

Structural Reform Program NEXT 2025

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

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

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

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

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

※Enterprise Resource Planning

Initiatives to Resume Growth of IAB

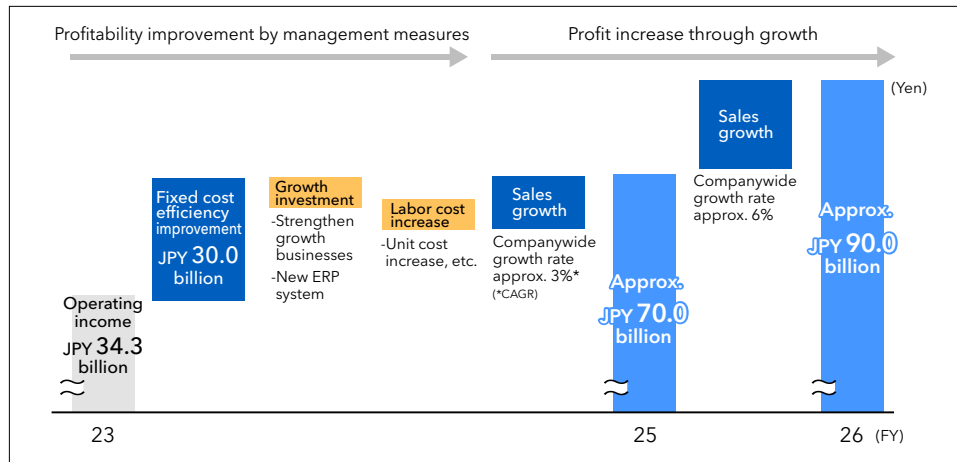
To achieve its business vision of "Enriching the Future for People, Industries and the Globe by Innovative-Automation," IAB is strengthening the business foundation (customer base/business operations) through Structural Reform Program NEXT 2025. Specifically, 10 task forces have been launched as companywide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

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

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

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

Scenarios for maximizing earnings



Projects for Regaining Growth of IAB

