

Q1 FY2023 Earnings
ended June 30, 2023

Results Briefing

July 27, 2023

OMRON Corporation

Greetings from Seiji Takeda

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

Seiji Takeda

- 1990 Joined OMRON Corporation
- 2006 Vice President, OMRON Healthcare (China) Co., Ltd.
- 2012 CEO, OMRON Healthcare (America) Inc.
- 2017 General Manager, Global Strategy HQ, OMRON Corporation
- 2018 Executive Officer
- 2023 Managing Executive Officer, CFO



Summary

■ Q1 FY2023 results

- Q1 results: Sales and profits up Y/Y on strong progress at IAB, HCB, SSB.
In particular, SSB posted substantial sales growth Y/Y on rapidly expanding demand related to renewable energy
- Sales in line with plan. GP margin, indicator of profit-generating ability, improved on selling price initiatives

■ Outlook for operating environment, management policy for 2Q and beyond

- Operating environment: Areas of strength and weakness in each business segment.
Relative to initial assumptions, demand recovery in IAB/DMB expected to be delayed.
However, demand for HCB and SSB continue to grow.
In particular, favorable environment for SSB to continue, on strong demand related to renewable energy
- Focusing on emerging opportunities: Aim to grow sales by demonstrating self-sustaining growth capability.
Simultaneously, being rigorously selective in executing growth investments

Contents

- 1. Q1 FY2023 Results** **P.4 - 7**
- 2. Outlook & Policy: 2Q and Beyond** **P.8 - 14**

1. Q1 FY2023 Results

Q1 Consolidated Results

Achieved increased revenues and profits on capturing growth opportunities across the company

(¥bn)

	FY2022 Q1 Actual	FY2023 Q1 Actual	Y/Y
Net Sales	184.4	203.4	+10.3%
Gross Profit (%)	80.4 (43.6%)	90.5 (44.5%)	+12.6% (+0.9%pt)
Operating Income (%)	11.9 (6.5%)	14.3 (7.0%)	+19.9% (+0.6%pt)
Net Income	8.0	13.4	+68.0%
1USD (JPY)	126.5	135.8	+9.3
1EUR (JPY)	136.8	147.9	+11.2
1CNY (JPY)	19.3	19.5	+0.2

Q1 Results by Segment

Sales and profits up Y/Y at IAB, HCB and SSB.
DMB sales and profits fall on impact of sluggish demand

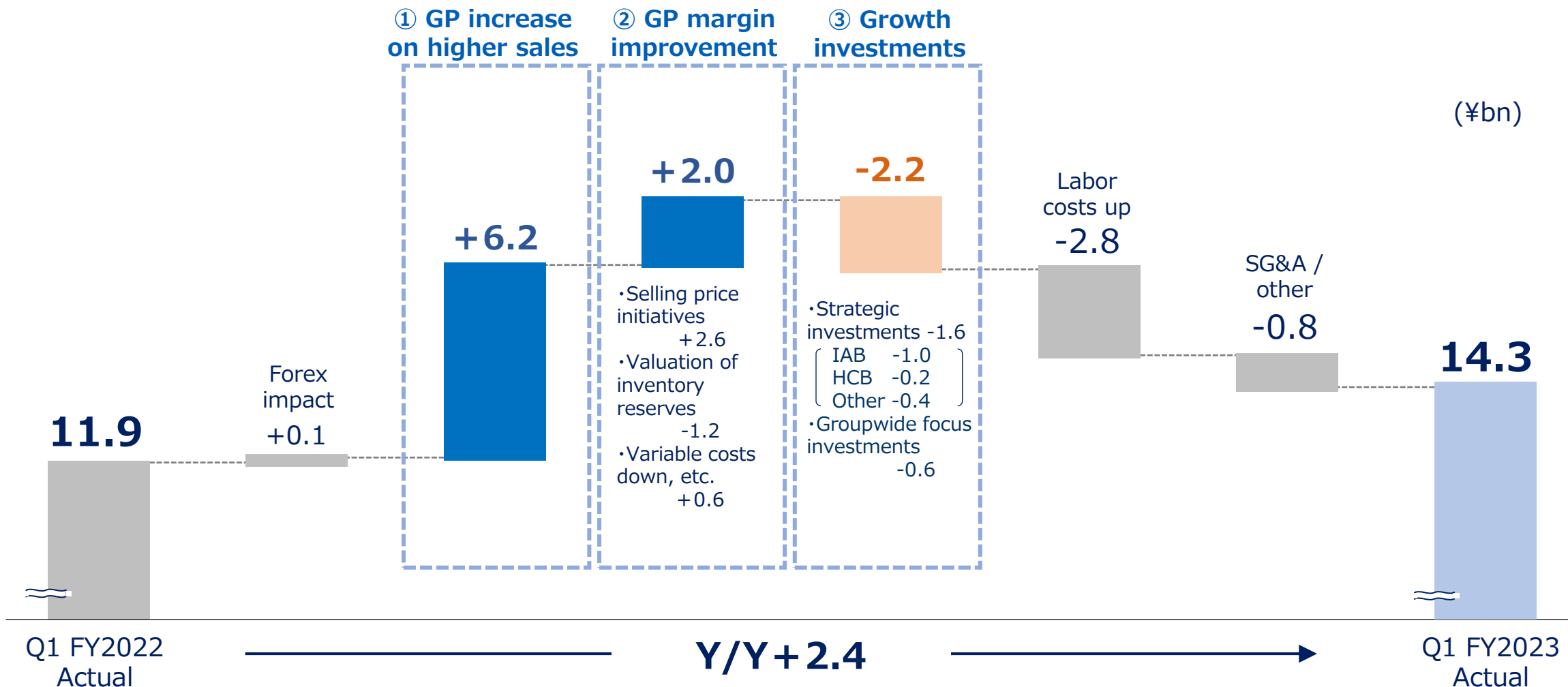
(¥bn)

