

OMRON

FY2024 H1 Financial Results

November 6, 2024
OMRON Corporation

Summary

● FY2024 H1 Results

- Consolidated revenue and profits declined YoY, while exceeding internal plans
- IAB and DMB performed sluggishly due to the impact of the high order backlog from the previous fiscal year and sluggish capital investment demand.
- Operating income increased in Q2 due to significant improvement in GPM and fixed cost measures
- Structural reforms are progressing as planned. Structural reform expenses of ¥21.0 bn is recorded as one-time expenses associated with optimizing personnel numbers

● FY2024 Full-year Forecasts

- Revising down sales forecast and revising up operating income forecast for the full-year
- While factoring in the uncertain business environment in our outlook, we are reexamining the effects of improving GPM and streamlining fixed costs
- IAB is revising up profit forecast significantly due to progress in restructuring
- Interim dividend fixed at ¥52. Initial full-year dividend guidance of ¥104 maintained

● Message from CEO

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| 1 . FY2024 H1 Results | •••• P.4 ~ P.7 |
| 2 . FY2024 Full-year Forecasts | •••• P.8 ~ P.16 |
| 3 . Message from CEO | •••• P.17 ~ P.18 |

1. FY2024 H1 Results

H1 Consolidated Results

Overall decline in sales and profits due to Y/Y decline in backlog of orders

(¥bn)

	FY2023 H1 Actual	FY2024 H1 Actual	Y/Y
Net Sales	400.7	374.6	-6.5%
Gross Profit (%)	172.0 (42.9%)	170.0 (45.4%)	-1.2% (+2.4%pt)
Operating Income (%)	20.7 (5.2%)	19.2 (5.1%)	-6.9% (-0.0%pt)
Net Income attributable to OMRON shareholders	6.1	-3.3 [*]	-
Average USD rate (JPY)	139.9	153.7	+13.8
Average EUR rate (JPY)	152.8	166.3	+13.5
Average CNY rate (JPY)	19.7	21.2	+1.5

*Structural reform expenses of ¥21.0 bn is recorded as one-time expenses associated with optimizing personnel numbers and capabilities.

