

The background is a solid blue color with a series of thin, white, wavy lines that create a sense of depth and movement. A large, abstract shape with a gradient from purple to orange is positioned in the lower right corner, pointing towards the center. The word "VISION" is written in white, bold, sans-serif capital letters on the left side of the image.

VISION

The OMRON Principles

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

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

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

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

> The OMRON Principles

OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

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

Management Philosophy

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

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

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

Articles of Incorporation

Article 2

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

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

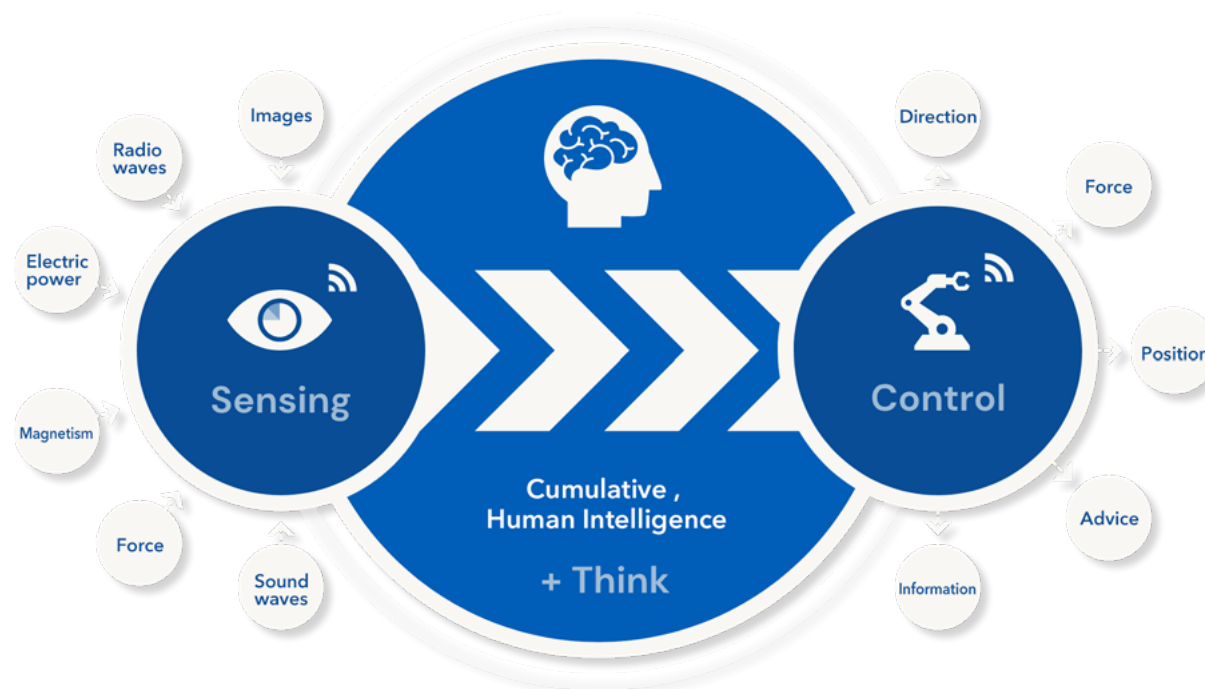
"Sensing & Control + Think" represents OMRON's core proprietary technologies. To create value that ushers in each new era, OMRON constantly evolves these unique technologies.

