

Q&A Session Summary, Q1 FY2023 Results Briefing
OMRON Corporation
July 27, 2023

Consolidated

Q. What do you think will be necessary in order to grow operating income, in considering 1H?

A. The key determining factor will be the magnitude of topline growth we achieve in Q2. While we are not optimistic about IAB or DMB, there are opportunities for growth; capturing these opportunities will be important. SSB's Energy Solutions Business sales growth is running ahead of our expectations and HCB is in a recovery trend as well. We aim to grow sales for the group as a whole, which should tie into operating profits.

IAB

Q. How did order intake for Q1 compare to the previous Q4? Please also comment on your outlook going forward.

A. Q1 order intake was largely unchanged from Q4. We expect Q2 will also be largely in line with Q1 levels. Initially, we had expected to see a gradual recovery from Q2 but we now assume the recovery has been pushed out to Q3.

Q. Was investment demand in China weaker than initially expected?

A. The recovery in semiconductors and rechargeable batteries has been slower than expected. However, PV-related investments have been strong from April and are running ahead of our expectations. While there are differences in demand by category, given the high weighting of semiconductors and rechargeable batteries, the overall order trend for China is a modest recovery.

Q. The OPM of 11.1% appears weak relative to historical levels. Please discuss the backdrop.

A. While the GP margin has been improving since Q1 FY2022, Q1 OPM was impacted by advance growth investments (investments in innovative applications and strengthening front office functions) for Q2 and beyond and the increase in unit labor costs.

Q. How does OMRON's inventory level compare to your initial assumptions?

A. In thinking about OMRON's component inventory, it is particularly important to give strategic consideration to the level of inventory in semiconductors.

Given our expectation that capex demand will ramp up from 2H, our thinking about the current inventory level takes into account the need to secure semiconductors. At first glance, the near term inventory level may appear high, but we believe this is best viewed as stock for the future.

HCB

Q. With regard to HCB market conditions going forward, have they reverted to the medium- to long-term growth trend?

A. We believe that demand is clearly in a recovery trend.

Starting with China, global demand for drugs and medical equipment has recovered in categories that would be considered close to essential. BPMs have reverted to a growth trajectory.