

H1 FY2023 Earnings

October 27, 2023

OMRON Corporation

Summary

H1 sales, profits fell Y/Y on Q2 operating environment weaker than expected.

Revising down full-year forecasts

- Q2 operating environment for IAB, DMB weaker than expected, chiefly in China. Expect continuation of weak Q2 conditions in H2
- Temporary deterioration of GP margin and fixed cost ratio, as a result of continued weak market conditions and lower sales
- Ongoing initiatives to strengthen growth capability starting to bear fruit despite tough operating environment

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1. H1 FY2023 Results

H1 FY2023 Consolidated Results

Sales and profits decline Y/Y on lower GP margin and higher fixed costs

(¥bn)

	H1 FY2022 Actual	H1 FY2023 Actual	Y/Y
Net Sales	404.4	400.7	-0.9%
Gross Profit (%)	181.4 (44.9%)	172.0 (42.9%)	-5.2% (-1.9%pt)
Operating Income (%)	41.6 (10.3%)	20.7 (5.2%)	-50.4% (-5.1%pt)
Net Income	27.9	6.1 *	-78.2%
1USD (JPY)	131.6	139.9	+8.3
1EUR (JPY)	138.2	152.8	+14.6
1CNY (JPY)	19.7	19.7	-0.0

* Net income includes loss on revaluation of JMDC shares (¥10.2 billion)

H1 FY2023: Segment Sales and Profit

**IAB, DMB sales and profits down Y/Y.
Y/Y sales and profit growth at HCB, SSB**

(¥bn)

	Sales			OP		
	FY2022 H1 Actual	FY2023 H1 Actual	Y/Y	FY2022 H1 Actual	FY2023 H1 Actual	Y/Y
IAB Industrial Automation	230.1	210.4	-8.6%	39.1 *(17.0%)	17.4 (8.3%)	-55.4% (-8.7%pt)
HCB Healthcare	68.1	74.0	+8.6%	8.3 (12.2%)	9.7 (13.2%)	+17.5% (+1.0%pt)
SSB Social Systems, Solutions & Service	36.6	53.1	+45.2%	-1.4 -	1.3 (2.5%)	- -
DMB Device & Module Solutions	68.6	61.2	-10.9%	8.1 (11.7%)	2.7 (4.4%)	-66.9% (-7.3%pt)
Eliminations & Corporate	1.0	2.0	+105.8%	-12.5	-10.5	-
Total	404.4	400.7	-0.9%	41.6 (10.3%)	20.7 (5.2%)	-50.4% (-5.1%pt)

*Figures shown in brackets under OP are segment OPMs

Q1→Q2 Changes by Segment

Consolidated OP fell sharply from Q1 to Q2.
IAB Sales and OP, in particular, were significantly lower

		Q1 Actual	Q2 Actual	Q/Q Chg. (¥bn)
IAB Industrial Automation	Sales	110.6	99.8	-10.8
	OP	12.2	5.2	-7.1
	(OPM)	(11.1%)	(5.2%)	(-5.9%pt)
HCB Healthcare	Sales	37.7	36.3	-1.3
	OP	4.8	4.9	+0.1
	(OPM)	(12.8%)	(13.5%)	(+0.7%pt)
SSB Social systems, Solutions & Service	Sales	23.5	29.7	+6.2
	OP	-0.0	1.3	+1.3
	(OPM)	-	(4.5%)	-
DMB Device & Module Solutions	Sales	31.2	29.9	-1.3
	OP	2.5	0.1	-2.4
	(OPM)	(8.1%)	(0.4%)	(-7.7%pt)
Consolidated	Sales	203.4	197.3	-6.0
	OP	14.3	6.3	-8.0
	(OPM)	(7.0%)	(3.2%)	(-3.8%pt)

Q1→Q2 Changes : IAB

Sales declined in each area. Especially in China due to weak market conditions.

