H1 FY2023 Earnings

October 27, 2023

OMRON Corporation

Good afternoon, everyone! I am CEO Tsujinaga.

Thank you for finding the time to take part in OMRON's Q2 FY2023 Results Briefing today.

As always, we will start with the presentation of the results, to be followed by a Q&A session. We aim to entertain as many questions as possible during the allotted time.

Let's get started, using the presentation materials.

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

Before starting the main presentation, I will highlight the key points.

H1 sales and profits fell Y/Y, reflecting a major change in the operating environment of Q2. As well, we have chosen to revise down our full-year forecasts.

There are 3 key takeaways from the revised forecasts.

First is the outlook for the operating environment. When we announced Q1 results, we chose to leave our full-year forecasts unchanged, as we wanted to further observe market conditions, mainly in IAB.

However, from Q2 onward, capex demand was slower than we had expected, chiefly in China, resulting in weak sales. As such, we have changed our assumption that the markets would recover in H2. We now expect the weak Q2 market conditions to persist throughout H2.

The second takeaway is a temporary deterioration in the GP margin and fixed cost ratio. We expect that the factors which depressed profit margins in Q2 will carry over into H2.

Finally, our initiatives to strengthen OMRON’s growth capability. We are pained by this fiscal year’s earnings forecasts. However, we have started to see solid results from our initiatives to strengthen OMRON's growth capability. Today, we would like to share with you the progress we have made in expanding the IAB Solutions business.

Let's get started.

Contents

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)

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This shows the consolidated results for H1 FY2023. Please look at the shaded portion of the table.

Sales was 400.7 billion yen, GP 172 billion yen for a GP margin of 42.9%, operating income was 20.7 billion yen and net income was 6.1 billion yen.

While sales were largely flat Y/Y reflecting the impact of the weaker yen, OP fell 50.4% Y/Y to 20.7 billion yen, on the back of the decline in the GP margin and the impact of higher fixed costs.

We note that net income includes the impact of 10.2 billion yen in valuation losses related to the acquisition of additional JMDC shares.

Next are the results by business segment.

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

This table shows sales and OP for each segment.

I will start with IAB. Sales were 210.4 billion yen, down 8.6% Y/Y. Reflecting the impact of lower sales and a decline in the GP margin, OP was 17.4 billion yen, down a hefty 55.4% Y/Y. I will cover this in more detail later.

Next is HCB. Strong demand for BPMs in Europe and China supported 8.6% Y/Y growth in sales to 74 billion yen. OP rose 17.5% to 9.7 billion yen, on steady progress in lowering component costs and logistics expenses.

Supported by the strong energy solutions and railway businesses, SSB achieved a substantial 45.2% Y/Y increase in sales to 53.1 billion yen. OP was 1.3 billion yen, also up significantly by 2.7 billion yen Y/Y.

Finally, DMB. Demand was weak, mainly from consumer appliances, resulting in Y/Y declines in both sales and profits.

This H1, there was a significant sequential change in earnings from Q1 into Q2. Given this, I would like to explain the situation in more detail on the next page.

Q1→Q2 Changes by Segment

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

(¥bn)

Segment		Q1 Actual	Q2 Actual	Q/Q Chg.
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)

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This slide shows sales and profits for each of the segments for both Q1 and Q2 as well as the Q/Q change.

As you can see, within the various segments, IAB in particular reported a substantial sequential drop in both sales and profits.

I will explain the key factors. Please turn to the next page.

Q1→Q2 Changes : IAB

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

(¥bn)

		Q1 Actual	Q2 Actual	Q/Q Chg. Change	Q/Q Chg. 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%

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This slide shows the sequential change in IAB sales broken out by region.

With regard to the operating environment in Q2, we had expected capex demand to remain unchanged from Q1 but actual demand fell short of our assumptions.

As we show in the lower part of the slide, sales fell in all regions. However, China in particular reported a major drop. The main factors were overall market stagnation and the impact of investment push-outs by major customers in the areas of semiconductors and batteries.

In addition, as a result of the stagnant market conditions, distributor inventories in each region remained at high levels. The continued inability to convert business opportunities into sales during Q2 led to the drop in sales and profit margins.