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

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

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

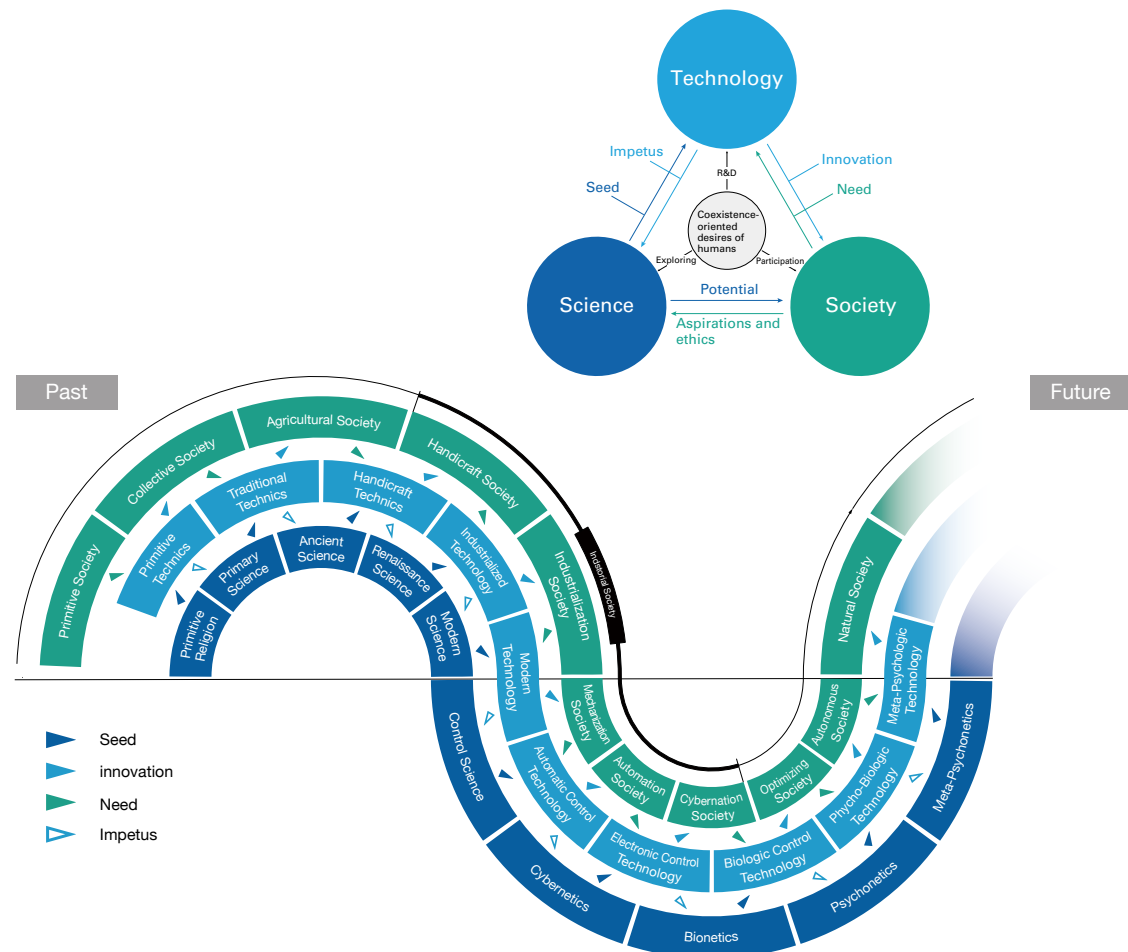
> Core Technology



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

Our founder, Kazuma Tateishi, believed that solving social issues through business to create a better society required the ability to anticipate future social needs. He believed that a company needed a compass to help predict the future. As our compass, Mr. Tateishi formulated the SINIC predictive theory, which projects the future from the cycle of interrelationships between Science, Technology, and Society. OMRON first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has been our compass for projecting into the future. The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds of electronic control technologies, programming, and other technologies. These technologies gave rise to the PC and the internet, leading to the advent of the Cybernation Society. Society demanded more data, along with more accurate and rapid data analysis. These demands forced us to produce CPUs and GPUs with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science. The current Optimization Society is in a transitional period characterized by a paradigm shift from the Industrial Society to the Autonomous Society. At a time when society is undergoing significant change and the future seems uncertain, we openly share the SINIC theory and promote its use as social knowledge for future creation through discussions with various people.

 SINIC Theory



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

History of Innovation

Automation Society [1945-74]

1933

Tateisi Electric Manufacturing Co. established



1959

Our Mission established

1933 — Production of X-ray timers started



1934 — General-purpose electromagnetic relay developed



1943 — Japan's first Microswitch developed



1948 — Company name changed to Tateisi Electronics Co.

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

1960 — World's first Non-contact switch developed

1963 — Japan's first Meal ticket vending machine developed



1964 — World's first Automated traffic signal developed

Cybernation Society [1974-2005]

1970

SINIC Theory announced



1966 — MY mechanical relay developed



1967 — World's first Unmanned train station system realized



1971 — World's first Online automated cash dispenser developed

1972 — OMRON Taiyo Co., Ltd. established

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



1974 — Tateisi Institute of Life Science established

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

1987 — World's first Fuzzy logic controller developed



1990

Company name changed to OMRON
OMRON Principles established

1998

OMRON Principles revised (first revision)

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

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

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

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



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

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



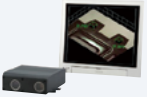


History of Innovation

Optimization Society [2005-]



1999

Internal company system introduced

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

2006

OMRON Principles revised (second revision)





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

2015

OMRON Principles revised (third revision)

2022

The corporate principles incorporated in the articles of incorporation

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

Long-term Vision “Shaping the Future 2030”

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

OMRON’s fundamental purpose

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

Society in 2030 Envisioned by OMRON

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

OMRON will continue to create social value by resolving these social issues and contribute to the realization of a society where individual fulfillment is compatible with the society’s affluence.