		Q/Q Chg. (¥bn)			
		Q1 Actual	Q2 Actual	Change	Y/Y
IAB Industrial Automation	Sales	110.6	99.8	-10.8	90.3%
	OP	12.2	5.2	-7.0	42.4%
	(OPM)	(11.1%)	(5.2%)	(-5.9%pt)	-
Sales by Area	Japan	34.7	33.0	-1.7	95.1%
	Americas	11.4	10.8	-0.6	94.8%
	Europe	23.8	21.0	-2.8	88.3%
	Greater China	28.6	23.5	-5.1	82.1%
	Asia	12.0	11.5	-0.6	95.3%

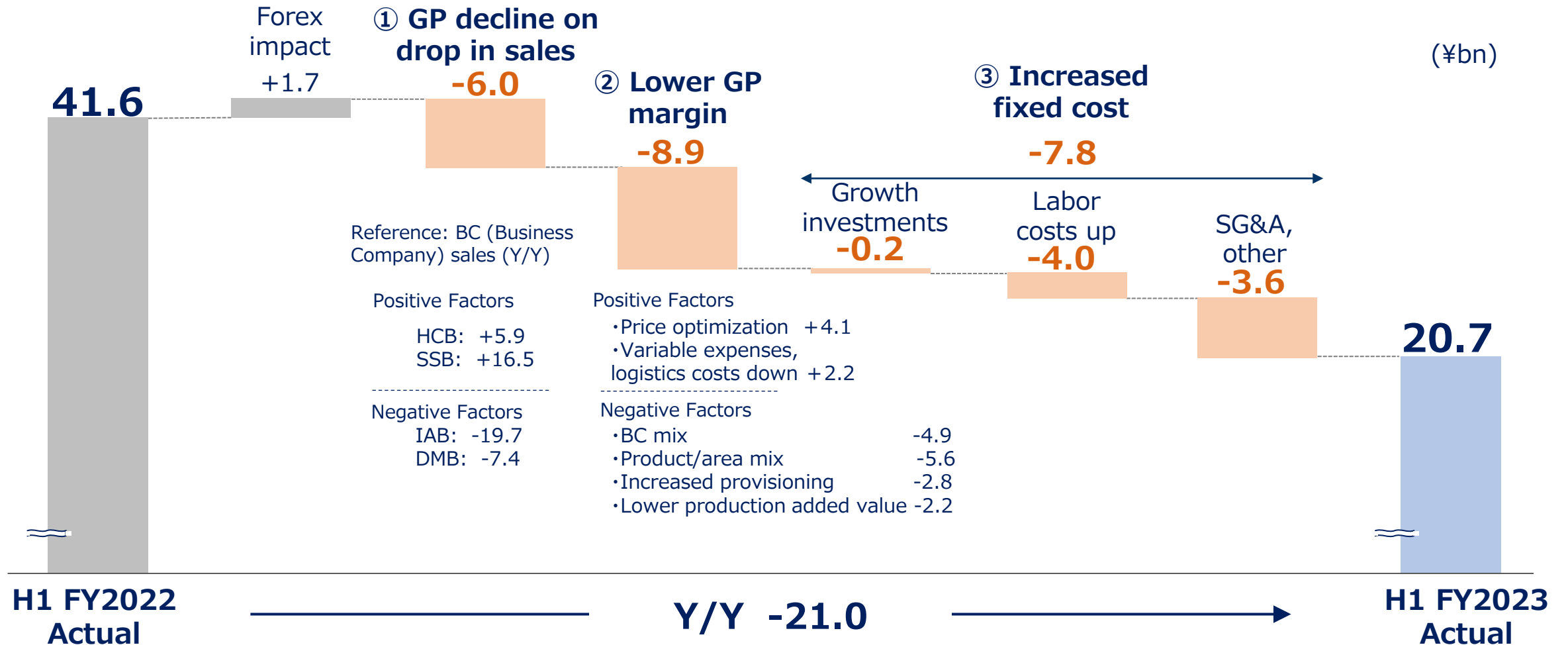
Q1→Q2 IAB OP Changes: Major Factors

IAB OP down on the impact of a decline in sales and lower GP margin

Changing Factors		Q2 Conditions	Q/Q OP Impact (Q1→Q2)
Lower sales	Operating environment	Delayed market recovery in China, slowdown in semiconductor/EV investments	-¥5.1bn
	Slower distributor inventory turnover	Persistently high distributor inventory levels	
Lower GP margin	Product / regional mix	Significant decline in China sales, where the solution ratio is high	-¥2.7bn
	Production added value	Production added value down on lower demand and inventory adjustments by distributors	
	Provisioning for inventory	Inventory up on increase in long lead-time components, higher provisioning on slower inventory turnover	
Fixed costs	SG&A ratio	Revising investment themes and improving efficiency in response to deteriorating market conditions	+¥0.8bn