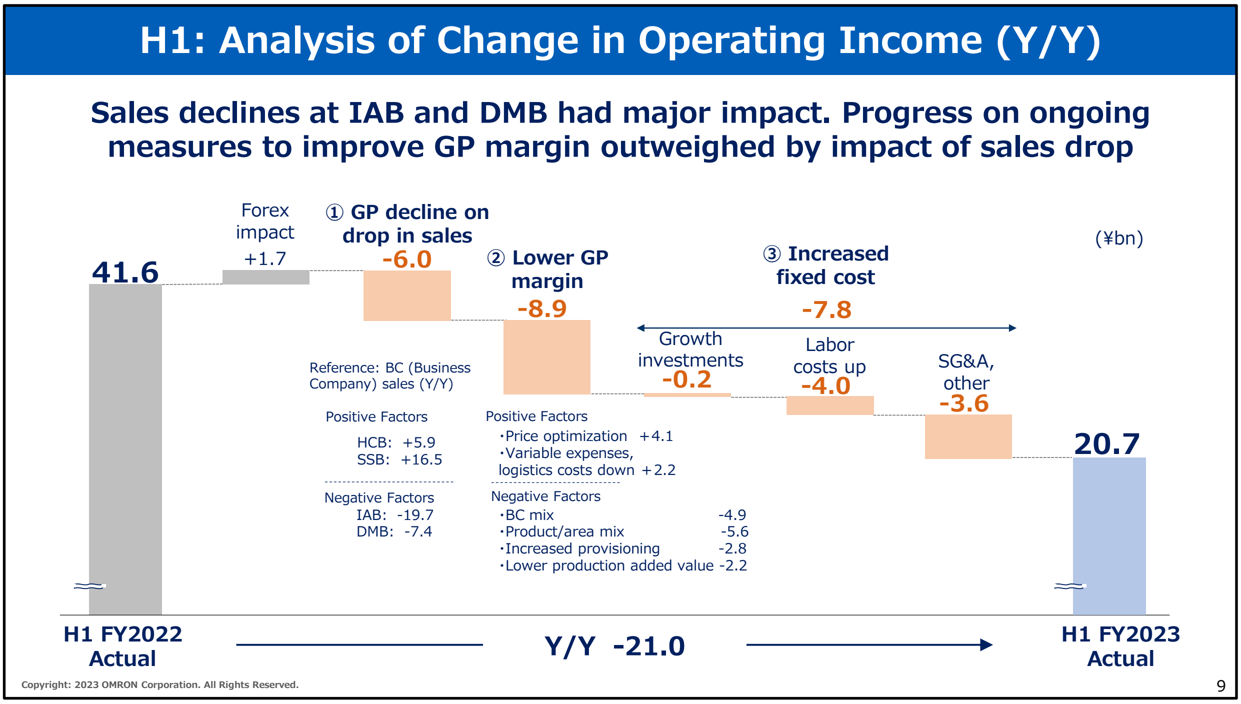
I will go into more detail on the factors which depressed operating income.

Q1→Q2 IAB OP Changes: Major Factors

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

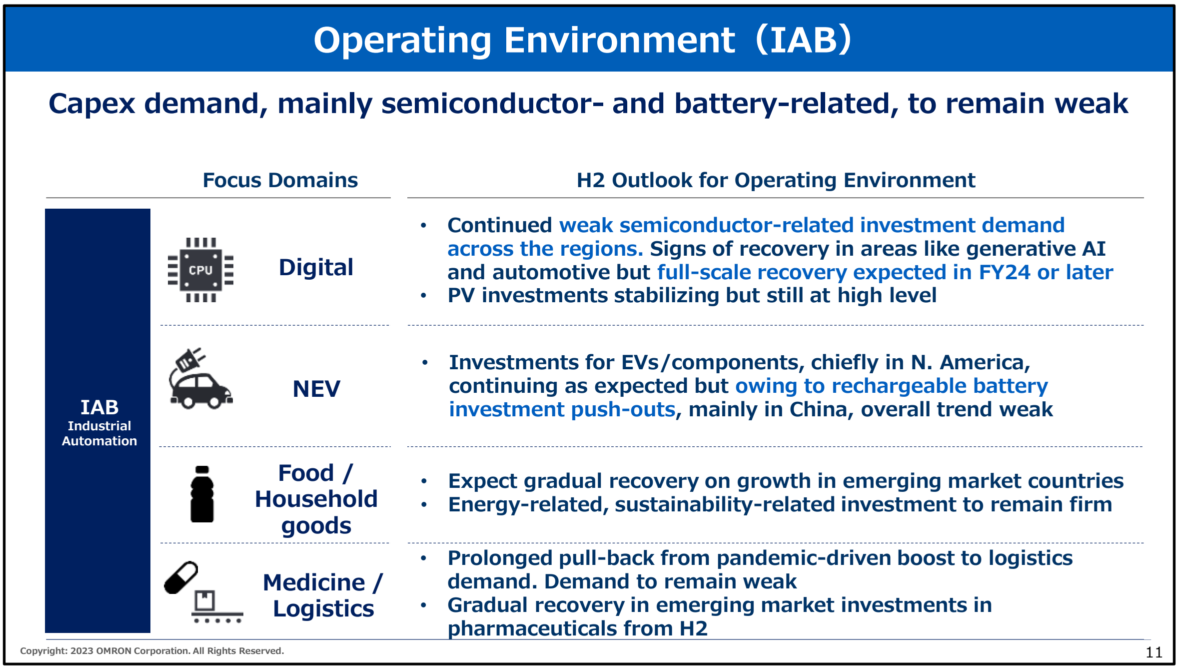
	Changing Factors	Q2 Conditions	Q/Q OP Impact (Q1→Q2)
Lower sales	Operating environment	Delayed market recovery in China, slowdown in semiconductor/EV investments	-¥5.1bn
	Slower distributor nventory turnover	Persistently high distributor inventory levels	
Lower GP margin	Product / regional mix	Significant 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

There were 2 major factors behind the sequential decline in operating income.
The first, as explained earlier, was the delayed recovery in the China market and slowdown in semiconductor and EV investments, and the slower inventory turnover at distributors in all regions.
The second was the result of the decline in sales, which depressed the GP margin. During Q2, the large decline in sales in China, where the proportion of the Solutions business is high, led to a change in product and regional mix, depressing the GP margin.
In addition, production-related added value fell as a result of production adjustments in response to changes in demand. There was also an increase in provisioning for component inventory. The combination of these interlinked factors pushed down the OP margin.
The same conditions apply to the DMB business, which also posted Y/Y decline of sales and profits in H1.
Next is the analysis of the major factors of change for overall H1 operating income.



