore, we will be changing our business style as well as making forays into new business fields, so the key will be who we work with in order that we can quickly acquire new technologies and business models that we do not yet possess. Since I assumed the position of CTO, we have put forth our policy of open innovation, as well as accelerated cooperation with external companies, start-ups, and research institutions. I expect that the know-how and partnerships gained from this will provide support for OMRON's self-driven growth.

P62 OVC →

### — What is your approach to future technology development not only for new, but also existing businesses?

Within the Technology & Intellectual Property HQ, around 40% of the themes are for

technology development requested by our four business divisions, but this is of course not enough. Rather, it is important that we can unearth the multifarious requirements for technology that our business units have not yet picked up on. I would like more of a focus on technical development, which is planting the flag for business with technology as a starting point. Further, building black box technologies and related business models is indispensable if we are to deepen and evolve our existing businesses. Our arsenal includes our unique, difficult-to-reproduce algorithms for data analysis and providing feedback, and the question is how we can further polish these. This is a vital point for our ambidextrous management.

### — The long-term vision for the next period is starting. As the CTO, how will you commit to this?

The COVID-19 pandemic has revealed a raft of vulnerabilities in the current global situation. Based upon the SINIC theory, at OMRON we believe that after achieving an optimized society formed from an integrated balance of humans and machines, we will arrive at an autonomous society in which social issues are resolved from a basis in these new values. However, achieving this requires that the three elements of science, technology, and society mutually stimulate each other and thus develop. Encouraging this synergy will deepen and evolve the very significance of our existence.

Specifically, we see that OMRON's strengths can be demonstrated through points of interface between humans and machines. The more automation progresses not only in medicine and nursing care but also in manufacturing plants, the clearer the role of humans will become. This point of contact between humans and machines is precisely where OMRON excels—I'm proud to say that our capabilities for social implementation can hold their own.

However, it is not so much our technical capabilities that enable this, rather our architecture capacity to discern social needs, commercialize these, and implement them in society. We are actively employing external human resource for architect to further strengthen this capacity. Of course, we have had many heated discussions as to the framework for a specific design for the near future, and how to incorporate this into a specific architecture. We will use these unrestrained discussions to ramp up the speed and quality of our "trial and learning" approach, while putting OMRON's particular style of technology management into practice.

# Industrial Automation Business (IAB)

Domains

Factory Automation

Corresponding SDGs



With the vision to “Bring innovation to manufacturing by automation to enrich lives of people all over the world,” the Industrial Automation Business leverages OMRON technologies to generate innovations in manufacturing with a focus on automation. These innovations contribute to productivity advancements in the global manufacturing industry. We aim for a world where people everywhere are enriched by innovations at our customers’ manufacturing sites, with our technologies and solutions across a wide range of products at the top level in the industry, with our unique “innovative-Automation” concept.



Managing Executive Officer  
Company President,  
Industrial Automation Business Company

## Junta Tsujinaga

### VG2.0 Focusing on Innovation in Manufacturing

The environment surrounding the manufacturing industry is changing significantly. Changes are seen in “what to make,” “how to make,” “where to make,” and “who is making” as represented by increasingly advanced products, local production and consumption, and one-piece manufacturing, as well as seeds represented by artificial intelligence (AI), Internet of Things (IoT), robotics and other technological innovations. OMRON has been keeping up with these changes and aiming for advanced manufacturing with the unique value generation concept “innovative-Automation” since 2016, in order to solve issues facing manufacturing sites.

OMRON’s innovative-Automation has three pillars: “integrated (evolution in control),” “intelligent (development of intelligence),” and “interactive (new harmonization between humans and machines).”

With these three i’s as keywords, we have generated innovative control applications by integrating the extensive ILOR+S\* product range with over 200,000 items, including software and services. We have created over 200 control applications in the past four years,

contributing to innovation at many customers’ manufacturing sites.

In terms of evolution in control, we are focusing on issues such as the aging of skilled engineers and a lack of successors to create control applications for work requiring ultra-high speed and precision, reproducing the “craftsmanship” of skilled engineers. Some of these applications wind film products with high speed and accuracy or laminate sheet products with high precision. These new applications properly respond to customers’ needs in digital industry, which change with greater performance of products (such as rechargeable batteries) or manufacturing methods. In the course of developing intelligence, we have created advanced applications that utilize information at manufacturing sites by adopting IoT or AI technology for control devices. Applications that predict product failures and equipment abnormality utilizing AI-based controllers and “sensory inspection” applications using AI-based vision systems that can detect defects beyond the five senses contribute to development of self-learning machines and no-failure production processes, respectively. The i-BELT co-creative data service is also highly regarded by customers for solving their issues through the collection and visualization of on-site data and data analysis in co-creative projects with customers. Further, in the context of pursuing new harmonization between humans and machines, we have realized new automations where workers and machines can collaborate by drawing out each other’s characteristics, utilizing autonomous mobile robots (AMRs) and collaborative robots. For example, the Mobile Manipulator (MoMa) mobile working robot, a combination of a mobile robot and a collaborative robot, contributes to flexible manufacturing that changes production lines depending on what to make.

As mentioned above, we have developed products that enhance ILOR+S and implemented M&A alliances by focusing on developing applications that promote innovations for manufacturing sites with innovative Automation. We have also expanded infrastructure and human resources that help customers solve their issues. The number of Automation Centers (ATC) that reproduce manufacturing site devices and production lines with actual machine models, using applications created by combining the latest technologies and products, increased to 37 last year. ATCs welcome thousands of visitors every year, as Collaborative Creation sites where we verify and demonstrate solutions for manufacturing issues and create new applications with customers. Further, we have increased the number of sales engineers (SEs) with expertise in OMRON’s control technology and products and manufacturing site experience, strengthening their technology consultation capabilities for proposing applications and new solutions unique to each

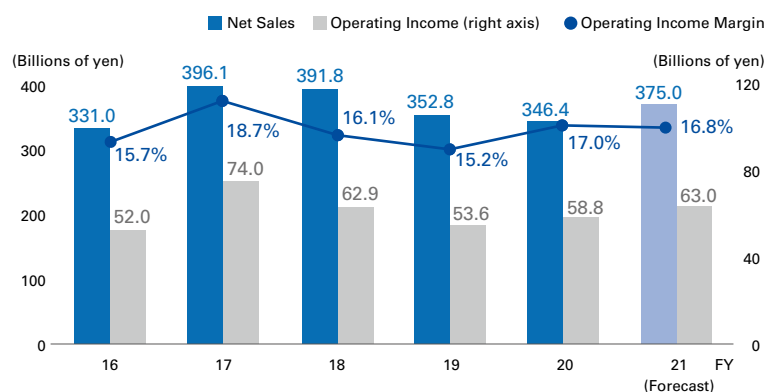


customer. Currently, over 1,000 SEs are working on solving challenging new issues at customers' manufacturing sites.

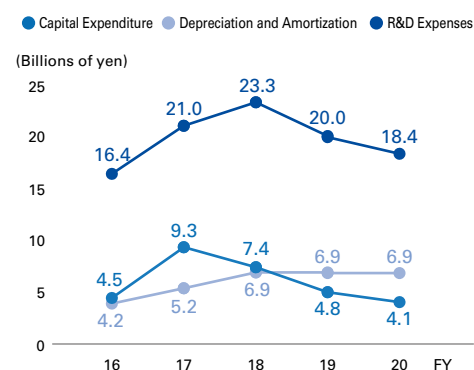
\* ILOR+S is an abbreviation for Input (input devices such as sensors), Logic (control devices such as controllers), Output (output devices such as motors), Robot, and Safety (safety devices to ensure the safety of equipment)

## Business Highlights

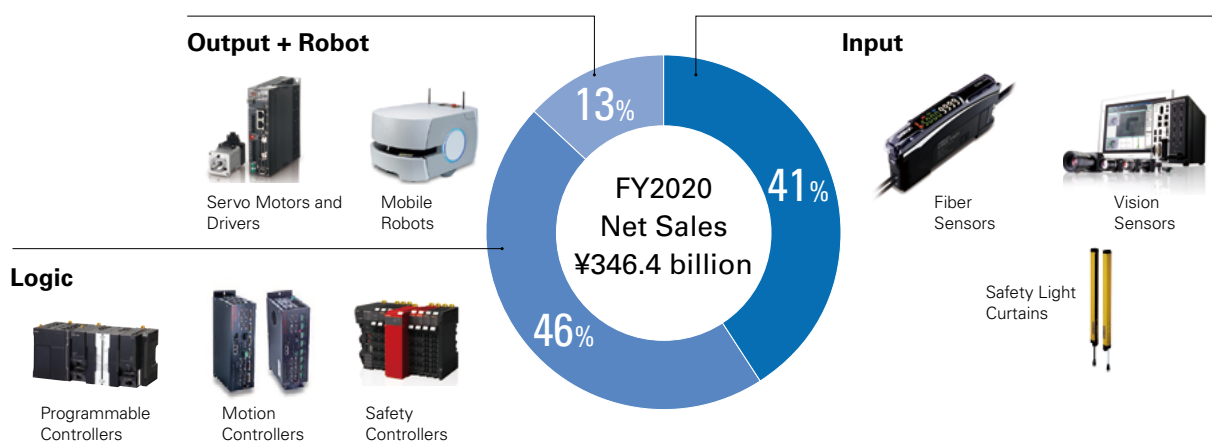
### Net Sales / Operating Income / Operating Income Margin



### Capital Expenditures / Depreciation and Amortization / R&D Expenses



### Sales by Product



#### Social Issues to be Solved

- Labor shortages (shrinking labor force in developed countries and lack of skilled workers in emerging economies)
- Handling increasingly advanced and diversified manufacturing processes

#### VG2.0 Goals

- Developing new products to realize innovative Automation in the four focused industries (control technology for manufacturing innovation)

#### Actual Progress during VG2.0

##### INPUT

- R&D cost: Total ¥82.7 billion
  - Capital expenditure: Total ¥25.7 billion
  - Growth investment: Total ¥20.5 billion
- (Actual for FY2017 through FY2020)

##### OUTPUT

- Profitability improvements by value-added solutions, with GP ratio up 1.0 pt (vs FY2016)
- Deployed over 200 control applications that realize manufacturing innovation at manufacturing sites
- Strengthened product portfolio for innovative Automation improvement
  - M&A: Industrial code readers, industrial cameras
  - New products: Over 50 products such as robotic integrated controllers and AI-based vision systems (doubled from previous year)
- Official launch of co-creative on-site data solution business by i-BELT
- Increased number of sales engineers to embody control applications at customers' manufacturing sites (over 1,000 around the world)
- Increased number of Automation Centers around the world to 37 (was 8 as of 2016)
- Expanded business foundation into essential areas, such as mask manufacturing, medical and pharmaceutical industry
- Expanded production capacity for scaling up business (investment in second plant in Shanghai, China, etc.)

##### OUTCOME

- Contributed to economic development by enhancing social productivity through innovative-Automation



SDGs 8.2.1



SDGs 9.2.1



SDGs 17.16

## Contributing to Solving New Social Issues under the COVID-19 Pandemic

Under our policy that OMRON bears a social responsibility to support manufacturing sites around the world as a company that has been involved in a core field of the manufacturing industry, we started to address COVID-19 pandemic immediately as well.

The outbreak of COVID-19 caused lockdowns and travel restrictions, leading to confusion not only for the manufacturing industry but also for various social infrastructures. Our Industrial Automation Business has been independently taking actions for this situation in order to solve various social issues caused by COVID-19 around the world. For example, we supported urgent production increases and the start-up of new production lines by proposing automation applications including industrial robots for worldwide shortages of masks, ventilators, and medicines. For hospitals and medical institutions busy with taking care of infected patients, we have contributed to automating labor-intensive sanitizing processes by developing mobile sterilization robots with UV lights and applications that automate the sanitization of medical equipment, collaborating with system integrators as partners. Also, for production of foods and daily necessities, which has become more serious due to the worsening lack of workforce under COVID-19, we have helped maintain production of consumables by deploying applications of collaborative robots that can work with workers.

We also started working on development of products to promote digital transformation (DX) globally, which was adopted to manufacturing sites earlier than planned due to the pandemic. Our robotic integrated controllers, which had their worldwide launch in July 2020, automate advanced and complex work that only skilled workers could do by seamlessly integrating robots and peripheral devices, as well as realizing remote engineering by precisely simulating technology in the real and virtual worlds. While travel restrictions are in place and access to production sites is limited all over the world due to COVID-19, this remote engineering has enabled us to commission production equipment and conduct maintenance remotely. For the new issue of travel restrictions, we have enabled remote performance of checks that were done by production engineers and maintenance personnel onsite, reducing workloads by over 50% for processes like equipment start-up and maintenance. Also, with online factory tours and virtual ATC tours, we have been contributing to customers' continuous production activities by strengthening global consultation activities by our SEs and sales teams utilizing our digitalized infrastructure.

OMRON has deployed these applications in our own factories and utilizes them for maintaining production activities amid the COVID-19 crisis. The OMRON Shanghai manufacturing site improved workers' work efficiency and realized unified production and quality by machines supporting workers with data, after adopting the Cell Line Control System (CLCS), an intelligent production line where workers and machines work together utilizing on-site data. As a result of addressing new social issues due to COVID-19 crisis, we were able to contribute to continued production activities in the global manufacturing industry.



Manufacturing floor where humans and machines work in harmony



Mobile robot equipped with UV light irradiator to prevent infection



Mobile robots that transport medical waste at hospitals in Finland

## Industrial Automation Business in the Post-COVID World

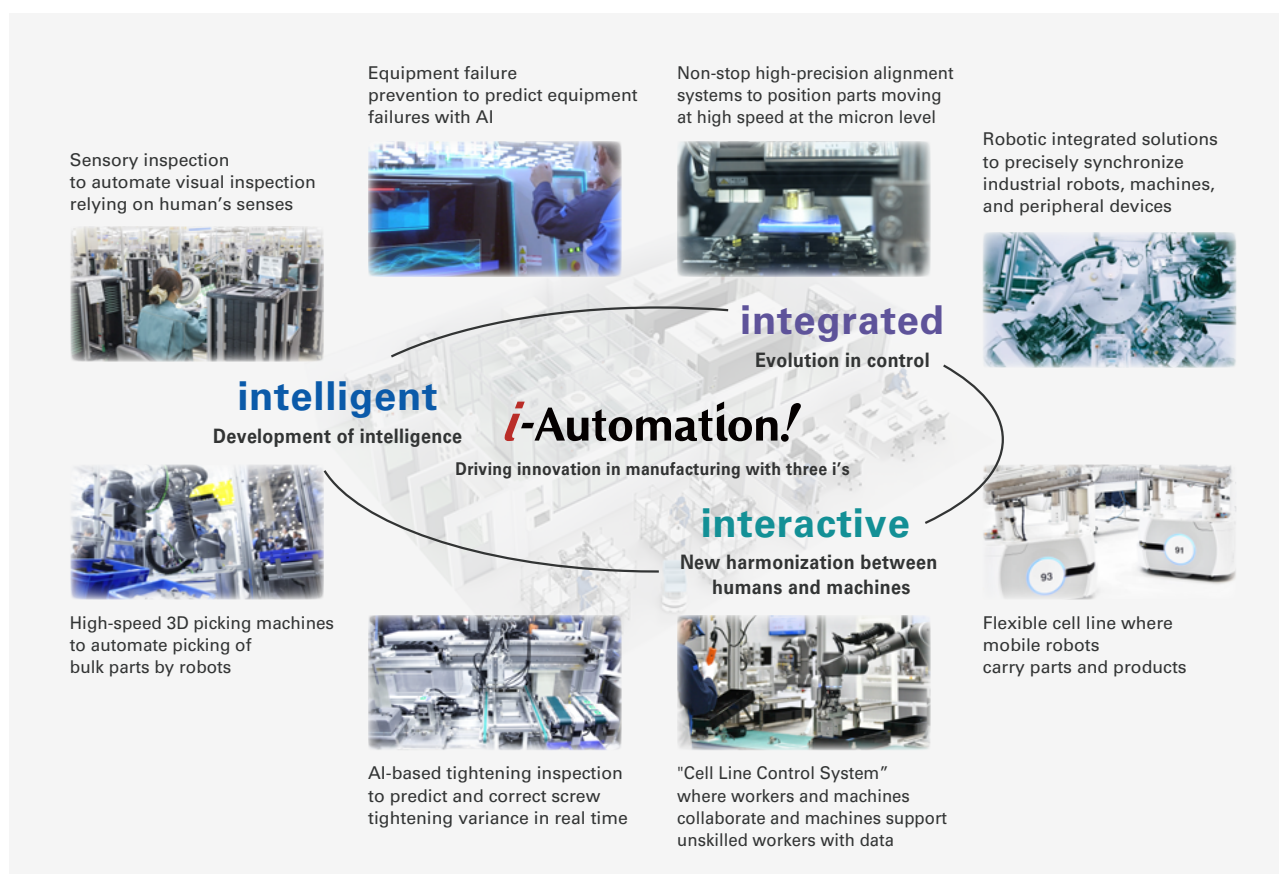
While production and social activities under COVID-19 become the new normal, changes in the market and society have been accelerating globally towards the post-COVID world. This shift includes acceleration of green recovery actions including increased use of electric vehicles (EVs) and renewable energy and shifts to eco-friendly materials. This will also drive changes to infrastructure for realizing a digital society, represented by increased demand for semiconductors, 5G and DX. OMRON views these changes as significant business opportunities for our IAB business and is preparing to respond to various market needs based on technologies and products developed during VG2.0 and many control applications that embody innovative Automation.

As COVID-19 has significantly changed people's lifestyles, ways of working, and values, the post-pandemic manufacturing industry will not simply go back to what it was before COVID-19. Social issues such as aging of skilled engineers, lack of successors, and shortage of workforce are further accelerating, along with increased market needs for new automation. Amid these challenges, OMRON is further driving DX in manufacturing. For example, we joined Nokia's Local 5G Technology Partnership to develop solutions that utilize 5G, collaborating with other partner companies as well. We are also working on realizing automated solutions that can respond to the growing need to shift from a centralized production structure to region-based diversified and close-to-consumption production as quickly as possible. Examples include CLCS that utilizes mobile robots and collaborative robots modularize production equipment, aiming for production lines that can be started up in short periods of time according to what to make or manufacturing locations.

Issues of manufacturing quality are becoming more serious due to the aging of skilled engineers and lack of production engineers, along with higher demands for quality from markets and consumers. Our "i-BELT" service, with advanced AI technology, can help manufacturers to continuously maintain and improve manufacturing quality, turning skilled engineers' know-how into reusable assets.

For the globally increasing green recovery, we have started developing new solutions in various fields by collaborating with customers. To combat marine pollution due to plastic waste, we are participating in initiatives to change packaging materials to renewable biodegradable plastic in partnership with food and consumable manufacturers and machine manufacturers. We have also been contributing to the growth of green energy use by developing durable, high-quality parts in collaboration with manufacturers of key parts for wind power generator manufacturers. OMRON will continue these initiatives that enrich lives of people all over the world by innovating manufacturing with automation, in response to various post-COVID market changes.

### Innovations in Manufacturing by innovative-Automation



**integrated** (evolution in control)

## Improvement of the Engineering Experience on a New Architecture - Integrated Solution for All Machine and Robot Control, an All-in-one Platform

Trelleborg Sealing Solutions is a leading global supplier of sealing solutions. With their wide range of patented product designs for static and dynamic sealing systems, Trelleborg's Livorno Plant in Italy provides high-quality thermoplastic polyurethane (TPU) sealing solutions for a wide range of hydraulic and pneumatic applications, along with accessories.

To support rising demand for green energy resources as well as favorable government policies to encourage renewable energy, Trelleborg decided to increase production of polyurethane parts for wind power generator turbines and needed to add flexibility in manufacturing to support various type of products. Their wish was to reduce the time for setting and programming a new trimming machine that comes with two robots for seals finishing and can be operated on a single platform.

Trelleborg then employed an OMRON-proprietary robotic integrated controller, which can enable real-time synchronization between all relevant equipment, including robots, vision sensors, drives, and safety devices, facilitate easy programming for in-house technicians, improve the speed and accuracy of production, simulate the entire production line, streamline maintenance, and reduce time to market. As a result, Trelleborg has shortened its cycle time by 30%, leading to speedy delivery. With the new architecture, the production engineering team can build the machine in a shorter time, streamlining a formerly time-taking and complex task. With its unique combination of robots, software and integrated control architecture, OMRON will continue challenging to meet today's social issues as well as expanding green energy with our customers.



Two OMRON robots shaping blue polyurethane circle parts

As a world leader in engineered polymer solutions that seal, damp, and protect critical applications in demanding environments, our innovative solutions accelerate performance for customers sustainably and support environment-friendly activities. With OMRON as our partner, we were able to satisfy a sudden demand increase for several applications in the fluid power, agriculture and energy segments. For this project, we expect a pay-back period of about two years, with future plans to develop and introduce three more machines in the coming three years. It is also interesting to look at further possibilities, as OMRON's product portfolio can cover the whole production process such as machine tending by collaborative robots and intralogistics with mobile robots. I am excited to take manufacturing to the next level with OMRON and to contribute to a more sustainable society.

**TRELLEBORG**



Machinery and Energy Supervisor Trelleborg Sealing Solutions Livorno

**David Caluri**

**integrated** (evolution in control)

## OMRON's Perfect Sealing Technology Solution to Drive Sustainable Manufacturing

Plastic containers may be convenient, but they are detrimental to the environment, causing environmental pollution and risking harm to marine and terrestrial life with the resultant microplastics. To avoid these tragedies and achieve a sustainable society, many companies, especially in food and commodity industries in Europe, are taking on the challenge of making products with other recyclable or eco-friendly materials to use less plastic.

OMRON supports this challenge of sustainability with our Perfect Sealing technology. Unlike conventional virgin plastics, recycled materials tend to be more vulnerable to heat and require higher precision in handling for production. Thus, drawing on high-precision temperature control technology that has been refined in other industries, such as semiconductors, OMRON achieved a solution to monitor the machine's speed and the pressure and temperature being applied to the sealing process. This enables a new recyclable paper-based film to be formed as planned.

As a result of improved product quality, our customers have been shifting to eco-friendly manufacturing with our products at an unexpectedly high pace. With our customers, OMRON will continue to lead the movement of sustainable business and manufacturing globally, driving superior business performance for customers and a better society for all.

### Employee Comments

The project was not without its challenges along the way. We required multiple sources of support from OMRON businesses globally and coordination from different OMRON departments. However, with our passion for contributing to solving marine plastic waste problems, the teamwork and attention to detail shown by OMRON members around the world led us to success in this project. I am extremely proud of the team members supporting this project and multiple installations around the world. The accomplishment was also awarded the gold prize at TOGA for FY2020 as an outstanding example of OMRON Corporate Principles practice out of 6,461 entries. The next challenge is to secure our Perfect Sealing specifications, locking this solution into the DNA of the customer's ongoing advances in digital manufacturing.



Global Account Manager Industrial Solutions, Omron Electronics Ltd.

**Allan Gibbons**



**intelligent** (development of intelligence)

## Realizing evolving manufacturing sites through Collaborative Creation with customers

Today, society is transforming with focus shifting from things to experiences and services. Ahead of this shift, OMRON has been providing an on-site data utilization service “i-BELT” that improves productivities and qualities of manufacturing since 2017. With the i-BELT service, OMRON combines customers’ knowledge with our unique know-how in control devices and software that we have accumulated as a company well-versed in front-line manufacturing operations, thereby taking on various field tasks. Kaneka Corporation, which provides solutions to various social challenges with its cutting-edge technology based on chemical material development, had been working on solving errors in transporting materials in the production of high-performance film. In order to minimize operational losses due to the film transporting errors, OMRON started collaborating with the customer by providing the i-BELT service in February 2020. First, we tried to identify causes of the errors in the relevant process by using the vibration measurement system. This system can collect and monitor various data via multiple sensors installed within the production line. Together with Kaneka, we strived to build a framework to visualize the production line, while repeatedly verifying hypotheses on causes and signs of transporting issues through continuously analyzing collected data. As a result of verifications, the abnormal signs monitoring system was created, which can detect abnormality in the film production line, based on waveform data of the sensors. With this monitoring system, even less experienced workers can check changes in the film production status, succeeding in suppressing errors. In order to realize evolving manufacturing sites, we contribute to innovation in manufacturing with proposals for process visualization and solutions to challenges our customers are facing.

At Shiga Manufacturing Site, Kaneka continues activities for improvement on a daily basis to pursue the purpose of providing reasonable and high-quality products safely. In this task to stabilize film transporting, we made most strenuous efforts to quantify operators’ sensory information among others. The quantification has been established by sensing and data analysis with OMRON, and the improvement has been made steadily. I am impressed by OMRON’s approach where their engineers always make discussions together with our engineers based on i-BELT data analysis before employing a new solution. As a result of these efforts, we were able to address challenges as a team beyond the company, and reduce transporting errors with satisfaction. I am looking forward to tackling new challenges together with OMRON in the future.

**Kaneka**


Manager of AI & Digital Platform Center Shiga Manufacturing Site Kaneka Corporation  
**Koji Hanada**

**interactive** (new harmonization between humans and machines)

## Automating Small Waste Logistics in Finnish Hospital with Mobile Robots

Labor shortages have long been a major problem in social welfare and medical fields globally, especially in Finland. With the spread of COVID-19, this problem has become a serious social issue. According to a survey conducted by the Finnish hospital union, the majority of nurses are considering leaving the medical field.

Under these circumstances, OMRON has collaborated with a major hospital, universities, and the partner system integrator Dimalog Oy Ltd. to develop a medical waste transport automation system using mobile robots, which are usually used in factories. In this project, the team focused on the daily work of hospitals that does not require human-to-human interaction and could use robotics and IT technology, and they aimed for a state in which robots take on this routine work on a daily basis. The pilot experiment was conducted to automatically transport the waste generated in the hospital’s clinical chemistry laboratory to the waste collection center in the basement of the hospital. To automate waste transportation, OMRON worked with Dimalog to develop a control system for mobile robots to transport waste on request using a button or according to a schedule, while optimizing the mobile robots’ travel route.

OMRON will continue to contribute to labor saving in hospital operations, starting from the development of disinfecting robots mounted with a UV light irradiator to prevent the spread of infection, automated hospital floor cleaning, automated medical waste transportation, and other solutions to address new social issues in the medical field caused by the COVID-19 pandemic.

**Dimalog**


CTO, Dimalog Oy Ltd  
**Teemu Kytömäki**

Conducting the pilot experiment during the COVID-19 pandemic was a unique challenge, but it was also an interesting opportunity to witness how OMRON’s autonomous robot technology can easily handle simple hospital transport tasks and enable the human staff to focus on more critical work amid the pandemic. The test gave us a lot of ideas and insight into how the future of hospital environments can be shaped by robots and smart technology. All participants in the trial were impressed by the results and we are currently discussing several future robot tests and projects for the Finnish health care sector.



# Electronic and Mechanical Components Business (EMC)

## Domains

Devices and Modules  
to Support the Growth  
of OMRON

## Corresponding SDGs



The mission of the Electronic and Mechanical Components Business (EMC) is: “With our devices and modules, create customer value, and contribute to people and society on the planet.” EMC’s relays, switches, and connectors play vital roles in switching and connective devices, and sensors act as eyes and ears for a wide variety of products. As one of OMRON’s core business units, EMC provides these essential components to customers worldwide in various fields, including home appliance and automotive manufacturing, that support the safety and security of human life.



Managing Executive Officer  
Company President, Electronic  
and Mechanical Components  
Business Company

## Shizuto Yukumoto

## Building a Foundation for Self-driven Growth Engines and Transforming Our Business to Create and Maximize Value for Customers

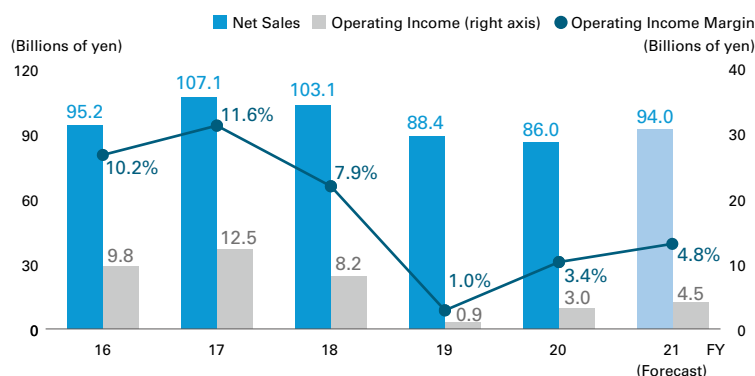
Aiming to be a business unit that creates value for customers, at EMC we support the growth of OMRON’s target domains with our cutting-edge technologies and reliable manufacturing technologies built over years. Social issues have become more varied and serious in recent years, and our business environment, customers, and competitors are changing drastically. Customers are seeking partners that can flexibly respond to social changes and technology innovation. In addition, electronic components have become a commodity, and new competitors are arising from emerging countries. In such a market environment, OMRON will continue to resolve issues at the customer level with its high-quality products and technologies.

During VG2.0, we made various efforts toward value creation in order to build a foundation for sustainable self-driven growth. We conducted organizational reforms and quality improvements as well as developing modules with high added-value that fulfill customers’ requirements. In terms of organizational reforms, we put great emphasis on optimizing production processes so as to reorganize our manufacturing sites from 11 to 7 to supply our components steadily. Building a flexible production system to meet varying demand has successfully improved our capacity utilization rate and production efficiency. In terms of quality improvements, our manufacturing processes, from the development and design stage to production and completion, are thoroughly assessed from the standpoints of verification and validation. Strengthening our quality control system has improved our component quality to ensure the safety of customers’ products. Based on our “self-driven” growth structure, we have identified changes in customers’ requirements and new demand for technology innovation and environmental protection, such as smart products and battery development/direct current power systems, and created a variety of devices and modules. In fiscal 2020, quickly recognizing demand for computer accessories, electric tools, and non-contact applications due to the COVID-19 situation, we developed new products in a timely manner to meet additional demand and customer requirements. The COVID-19 pandemic accelerated the digitalization of society, and demand for semiconductors and electronic components has increased for development of batteries as power sources and 5G infrastructure. Requirements for electronic component functions keep changing due to the diversification of lifestyles and environmental changes, providing OMRON with more opportunities to enhance the value of customers’ products. We strive to identify any changes in society and accelerate our R&D to create new products in a timely manner. Furthermore, to improve human life on the planet and develop society, we will keep providing customers worldwide with relays, our main driver, and switches and sensors, our leading products for business growth. There are serious social issues requiring solutions, such as global warming and workforce shortages caused by an aging population and declining birth rate. To realize a carbon-neutral society and safe and secure communication infrastructure, more sophisticated component functions are required for the development of EVs and reliable communication platforms for all. Present circumstances are forcing customers to review all conventional design methods, components, and materials, which means that new market needs are being created. At EMC, we will

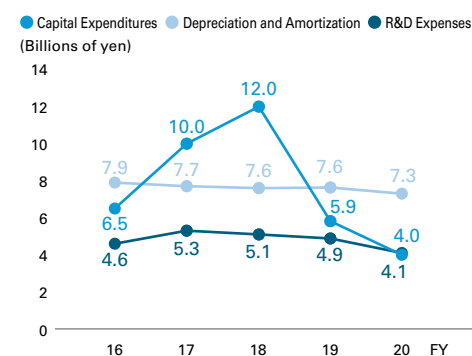
determine our target domains, identify design issues for customers' products from the early development phase, and resolve social issues with our core technologies, namely "precise processing technologies" and "combinations of technologies". We will continue to offer essential key devices in order to achieve ideal solutions to the aforementioned social issues with our customers.

## Business Highlights

### Net Sales / Operating Income / Operating Income Margin



### Capital Expenditures / Depreciation and Amortization / R&D Expenses



### Sales by Product

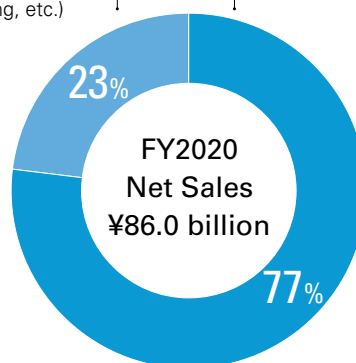
Other Electronic and Mechanical Components  
(Amusement Equipment, Image Sensing, etc.)



Power Supply Units for  
Amusement Devices



Human Image Sensor



Relays, Switches, Connectors



Power Relays for Printed  
Circuit Boards



Tactile Switches



Terminal Block Connector  
for Printed Circuit Boards

#### Social Issues to be Solved

- Social issues related to "FA," "Healthcare," and "Social Solutions"

#### VG2.0 Goals

- As a device and module business unit supporting focus domains, contribute to achieving sustainability goals in each domain

#### Actual progress during VG2.0

##### INPUT

- R&D cost:  
Total ¥19.5 billion
  - Capital expenditure:  
Total ¥32.0 billion
- (Actual for FY2017 through FY2020)

##### OUTPUT

- Restructuring  
The optimization of production locations for stable product supply (globally, 11 locations to 7 locations)  
The establishment of flexible production systems to respond to changes in demand for components
- Strengthening of quality control platform  
The enhancement of product quality to ensure safety for customers' products  
OMRON Relay & Devices Corporation obtained UL DAP certification (October 2018)
- The development of next generation devices, modules, and technologies  
R&D of new technologies and products (example: shut-off relays for battery capacity expansion aiming for a carbon neutral society)  
The creation of non-contact applications required for the "new normal" of living with COVID-19

##### OUTCOME

- Contribute to the improvement of human life on the planet and development of society by providing devices and modules



SDGs 9.4.1

## Creating New Customer Value with Strong Quality Control Platform

During VG2.0, in order to achieve organizational growth, EMC has improved its capacity and speed to create customer value. Below we outline our approaches to strengthening our quality control system and developing solutions to social issues caused by the COVID-19 crisis.