Social Value to be Created by OMRON

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

independent lives.

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

Direction of OMRON’s Evolution

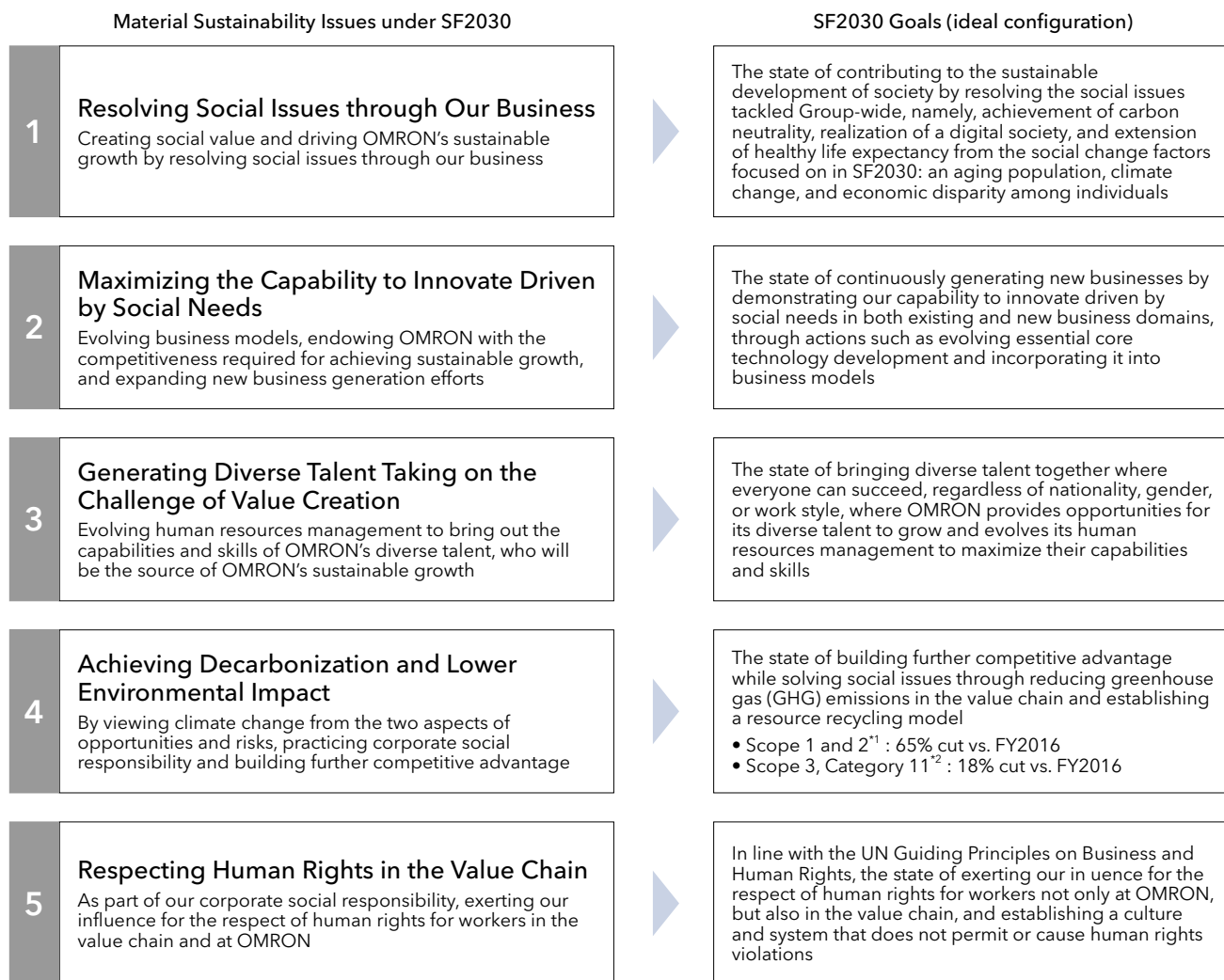
OMRON is changing the way it perceives value creation, shifting its emphasis from “products” to “products and services” in order to create social value. We pursue realization of value not only through products and other goods but also through combinations of products and services that help solve the fundamental problems confronting society. When society and markets are at a turning point, intrinsic value is not limited to products but can be in services, such as consulting services, operation support services, and upgrading services of i-BELT in the Industrial Automation Business. In addition, we will promote co-creation with partners, rather than relying exclusively on our own resources, to enhance the speed of execution and feasibility. To deliver value through the combination of

products and services and co-creation with partners, establishment of a data platform to serve as a base is necessary. We will develop a data platform that links data generated by OMRON devices and services with our partners' data and leverage the data in development of new solutions through the combination of products and services. Based on this concept, the OMRON Group will transform its business structure over the medium to long term, transitioning to a revenue structure that includes a recurring service model in addition to a business model centering on products.