H1: Analysis of Change in Operating Income (Y/Y)

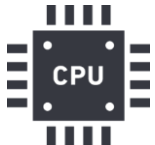



Sales declines at IAB and DMB had major impact. Progress on ongoing measures to improve GP margin outweighed by impact of sales drop



2. FY2023 Full-year Forecasts

Operating Environment (IAB)

Capex demand, mainly semiconductor- and battery-related, to remain weak

	Focus Domains	H2 Outlook for Operating Environment
IAB Industrial Automation	 Digital	<ul style="list-style-type: none">Continued weak semiconductor-related investment demand across the regions. Signs of recovery in areas like generative AI and automotive but full-scale recovery expected in FY24 or laterPV investments stabilizing but still at high level
	 NEV	<ul style="list-style-type: none">Investments for EVs/components, chiefly in N. America, continuing as expected but owing to rechargeable battery investment push-outs, mainly in China, overall trend weak
	 Food / Household goods	<ul style="list-style-type: none">Expect gradual recovery on growth in emerging market countriesEnergy-related, sustainability-related investment to remain firm
	 Medicine / Logistics	<ul style="list-style-type: none">Prolonged pull-back from pandemic-driven boost to logistics demand. Demand to remain weakGradual recovery in emerging market investments in pharmaceuticals from H2

Operating Environment (HCB/SSB/DMB)

**Demand likely to differ by area at HCB. Expect continued SSB demand expansion.
DMB operating environment to remain weak**

HCB Healthcare	<p>While cardiovascular demand is mixed by region, moderate growth continues in Europe, Greater China, and India</p> <p>Cardiovascular: Gradual demand recovery to continue, mainly in China and European markets, but pace of demand recovery in Japan, N. America and Asia slower than expected in Q1</p> <p>Respiratory: Firm trends for nebulizers in China, Europe and Central/S. America</p> <p>Remote Medical Service: Continued market growth, mainly in US and Europe</p>
SSB Social Systems, Solutions and Service	<p>Strong overall operating environment to continue. In particular, growth in energy and public transportation market demand to exceed Q1 assumptions</p> <p>Energy: Continued renewables-related investment in residential sector on surging electricity costs</p> <p>Railway: Strong investment trends at railway companies as passenger numbers recover</p>
DMB Device & Module Solutions	<p>Overall, timing of demand recovery likely to be slower than expected, weak trend continues. Expect gradual demand recovery in energy-related and mobility markets</p> <p>DC (direct current) Equipment/Microwave Devices: Overall demand below expectations, mainly in semiconductors. Firm demand for PV inverters, EV chargers and other energy-related devices</p> <p>Commodity Devices: Overall market demand weak on lower demand in consumer appliance market, the level of demand for H2 continues low</p>

FY2023 Full-year Forecasts

Revising down full-year forecasts

	FY2023 Initial Plan	FY2023 ^{*1} Forecast	Chg. Vs. Plan	FY2022 Actual	Y/Y	FY2023 Forecast
Net Sales	890.0	850.0	-4.5%	876.1	-3.0%	850.0
Gross Profit	414.5	366.0	-11.7%	393.9	-7.1%	366.0
(%)	(46.6%)	(43.1%)	(-3.5%pt)	(45.0%)	(-1.9%pt)	(43.1%)
Operating Income	102.0	45.0	-55.9%	100.7	-55.3%	45.0
(%)	(11.5%)	(5.3%)	(-6.2%pt)	(11.5%)	(-6.2%pt)	(5.3%)
Net Income	74.5	18.0 ^{*2}	-75.8%	73.9	-75.6%	30.0
ROE	Approx. 10%	Approx. 2%	-	10.6%	-	Approx. 4%
ROIC	Approx. 10%	Approx. 2%	-	10.4%	-	Approx. 3%
EPS (JPY)	379	91	- 287	372	- 281	152
1USD (JPY)	130.0	140.0	+10.0	135.2	+4.8	140.0
1EUR (JPY)	140.0	153.9	+13.9	140.9	+12.9	153.9
1CNY (JPY)	19.0	19.6	+0.6	19.7	-0.1	19.6

(¥bn)

(Ref. excludes loss on revaluation)

*1. H2 forex assumptions for revised full-year FY2023 forecasts are: USD ¥140.0, EUR ¥155.0, CNY ¥19.5