	Sales			OP		
	FY2022 Q1 Actual	FY2023 Q1 Actual	Y/Y	FY2022 Q1 Actual	FY2023 Q1 Actual	Y/Y
IAB Industrial Automation	101.0	110.6	+9.5%	11.8 (11.6%)	12.2 (11.1%)	+4.2% (-0.6%pt)
HCB Healthcare	34.1	37.7	+10.5%	4.1 (12.1%)	4.8 (12.8%)	+16.9% (+0.7%pt)
SSB Social Systems, Solutions & Service	15.7	23.5	+49.6%	-1.2 -	-0.0 -	- -
DMB Device & Module Solutions	33.2	31.2	-5.8%	3.8 (11.5%)	2.5 (8.2%)	-33.5% (-3.4%pt)
Eliminations & Corporate	0.5	0.4	-11.6%	-6.6	-5.3	-
Total	184.4	203.4	+10.3%	11.9 (6.5%)	14.3 (7.0%)	+19.8% (+0.6%pt)

*Figures shown in brackets under OP are segment OPMs

Q1 Results: Analysis of Change in Operating Income (Y/Y)

Despite uncertain environment, OMRON grew sales and strengthened ability to generate profits. Executed on growth investments to enhance medium- to long-term growth capability



2. Outlook & Policy: 2Q and Beyond

Operating Environment by Segment

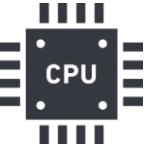



Relative to initial assumptions, demand recovery in IAB, DMB expected to be delayed but strong demand for HCB continues in line with plan. SSB demand growth stronger than expected

IAB Industrial Automation	<p>Timing of demand recovery from Q2 onward likely to be later than initially expected but emergence of areas where demand is continuing to exceed assumptions, such as photovoltaic systems (PV)</p> <p>Digital: Timing of semiconductor recovery delayed; now expected in 2H. Photovoltaic systems (PV) investments stay strong, better than expected</p> <p>NEV: While 1H demand was lower than expected owing to delays in rechargeable battery investments, expect gradual recovery from 2H</p> <p>Food/household goods: Recovery likely to be weaker than expected on impact of continued inflation</p>
HCB Healthcare	<p>In line with plan; global demand recovery to continue in Q2 and beyond, chiefly in BPMs</p> <p>Cardiovascular: In line, demand recovery trend likely to continue globally, mainly in China, Europe and US markets</p> <p>Respiratory: Better-than-expected, firm nebulizer demand, primarily in China and India</p> <p>Remote medical service: In line with assumptions, markets continue to expand, mainly in US and Europe</p>
SSB Social Systems, Solutions & Service	<p>Demand to continue to exceed expectations from Q2 onward, especially the Energy Solution Business backed by market growth for residential storage systems</p> <p>Energy: Growth in renewable energy-related investments stronger than expected, owing to surging electricity costs and expanded subsidies for renewables</p> <p>Railway: Capex demand by railway operators expected to exceed initial assumptions on rebound in passenger numbers</p>
DMB Device & Module Solutions	<p>Timing of recovery in demand in Q2 and beyond likely to be later than initially expected. Gradual recovery in 2H on the back of increased demand for components for the semiconductor and energy markets</p> <p>DC (Direct Current) equipment/Microwave devices: Overall demand from 2Q onward likely to fall short of plan. Demand firm for energy market in China</p> <p>Commodity equipment: Overall market demand weak on global economic slowdown. Macroeconomic recovery likely to be slower than expected</p>