### Strengthening Quality Control to Ensure Product Safety and Increase Customer Value

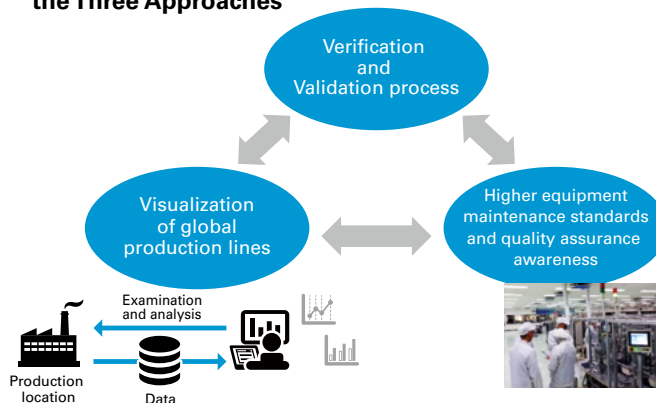
OMRON rolled out three new initiatives aimed at improving quality control to deliver high-quality electronic components that ensure the safety of our customers' products.

The first is improving the verification and validation process in the entire manufacturing cycle. A scientific approach is applied to verify that customer requirements are met in accordance with product specifications, design, and requisite quality. By connecting production data right from the beginning of the design stage, we ensure that all parts are consistently and properly produced. The foundation of our quality assurance system has evolved through the implementation of these actions to identify and prevent quality issues at an early stage of the manufacturing cycle.

The second approach is refining equipment maintenance standards and raising awareness of quality assurance. The conditions of production equipment vary every day in the course of production. Solving this issue required "harmonized adjustments" to ensure the right finish, but as a result, different problems arose across the manufacturing process. The steps we took got back to the basics of manufacturing to renew our awareness and recognize that the action of "harmonized adjustment" will always be accompanied by change and hence to enhance our change management. We took the same approach in all our global manufacturing sites and at the same time streamlined data sharing among locations to allow them to see each other's activity status. By sharing best practices across factories, we strive to maintain high quality standards.

The third approach is implementing data visualization to monitor production lines in real time. Installing a system that traces the manufacturing history of all of our seven factories around the globe and diagnoses changes in the manufacturing process allows us to identify the causes of quality defects at an early stage as well as specifically pinpointing the extent of their effects, and ultimately minimize loss of performance. Furthermore, our quality data visualization provides a quick and effective way to detect anomalies and problems. By taking a comprehensive approach, we strive for higher levels of product quality.

#### Strengthening Quality Level by Combining the Three Approaches



#### Employee Comments

We focused on three actions at manufacturing sites to promote understanding of what it means to "get back to the basics of manufacturing." The first action was visiting local manufacturing sites to repeatedly discuss the primary purpose of this activity until we were sure that all of us had gained a clear understanding of it. The second was to coordinate with staff members on site for practical improvements. And the third was to visualize the outcomes of those improvements. These approaches, which were first introduced at a single factory, helped the staff members gain understanding of the basics of manufacturing through actual experiences. By doing the same in the other factories, more and more people came to realize the importance of this through better understanding. As we continued promoting awareness and understanding of quality assurance, we were able to make improvements and move towards the common goal of creating value for customers in our factories.



Quality Management Division,  
Quality Planning Department

**Toshihiro Ishii**

#### Obtained UL DAP Certification for Contributing to Timely Product Release

The Yamaga Factory of OMRON RELAY & DEVICES Corp. is the production base for relays, one of our main products.

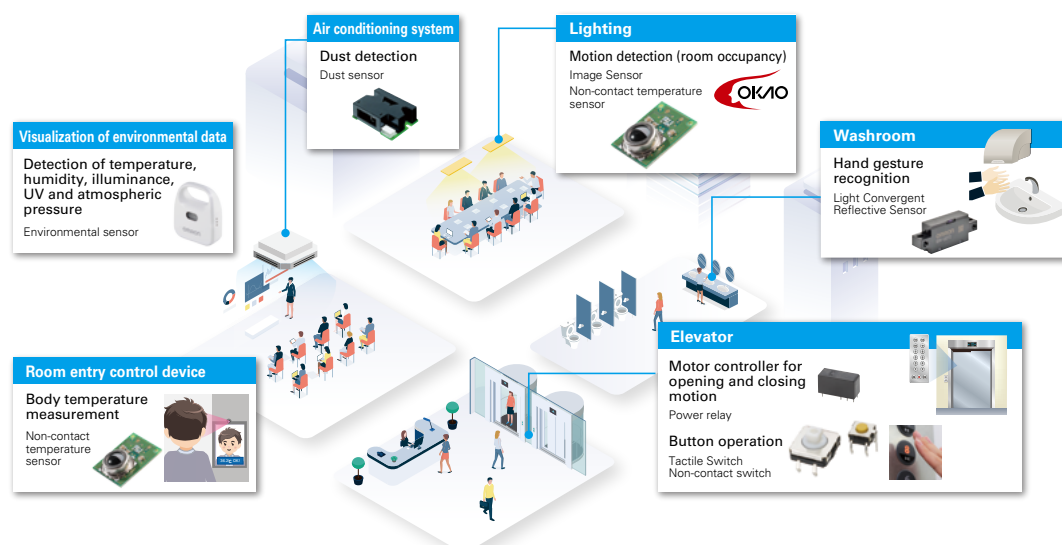
By establishing a robust quality management system and enhancing technical capabilities, it has been assessed by UL, an American third-party safety science company, and became eligible to participate in the Data Acceptance Program (DAP: Customer Assessment Data Utilization Program). We qualified to participate in the CTD (Client Test Data Program) in October 2018, one of the DAP's programs, and have maintained continuous participation since that date.

The ability to conduct UL's safety standard certification testing at our factory has enabled us to speed up the release of new products.



UL DAP Certification

OMRON's electronic components such as relays, switches, and sensors play important roles in various settings such as office environments that will ultimately create sustainable smart cities.



## Development of Touch less Hybrid Elevator Switch to Create a Safe Living Space

The COVID-19 pandemic has increased the need for “touchless” operation in various settings to avoid multiple people touching surfaces and objects. Elevator buttons are among such settings, and touchless switches were being considered as a solution. OMRON recognized the demand in a timely manner and quickly took action by partnering with FUJITEC, the leading provider of elevators and escalators, to develop a touchless hybrid elevator switch ahead of the market trend.

OMRON's touchless hybrid elevator switch enables hands-free operation that provides a tactile sensation as if actually pressing a button. The switch was developed by combining core technologies central to EMC, embedded with a sensor for touchless interface and a durable push-button-style design to realize an integrated compact switch. We collected survey responses from hundreds of people and conducted numerous trials to precisely adjust the specification to human senses before moving to commercialization. As a result, we achieved a universal design usable by all people to make the product easier to use for everyone. The switch is used in elevators manufactured by FUJITEC and rolled out in December 2020 for offices and shopping malls. These elevators help reduce infection risk and contribute to building an infrastructure of safe elevators.

We plan to continue working on solving social issues together with our customers by improving our core technologies and providing touchless solutions.



Diversified Products Division,  
Business Management  
Division HQ

**Tetsuya Sumiyoshi**



Business Management Department  
Touchless hybrid elevator switches used for an elevator at  
GINZA PLACE, an integrated commercial facility at the  
Ginza 4-chome intersection

FUJITEC aims to realize a “beautiful city appropriate for the new era” through the business of supplying elevators, escalators, and moving walkways. We started developing a new button focused on touchless elevator operation during the COVID-19 pandemic last year, and requested a joint development project with OMRON, considering their remarkable achievements in button operation products. As a result, we successfully developed a touchless elevator button that satisfied universal design standards, which is now installed in various places. We plan to continue development of various interface devices for the next-generation society. We look forward to working more with OMRON in search of solutions to our needs and collaborating in joint development projects.











**FUJITEC**



R&D Department Center,  
Product Development HQ  
FUJITEC CO., LTD.

**Noriyoshi Hagizawa**

# Social Systems, Solutions and Service Business (SSB)

Domains	Corresponding SDGs
Social Solutions	         

Social Systems, Solutions and Service Business (SSB) has been working on realizing the society where people can live more comfortably. Our mission is “to create a society in which the people of the world live in a safer, more secure and comfortable society.” We support social infrastructure by providing solutions that optimally combine a wide range of hardware, software and services. These include power conditioners for solar power generation, storage batteries, railway station systems such as automatic ticket gates and ticket vending machines, traffic control systems, settlement systems, and network protection systems such as UPS.



Managing Executive Officer, President  
Omron Social Solutions Co., Ltd.

## Toshio Hosoi

### Creating a Next-generation Social Platform so that People Can Flourish and Live Safely and More Comfortably with Social Automation in the Future

During VG2.0, SSB recognized lack of labor force as a social issue to be solved. Therefore, we have attempted to eliminate inconveniences in daily life through various solutions, such as automation of reception work at hotels and labor saving for cleaning, security and information services at stores and buildings. Also, toward the further solution of social issues and sustainable growth, we integrated our UPS business in 2018 and environment business in 2020, providing access and value to new markets such as housing, distribution, information infrastructure, municipalities, and manufacturing industries.

However, we are still required to solve more social issues not only for issues for certain markets or customers but also by deploying solutions

to multiple markets. In addition to solving issues at the manufacturing sites we have been focusing on, we are also working on standardizing and enhancing services that can be provided to various industries and building an operation system.

With outlook for the next 10 years, we recognize “environment (carbon neutral),” “resilience” and “labor saving” as the social issues to be solved. Social issues such as increasing CO<sub>2</sub> emissions, accelerating climate change and lack of labor force due to accelerating decrease of birth rate and aging population could cause various inconvenience and concerns in our daily life. For companies, management issues are becoming more complex with the need for business continuity and solution environmental issues. Efficient business management and manpower saving are therefore urgent issues to solve. We need to resolve not only manufacturing issues by providing existing devices and services, but also customers’ management issues.

To achieve that, we need to improve ourselves as well. In addition to responding to customers’ needs, we will create a future society that is safer, securer, and more comfortable by identifying changes in society proactively. Furthermore, we will aim to realize next-generation social systems with the social automation that we obtained in our SSB.

For example, in energy area, in addition to provision of renewal energy we have been working on, we will also work on the realization of area energy management that provides optimal balance of energy demands-supplies in the level of households and facilities in the future. We will start to contribute to spread development of renewable energies by deploying PV inverters and storage battery systems that we have provided for households to manufacturing industries and municipalities, utilizing SSB’s wide range of business areas. Further, by connecting each energy and sharing electric power, we will contribute to carbon neutral and maximized energy usage at regional levels, such as power storage in preparation for disasters.

Labor shortage is also becoming a serious issue at many industries that support necessary infrastructure for living, and it is thus required to improve efficiency of operation while maintaining services. We have been providing devices and systems along with maintenance services for safe system operation, contributing to resolving issues at customers’ manufacturing sites and maintaining social systems. Moving forward, we will work on manpower saving and strengthening operations by comprehensively supporting remote monitoring/operation of devices and systems that customers are working on, and management services that solve customers’ issues by improving and optimizing

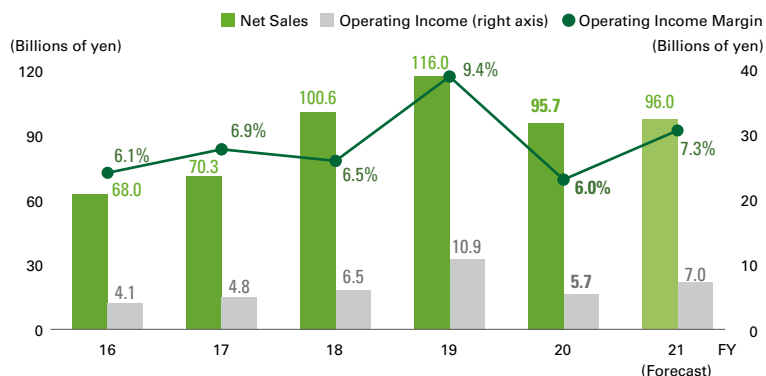


work operation processes.

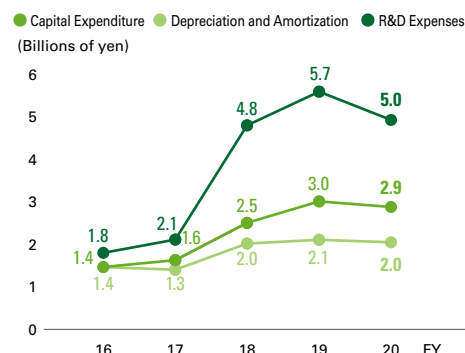
We will continue to take on the challenge of creating next-generation social systems that support a society where people can live safely, securely and comfortably, resolving the issues of the future with automation that allows people to thrive

## Business Highlights

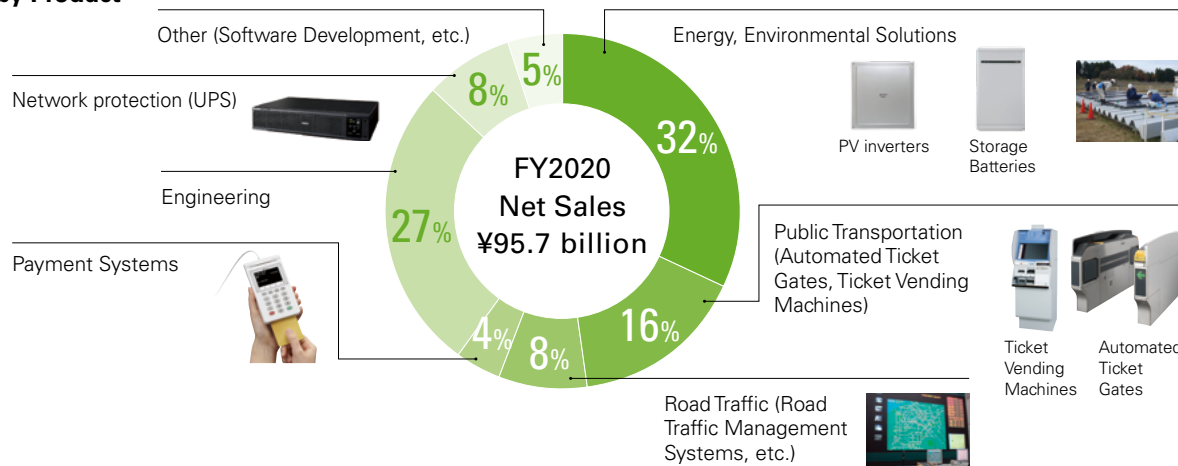
### Net Sales / Operating Income / Operating Income Margin



### Capital Expenditures / Depreciation and Amortization / R&D Expenses



### Sales by Product



#### Social Issues to be Solved

- Increase in traffic accidents and traffic jam
- Global warming from CO2 emissions
- Slow growth of the renewable energy market

#### VG2.0 Goals

- Create driving safety support systems and technologies
- Cumulative shipped capacity of solar power/storage battery systems: 11.2 GW
- Build the energy resource aggregation business using solar power/storage battery systems (Japan)

#### Actual progress during VG2.0

##### INPUT

- R&D cost:  
Total ¥176 billion
- Capital expenditure:  
Total ¥10 billion  
(Actual for FY2017 through FY2020)

##### OUTPUT

- Analysis and verification on the relationship between change of driving behaviors in certain psychological state and risks, such as joint research on driving risk detection with universities.
- Provided automation and labor-saving solutions for reception, guidance, cleaning, security works for industries with serious lack of labor force.
- Provided energy composition and energy management system that respond to various needs, such as maximized power generation efficiency, self consumption or business continuity measures.
- Cumulative shipped capacity of solar power systems: 10.3 GW
- Cumulative shipped capacity of storage battery systems: 695 MWh
- Provided data power source, power source protection and monitoring system for disaster prevention in response to many natural disasters due to climate change.

##### OUTCOME

- Contribute to realize a better society in which people around the world can continue to live in a safer, more secure and comfortable society by expanding renewable energy and providing people-friendly next-generation systems.

SDGs  
3.6.1SDGs  
7.1.2SDGs  
11.2.1SDGs  
13.2.1

## Aiming for Carbon Neutral with Renewable Energy

We have been experiencing many natural disasters due to climate change in recent years. Actions are being taken around the world aiming for carbon neutrality that aims for zero emissions of greenhouse gas (GHG), including CO<sub>2</sub>, the cause of climate change, by 2050. One of the actions is to increase usage rate of renewable energies. Companies are also required to take approach to realize 100% of renewable energy for electric power used in business activities (RE100\*).

### Resolving Issues at Manufacturing Sites with Abundant Industrial Knowledge and Engineering Skills

Murata Manufacturing is a company that joins RE100 and leads CO<sub>2</sub> reduction at many regions by increasing the rate of renewable energy for electric power used. While the project is proceeded to introduce solar power systems in domestic business locations, Okayama site of Murata Manufacturing had issues with installment location. OMRON, as a member of the project, verified the possibilities from stand point of insolation, intensity, cost and operation control, and suggested utilization of “air space” above the company parking for approximately 1,700 cars as the installment area. A carport type power generator (simplified garage with roof and columns) was adopted and double sided solar panels were also installed to maximize its power generation, as they can generate power from reflection on the back side of roof. Further, OMRON’s original remote monitoring and maintenance service (soramoni) prevents loss of generation due to equipment failures and enables maintaining power generation amount for a long period. Murata Manufacturing’s complete solar power plant (carport type solar power generation system) enables power generation for 850 general household annually, with estimated 2,394 tons of CO<sub>2</sub> reduction. Companies will be the leaders for carbon neutrality—Murata Manufacturing and Omron will continue to work on this challenge.



Construction Department,  
EM Design Section  
Omron Field Engineering  
**Tatsunori Katagiri**



Left: No.1 Solar Power Plant  
Right: No.2 Solar Power Plant

### Realizing Sustainable Society with Energy Optimization at Regional Levels

In Japan where spaces for solar panel installment are limited, this achievement of Murata has huge potential. Moving forward, with OMRON’s industry knowledge and high engineering skills, we will promote introduction of optimal solar power generation system not only for companies but also for households and municipalities. Moreover, we will contribute to the realization of a carbon neutral and sustainable society with area energy management that provide optimal energy uses at the level of regions.



Carport type solar power generation system

Murata Manufacturing manages its business with reinforcement of climate change countermeasures as a material issue. We consider the introduction of carport type to be effective as a measure for solar power generation at offices. We will continue to promote energy saving in partnership with Omron Field Engineering.

General Manager, Facility Management Department  
Murata Manufacturing Co., Ltd.

**Shigehiro Sakata**



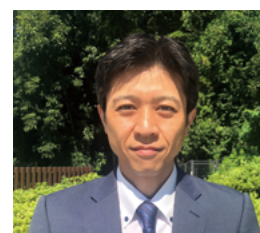
\*RE100 is an international environmental initiative that aims for a 100% renewable energy rate in business activities by 2050.

## From Providing Systems to Management Service—Creating the Next Generation of Railway Station Management

Lack of labor force due to shrinking working population is becoming more serious year by year. Since its foundation, OMRON has been contributing to improvement of railway station management for railway companies by providing systems and maintenance services such as automated ticket gates, ticket vending machines and remote monitoring systems for equipment. On the other hand, issues in railway companies are becoming more and more complex with challenges such as the needs for non-contact due to COVID-19 crisis as well as business continuity measures for disasters or response to inbound travelers.

### Supporting Head Office's Station Management Work by Offering Device Operation Support Service

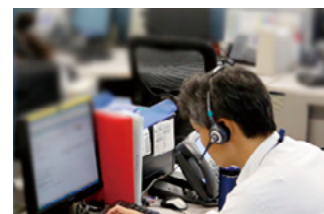
In pursuit of safety, stability and security, the head office of Odakyu Electric Railway used to support station employees at all railway lines in the operation of railway station systems and response to abnormalities. However, it was a huge challenge for Odakyu with 70 stations to maintain support systems while improving efficiency. As a solution for this, OMRON started up a device operation support desk in 2012 and started outsourcing service to address inquiries of device operation and failures regardless of the device manufacturers, in response to inquiries from employees at stations. Since then, this has been not only saving manpower at the head office but also contributing to stable operation of railway station systems, seamlessly and immediately responding to inquiries for abnormalities and meeting on-site needs. We have accumulated achievements and won trust over 10 years now, and are continuing to provide smart maintenance utilizing ICT and new value to further optimize railway station operations.



Station Smart Service Promotion  
Section  
Social System Support Department  
Field Service Business Head Office  
Omron Field Engineering  
**Hiroshi Watanabe**



Maintenance work at station halls



Device operation support desk

### Providing Safe, Secure and Comfortable Station Service to All Users by Strengthening Railway Station Operation

How to operate stations efficiently and properly while responding to change of society and travelers' needs; this cannot be solved by single system or service. Going forward, we will strengthen station operation and realize attractive services for travelers by providing not only device operation but also a management service that comprehensively supports operation of stations from planning to system introduction, operation, maintenance and improvement with our know-how and knowledge on sites that we obtained through developing public transportation systems and performing maintenance services over a long time.

It is very helpful that we can have timely information at sites. This leads to smooth communication with station employees and improves services for customers through the support desk. Also, new insights are suggested to us every month at monthly reporting meetings. We look forward to even speedier collaboration in the future.

Customer Sales  
Odakyu Electric Railway Co., Ltd.  
**Yasutaka Inoue**



## Healthcare Business (HCB)

Domains

Healthcare

Corresponding SDGs



The mission of our Healthcare Business is “To help realize healthy and comfortable lives for people around the world.” By living up to this mission, we have developed healthcare products and services with a focus on usability and accuracy of readings that ensures reliability for medical use. Omron has achieved certification for medical use for a variety of devices in various countries, including blood pressure monitors, digital thermometers, and nebulizers. Moreover, Omron also provides services that are compatible with each country’s/region’s social infrastructure and healthcare system, which varies from country to country. These products and services are now available in more than 110 countries across the world.



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

### Isao Ogino

### A New Challenge to Achieve Zero Events by Globally Driving Remote Patient Monitoring Services

During 2020, the COVID-19 pandemic drastically changed people’s awareness and ways of living, also impacting social infrastructures around the world to become the “new normal” in people’s lives. With the increasing need to take body temperature readings that the “new normal” has dictated, we reinforced the production system to increase capacity in our Dalian Factory, China as we expand product supply. In October 2020, an additional thermometer production line was installed in the Matsusaka Factory, Japan to ensure a stable supply of products.

The spread of COVID-19 saw new issues begin to emerge. These include increased risk of infection from hospital visits and a growing workload for medical professionals due to an increase in COVID-19 patients. In particular, the risks for patients with chronic diseases such as hypertension and diabetes become higher once infected. The fear of potential infection caused many chronic disease patients to avoid

regular hospital visits, causing them to suffer worsening conditions. During the past year, this particular issue became rather prominent.

These types of social changes make achieving our Cardiovascular Business vision “Reducing the event of cerebrovascular and cardiovascular diseases caused by high blood pressure to Zero (Zero Events)” that we set in 2015 more important than ever. For realizing Zero Events, it is essential to carry out appropriate blood pressure management through early-stage detection and treatment of hypertension, as it is one of the main risk factors for strokes and heart attacks. As we advance toward this vision, Omron has continued to produce devices that break new ground. A wearable watch-type blood pressure monitor, already with medical equipment certification, has been launched in North America, Japan, and Europe. Another device for North America release was a blood pressure monitor with ECG for simultaneous home monitoring of blood pressure and electrocardiogram data. Our endeavor, however, goes beyond the development of devices and our efforts to expand into telemedicine on a global stage already resulted in various new services that have been rolled out on a worldwide basis. In September 2020, Omron launched the VitalSight remote patient monitoring (RPM) service in North America, followed by the Hypertension Plus, another remote monitoring service for hypertension, in the UK in April 2021.

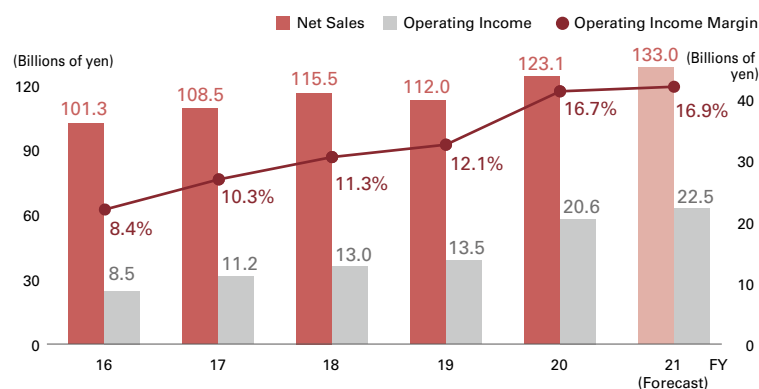
Even with the continuing impact of COVID-19, we see awareness of sustainability is growing with the response to SDGs and environmental preservation being examples. Our proactive action to achieve SDGs builds on efforts to promote the health of people around the world through our business growth and involves popularizing blood pressure monitoring at home. As we develop our innovative devices we also engage in environmentally responsible manufacturing. Specifics include reducing the use of plastic material by employing paper packaging and preserving paper resources by downsizing packaging. A carbon-neutral production line is also under consideration. Sustainability initiatives are promoted by reviewing our business activities from a wide-ranging perspective and include measures such as an environmentally friendly office achieved by using solar power.

We will continue to reinforce our fundamental business that is designed to deliver innovative devices to people around the world and assist their health management. We will also be entering new fields, such as creating personalized RPM services and AI technology for individually optimized blood pressure management and developing algorithms to

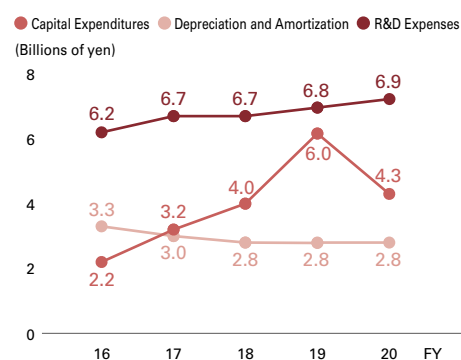
analyze warning signs of strokes and heart attacks. Our goal is being an indispensable partner to doctors and patients for the prevention and treatment of chronic diseases.

## Business Highlights

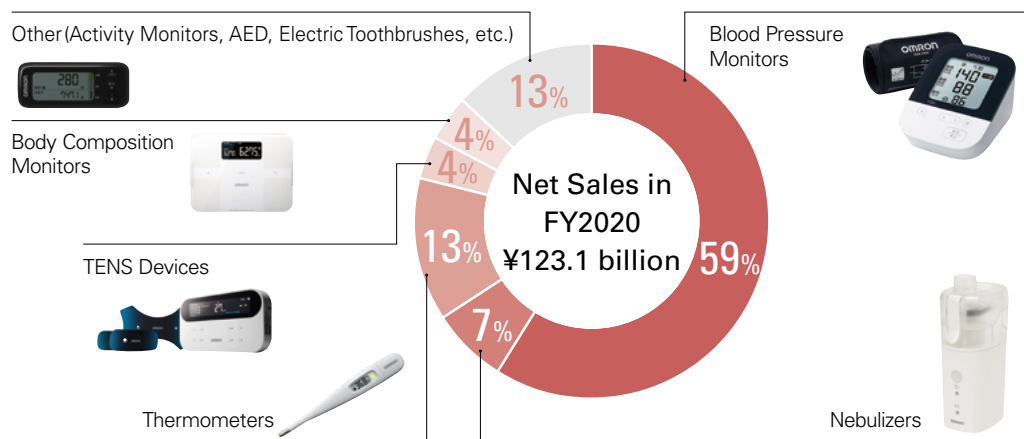
### Net Sales / Operating Income / Operating Income Margin



### Capital Expenditures / Depreciation and Amortization / R&D Expenses



### Sales by Product



### Social Issues to be Solved

- Increased events of cerebrovascular and cardiovascular diseases attributable to hypertension
- Worldwide prevalence of asthma attack and other respiratory disease exacerbations

### VG2.0 Goals

- Blood pressure monitor sales: 25 million units/year
- Development of analytical technologies to continuously track blood pressure fluctuations
- Nebulizer and wheeze detector sales: 7.65 million units/year

### Actual progress during VG2.0

#### INPUT

- Total R&D expenses: ¥27.2 billion
  - Total capital expenditures: ¥17.5 billion
  - Total growth investments: ¥9.8 billion
- (FY2017-FY2020 results)

#### OUTPUT

- Blood pressure monitor sales: 24 million units/year (FY2020)
- Nebulizer and wheeze detector sales: 3.41 million units/year (FY2020)
- Developed innovative devices such as a wearable blood pressure monitor, blood pressure monitor + ECG, and a wheeze detector.
- Launched remote patient monitoring services and corporate wellness services in North America, Europe, Singapore, India and Japan
- Established blood pressure monitor and nebulizer production bases in Brazil and Italy
- Set up an additional thermometer production line at the Matsusaka Factory to fulfill product supply responsibility in the COVID-19 situation

#### OUTCOME

- Helped to extend healthy lifespans and reduce medical expenditures to contribute to healthier and more comfortable lives for people around the world



SDGs 3.4.1



## Introducing Case Studies

### Transforming Medical Care to Reduce Cerebrovascular / Cardiovascular Diseases to Zero

#### Allowing anyone access to personalized hypertension treatment anywhere

Currently, work is underway to develop and promote RPM services as we aim to resolve common challenges around the world. Dealing with patients suffering from chronic diseases who are at risk of severe COVID-19 complications, preventing medical expenditures from soaring, reducing workloads for medical professionals, and easing burdens on patients visiting clinics are some of these challenges we face. We therefore concentrate on creating an environment that allows remote monitoring of patient conditions using innovative devices and information technology. We are also developing algorithms that support doctors for proper diagnosis and treatment. Collaborating more closely with our partners will help us create new solutions.

#### Hypertension Plus — Remote patient monitoring service for hypertension supporting medical care with medication recommended by using self-monitored blood pressure data

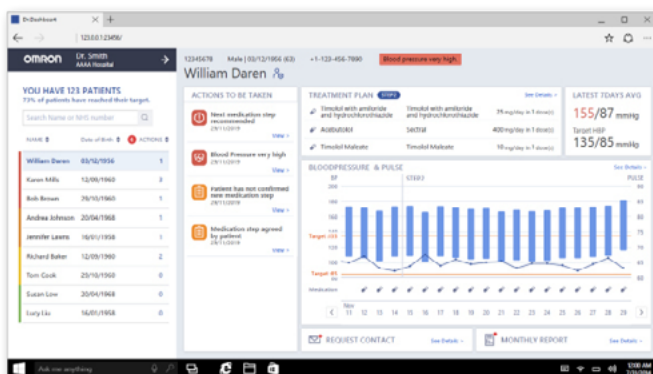
About 30% of all adults in the UK are reported to be suffering from hypertension. The National Health Service (NHS), a publicly funded health system administered by the UK government, has set a goal of achieving an 80% blood pressure control rate by 2030. As the latest control rate is estimated at 60%, more effort is called for. NHS patients access pre-registered general practitioners (GPs) except for emergencies. For GPs with busy practices, patients will have longer wait times that cut into consultation time. Reasons like these can make patients interrupt or even discontinue treatment. Therefore, enhancing treatment efficiency and supporting continuity of treatment will be the keys for hypertension management to improve in the UK.

In April 2021, Omron launched Hypertension Plus, a remote patient monitoring service for hypertension, in the UK. This service generates a customized blood pressure management and medication plan for each patient using blood pressure readings taken at home to help enhance the efficiency of clinical practices.

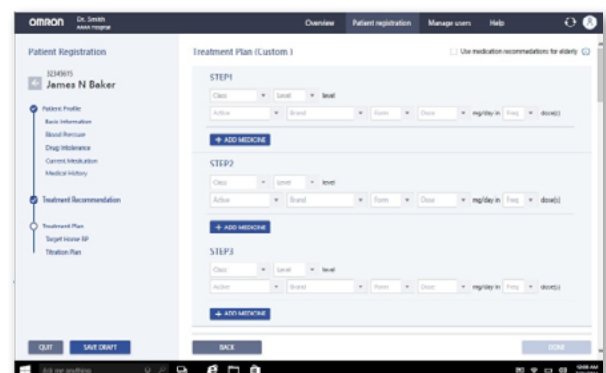
Using Hypertension Plus, a hypertensive patient can send self-measured blood pressure readings to the GP office's electronic medical record (EMR) system, enabling the doctor to trace the patient's blood pressure changes in detail on the management screen, connected to the EMR system. Hypertension Plus directly recommends a three-month medication plan that factors in patient attributes and blood pressure levels. It also determines whether medication needs to be changed based on post-medication blood pressure data and if needed, recommends a new personalized medication plan. Hypertension Plus was shaped by the TASMIN home blood pressure trials, a clinical study that proved the potential to reduce blood pressure through self-management and remote adjustment of medications, conducted at the University of Oxford. Recommendations are based on clinically proven medication titration techniques for hypertension, conforming to current National Institute for Health and Care Excellence (NICE) guidelines. These offer guidance for choosing antihypertensive drug treatment depending on patient age, ethnicity, and complications. Hypertension Plus allows the doctor to check each patient's conditions in detail within a limited time, using their consultation time more effectively by referring to the recommended medication plan.

Patients can have their medications modified from home, so hypertension care is uninterrupted and the need for a GP visit is less. Encouraged by clinical commission groups' (CCGs) decision to use the service, Hypertension Plus is currently being deployed at GPs across the UK.