Revised FY2023 forecasts reflect approximate value contribution from JMDC equivalent to 50% of JMDC's FY2023 earnings forecasts as announced at Q1

*2. Net income includes loss on revaluation of JMDC shares (¥12.0 billion)

FY2023 Full-year Segment Forecasts

Revising down IAB, DMB forecasts. HCB and SSB forecasts revised up

	Sales			OP		
	FY2023 Forecast	Chg. Vs. Plan	Y/Y	FY2023 Forecast	Chg. Vs. Plan	Y/Y
IAB Industrial Automation	420.0	-70.0	-65.7	29.5 (7.0%)	-58.5 (-10.9%pt)	-56.3 (-10.6%pt)
HCB Healthcare	152.0	+6.0	+9.9	17.5 (11.5%)	+0.5 (-0.1%pt)	+1.5 (+0.2%pt)
SSB Social Systems, Solutions & Service	137.0	+23.0	+29.7	13.5 (9.9%)	+4.5 (+2.0%pt)	+6.0 (+2.9%pt)
DMB Device & Module Solutions	123.0	-16.0	-15.9	5.5 (4.5%)	-10.0 (-6.7%pt)	-10.0 (-6.7%pt)
Eliminations & Corporate *	18.0	+17.0	+15.9	-21.0	+6.5	+3.2
Total	850.0	-40.0	-26.1	45.0 (5.3%)	-57.0 (-6.2%pt)	-55.7 (-6.2%pt)

(¥bn)

*Eliminations & Corporate forecast reflect approximate value contribution from JMDC equivalent to 50% of JMDC's FY2023 earnings forecasts as announced at Q1

IAB: Outlook for Changing Factors in Q2 OP

Overall, expect negative factors to persist in H2. Expect improvements in FY2024 and beyond on back of market recovery

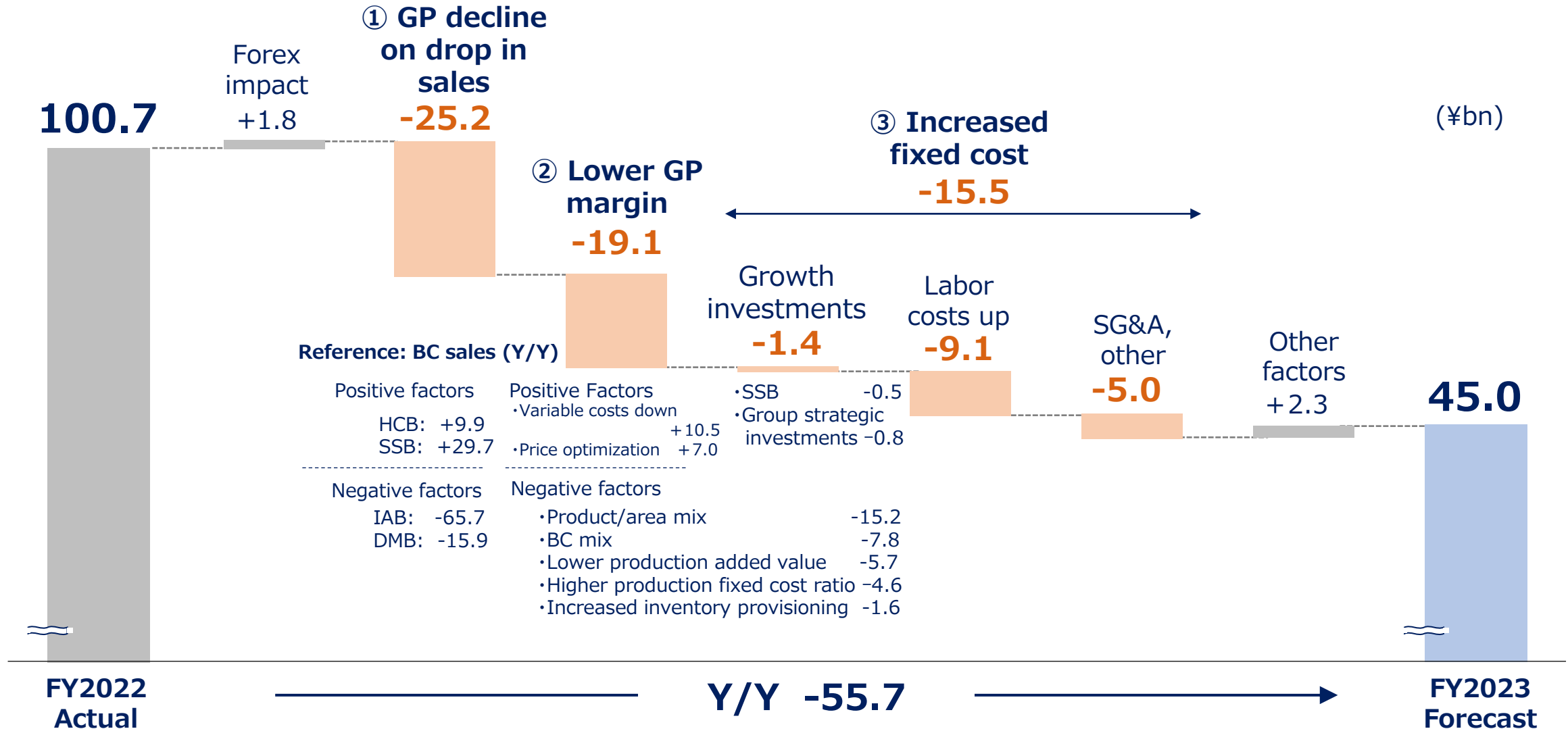
Changing Factors		Outlook	H2 FY23	(Ref.) H1 FY24
Lower sales	Operating environment	Weak operating environment to continue in H2. Full-scale recovery to come in FY24 and beyond	Demand 	
	Slower distributor inventory turnover	Peaked out in Q2, return to normal in Q2 FY24	Distributor inventory 	
Lower GP margin	Product / regional mix	Capital investment demand in China continues in Q2. Postponed semiconductor and EV investment to come in FY24 and beyond	GP margin 	
	Production added value	To improve in FY24 and beyond, on back of full-scale recovery in markets and normalization of distributor inventory	GP margin 	
	Provisioning for inventory	New component procurements under control on completion of review in H1. Provisioning to temporarily increase into FY24	GP margin 	
Fixed costs	SG&A ratio	Continue to be selective on investments. Continue to scrutinize investments and strengthen discipline	SG&A ratio 	