This is the waterfall chart which compares this H1's OP to the H1 OP of the previous fiscal year. We show the actual H1 OP for both FY22 and FY23, as well as the key elements of change.
I will start from the left.
First is ① which is the decline in GP as a result of the drop in sales.
While HCB and SSB reported growth in sales, as a result of the impact of lower sales at IAB and DMB, consolidated OP fell 6 billion yen Y/Y.
Next is ②, which is the drop in the GP margin.
While OMRON made solid progress with initiatives implemented from the start of the fiscal year, such as price optimization and cost reductions, the impact of the business mix for OMRON as a whole as a result of changes in the sales mix and a lower GP margin at IAB, led to a 8.9 billion yen drop in profits on a consolidated basis.
Next is ③, which is the increase in fixed costs.
Overall fixed cost increases depressed profits by 7.8 billion yen, as a result of higher labor costs due to inflation, and an increase in SG&A.
This covers the discussion of H1 results.
I will now move on to the full-year forecasts.

2．FY2023 Full-year Forecasts



First is the outlook for the business environment in H2.

I will explain the outlook for IAB by commenting on each focus domain.

First is Digital.
For semiconductor-related investments, demand is expected to remain weak across all regions. There are signs of recovery in some areas related to generative AI and automotive, but a full-scale recovery is now not expected until FY2024 or later.

Next is NEV.

While investments in EVs and EV parts, mainly in N. America, are expected to remain firm, the impact of push-outs in battery investments in China is very significant. Overall trends are expected to remain weak.

For the Food and Household Goods domain, driven by growth in emerging market countries the outlook for a gradual recovery remains intact.

Finally, the Medical and Logistics industries. The pull-back from the elevated pandemic demand levels is ongoing; we expect trends to remain weak.

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	**While cardiovascular demand is mixed by region, moderate growth continues in Europe, Greater China, and India** 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 Respiratory: Firm trends for nebulizers in China, Europe and Central/S. America Remote Medical Service: Continued market growth, mainly in US and Europe
SSB Social Systems, Solutions and Service	**Strong overall operating environment to continue. In particular, growth in energy and public transportation market demand to exceed Q1 assumptions** Energy: Continued renewables-related investment in residential sector on surging electricity costs Railway: Strong investment trends at railway companies as passenger numbers recover
DMB Device & Module Solutions	**Overall, timing of demand recovery likely to be slower than expected, weak trend continues. Expect gradual demand recovery in energy-related and mobility markets** 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 Commodity Devices: Overall market demand weak on lower demand in consumer appliance market, the level of demand for H2 continues low

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Next is HCB.

We expect the mixed regional picture for BPM demand to persist. While the China and Europe markets are expected to see a continued gradual recovery, there has been a slowdown in the pace of growth in Japan and N. America.

For SSB, we expect the favorable overall operating environment to continue. In the renewable energy market, residential-related investments have remained strong. We expect the market to continue to grow in H2.

Finally, DMB. Similar to IAB, the timing of a recovery in demand has been delayed. We expect H2 trends to remain weak.

Next, I will explain the full-year forecasts.

FY2023 Full-year Forecasts

Revising down full-year forecasts

(¥bn) (Ref. excludes loss on revaluation)

	FY2023 Initial Plan	FY2023 Forecast *1	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

*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)

We revise down our full-year forecasts. Please see the shaded column in the center of the page.

OMRON's revised forecasts are 850 billion yen in sales, 366 billion yen in gross profit for a GP margin of 43.1%, 45 billion yen in OP and 18 billion yen in net income.

In addition, as highlighted in the footnote, the full-year forecast for OMRON also includes the equivalent of 50% of JMDC's full-year earnings forecasts as announced at the end of Q1.

As well, related to the consolidation of JMDC, OMRON will also incur a 12 billion yen valuation loss on equity which will impact net income.

For reference, we show the revised forecasts excluding this impact on the right-hand side of the page.

FY2023 Full-year Segment Forecasts

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

(¥bn)

	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)