#### Doctor's management screen

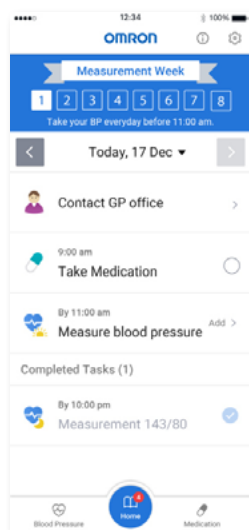


Blood pressure graph, data, etc. for each patient

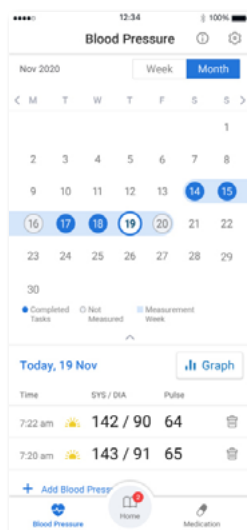


Patient's registered information and 3-month medication plan recommendation

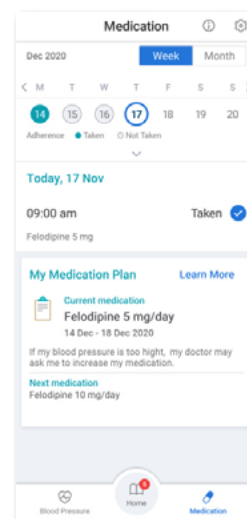
## Patient's smartphone app screen for patients



Daily blood pressure management schedule



Blood pressure management screen



Medication plan screen

## Employee Comments

At the end of FY20 Omron Healthcare Europe reached an important milestone in our Going for Zero vision, the launch of our first Remote Patient Management service for GP practices in the UK. Hypertension Plus is based on know-how from the TasminH4 Clinical Study, exclusively licensed from Oxford University, which demonstrated that remote patient management, including remote medication reviews, can lead to significant reductions blood pressure compared to usual office-led care.

Hypertension Plus is designed to improve health outcomes and reduce workload for GPs. Workflow algorithms help to streamline patient management, and the clinical dashboard is integrated with medical record systems, ensuring that decisions taken within the platform are recorded in the patient's record.

The Hypertension Plus app support patients to manage their blood pressure from home. Medication plans are displayed in the app, with reminders to take medication and submit blood pressure readings. Dr'ss decisions are shared with patients and educational content encourages health living. Throughout FY21 we will be expanding Hypertension Plus to more NHS customers in the UK. This is the start of an exciting journey that has the potential to transform the way that chronic diseases are managed in Primary Care.



**Paul Stevens**

OMRON Healthcare  
Europe Connected  
Services and Solutions  
Director

## Comments from Partner

Covid-19 has highlighted more than ever the importance of managing cardiovascular risk factors particularly in target populations. Technologies such as Hypertension Plus can help primary care clinicians to appropriately target their workload so that they are using their skills most appropriately and able to support patients with the resources they need to manage their blood pressure.

**Dr. Nav Chana**

National PCH Clinical Director, National Association of Primary Care (NAPC)

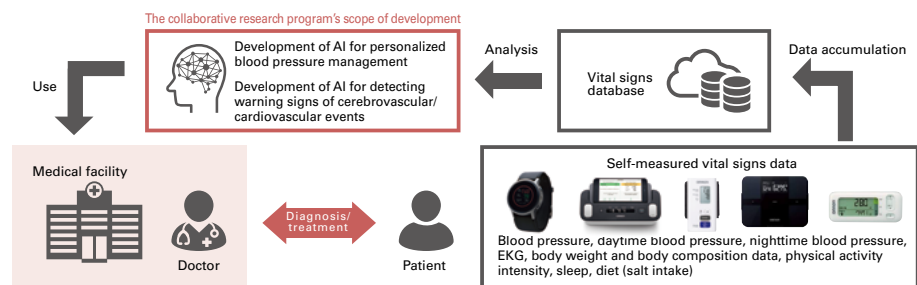
## Collaborative research with Kyoto University harnessing AI and vital signs monitoring to realize Zero Events

Achieving zero cerebrovascular/cardiovascular events caused by high blood pressure requires appropriate blood pressure control for hypertensive patients, enabling them to maintain their blood pressure within a normal range. Approximately half the hypertensive patients undergoing treatment still have blood pressure beyond the normal range and study results indicate that even individuals with normal blood pressure readings may still have a possibility of developing serious cerebrovascular/cardiovascular diseases from blood pressure fluctuations. Such situations make early-stage detection of blood pressure changes essential to identify stroke and cardiac event warning signs.

Omron, aware of these issues, partnered with Kyoto University to launch a research program called “Healthcare Medical AI” in June 2021 with the goal of exploring how the use of artificial intelligence (AI) can minimize the risk of cerebrovascular/cardiovascular events. Two study themes are focused on, the first on developing AI that will be able to generate personalized blood pressure management methods to support lifestyle improvements that help prevent hypertension and its progression. The second study aims to develop AI that enables the early detection of changes in blood pressure and other related vital signs self-measured at home to provide the risk identification.

Through developing these two AI technologies, we pursue effective blood pressure control and minimizing the incidence of cerebrovascular/cardiovascular diseases. To date, Omron has developed the first-of-its-kind wearable blood pressure monitor with medical-grade measurement accuracy, as well as pursuing biometric information measurement technology to

monitor body composition data, physical activity intensity, and sleep in daily living conditions. Combining Omron’s measurement technology with Kyoto University’s accumulated AI expertise creates a powerful resource that will allow us to develop OMRON-unique Healthcare and Medical AI.



### Employee Comments

The prevalence of connected devices has facilitated accumulating cardiovascular disease-related health data such as blood pressure measured daily at home and lifestyle data. Using this data, Omron Healthcare launched remote patient monitoring services in the U.S. and the UK. As we aim to differentiate Omron from others with unique services, we initiated a collaborative research program on artificial intelligence (AI) using health and medical data. Two points make this research program stand out. Firstly, Omron Healthcare commands the top share of the global home-use blood pressure monitor market, providing access to an immense quantity of high-quality data. Secondly, Kyoto University has many AI and medical specialists among its distinguished researchers. These points significantly contribute to the ability to create advanced AI that only the exceptional quality of our data makes possible, and that can be implemented in actual clinical workflows.

We are presently working on research with results to be published globally in a research paper.

From this starting point, we will expand collaborations with medical and research partners, as we continue to make progress toward zero cerebrovascular and cardiovascular events.



Development Center  
Technology Development HQ  
Core Technology Group

**Hiroshi Koshimizu**

### Comments from Partner

Amid the pandemic of COVID-19 and the increasing risk of collapsing the healthcare systems, one of the urgent challenges is the development of medical systems outside of hospitals. This is directly associated with the issues, which we are going to face in the very near future, such as escalation of medical costs due to super-aged society and the decrease of healthcare professionals. To address these difficult issues together with Omron Healthcare in this “Healthcare and Medical AI” collaborative research program, we would like to explore solutions of how to prevent the event risks to spend happier and healthier lives at home with a new type of healthcare system and AI studies.



Kyoto University  
Graduate School of Medicine  
Department of Biomedical Data  
Intelligence  
Ph.D., Professor

**Dr. Yasushi Okuno**

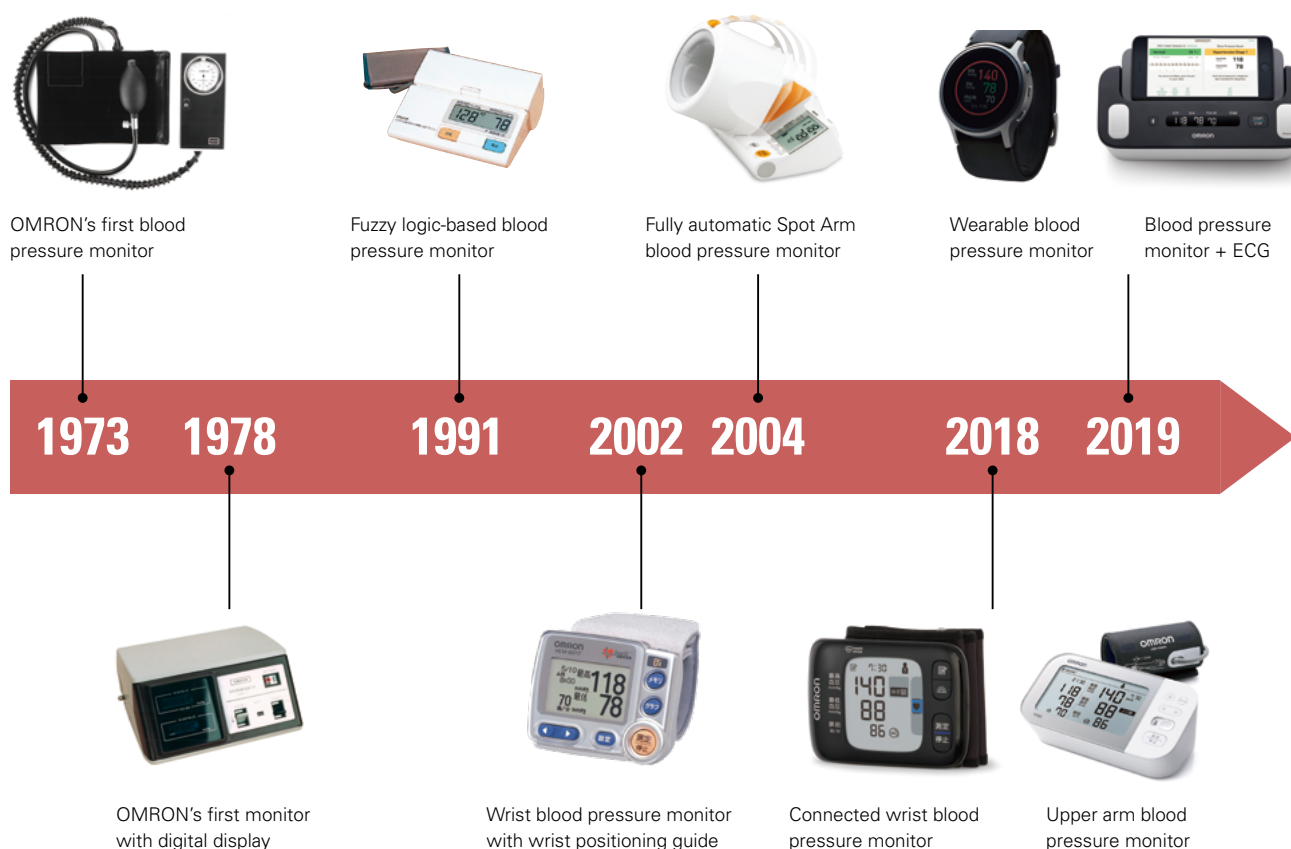
## Cumulative blood pressure monitor sales of 300 million units indicate a global prevalence of home blood pressure monitoring

The year 2021 will see global sales of Omron home-use blood pressure monitors reach the 300 million mark. It is almost 50 years since Omron launched its first home-use blood pressure monitor in 1973. At the time, common thinking was that blood pressure could only be measured at a medical facility, so the concept of home blood pressure monitoring was not accepted by consumers or medical professionals. But even so, we were confident in our belief that self-measured blood pressure should help promote people's health, so Omron ceaselessly worked to raise awareness of the public and medical community regarding the importance of home blood pressure monitoring. At the same time, we were pursuing the usability that would enable anyone to easily obtain accurate readings with medical-grade measurement accuracy. To make home blood pressure monitoring more accepted, we cooperated with medical professionals and experts, participating in numerous clinical studies to confirm efficacy. In 2014, some 40 years after launching our first monitor, our persistent efforts bore fruit. The 2014 Guidelines for the Management of Hypertension recommended that home blood pressure readings take priority in diagnosis data over doctor office-taken blood pressure readings, recognizing the efficacy of home blood pressure monitoring. With this, home blood pressure has been regarded as appropriate criteria for hypertension diagnosis in Japan as well as worldwide.

From the release of its first blood pressure monitor it had been about 30 years before Omron achieved cumulative global sales of 100 million units in 2009. But the next milestone of 200 million was reached in seven years, and in just five years after that, Omron blood pressure monitors are set to achieve 300 million units in global sales, indicating home blood pressure monitoring becoming prevalent at an accelerated pace.

Along with the recent rise of lifestyle disease patients, the practice of monitoring blood pressure at home is also growing in emerging nations. COVID-19 has also played a part in raising people's health awareness, helping our global monitor sales to achieve a year-on-year increase of 20% in fiscal 2020. We will remain committed to delivering innovative and high-quality products to hypertensive and other individuals who need a blood pressure monitor. At the same time, we will expedite the roll-out of RPM services and the development of AI technology supporting hypertension treatment as we continue our progress toward achieving Zero Events.

### History of blood pressure monitor development in line with home blood pressure monitoring acceptance



# Innovation Exploring Initiative HQ (IXI)

Corresponding SDGs



The Innovation Exploring Initiative HQ (IXI) aims for creation of new businesses by designing near future to solve social issues, and planning and implementing the necessary strategies to realize it. We contribute to realization of better society by pioneering new business opportunities as the company-wide innovation platform, and creating social needs with new businesses created by innovating business models.



Executive Officer  
Senior General Manager of Innovation  
Exploring Initiative HQ

## Hidetaka Ishihara

## Making a Model for Creating New Businesses that Solve Social Issues

OMRON has been banding together across the entire company to strive for “ambidextrous management” as a way to build up the power to achieve self-driven growth. IXI plays a role for it with its mission “Seeking and establishing new businesses.” In order to develop new businesses and improve reproduction as OMRON’s innovation platform for the entire company, we are focusing on planning strategies that create back-casting innovation starting from the near future designs, building dedicated groups for business verification and accumulating knowledge. We have implemented over 20 projects since our establishment three years ago, and four themes are currently proceeding to business verification phase. Also, in fiscal 2020, we have built the Integrated Innovation Process as a model of business creation. In this process, verification points and judgment criteria are clarified that tend to be personal and vague for new businesses, and

quality of themes and implementation speeds have improved significantly. Additionally, we have been working on strengthening and training human resource for architect and business creation who can promote business development, through this process. We have established a human resource development method that allows a high-quality “trial and learning” approach by defining required skills for each job type and giving detailed feedbacks through the on-the-job training in projects.

## Creating New Businesses to Drive Growth and Accelerating the Social Implementations

In the time of new normal, society drastically changes globally, causing various social issues. On the other hand, for OMRON with the corporate philosophy to solve social issues through its business, this is a time full of business opportunities, so we will work on catching those opportunities for new businesses.

Seeking business opportunities does not mean randomly looking for an unknown area. With all the various business opportunities available, we strategically need to select target areas and maximize investment efficiency. OMRON has been proceeding businesses with a focus on three domains: factory automation, healthcare, and social solutions. We will continue to create businesses with these three axes, proactively responding to social issues that could not be covered in each domain.

In determining the direction of new businesses, we focus on two main approaches. The first approach is business expansion from an essential value perspective. In this approach, we utilize customer assets that our business divisions have ever built, re-define our value by recognizing new social issues, and expand our business by advancing business models. The second approach is expansion into new business areas in our domain. By proactively promoting collaborative creation with customers regarding the four growth opportunities that OMRON recognizes for next long-term vision – “rising sophistication of manufacturing,” “automation of primary & tertiary industries,” “preventative medical support,” and “energy solutions to achieve carbon neutral” – we will powerfully promote the creation of new value and implementation in society, while obtaining the business assets that OMRON does not have.

Over the course of three years since IXI’s establishment, we have built OMRON-specific model process for business creation and many external people have joined this, agreeing with OMRON’s approaches and the direction of business creation. We are also internally training ambitious human resource for architect and business creators, through many projects. Our goal to “reproduce the founder’s philosophy and capability as a company” is surely being achieved. We are completely warmed up to fulfil the next long-term vision. From fiscal 2021, we will definitely shift to the goal of



creating businesses to drive OMRON's growth, focusing more on speedy businesses implementation in society and accelerating business creation.

## Examples of New Business Creation to Solve Social Issues

### Promoting Agri-automation Business in Which People Can Flourish

#### Social Issues to be Solved

In recent years, agriculture in China is experiencing serious lack of labor force, and it has become a social issue how to continue the farming. At the same time, demand is increasing for vegetables and fruit grown with low or no pesticides as customers become more conscious of food safety and security. Under these situations, the number of skilled worker who can produce crops with low or no pesticides is limited, and there is a need to realize high-quality, stable agriculture that does not depend on human skills.

#### Effort for Social Implementation

OMRON has developed services that support human judgment in their work by analyzing cultivation conditions, such as growth of crops, temperature, humidity and daylight hours, instead of whole automation that requires large capital expenditure. These services are now being tested in the field in China. In these services, as the crops growth state is timely quantified and the use of pesticides and chemical fertilizers are controlled to be minimal, anyone can work on production at the same level as those of skilled workers, which contributes to solving lack of labor force. In May 2020, we started up the cultivation technology development base in China, accelerating developments to make it a new business. With experimental farms further expanded, business creation is proceeded with partnerships between Japan and China.



### Data Utilization Support Business to Effectively Help Digital Transformation in Manufacturing

#### Social Issues to be Solved

With the advanced digital technology, we are now able to obtain large amount of data through sensors at various places including manufacturing sites. Customers in manufacturing industry expect that they can utilize the various data for creation of new value in quality improvement, new product development, and collaborative creation projects by multiple companies. On the other hand, it takes a lot of manpower and time to digitalize on-site documents and extract necessary information from large amount of data to analyze it. It is required to facilitate efficient data use and sharing for various purposes.

#### Effort for Social Implementation

OMRON extracts and processes necessary data from large amount of data collected from manufacturing sites, and verifies solution value for creative work, such as planning quality improvement and production or developing new products and services. At our Group's production sites, we automatically summarized production control data of parts handled at multiple locations and significantly improved work efficiency, such as converting the data into a suitable form for production planning. With these achievements, we now have started suggesting introduction of data utilization support business for customers who are in need of production of multiple products or in variable volume production, such as automotive parts, digital parts or cosmetics. With lack of labor force in the manufacturing industry becoming more serious, we will support customers' DX effort by enabling more people to engage in work with high added value.



## Elderly Care Support Business Aimed for Extension of Healthy Life Expectancy (Japan)

### Social Issues to be Solved

Ultra aging society that Japan will experience first in the world will afford a huge opportunity for OMRON to create new businesses. While the number of care givers are shorted for the elderly in needs of long-term care, it is the social challenge to extend healthy life expectancy where people can make livings independently.

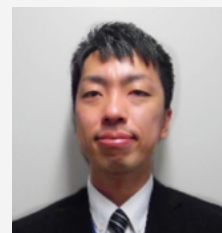
### Effort for Social Implementation

About half of people who need light nursing only have physical and mental functional deterioration due to their living style that is not active, and this can be prevented or improved. It is essential for extending health expectancy to promote preventing long-term care by "self-reliance support," which helps those people recover physical and mental functions to make their daily lives or join social activities. Therefore, OMRON has developed a system to support promotion of self-reliance that can be utilized further, by codifying know-how of experts who support self-reliance. Currently, we are in a partnership with Oita Prefecture, which is proactively supporting the elderly for self reliance and preventing care need level deterioration and are verifying systems at nursing care facilities in the prefecture. At nursing sites, communication is very important to grasp care receivers' conditions that vary on individuals. Therefore, this system is designed to decrease work load with machine supporting daily works so that people can concentrate on creative works such as having communication. By allowing anyone to give support for self-reliance at the same level of experts, we will provide new values with which employees at nursing sites can play more important roles.



### Comments from Partner

In Oita Prefecture, we are working on building the community-based integrated care system with the policy goal of "building a society of healthy longevity and lifelong activity. We have been focusing on promoting self-reliance and preventing deterioration of care need levels for the elderly, such as holding community care meetings, which is a leading move in Japan. Within the prefecture, the short-term intensive prevention service is spreading (which works on improving the elderly's physical functions with rehabilitation experts, etc. in a short period aiming for improvement of the quality of the elderly's living function such as meals and baths), while it is required to build a system that allows the elderly in need of support to receive the service. To solve this issue, we as the prefecture have agreed with OMRON to promote cooperative business utilizing ICT systems. We are working on improving the quality and efficiency of nursing and preventive long-term care by utilizing and analyzing collected data, along with promoting self-reliance of the elderly in regions. Also, through our approaches, we plan to assess and verify the effect of general supporting business for nursing and daily livings, including our short-term concentrated prevention service.



Senior Staff, Community-based Integrated Care Promotion Group Welfare for the Aged Division Welfare and Health Department Oita Prefecture

**Hikaru Ogasawara**

### Employee Comments

#### Feeling My Own Growth through Business Creation Process

With my strong will to narrow the gap between the average life span and health expectancy by supporting self reliance for the elderly, I joined IXI from a different business division in 2019 and am now the project leader of elderly care support business. In IXI, you can obtain skills that are necessary to create businesses proceeding projects steadily, with the vision to solve social issues as an axis. I only had experience of technology or products developments as an engineer when I joined the division, but I formed a team with those who had various experience and have been proceeding projects based on integrated innovation process. Through promoting projects, I was able to not only accumulate know-how to create new businesses but also recognize my own strength as an engineer to "change technology into value." After starting with four members, this project has become a business department in fiscal 2021 which makes me feel that we are making this a business steadily. With the large field of Oita Prefecture, we aim for supporting the elderly in Oita first, by verifying the effects with parties from the Prefectural Office and across the Prefecture. Further, we aim to contribute to the society by focusing on the social implementation of our system as an eco system that supports people's health, in partnerships with more companies and municipalities.



Elderly Care Business Department Business Incubation Center

**Yuki Kato**

## Propelling Collaborative Creation toward New Businesses

To accelerate implementation of new businesses in society, it is important to overcome the “Not Invented Here Syndrome” and create collaboratively with the startups developing cutting-edge technologies and business models by open innovation. In particular, for new business development or areas where innovation of business models is needed, who you have partnerships with is the key. To deepen key cooperation with partners, OMRON VENTURES CO., LTD. (OVC) proactively promotes strategic investments and expands the network to connect to advanced startups.



President and CEO  
OMRON VENTURES CO., LTD.  
and  
General Manager  
Co-Innovation Design Center  
Innovation Exploring Initiative H.Q.

**Tomoko Inoue**

In seven years since its establishment, OVC has invested in 17 startups and has been building relationships with venture capital firms in the center of the world's innovation eco system. In fiscal 2018, OVC started to accelerate investments for startups in Israel and Silicon Valley where world-leading high-technology startups emerge, nurturing businesses and technologies. To invest in foreign companies, it is important to build connections by getting involved in networks of foreign investors. There are many entrepreneurs who work on solving social issues by innovative technologies and business ideas, and many successful entrepreneurs establish venture capital firms to support newcomers. Therefore, excellent entrepreneurs gather at world-famous venture capital firms, creating many innovations. OVC focuses on the eco system of these innovations and increases the chance to meet excellent ventures to conduct optimal investments by combining relationships with entrepreneurs and networks with venture capital firms. Moreover, with the customers and technology assets obtained from these investments, OVC aims to create more social needs through collaborative creation with IXI and other businesses of OMRON.

### ■ OVC Investment Track Record

May 2015: Plant Life Systems Co., Ltd.	Nov. 2018: Connected Signals, Inc.
Jun. 2015: 3D Media Co., Ltd.	May 2019: Theranica Bio-Electronics Ltd.
Jul. 2015: Organic nico Co., Ltd.	Jun. 2019: Patients Know Best Limited
Mar. 2016: Life Robotics Inc.	Oct. 2019: Realtime Robotics, Inc.
Oct. 2016: Exvition Corporation	Mar. 2020: Avails Medical, Inc.
May 2017: Vegitalia Inc.	Mar. 2020: AIRx Health Inc.
Jun. 2017: Lark Technologies Inc.	Mar. 2021: DIMAAG-AI, Inc.
Dec. 2017: mofiria Corporation	Jul. 2021: Terrals Technologies Pvt. Ltd.
Oct. 2018: De-Identification Ltd. (D-ID)	

### Example of Collaborative Creation Projects with Investees

#### Patients Know Best Limited (PKB) (U.K.)

PKB provides platforms to share patients' medical data. Electrical medical records are common in U.K., but they are not shared among hospitals. Thus, it was causing physical and financial burden for patients as they needed to repeat check-ups every time they change hospitals to visit. Also, there were other social issues such as optimization of public medical expenses. For this situation, PKB has built a medical data sharing system with high security, which patients are authorized to administrate. This enabled not only to share medical data among hospitals but also for patients to administrate own medical data. Currently, Omron Healthcare Europe is working on connecting its health care app “Omron Connect” and PKB's system so that patients with chronic diseases can share their home data measured with OMRON's devices with hospitals and improve efficiency of treatments.

#### DIMAAG-AI, Inc. (U.S.)

DIMAAG-AI provides solutions utilizing AI that can explain the estimate results, such as failure detection or machine failure estimate. It aims for renovating manufacturing processes with human, and the comprehensive system buildings such as generation of AI model and re-learning after operation with data visualization in inspection area show their characteristics. While inspections by human are more difficult than before due to lack of labor force or COVID-19 crisis, the social issue is how to inherit experienced workers' skills. The Inspection Systems Business Division at IAB works on introduction of AI for substrate visual inspection system and X-ray inspection system in order to support customers' high-quality manufacturing processes. With the synergy effect of collaborative creation with DIMAAG-AI, we are working on realization of unmanned inspection system by introducing AI-based technologies for various scenes related to inspection operation.

# Technology & Intellectual Property HQ

## Approaches for Strengthening Our Core Technologies to Realize a New Normal in Society



Deputy Senior General Manager, Technology and Intellectual Property HQ of the Company; President and CEO, OMRON SINIC X Corporation

**Masaki Suwa**

### OMRON's Core Technologies: Sensing & Control + Think

OMRON has worked to strengthen the idea for its core technologies, Sensing & Control + Think, in the course of VG2020. "Sensing" technology refers to the extraction of necessary on-site data. Based on the information obtained through sensing, "Control" technology provides appropriate solutions, while "Think" adds the element of human wisdom. OMRON uses these together to create value for solving social issues. In 2018, we established OMRON SINIC X Corporation (OSX) to harness advances in technologies such as AI, IoT, and robotics, and to further evolve our core technologies. In addition to our Keihanna Technology Innovation Center, which is the main base for our R&D activities, the Technology & Intellectual Property HQ also has a development base on the west coast of the United States and another in Tokyo, all of which contribute to strengthening OMRON's corporate R&D capabilities.

### Creating Value and Strengthening Our Business through Core Technologies

The Technology & Intellectual Property HQ and OSX engage in R&D to devise innovative products for our existing businesses and for new business development. In our R&D activities to strengthen existing businesses, we worked to downsize PV inverters (a key part of solar power generation systems) and develop small 3D vision sensors that can be mounted on robot arms to help compensate for labor shortages at manufacturing sites. For new business development, we have overhauled our theme-planning process and established our Integrated Innovation Process together with the Innovation Exploring Initiative HQ (IXI) to realize near-future innovation driven by social needs. This approach allows us to set themes with a great impact on both society and technology in order to realize a world where people can flourish even more. Examples would include sensing technology such as vision sensors that enable machines to better understand people and control technology enabling robots to be flexibly and easily handled. We are also working on the development of AI technologies that support human work by "reading" human intentions from large amounts of data. These highly evaluated research results have been presented at various conferences, published in a journal and adopted by IROS,\* the world's premier academic society for robots. OMRON is also globally engaged in intellectual property creation activities such as intellectual property education for engineers and has an internal reward system for inventions, which has enhanced the company's patent-application abilities. These efforts have garnered high praise from other organizations. OMRON was selected as one of Clarivate's Top 100 Global Innovators 2021, which is given to the most innovative business and research organizations around the world. It marks the fifth consecutive year OMRON was named as a top innovator by Clarivate.

As society moves toward a new normal, robot and AI technologies will continue to advance, not only in manufacturing but also for medical care, food, office work, and R&D. OMRON is moving forward with advanced development of technologies that embody the integration of robotics and AI, such as smart equipment that can make on-site decisions without requiring humans to spend time providing instructions and machines that harmonize their actions with the humans who working with them. In terms of co-creative activities through open innovation, the knowledge and know-how of external business, startups and research institutes in combination with OMRON's core technologies will create an organic reaction that drives innovation.

\*International Conference on Intelligence Robots and Systems

### Case 1

#### A High-Speed Sensing Technology for Robot Arms

As labor shortages at manufacturing sites become more serious, there is a need to automate the picking of randomly postured parts of various shapes during the product assembly process. OMRON therefore developed its own sensing technology in a form of small and lightweight 3D vision sensors that greatly shortens imaging times with a special detailed projection pattern, making it possible to measure and recognize objects at high speed. The sensor can be mounted on the robot arm, allowing the robot to assess parts like a human would. This sensor technology is installed in the FH-SMD Series 3D Vision System launched by Industrial Automation Business (IAB) in March 2021 and is contributing to the automation of manufacturing lines.





## Case 2

### Development of a Circuit Design Technology to Suppress Noise from Electromagnetic Interference

For photovoltaic power generation, storage needs are diversifying—for example, as part of using and selling power, or as a backup during a power outage or disaster. Conventionally, we had to build a customized system according to purposes, and adding functions afterwards was costly. OMRON therefore leveraged its many years of know-how in power electronics technology to develop a multi-purpose inverter for household energy storage systems that supports additional functions simply by adding option units. This compact and large-capacity system is not limited by installation environment or available space. This inverter technology is part of our 「Multi-Energy Storage Platform KPBP-A」 released by Social Systems Business (SSB) in October 2020 and contributes to creating a sustainable society through the spread of renewable energy.



### Accelerating Social Implementation of Technology with the World's Cutting-Edge Minds

OSX recruits world-class human resources in AI and robotics technology, carrying out co-creative projects with research institutes and companies around the globe while creating near-future designs that originate from innovative technologies. By placing AI, robotics, and sensing technology at the center of our current R&D and to embody harmony between humans and machines, we are working on innovative approaches to human-machine communication and the handling of diverse data, and evolving the physical manifestations of machines. OSX has steadily built a reputation since its establishment in 2018, with papers accepted at world-class international conferences such as CVPR<sup>\*1</sup>, ICML<sup>\*2</sup>, and ICRA<sup>\*3</sup>, and is attracting excellent interns and researchers from all over the world. To develop the technological seeds produced by OSX into new businesses, OMRON discusses ideas with researchers inside and outside the company and is accelerating the social implementation of innovative technologies.

\* 1 Conference on Computer Vision and Pattern Recognition

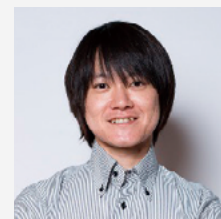
\* 2 International Conference on Machine Learning

\* 3 International Conference on Robotics and Automation

## Research Themes

If humans and machines can interact via words, they will be able to learn in a coordinated manner, as if two humans were communicating. People can then focus on more creative activities. To that end, we are engaged in the area of vision and language research. This research involves machines expressing in natural language the surrounding conditions they have captured, and searching or generating images from natural language.

Focusing on the field of informatics, I hope to revive the research and technology paradise. OSX has the potential to be at the heart of that paradise. The AI and robotics researchers gathered at OSX will continue to advance collaborations, both internally and by involving surrounding companies and universities.



Principle Investigator  
OMRON SINIC X  
Corporation  
**Yoshitaka Ushiku**

An important challenge for AI technologies, especially for products and services that use deep learning, is how to get a machine to use as small a data set as possible to efficiently learn to a practical level. OSX is tackling this challenge by applying the results learned in one specific environment for learning in another environment without sharing the data itself, which enables efficient learning even with only small amounts of data dispersed in various locations. OSX has been advancing our highly original approaches by bringing together the cutting-edge AI research and the current and future needs of the real world. Going forward, we will continue to work closely with people inside and outside the company to create high-impact and universal achievements.



Principle Investigator  
OMRON SINIC X  
Corporation  
**Ryo Yonetani**



# Human Resources Management that Supports Management Based on the OMRON Principles

Corresponding SDGs



In order to contribute to social development through our business and to enable our Company and employees to continue growing together, it is important for each of our employees to aim higher when it comes to innovation driven by social needs and to give free rein to their can-do spirit. At OMRON, we are working to create an environment where employees with diverse personal qualities, skills, and experiences can be empowered and strive to create new value together while gaining satisfaction and a sense of fulfilment from their work.

## A Human Resources Strategy Geared Toward Practice of the OMRON Principles

We believe that, in order to create innovation and solve social issues through our business, it is essential for our human resources, diverse in personal qualities, skills, and experiences, to be energized and performing to their full potential. VG2.0 has therefore included initiatives aimed at creating an environment where each employee can work toward self-development, mutually increase the value of our human resources, and fully engage in the practice of the OMRON Principles as a team.

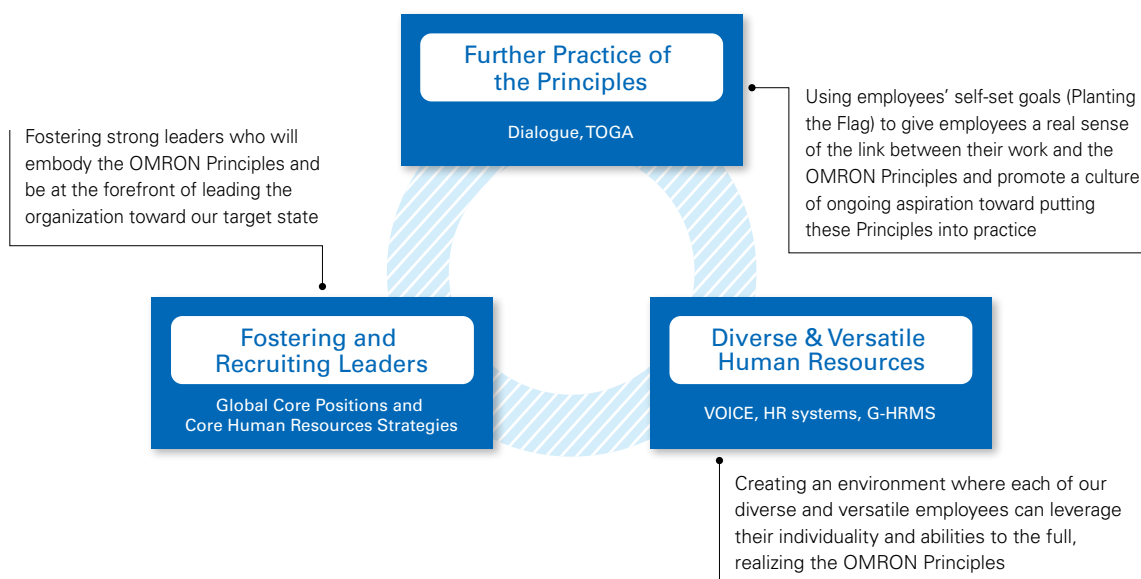
The pillars of this strategy are “Expanding the Practice of the OMRON Principles,” which will broaden the circle of empathy and resonance with the practice of the OMRON Principles and encourage new practice of these Principles; “Fostering and Recruiting Leaders,” who will embody our principles and lead our teams; and “Empowering of Diverse and Versatile Human Resources,” which will create environments where our diverse human resources worldwide can engage more enthusiastically in the practice of the OMRON Principles.