Outlook for IAB and Progress on Adoption of innovative-Automation

Overall timing of demand recovery in focus domains likely to be 2H but solid increase in number of customers adopting innovative-Automation

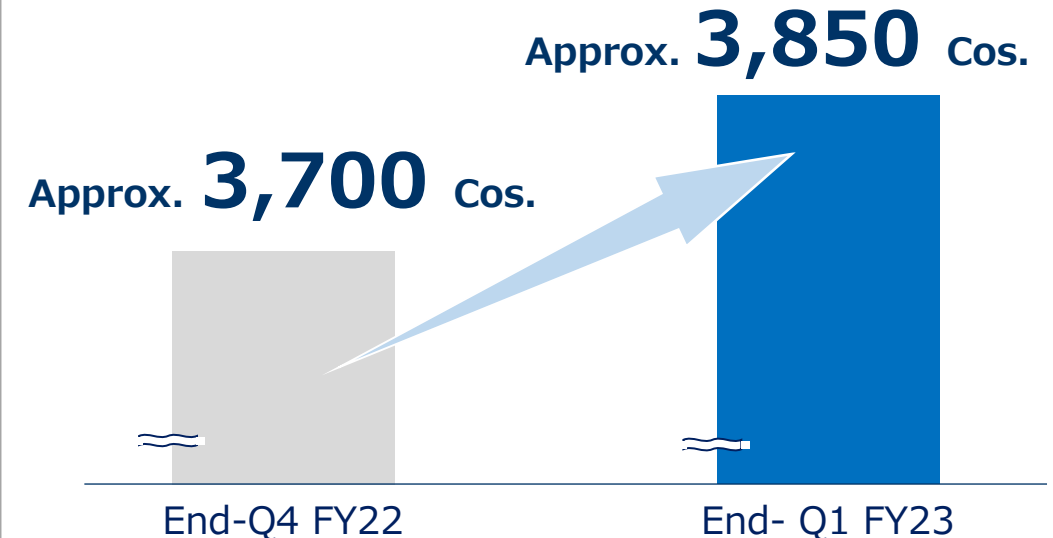
IAB: Outlook for Focus Domains

Focus Domains	Change from initial assumptions
 Digital	<ul style="list-style-type: none">• Semiconductor demand recovery likely to be in 2H• Photovoltaic (PV) system related performance continues to be stronger than expected
 NEV	<ul style="list-style-type: none">• Timing of rechargeable batteries recovery later than expected, but expect to rebound gradually from 2H
 Food & Household Goods	<ul style="list-style-type: none">• Sustainability-related investments to remain firm• Recovery in other demand likely to be slower than expected
 Medicine/ Logistics	<ul style="list-style-type: none">• Expected to trend largely in line with expectations on a full-year basis