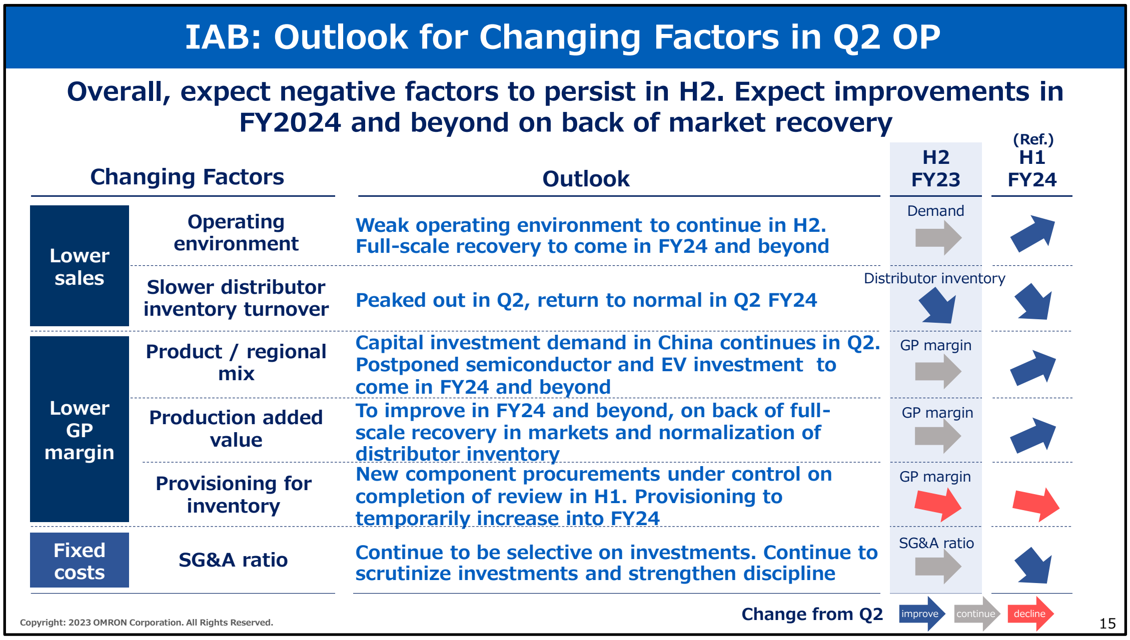
*Eliminations & Corporate forecast reflect approximate value contribution from JMDC equivalent to 50% of JMDC's FY2023 earnings forecasts as announced at Q1

Next, I will discuss the full-year forecasts by segment.

As you can see, we have revised down the sales and profit forecasts for IAB and DMB from our initial projections. We have revised up our full-year forecasts for HCB and SSB.

In particular, given our expectation that operating conditions in Q2 for IAB will persist in H2, we are now projecting a substantial drop in both sales and profits.

On the next page, I will explain the outlook for IAB going forward in more detail.



This slide shows the outlook going forward for the key factors of change for IAB profits in Q2. Overall, the key conditions in place in Q2 are expected to persist in H2. On the back of a market recovery in FY2024 and beyond, we subsequently expect to see improvements in each of these factors. I will run through these in order.

We expect the operating environment to remain weak in H2, with a full-scale recovery to come in FY2024 and beyond. However, we believe distributor inventory peaked out in Q2 and will return to normal levels by Q2 FY2024.

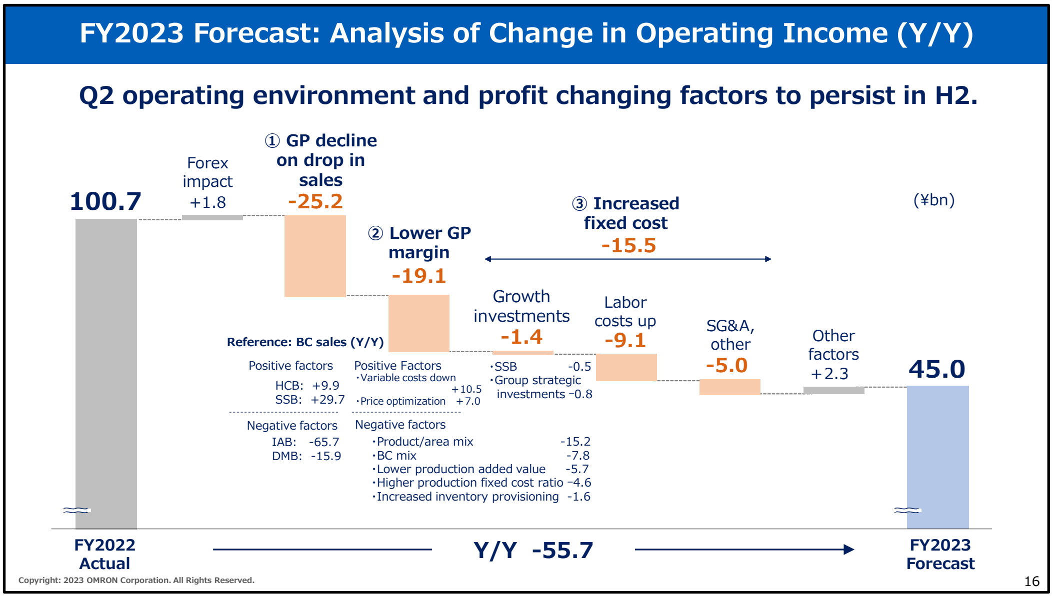
Next, we expect product and regional mix to improve in FY2024 and beyond, backed by a return to growth in investments for semiconductors and batteries, although the magnitude of the recovery will be influenced by the degree to which the market in China improves.

With regard to production-related added value, as market conditions recover and dealer inventories normalize, we expect to see incremental improvements over time.

Next is the provisioning for inventory. We have already completed adjustments to new procurements of components. From H2 onward, component inventory should improve in a stepwise fashion. However, with regard to provisioning, it will take some time to lower inventory levels. We expect reserves will temporarily increase up to FY2024 before subsequently declining.