By linking a variety of measures around these three pillars, we are committed to creating an organizational culture within which employees can engage in their own work with a sense of pride and satisfaction and continue to perform to a high standard.



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

**Masahiko Tomita**



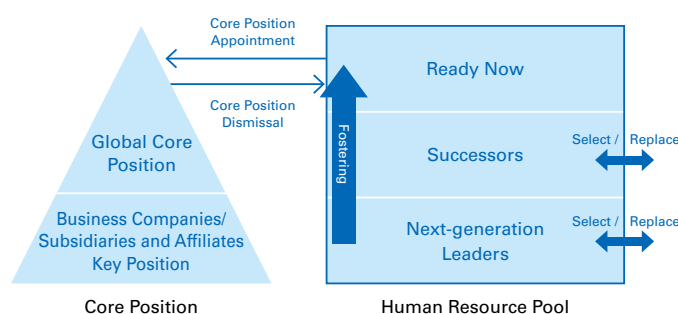
## Expanding the Practice of the OMRON Principles

At OMRON, employees' self-set goals give them a real sense of the connection between their work and the OMRON Principles and prompt them to work to promote a culture of ongoing aspiration toward putting these Principles into practice. The OMRON Global Awards (TOGA) are an initiative to share stories about how our Principles are practiced with our employees throughout the world, in the hope that these stories will resonate with them and expand the practice of these Principles. First held in 2012, TOGA are used to share entrants' team efforts to solve social issues. Sharing these within the Company and beyond provides an opportunity to spread feelings of empathy and resonance and to give each and every employee a sense of pride and fulfilment in their jobs. (For details of TOGA, please refer to the section starting on page 69.)

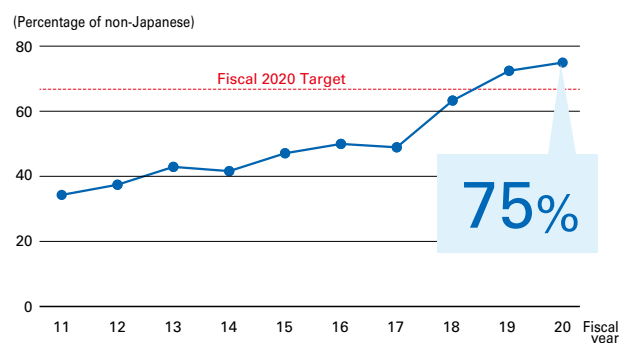
## Fostering and Recruiting Leaders

At OMRON, we are working at a global level to foster strong leaders who will embody the OMRON Principles and be at the forefront of leading the organization toward our target state. Our Global Core Positions and Core Human Resources Strategies are frameworks for fostering and recruiting leaders who will embody the OMRON Principles and lead and support teams of diverse human resources in further practice of these Principles. The Global Core Positions are the most important executive positions that lead the OMRON Group's management and business. Currently, approximately 200 Core Positions have been established globally, and we are continually working to achieve timely assignment of leaders who are capable of taking on the responsibility of these positions. VG2.0 has created the necessary pipeline through the discovery of human resources suited to assume Core Positions in the future and the implementation of frameworks to foster them as successors and next-generation leaders. In addition, our commitment to increasing the percentage of non-Japanese in our overseas Core Positions brought their number to 75% in fiscal 2020, significantly exceeding our target of 66% and allowing an increasing degree of prompt decision making based on local perceptions.

### Overview of System to Assign the Right People to the Right Global Core Positions on an Ongoing Basis



### Changes in the ratio of non-Japanese in core positions overseas FY2020 Results



\* "Core positions overseas" is synonymous with the disclosed "managerial positions overseas."

## Diverse and Versatile Human Resources

At OMRON, we are striving to create the right environment for our diverse and versatile human resources to be empowered and leverage their individuality and abilities to accelerate the practice of the OMRON Principles worldwide. As part of this, we are introducing our employee engagement survey, VOICE, and a global human resources management system worldwide. We aim to create an attractive organization and environment in which each employee is highly motivated to practice the OMRON Principles and is able to exercise their abilities to the full.

### VOICE : Our Employee Engagement Survey

Management has been running VOICE\*, an engagement survey asking for genuine feedback from all employees worldwide, since fiscal 2016. This is an initiative for OMRON's continued sustainable development, allowing management to gauge our Company's appeal as a workplace, understand and identify management issues, and take action to solve these issues.

\* VOICE: VG OMRON Interactive Communication with Employee

From fiscal 2018, we have incorporated the Sustainable Engagement Index (SEI\*), which statistically examines growth in performance and the Company's attractiveness. Our management team uses scores based on analysis of the aggregate data as well as the free comments that communicate what our employees really think to monitor issues, understand and identify monitoring outcomes as management issues, hold thorough discussions aimed at their resolution, and continue reforms. In response to the fiscal 2018 survey results, we drafted and implemented over 300 improvement measures worldwide in order to facilitate higher employee performance, including review of decision-making authority and business processes and development of IT infrastructure and various systems. Many employees gained a real sense of being able to participate in the creation of better workplaces and organizational reform through VOICE. As a result, our response rate rose to 90% worldwide in FY2020, the number of free comments increased to 40,453, and scores improved across all 15 survey categories as compared to the previous year. The introduction of VOICE has allowed employees to participate in planning organizational reform and improvement and our management team and on-site leaders to begin establishing a Working Environment Improvement Cycle.

\* SEI : Sustainable Engagement Index

## Progress of VOICE Response Rate/Number of Free Comments

	FY2016	FY2017	FY2018	FY2020
No. of questions	56 of which 2 free comments	76 of which 1 free comment	76 of which 1 free comment	69 of which 3 free comments
Response rate	77% Recipients:21,911 Respondents:16,975	85% Recipients:23,617 Respondents:19,957	85% Recipients:23,707 Respondents:20,161	90% Recipients:21,287 Respondents:19,176
No. of free comments	-	7,614	8,496	40,453 Q1. The best thing about working at OMRON:13,228 Q2. Changes that should be made to improve OMRON:13,167 Q3. Suggestions relating to the COVID-19 pandemic:14,058

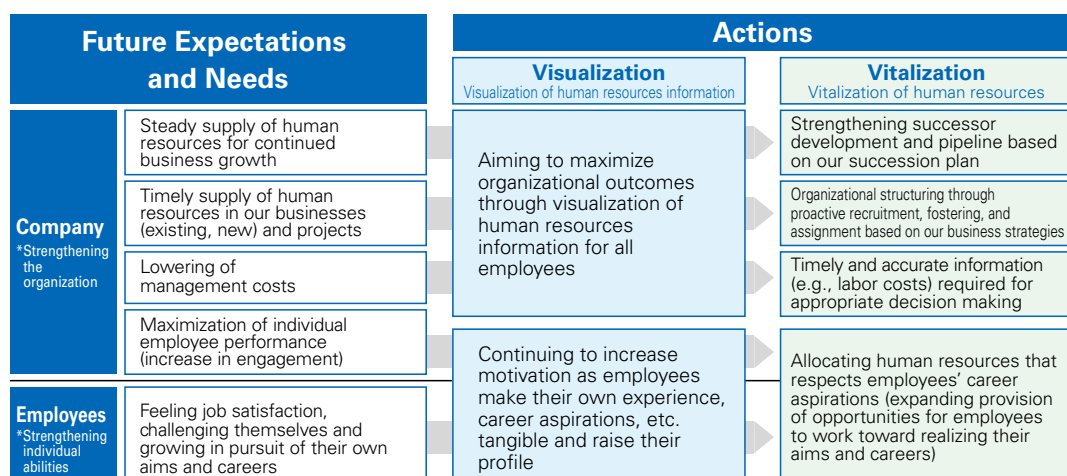
## Global Human Resources Management System

Our global human resources management system (G-HRMS) is an element of our IT infrastructure that provides a visualization of the skills, experiences, and aspirations of OMRON Group human resources worldwide, facilitating the building of excellent teams optimized for engaging with the practice of the OMRON Principles. In order to adopt best practices in human resources management and visualize and vitalize our diverse human resources, we are introducing a management system\* that is being taken up by many global corporations, and will begin to put it into operation on a step-by-step basis in fiscal 2021. In fiscal 2022, the starting year of our next long-term vision, we plan to use it not only to visualize our globally distributed human resources information and make it possible to compile optimal teams based on our business strategies, but also to provide opportunities for employees to work toward realizing their individual aims and envisaged careers.

Our G-HRMS will allow employees to "visually showcase" their own abilities and experiences and their diverse aspirations regarding the practice of the OMRON Principles, allowing us in turn to increase opportunities and possibilities for employees to freely demonstrate their strengths to the full. We believe that increasing every employee's sense of fulfillment and experience of growth in their career and successfully assigning the right people to the right positions on a global scale will be particular drivers of employee and company growth over the next 10 years.

\*SAP Success Factors, developed by German corporation SAP SE

## Actions for Future Expectations and Needs Using Our G-HRMS



## Promotion of Diversity and Inclusion

Diversity and inclusion will drive the evolution of our human resources strategy and power the mutual growth of our Company and employees. For OMRON, the promotion of diversity and inclusion is an important initiative that seeks to give embodiment to our philosophy of “always believing in human potential.” We promote diversity in the form of “acceptance of the diverse personal qualities and values of our diverse human resources” and inclusion as “bringing out and leveraging the abilities of our diverse human resources.”

We are working to create and deliver value in order to solve social issues through our business. Our human resources are the actors in this effort, and an abundance of diversity among them will set off new “chemical reactions,” creating equally diverse value and increasing the variety and number of social issues that we can confront. As part of this, VG2.0 has included efforts to increase the ratios of women in managerial roles and of employees with disabilities, as well as to expand opportunities to empower our diverse human resources regardless of factors such as nationality, religion, marital status, gender, sexual orientation and gender identity, and disability.

In addition, we are actively promoting the hiring of mid-career employees in our Japanese businesses and have welcomed a total of 643 mid-career recruits during the four years of VG2.0. Furthermore, in order to promote wide-ranging business creation geared toward the era of the new normal and construction of the foundation to support this, we will begin new recruitment activities in fiscal 2021 aimed at offering secondary or side positions to professionals external to the company possessing diverse skills and experiences.

## Strengthening Our Human Capital for Practice of the OMRON Principles over the Next Decade

Looking forward to the next 10 years, we see significant changes ahead for the relationships between companies and employees. As Millennials, Generation Z, and further generations bring new values with them as they become the core of the workforce, mobility of human resources will gather speed and we can expect the relationship between companies and their employees to shift from the existing subordinate model to one of equality. Amid this shift, companies will be required to clearly set out the opportunities for growth and empowerment that they will provide to their employees and the results they expect.

Within this context of significant change in the relationship between individual and organization, team management that brings together diverse individuals with versatile expertise and creativity and allows them to fully exercise and continually increase their abilities will be more necessary than ever for working toward innovation driven by social needs. We will therefore formulate and implement measures to build a new company–employee relationship that is fair and open, and to allow that relationship to be one of mutual choice, where the Company and our employees can continue to grow together. Specifically, in order to combine exploitation of our existing businesses and business evolution through the creation of innovation, we will take a more proactive approach going forward to new strategic requirements with regard to acquisition and fostering of human resources and optimal position assignment that allows employees to better exercise their abilities. Using the measures engaged with in VG2.0 as a basis, we will create environments worldwide in which our diverse human resources will, through their respective jobs (opportunities), experience job satisfaction and personal growth and can continue to perform to a high standard.

### Diversity and Inclusion Promotion Showcase : OMRON Joins International Initiative Working to Promote Empowerment of People with Disabilities

In January 2021, OMRON endorsed the aims and became a member of The Valuable 500\*, an international initiative working to promote empowerment of people with disabilities. OMRON has long been a pioneer in promoting the employment of people with disabilities, establishing OMRON Taiyo Co., Ltd., Japan's first welfare factory employing people with disabilities, in 1972, in collaboration with social welfare organization Japan Sun Industries. Since then, in order to create a society in which people with disabilities enjoy fulfilling lives and the rewards of work, we have worked to create job opportunities for people with disabilities and expand opportunities for their empowerment through our business. Today, the OMRON Group employs people with disabilities not only in our special subsidiary companies, OMRON Taiyo Co., Ltd. and OMRON Kyoto Taiyo Co., Ltd., but also in every department from Sales and Human Resources to General Affairs, Legal, and Development. Going forward, the OMRON Group will continue to promote the employment and empowerment of people with disabilities, allowing us both to fulfill the Group's social responsibilities and to utilize diversity to drive the Company's development.



\*The Valuable 500 was launched at the World Economic Forum Annual Meeting in Davos in January 2019, and encourages business leaders to create the changes in business, society, and the economy that will empower people with disabilities and allow them to realize their potential.

## The OMRON Global Awards (TOGA)

OMRON pursues the goal of improving society by solving social issues through our business based on the OMRON Principles. TOGA initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the entire Group across the world to ensure that all employees are aware of, and understand, the Principles, which are the source of OMRON's strength, and to expand the circle of empathy and resonance.

### Highlights

TOGA encourages employees to set their own goals for solving social issues with the aim of fostering a culture of ongoing aspiration toward putting the OMRON Principles into practice. We share and publicly praise the OMRON Principles practiced in everyday work and workplaces, expanding the circle of empathy and resonance in practicing the OMRON Principles. TOGA program is ongoing throughout the year. The teams that pass preliminary selections from our organizations around the world are invited to come to Kyoto to present their initiatives for practicing the OMRON Principles at the OMRON Global Meet on May 10, the OMRON Group Founder's Day. These teams bring back news of how other team initiatives were received to their local workplaces, sharing their experiences with their co-workers and expanding the circle of empathy and resonance throughout the world.

### Process

TOGA is designed based on the SECI\* Model of knowledge management in which the tacit knowledge of an individual is drawn out to become shared knowledge throughout an organization. OMRON engages in a cycle of setting inspirational goals, taking action, and reviewing progress to share information and encourage buy-in throughout the entire year.

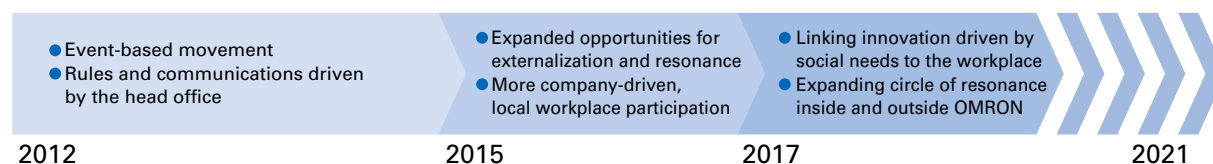
\*SECI Model: A knowledge management mechanism produced by Hitotsubashi University professor Ikujiro Nonaka that focuses on knowledge creation activities. Through a conversion process of socialization, externalization, combination, and internalization, organizations can take the tacit knowledge of an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



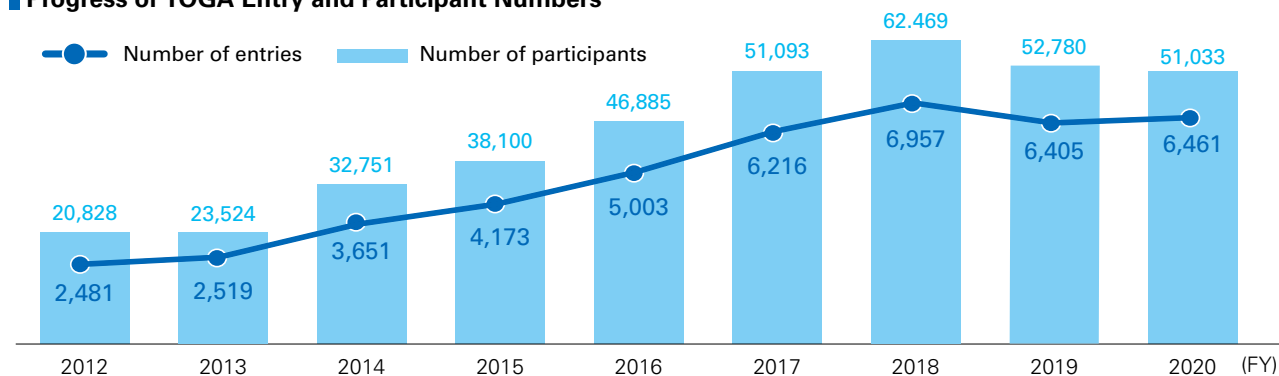
### Evolution

The number of entries per employee is rising year by year, our approximately 28,000 employees surpassing themselves in fiscal 2020 with participant lists (counting multiple entries per person separately) totaling 51,033 for 6,461 entries. TOGA has taken root as a process to share and recognize voluntary employee initiatives in practicing the OMRON Principles and is run by employees in each region worldwide. Recent years have seen an increase in initiatives aimed at practicing the OMRON Principles through cooperation across departments and with external partners in the aim of further innovation driven by social needs. The circle of empathy and resonance with the passionate desire to fight to solve social issues is also expanding beyond the Company. Approximately 200 people external to the company—including partner companies, investors, media personnel, and students—participated in our 8th (2019) TOGA Global Meet, which brought attendees together from all over the world in a live online format due to the COVID-19 pandemic.

#### TOGA Evolution



#### Progress of TOGA Entry and Participant Numbers





## Examples of Initiatives to Practice the OMRON Principles

In the eighth year of TOGA (FY2019), 16 entries that put various OMRON Principles into practice were selected from around the world and presented online to all employees worldwide.



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

### Example 1

#### Bionic Leg to Empower and Support Society (B.L.E.S.S.)

(8th [FY2019] TOGA Gold Award Winner)

PT OMRON Manufacturing of INDONESIA (OMI)  
Fathian Hafiz Aulia



There are over 35 million people worldwide who have lost legs to unforeseen accidents, illnesses, and other causes, with as many as 3 million in Indonesia alone. Many prosthetic legs prioritize appearance and lack flexibility, and in many cases are painful and uncomfortable to use. Meanwhile, prosthetic legs that can move flexibly are expensive and difficult to obtain. Aulia, who works as an engineer at OMRON's Indonesian production plant OMI, has taken a stand against this issue. Of the 2,541 employees working at OMI, 35 have disabilities. Aulia wanted to help his colleagues who had lost lower limbs. With this in mind, he assembled a team to develop the kind of accessible, flexible prosthetic leg that was then unavailable. However, the team encountered obstacles in their lack of expertise on the human gait cycle and the impossibility of procuring all of the necessary components in-house. They therefore appealed to OMI's management team, and it was with this latter's ready consent that the idea became a company-recognized project. Now able to receive additional support from local component manufacturers and foundations, their project was successfully developed. The prosthetic leg, combining increased functionality with a lowered price, was named the Bionic Leg to Empower and Support Society (B.L.E.S.S.), a title that encapsulates the hopes of its developers. The team received delighted feedback from a colleague who tested B.L.E.S.S.: "It fits more comfortably than the prosthetic legs I've used before; I'm really happy with it." The circle of empathy and resonance toward the team has expanded both within and beyond the Company, including to Indonesian universities and insurance companies, and development to further increase B.L.E.S.S.'s durability and comfort continue.

### Example 2

TOGA feature numerous entries striving to solve social issues, even if they are not all selected for the Global Meet. The following example is an entry that won a Silver Award at the Japan Meet.

#### Initiative to Achieve Smart Agriculture Through Automation of Irrigation Processes

(8th [FY2019] TOGA Japan Meet Silver Award Winner)

OMRON Industrial Automation Business Company (IAB)  
Satoru Tanaka



The population of agricultural workers in Japan has decreased by approximately 35% over the past ten years. Aging among these workers is also becoming a social issue. The majority of Japanese agricultural crops are grown outdoors, a cultivation method which relies on the surrounding natural environment, and on-farm tasks are now falling to the elderly. Irrigation has a significant impact on crop quality and is becoming a particular burden, being highly weather-dependent and requiring adjustments in water amounts to be made while checking the state of crops on-site. This issue was taken on by Tanaka and other members of the team responsible for Sales in our Industrial Automation Business. They began development of a system to automate irrigation in collaboration with Betsukawa Corporation, a manufacturer of electrical solutions in Ishikawa Prefecture whose existing business relationship with OMRON included provision of electrical monitoring devices. Development was fraught with difficulties, with Tanaka and his team lacking the expertise necessary to judge optimal moisture content, which differs from crop to crop. However, the team members made frequent visits to farms and gained insight from watching producers checking leaf temperature and moisture content by touch, discovering the correlation between these two factors. They went on to produce an automated system that judges crop state in real time by quantifying moisture content while monitoring leaf temperature. Alongside evaluation of the system in multiple farms across the country, they are currently collaborating with new partners, including startups, and proceeding with testing geared toward the system's practical application.

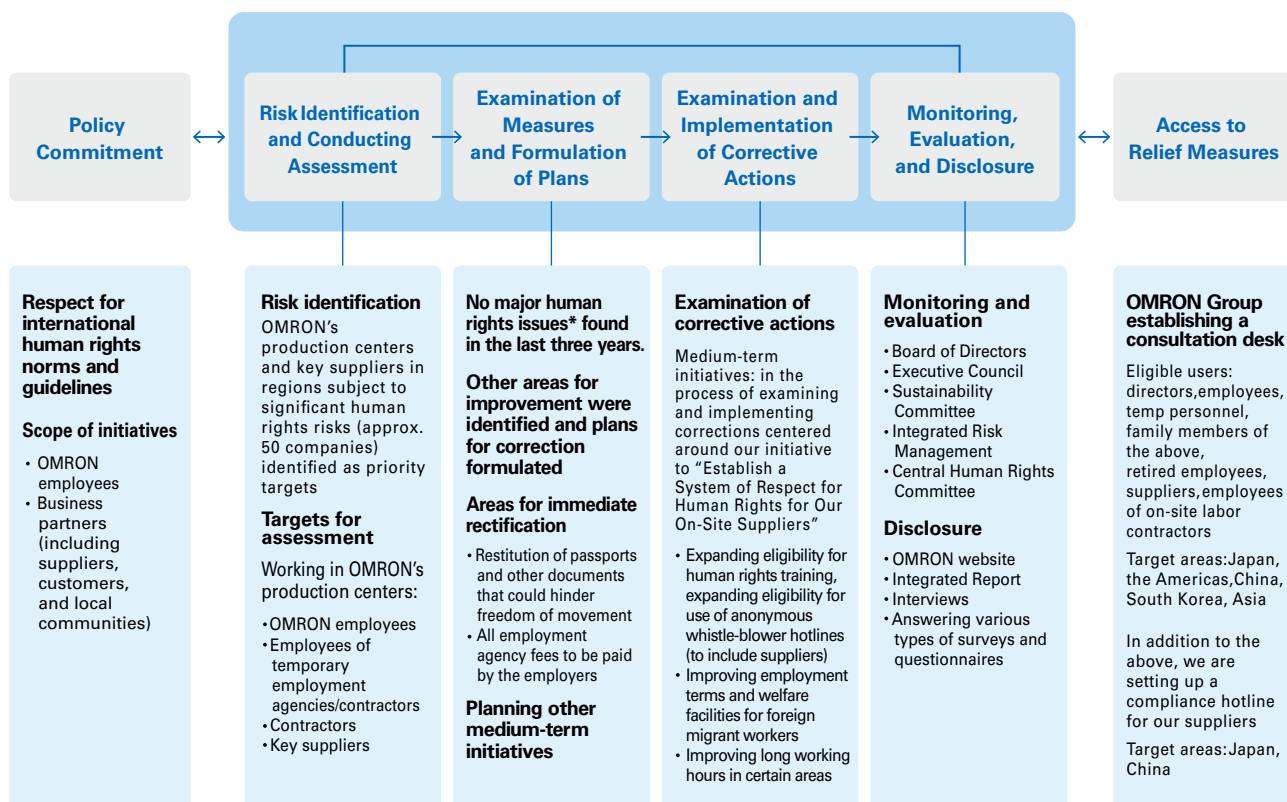
## Respect for Human Rights

As declared in the OMRON Principles, Our Values include Respect for All. In our view, Respect for All is the value that underlies all of our activities, including respect for human diversity, personality, and individuality, as well as the pursuit of a decent life and work. We believe that acting with integrity in our dealings with people at all times will lead to increased trust from society and the Company's continued existence.

OMRON has formulated the Sustainable Conduct Policies which sets forth environmental and social issues to be addressed by the OMRON Group and policies for dealing with the issues, with reference to international norms and guidelines such as the International Bill of Human Rights. The Sustainable Conduct Policies declares that we will respect the fundamental human rights of individuals and will not engage in discrimination or human rights violations for any reason. To this end, we will also respect the United Nations Guiding Principles on Business and Human Rights and are working to fulfill our corporate responsibility to respect human rights through establishing procedures (human rights due diligence) for identifying, preventing, mitigating, and rectifying negative impacts on human rights.

OMRON set respect for human rights and labor practices as one of our sustainability initiatives in fiscal 2017. Since then, we have been working to establish human rights due diligence processes and pursuing human rights risk analysis and rectification in all of our production locations. In fiscal 2020, we completed our goal of investigating and analyzing human rights and labor practices at all our production locations. In locations with issues, we have investigated measures to be taken and are implementing corrective actions. These initiatives are not limited to OMRON employees but are also being extended to employees of temporary employment agencies and contractors. We are also commencing their worldwide roll-out. Our initiatives to date will be carried forward as key issues from fiscal 2021 onward, and we will continue our efforts to strengthen them.

### Due Diligence for Human Rights



\*Major human rights issues: forced labor, child labor, long working hours, harassment, other discrimination, etc.

OMRON Group Sustainable Conduct Policies and OMRON Group Rules for Ethical Conduct

[https://www.omron.com/global/en/assets/img/sustainability/pdf\\_inquiry/omron\\_group\\_sustainable\\_conduct\\_policies\\_rules\\_for\\_ethical\\_conduct\\_fy21.pdf](https://www.omron.com/global/en/assets/img/sustainability/pdf_inquiry/omron_group_sustainable_conduct_policies_rules_for_ethical_conduct_fy21.pdf)

## Corresponding SDGs



# 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. Under the VG2.0, OMRON has been strengthening environmental initiatives in accordance with its corporate environmental vision and policy. In our next long-term vision for 2030, which is currently under consideration, we will further enhance our environmental initiatives by positioning our response to the challenges of climate change and resource recycling as one of the most important issues for OMRON to address.

## Environmental Vision: Green OMRON 2020

In the Environmental Vision Green OMRON 2020, we have set six environmental targets to be achieved by fiscal 2021 (recognizing fiscal 2021 as a period for business reform due to the impact of the COVID-19 pandemic, we changed the target year of Green OMRON to fiscal 2021). We are on track and expect to achieve all of the targets set in our environmental vision: reduction of greenhouse gas (GHG) emissions, proper management and reduction of hazardous substances, reduction of waste, prevention of air and water pollution, effective use of water resources, and promotion of environmental management. In particular, we have designated reducing GHG emissions and properly managing and reducing hazardous substances as company-wide sustainability issues (materialities), and have been making focused efforts on these issues in line with goals set in fiscal 2017.

To reduce GHG emissions, OMRON set the OMRON Carbon Zero target in July 2018, which aims to reduce GHG emissions to zero by 2050. Since then, we have been working to reduce GHG emissions by intensively conserving energy and promoting the use of renewable energy. In the next long-term vision, we will further strengthen and accelerate our efforts.

### Environmental Vision: Green OMRON 2020

#### OMRON Group Environmental Policy

In line with the OMRON Principles, we will contribute to realizing sustainable societies globally by providing eco-friendly products and services that can contribute to the global environment and by making the most effective use of management resources.

1. Provide eco-friendly products and services that can contribute to the global environment
2. Prevent global warming
3. Use resources efficiently
4. Co-existence with nature
5. Implement environmental management

#### OMRON Group's Environmental Objectives

1. Reduction of greenhouse gas emissions
2. Appropriate management and reduction of hazardous substances
3. Reduction of waste
4. Prevention of air, water, and soil contamination
5. Effective usage of water resources
6. Facilitating environmental management

## Disclosure of Climate Change-Related Information based on TCFD\*

OMRON recognizes that climate change will impact our future sustainable growth. We are engaged in the following framework, using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for which we declared our support in February 2019.

\*Task force on climate-related financial disclosures established by the Financial Stability Board (FSB).

## Governance

OMRON has designated responding to climate change as one of the key sustainability issues under VG2.0. We are carrying out specific initiatives in accordance with annual targets and plans approved by the Sustainability Committee and the Executive Council. These initiatives are monitored and supervised by the Board of Directors, based on reports on their content and progress. Part of the medium-to-long-term, performance-linked compensation for internal directors and executive officers incorporates evaluations based on sustainability indicators (including response to climate change) evaluated by third parties. In fiscal 2021, we added progress toward our GHG emissions reduction target to these indicators.

## Strategy

Under the VG2.0 medium-term management plan and the next long-term vision up to 2030, OMRON has identified energy solutions that contribute to the realization of carbon neutrality as one of our business opportunities for the creation of social value. Against this backdrop, in fiscal 2020, we conducted scenario analysis for our energy solutions business, which operates within the business domain of Social Solutions and provides products and services that directly contribute to the realization of carbon neutrality. Based on a scenario in which decarbonization and the creation of a circular economy will accelerate, we identified key risks and opportunities and possible countermeasures. With climate change and resource recycling as a starting point, we are now making efforts to create new solutions to recover and reuse products. One example of these efforts is the Power Continue, a fixed-rate rental service for PV inverters, launched in fiscal 2021 in collaboration with Tokyo Century Corporation. In fiscal 2021, we will also carry out scenario analysis based on multiple climate change scenarios for our Industrial Automation Business, Electronic and Mechanical Components Business, and Healthcare Business. In response to the key issues in our next long-term vision, we will examine ways to maximize business value while taking climate change into account, and utilize the results of this examination to consider business strategies for the next medium-term plan. Going forward, OMRON will continue to take a firm stand against highly uncertain climate change risks through scenario analysis, and continue to practice resilient management.

\*Please see OMRON Integrated Report 2020 for the results of the scenario analysis of our Energy Solutions Business.

## Risk Management

Under its integrated management structure, OMRON manages risks that have a significant impact on management and finances as key management risks. Climate change risks are also identified as key risks for the Group, and risk management and countermeasures are implemented. We collect and analyze a wide range of information on risk factors such as regulations relating to climate change and their impact on business, by conducting audits of environmental legal compliance assessment globally, assessing vulnerability of each site to natural disasters (flooding, torrential rain, water shortages, etc.) which are expected to increase in scale and frequency as a result of climate change, and making preparations for business continuity.

## Indicators and Targets

OMRON has designated GHG emissions as an indicator for climate change, and has set the OMRON Carbon Zero target, which aims to reduce GHG emissions to zero by fiscal 2050. Using the Scope 1 and 2 GHG emissions quantities of fiscal 2016 as a baseline, we backcast from fiscal 2050 to set reduction targets for fiscal 2030 and fiscal 2020\*<sup>1</sup> and are promoting various reduction efforts to achieve these goals. Specifically, in fiscal 2018, we began procuring electricity from renewable energy sources in Japan. In fiscal 2019, we started Analysis of Energy Conservation Potential\*<sup>2</sup> for our operating sites in Asia-Pacific, which is the second largest energy-consuming region after Japan and China. At our Indonesia Plant, we identified scope for energy conservation equivalent to 23% of its annual energy consumption and are implementing measures under the medium-term energy conservation plan.

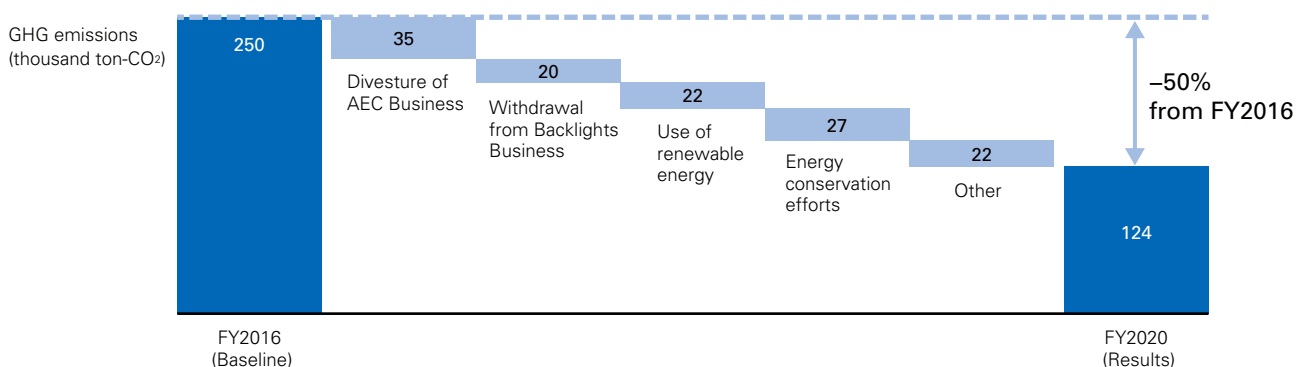
In fiscal 2020, in addition to promoting energy conservation measures at each site and installing new solar power systems, we conducted analysis of energy conservation potential remotely at our Malaysia Plant, where energy consumption was high. As a result of these efforts, we reduced GHG emissions to 124 thousand ton-CO<sub>2</sub> on a company-wide basis in fiscal 2020, a 50% reduction compared to fiscal 2016. OMRON will continue its efforts to reduce greenhouse gas emissions, aiming to reduce the emissions to zero by 2050.