H1 Results by Segment

Sales and profits down Y/Y at IAB, HCB and DMB, up Y/Y at SSB

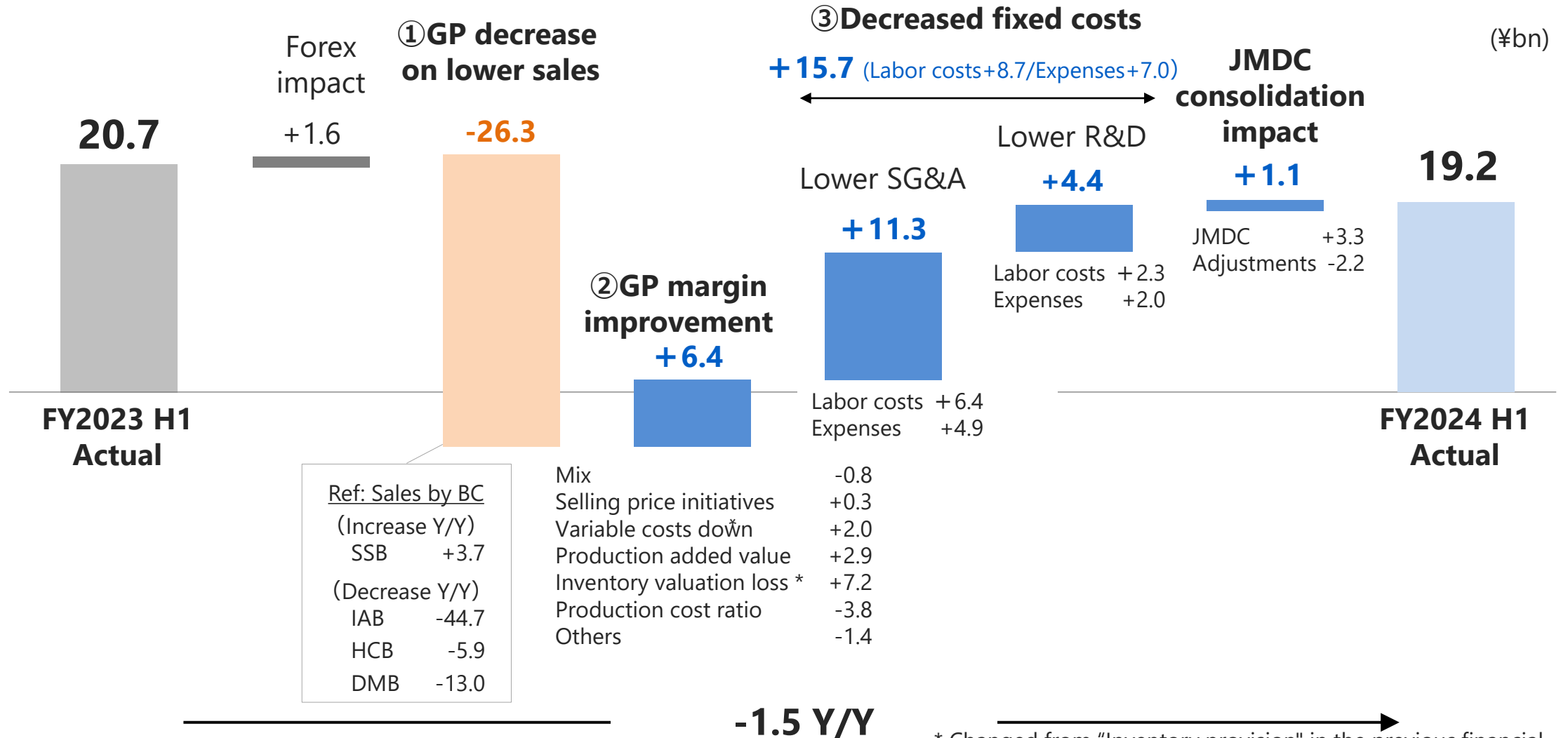
	Sales			Operating income (¥bn)		
	FY2023 H1 Actual	FY2024 H1 Actual	Y/Y	FY2023 H1 Actual	FY2024 H1 Actual	Y/Y
IAB Industrial Automation	210.4	174.5	-17.1%	17.4 (8.3%)* ¹	17.4 (10.0%)	-0.4% (+1.7%pt)
HCB Healthcare	74.0	72.5	-2.0%	9.7 (13.2%)	8.6 (11.9%)	-11.6% (-1.3%pt)
SSB Social Systems, Solutions & Service	53.1	56.9	+7.0%	1.3 (2.5%)	2.0 (3.4%)	+47.9% (+0.9%pt)
DMB Device & Module Solutions	61.2	51.1	-16.5%	2.7 (4.4%)	0.1 (0.2%)	-96.4% (-4.2%pt)
DSB Data Solutions* ²	-	19.1	-	-	0.3 (1.8%)	-
Include JMDC	-	19.2	-	-	3.3 (17.1%)	-
Eliminations & Corporate	2.0	0.6	-70.2%	-10.5	-9.1	-
Total	400.7	374.6	-6.5%	20.7 (5.2%)	19.2 (5.1%)	-6.9% (-0.0%pt)

*1. Figures shown in brackets under OP are OPMs.

*2. DSB includes the financial results of JMDC, consolidation adjustments (the amortization of intangible assets other than goodwill associated with the consolidation, etc.) and other financial figures related to data business.

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

Despite the fixed costs reductions, profits fell due to the impact of lower sales in IAB and DMB



* Changed from "Inventory provision" in the previous financial materials to "Inventory valuation loss"

2. Full-year Forecasts

H2 Operating Environment

Business environment is expected to recover slowly overall, with some delays compared to initial expectations

IAB
Industrial
Automation

Demand varies by industry and area. The semiconductor industry is performing well as initially expected. Chinese and European markets are generally sluggish. *Details on later pages

HCB
Healthcare

Chinese market is expected to remain weaker than initial forecast

Cardiovascular: Although moderate growth is expected globally, China will remain sluggish due to sluggish personal consumption caused by the worsening economic environment.