Change from Q2



FY2023 Forecast: Analysis of Change in Operating Income (Y/Y)

Q2 operating environment and profit changing factors to persist in H2.



Shareholder Returns

**Interim dividend fixed at ¥52.
Initial full-year dividend guidance of ¥104 maintained**

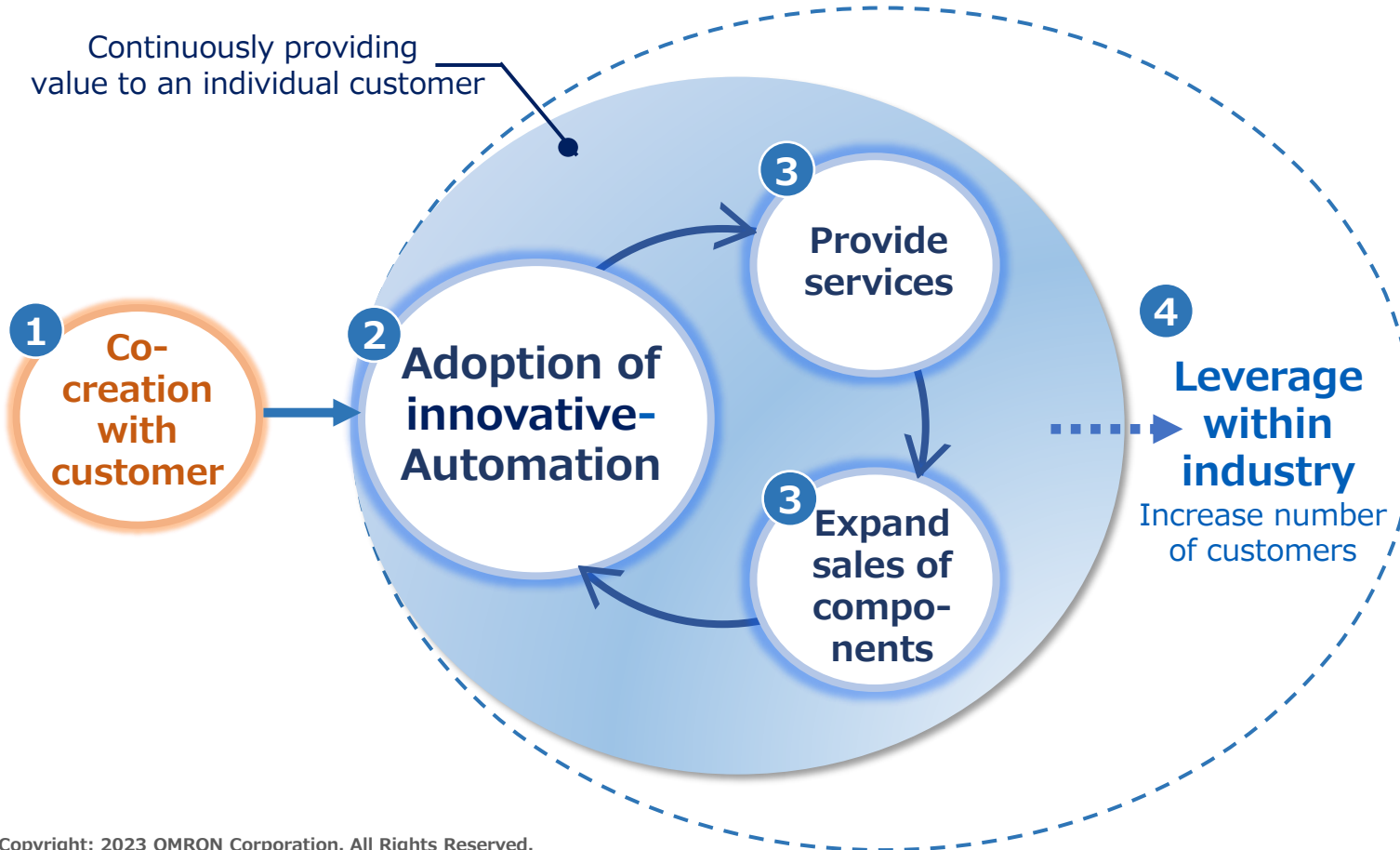