Currently, we are considering setting new targets, including for Scope 3, for the next long-term vision.

\*<sup>1</sup> Greenhouse gas emissions calculated from sales forecasts, including the Automotive Electronic Components Business (AEC) that was sold off in October 2019. In considering targets to align with the SBT criteria in fiscal 2017, we set 2016, the year of the latest values, as the reference year. (SBT: Science Based Targets. Science-based, medium- to long-term targets for reducing greenhouse gases.)

\*<sup>2</sup> OMRON's unique approach to identifying energy loss risks and opportunities for improving energy efficiency at production locations, formulating specific measures with estimates of impacts and costs.

### GHG Emissions in Fiscal 2020



## Specific Initiatives to Achieve OMRON Carbon Zero

Most of the GHG emitted from OMRON's business operations comprise CO<sub>2</sub> derived from electricity usage. Our activities to achieve "OMRON Carbon Zero" are therefore centered around two pillars: implementing wide-scale energy conservation and promoting the switch to renewable electricity.

### Promoting Renewable Energy Tailored to Each Site

To increase the use of renewable energy, OMRON has installed solar power systems at its operating sites and promoted the procurement of carbon-free electricity. In preparation for the installation of solar power systems at the Company's sites, we toured the premises of each site to conduct feasibility studies, including into sufficient roof sturdiness and space to install solar panels. By fiscal 2020, we had installed solar power systems at six sites in Japan: Yasu and Kusatsu (Shiga Prefecture), Katsuragawa (Kyoto Prefecture), Matsusaka (Mie Prefecture), Okayama Prefecture, and Oita Prefecture. As for the procurement of CO<sub>2</sub>-free electricity, we began purchase of electricity derived from renewable sources in 2018 for sites in the Kansai region and in 2019 for those in the Kanto region, covering a total of 10 sites in the Kansai and Kanto areas. These efforts have been implemented overseas as well, and we began procuring electricity derived from wind power at our site in the Netherlands in 2017. In China, our local sites are taking measures to generate "return on investment" optimized for their individual situations, such as procuring electricity derived from solar power systems installed by local power companies on our own premises.

#### Employee Comments

##### Responding to Climate Change and Contributing to the Realization of a Sustainable Society

Our current business activities presuppose a sound global environment. As a company, we must implement measures to protect the environment in a comprehensive and systematic manner, with consideration for our business circumstances. In particular, we recognize that addressing climate change is critical. As part of our response, we have set a target of reducing GHG emissions. We are well ahead of our target at this point, yet we will continue to further our efforts and hope to contribute to the realization of a sustainable society.



Global Human Resources  
and Administration HQ  
**Kiyooki Harada**

### Thorough Implementation of Energy Conservation Starts with Thorough Analysis

In the summer of 2018, OMRON conducted Analysis of Energy Conservation Potential in cooperation with OMRON FIELD ENGINEERING Co., Ltd. (OFE), a Group company engaged in energy operations and facility improvement. The Analysis was carried out at 13 sites—mainly Japanese production locations with high levels of energy consumption—as a preliminary step toward thorough energy conservation. Through this analysis, we identified energy loss risks and opportunities for energy efficiency, formulated specific measures, and estimated the effects and costs of these measures, thereby exploring the potential for energy conservation at each site.

As a result, it became clear that the investigated sites had already taken standard energy-saving measures, and that site-specific measures needed to be taken to further reduce energy consumption. In response to this situation, OFE utilized the energy rationalization expertise it has cultivated over the past 10 years to analyze the sites' differing energy use patterns from various angles and create maximally effective solutions. For example, at production locations that generate large amounts of heat during the manufacturing process, such as semiconductor manufacturing, we implemented 52 different energy-saving measures tailored to the business environment, including the reuse and efficient utilization of heat that had previously been discarded.

#### Employee Comments

##### Precise Understanding of On-site Interviews is Key

When conducting energy diagnostics of a production site, precisely understanding the operation of the facility through on-site interviews is vital. It was very difficult to move forward while eliminating the various risks produced by the new measures, such as operational reviews and the resulting impacts on production quality.



Energy Management HQ  
OMRON Field Engineering  
Co., Ltd.  
**Masaru Kajiwara**



# Round Table Discussion on Corporate Governance



## Enhancing Sustainable Corporate Value through Strengthening the Effectiveness of the Board of Directors

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



**Eizo Kobayashi** 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

### OMRON's Ever-Evolving, Unique Initiatives toward Improving the Effectiveness of the Board of Directors

#### — How would you view OMRON's initiatives to improve the effectiveness of the Board of Directors?

**Tateishi:** OMRON has taken a unique approach to enhancing oversight functions of the Board over 25 years. To further strengthen the functions, in 2015, we launched the initiative of “evaluating the effectiveness of the Board of Directors” conducted by the Corporate Governance Committee comprising only Outside Directors and Outside Audit & Supervisory Board Members. The perspectives of Outside Executives who are also

members of the Board of Directors ensure that evaluations are not only objective but also effective. I believe this system works more effectively for OMRON than evaluations by third parties.

**Kobayashi:** It is very important to evaluate how much a board of directors is fulfilling its expected responsibilities. That's why many listed companies have evaluated their effectiveness as is also required by Japan's Corporate Governance Code. In many companies, a board of directors or a third party takes the lead in such evaluations. On the other hand, OMRON's initiative, which allows a committee comprising only Outside Directors and Outside Audit & Supervisory Members to perform evaluations, is very unique from the perspectives of both objectivity and effectiveness, as Mr. Tateishi pointed out.

**Tateishi:** The Board discusses and determines the operational policy and focus themes for the upcoming year based on the evaluation results by the Committee. We have continued to improve the effectiveness of the Board of Directors through these two mechanisms: evaluations by the Corporate Governance Committee, and the determination of the operational policy and focus themes by the Board of Directors.

## How to Improve the Effectiveness of the Board of Directors

### —What specific measures has OMRON taken to increase the effectiveness?

**Kobayashi:** It is noteworthy that evaluations by the Committee have improved year by year. Specifically, OMRON's Integrated Report increased the number of pages describing its initiatives to improve the effectiveness from one and a half in 2016 to five in 2020. In addition, the Board identified the current issues after analyzing discussions on the focus themes, and shared them with stakeholders in the Integrated Report 2021. The Committee has rated the Board as highly effective for its efforts to solve the issues recognized through such discussions. The Committee sometimes judges the Board from a strict perspective and requires it to take remedial measures, but the Board humbly listens to the Committee and seriously addresses the issues. As the Committee chairman, I have a real feeling that the Board is a place for in-depth discussions.

**Tateishi:** The Board determines the operational policy and focus themes based on the results of evaluations by the Committee. As a result of our efforts to enhance the Board's effectiveness every year, its functions as a monitoring board have improved, while the ratio of discussions on medium- and long-term issues increased to 70%. I expect that by sharing medium- and long-term issues raised by the Board as an oversight function with Executive Officers led by President and CEO, the quality of management and the speed of decision-making process will increase more than ever.

**Kobayashi:** The Committee assesses the Board based on questionnaire-style self-evaluations by Directors and Audit & Supervisory Board Members. The self-evaluations, formerly a once-a-year

requirement, have been performed immediately following each Board meeting since fiscal 2019. In addition, since fiscal 2021, Outside Executives have conducted reviews of Board meetings right after their closing. This immediate review allows us to share our afterthoughts and opinions unuttered during the meeting and encourages us to lead deeper and better discussions at future meetings. As a result, we can have more in-depth discussions in the evaluations at the end of the fiscal year, which I believe leads to improved evaluation content. OMRON's Outside Directors and Audit & Supervisory Board Members are very unique for their wide variety of experience, careers, and insights. We can say that the effectiveness of the Board of Directors has been improved by these members who can speak out without restraint or conjecture.

**Tateishi:** When it comes to the diversity required for a board of directors, OMRON has an extremely diverse group of directors with a wide variety of experience and expertise. All of them are socially-conscious and ready to discuss strategies for the future. The effectiveness of the Board has steadily improved through free and open-minded discussions, various initiatives for effectiveness evaluations, and the evaluations-based decision-making process for operational policies and focus themes for the following year.

## Focus Themes for Improving Corporate Value

### —Could you tell us about how the Board of Directors determined its focus themes for fiscal 2021?

**Tateishi:** In the first theme of "completion of the next long-term vision and determination of the next medium-term management plan," we attach more importance to completing the long-term vision. OMRON formulated its first long-term vision in 1991, and this will be the fourth one. While a long-term vision is becoming increasingly important in this era of uncertainty, there aren't many companies that have been working on a long-term vision over 30 years. OMRON is characterized by its ever-evolving approach to formulating a long-term vision. In



addition to the conventional forecasting method envisioning the future starting from the present, OMRON also adopted a backcasting approach that allows us to start with defining what a society should be, and then create a roadmap to the ideal future. By using these approaches, designed to identify necessary factors to fill the gaps between ideals and reality, we can discuss how to reach the goal. In preparation for formulating the next long-term vision, the Board presented executives with five points of view for their supervising operations, including responses to the new normal era post COVID. This is exactly what the “new OMRON” should be in the post-COVID era. I believe it is also important for the Board to show this course of direction to executives.

**Kobayashi:** The biggest challenge in realizing the long-term vision is probably human resources. We need to create a roadmap by actively adopting various external insights, including those from the outside directors and open innovation.

OMRON is developing human resources who can play a leading role in fulfilling the vision. However, unlike other management resources, we can’t utilize human resources as they are. As competition for talents is intensifying in the face of a declining population, we need to formulate a long-term plan and make an investment in order to attract and develop talent from all over the world.

**Tateishi:** I completely agree. The kind of human resources required for realizing the ideal society in 2030 or even further in the future is surely different from those needed today. I think it is the responsibility of the Board to not only actively discuss this challenge but also monitor whether the human resources strategy is being executed appropriately.

**Kobayashi:** When I look at OMRON as an Outside Director, I actually feel that a culture of challenging something new has been steadily instilled throughout the organization. I think employees’ enthusiasm for TOGA is a successful example. Their passionate and statements such as “Yes, we can” and “nothing impossible” always remind me the need for the Board to engage in discussions that respond to this.

## ■ Board of Directors Operational Policy and Focus Themes for Fiscal 2021

### Board of Directors Operational Policy for Fiscal 2021

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

### Focus Themes

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



**Tateishi:** As the second focus theme, we designated “response to increasing geopolitical risks,” as was done in fiscal 2020. Currently, there are many conflicts all over the world, triggered by environmental problems, climate change, human rights, and other issues. We need to not only manage geopolitical risks to avoid possible impacts on our business performance but also to see the risks as opportunities to solve increasingly serious social issues. We require executives to contribute to creating a better society by emphasizing respect for all, one of our important values declared in the OMRON Principles.

**Kobayashi:** As you mentioned, we need two perspectives: how to enhance our resilience to any changes to persistently carry on our business even in a state of crisis, and how to negotiate new challenges of the post-COVID era to move on to the next stage of growth.

We also need to steadily make progress in the third focus theme, “checking the progress of establishing a companywide IT system.” I believe that it is essential to raise the overall level of our IT system by one level or two with the aim of speeding up the decision-making process and implementing resilient, lean, and effective management on a global scale.



## A Virtuous Cycle Brought by Practice of OMRON Principles and Promotion of Sustainability

—The revised Corporate Governance Code requires companies to proactively address sustainability issues and appropriately disclose their initiatives. Could you tell us about OMRON's sustainability initiatives?

**Tateishi:** Since its foundation, OMRON has operated under the principle of contributing to future social development through its business. Prior to the revision of Japan's Corporate Governance Code, we already had set 11 sustainability goals based on the OMRON Sustainability Policy formulated in 2017, and promoted our own initiatives. As of 2017, we incorporated the sustainability goals into our medium-term management plan because we were in the middle of our long-term vision. This time, we set the sustainability goals in the new long-term vision from the beginning.

**Kobayashi:** While most companies advocate sustainability nowadays, there are differences in their initiatives. Under these circumstances, OMRON has been committed to integrating sustainability into its management in order to realize the sustainable enhancement of corporate value. I'm confident that these efforts will have a positive impact on society. Because OMRON cannot solve all social issues by itself, it is also important for OMRON to actively convey its messages to society as an opinion leader.

**Tateishi:** OMRON emphasizes the importance of innovation driven by social needs, so it is no exaggeration to say that the implementation of corporate principles and promotion of sustainability are synonymous. While heightening non-financial value by promoting sustainability, we will also increase our financial value by solving social issues thorough our business. I believe that we can create a virtuous cycle for the further enhancement of corporate value by pursuing these two goals. The Board of Directors will strive to continue to improve its effectiveness in order to fulfill the mission toward the sustainable enhancement of corporate value.



## Advanced Compensation Governance for Improving Corporate Value

### Takehiro Kamigama

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

## Characteristics of OMRON's Management

— **Mr. Kamigama, you were appointed as an Outside Director of OMRON in 2017. Could you tell us about the characteristics of OMRON's management?**

I can say that the strength of OMRON's management is, in a nutshell, the balance of capital efficiency-oriented ability to constantly earn profits, as represented by ROIC management, and faithful management focusing on the OMRON Principles.

Firstly, OMRON's earning capacity is characterized by its business operations emphasizing gross profit margin. OMRON's gross profit margin rose from 36.8% in fiscal 2011 to 45.5% in fiscal 2020. It is noteworthy that all departments, including the ones of development, purchasing, production, logistics, and sales, have been working together as a company to improve gross profit margin, an indicator showing the essence

of corporate earning capacity. In order to continuously increase the gross profit margin, which usually reaches a limit at a certain level, companies must carefully control their selling prices and costs, and improve their product portfolios. I believe that OMRON will be able to further enhance its profitability by focusing on service-based or recurring businesses rather than goods-based ones to shift its business model to one capable of adapting to ever-changing social needs.

Secondly, to survive this rapidly-changing and complicated era, we need principles or a compass as support for management decisions. My position as an Outside Director of OMRON reminds me of the importance of such principles. In particular, I've been giving my attention to the structure for implementing the OMRON Principles, and the ability to disseminate its messages both inside and outside OMRON. Every year, OMRON holds TOGA to share stories of employees practicing the OMRON Principles in daily operations. TOGA encourages employees from all over the world to team up, set their own



goals, and share their thoughts, activities, and results throughout the entire Group, which results in expanding the circle of empathy and resonance. Since assuming office as an Outside Director, I have attended TOGA events in Japan and overseas to witness new social issue-based services and businesses. I am impressed that TOGA, the source of OMRON's ability to create new businesses and of employees' high motivation in their work, is a best practice for sustainable management that is required in the SDGs era. In addition, OMRON formulates its 10-year vision to solve social issues based on the SINIC Theory, a managerial compass, with the aim of contributing to a better society. OMRON enhances its value by reviewing results and issues to formulate a new 3- or 4-year medium term management plan that is released three times during a 10-year long-term vision period. This is indeed a great initiative to autonomously implement management and business operations required by Japan's Corporate Governance Code, including ESG management, in order to meet the expectations of all stakeholders.

— **Could you tell us about OMRON's compensation governance?**

OMRON emphasizes compensation governance for two reasons. The first reason is to motivate directors to achieve the 10-year long-term vision targets in order to realize the sustainable enhancement of corporate value. Specifically, the results of the short- and medium-term management plans formulated based on the long-term vision are linked to compensation for directors, which leads to further sustainable improvement of corporate value. The second reason is to not only to ensure the transparency and objectivity of the compensation structure for directors through disclosure of the structure but also to promote better understanding of OMRON's management among stakeholders. In this sense, we consider the disclosure in this Integrated Report as part of our compensation governance.

## Overview of Compensation Structure for Directors

— **Please tell us an overview of the compensation structure for directors.**

The current structure was established in fiscal 2017. This structure aims to reflect the perspectives of all

stakeholders, including shareholders, in OMRON's management. By clarifying a linkage between the directors' remuneration and improved corporate values (business value, shareholder value, and social value), we motivate directors to achieve the targets of the medium-term management plan. We also maximize their motivation to contribute to the sustainable improvement of corporate value by encouraging them to hold the company's stock. Specifically, compensation for directors consists of a base salary, or fixed compensation; short-term performance-linked compensation (bonuses) that varies depending on the company's performance; and medium-to-long-term, performance-linked compensation (stock compensation). When determining base salaries, to ensure objectivity, we refer to those of over 100 major Japanese companies that have been surveyed by an outside organization. We also determine the ratio of performance-linked compensation to base salary according to each director's position and role. For example, the ratio for President and CEO is 1 : 1 : 1.5 (base salary : bonuses : stock compensation). We adopted this relatively high composition ratio of performance-linked compensation after referring to the levels in Europe and the U.S.

In fiscal 2021, we revised the evaluation items and criteria for medium-to-long-term, performance-linked compensation (stock compensation) that is linked to the degree of achievement of performance targets in the medium-term management plan. Stock compensation comprises performance-linked component (60%), linked to the degree of achievement of the medium-term management plan, and the nonperformance-linked component (40%), which aims for director retention and motivation to improve share prices over the medium-to-long-term, and is paid under the condition of a certain term of service.

## Objectives and Key Points of Revision of Compensation Structure for Directors

— **What are the aim and approach for revising the compensation structure for directors?**

The aim is to further motivate directors to achieve the targets of the next long-term vision and medium-term management plan. In addition, we need to improve the compensation structure whenever the management policy is required to be revised in accordance with changes in the business environment and stakeholder expectations. I feel

proud that the former structure, revised in fiscal 2017, was also an advanced one for its initiatives such as the introduction of sustainability evaluation. Our 4-year experience after the previous revision helped us to further improve the structure.

**—What are the key points of the revised compensation structure?**

This time, we revised mainly medium-to-long-term, performance-linked compensation (stock compensation). It will now be evaluated using three items, which are financial targets evaluation, corporate value evaluation, and sustainability evaluation. We calculate the amount of stock compensation by using these items that have their own set evaluation weights. Firstly, we set the highest evaluation weight of 60% for financial targets evaluation. Secondly, we newly adopted corporate value evaluation with its weight of 20%, for the purpose of maximizing our corporate value in the next long-term vision. Thirdly, we allocated 20% to the weight of sustainability evaluation, with the aim of not only promoting the implementation of the OMRON Principles, our most important values, but also further reflecting the expectations for the SDGs and the importance of sustainability. The weight of sustainability evaluation is relatively high compared to other companies, making it one of OMRON's features.

**— Could you give us more details of those three evaluation items? Firstly, please tell us about the financial targets evaluation.**

We removed net sales from the KPIs of the financial targets evaluation, which until now had been net sales, EPS, and ROE. Before reaching this decision, we had many heated discussions in the Compensation Advisory Committee. While some members pointed out that net sales are important for the manufacturing industry and that removing net sales could reduce employee awareness of business growth, there were various other views such as the need to focus on profits rather than net sales, and the inappropriateness of pursuing continuous sales growth in a rapidly changing business environment. In the process of discussions, we invited the President and CEO to the Committee meetings and asked him to explain the policy of the executives that aim to transform our business model from a product-based one by increasing the ratio of service and recurring businesses in the next long-term vision. Unlike the previous long-term vision and the VG2.0

medium-term management plan that were sales growth-oriented, the next long-term vision will give priority to maximizing corporate value as our management target. For this reason, the Committee members finally reached a unanimous decision to remove net sales from the KPIs.

**— Next, please tell us about corporate value evaluation.**

Medium-to-long-term, performance-linked compensation (stock compensation) aims to heighten director motivation to contribute to the sustained improvement in corporate value from the same perspective as stakeholders, including shareholders. Actually, OMRON's stock price rose from 4,885 yen (closing price on March 31, 2017) to 8,640 yen (closing price on March 31, 2021) during the 4-year period of the previous VG2.0 plan. This increase of 77% was far above the 29% rise in the Tokyo Stock Price Index, well known as TOPIX, during the same period. On the other hand, we didn't have any KPIs to evaluate the improvement of corporate value. For this reason, we introduced a new KPI named relative TSR, an indicator that compares OMRON's total shareholder return (TSR) in the covered period to the percentage change of the TOPIX Total Return Index. The use of relative TSR, which can evaluate increases or decreases in TSR by using the TOPIX Total Return Index as a benchmark, allows us to appropriately reflect the improvement of corporate value in compensation.

**—What about sustainability evaluation?**

OMRON's management is based on practicing the OMRON Principles that aim to create a better society by solving social issues through our business. For this reason, we adopted sustainability evaluation when introducing medium-to-long-term, performance-linked compensation in fiscal 2017. At that time, as there were only a few companies using sustainability evaluation for director compensation, we adopted only a third-party evaluation to ensure objectivity in our first attempt. On the other hand, for this revision, we introduced the new KPIs of "reduction of greenhouse gas emissions" and "score of Sustainable Engagement Index (SEI)"<sup>\*1</sup> in engagement survey<sup>\*2</sup>, as our internal targets, in addition to the existing third-party evaluation. In ESG management, Environment and Social particularly contribute to OMRON's growth as well as attract the greatest interest from our stakeholders. That's why we adopted E- and S-related indicators. In addition, the revision of

sustainability evaluation is based on insights obtained through dialogues and engagement with institutional investors. We will strive to enhance the effectiveness of our compensation structure for directors through dialogues and engagement with our stakeholders.

\*1 Survey measuring employees' voluntary motivation to contribute to targets of the organization

\*2 Indicator that measures the presence of a high level of motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

### — Please tell us about the Compensation Advisory Committee that discussed and deliberated the revision of the compensation structure for directors.

The Committee is made up of three Outside Directors, including myself as the Chairman, and two Internal Directors, all of whom have diverse business experience and conduct discussions from various perspectives. For example, the Committee had held a meeting to discuss and deliberate the revision every month since October 2020 until we completed its design in

February 2021. In each of these five meetings, we took about an hour to deliberate it thoroughly.

### — Lastly, could you tell us about your thoughts for the future?

I believe that the revised compensation structure covers all themes stakeholders currently expect of corporate management. In particular, I'm convinced that medium-to-long-term, performance-linked compensation (stock compensation) will be highly regarded as a good practice. On the other hand, I think OMRON has other management issues to address, such as how to accelerate innovation to design the next growth engine, and how to promote diversity by increasing the ratio of female executives and managers in Japan as well as of non-Japanese managers overseas. As an Outside Director, I will strive to actively contribute to sustainably increasing OMRON's value through monitoring and supervising in the Board of Directors in addition to activities in the Compensation Advisory and other committees.

## ■ Medium-to-long-term, performance-linked compensation (stock compensation) after revision

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

	Evaluation weight	Indicators
Financial targets evaluation	60%	<ul style="list-style-type: none"> <li>• EPS</li> <li>• ROE</li> </ul>
Corporate value evaluation	20%	<ul style="list-style-type: none"> <li>• Relative TSR<sup>*1</sup></li> </ul>
Sustainability evaluation	20%	<ul style="list-style-type: none"> <li>• Reduction of greenhouse gas emissions (internal target)</li> <li>• Score of Sustainable Engagement Index (SEI)<sup>*3</sup> in engagement survey<sup>*2</sup> (internal target)</li> <li>• Dow Jones Sustainability Indices (third-party evaluation)</li> </ul>

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

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

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

## ■ Medium-to-long-term, performance-linked compensation (stock compensation) before revision

$$\text{Performance-linked portion} = \text{Base amount for each position} \times \text{Performance score (Net sales 30\%, EPS 70\%)} \times \text{ROE score} \times \text{Sustainability evaluation}$$

# Corporate Governance

## Basic Stance for Corporate Governance

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

## OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies\* based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 20 years formalizing and strengthening our framework of corporate governance. We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

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

## Corporate Governance Initiatives

	1999	2003	2011
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Chairman of the Board of Directors / CEO	President served as both	2003: Chairman serves as chair of the Board of Directors; president serves as CEO	
Separation of management oversight and business execution	30 directors	1999: Revised articles of incorporation, setting number of board members to 10 or fewer	2017: Eliminated board titles*
		1999: Adopted executive officer system	2017: Positioned president as an executive officer
Advisory Board	1999: Advisory Board		
Outside Director		2001: One outside director	2003: Two outside directors (seven directors) 2015: Three outside directors (eight directors)
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2003: Three members (four auditors) 2011: Two members (four auditors)
Advisory and Other Committees	1996: Management Personnel Advisory Committee	2000: Personnel Advisory Committee	
		2003: Compensation Advisory Committee	
		2006: CEO Selection Advisory Committee	
		2008: Corporate Governance Committee	
Corporate Philosophy	1959: Corporate Motto	1990: OMRON Principles 1998: Revised	2006: Revised 2015: Revised
OMRON Corporate Governance Policies			2015: Established

\* Not including chairman of the Board

## Governance Corporate Governance Framework

OMRON has elected to be a company with an Audit & Supervisory Board.

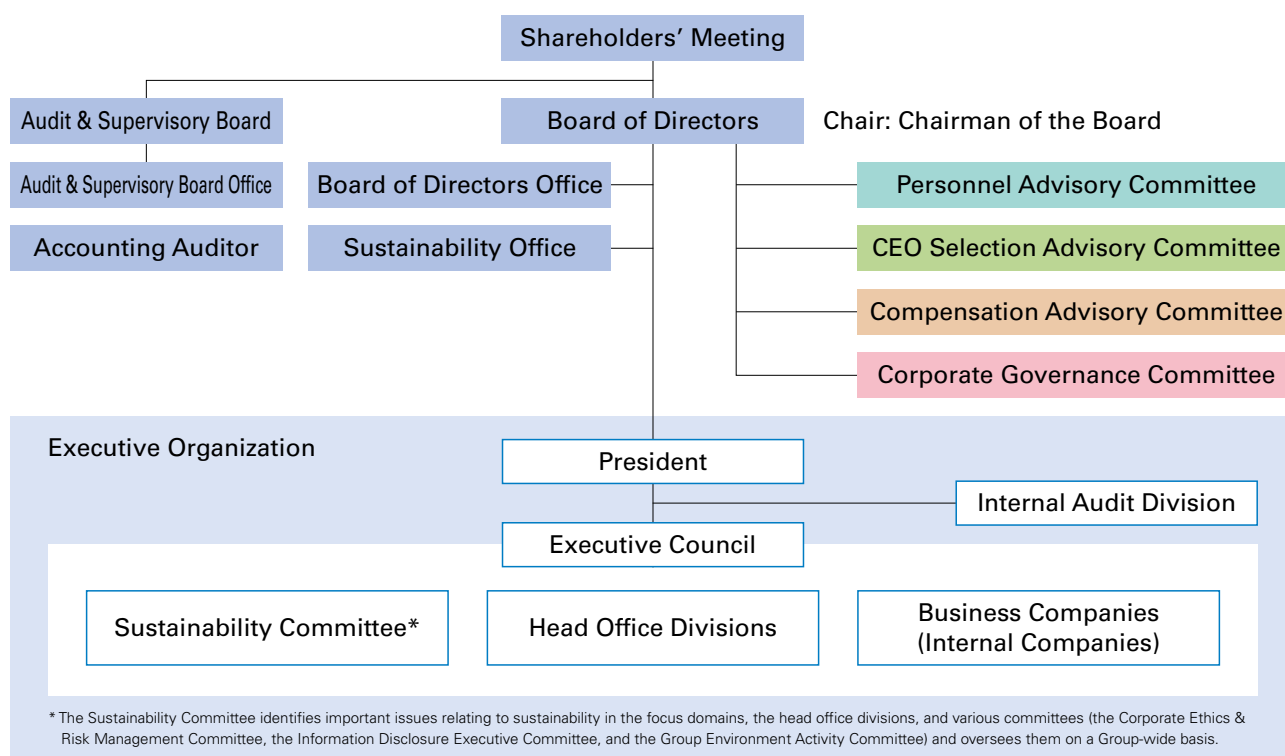
The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. OMRON has separated the management oversight and business execution functions within the company, creating a system whereby the majority of Board Directors are not engaged directly in business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

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

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

Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2020 at a rate of 100% and 96.2%, respectively. Outside members had an attendance rate of 96.2% at the 13 meetings of the Audit & Supervisory Board.

### Fiscal 2021 OMRON's Corporate Governance Structure



**Board of Directors**  
Selects board directors, auditors, and executive officers; determines compensation for directors and executive officers; makes decisions on important business issues, and performs other supervisory functions.

**Compensation Advisory Committee**  
Sets policies for director and executive officer compensation; deliberates compensation levels and specific compensation packages.

**Audit & Supervisory Board**  
Oversees corporate governance framework and execution business operations; conducts audits of day-to-day business activities, including those performed by directors.

**Corporate Governance Committee**  
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

**Personnel Advisory Committee**  
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; deliberates on proposed candidates.

**Executive Council**  
Deliberates and discusses important operational matters within the scope of the authority of the president and CEO; determines future direction.

**CEO Selection Advisory Committee**  
Deliberates candidates for selection as new CEO; deliberates succession plans and candidates in the event of an emergency.



## Fiscal 2021 Advisory Committee

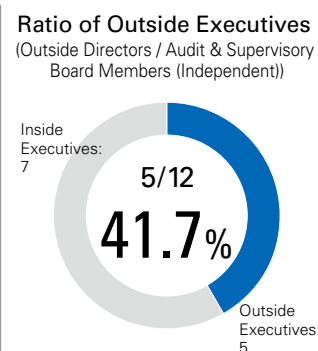
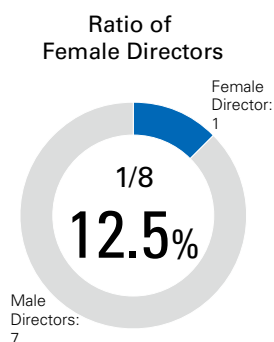
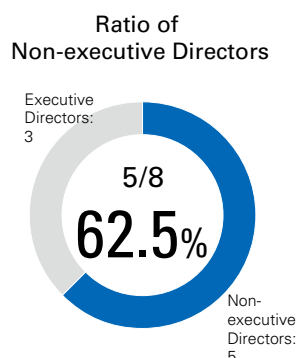
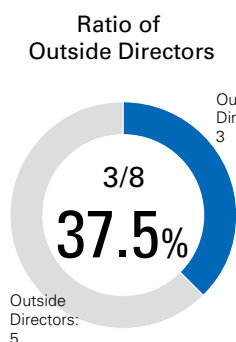
Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		□		
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata	□			
Director	Koji Nitto			□	
Director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

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

## Approach to Composition of Board of Directors

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

## Composition of Board of Directors



## Main Areas of Experience and Expertise of Outside Directors and Audit &amp; Supervisory Board Members (Independent)

Name & Title	Corporate management	Financial accounting	Legal Compliance Internal controls	Global business & expatriation	Manufacturing technology R&D	Background and Qualifications
Eizo Kobayashi Outside Director	●			●		General trading company
Takehiro Kamigama Outside Director	●			●	●	Manufacturing
Izumi Kobayashi Outside Director	●			●		Financial and international organization
Hideyo Uchiyama Audit & Supervisory Board Members (Independent)	●	●	●	●		Certified public accountant
Tadashi Kunihiro Audit & Supervisory Board Members (Independent)	●		●	●		Lawyer

# Director Compensation

## Compensation Policy for Directors

- ① **Basic Policy**
  - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
  - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
  - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.
- ② **Structure of Compensation**
  - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
  - The compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director's role and responsibility.
  - Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- ③ **Base Salary**
  - The amount of a base salary, paid monthly, shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
- ④ **Performance-Linked Compensation**
  - As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid as a lump sum after the conclusion of the fiscal year.
  - As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
  - The performance-linked component of stock compensation shall be paid after the medium-term management plan concludes, while the non-performance-linked component shall be paid after the Director retires.
  - The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.
- ⑤ **Compensation Governance**
  - The compensation composition, compensation composition ratio, level of the base salary, as well as performance indicators and evaluation methods of performance-linked compensation shall be determined based on the deliberations and recommendations of the Compensation Advisory Committee.
  - The amount of compensation for each Director shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

## Overview of Compensation Structure for Directors (From fiscal 2021)

### (1) Compensation Composition Ratio

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

Base Salary	:	Short-term Performance-linked Compensation (Bonuses)	:	Medium-to-long-term, performance-linked compensation (stock compensation)	=	1 : 1 : 1.5*
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\* Referring to Representative Director, President and CEO  
 \* The ratio is based on the assumption that the performance targets are set as 100% for each performance-linked compensation.

### (2) Base Salary

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

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

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

Base amount for each position	×	Performance score (Operating income 50%, net income 50%)	×	ROIC score	=	Short-term Performance-linked Compensation (bonuses)
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\*Individual targets and other benchmarks are set for Executive Officer performance according to their duties.

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

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

[P82 Medium-to-long-term, performance-linked compensation →](#)

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

- Short-term performance-linked compensation (bonuses) sets indicators to evaluate profitability and efficiency for the achievement of the short-term management plan based on the medium-term management plan.
- Medium-to-long term, performance-linked compensation (stock compensation) sets indicators to evaluate profitability and efficiency from a financial perspective, improved corporate value compared to the stock market from a corporate value perspective, and sustainable management from a non-financial perspective for the achievement of the medium-term management plan.

# Initiatives Towards Improving the Board of Directors' Effectiveness

## Status 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 oversight functions of Board of Directors through initiatives for improving its effectiveness.