Material Sustainability Issues

Under SF2030, our aim is to maximize corporate value by creating social value and economic value through business. In order to remain true to this purpose, material sustainability issues are fully reflected in SF2030 and the medium-term management plan "SF 1st Stage." In identifying material sustainability issues, we adopted three viewpoints: "the OMRON Principles and fundamental purpose," "backcasting from a society envisioned for 2030 and beyond," and "calls on companies to contribute to environmental and social sustainability." Five material issues were identified as a result of a series of management discussions, reflecting suggestions gained through internal discussion and dialogues with external experts. (See [Figure 1]).

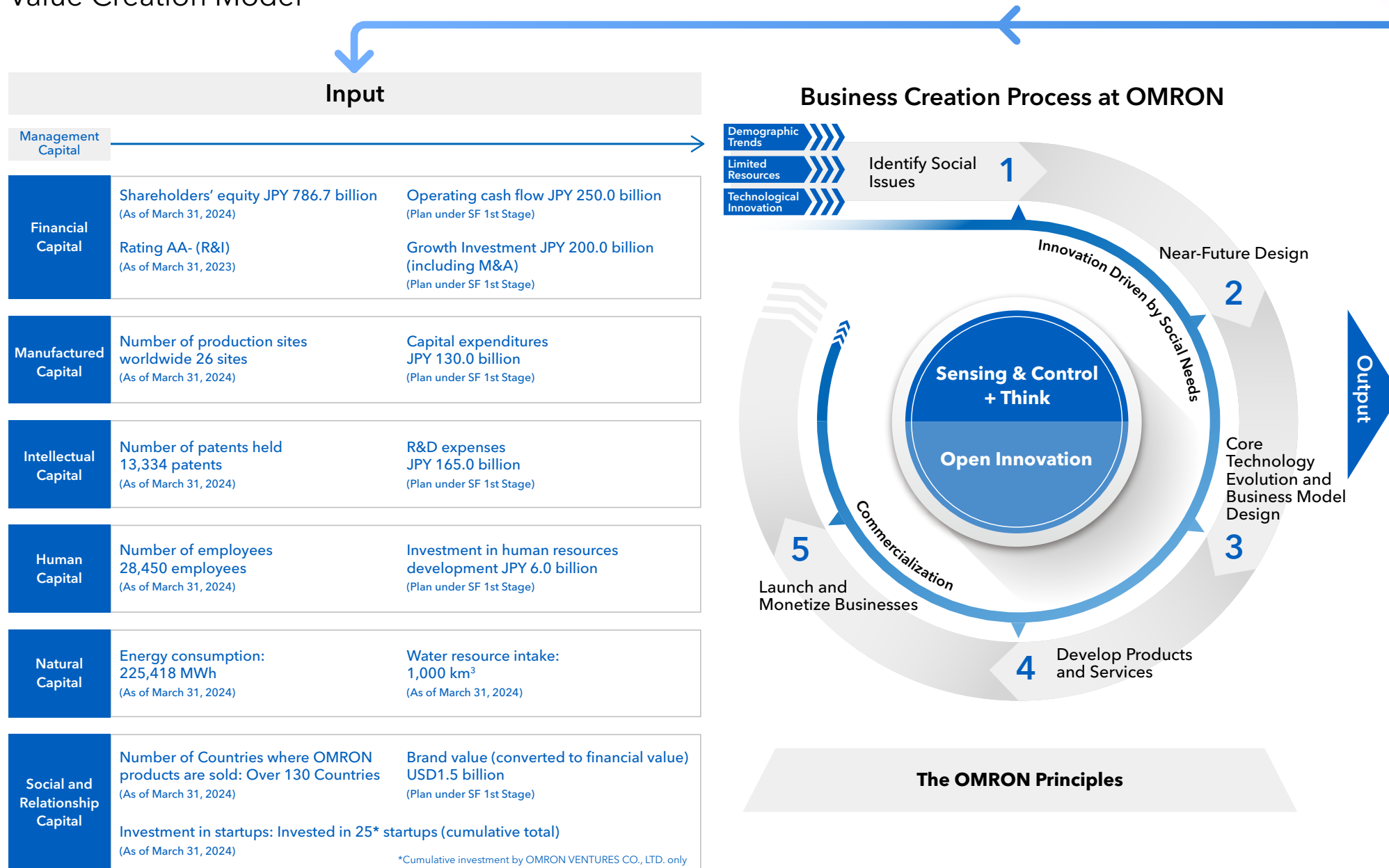
Figure 1



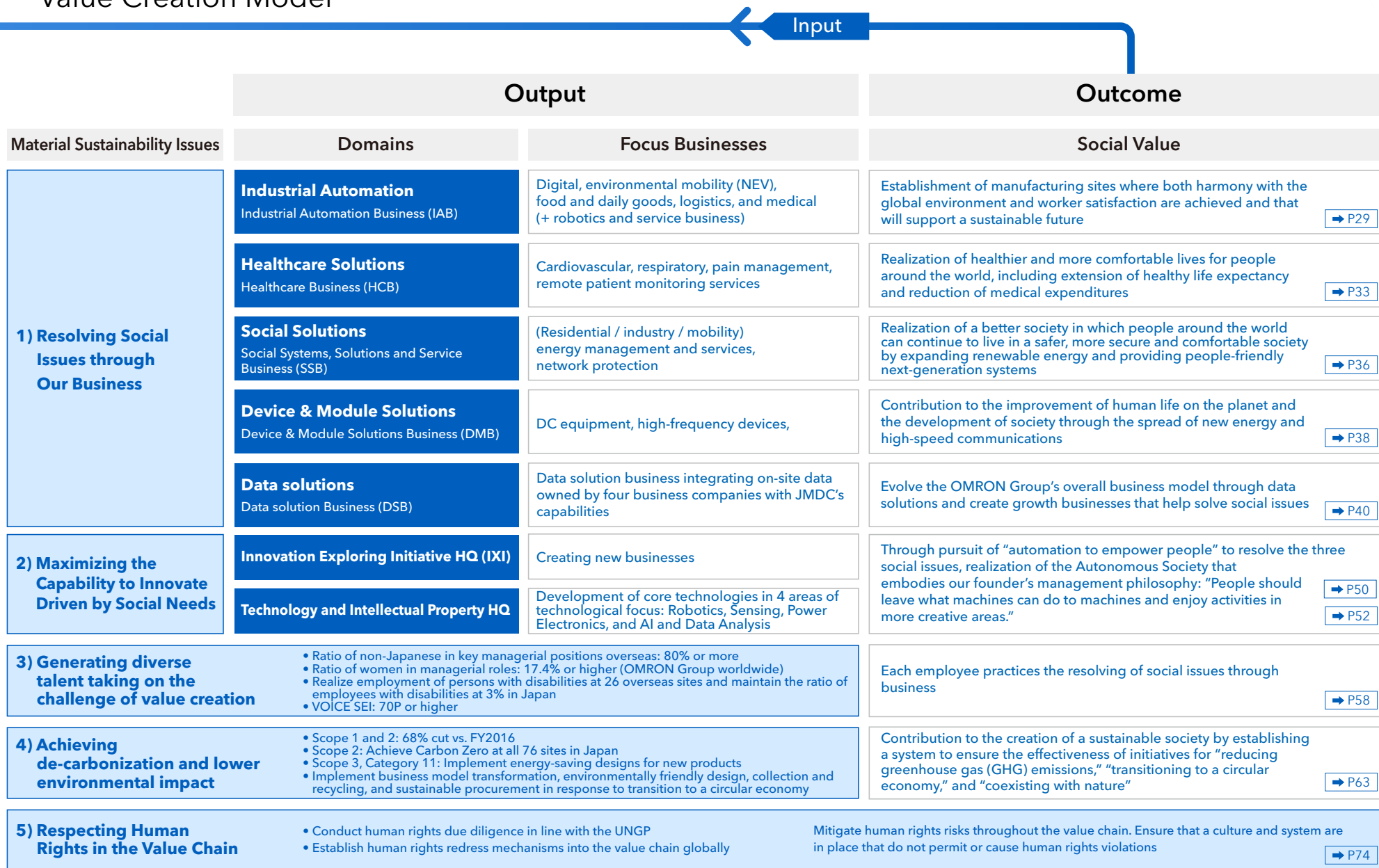
*1 Scope 1 and 2: Direct and indirect GHG emissions from the company

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

Value Creation Model



Value Creation Model



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

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

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

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

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

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

SF 1st Stage Financial Targets and Progress

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

SF 1st Stage Non-financial Targets and Progress

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

Notes:

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

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

3. GHG: Greenhouse gas

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

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

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

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

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

9. Figures with * include JMDC Inc.

SF 1st Stage Strategic Objectives and Progress

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

Structural Reform Program NEXT 2025

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

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

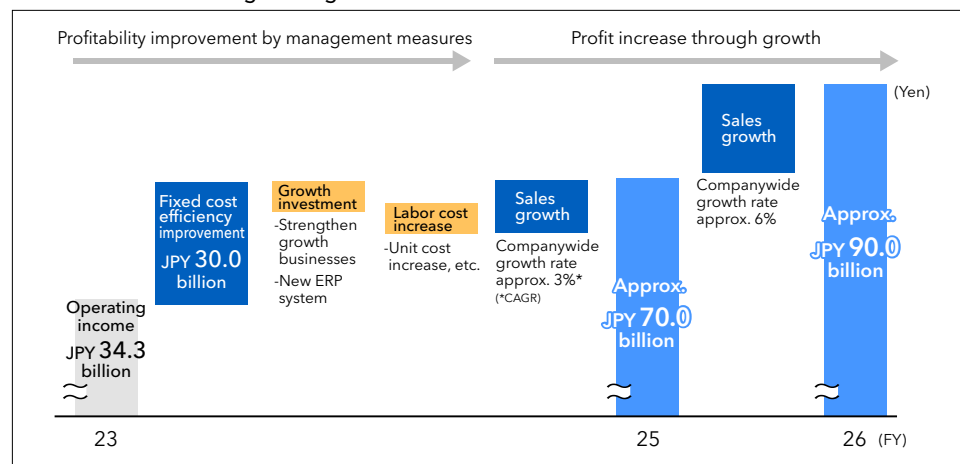
As a scenario for maximizing earnings, we envision a recovery in market conditions for IAB in fiscal 2025 and sales growth in the Healthcare Business, the Social Systems, Solutions and Service Business, and the Data Solution Business. Leveraging the initiatives during the structural reform period, we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

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

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

※Enterprise Resource Planning

Scenarios for maximizing earnings



Initiatives to Resume Growth of IAB

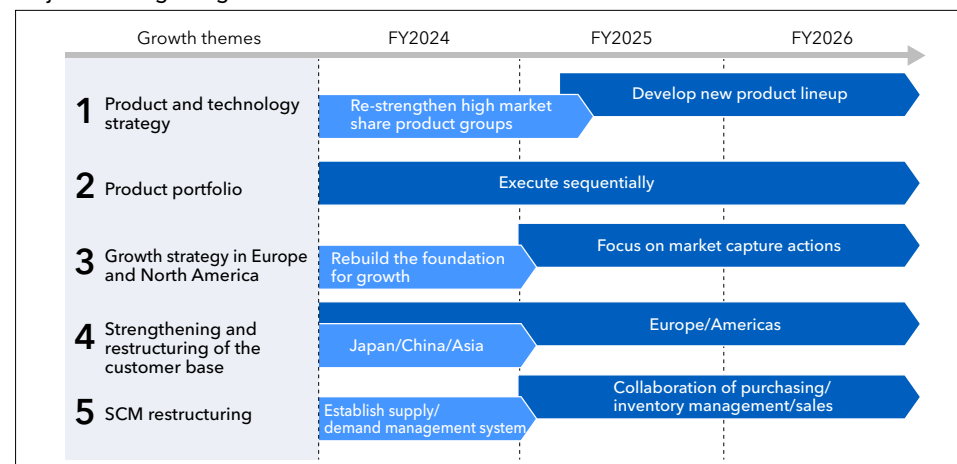
To achieve its business vision of "Enriching the Future for People, Industries and the Globe by Innovative-Automation," IAB is strengthening the business foundation (customer base/business operations) through Structural Reform Program NEXT 2025. Specifically, 10 task forces have been launched as companywide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