	<u>Interim Dividend (Fixed)</u>	<u>Full-year (Forecast)</u>
Dividend	¥52	¥104
	Vs. FY22: + ¥3	Vs. FY22: + ¥6

3. IAB: Enhancing Growth Capability

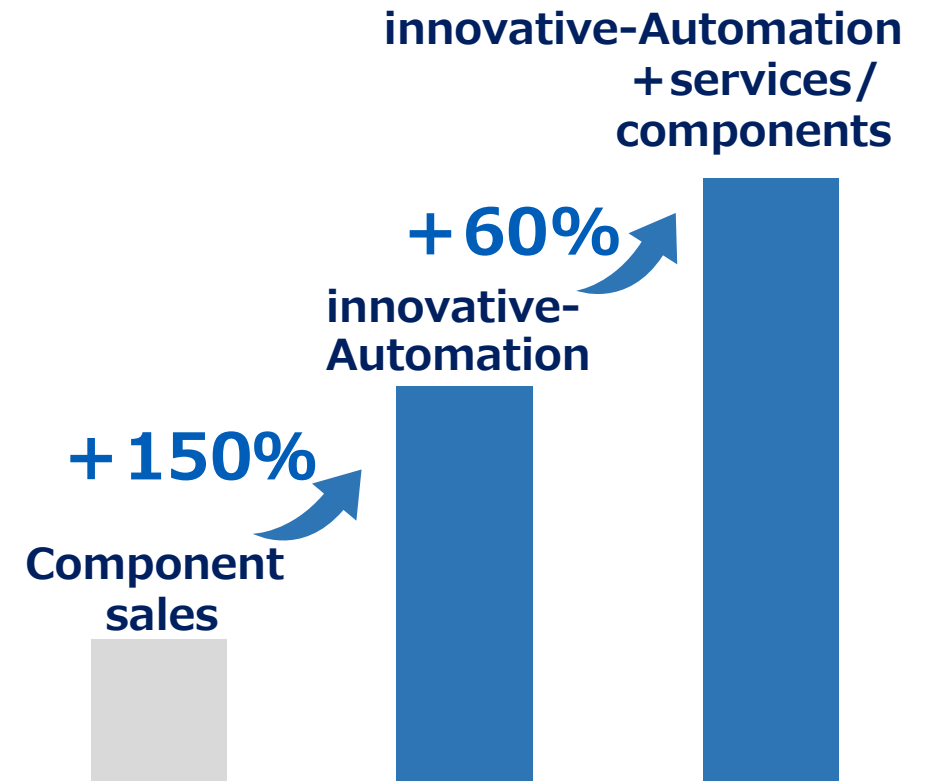
Solution Business Growth Cycle

Firm trend in Solution sales amid weak capex environment.
Sales per customer increase over time after adoption of innovative-Automation