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

### (1) Evaluation of Board of Directors' effectiveness

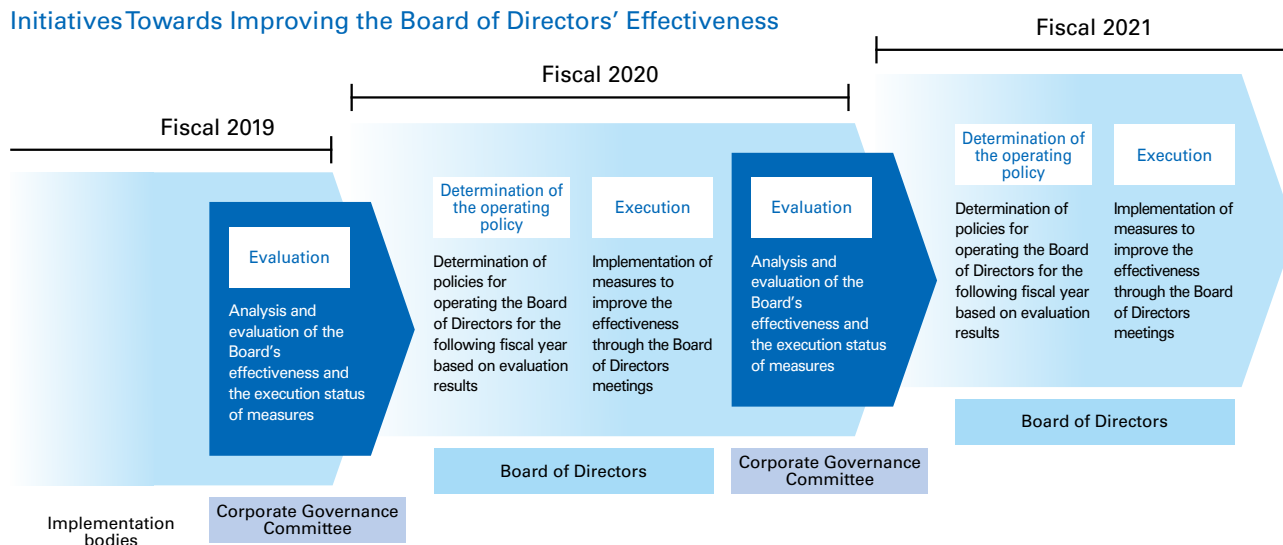
The Company's evaluation of Board of Directors' effectiveness is conducted by Corporate Governance Committee chaired by a Director (Independent) and comprising only Directors (Independent) and Audit & Supervisory Board Members (Independent) (hereinafter "Outside Executives"). Outside Executives act as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

### (2) Determination of the operational policy and focus themes of Board of Directors and formulation and implementation of annual plans

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

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

## Initiatives Towards Improving the Board of Directors' Effectiveness



## Evaluation of the Board of Directors' Effectiveness for Fiscal 2020

The methods of the evaluation of Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2020 are as described below.

### 2-1. Evaluation Methods

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

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors.

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of the Board of Directors over the course of the year following the meeting of the Board of Directors held in February and March 2021.

## ② Interviews by the Chair of Board of Directors

- The Chair of the Board of Directors conducted individual interviews with Directors and Audit & Supervisory Board Members between January and March 2021.

## ③ Evaluation by Corporate Governance Committee

- The Corporate Governance Committee evaluated the Board of Directors' effectiveness in March and April 2021.

## 2-2. Self-evaluation Items

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

### ① Self-evaluations performed immediately following meetings of Board of Directors

- Content of discussions at the meeting of Board of Directors
- Extent of oversight functions exercised by Board of Directors are demonstrated

### ② Self-evaluations for the entire year, performed at the end of the fiscal year

- |   |  |
|---|--|
| 1. Operation of Board of Directors  | 2. Increasing information sharing opportunities      |
| 1) Board of Directors Operational Policy for Fiscal 2020                      | 1) Separate meetings                                 |
| 2) Focus themes for fiscal 2020   | 2) Initiatives on information sharing opportunities  |
| 3) Deliberations and reports regarding issues other than focus themes         | 3. Advisory Committees                               |
| 4) Board of Directors operational policy for fiscal 2021 and its focus themes | 4. Other Overall Issues regarding Board of Directors |

### ③ Other self-evaluations

(evaluations performed when new officers are appointed, when medium-term management plans are formulated, when changes are made to the corporate governance system, etc.)

- Scale and composition of Board of Directors
- State of operations of Board of Directors
- Operation of the advisory committees

## Results of Evaluation of Board of Directors' Effectiveness for Fiscal 2020

Corporate Governance Committee conducted an evaluation of Board of Directors' effectiveness for fiscal 2020 and reported the results of the evaluation at Board of Directors meeting held on May 14.

### Board of Directors Operational Policy for Fiscal 2020

"To enable the OMRON Group to deliver new value in this period of social structure transformation, Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives."

### Focus Themes

- Business operations with COVID-19 in mind
- Response to increasing geopolitical risks
- Creation of new businesses in the period of transformation and taking on the challenge of new business model development
- Building a new core information system
- Determination of the direction of next long-term vision with new values in mind

### 3-1. General comments on evaluation

#### ① Operation of the Board of Directors

In order to realize further improvements in corporate value, based on the results of the evaluation of the Board of Directors' effectiveness for fiscal 2019, the Board of Directors discussed the Board of Directors' operation policy for fiscal 2020. The Board determined that in fiscal 2020, on top of the need to respond to the COVID-19 pandemic, it is important to accurately and speedily grasp global changes, and to provide new value during this period of transformation of the social structure. Based on these discussions, the Board of Directors set the "exercise of its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives" as its operation policy, and listed five focus themes. Based on this operation policy of the Board of Directors, the President and CEO reported on issues including initiatives for focus themes and the status of responses to environmental changes to the Board of Directors, and discussed the issues. (\*Please refer to 3-2. ① "Initiatives regarding focus themes" below for more details on focus themes.)

While the next long-term vision had been scheduled to start in fiscal 2021, affected by the COVID-19 global pandemic, the Company placed the highest priorities on crisis response so as to ensure business continuity and profits. At the same time, since it is necessary to conduct preparations and transformation for the world after the containment of the COVID-19 pandemic ("post-COVID"), the President and CEO proposed to the Board of Directors to postpone the start of the next long-term vision by a year. In addition, besides resolving social issues based on SDGs, it was suggested that the next long-term vision should be formulated such that it reflects initiatives made from a medium- to long-term perspective in preparation for the post-COVID world. With regard to this, the Board of Directors deemed the postponement of the start of the next long-term vision to be appropriate. The Board also debated the importance of recognizing the speed of transformation of the social structure and the messages that must be given to both parties within and outside the Company when announcing the reason for the postponement. In particular, in order to adapt to the rapid speed of change of the social structure, the Board reaffirmed the necessity of accelerating responses at a pace beyond current expectations.

In addition to the above, the President and CEO reported the status of business execution to the Board of Directors, on issues including: the status of response to COVID-19, the performance of each fiscal year in light of the impact thereof, the short-term management plan of each BC, and initiatives related to sustainability. Regarding these issues, the Board of Directors positively evaluated the President and CEO's business operations amidst the COVID-19 crisis. Furthermore, from the perspective of social structural changes due to COVID-19, geopolitical risks and such, the Board discussed the importance of further strengthening existing businesses, creating new business opportunities, and disseminating information from the viewpoint of stakeholders, including investors. In particular, in order for the Company to grow further in the post-COVID era, the Board recognized the further importance of acquiring and utilizing human resources who are not entrapped by existing mindsets and are able to think freely and creatively, and the cultivation of a corporate culture where the spirit of constantly challenging oneself can be demonstrated. In discussions regarding sustainability, the Board recognized that it is vital for OMRON to further link sustainability initiatives to opportunities for the creation of new businesses, in order to achieve its goal of resolving social issues through its businesses.

The Corporate Governance Committee, recognizing that the Board of Directors has positioned fiscal 2020 as a year required to operate under the COVID-19 crisis and as a preparation period for the next long-term vision in view of the new society post-COVID, evaluated favorably on the following: timely reports on business conditions and focus themes were made from those involved in business execution; and Outside Directors and Audit & Supervisory Board Members (Independent) raised issues about the responses needed to realize further improvements in corporate value in the post-COVID era, and engaged in discussions thereof. Furthermore, while discussions at meetings of the Board of Directors revolved around the medium-to-long-term strategies and its function as a monitoring board heightened, it also appropriately functioned as a management board, with each important case, including the responses to quality issues, components procurement and geopolitical risks, being deliberated individually. The fine balance of these aspects was also commended by the Committee.

From the above-mentioned facts, the Corporate Governance Committee recognized that the Board of Directors exercised its oversight functions from multifaceted viewpoints including both the short-term and medium-to-long-term perspectives. Those involved in business execution took advice from the Board of Directors earnestly and evolved their strategies or initiatives accordingly. As a result of the Board and those involved in business execution working together to make the two-wheel system of management oversight and business execution function properly, gross profit margin improved despite the COVID-19 crisis, and profits grew as well. Therefore, the Committee has deemed that the effectiveness of the Board of Directors has increased.

#### ② Increasing information sharing opportunities

The Board of Directors strove to increase information sharing opportunities by conducting individual meetings, etc. aimed at improving the effectiveness of the Board of Directors. In fiscal 2020, amidst the impact of the COVID-19 pandemic, the following meetings were held: "Interviews by the Chair of the Board of Directors" where the Chair of the Board of Directors meets with individual Directors or Audit & Supervisory Board Members; "Outside Executives Discussions" attended only by Outside Directors and Audit & Supervisory Board Members (Independent) to exchange opinions; and "Direct Meetings with the Accounting Auditor" where the Board of Directors and the Accounting Auditor have discussions directly.

The Corporate Governance Committee considered these initiatives to be effective opportunities for improving the Board's effectiveness. Specifically, Interviews by the Chair of the Board of Directors were commended, as they provided a place for executives to voice concerns that they may not be able to fully convey during Board of Directors meetings. In Outside



Executives Discussions, younger management executives introduced new businesses, which allowed for a deeper understanding of each of the Company's businesses as well as of the next-generation management personnel. In a Direct Meeting with the Accounting Auditor, a discussion was conducted about the medium to long term based on the Accounting Auditor's auditing knowledge. In this meeting, due to the different perspectives and stances of the Accounting Auditor and Directors and Audit & Supervisory Board Members, the subjects could not be sufficiently deliberated. The Committee requested that they should carefully determine the themes and consider how to proceed the discussion more smoothly from the next time onwards. Regarding on-site visits that could not be conducted due to the impact of COVID-19, since these visits are an important activity that allows Outside Executives to have a sense of the Company's businesses, the Committee requested for their resumption depending on the situation of the pandemic.

### 3-2. Overview of Board of Directors' Operations

#### ① Initiatives regarding focus themes

##### **Focus theme: Business operations with COVID-19 in mind**

As COVID-19 has a material impact on business, the Board of Directors has set "Business operations with COVID-19 in mind" as one of its focus themes. Based on this, the President and CEO has set ① placing the highest priority on the safety and health of employees, ② fulfilling our supply responsibilities in the supply chain, and ③ securing business performance as an emergency mode as the three pillars of business operations, and the Board of Directors reported on the status of infections and measures, the global production system, careful management of fixed costs, and measures to improve earning ability. With regard to this, the Board of Directors confirmed that the safety and health of employees is our highest priority, and discussed the stable supply of products through the tri-polar framework between Japan, China, and Southeast Asia, the supply-demand trends and procurement status of key components such as semiconductors, and the need for growth investment despite the careful management of fixed costs. In particular, concerns over a further worsening of supply shortage of semiconductors were discussed and shared. Through continuous monitoring by the Board of Directors, the Company fulfilled its social responsibility towards employees and the supply chain based on its corporate principles. Even amidst the COVID-19 crisis, the Company increased its profits through improving its gross profit margin and other means. The Corporate Governance Committee commends such achievement and deems that the Board of Directors has appropriately exercised its oversight functions.

##### **Focus theme: Response to increasing geopolitical risks**

As the relationships between countries evolve and become more complex by the day, and such changes have a material impact on business and performance, the Board of Directors has set "Response to increasing geopolitical risks" as a focus theme. Based on this, the President and CEO regularly reported to the Board of Directors about changes in the business environment in each region and how performance is being impacted, in relation to topics about business performance. The President and CEO also reported on the optimal production, R&D, and the ideal management of intellectual property, as well as systems that can speedily detect and provide insight about changes in legal regulations that will affect each business. In response, the Board discussed the need to constantly bear in mind the fact that relationships between countries may evolve beyond the previous scope of expectations. In particular, due to rapid changes in geopolitical risks, the Board recognized that risk management based on an assessment of each country's circumstances is a necessary task, and confirmed that the Board will continue this discussion. The impact of geopolitical risks is reported at Board of Directors meetings, and appropriate responses are discussed. Responses against geopolitical risks are incorporated into the internal control system, and the Board of Directors sufficiently monitors such risks and recognizes the issues that must be tackled going forward. Therefore, the Corporate Governance Committee deems that the Board of Directors has appropriately exercised its oversight functions.

**Focus themes: Determination of the direction of next long-term vision with new values in mind  
Creation of new businesses in the period of transformation and taking on the  
challenge of new business model development**

Continuing from the previous fiscal year, the Board of Directors has set the “Determination of the direction of next long-term vision with new values in mind” as a focus theme relating to the next long-term vision, which is being formulated. In addition, the Board has set the “Creation of new businesses in the period of transformation and taking on the challenge of new business model development” as a focus theme. Based on this, at Board of Directors meetings, the President and CEO reflected the current state of the assumptions and targets set for the next long-term vision, raised at Board of Directors meetings in the previous fiscal year. Furthermore, the President and CEO reported to the Board about the next long-term vision based on the post-COVID worldview and changes in values, as well as the direction of new businesses that use existing businesses as their starting point. Regarding this, the Board discussed how one’s viewpoint can widen through exchanges with people from different industries, the employment of human resources with specialized expertise, and the utilization of talented personnel obtained through M&As, since the nurturing of next-generation leaders who can guide the Company towards the next long-term vision is an important issue that is necessary for further growth. At the same time, the Board recognized the importance of creating a corporate culture that encourages employees to take on challenges, and the necessity of building mechanisms that enable trial and error. Regarding the creation of new businesses, the Board recognized that the active utilization of corporate venture capitals will be important going forward. Furthermore, in order to realize its goals, the Board concluded that it is important to link the Company’s goals to the dreams and ambitions of employees. The President and CEO also gave an interim report on the next long-term vision regarding the Industrial Automation Business and the Healthcare Business, which are mainstay businesses. In the interim report, the President and CEO reflected on each of the two above businesses over the past ten years, and reported on the social issues of each business domain in the next decade, the technologies and new business models required to resolve those issues, as well as on the status of reviews of M&A and alliances. With regard to this, the Board of Directors discussed the possibility of realizing the creation of new businesses and measures. In particular, based upon that discussion, the Board recognized that it is necessary to employ a more flexible human resources strategy throughout the Company, since the implementation of measures for new businesses will require human resources with vastly different capabilities.

Regarding the next long-term vision, the Board displayed their awareness of issues based on changes in the external environment, including the COVID-19 crisis and geopolitical risks. The Committee commends the Board for making steady progress towards completion within fiscal 2021. Furthermore, since discussions are being made at Board of Directors meetings about issues and tasks necessary for further growth, the Corporate Governance Committee deems that it has appropriately exercised its oversight functions. The Committee has also verified that the Board will continue to fulfill its oversight functions in preparation for the start of the next long-term vision in fiscal 2022.

**Focus theme: Building a new core information system**

As IT systems vary between business divisions and regions, recognizing the importance of having a unified system globally, the Board of Directors has set “Building a new core information system” as a focus theme, for the third year following fiscal 2018 and fiscal 2019. Based on this, the President and CEO reported to the Board of Directors that the planning phase is progressing according to schedule and the advanced introduction of a portion of the systems, including the purchase of indirect materials and reimbursements, is progressing smoothly, but that it is necessary to review the scope of implementation due to the issue of a lack of IT personnel. Regarding this, the Board discussed the importance of spreading awareness throughout the Company that they are building an operational process that must be compatible with system flows based on global standards, the importance of bridging the people in charge of bringing this large-scale decade-long project to its fruition, the people on site, and the human resources who are constructing the system, as well as the need to continue discussions on this theme, from the standpoint of scale and difficulty. In particular, the Board recognized that the most important issue which should be the top priority is to secure and allocate talented personnel from each business division.

The Board discussed the key mindset and human resources needed for this large-scale project at meetings by leveraging the experience and insights of the Outside Executives, and as a result of the discussions, the future direction of monitoring became clarified. Thus, the Corporate Governance Committee judges that the effectiveness of the Board of Directors has appropriately exercised its oversight functions.

## ② Other deliberation/reporting items

The Board of Directors has deliberated on 29 proposals to be resolved and 30 reported cases, including quarterly business results as a legally required matter for deliberation, election proposals of executives, etc., and regularly reported proposals such as those relating to product quality risks and disciplinary cases.

The Corporate Governance Committee commends the Board of Directors for making explanations in election proposals of executives, a legally required matter for deliberation, based on the status of the promotion of diversity, as well as for making highly transparent explanation for each individual case for Outside Executives.

## 3-3. Overview of increasing information sharing opportunities

The Board of Directors and the Audit & Supervisory Board are working to facilitate information sharing outside of meetings of Board of Directors in order to improve the effectiveness of the Board. In fiscal 2020, individual meetings were held to help Outside Executives better understand execution and to deepen communication between them.

The specific approaches are as follows.

### ① Individual meetings

#### ● Outside Directors' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Directors. In addition, we are building a relationship through this approach to exchange information on risks and other information without going through OMRON.

#### ● Interviews by the Chair of the Board of Directors (continuously held from fiscal 2016)

The Chair of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.

#### ● Outside Executives Discussions (continuously held from fiscal 2019)

Outside Executives hold quarterly opinion exchange meetings to deepen communication between them.

## Board of Directors operational policy for fiscal 2021 and its focus themes

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2021. Based on the results of this discussion, Board of Directors operational policy for fiscal 2021 and its focus themes were determined at Board of Directors meeting held on May 27.

### Board of Directors Operational Policy for Fiscal 2021

"To enable the OMRON Group to achieve dramatically improved corporate value in the next decade, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives."

### Focus Themes

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



## Maintaining Audit Functions Conducive to Maximized Corporate Value and Contributing to the Evolving Governance Structure

Hideyo Uchiyama

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

The revision of the Corporate Governance Code requires companies listed on the TSE Prime Market to further strengthen their governance systems. We spoke with Independent Audit & Supervisory Board Member Hideyo Uchiyama about the function of the Audit & Supervisory Board in OMRON's governance structure and the new Key Audit Matters (KAM).

### Positioning and Role of the Audit & Supervisory Board in OMRON's Governance

#### — Could you tell us about the characteristics of OMRON's governance structure and your assessment of it?

The governance structure of Japanese companies has long supported economic growth after WWII, with Directors and executives serving concurrently, and without sufficient separation between execution and supervision. In recent years, there has been a transition to governance through monitoring, which encourages decisive decision making by management and strengthens the accompanying supervisory structure. The role of Audit & Supervisory Board Members has

become more essential and clearer at the same time as the Audit & Supervisory Board system has also experienced historical changes and has been reformed to ensure adequate functioning.

Although OMRON has an Audit & Supervisory Board, it has a hybrid institutional design with four voluntary committees chaired by Outside Directors, and the Chairman of the Board of Directors is a Non-executive Director. My opinion is that this distinctive system design is, in a nutshell, close to the perfect form of a company with an Audit & Supervisory Board. I believe that this is an extremely appropriate governance structure that was uniquely established under OMRON's corporate culture, since it addresses the demands of the times with a monitoring board, while also strengthening the functions of Audit &

Supervisory Board Members.

**— Mr. Uchiyama, as an Audit & Supervisory Board Member, you are also a member of the Corporate Governance Committee. What are the functions and roles of that committee?**

OMRON's Corporate Governance Committee consists of Outside Directors and Independent Audit & Supervisory Board Members, and its main role is to evaluate and report on the effectiveness of the Board of Directors. Under Japan's Companies Act, the role of Audit & Supervisory Board Members is to supervise the execution of duties by Directors, so the Committee engages both those who are supervising and being supervised. We are aware that the expectations of our stakeholders can be met by frankly exchanging opinions to improve OMRON's governance functions, regardless of our respective positions. In addition, regular meetings are held between Outside Directors and executive division managers, and information is exchanged among Outside Directors based on questions and answers concerning the business handled by executive division managers. While Audit & Supervisory Board Members are single-person organs that they can exercise their authority independently, and Independent Audit & Supervisory Board Members generally work on company issues based on their individual expertise and experience, it is also necessary for them to fully understand the role of Outside Directors in dealing with company issues in order to ensure the effectiveness of monitoring.

When I was appointed as an Independent Audit & Supervisory Board Member for OMRON, Chairman Tateishi sent me a message saying, "Welcome to Team OMRON." I understand now that it is important for both Outside Directors and Independent Audit & Supervisory Board Members to think about how they should function as a team to improve corporate value while fully understanding their own positions. The OMRON approach of mutual understanding and discussing as a team is also an excellent point from the viewpoint of ensuring the effectiveness of governance.

**Confidence of Initiatives to Improve the Effectiveness of the Audit & Supervisory Board**

**— Meaningful communication also leads to strengthened governance. How would you describe the effectiveness of Audit & Supervisory Board Member functions at OMRON?**

I believe that there are a number of factors that can improve the effectiveness of Audit & Supervisory Board Member functions. It is often asked whether there are proper structures in place to support activities of Audit & Supervisory Members, cooperation between the Internal Audit Division and the Audit & Supervisory Board, and cooperation with an independent Accounting Auditor. Rather than being inferior, I feel that OMRON's infrastructure is in fact superior when compared to other companies in many ways. However, the important thing is how effective Audit & Supervisory Board Members in such an infrastructure. Independent Audit & Supervisory Board Members are required naturally to be prepared to express opinions that are necessary for governance. I think that the quality they should have is "inquisitiveness based on healthy skepticism." Because Audit & Supervisory Board Members are elected at the Shareholders' Meeting, it is essential for them to maintain the viewpoint of shareholders and to think and make proposals based on social norms and with an appropriate problem-solving perspective. I believe that what enables OMRON to do this is the fact that information is appropriately provided to Outside Executives so that their opinions are meaningful and useful to management, and most importantly, because its Corporate Philosophy is firmly rooted and forms the backbone of the company. Our Corporate Philosophy is always shared as the basis and serves as the benchmark for decisions even in the various discussions we have. I feel that this has strengthened OMRON's governance.

**— What is the kind of organization that you think is ideal for the Internal Audit Division at OMRON from the perspective of "inquisitiveness based on healthy skepticism"?**

At OMRON, the Global Auditing Office checks the maintenance and operational status of the internal control system throughout the company. Their work is carried out under the direction of the President, and they must have the attitude and ability to detect, analyze, and solve management issues in order to function as the hands, feet, eyes, and ears of the



President.

For quite a while, it has been suggested to management that this kind internal audit work should be positioned as a career plan for human resources they want to cultivate in the future.

Auditing is often regarded as a compliance role that checks the consistency with internal regulations and the status of legal compliance. While this is important, at the same time, I would like internal audit managers to have the perspective of how to appropriately manage the potential and emerging management issues faced by each business segment, and to gain experience so that they can acquire this perspective.

People grow by encountering and acquiring ideas from perspectives that are not their own. How things appear are very different at the foot of Mt. Fuji, the 5th station, and the summit. When in charge of internal auditing, you are in an environment where you can be in constant contact with superiors. This makes it an attractive division where you have the opportunity to grow within the company.

## OMRON Governance Effectiveness through KAM Implementation

**— KAM has been newly implemented in Japan, although a similar system had been used earlier in other countries. What are your thoughts about OMRON's response to KAM and its significance?**

Continuity, identical conditions, and identical treatment are emphasized in the world of auditing and accounting. In particular, audit reports have maintained the same format in every detail, including wording, throughout the history of legal proceedings. Triggered by the Lehman crisis, questions were raised about the usefulness of the traditional, self-serving audit reports to stakeholders, and KAM was introduced in order to improve audit transparency.

Even so, KAM is not concluded just in audit reports, but also needs to be disclosed in a consistent manner so that it can be read together with the non-financial information released by OMRON. For example, it is important to disclose information about business risks disclosed by the company as

non-financial information, including what kind of problems occur in accounting, how to handle this awareness in auditing, and how to communicate this externally as KAM in the audit report.

This fiscal year, the Accounting Auditor described the evaluation of goodwill and other items associated with investments in the Industrial Automation Business and the Healthcare Business as KAM on a consolidated basis for OMRON. As strategic investments during the period of VG2020, they are recognized as having a key impact on management strategies and the Consolidated Financial Statements, and are disclosed in the securities report as items related to M&A given an A rating by OMRON, which conducts integrated risk management.

Although the Audit & Supervisory Board Members determined the Accounting Auditor's recognition and disclosure of OMRON's awareness of these events were comprehensive and appropriate in KAM, the wording was repeatedly discussed between the Accounting Auditor and executives, and efforts were made to connect it with non-financial information as much as possible and to present it in an understandable way to readers. Accordingly, OMRON's securities report itself has also changed significantly, and I think the content has become easier to understand. I particularly emphasized that the content should have a sufficient understanding of the original significance of KAM, while being from the perspective of shareholders, investors, and stakeholders.

There are concerns that KAM will just become boilerplate, but I believe that this is groundless if a stance like OMRON is taken. Those involved in auditing should also properly utilize KAM as a communication tool in order to discover how to increase the information value of audit reports. Going forward, I expect that KAM will be a point to evaluate a company's stance toward information disclosure and, by extension, to also evaluate its governance.

**— Finally, please tell us your own thoughts about OMRON's future governance structure?**

OMRON constantly evolves and tailors its governance structure for the changing times, and as previously mentioned, it is close to being the culmination of a company with an Audit & Supervisory Board. However, what is important is to maintain an attitude of not

remaining in the current situation, but to continue to adopt new trends and further strengthen and expand governance.

As a new initiative this year, we have changed the monthly evaluation of the Board of Directors, which had been conducted in writing until last year, to a format where the contents of Board of Directors meetings are reviewed only by Outside Directors and Independent Audit & Supervisory Board Members immediately after meetings. There are discussions as to “whether there has been enough debate,” or “whether things need to be examined from a different perspective.” These discussions are held in a timely manner without taking time away from Board of Directors

meetings, and their contents are reflected in subsequent meeting operations as appropriate, with a summary of results for the year used as the basis for evaluating the Board of Directors. I believe that these daily actions will lead to improved effectiveness with a seemingly on-site presence.

As an Independent Audit & Supervisory Board Member, I will continue to maintain audit functions that contribute to enhancing corporate value without compromising what we have now, and as a member of Team OMRON, I will keep contributing to the further strengthening of the governance structure and maximize OMRON's corporate value.

## ■ Securities Report (84th Term) Excerpt from the Independent Auditor's Report and the Internal Control Audit Report

### Key Audit Matters

Key Audit Matters are matters that the auditor considers to be particularly important as a professional expert in the audit of the Consolidated Financial Statements for the consolidated fiscal year.

The KAM are addressed in the auditing process of the Consolidated Financial Statements and in forming the audit opinion, and the auditing firm does not express individual opinions on these matters.

### Key Audit Matters for Fiscal Year Ended March 31, 2021

#### 1. Evaluation of goodwill associated with investments in the industrial automation business and recoverability of deferred income tax assets of U.S. consolidated corporations

As part of strategic investments in the long-term vision “Value Generation 2020 (VG2020),” OMRON acquired shares of Delta Tau Data Systems, Inc. and Adept Technology, Inc. in 2015, and Microscan Systems, Inc. in 2017 to make them consolidated subsidiaries in the Industrial Automation Business (IAB). (Hereinafter, these transactions are collectively called “business combination transactions.”)

All of these consolidated subsidiaries are U.S.-based companies.

OMRON has recorded goodwill on its Consolidated Balance Sheets through these important business combination transactions.

In addition, mainly as a result of focused R&D investment and customer development activities to achieve advanced applications through matching acquired product technologies with existing ones from OMRON, the U.S. consolidated tax payment group, which includes the subsidiaries acquired through the above business combination transactions, incurred a tax loss carried forward in previous fiscal years.

For the loss carried forward, deferred income tax assets for future tax benefits are recorded on the Consolidated Balance Sheets.

#### 2. Evaluation of goodwill associated with investments in the healthcare business and evaluation of investments in affiliates

As part of strategic investments in the long-term vision “Value Generation 2020 (VG2020),” OMRON acquired shares of NS Industria de Aparelhos Medicos Ltda. in 2014 to make it a consolidated subsidiary in the Healthcare Business (HCB). In addition, OMRON gradually acquired shares of AliveCor, Inc. starting in 2017, and made it an affiliate accounted for using the equity method in 2020.

Through these investment activities, OMRON records goodwill on its Consolidated Balance Sheets, as well as investments in and advances to affiliates, which include goodwill under the equity method.

## Directors (As of June 30, 2021)

### Directors



**Fumio Tateishi**

Chairman  
CEO Selection Advisory  
Committee Member

Aug. 1975 Joined OMRON  
Jun. 1997 Director  
Jun. 1999 Managing Executive Officer  
Jun. 2001 Senior General Manager,  
Corporate Strategic  
Planning HQ  
Jun. 2003 Executive Vice President;  
President, Industrial  
Automation Business  
Company  
Jun. 2008 Director and Executive Vice  
Chairman  
Jun. 2013 Chairman of the Board (to  
present)



**Yoshihito Yamada**

President and CEO

Apr. 1984 Joined OMRON  
Jun. 2008 Executive Officer;  
Representative Director and  
President, OMRON  
HEALTHCARE Co., Ltd.  
Mar. 2010 Senior General Manager,  
Corporate Strategic  
Planning HQ  
Jun. 2010 Managing Executive Officer  
Jun. 2011 Representative Director and  
President (to present)



**Kiichiro Miyata**

Director, Senior Managing  
Executive Officer, CTO  
Personnel Advisory Committee  
Member

Apr. 1985 Joined Tateisi Institute of  
Life Science, Inc. (now  
OMRON HEALTHCARE  
Co., Ltd.)  
Mar. 2010 Representative Director and  
President, OMRON  
HEALTHCARE Co., Ltd.  
Jun. 2010 Executive Officer  
Jun. 2012 Managing Executive Officer  
Apr. 2015 Chief Technology Officer  
(CTO) and Senior General  
Manager of Technology &  
Intellectual Property HQ (to  
present)  
Apr. 2017 Senior Managing Executive  
Officer (to present)  
Jun. 2017 Representative Director (to  
present)  
Apr. 2018 Senior General Manager,  
Innovation Exploring  
Initiative HQ



**Koji Nitto**

Director  
Senior Managing Executive Officer, CFO  
Compensation Advisory Committee  
Member

Apr. 1983 Joined OMRON  
Mar. 2011 Senior General Manager,  
Global Resource  
Management HQ  
Jun. 2011 Executive Officer  
Mar. 2013 Senior General Manager,  
Global SCM and IT  
Innovation HQ  
Apr. 2013 Managing Executive Officer  
Mar. 2014 Senior General Manager,  
Global Strategy HQ (to  
present)  
Apr. 2014 Senior Managing Executive  
Officer (to present)  
Jun. 2014 Director (to present)  
Apr. 2017 Chief Financial Officer (CFO)  
(to present)

### Directors



**Satoshi Ando**

Director  
Vice Chairman of the Personnel  
Advisory Committee  
Vice Chairman of the CEO  
Selection Advisory Committee  
Vice Chairman of the Compensation  
Advisory Committee

Apr. 1977 Joined The Bank of Tokyo,  
Ltd. (now MUFG Bank, Ltd.)  
July 2003 Branch Manager of Jakarta  
Branch, The Bank of  
Tokyo-Mitsubishi, Ltd. (now  
MUFG Bank, Ltd.)  
(Resigned in June 2007)  
Jun. 2007 Audit & Supervisory Board  
Member (Independent),  
OMRON  
Jun. 2011 Executive Officer and  
Senior General Manager,  
Investor Relations HQ  
Mar. 2015 Senior General Manager,  
Global Investor Relations &  
Corporate Communications  
HQ  
Apr. 2015 Managing Executive Officer  
Jun. 2017 Director (to present)



**Eizo Kobayashi**

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

Apr. 1972 Joined ITOCHU Corporation  
Jun. 2000 Executive Officer, ITOCHU  
Corporation  
Apr. 2002 Managing Executive Officer,  
ITOCHU Corporation  
Jun. 2003 Representative Director and  
Managing Director, ITOCHU  
Corporation  
Apr. 2004 Representative Director and  
Senior Managing Director,  
ITOCHU Corporation  
Jun. 2004 President and CEO,  
ITOCHU Corporation  
Apr. 2010 Chairman and Representative  
Director, ITOCHU Corporation  
Jun. 2011 Chairman, ITOCHU Corporation  
Jun. 2013 Outside Director, OMRON  
(to present)  
Jun. 2016 Chairman, ITOCHU Corporation  
Apr. 2018 Senior Representative,  
ITOCHU Corporation  
Apr. 2020 Director Emeritus, ITOCHU  
Corporation (to present)



**Takehiro Kamigama**

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

Apr. 1981 Joined TDK Corporation  
Jun. 2002 Corporate Officer, TDK  
Corporation  
Jun. 2003 Senior Vice President, TDK  
Corporation  
Jun. 2004 Director & Executive Vice  
President, TDK Corporation  
Jun. 2006 President & Representative  
Director, TDK Corporation  
Jun. 2016 Chairman & Representative  
Director, TDK Corporation  
Jun. 2017 Outside Director, OMRON  
(to present)  
Jun. 2018 Mission Executive, TDK  
Corporation  
Jun. 2021 Chief Consultant,  
Contemporary Ampere  
Technology Japan KK (to  
present)



**Izumi Kobayashi**

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

Apr. 1981 Joined Mitsubishi Chemical  
Industries Limited (now  
Mitsubishi Chemical  
Corporation)  
Jun. 1985 Joined Merrill Lynch  
Futures Japan Inc.  
Dec. 2001 President and  
Representative Director,  
Merrill Lynch Japan  
Securities Co., Ltd. (now BofA  
Securities Japan Co., Ltd.)  
Nov. 2008 Executive Vice President of  
Multilateral Investment  
Guarantee Agency, The  
World Bank Group  
Apr. 2015 Vice Chairperson of Japan  
Association of Corporate  
Executives  
Jun. 2016 Governor of Japan  
Broadcasting Corporation  
Jun. 2020 Outside Director, OMRON  
(to present)

## Audit & Supervisory Board Members (As of June 30, 2021)

### Audit & Supervisory Board Members (Full-time)



**Shuji Tamaki**

Audit & Supervisory Board  
Member (Full-time)

Apr. 1985 Joined OMRON  
Mar. 2008 General Manager of the  
Legal Center, Management  
Resources Innovation HQ  
Mar. 2015 Senior General Manager of  
Global Risk Management  
and Legal HQ  
Apr. 2015 Executive Officer  
Jun. 2021 Audit & Supervisory Board  
Member (Full-time) (to  
present)



**Kiyoshi Yoshikawa**

Audit & Supervisory Board  
Member (Full-time)

Apr. 1983 Joined OMRON  
Mar. 2010 Senior General Manager,  
Monozukuri Innovation HQ  
Jun. 2010 Executive Officer  
Apr. 2016 Managing Executive Officer  
Jun. 2019 Audit & Supervisory Board  
Member (Full-time) (to  
present)

### Audit & Supervisory Board Members (Independent)



**Hideyo Uchiyama**

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

Nov. 1975 Joined Arthur Young &  
Company  
Dec. 1979 Joined Asahi Accounting  
Company (now KPMG  
AZSA LLC)  
Mar. 1980 Registered as Certified  
Public Accountant  
July 1999 Representative Partner,  
KPMG AZSA LLC  
May 2002 Board Member, KPMG  
AZSA LLC  
Jun. 2006 Executive Board Member,  
KPMG AZSA LLC  
Jun. 2010 Managing Partner, KPMG  
AZSA LLC, Chairman,  
KPMG Japan  
Sep. 2011 Chairman, KPMG Asia  
Pacific  
Oct. 2013 CEO, KPMG Japan  
Sep. 2015 Executive Advisor, ASAHI  
Tax Corporation (to present)  
Jun. 2016 Audit & Supervisory Board  
Member (Independent),  
OMRON (to present)



**Tadashi Kunihiro**

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

Apr. 1986 Registered as attorney with  
the Daini Tokyo Bar  
Association;  
Joined Nasu & Iguchi Law  
Office  
Jan. 1994 Established Kunihiro Law  
Office (now T. Kunihiro &  
Co. Attorneys-at-Law)  
Jun. 2017 Audit & Supervisory Board  
Member (Independent),  
OMRON (to present)

## Executive Officers (As of June 30, 2021)

## President

**Yoshihito Yamada**

CEO

## Senior Managing Executive Officers

**Kiichiro Miyata**CTO and Senior General Manager,  
Technology & Intellectual Property HQ**Koji Nitto**CFO and Senior General Manager,  
Global Strategy HQ

## Managing Executive Officer

**Shizuto Yukumoto**Company President, Electronic and  
Mechanical Components Company**Seigo Kinugawa**CEO, OMRON EUROPE,  
Industrial Automation Company**Toshio Hosoi**President and CEO,  
OMRON SOCIAL SOLUTIONS**Masahiko Tomita**Senior General Manager,  
Global Human Resources and  
Administration HQ**Isao Ogino**President and CEO,  
OMRON HEALTHCARE**Junta Tsujinaga**Company President,  
Industrial Automation  
Company**Nigel Blakeway**Chairman and CEO, OMRON  
MANAGEMENT CENTER OF AMERICA  
and Chairman, OMRON MANAGEMENT  
CENTER OF EUROPE  
and Chairman, OMRON MANAGEMENT  
CENTER OF ASIA PACIFIC



## Executive Officers

**Goshi Oba**

Chairman and President,  
OMRON INDUSTRIAL AUTOMATION  
(CHINA)

**Katsuhiro Shikata**

President and CEO,  
OMRON FIELD ENGINEERING

**Takayoshi Oue**

Senior General Manager,  
Global Finance and Accounting HQ

**Virendra Shelar**

President, OMRON MANAGEMENT  
CENTER OF ASIA PACIFIC  
and General Manager, Global Human  
Resource Strategy Dept.