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

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

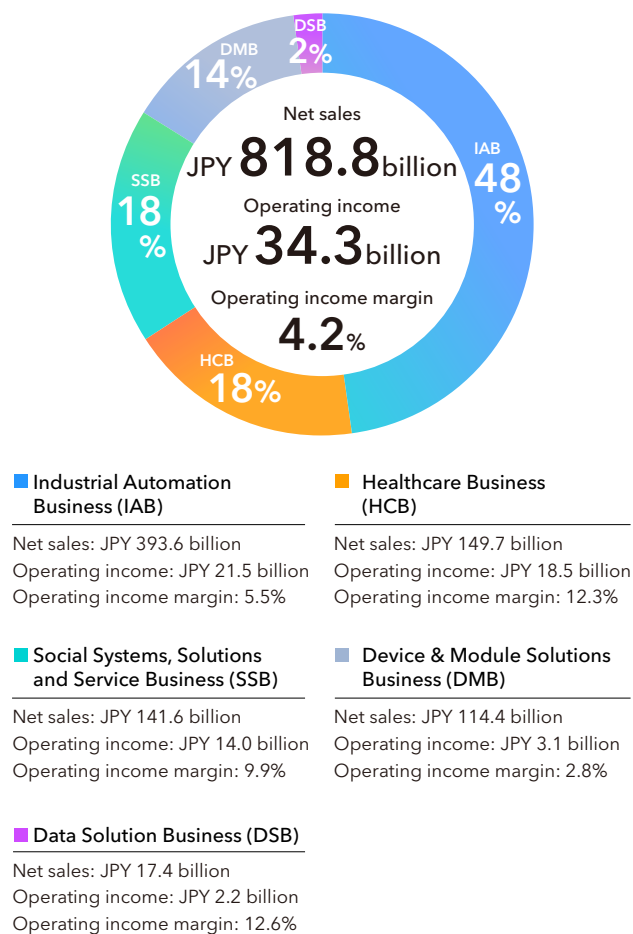
We are mobilizing the Group's resources to complete each of these projects through companywide initiatives. Our target is to increase IAB's sales in fiscal 2025 and achieve sales of JPY 400.0 billion and operating income of more than JPY 50.0 billion in fiscal 2026, even if the ratio of development expenses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

Projects for Regaining Growth of IAB



OMRON's Business and Fiscal 2023 Results

Consolidated Sales by Business Segment



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

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



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

* Regional categories are defined as follows:

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

* As of March 31, 2024

Outlook for Fiscal 2024

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

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

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

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

(Billions of yen, except exchange rate data and percentages)						
	FY2023	FY2024 (Plan)	Change			
Net sales	JPY 818.8	JPY 825.0	+0.8%			
Gross profit (Gross profit margin)	JPY 346.5 (42.3%)	JPY 368.5 (44.7%)	+6.4% (+2.4P)			
Operating income (Operating income margin)	JPY 34.3 (4.2%)	JPY 49.0 (5.9%)	+42.7% (+1.7P)			
Net Income Before Income Taxes	JPY 35.0	JPY 21.0	-39.9%			
Net income attributable to OMRON shareholders	JPY 8.1	JPY 8.5*	+4.9%			
Average USD exchange rate (Yen)	JPY 143.9	JPY 145.0	+JPY 1.1			
Average EUR exchange rate (Yen)	JPY 156.3	JPY 155.0	-JPY 1.3			
Average RMB exchange rate (Yen)	JPY 20.1	JPY 20.0	-JPY 0.1			
* Reflects non-operating expenses of approximately 28.0 billion yen as expenses such as special lump-sum payments associated with "optimizing the number of personnel and capabilities" in structural reforms						
	Net sales			Operating income		
	FY2023	FY2024 (Plan)	Change	FY2023	FY2024 (Plan)	Change
Industrial Automation Business (IAB)	JPY 393.6	JPY 355.0	-9.8%	JPY 21.5 (5.5%)	JPY 27.5 (7.7%)	+27.9% (+2.2P)
Healthcare Business (HCB)	JPY 149.7	JPY 161.0	+7.5%	JPY 18.5 (12.3%)	JPY 22.0 (13.7%)	+18.9% (+1.4P)
Social Systems, Solutions and Service Business (SSB)	JPY 141.6	JPY 154.5	+9.1%	JPY 14.0 (9.9%)	JPY 17.0 (11.0%)	+21.4% (+1.1P)
Device & Module Solutions Business (DMB)	JPY 114.4	JPY 110.0	-3.8%	JPY 3.1 (2.8%)	JPY 4.0 (3.6%)	+29.0% (+0.8P)
Data Solution Business (DSB)	JPY 17.4	JPY 43.0	+147.1%	JPY 2.2 (12.6%)	JPY 3.0 (7.0%)	+36.4% (-5.6P)
Eliminations and Corporate	JPY 2.1	JPY 1.5	-28.6%	-JPY 24.2	-JPY 24.5	-1.2%
Risk of performance fluctuations	-	-	-	-	-	-
Total	JPY 818.8	JPY 825.0	+0.8%	JPY 34.3 (4.2%)	JPY 49.0 (5.9%)	+42.7% (+1.7P)

■ Industrial Automation Business (IAB)

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

■ Healthcare Business (HCB)

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

■ Social Systems, Solutions and Service Business (SSB)

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

■ Device & Module Solutions Business (DMB)

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

■ Data Solution Business (DSB)