Respiratory: Weaker demand for nebulizers than the initial expectations, affected by the backlash from China's special demand for respiratory diseases and sluggish market conditions

SSB
Social Systems,
Solutions &
Service

Business environment remains generally strong; however, energy market is expected to grow slower than expected in residential sector

Energy: Demand for renewable energy in the residential sector is expected to recover to a certain extent as the mitigation measures against sudden changes in electricity rates come to an end, but growth will be slower than expected

Railway: Favorable demand as initially expected due to continued capital investment by railway companies

DMB
Device & Module
Solutions

Affected by sluggish market in Europe, performance remains weaker than initially expected

DC Equipment/Microwave Devices: Although affected by the slowdown in the European EV market, demand is expected to expand from the second half of the year on the back of increased demand for energy infrastructure and semiconductors

Commodity Devices: Despite some differences among markets, the slow recovery of demand in Europe leads to a slower performance than initially expected.

DSB
Data Solutions

In line with the initial forecasts, strong business environment continues, centered on health big data business

JMDC: Expect expansion of medical data utilization movements, mainly among pharmaceutical and Life and non-life insurance industries. In response to growing social awareness of health and prevention, expect demand for services for insurers and consumers to increase

Full-year Consolidated Forecasts

Revising down sales forecast. Operating income and Net income revised up

(¥bn)

	FY2024 Initial Plan	FY2024 Forecast	Chg. Vs. Plan	FY2023 Actual	Y/Y
Net Sales	825.0	805.0	-2.4%	818.8	-1.7%
Gross Profit (%)	368.5 (44.7%)	363.0 (45.1%)	-1.5% (+0.4%pt)	346.5 (42.3%)	+4.8% (+2.8%pt)
Operating Income (%)	49.0 (5.9%)	52.0 (6.5%)	+6.1% (+0.5%pt)	34.3 (4.2%)	+51.4% (+2.3%pt)
Net Income attributable to OMRON shareholders	8.5	11.0*	+29.4%	8.1	+35.7%
ROE	Approx. 1%	Approx. 1%	-	1.0%	-
ROIC	Approx. 1%	Approx. 1%	-	1.1%	-
EPS (JPY)	43	56	+13	41	+15
Average USD rate (JPY)	145.0	149.4	+4.4	143.9	+5.5
Average EUR rate (JPY)	155.0	160.6	+5.6	156.3	+4.3
Average CNY rate (JPY)	20.0	20.6	+0.6	20.1	+0.5

*Structural reform expenses of approximately ¥22.0 bn is recorded as one-time expenses associated with optimizing personnel numbers and capabilities.

Full-year Forecasts by Segment

IAB revised up. DSB revised up for Operating income.
HCB, SSB and DSB revised down