**Tsutomu Igaki**

Senior General Manager,  
Global Investor & Brand  
Communications HQ

**Masayuki Yamamoto**

Senior General Manager,  
Strategy Planning Division HQ,  
Industrial Automation Company

**Jian Xu**

President and CEO,  
OMRON (CHINA)

**Robert Black**

President, CEO and COO,  
OMRON ELECTRONICS (USA),  
Industrial Automation Company

**Kenji Eda**

Senior General Manager,  
Global Procurement and Quality  
Management HQ

**Masahiko Ezaki**

Senior General Manager of Business  
Management Division HQ, Electronic  
and Mechanical Components Company

**Shinji Fukui**

Senior General Manager,  
Technology Development Division HQ,  
Industrial Automation Company

**Hidetaka Ishihara**

Senior General Manager of Innovation  
Exploring Initiative HQ

**Seiji Takeda**

General Manager,  
Corporate Planning Dept.,  
Global Strategy HQ

**Hisako Takada**

Senior General Manager of CEO Office

**Taisuke Tateishi**

Senior General Manager,  
Energy Solutions Business HQ,  
OMRON SOCIAL SOLUTIONS

**Motohiro Yamanishi**

Senior General Manager of Product  
Business Division HQ,  
Industrial Automation Company

# Financial Results

## Consolidated Earnings

During fiscal 2020, we began operating under an emergency response mode due to the COVID-19 pandemic, placing our highest priorities on preventing the spread of infection and on business continuity. The business environment surrounding the OMRON Group continued to present challenges due to the impact of the spread of COVID-19, beginning at the end of the previous fiscal year. However, demand recovered globally through the second half of the fiscal year, driven by China. In this environment, the Group demonstrated its responsiveness to changes, which it had cultivated over the years, while it accurately seized business opportunities in an opportunistic manner. As a result, net sales declined slightly to ¥655.5 billion, down 3.3% from the prior fiscal year. In addition, gross profit margin rose to a record high of 45.5%, up 0.7 points from the prior fiscal year, despite the challenging business environment presented by the COVID-19 crisis, reflecting the results of Solution oriented sales, variable cost reductions and other efforts we have pursued for some time. Further, operating income increased significantly to ¥62.5 billion, up 14.1% from the prior fiscal year, as a result of implementing fixed cost reductions on a scale of ¥20.0 billion a year.

## Consolidated Statements of Income

### Net Sales

OMRON Group net sales for fiscal 2020 amounted to ¥655.5 billion, down 3.3% from the prior fiscal year. Our Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales compared to the prior fiscal year due to the impact of the spread of COVID-19 during the first half of the fiscal year, despite a recovery over the second half of the fiscal year by accurately capturing changes in demand. Sales of the Social Systems, Solutions and Service Business (SSB) fell significantly compared to the prior fiscal year as a result of ongoing restrained investment by customers associated with our Public Transportation (Automated Ticket Gates, Ticket Vending Machines) Systems. In the Healthcare Business (HCB), global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management among consumers. As a result of our quick response to these rising demands, net sales increased significantly compared to the prior fiscal year.





### Gross Profit Margin, SG&A Expenses, and R&D Expenses

Gross profit margin rose to a record high of 45.5%, up 0.7 points from the prior fiscal year, despite the challenging business environment presented by the COVID-19 crisis, reflecting the results of Solution oriented sales, variable cost reductions and other efforts we have pursued for some time. Selling, general and administrative expenses were down ¥10.3 billion to ¥192.7 billion, mainly due to company-wide efforts to control and reduce fixed costs. Research and development expenses fell ¥2.8 billion year on year to ¥43.2 billion, mainly due to detailed selection in research and development projects.

### Operating Income and Net Income Attributable to OMRON Shareholders

OMRON Group operating income for the year was ¥62.5 billion (14.1% increase), while our operating income margin was 9.5% (1.5 points increase), due to significantly improved gross profit margin and implementing fixed cost reductions on a scale of ¥20.0 billion a year. Net income attributable to OMRON shareholders came in at ¥43.3 billion (42.2% decrease). Net income attributable to OMRON shareholders of ¥74.9 billion for the prior fiscal year included net income from discontinued operations including gain on sale of the Automotive Electronic Components Business. Excluding this effect, the change in net income attributable to OMRON shareholders was an increase of 10.6% year on year.

## Fiscal 2020 in Review

<b>Net sales</b> <b>¥655.5 billion</b> YoY <b>-3.3%</b> 	<b>Gross profit margin</b> <b>45.5%</b> YoY <b>+0.7%pt</b> 
<b>Operating income</b> <b>¥62.5 billion</b> YoY <b>+14.1%</b> 	<b>Net income attributable to OMRON shareholders</b> <b>¥43.3 billion</b> YoY <b>-42.2%</b> 
<b>Average exchange rate during the period</b>	
<b>USD ¥105.8    EUR ¥123.2    RMB ¥15.5</b>	

## Results of Each Business Segment

### Industrial Automation Business (IAB)

During fiscal 2020, in the automotive industry, the IAB continued to face challenging conditions due to production cutbacks and revised investments due to the impact of the spread of COVID-19. Meanwhile, capital expenditure for semiconductors and rechargeable batteries in the digital industry became active, and particularly in China, demand for capital expenditure continued to be strong. In addition, demand for capital expenditure in connection with masks and other products related to measures against COVID-19 grew globally. We leveraged local sales and systems engineering human resources which we have been strengthening, to accurately capture these rising demands, leading to a recovery in net sales over the second half of the fiscal year. However, net sales for the fiscal year were lower year on year. While net sales decreased year on year, operating income increased due to our actions to increase added value and control fixed costs. As a result, net sales for fiscal 2020 totaled ¥346.4 billion, down 1.8% from the prior fiscal year, and operating income totaled ¥58.8 billion, up 9.7% from the prior fiscal year.

### Electronic and Mechanical Components Business (EMC)

During fiscal 2020, demand declined significantly at the beginning of the fiscal year due to the impact of lockdowns under COVID-19 crisis. The decline in demand reached a low point in the second quarter as customers resumed production and sales activities. Since then, demand has been on a recovery track globally, most notably in China. In addition to responding quickly to these changes in demand, we launched new products in focused markets such as power tools and PC peripherals, where demand increased due to the COVID-19 crisis. As a result, while net sales in the second half of the fiscal year recovered to the level on par with the same period in the prior fiscal year, net sales for the fiscal year were lower year on year due to the significant impact of the decline in sales at the beginning of the fiscal year. Operating income rose significantly year on year, owing to our efforts to control fixed costs and implement structural reforms, in addition to the recovery in net sales. As a result, net sales to external customers for fiscal 2020 totaled ¥86.0 billion, down 2.6% from the prior fiscal year, and operating income totaled ¥3.0 billion, up 222.7% from the prior fiscal year.

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

During fiscal 2020, demand was firm for upgrades in our Traffic and Road Management Systems Business. Meanwhile, the Public Transportation Systems Business experienced the impact of ongoing restrained investment by customers. Our Energy Solutions Business also experienced weak sales of storage battery systems due to the impact of voluntary restraints on social activities. As a result, net sales fell sharply compared to the prior fiscal year. Despite efforts to control fixed costs and improve added value, operating profit declined significantly compared to the prior fiscal year due to a sizable decrease in net sales. As a result, net sales for fiscal 2020 totaled ¥95.7 billion, down 17.5% from the prior fiscal year, and operating income totaled ¥5.7 billion, down 47.5% from the prior fiscal year.

### Healthcare Business (HCB)

During fiscal 2020, global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management among consumers in response to the spread of COVID-19. In addition, the impact of lockdowns and curfews further accelerated the shift of consumer purchasing behavior to the online market. In response to these changes in demand, we strengthened our product supply capacity by quickly establishing a system to increase production. We also strengthened sales activities through online channels. These efforts combined led to a significant increase in net sales compared to the prior fiscal year. Operating income rose significantly compared to the prior fiscal year due to a large increase in net sales, as well as our actions to control fixed costs and increase added value. As a result, net sales for fiscal 2020 totaled ¥123.1 billion, up 9.9% from the prior fiscal year, and operating income totaled ¥20.6 billion, up 52.3% from the prior fiscal year.

## Review of Financial Condition

OMRON Group continued to invest actively in sustainable corporate value improvements and conduct ROIC management focused on capital efficiency. Total assets at the end of fiscal 2020 amounted to ¥820.4 billion, an increase of ¥62.3 billion compared to the end of the prior fiscal year, mainly due to an increase in cash and cash equivalents. Total liabilities decreased ¥14.5 billion to ¥211.0 billion, mainly due to a decrease in reserve for termination and retirement benefits stemming from improved investment performance results in our corporate pension plan. Total net assets increased ¥76.8 billion compared to the end of the prior fiscal year to ¥609.4 billion, mainly due to the recording of net income attributable to OMRON shareholders. Shareholders' equity increased ¥76.5 billion compared to the end of the prior fiscal year to ¥606.9 billion. As a result, our shareholders' equity ratio was 74.0%, compared to 70.0% at the end of the prior fiscal year, maintaining a strong financial footing. Further, ROE (return on equity) and ROIC (return on invested capital), two important financial indicators, have remained above our expected cost of capital of 6%.

## Capital Expenditures

During fiscal 2020, we strictly selected essential capital expenditure, including enhancement of production equipment and base investments with the aim of creating future growth, as well as the renewal of IT infrastructure. As a result, total capital investments of ¥24.0 billion were made, representing a 27.6% decrease compared to the prior fiscal year.

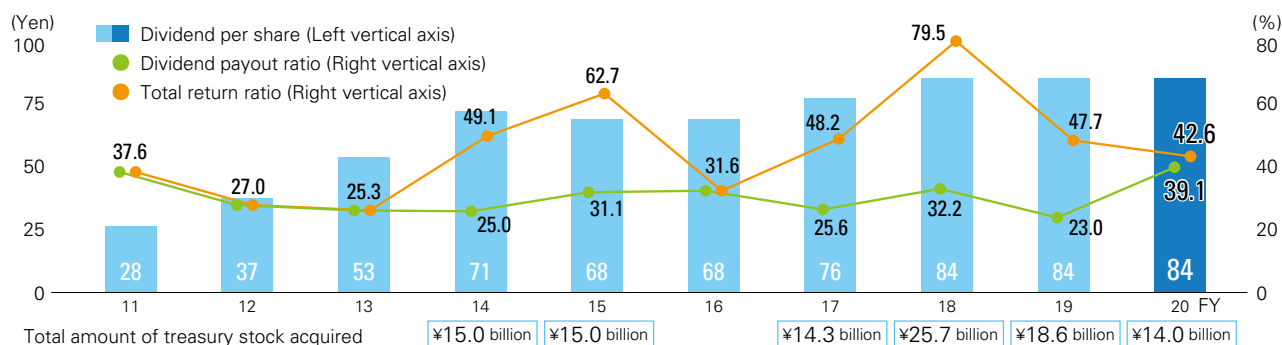
## Cash Flows

Net cash provided by operating activities amounted to ¥93.8 billion, an increase in cash provided of ¥4.0 billion compared to the prior fiscal year. This result was mainly due to the recording of net income, as well as decreases in notes and accounts receivable-trade and inventories, as a result of having secured sufficient funds on hand in each area globally to prepare for sudden changes in business environment and conducted business operations with strengthened management of working capital such as notes and accounts receivable-trade and inventories. Net cash used in investing activities was ¥14.8 billion, mainly due to an additional investment in AliveCor, Inc. in the U.S. in the Healthcare Business (HCB) and the transfer of all shares of Hitachi-Omron Terminal Solutions, Corp., an equity method affiliate. (When excluding net proceeds from sale and acquisition of businesses, etc. of ¥10.3 billion, net cash used in investing activities was ¥25.1 billion, a decrease in cash used of ¥8.5 billion compared to the prior fiscal year.) Free cash flows amounted to ¥79.0 billion, a decrease of ¥39.4 billion compared to the prior fiscal year (when excluding net proceeds from sale and acquisition of businesses, etc., an increase of ¥12.5 billion compared to the prior fiscal year). Net cash used in financing activities was ¥20.4 billion, a decrease in net cash used of ¥9.1 billion compared to the prior fiscal year. This result was mainly due to dividends paid. In addition to the preceding, changes in foreign currency translation were factors having an impact on cash and cash equivalents. As a result, the balance of cash and cash equivalents at March 31, 2021 amounted to ¥250.8 billion, an increase of ¥65.2 billion compared to the end of the prior consolidated fiscal year.

## Dividend Policy

Our basic policy for profit distribution is to aim for sustainable corporate value growth, and thus OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the Company makes decisions regarding ongoing profit distribution to shareholders in consideration of capital efficiency. The Company has established and applied a guideline of approximately 30% in payout ratio and approximately 3% of DOE for the periods covered by the VG2.0 medium-term management plan. Our full-year dividend for fiscal 2020 was ¥84 per share, in view of business performance, DOE standards and past dividend levels, in order to secure stable and continuous dividends. As a result, our dividend payout ratio was 39.1%, and our dividend on equity ratio (DOE) was 3.0%.

### Changes in Shareholder Returns



## Outlook for Fiscal 2021

Fiscal 2021 is an important year to begin taking actions toward our next long-term vision. It will also be a year in which we see an acceleration in transition to the new social and economic systems of the post-COVID era. The OMRON Group believes this period of change will be the perfect opportunity to hasten the creation of new value and evolve our work style and operations. Therefore, our policies will consist of “maximizing the responsiveness to changes” and “accelerating transformation”. In “maximizing the responsiveness to changes”, we plan to leverage the assets that we have cultivated through our existing businesses and to seize business opportunities more swiftly than ever to achieve sales growth. In fiscal 2021, we will continue to prepare for various risks. At the same time, we will ensure that we seize business opportunities created by the recovery of economic activity and the acceleration of innovation, linking these opportunities to growth.

In “accelerating transformation”, we will undertake the following three actions, looking ahead to our next long-term vision.

The first action is “business model transformation and the challenge for new businesses creation”. By transforming our business models through i-BELT, a data utilization service at manufacturing sites, remote medical services, and other means, we plan to deepen relationship with existing customers and develop new customers, thereby growing sales. We will also identify emerging social issues and new business themes addressable by the OMRON Group, creating and implementing new business concepts. The second action is “transformation of our operations”. Here, we intend to shift resources to high-value-added operations, such as solutions and services that support new business models. We will work to advance the business process improvements and other actions aimed at business continuity under the COVID-19 crisis to enhance productivity and efficiency gains. To support these efforts, we will continue to strengthen our group IT infrastructure, which we have already been pursuing for some time. The third action is “transformation of work styles and human resources management”. The OMRON Group intends to build a structure that allows it to use human resources information formerly managed locally by each business and area on a global basis. In addition, we will actively recruit specialized human resources from outside our organization to create a structure for taking on the challenge of solving social issues as a global mixed team across countries and areas.

We assume that the business environment during fiscal 2021 will continue to benefit from a recovery in the global economy. Specifically, we expect to see ongoing investments to increase semiconductor manufacturing capacity worldwide. In addition, we expect demand for capital expenditure related to electric vehicles (EV) and renewable energy to increase due to the growing social demand for CO<sub>2</sub> reduction. We believe demand for health equipment in the healthcare industry, including blood pressure monitors and other products, will remain strong globally, as the population continues to age and people become more health conscious.

We will seize on these business opportunities in a steady manner, and we expect to see an increase in sales across all business segments in fiscal 2021. Although we will factor in the impact of price hikes for certain raw materials, we plan to continue our efforts to increase added value by strengthening our product competitiveness and engage in restructuring, leading to improved gross profit margin. While SG & A expenses and research and development expenses will rise as a result of an increased intensity in activities, we will improve productivity through the continuation of new work styles implemented during the COVID-19 crisis.

	FY2020	FY2021	Change
Net sales	¥655.5 billion	¥700.0 billion	+6.8%
Gross profit (Gross profit margin)	¥298.4 billion (45.5%)	¥325.0 billion (46.4%)	+8.9% [+0.9%pt]
Operating income (Operating income margin)	¥62.5 billion (9.5%)	¥70.0 billion (10.0%)	+12.0% [+0.5%pt]
Income before income taxes from continuing operations	¥65.1 billion	¥67.0 billion	+2.9%
Net income attributable to OMRON shareholders	¥43.3 billion	¥48.0 billion	+10.8%
Average USD exchange rate	¥105.8	¥108.0	+¥2.2
Average EUR exchange rate	¥123.2	¥128.0	+¥4.8
Average RMB exchange rate	¥15.5	¥16.5	+¥1.0



## Outlook for Each Business Segment

### Industrial Automation Business (IAB)

For fiscal 2021, in the digital industry, we expect capital expenditure in semiconductors and rechargeable batteries to continue to be strong, particularly in China and South Korea. In the automotive industry, we expect to see a gradual recovery, especially for EV/ADAS. We expect to see an increase in capital expenditure related to food and daily goods for environment-related factors, including new plastic-free materials. In response to these changes, we continue to intensify our efforts to offer control applications for solving issues in manufacturing floors. As well, we will steadily capture the increasingly sophisticated needs for automation and labor savings, projecting net sales for fiscal 2021 to increase to ¥375.0 billion, up 8.2% from the prior fiscal year. Although we will continue to invest in strengthening our abilities to provide solutions, we expect operating income to increase to ¥63.0 billion, up 7.2% from the prior fiscal year, due to higher sales and improved productivity.

### Electronic and Mechanical Components Business (EMC)

For fiscal 2021, we expect to see a continued moderate recovery on a global scale, mainly driven by consumer demand in China and demand for automobiles. In this context, we aim to steadily capture growing demand through actions that include supply chain management optimization. We expect net sales for fiscal 2021 to increase to ¥94.0 billion, up 9.3% from the prior fiscal year, as we strengthen distinctive applications and products that meet the emerging needs in our focus industries. Although we will factor in the impact of soaring raw material prices, we expect operating income to significantly increase to ¥4.5 billion, up 51.9% from the prior fiscal year, due to increased sales and our actions to improve added value.

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

For fiscal 2021, we expect to see ongoing constrained investment among customers in our Public Transportation System Business due to the impact of lower travel revenues. In our Energy Solutions Business, on the other hand, we project an increase in demand for storage battery systems and other products due to the growing need to reduce CO<sub>2</sub> emissions and prepare for disasters. Further, we expect our Engineering Business to see growing demand for industrial-use renewable energy equipment. We will provide solutions that combine products and services to meet these demands. As a result of these efforts, we expect net sales for fiscal 2021 to increase to ¥96.0 billion, up 0.4% from the prior fiscal year. We expect operating income to significantly increase to ¥7.0 billion, up 23.0% from the prior fiscal year, due to our actions to increase added value etc., in addition to an increase in sales.

### Healthcare Business (HCB)

For fiscal 2021, we forecast continued strong demand on a global basis in connection with a growing awareness of in-home health management. Although we do expect a reactionary decrease in demand for thermometers after the surge caused by the spread of COVID-19, we assume that blood pressure monitor demand will remain strong due to increased demand for blood pressure management related to chronic diseases. In China, one of the largest market for blood pressure monitors, we plan to build a network infrastructure in collaboration with doctors and pharmacies to provide products and services for patients with chronic diseases. As a result of these efforts, we expect net sales for fiscal 2021 to increase to ¥133.0 billion, up 8.1% from the prior fiscal year. Although we will continue investments to expand remote medical services, we expect operating income to increase to ¥22.5 billion, up 9.4% from the prior fiscal year, due to increased sales and improved productivity.

# Consolidated Financial Statements

## Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2020 and 2021

(Millions of yen)		
ASSETS	FY2019	FY2020
<b>Current Assets:</b>		
Cash and cash equivalents	¥ 185,533	<b>¥ 250,755</b>
Notes and accounts receivable - trade	134,786	<b>135,161</b>
Allowance for doubtful receivables	(759)	<b>(756)</b>
Inventories	104,301	<b>103,265</b>
Assets held for sale	441	—
Other current assets	22,837	<b>26,007</b>
<b>Total Current Assets</b>	<b>447,139</b>	<b>514,432</b>
<b>Property, Plant and Equipment:</b>		
Land	20,446	<b>19,778</b>
Buildings	129,110	<b>124,404</b>
Machinery and equipment	147,038	<b>153,142</b>
Construction in progress	5,467	<b>3,281</b>
Total	302,061	<b>300,605</b>
Accumulated depreciation	(187,535)	<b>(187,577)</b>
<b>Net Property, Plant and Equipment</b>	<b>114,526</b>	<b>113,028</b>
<b>Investments and Other Assets:</b>		
Right-of-use assets under operating leases	30,327	<b>38,153</b>
Goodwill	38,568	<b>39,160</b>
Investments in and advances to affiliates	29,251	<b>13,159</b>
Investment securities	25,782	<b>33,423</b>
Leasehold deposits	7,486	<b>7,675</b>
Prepaid benefit costs	—	<b>6,736</b>
Deferred income taxes	37,416	<b>24,179</b>
Other assets	27,629	<b>30,434</b>
<b>Total Investments and Other Assets</b>	<b>196,459</b>	<b>192,919</b>
<b>Total</b>	<b>¥ 758,124</b>	<b>¥ 820,379</b>

(Millions of yen)		
LIABILITIES AND SHAREHOLDERS' EQUITY	FY2019	FY2020
<b>Current Liabilities:</b>		
Notes and accounts payable - trade	¥ 64,496	<b>¥ 69,561</b>
Accrued expenses	37,179	<b>44,441</b>
Income taxes payable	2,516	<b>3,504</b>
Short-term operating lease liabilities	11,070	<b>11,179</b>
Other current liabilities	36,038	<b>32,685</b>
<b>Total Current Liabilities</b>	<b>151,299</b>	<b>161,370</b>
<b>Deferred Income Taxes</b>		
	1,717	<b>1,671</b>
<b>Termination and Retirement Benefits</b>	<b>40,236</b>	<b>7,598</b>
<b>Long-Term Operating Lease Liabilities</b>	<b>19,820</b>	<b>27,709</b>
<b>Other Long-Term Liabilities</b>	<b>12,463</b>	<b>12,673</b>
<b>Total Liabilities</b>	<b>225,535</b>	<b>211,021</b>
<b>Shareholders' Equity:</b>		
Capital	64,100	<b>64,100</b>
Common stock		
Authorized: 487,000,000 shares in FY2019		
487,000,000 shares in FY2020		
Issued: 206,244,872 shares in FY2019		
206,244,872 shares in FY2020		
Capital surplus	100,521	<b>101,403</b>
Legal reserve	20,981	<b>22,931</b>
Retained earnings	451,768	<b>476,185</b>
Accumulated other comprehensive income (loss)	(83,606)	<b>(32,945)</b>
Treasury stock	(23,349)	<b>(24,816)</b>
4,306,748 shares in FY2019		
4,574,294 shares in FY2020		
<b>Total Shareholders' Equity</b>	<b>530,415</b>	<b>606,858</b>
<b>Noncontrolling Interests</b>	<b>2,174</b>	<b>2,500</b>
<b>Total Net Assets</b>	<b>532,589</b>	<b>609,358</b>
<b>Total</b>	<b>¥ 758,124</b>	<b>¥ 820,379</b>

## Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2019, 2020 and 2021

(Millions of yen)

	FY2018	FY2019	FY2020
<b>Net sales</b>	<b>¥ 732,581</b>	<b>¥ 677,980</b>	<b>¥ 655,529</b>
<b>Costs and Expenses:</b>			
Cost of sales	407,097	374,278	<b>357,178</b>
Selling, general and administrative expenses	208,895	202,954	<b>192,687</b>
Research and development expenses	49,335	45,988	<b>43,184</b>
Other expenses, net	1,342	2,924	<b>(2,609)</b>
Total	666,669	626,144	<b>590,440</b>
<b>Income before Income Taxes and Equity in Earnings of Affiliates</b>	<b>65,912</b>	<b>51,836</b>	<b>65,089</b>
<b>Income Taxes</b>	<b>17,016</b>	<b>11,270</b>	<b>15,093</b>
<b>Equity in earnings of affiliates</b>	<b>1,578</b>	<b>963</b>	<b>6,098</b>
<b>Net Income from Continuing Operations</b>	<b>47,318</b>	<b>39,603</b>	<b>43,898</b>
<b>Net Income from Discontinued Operations</b>	<b>7,673</b>	<b>35,732</b>	<b>—</b>
<b>Net Income</b>	<b>54,991</b>	<b>75,335</b>	<b>43,898</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>668</b>	<b>440</b>	<b>591</b>
<b>Net Income Attributable to OMRON Shareholders</b>	<b>¥ 54,323</b>	<b>¥ 74,895</b>	<b>¥ 43,307</b>

(Yen)

	FY2018	FY2019	FY2020
<b>Per Share Data:</b>			
<b>Net Income Attributable to OMRON Shareholders:</b>			
Net Income Attributable to OMRON Shareholders from Continuing Operations	¥ 223.95	¥ 191.00	<b>¥ 214.72</b>
Net Income Attributable to OMRON Shareholders from Discontinued Operations	36.84	174.26	<b>—</b>
Basic	¥ 260.78	¥ 365.26	<b>¥ 214.72</b>
Diluted	—	—	<b>—</b>

\* The consolidated statement of income for FY2018 has been reclassified in line with the classification change of the Automotive Electronic Components Business (AEC) to discontinued operations.

## Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2019, 2020 and 2021

(Millions of yen)

	FY2018	FY2019	FY2020
<b>Net Income</b>	<b>¥ 54,991</b>	<b>¥ 75,335</b>	<b>¥ 43,898</b>
<b>Other Comprehensive Income (Loss), Net of Tax:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	(4,419)	(23,674)	<b>23,138</b>
Reclassification adjustment for the portion realized in net income	(109)	(119)	<b>310</b>
Net unrealized gain (loss)	(4,528)	(23,793)	<b>23,448</b>
Pension liability adjustments:			
Pension liability adjustments arising during the year	(11,419)	7,033	<b>24,630</b>
Reclassification adjustment for the portion realized in net income	2,556	3,365	<b>3,053</b>
Net unrealized gain (loss)	(8,863)	10,398	<b>27,683</b>
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	32	77	<b>(629)</b>
Reclassification adjustment for the portion realized in net income	(73)	(160)	<b>295</b>
Net unrealized gain (loss)	(41)	(83)	<b>(334)</b>
Other Comprehensive Income (Loss)	(13,432)	(13,478)	<b>50,797</b>
<b>Comprehensive Income</b>	<b>41,559</b>	<b>61,857</b>	<b>94,695</b>
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>651</b>	<b>368</b>	<b>727</b>
<b>Comprehensive Income Attributable to OMRON Shareholders</b>	<b>¥ 40,908</b>	<b>¥ 61,489</b>	<b>¥ 93,968</b>

## Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries  
Years ended March 31, 2019, 2020 and 2021

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling Interests	Total net assets
<b>Balance, March 31, 2018</b>	213,958,172	¥ 64,100	¥ 99,588	¥ 19,940	¥ 390,950	¥ (49,359)	¥ (19,689)	¥ 505,530	¥ 1,856	¥ 507,386
Cumulative impact of the application of FASB Accounting Standards Update 2016-01 and 2018-03*1					7,650	(7,426)		224		224
Balance, April 1, 2018 (reflecting application of FASB Accounting Standards Update 2016-01 and 2018-03)	213,958,172	64,100	99,588	19,940	398,600	(56,785)	(19,689)	505,754	1,856	507,610
Net Income					54,323			54,323	668	54,991
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests								—	(343)	(343)
Equity transactions with noncontrolling interests and other								—	(65)	(65)
Stock-based payment			645					645		645
Transfer to legal reserve				1,886	(1,886)			—		—
Other comprehensive income (loss)						(13,415)		(13,415)	(17)	(13,432)
Acquisition of treasury stock							(25,697)	(25,697)		(25,697)
<b>Balance, March 31, 2019</b>	213,958,172	64,100	100,233	21,826	433,639	(70,200)	(45,386)	504,212	2,099	506,311
Net Income					74,895			74,895	440	75,335
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests								—	(293)	(293)
Equity transactions with noncontrolling interests and other			2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries			(74)	(2,386)	2,460			—		—
Stock-based payment*2			360					360		360
Transfer to legal reserve				1,541	(1,541)			—		—
Other comprehensive income (loss)						(13,406)		(13,406)	(72)	(13,478)
Acquisition of treasury stock							(18,541)	(18,541)		(18,541)
Cancellation of treasury stock					(40,578)		40,578	—		—
<b>Balance, March 31, 2020</b>	206,244,872	¥ 64,100	¥ 100,521	¥ 20,981	¥ 451,768	¥ (83,606)	¥ (23,349)	¥ 530,415	¥ 2,174	¥ 532,589
Net Income					43,307			43,307	591	43,898
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(16,940)			(16,940)		(16,940)
Cash dividends paid to noncontrolling interests								—	(401)	(401)
Equity transactions with noncontrolling interests and other			0					0		0
Stock-based payment*3			882					882		882
Transfer to legal reserve				1,950	(1,950)			—		—
Other comprehensive income (loss)						50,661		50,661	136	50,797
Acquisition of treasury stock							(1,467)	(1,467)		(1,467)
<b>Balance, March 31, 2021</b>	206,244,872	¥ 64,100	¥ 101,403	¥ 22,931	¥ 476,185	¥ (32,945)	¥ (24,816)	¥ 606,858	¥ 2,500	¥ 609,358

\*1 Represents the impact of applying FASB Accounting Standards Update 2016-01 and 2018-03.

\*2 Includes ¥(275) million, the amount of decrease in capital surplus due to changes in the estimates of stock-based payment.

