



February 26, 2024

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## Notice Concerning Structural Reform Program *NEXT 2025*

At a meeting held February 26, 2024, the OMRON Corporation (“Company”) Board of Directors resolved to formulate *Structural Reform Program NEXT 2025*. The Board also resolved to implement companywide reforms to improve profitability and growth potential to enhance value for the OMRON Group.

### 1. Background

At present, the Company operates four core businesses across 130 countries worldwide. Over the ten years of *Value Generation 2020* (fiscal years 2011 to 2020), the Company’s previous long-term vision, the Industrial Automation Business and Healthcare Business drove Company growth. By region, Greater China made a significant contribution to Company performance. In particular, the Industrial Automation Business and Healthcare Business recorded firm business results. The Industrial Automation Business captured demand from major customers steadily in the semiconductor and secondary battery markets, which experienced remarkable growth, while the Healthcare Business experienced growth in blood pressure monitor volume globally.

Fiscal 2023 was the second year of the current long-term vision, *Shaping the Future 2030 (SF2030)*. The business environment deteriorated more than expected during fiscal 2023 due to the slowdown of the Chinese economy and supply chain disruptions. The Company was unable to respond to this rapid change in the environment, as operations of certain businesses and areas driving Company growth were unbalanced, resulting in a significant decline in company performance.

To improve the situation, the Company began streamlining fixed costs in the third quarter of fiscal 2023. We determined that the period from April 2024 through September 2025 will be a period to concentrate on restoring business performance and restructuring our foundation for earnings and growth, executing *Structural Reform Program NEXT 2025* to rebuild a base of companywide earnings and growth, including rebuilding the Industrial Automation Business as quickly as possible.

To focus resources on this transformation plan, the Company has decided to withdraw the targets under the current medium-term management plan (SF 1st Stage), originally scheduled to run through the fiscal year ending March 31, 2025, and designate the period from April 1, 2024 through September 30, 2025, as a period of structural reform. The period from October 1, 2025 through March 31, 2026 will be a period of preparation for the next medium-term management plan, and the period between fiscal years 2026 and 2030 will be a new medium-term management plan (SF 2nd Stage).

## 2. Overview of Structural Reform Program NEXT 2025

Under *Structural Reform Program NEXT 2025*, the Company intends to implement five management measures to ensure sustainable sales growth and profitability, as well as to achieve sustainable enhancement of corporate value. The specifics are as follows.

### (1) Industrial Automation Business Revival Plan\*

To return the Industrial Automation Business to growth, the Company intends to revise strategies and plans for the business from a customer-driven, effective perspective. Specifically, we will review resource allocation and accelerate the implementation of measures during structural reform period to maximize Industrial Automation Business operating income and secure a foundation for growth expected under SF2030.

\*Plan name: IAB Future Reboot Project (“IFR”)

### (2) Portfolio Optimization

The Company intends to optimize business, product, and area portfolios to build greater resilience in each business to deal with changes in the business environment, achieving both sustainable growth and profitability. At the same time, the Data Solution Business will take the lead in accelerating the creation of data solution businesses within the Industrial Automation Business, Healthcare Business, and Social Systems Business, leveraging the capabilities of JMDC.

### (3) Headcount and Capacity Optimization

The Company intends to optimize the number and capacity of our global workforce to create a labor and cost structure allowing us to build customer value and achieve profitable growth. Specifically, we plan to optimize total labor costs by reducing the number of employees by approximately 2,000, consisting of approximately 1,000 employees in Japan and 1,000 employees overseas. All the optimizations globally will be implemented in compliance with local labor laws, rules, and regulations.

As part of this policy, the Company plans to offer voluntary retirement for employees in Japan as described below.

### Overview of Voluntary Retirement Program (Eligibility Limited to Employees of Domestic Companies)

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|------------------------------------|---|
| (1) Eligible Companies:            | OMRON domestic group companies. However, the following companies are excluded from eligibility:<br><Excluded Companies><br>OMRON Expert Engineering Co., Ltd.<br>OMRON KIRIN TECHNO-SYSTEM CO., LTD.<br>OMRON SINICX CO.LTD.<br>OMRON HEALTHCAREMARKETING CO., LTD<br>OMRON VENTURES CO., LTD.<br>OMRON TAIYO CO., LTD.<br>OMRON KYOTO TAIYO CO., LTD.<br>JMDC Inc. and subsidiaries<br>HUMAN RENAISSANCE INSTITUTE CO., LTD. |
| (2) Eligible Employees:            | Full-time and senior employees who have been employed at least three years as of July 20, 2024, and who are at least 40 years of age.   |
| (3) Number of Applicants Accepted: | Approximately 1,000   |
| (4) Application Period:            | April 10 through May 31, 2024   |
| (5) Retirement Date:               | July 20, 2024 (tentative)   |

#### **(4) Fixed Cost Productivity Improvements**

The Company will pursue the maximization of fixed cost productivity across the entire OMRON Group. Specifically, we intend to adopt and apply consistent fixed cost discipline to maintain a ratio of SG&A expenses to net sales of less than 30% over the medium term (less than 28% when excluding JMDC Inc. Forecast for fiscal 2023 is 32.7%).

#### **(5) Introduction and Operation of a Customer-Driven Management System**

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.

### **3. Expected Outcomes of *Structural Reform Program NEXT 2025* and Future Outlook**

By implementing the structural reform program above, the Company expects to reduce full-year consolidated fixed costs by approximately 30 billion yen\* in fiscal 2025 compared to the fiscal 2023 forecast. We do not expect to revise our full-year consolidated earnings forecast for fiscal 2023 at this time.

In addition, we expect to record extraordinary losses in fiscal 2024 as one-time extraordinary expenses associated with structural reform program item (3) *Headcount and Capacity Optimization*. The impact of these measures on the full-year consolidated earnings forecast for fiscal 2024, scheduled to be announced in May 2024, will be announced as soon as said impact is determined.

\*Compared with our earnings forecast for the third quarter of fiscal 2023. This amount represents the reduction target related to structural reforms and does not include increases in unit labor costs during the structural reform period.

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