Solutions Business Growth Cycle



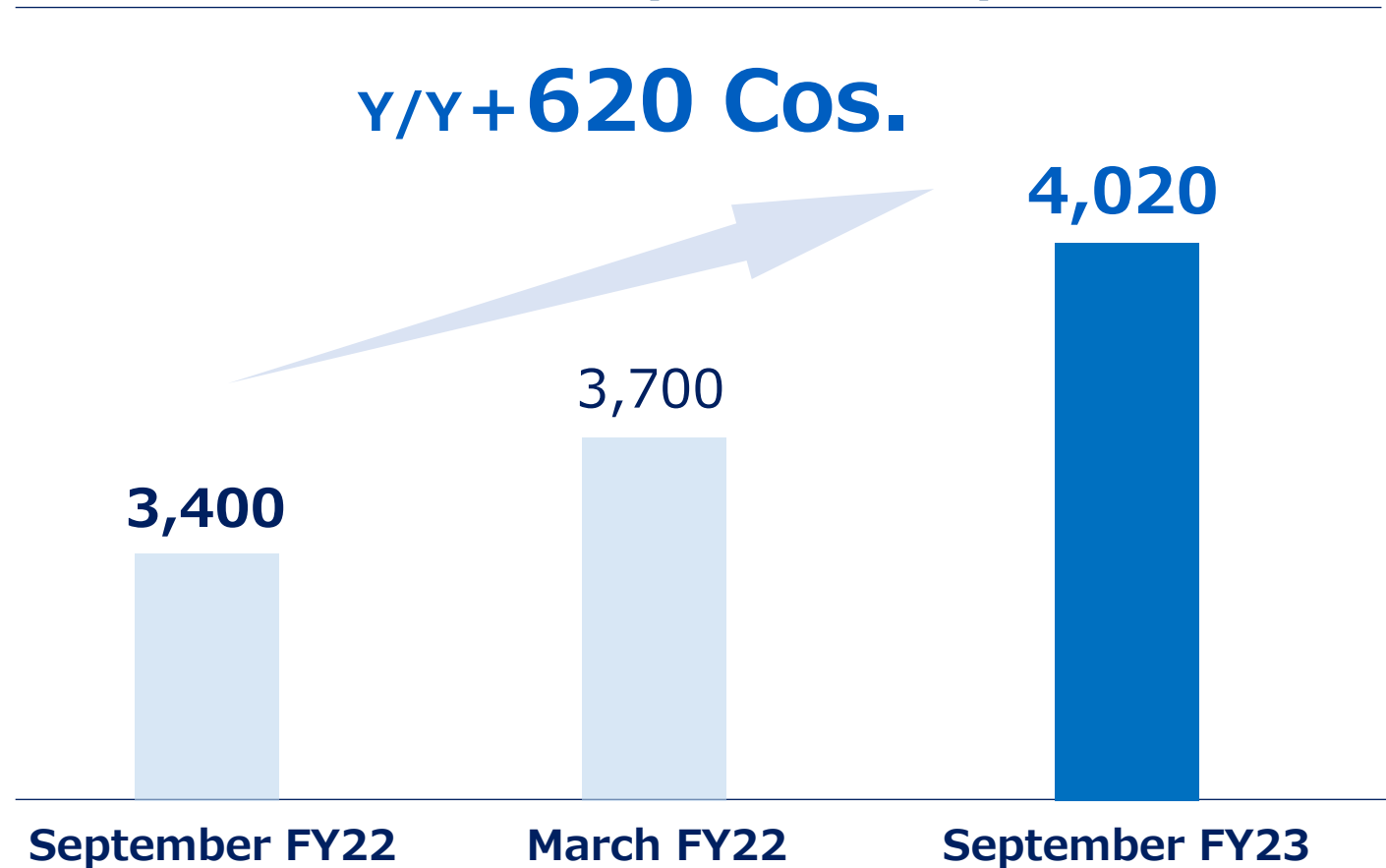
Unit Sales Per Customer (e.g.)