\*3 Includes ¥309 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, 2019, 2020 and 2021

(Millions of yen)

	FY2018	FY2019	FY2020
<b>Operating Activities:</b>			
Net Income	¥ 54,991	¥ 75,335	¥ 43,898
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,459	28,605	22,756
Net loss (gain) on sale and disposals of property, plant, and equipment	(1,098)	(1,487)	(325)
Impairment losses on long-lived assets	196	498	1,976
Net loss on valuation of investment securities	563	1,170	(7,615)
Net loss on sale of investment securities	—	43	—
Termination and Retirement Benefits	3,818	(436)	(617)
Deferred income taxes	(383)	(125)	1,164
Equity in earnings of affiliates	1,578	963	6,098
Gain on sales of business	(407)	(51,450)	—
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	(534)	12,944	3,893
Decrease (increase) in inventories	(3,491)	10,704	5,425
Increase in other assets	(294)	(6,422)	955
Decrease in notes and accounts payable - trade	(5,401)	(1,319)	6,237
Increase (decrease) in income taxes payable	(2,775)	15,614	833
Increase (decrease) in accrued expenses and other current liabilities	(6,851)	3,570	5,301
Other, net	874	1,600	3,852
Total adjustments	16,254	14,452	49,933
<b>Net Cash Provided by Operating Activities</b>	<b>71,245</b>	<b>89,787</b>	<b>93,831</b>
<b>Investing Activities:</b>			
Proceeds from sale or maturities of investment securities	465	1,423	751
Purchase of investment securities	(602)	(2,344)	(1,057)
Capital expenditures	(39,045)	(37,629)	(26,662)
Decrease (increase) in leasehold deposits, net	(193)	62	(189)
Proceeds from sale of property, plant, and equipment	3,475	4,565	2,069
Increase in investments in affiliates	(498)	(2,231)	7,850
Proceeds from sale of business, net of cash paid	1,817	64,460	2,453
Acquisition of business, net of cash acquired	(830)	—	—
Other, net	454	333	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(34,957)</b>	<b>28,639</b>	<b>(14,785)</b>
<b>Financing Activities:</b>			
Net borrowings (repayments) of short-term debt	2,109	6,365	(1,587)
Dividends paid by the Company	(16,776)	(17,250)	(16,952)
Dividends paid to noncontrolling interests	(343)	(293)	(352)
Acquisition of treasury stock	(25,716)	(18,571)	(1,471)
Other, net	(57)	319	10
<b>Net Cash Used in Financing Activities</b>	<b>(40,783)</b>	<b>(29,430)</b>	<b>(20,352)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>1,722</b>	<b>(13,713)</b>	<b>6,528</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,773)</b>	<b>75,283</b>	<b>65,222</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>113,023</b>	<b>110,250</b>	<b>185,533</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>110,250</b>	<b>185,533</b>	<b>250,755</b>
<b>Cash and Cash Equivalents from Discontinued Operations at End of the Year</b>	<b>6,400</b>	<b>—</b>	<b>—</b>
<b>Cash and Cash Equivalents from Continuing Operations at End of the Year</b>	<b>¥ 103,850</b>	<b>¥ 185,533</b>	<b>¥ 250,755</b>

\* Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations.

# 11-Year Financial and Non-Financial Highlights

OMRON Corporation and Subsidiaries (As of and for the years ended March 31)

## Long-Term Management Strategy

Grand Design 2010 (GD2010)					
	FY2010	FY2011	FY2012	FY2013	

### Financial Indicators:

#### Operating Results:

Net sales	¥617,825	¥619,461	¥650,461	¥772,966
Gross profit	231,702	227,887	241,507	297,208
Selling, general and administrative expenses (excl. R&D expenses)	142,365	145,662	152,676	181,225
R&D expenses	41,300	42,089	43,488	47,928
Operating income	48,037	40,136	45,343	68,055
EBITDA <sup>(Note 1)</sup>	71,021	62,753	67,795	93,144
Net income (loss) attributable to OMRON shareholders	26,782	16,389	30,203	46,185

#### Cash Flows:

Net cash provided by operating activities	41,956	31,946	53,058	79,044
Net cash provided by (used in) investing activities	(20,210)	(26,486)	(28,471)	(31,125)
Free cash flow <sup>(Note 2)</sup>	21,746	5,460	24,587	47,919
Net cash provided by (used in) financing activities	3,333	(33,492)	(18,550)	(16,298)

#### Financial Position:

Total assets	562,790	537,323	573,637	654,704
Cash and cash equivalents	74,735	45,257	55,708	90,251
Total interest-bearing liabilities	45,519	18,774	5,570	488
Total shareholders' equity	312,753	320,840	366,962	430,509

#### Per Share Data:

Net income (loss) attributable to OMRON shareholders (EPS) (Yen)	121.7	74.5	137.2	209.8
Shareholders' equity	1,421.0	1,457.5	1,667.0	1,956.1
Cash dividends <sup>(Note 3)</sup> (Yen)	30	28	37	53
Dividend payout ratio	24.7%	37.6%	27.0%	25.3%

#### Other Financial Data:

Gross profit margin	37.5%	36.8%	37.1%	38.5%
Operating income margin	7.8%	6.5%	7.0%	8.8%
EBITDA margin	11.5%	10.1%	10.4%	12.1%
Return on invested capital (ROIC)	7.8%	4.8%	8.6%	11.3%
Return on equity (ROE)	8.7%	5.2%	8.8%	11.6%
Ratio of shareholders' equity to total assets	55.6%	59.7%	64.0%	65.8%
Total return ratio <sup>(Note 4)</sup>	25.2%	37.7%	27.0%	25.3%
Capital expenditures	23,192	28,341	28,285	33,653
Depreciation and amortization	22,984	22,617	22,452	25,089
Ratio of overseas sales	51.4%	52.2%	51.1%	55.4%

### Non-Financial Indicators:

Number of employees	35,684	35,992	35,411	36,842
Ratio of overseas employees to total employees	67.8%	67.7%	67.4%	69.1%
Ratio of non-Japanese in key managerial positions overseas <sup>(Note 5)</sup>	—	34%	36%	42%
Ratio of women in managerial roles (OMRON Group in Japan) <sup>(Note 6)</sup>	—	1.4%	1.5%	1.8%
Number of women in managerial roles	—	22	23	27
Ratio of employees with disabilities (OMRON Group in Japan) <sup>(Note 7)</sup>	2.2%	2.2%	2.2%	2.4%
Number of patents held <sup>(Note 8)</sup>	5,452	5,959	6,448	6,635
Environmental contribution (thousand ton-CO <sub>2</sub> )	193	189	313	661
CO <sub>2</sub> emissions of production sites (thousand ton-CO <sub>2</sub> )	187	193	203	215
Net sales to CO <sub>2</sub> emissions (million yen / ton-CO <sub>2</sub> )	3.31	3.21	3.21	3.60
Greenhouse gas emissions (thousand ton-CO <sub>2</sub> )	—	—	—	—

Note: 1. EBITDA = Operating income + Depreciation and amortization

2. Free cash flow = Net cash provided by operating activities + Net cash provided by (used in) investing activities

3. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

4. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to OMRON shareholders (does not include repurchases of less than one trading unit)

5. The ratio of local employees to the number of important positions determined by OMRON depending on the size of the overseas OMRON Group companies, concurrent positions for governance and development positions are excluded.

6. In the domestic OMRON group, the number of women in managerial positions ratio. To date, the ratio of women in managerial roles (OMRON Group in Japan) has been expressed as the result for the fiscal year under review as of April 20 of that year (the date on which job titles reflecting the OMRON Group's human resource evaluations for the previous year took effect). This has been changed to express the ratio as the result for the previous fiscal year (in this report, the ratio as of April 20, 2021 is expressed as the result for fiscal 2020). In accordance with this change, the expressions of the ratios of previous fiscal years have also been retroactively changed in this format.

7. Figures represent results as of June 20.

For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities.

Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.

8. Patent information is as of March 31 each year.

## Value Generation 2020 (VG2020)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
(Millions of yen)							
	¥847,252	¥833,604	¥794,201	¥732,306	¥732,581	¥677,980	¥655,529
	332,607	320,812	312,161	327,585	325,484	303,702	298,351
	198,103	205,735	193,093	201,777	208,895	202,954	192,687
	47,913	52,790	50,539	48,622	49,335	45,988	43,184
	86,591	62,287	68,529	77,186	67,254	54,760	62,480
	114,930	93,747	97,495	101,501	92,609	80,466	85,236
	62,170	47,290	45,987	63,159	54,323	74,895	43,307
	77,057	84,207	77,875	73,673	71,245	89,787	93,831
	(39,517)	(67,116)	(15,041)	(55,842)	(34,957)	28,639	(14,785)
	37,540	17,091	62,834	17,831	36,288	118,426	79,046
	(29,303)	(31,550)	(15,012)	(33,082)	(40,783)	(29,430)	(20,352)
	711,011	683,325	697,701	744,952	749,878	758,124	820,379
	102,622	82,910	126,026	106,223	103,850	185,533	250,755
	0	0	156	298	2,086	1,593	0
	489,769	444,718	469,029	505,530	504,212	530,415	606,858
	283.9	219.0	215.1	296.9	260.8	365.3	214.7
	2,254.4	2,080.0	2,193.7	2,400.4	2,455.2	2,626.6	3,009.2
	71	68	68	76	84	84	84
	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%	39.1 %
	39.3%	38.5%	39.3%	44.7%	44.4%	44.8%	45.5 %
	10.2%	7.5%	8.6%	10.5%	9.2%	8.1%	9.5 %
	13.6%	11.2%	12.2%	14.6%	12.6%	11.9%	13.0 %
	13.4%	9.7%	10.3%	12.7%	10.6%	14.1%	7.8 %
	13.5%	10.1%	10.1%	13.0%	10.8%	14.5%	7.6 %
	68.9%	65.1%	67.2%	67.9%	67.2%	70.0%	74.0 %
	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%	42.6 %
	38,143	36,859	25,692	33,027	35,661	33,110	23,959
	28,339	31,460	28,966	24,315	25,355	25,706	22,756
	60.1%	60.3%	58.4%	57.3%	56.5%	54.1%	57.7 %
	37,572	37,709	36,008	36,193	35,090	28,006	28,254
	69.7%	69.3%	68.3%	68.1%	67.6%	62.2%	62.9 %
	42%	46%	49%	49%	62%	70%	75 %
	1.9%	2.3%	3.3%	3.6%	5.2%	5.9%	6.7 %
	30	36	53	59	85	90	102
	2.4%	2.4%	2.5%	2.6%	2.5%	2.8%	3.0 %
	7,194	7,686	8,224	8,774	9,782	10,087	11,037
	851	508	593	659	1,055	971	826 ☆
	221	202	202	204	193	135	106
	3.83	4.12	3.94	4.22	4.47	5.02	6.16 ☆
	—	—	250	271	235	166	124 ☆

☆ Indicates independent verification or review performed by a third party.

## Operating Income

OMRON applies the single step presentation of income under U.S. GAAP (that is, the various levels of income are not presented) in its consolidated statements of income. For comparison with other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

## Changes in Accounting Policies

With the company's adoption of US GAAP in fiscal 2018, we have reclassified consolidated statements of income for fiscal years 2016 and later for presentation herein.

## Financial Data Reclassification

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

# Responsible Engagement with Our Stakeholders

As stated in our Sustainability Policy, OMRON cultivates strong relationships with our stakeholders through responsible engagement. Relationship of trust through engagement with our stakeholders is an indispensable asset for the sustainable growth of OMRON and an essential element for us to create social needs. We are committed to responsible engagement with all of our stakeholders to sustainably improve our corporate value and solve social issues through our business.

Stakeholders	Major Initiatives	Means of communications	Actual initiatives
Customers	We provide better products and services, with the aim of solving social issues through our business.	Communication through sales activities	We conducted a joint development with our customers by utilizing 37 AUTOMATION CENTERS (ATC). FY2020 results: - We realized remote customer services on a global basis. - We realized the exhibition tours using virtual space (in Japan: Tokyo and Kariya, overseas: Spain, Singapore, North American areas, etc.).
		Customer support	We contributed to the improvement of our customers' global competitiveness through our 150 or more support networks in 40 countries around the world. In the Healthcare Business, we set up a residential environment space for monitoring and utilized the results to develop wheezing sensors.
		User monitoring	Our wheezing sensor "WheezeScan" received the "Good Design Award" in 2020.
		Exhibitions	We enhanced the recognition of the OMRON brand through exhibition at China International Import Expo (CIIE) 2020. Over 500 business opportunities were created.
		Website	We enhanced our website to provide the latest information and services. We were ranked No.1 overall in the BtoB site rankings for the fourteenth consecutive year.
Transaction partners	We are engaged in global procurement activities and working with our suppliers to improve the level of sustainability in our supply chain.	Briefings on our purchasing policy (Global Partner Conference)	We shared OMRON's management policies and sustainable procurement policies with major suppliers. We held one-on-one online meetings in FY2020.
		Sustainability self-assessment	We asked suppliers to conduct self-assessment of compliance with the Sustainable Procurement Guidelines. We confirmed the compliance status of 19 suppliers in Asia/Pacific that conducted the self-assessment in FY2020.
		Assessment based on third-party standards	We conducted self-checks using the RBA* evaluation tool. We asked 69 suppliers we identified as having sustainability risks to implement corrective actions. *RBA: Responsible Business Alliance "Green procurement" that helps reduce negative environmental impact
		We awarded or renewed green supplier certification. During	FY2020, we certified 92 more companies as green suppliers, and completed assessments for a cumulative total of 3,026 companies. We proactively adopted materials that do not contain hazardous chemical substances to help reduce negative environmental impact in our supply chain.
		Survey on conflict minerals	We conducted surveys by using conflict minerals reporting template, the industry standard, tracking upstream supply chain and implementing corrective actions. We promoted procurement in a manner not to drive environmental destruction and human rights violation.
Employees	We are committed to creating a company where employees can unleash their abilities and passions and demonstrate them to the fullest.	VOICE (Global Employee Engagement Survey)	We conducted an employee engagement survey to provide management with feedback from all employees for solving issues. In FY2020, we conducted a survey targeting all 28,006 employees of the OMRON Group (response rate 90%), and identified management issues from 40,453 free comments. The Executive Council discussed those issues to take action to solve them.
		"The KURUMAZA" meeting facilitates direct communication between the CEO and employees	We organized a forum of communication between the CEO and employees for the purposes of making the OMRON Principles the driver for OMRON's growth.
		"OMRON Principles Missionary Dialogues" facilitate direct communication between the Chairman and employees	Direct dialogues with top executives to have practicing the OMRON Principles take root in the organization. In FY2020, a total of three dialogues were held online, including overseas areas.
		TOGA (The OMRON Global Awards)	An event where teams that received Gold Awards gather at the Kyoto Head Office, make presentations on their commitment to putting the OMRON Principles into practice to the executives and employees, and receive applause. In FY2020, TOGA was conducted as a hybrid of real and virtual events. It drew a total of 15,000 entries from inside and outside the Company, making more and more people inspired and resonated with practicing the OMRON Principles.
		Employee Health Management Declaration "Boost5 Project"	We consider the health of our employees as an important management foundation, and issued "The OMRON Health White Paper" based on the visualization and analysis of the status of their health.
Shareholders and investors	We are working to engage in two-way interactive communication with shareholders and investors, with the aim of "realizing highly transparent management."	Presentation of business results/ESG Meeting/briefings for individual investors	We held meetings for presentation of business results (four times), briefings for individual investors (twice), ESG Meeting, and meetings with institutional investors (more than 570 times), entirely online. As in the past, we conducted highly transparent IR activities.
		Ordinary General Meeting of Shareholders	Our Ordinary General Meeting of Shareholders was also streamed online. 72 shareholders attended the Meeting at the venue and 407 shareholders via the internet. The percentage of voting rights exercised was 88.1%, hitting an all-time high.
		Publication of IR-related materials	We actively disclosed information through publication of IR-related materials, including the Integrated Report and Shareholders' News.
		Planning and operation of the IR website and sustainability website	We disclosed information including financial results related materials in a timely manner. We provided a broader range of non-financial information.

## Customer Engagement

### OMRON Opens a Virtual Facility of its AUTOMATION CENTER, a Showcase Facility for State-of-the-Art FA Technology

OMRON has commenced a virtual tour to its AUTOMATION CENTER (ATC), a factory automation technology center where customers join with OMRON to find solutions to their manufacturing issues, and is working with customers to solve issues even as travel restrictions are imposed due to COVID-19.

Allowing customers from around the world to view on their computers the virtual content that features facilities and demonstration machines at the flagship ATC-TOKYO, the largest of 37 ATCs across the globe, this new service gives global customers the most realistic experiences of OMRON's state-of-the-art FA technology anytime, anywhere. Afterwards, customers can also have a remote experience of many solution services including "demonstration/verification" and "technology training" if they wish, leading to the creation of an environment similar to the customers' facilities.

Thanks to these processes, we have engaged with over 4,000 customers even under the state of emergency, and are constantly creating innovative solutions.



3D Walkthrough Rendering of the Virtual ATC-TOKYO



Virtual Tour Image of Demonstration Machines

## Employee Engagement

### "VOICE," Our Employee Engagement Survey

Since 2016, OMRON has conducted the global employee engagement survey "VOICE" with the aim of allowing management to listen directly to feedback from employees, identify management issues, and take actions to solve them. OMRON focuses on organizational management, systems, human resource development, organizational culture, etc. which make up the foundations that support our business, and promotes to create a company where each employee of the OMRON Group learns and embraces the OMRON Principles, strategies, and Company goals, and can work with a focus on demonstrating their talents (with a high level of engagement) to achieve them.



A poster calling on employees to respond to VOICE

### OMRON Principles Missionary Dialogues

Since FY2013, OMRON has worked on the "OMRON Principles Missionary Dialogues," a forum of communication between the Chairman of the Board and top executives from around the world who will be the next generation of leaders. Through the Dialogues, participants externalize in their own words what the practice of the OMRON Principles means to them. In addition to deepening their own understanding of the OMRON Principles, they discuss how they contribute to the Company's growth and expand the circle of resonance for the OMRON Principles among members in their own divisions. In FY2020, the Dialogues were held online for the first time due to the COVID-19 crisis. Holding the Dialogues online allowed many members to participate, and a wider variety of opinions were exchanged by utilizing the chat function and other features.



OMRON Principles Missionary Dialogues

## Shareholder and Investor Engagement

### Organized the General Meeting of Shareholders and ESG Meeting under the COVID-19 crisis.

OMRON strives to raise corporate value through dialogues with shareholders and investors. In FY2020, we held the 83rd Ordinary General Meeting of Shareholders and the ESG Meeting online in order to prevent the spread of COVID-19. In the Ordinary General Meeting of Shareholders, we were able to engage with a large number of shareholders and investors by also utilizing the internet to broadcast the Meeting by relay while keeping the number of shareholders attending the Meeting at the venue to a minimum. These efforts have resulted in a 3.7 point increase in the percentage of voting rights exercised to a record high of 88.1%. In the ESG Meeting, we gave an explanation on our business, our human resource initiatives based on the OMRON Principles, our initiatives for sustainability and the environment, energy solution business, and climate change. The Meeting was attended by 225 shareholders and investors (including a record 170 investors), asking many questions and making comments. The knowledge we received from these dialogues has led to improvements in our management initiatives. OMRON will work to disclose information to our shareholders and investors in a highly transparent manner even under the COVID-19 crisis.



The 83rd Ordinary General Meeting of Shareholders (June 23, 2020)



FY2020 ESG Meeting (March 1, 2021)



# OMRON Recognitions

## OMRON Innovations Recognized



### Selected as Top 100 Global Innovator 2021

OMRON was selected for a fifth consecutive year from fiscal 2016 as a Top 100 Global Innovator, an award recognizing the best 100 innovative companies and research institutes.



## Coverage in Various Indexes

OMRON has been lauded by ESG assessment institutions around the world, leading to the inclusion of its stock in ESG indexes in Japan and abroad. OMRON has been listed in the Dow Jones Sustainability Asia Pacific Index for the eleventh consecutive year since 2010. We have also been listed for the fourth straight year on the Dow Jones Sustainability World Index since FY2017. We have also been included for the seventh consecutive year in the MSCI ESG Leaders Index from 2015 and for the sixth consecutive year in the FTSE4Good Index Series. We have also been included in a range of other indexes.

## ESG Indexes

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

**2021** MSCI ESG Leaders  
Indexes Constituent

  
FTSE4Good

**STOXX**

Member 2020/2021  
**ESG Leaders  
Indices**

With the commencement of ESG investing by the Japan Government Pension Investment Fund (GPIF), OMRON was selected as a component member of three ESG indexes in July 2017 for the fifth consecutive year. In 2018, we were also selected for the S&P/JPX Carbon Efficient index for the third consecutive year.



**2021** CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

**2021** CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

## Major Indexes in Japan

Since March 2019, we have been included as one of the 225 stocks that make up the Nikkei Stock Average.



## OMRON Contributions to Sustainability Recognized

### Designated 2021 Health & Productivity Stock Selection

OMRON has been recognized for the third consecutive year since FY2018 as a Health Management Brand stemming from our OMRON Employee Health Management Declaration (led by senior management) and the OMRON Health White Paper (visualization of employee health).



### Selected as a Nadeshiko Brand

OMRON has been recognized for our engagement in diversity promotion activities for the fourth consecutive year since FY2017.



### Designated as a Gold Standard Workplace in the PRIDE Index, the Highest Evaluation

OMRON was designated as a Gold Standard Workplace for the fourth consecutive year, the highest evaluation under the PRIDE Index by work with Pride, an NGO that evaluates companies and other organizations for their initiatives related to sexual minorities, including LGBT.



### Awarded Platinum Rating from EcoVadis for Sustainability

OMRON was highly recognized and awarded for our approaches in environmental fields in CSR activities.



### Ranked "Gold Class" in S&P Global Sustainability Award for the First Year



## OMRON Communications Recognized

### Ranked No.1 overall in Toyo Keizai Inc.'s "SDGs Ranking of 500 Companies Representing Japan"

OMRON ranked No.1 overall in the SDGs ranking sponsored by Toyo Keizai Inc. We were also ranked No.1 in the categories of environment and corporate governance, and No.3 in the category of sociality.



### Best Japan Brands 2021

We have been included in the Japan business brand evaluation ranking announced each year by Interbrand Japan for the fourth consecutive year since 2018, and our brand was valued at 880 million US dollars (approximately 96.8 billion yen), up 1% from the previous year.



### Awarded Semi-Grand Prix in NIKKEI Annual Report Awards 2020

OMRON's Integrated Report 2020 won the Semi-Grand Prix Award in the NIKKEI Annual Report Awards 2020.



### Selected for Having Created Excellent Integrated Report and Most-Improved Integrated Report

OMRON has been recognized for the high quality of our integrated report by asset managers entrusted by the Government Pension Investment Fund (GPIF), and was selected for the fourth consecutive year for having created an excellent integrated report and most-improved integrated report.



# Corporate Information As of March 31, 2021

## Established

May 10, 1933

## Incorporated

May 19, 1948

## Capital

¥64,100 million

## Number of Employees (Consolidated)

28,254

## Common Stock

Issued 206,245 thousand shares

Trading Unit 100 shares

Number of Shareholders 27,848

## Stock Listings

Tokyo Stock Exchange,  
Frankfurt 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  
Fax: +81-75-344-7001

## 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 CO., Ltd.  
OMRON FIELD ENGINEERING Co., Ltd.  
OMRON SOFTWARE Co., Ltd.  
OMRON ASO Co., Ltd.  
OMRON EXPERTLINK Co., Ltd.

## Regional Headquarters

### North America

OMRON MANAGEMENT  
CENTER OF AMERICA  
(United States of America, Illinois)

### Europe

OMRON MANAGEMENT  
CENTER OF EUROPE  
(The Netherlands, North Holland)

### Greater China

OMRON MANAGEMENT  
CENTER OF CHINA (Shanghai)

### Asia Pacific

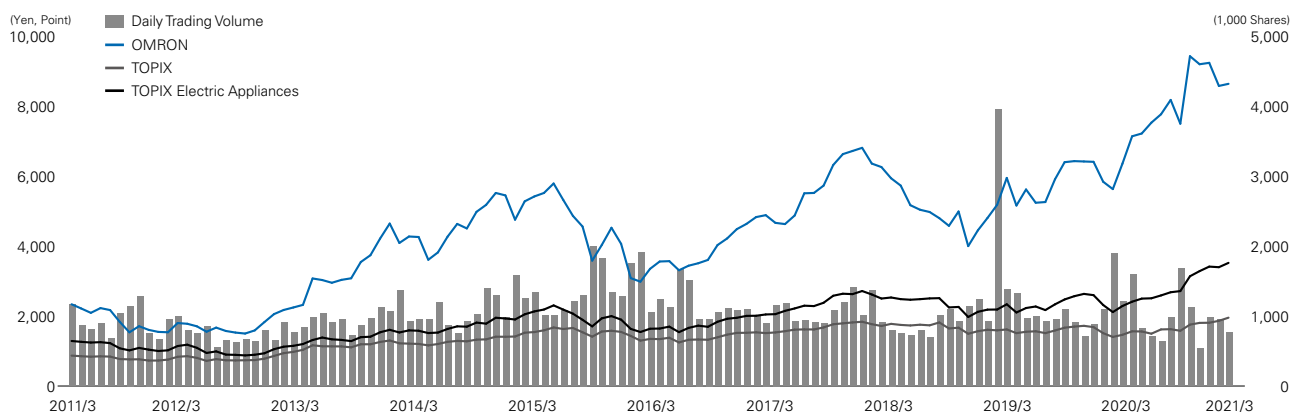
OMRON MANAGEMENT  
CENTER OF ASIA PACIFIC  
(Singapore)

### Korea

OMRON MANAGEMENT  
CENTER OF KOREA (Seoul)

# Stock Information

## Share Price and Volume



\* OMRON share prices prior to July 16, 2013 reflect prices on the First Section of the Osaka Securities Exchange. Share prices on July 16, 2013 and later reflect prices on the First Section of the Tokyo Stock Exchange.

## Total Shareholder Return (TSR\*1)

FY	2016	2017	2018	2019	2020
OMRON	147.9%	191.2%	161.4%	177.4%	269.7%
TOPIX	114.7%	132.9%	126.2%	114.2%	162.3%
TOPIX Electric Appliances	127.0%	157.8%	140.9%	138.9%	234.3%

\*1 Represents total investment return to shareholders, combining capital gains and dividends.  
The calculation of this figure is a required disclosure under Cabinet Office Ordinance.  
This figure reflects period-end value for fiscal years beginning with fiscal 2016, assuming an investment at the fiscal 2015 year-end closing price.

## 52-Week High / Low, Volatility\*2

FY	High (¥)	Low (¥)	Volatility (%)
2020	10,040	5,330	28.8
2019	6,870	4,410	32.3
2018	6,300	3,740	34.5
2017	7,670	4,385	27.1
2016	5,120	3,045	32.5
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9
2013	4,730	2,213	39.7
2012	2,478	1,436	29.9
2011	2,357	1,381	36.5

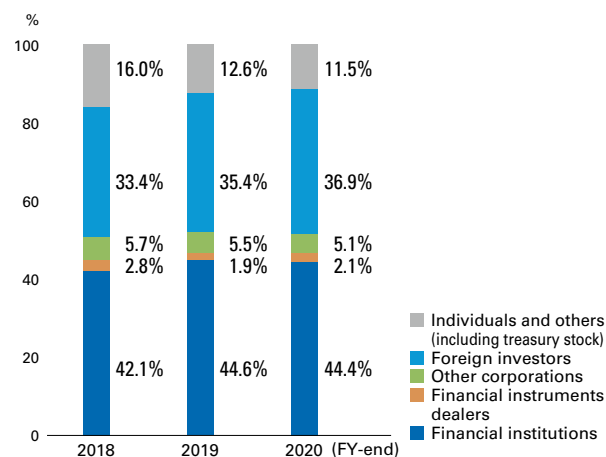
\*2 Volatility: Price fluctuation risk expressed in standard deviations

## Dividends per Share / Payout Ratio

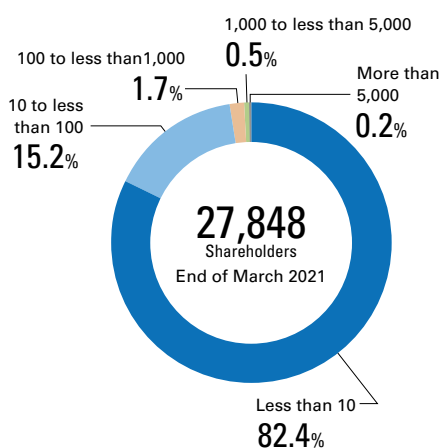
FY	Dividends per Share (¥)	Payout Ratio (%)
2020	84	39.1
2019	84	23.0
2018	84	32.2
2017	76	25.6
2016	68	31.6
2015	68	31.1
2014	71	25.0
2013	53	25.3
2012	37 <sup>*3</sup>	27.0
2011	28	37.6

\*3 Including ¥5.0 per share of 80th anniversary memorial dividend

## Ownership and Distribution of Shares



## Shareholder Distribution by Number of Shares Held (Trading unit: 100 shares)



# Independent Third-Party Assurances

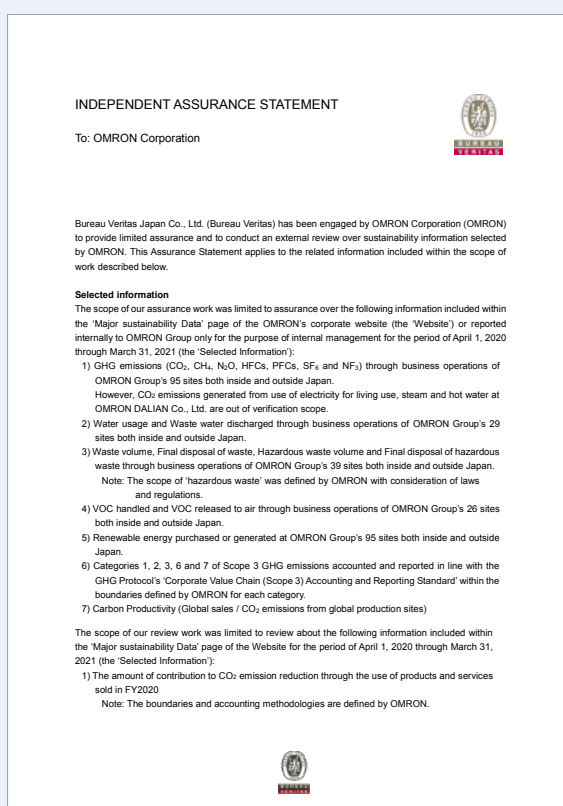
To enhance the reliability of the information presented in Integrated Report 2021, the following information associated with social and environmental performance provided herein has been assured or reviewed by independent third parties\*.

## Data subject to independent assurance

- GHG emissions (P16, 22, 73, 112)
- Net sales to CO<sub>2</sub> emissions (P16, 22, 73, 112)

## Data subject to independent review

- Environmental contribution (P16, 22, 73, 112)



\* Bureau Veritas Japan Co., Ltd.

## Members for Integrated Report 2021

### Industrial Automation Company

Hidetaka Kitajima  
Takehiko Hioka

### Innovation Exploring Initiative HQ

Makoto Ohira  
Yoko Kitamura  
Hiroataka Ogino

### Electronic and Mechanical Components Company

Katsuhisa Suzuki  
Naru Yasuda

### OMRON SOCIAL SOLUTIONS

Takahiro Iesato  
Ryotaro Mori  
Junko Yoshida

### OMRON HEALTHCARE

Kaori Iijima  
Yoichi Tomita

### Global Human Resources and Administration HQ

Nana Itoi  
Sachio Inami  
Ryota Ueshima  
Yoshinobu Kokufugata  
Shuji Tatsuoaka  
Shin Nakajima  
Toshiaki Harada  
Yasuteru Yamamoto

### Global Risk Management and Legal HQ

Koji Okamoto  
Yoshichika Tanabe  
Sachiko Yagi



# From the Publisher

We prepared this Integrated Report for 2021, a year that passes the baton from the former long-term vision “VG2020” concluded in fiscal 2020 to the next long-term vision starting in fiscal 2022, with focus on three points.

The first was describing the present OMRON’s value generation story structured with combination of “three timelines.” Specifically, the three timelines consist of the “long-term: 10 years,” “medium-term: 4 years” and “short-term: compared to the prior fiscal year.” In the “long-term” perspective, we aimed to express our journey of value generation with a long-term viewpoint by summarizing the former long-term vision, as well as showing the direction of the next long-term vision. Next, we incorporated the “medium-term” perspective into the descriptions of each business in the Business section. We aimed to describe the fact that our assets and abilities cultivated during the four-year period of the former medium-term management plan (fiscal 2017 to 2020) have lead to the current growth in each business. Lastly, we secured a role of this report as an annual report by summarizing the “short-term” financial results with a main focus on the fiscal 2020 actual results.

The second was that outside directors and independent Audit & Supervisory Board members respectively took part in the Governance section of this report. Regarding the “Board of Directors’ Effectiveness,” Chairman of the Board of Directors and the lead Outside Director had a conversation. We interviewed Chairman of the Compensation Advisory Committee about the “Compensation Governance,” as well as an independent Audit & Supervisory Board member about the actions taken by the Audit & Supervisory Board and a response to KAM (Key Audit Matters). OMRON has a hybrid governance framework that combines a company with the Audit & Supervisory Board and a Selection Advisory Committee. We have thought that presenting discussions on the effectiveness of governance by outside directors as well as independent Audit & Supervisory Board members will lead to securing further transparency and development of constructive dialogue with the markets.

Finally, from this fiscal year, we clarified each role of the “Business Report,” “Securities Report” and “Integrated Report,” and, at the same time, attempted to link these disclosure statements together in the “value generation story” that combines the financial and non-financial information. While editing this Integrated Report, which is a voluntary disclosure, we mainly focused on complementing the securities report by multilaterally depicting the information leading to the non-financial value with officers’ and employees’ viewpoints. Please read the securities report if you have not yet done so.

We will continue to place great value on dialogue with our stakeholders. We look forward to hearing your honest opinions in this regard.

Publisher and Editor-in-Chief, Integrated Report 2021  
Executive Officer Global Investor & Brand Communications HQ

Tsutomu Igaki

## Edition Team Members for Integrated Report 2021

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#### Global Investor & Brand Communications HQ

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Megumi Nakai  
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Please access the Inquiry Form from the QR Code on the right.