Finally, fixed costs. We will continue to be highly selective in investing for growth while also maintaining operational discipline.

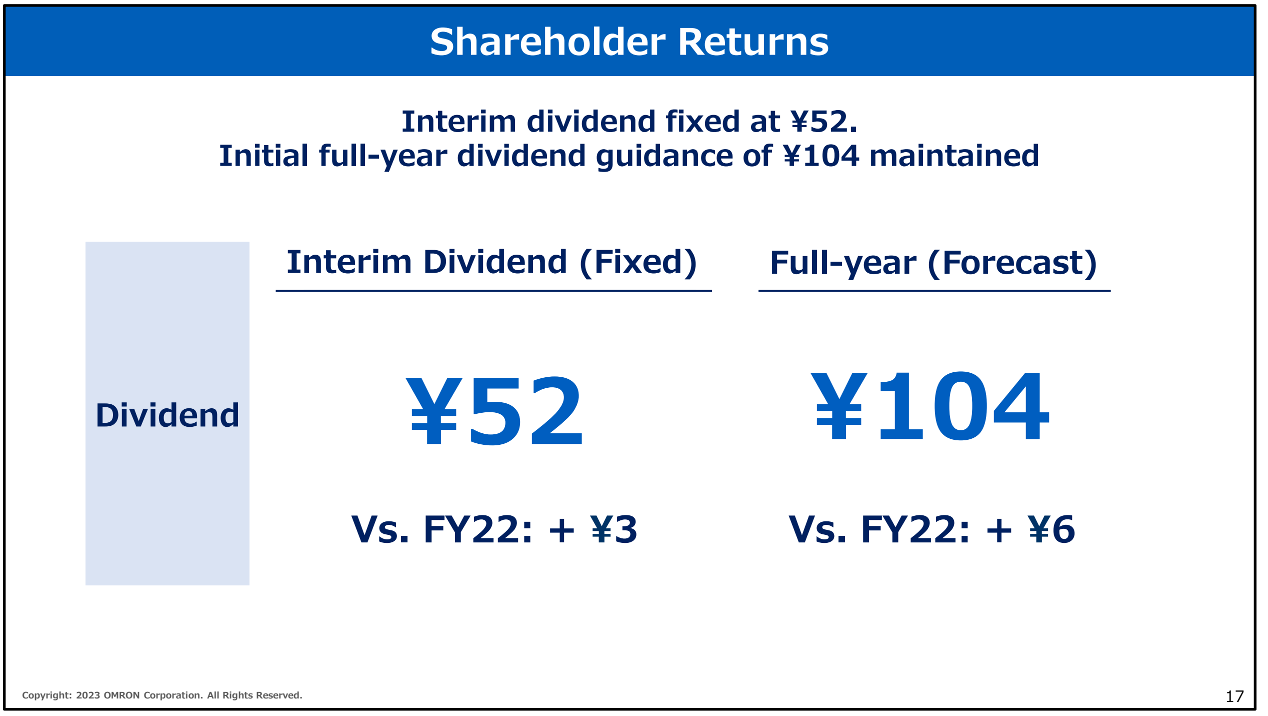
Next, I will cover the analysis of the elements of change for consolidated OP.



This is the waterfall chart for OP comparing FY22 OP to the FY23 full-year OP forecast. We show FY2022 OP on the left and the FY2023 full-year forecast on the right.

First is ① which is the decline in GP as a result of the drop in sales.
While HCB and SSB should show firm trends, after factoring in a drop in sales for IAB and DMB, we expect an overall decline of 25.2 billion yen.
Next is ②, which is the drop in the GP margin.
We expect the factors behind the GP margin decline, changes in segment mix and a lower IAB GP margin, will persist, for an overall negative impact of 19.1 billion yen.
Next is ③, which is the increase in fixed costs.
Similar to H1, we have factored in an increase in labor costs due to inflation, and higher SG&A on increased activity levels aimed at driving future growth. As such, the rise in overall fixed costs are expected to have a 15.5 billion yen negative impact.

As a result of the above, on a full-year basis, we expect profits to fall 55.7 billion yen Y/Y.



The final slide in this section is on shareholder returns for FY2023.

The interim dividend per share for FY2023 is 52 yen. OMRON's guidance for the full-year dividend per share is unchanged from the initial forecast of 104 yen, up 6 yen Y/Y.