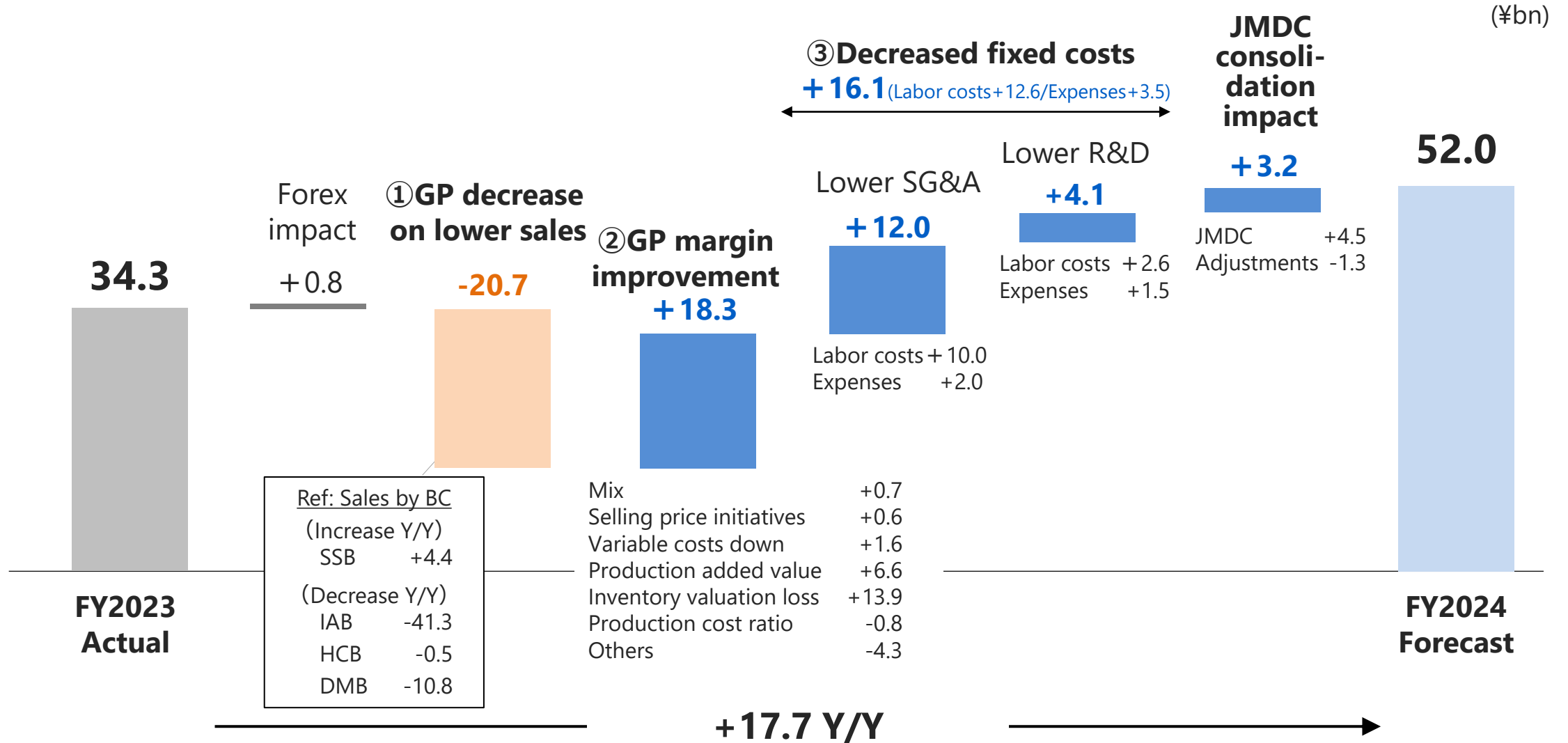
	Sales				Operating income (¥bn)			
	FY2024 Initial Plan	FY2024 Forecast	Chg. Vs. Plan	Y/Y	FY2023 Initial Plan	FY2024 Forecast	Chg. Vs. Plan	Y/Y
IAB Industrial Automation	355.0	358.0	+0.8%	-9.0%	27.5 (7.7%)*1	36.0 (10.1%)	+30.9% (+2.3%pt)	+67.8% (+4.6%pt)
HCB Healthcare	161.0	152.0	-5.6%	+1.5%	22.0 (13.7%)	18.5 (12.2%)	-15.9% (-1.5%pt)	+0.2% (-0.2%pt)
SSB Social Systems, Solutions & Service	154.5	146.0	-5.5%	+3.1%	17.0 (11.0%)	16.5 (11.3%)	-2.9% (+0.3%pt)	+17.7% (+1.4%pt)
DMB Device & Module Solutions	110.0	105.0	-4.5%	-8.2%	4.0 (3.6%)	1.5 (1.4%)	-62.5% (-2.2%pt)	-52.3% (-1.3%pt)
DSB Data Solutions *2	43.0	43.0	-	-	3.0 (7.0%)	3.5 (8.1%)	+16.7% (+1.2%pt)	-
Include JMDC	43.0	43.0	-	-	9.3 (21.6%)	9.3 (21.6%)	-	-
Eliminations & Corporate	1.5	1.0	-	-	-24.5	-24.0	-	-
Total	825.0	805.0	-2.4%	-1.7%	49.0 (5.9%)	52.0 (6.5%)	+6.1% (+0.5%pt)	+51.4% (+2.3%pt)

*1. Figures shown in brackets under OP are OPMs.

*2. DSB includes the financial results of JMDC, consolidation adjustments (the amortization of intangible assets other than goodwill associated with the consolidation, etc.) and other financial figures related to data business.