Solution Business Sales and Adoption of innovative-Automation

Continued growth in customers adopting innovative-Automation.
Firm trend in Solution sales amid weak capex environment

No. of Customers Adopting innovative-Automation (Cumulative)



H1 FY23 Results

Solution Sales

99% (Y/Y)

- Strengthened front office organization
- Global deployment of innovative applications

Component Sales

87% (Y/Y)

- Continued market weakness
- Distributor inventory increasing

innovative-Automation Adoption, Solution Sales by Region

Increase in companies adopting innovative-Automation across all regions.
Solid progress in developing foundation for growth

Global

- No. of cos. adopting innovative-Automation: **+620 Cos.** (Sep. '22 – Sep. '23 chg.)
- Solution sales growth rate: **99%** (H1 FY23 result Y/Y)

Breakdown by Region

No. of Cos.
adopting
innovative-
Automation *1

Solution
Sales *2

Japan	China	Europe	N. America	Asia
+35 Cos.	+212 Cos.	+146 Cos.	+142 Cos.	+85 Cos.
107%	82%	118%	101%	110%

*1. Change in cumulative number of companies adopting innovative-Automation comparing Sep. '22 to Sep. '23

*2. Y/Y results for H1 FY 2023

Initiatives to Strengthen Growth Capability

Accelerate allocation of human resources and implement further measures to enhance competitiveness of innovative-Automation to maximize sales growth when market recovers

1

Further Strengthening Competitiveness of innovative-Automation

Accelerate development and evolution of applications unique to OMRON in areas of high customer demand

Main Areas of Focus

i-BELT



Service sales
155%*

Robotics



Robotics sales
110%*

Generative AI Solutions



X-ray inspection equipment sales
110%*

2

Accelerate HR Allocation

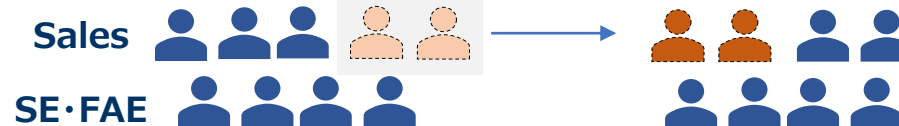
Shift human resources enabled to propose solutions to better capture business opportunities



Optimize resources for regional demand

Japan/China/S. Korea

Europe/N. America



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Reference

Consolidated Balance Sheet

	End-March 2023	End-Sept. 2023	(¥bn) Chg, vs. End-FY2022
Current assets	486.9	490.7	+3.8
(Cash and cash equivalents)	(105.3)	(107.7)	(+2.4)
(Inventory)	(173.9)	(190.1)	(+16.1)
Property, plant and equipment	129.6	131.5	+1.9
Investments and other assets	381.7	388.5	+6.9
Total assets	998.2	1,010.8	+12.6
Current liabilities	210.0	190.4	-19.6
Long-term liabilities	56.9	56.2	-0.7
Total Liabilities	266.9	246.6	-20.3
Shareholders' equity	728.5	761.3	+32.8
Noncontrolling interests	2.8	2.9	+0.2
Total net assets	731.2	764.2	+33.0
Total Liabilities and net assets	998.2	1,010.8	+12.6
Equity ratio	73.0%	75.3%	+2.3%pt

Consolidated Cash Flow Statement

(¥bn)

	H1 FY2022 Actual	H1 FY2023 Actual	Y/Y
Operating cash flow	19.1	25.7	+6.7
Investment cash flow	-27.7	-19.0	+8.7
Free cash flow (FCF)	-8.6	6.8	+15.4
Financing cash flow	-34.6	-11.4	+23.2
Cash and cash equivalents as of end of period	123.9	107.7	-16.2
Capital expenditure	17.3	17.3	-0.0
Depreciation	13.0	13.8	+0.8

FY2023 Forex Sensitivities and Assumptions

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

	Sensitivities		Assumptions
	Sales	OP	H2 FY2023 Assumptions
USD	¥1.7 bn	¥0.1 bn	¥140.0
EUR	¥1.0 bn	¥0.4 bn	¥155.0
CNY	¥0.9 bn	¥0.2 bn	¥19.5

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

ROIC Definition

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

*Invested capital = Borrowings + Shareholders' equity

* 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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