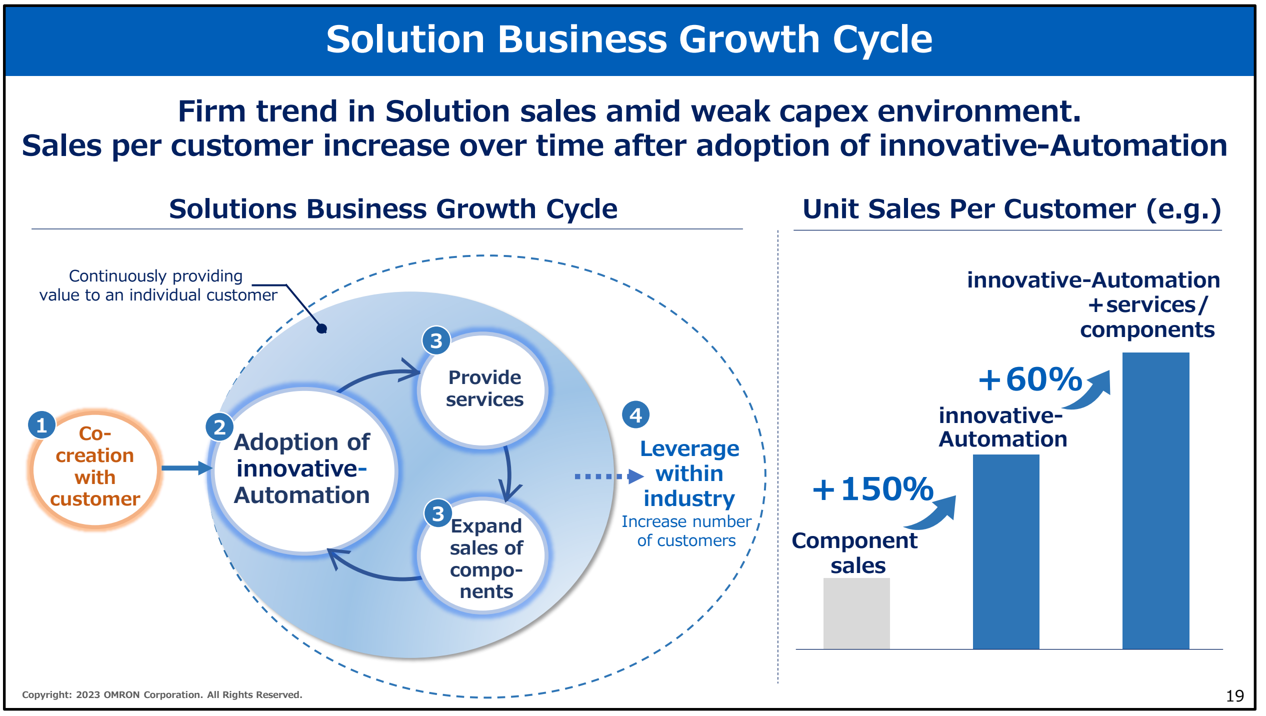
We expect earnings will be challenging this fiscal year but we have chosen to keep our shareholder returns' policy unchanged. Going forward, our focus will be on rewarding shareholders in a stable and continuous manner.

This covers the explanation of the FY2023 forecasts.

I reiterate that we expect earnings for this fiscal year to be challenging, reflecting a weak operating environment. However, we are starting to see solid results from the initiatives to strengthen growth capability in each business.

Today, I would like to share our progress on initiatives to strengthen IAB's growth capability.

3. IAB: Enhancing Growth Capability



Before getting into the main topic of this section, I will briefly touch on the key features of OMRON's Solutions business.

Please look at the left side of the slide.

The starting point for OMRON's solutions, innovative-Automation, is collaborating with customers to create innovative applications to address their issues.

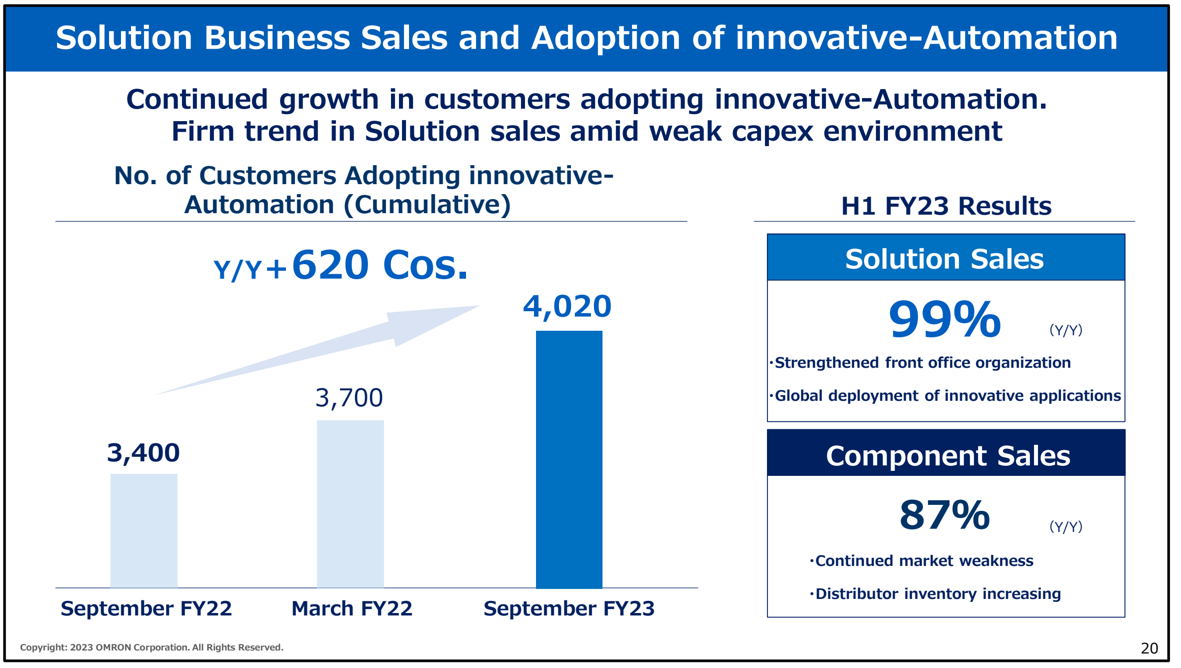
Even after adoption of innovative-Automation on a customer's production line, OMRON focuses on generating further value on an ongoing basis by providing services to address new issues for the customer and expanding component sales.