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

CEO Message

Aiming to Further Enhance Corporate Value by Completing Structural Reform



President and CEO
Junta Tsujinaga

Background to the Decision to Execute Structural Reform

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

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

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

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

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

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

[→ NEXT2025](#)

To Regain Growth of the Industrial Automation Business

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

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

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

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

Return to the Customer-driven Approach

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

Why do we emphasize sales? Because sales represent the

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

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

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

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

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

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



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

[→ CFO Message](#)

[→ CHRO Message](#)

Transformation to Solutions Business is a Growth Driver

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

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

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

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

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

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

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

FY2025
Operating Income

Approx. JPY 70.0 billion

FY2026
Operating Income

Approx. JPY 90.0 billion

Target ROIC

10% or more

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

[→ DSB Section](#)

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

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

Unleashing the Potential of Employees to Realize SF2030

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

Aiming to Further Enhance Corporate Value

I recognize that the valuations of OMRON shares since last

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

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

September 2024
President and CEO

Junta Tsujinaga

FY2027
DSB's Net Sales

JPY 100.0 billion

Dialogues with Employees

110 times,
800 people or more



CFO Message

Achieve Robust Regrowth by Implementing ROIC management



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

Seiji Takeda

Strengthen Portfolio Management in Anticipation of Future Business Environments

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

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

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

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

Figure 1 OMRON's ROIC Management

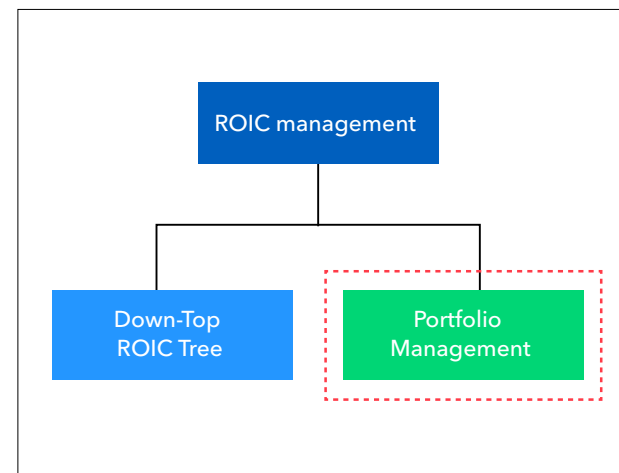
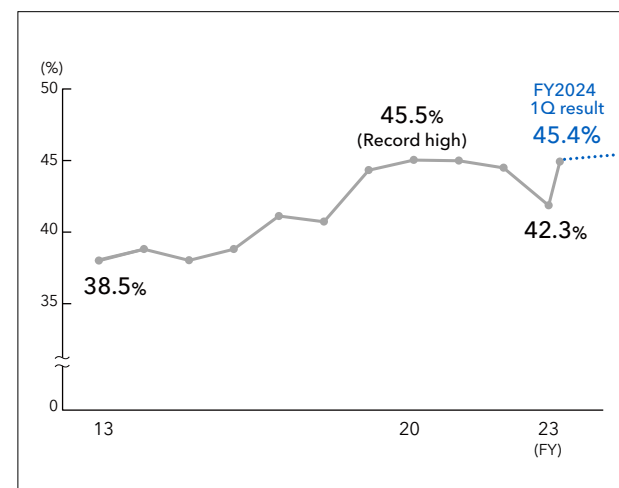


Figure 2 GP Ratio



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

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

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

Operating Cash Flow to Enter Re-expansion Phase

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

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

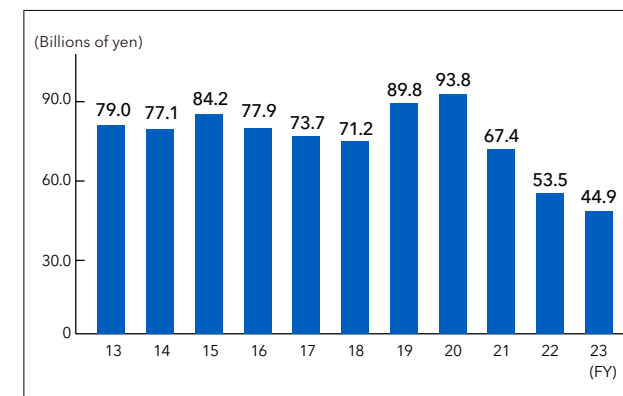
to ensure sustainable and stable dividends, while making appropriate decisions on share buybacks in view of the stock price and investment situations.

To Reduce the Cost of Capital

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

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

Figure 3 Operating Cash Flow



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

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

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

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

To Our Shareholders

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

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

Figure 4 Management to Strengthen Financial Discipline