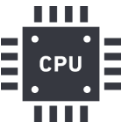




Full-year Forecasts: Analysis of Change in Operating Income (Y/Y)

Despite the sales decline in IAB and DMB, profits will increase by ¥17.7 bn due to improvement of GPM and optimization of fixed costs



IAB: H2 Operating Environment

Semiconductor industry performing well as initially expected, while environmental mobility performing weaker than expected

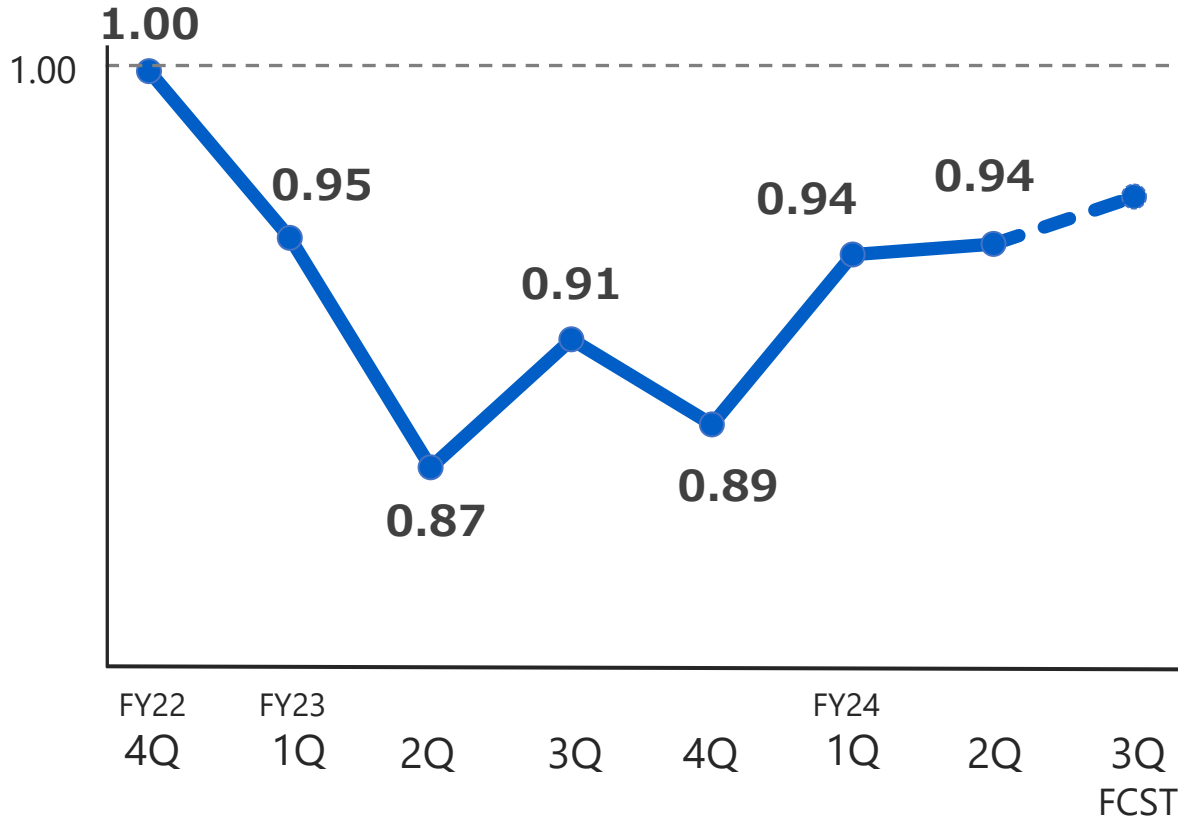
Domains	Outlook for H2
 Digital	<ul style="list-style-type: none"> • Semiconductors are performing well. Although investment in domestic production in China is slowing down, orders are expected to recover from the 4th quarter in Japan and Asia due to the expansion of AI-related investment. • Investment demand for photovoltaic (PV) systems is at a further low level due to the <u>worsening oversupply problem</u>.
 NEV	<ul style="list-style-type: none"> • Investment in finished EVs and parts is expected to decline further from last year's level due to sluggish demand for EVs. • Investment demand for secondary batteries, which was expected to remain low and flat due to oversupply in China and sluggish demand for EVs, is expected to decline further.
 Food/ Household goods	<ul style="list-style-type: none"> • Affected by sluggish personal consumption in China and Europe, but expect gradual recovery
 Medicine/ Logistics	<ul style="list-style-type: none"> • Capital investment in both medical and logistics sectors will remain at the same level as in FY2023 H2
 Others	<ul style="list-style-type: none"> • Investment recovery remains gradual and remains at a low level

IAB: Changes in Orders and Distributor Inventory levels

Orders continue to recover.