No. of customers adopting innovative-Automation

Q1 FY23 Results

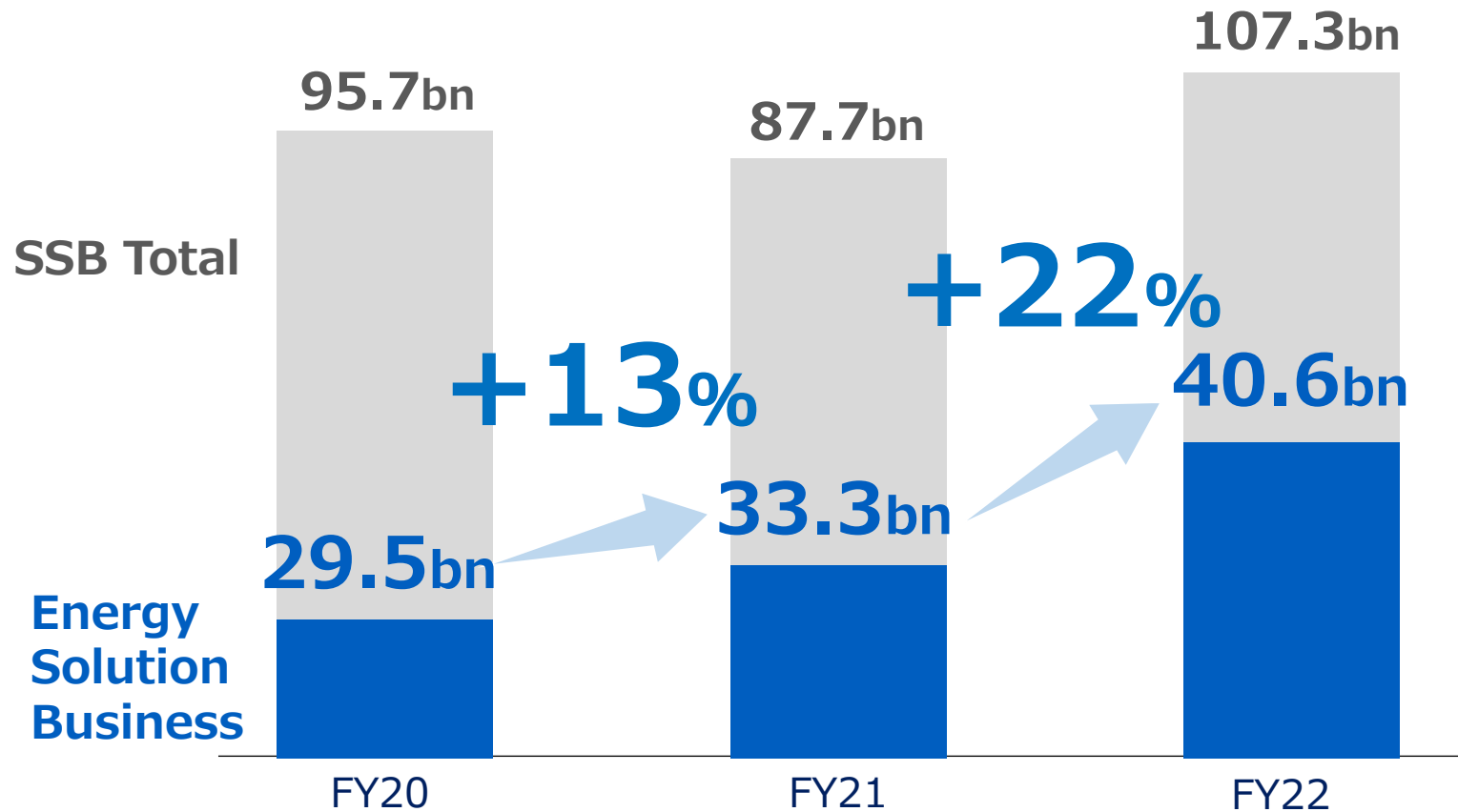
Approx. **+150** Cos.



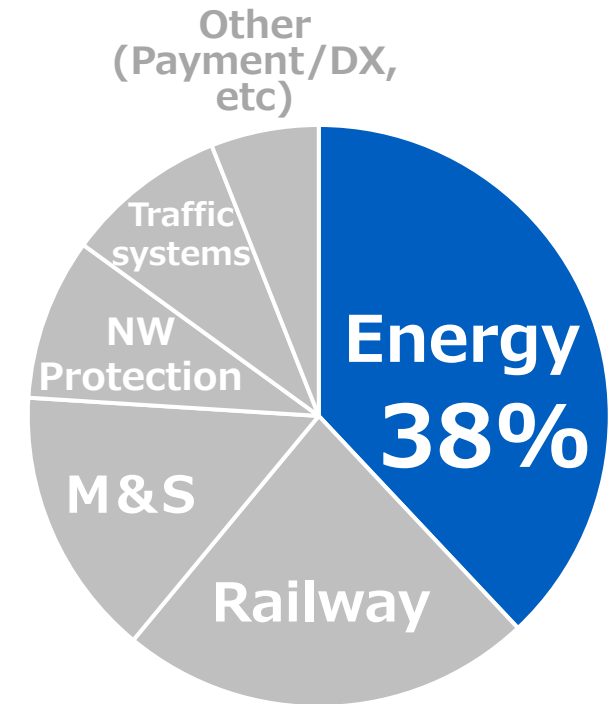
SSB (Energy Solution Business) Sales Growth

Energy solution business sales growing every year,
driving growth for overall SSB

Energy Solution Business Sales Trend



Reference: SSB Sales Breakdown (FY22)



Energy Business: Opportunities and Products/Services Proposition

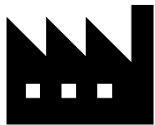
Solidly capturing demand on the back of rising demand for renewable energy by providing a wide range of products/services in each market