In addition, in many cases Solution sales increase following adoption of innovative-Automation on a prototype line, as the customer transitions to mass production. Reflecting this, Solution revenue per customer after adoption tends to grow over time.

As shown in the right side of the slide, you can see that adoptions of innovative-Automation have led to an increase in sales per customer.

In other words, it will be important to grow the number of customers that adopt innovative-Automation to boost IAB's growth capability.

Today I want to update you on the progress we have made on strengthening our growth capability along with the results of H1, based on the key features of this business model.



First, we show here the H1 FY23 results. Please look at the left side of the slide.

We have been able to significantly increase the number of customers that have adopted innovative-Automation compared to last fiscal year.

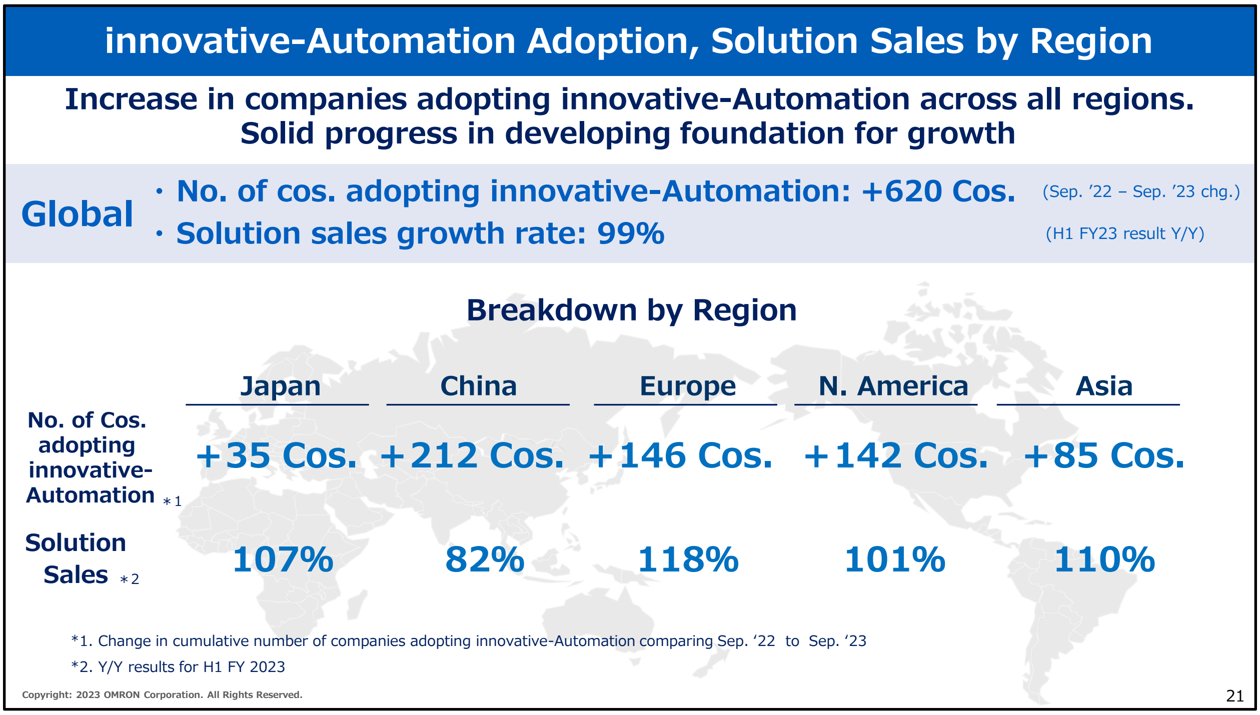
The number of customers that had adopted innovative-Automation as of September 2022 was 3,400. This increased by 620 companies to 4,020 as of September 2023.

Despite the tough operating environment, this is clear evidence that many customers view OMRON's solutions as indispensable and reflects the high regard our customers have for the OMRON value proposition.

Please look at the right side of the slide. The growth in the number of customers adopting innovative-Automation is leading to solid sales growth.

While component sales remained 87% Y/Y on the back of weak market conditions and slow inventory turnover at distributors, OMRON has been able to keep sales unchanged Y/Y despite a weak market, supported by initiatives from the beginning of this fiscal year, such as strengthening the front organization and the global deployment of innovative applications.

I would like to talk about the H1 progress in a little more detail.



On this slide we show the Y/Y change in the number of customers adopting innovative-Automation and Solutions sales by region.