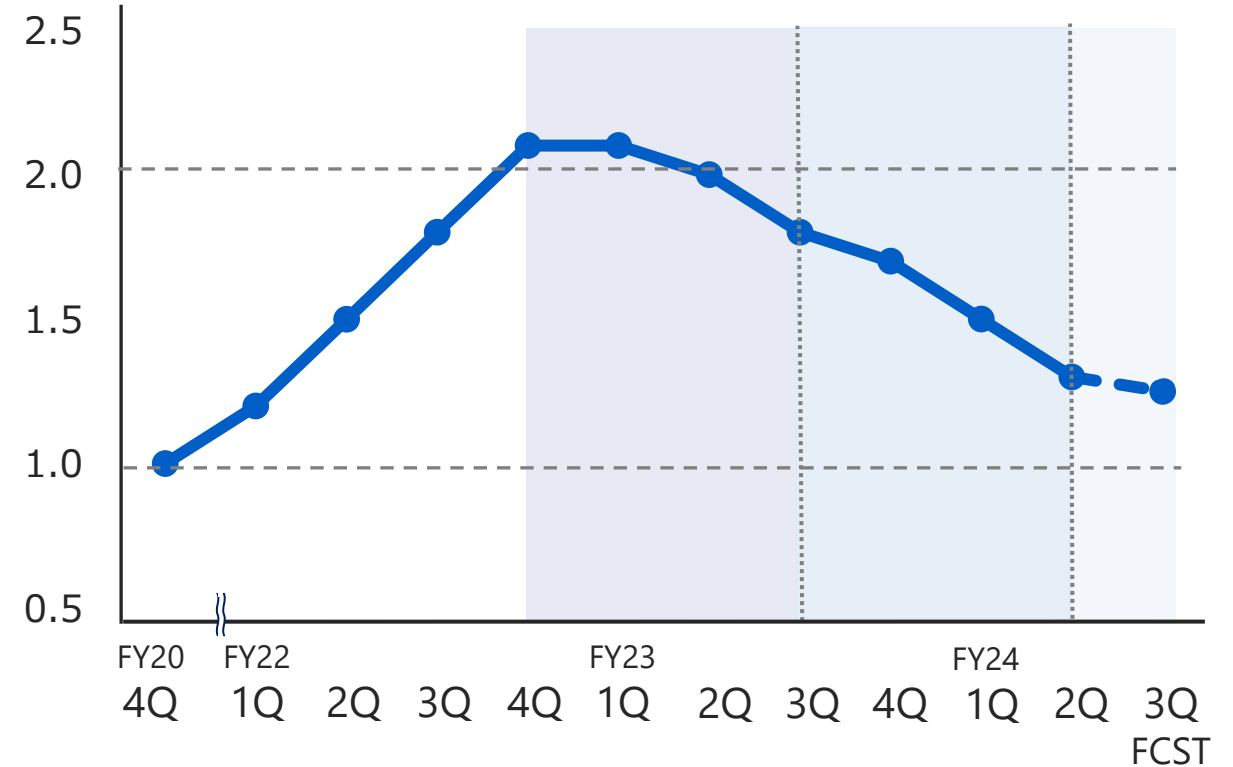
Distributors inventory returned to normal level in general in H1

Order levels (Initial FY24 FX FCST rate base)



(Based on FY22 Q4)

Distributors inventory levels (all area avg.)



