

CHRO Message

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



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

Masahiko Tomita

OMRON's human capital strategic vision under SF2030 is: "Inspired by the corporate philosophy of 'contributing to a better society,' the company and its employees will always choose each other and continue growing together." Pursuing this human capital strategic vision, we are

implementing our human capital strategy globally with a long-term outlook, in order to enhance corporate value through sustained business growth. I see the transformation of society as we move toward 2030 as a major opportunity to create new markets and business activities. At the same time, I realize that these are uncertain, unpredictable times, with dramatic changes in our business environment.

Based on this awareness, I have been promoting a shift in our organizational capabilities, so we can generate customer value on an ongoing basis as we adapt to changing business conditions. Under the medium-term management plan (SF 1st Stage) that began in fiscal 2022, we positioned employees as the driving force for creation of new value, and established "human creativity" as a quantitative indicator of the extent of new value created as we invest in human capital. We have specifically focused on eight policies considered most effective in improving human creativity.

Nonetheless, business performance up to fiscal 2023 clearly demonstrates that OMRON has not been able to keep pace

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

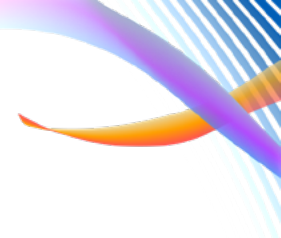
The first is that our staffing and labor cost structure is not resistant to dramatic changes in the business environment. To date, OMRON has invested in developing a human capital portfolio consistent with its business strategy.

However, we did not take adequate steps to actively transform the human capital portfolio in line with the changing environment, or to assess return on investment in the portfolio in a timely and appropriate manner.

This resulted in a high ratio of selling, general and administrative expenses to net sales, which was one of the reasons for the major breakdown of profit structure in the recent performance fluctuation. From this standpoint, we are aware of the need to move quickly to build a staffing

Eight Human Resource Policies

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



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

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

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

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

Initiatives Under NEXT 2025 (1) What We Will Keep Doing

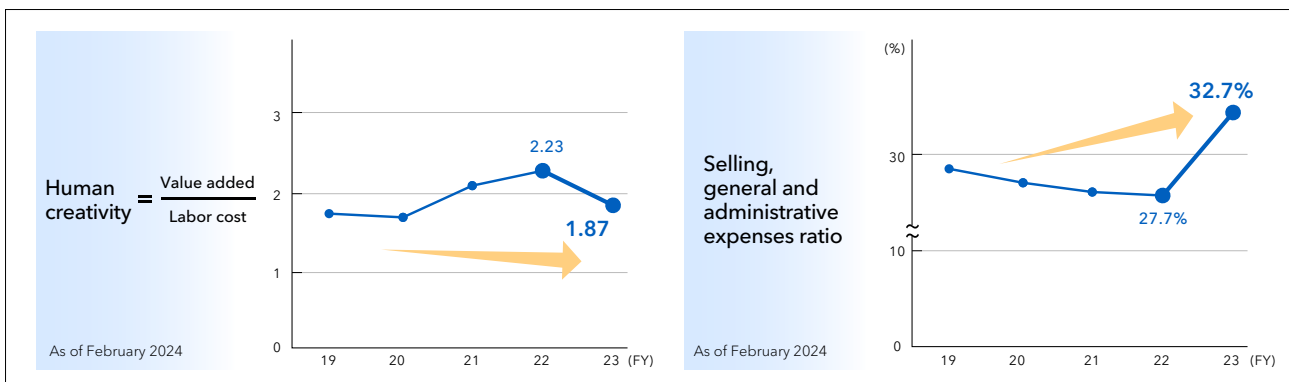
Human capital management in pursuit of sustained growth for both the company and its employees

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

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

(2) What We Will Change Transformation of organizational capabilities through reconstruction of the HR portfolio

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



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

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

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

Strengthening Customer-driven Management

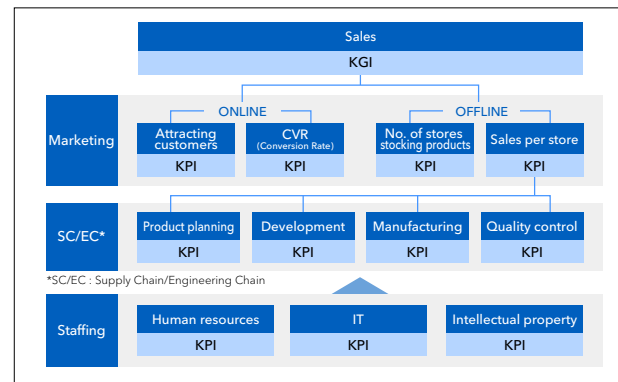
I also believe it is extremely important for managerial personnel (executive officers and senior managers) to possess the managerial abilities to mobilize diverse talents and facilitate the creation of new customer value. For this purpose, with a view to creating value for customers, from this fiscal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

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

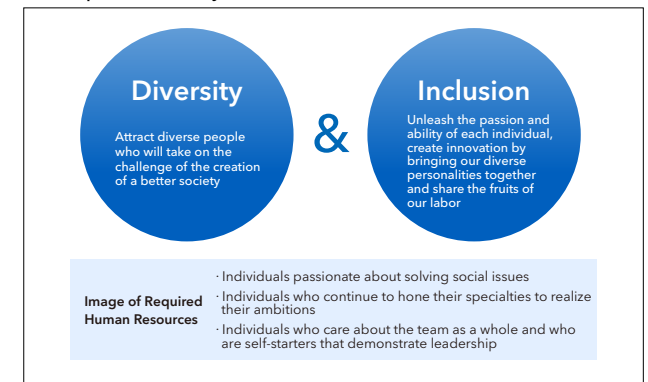
Figure 1



Figure 2 Example: Healthcare Business



Concept of Diversity & Inclusion



OMRON's Distinctive Approach to D&I

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

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

(1) Women's Empowerment

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

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

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

(2) Empowerment of People with Disabilities

Ongoing career advancement of people with disabilities

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

From internships to employment

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

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

Building systems to support secure work and deployment of capabilities

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

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