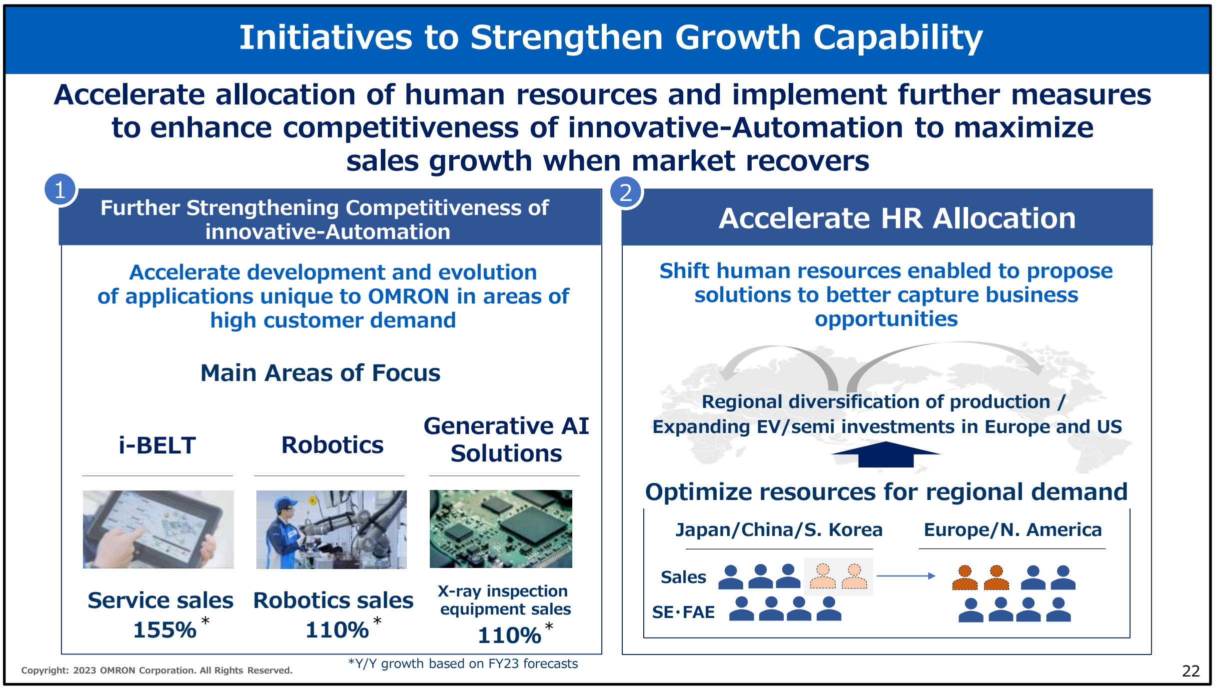
As shown in the center of the slide, OMRON has been able to increase the number of customers adopting innovative-Automation in all regions.

In addition to China, which has been the key driver of the Solutions business to this point, you can see that we have been able to grow the number of customers significantly across the regions, including Europe and N. America. As a result, Solutions sales at OMRON are steadily growing in each region.

While China sales is down Y/Y as the result of specific major customers pushing out investment projects, we continue to make solid progress in increasing the number of customers adopting innovative-Automation.

As noted earlier, Solutions business sales typically grow over time. As such, increasing the number of customers adopting innovative-Automation will lead directly to enhancing IAB's growth capability.

So what do we need to do to further elevate our growth capability?



In H2, we will focus on 2 strategic initiatives.

Please look at the left side of the slide.

The first is further strengthening the competitiveness of innovative-Automation.

As highlighted in discussing the H1 results earlier, customer expectations for OMRON's solutions continue to rise. To further enhance the value proposition of innovative-Automation, OMRON will focus on strengthening its business particularly in the areas of i-BELT, robotics and generative AI.

As we show on the lower left, we expect strong sales growth this fiscal year from products and services. Near term, we have received numerous inquiries from customers. By fully following through on the growth actions we have set out, we can further elevate the competitiveness of innovative-Automation.

The second initiative is the acceleration of human resource allocation. Please look at the right side of the slide.

We expect that the rising capex demand related to diversification of production locations and semiconductor/EV investments in Europe and N. America to continue.

To ensure that we are successful in capturing these global opportunities, we must actively shift human resources with strong skills and experience in the adoption of solutions, in order to offer our value proposition to even more customers.

This completes the explanation for IAB.

Finally, in closing, I would like to share my thoughts with you.

First of all, we deeply regret having to significantly revise our full-year forecasts.

I believe that the H1 results have made clear OMRON's current challenges. One is the ability to detect changes in the market and to respond appropriately. Another issue is the rigidity of the fixed cost structure.

In Q3, we have already initiated structural reforms to address these challenges. At the same time, OMRON's focus on addressing the growth areas within its current businesses remains unchanged. Measures to strengthen growth capability are already being implemented in not only IAB, which we talked about today, but in the other businesses as well.

Going forward, we will continue to selectively execute on investments necessary to support the sustainable growth of our businesses. These efforts should pay off when the market recovers, allowing OMRON to return to a strong growth trajectory.

I humbly ask for the continued support of our shareholders and investors.

This completes my presentation. Thank you.

Reference

Consolidated Balance Sheet

(¥bn)

	End-March 2023	End-Sept. 2023	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: Sales	Sensitivities: OP	Assumptions: 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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