Opportunities Targeted by Energy Business



Residential

Rising demand for renewable energy on the back of surging electricity costs and subsidies for renewable energy use



Industry

Increasing demand for renewable energy use in conjunction with corporate efforts to promote sustainability



V2X*

Market expansion on the back of rising EV penetration

OMRON's Products/Services Proposition



Residential-use PV inverters, storage systems



Energy management for industry



Residential-use V2X systems

* V2X (Vehicle-to-Everything): Umbrella term for wireless communication technology between a vehicle and any related entity or infrastructure

FY2023 Full-year Consolidated Forecast

Full-year forecasts unchanged

	FY2022 Actual	FY2023 Forecast	(¥bn) Y/Y
Net Sales	876.1	890.0	+1.6%
Gross Profit (%)	393.9 (45.0%)	414.5 (46.6%)	+5.2% (+1.6%pt)
Operating Income (%)	100.7 (11.5%)	102.0 (11.5%)	+1.3% (+0.0%pt)
Net Income	73.9	74.5	+0.9%
EPS(JPY)	372	379	+6
ROIC	10.4%	Approx. 10%	-
ROE	10.6%	Approx. 10%	-
1USD (JPY)	135.2	130.0	-5.2
1EUR (JPY)	140.9	140.0	-0.9
1CNY (JPY)	19.7	19.0	-0.7

**Demonstrate self-sustaining
growth capability**

**Execute on rigorously selected
growth investments**

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Reference

Consolidated Balance Sheet

	End-March 2023	End-June 2023	(¥bn) Chg, vs. End-FY2022
Current assets	486.9	488.6	+1.7
(Cash and cash equivalents)	(105.3)	(97.7)	(-7.6)
(Inventory)	(173.9)	(191.4)	(+17.5)
Property, plant and equipment	129.6	131.2	+1.6
Investments and other assets	381.7	392.0	+10.3
Total assets	998.2	1,011.8	+13.7
Current liabilities	210.0	184.7	-25.3
Long-term liabilities	56.9	56.7	-0.2
Total Liabilities	266.9	241.4	-25.5
Shareholders' equity	728.5	767.5	+39.1
Noncontrolling interests	2.8	2.9	+0.1
Total net assets	731.2	770.4	+39.2
Total Liabilities and net assets	998.2	1,011.8	+13.7
Equity ratio	73.0%	75.9%	+2.9%pt

Consolidated Cash Flow Statement

(¥bn)

	FY2022 Q1 Actual	FY2023 Q1 Actual	Y/Y
Operating cash flow	-1.4	7.9	+9.2
Investment cash flow	-6.5	-9.5	-2.9
Free cash flow (FCF)	-7.9	-1.6	+6.3
Financing cash flow	-28.9	-10.6	+18.3
Cash and cash equivalents as of end of period	128.4	97.7	-30.7
Capital expenditure	6.0	7.4	+1.4
Depreciation	6.2	6.9	+0.7

FY2023 Forex Sensitivities and Assumptions

Impact of 1 yen move (full year)
CNY impact of 0.1 yen move

	Sensitivities		Assumptions
	Sales	OP	FY2023 Assumptions
USD	¥1.7 bn	¥0.1 bn	¥130
EUR	¥1.0 bn	¥0.4 bn	¥140
CNY	¥0.9 bn	¥0.2 bn	¥19.0

* If emerging market currency trends diverge from trends in major currencies contrary to our expectations, it will impact sensitivities

ROIC Definition

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	
Notes and accounts payable — trade	
Accrued expenses	
Income taxes payable	
Other current liabilities	
Deferred income taxes	
Termination and retirement benefits	
Other long-term liabilities	
Total liabilities	
NET ASSETS	
Shareholders' equity	
Common stock	
Capital surplus	
Legal reserve	
Retained earnings	
Accumulated other comprehensive income (loss)	
Foreign currency translation adjustments	
Minimum pension liability adjustments	
Net unrealized gains on available-for-sale securities	
Net losses on derivative instruments	
Treasury stock	
Noncontrolling interests	
Total net assets	
Total liabilities and net assets	

$$\text{ROIC} = \frac{\text{Net income attributable to OMRON shareholders}}{\text{Invested capital}}$$

Invested capital*

= Net assets + Interest-bearing debt

*The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year.

Capital cost forecast at 5.5% for FY2021 - 2024

*Assumptions at the time of formulating medium-term management plan

Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.

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