(Based on FY20 Q4)

IAB: Operating Income Forecast

Expect profit growth through continued improvement in GPM and fixed costs efficiency

Causes of change in OP		FY24 forecast	Change from FY23
Sales decrease	Business environment	<ul style="list-style-type: none"> The impact of the previous fiscal year's large order backlog and the sluggish market conditions in China and Europe continue 	¥-18.5 bn
	Inventory backlog at distributors	<ul style="list-style-type: none"> Overall return to normal level completed in H1 except in some areas 	
GPM improvements	Product/area mix	<ul style="list-style-type: none"> Improvements by increasing the composition ratio of high value-added products 	¥+17.1 bn
	Production value added	<ul style="list-style-type: none"> Production utilization rate gradually improved from Q1 	
	Inventory provision	<ul style="list-style-type: none"> Inventory management continued. Inventory valuation losses reduced 	
	Production fixed costs	<ul style="list-style-type: none"> Decreased by optimizing the headcount 	
	Others	<ul style="list-style-type: none"> Effects of selling price optimization in FY2023 continue 	
Fixed costs	SG&A, R&D	<ul style="list-style-type: none"> Labor costs reduced by optimizing the headcount. Selective investments continued 	¥+14.8 bn

*Excluding Forex Impact

Shareholder Returns

Interim dividend fixed at ¥52.

Initial full-year dividend guidance of ¥104 maintained

Interim Dividend (Fixed)

¥52

Full-year (Forecast)

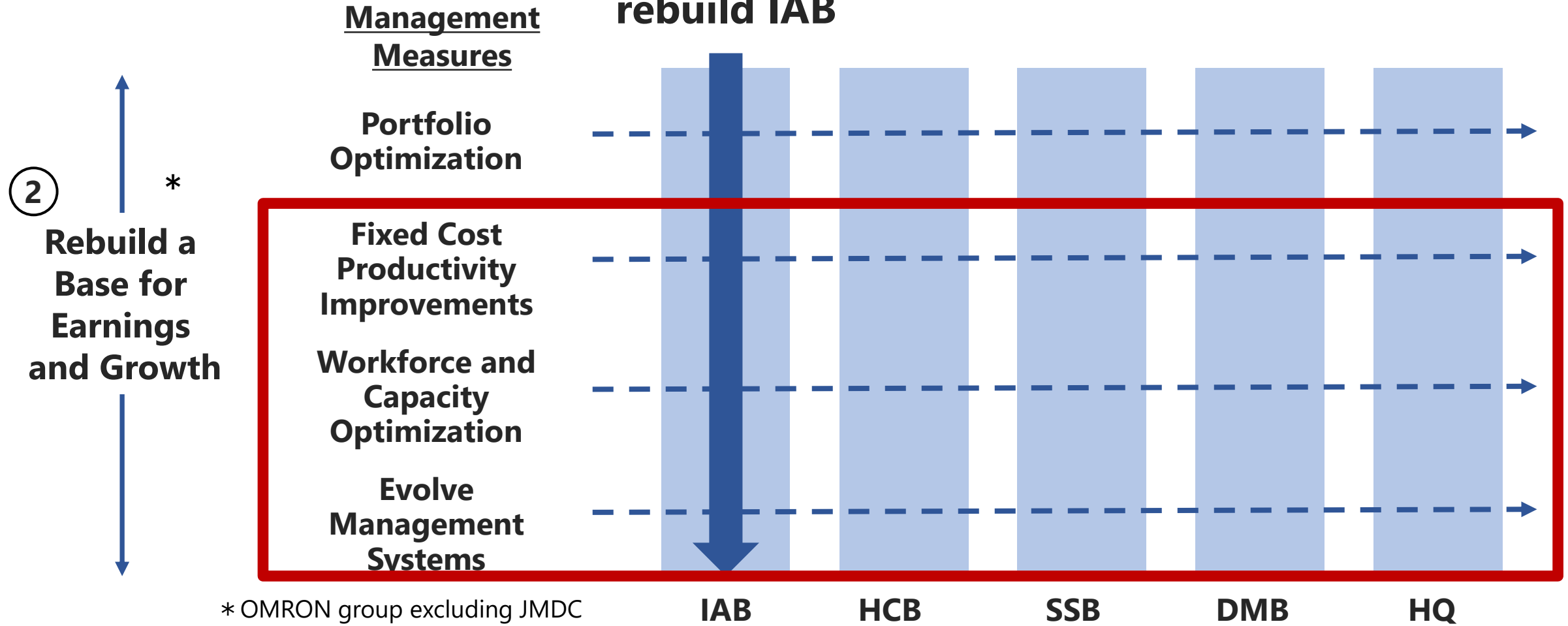
¥104

Message from CEO

Outline of Structural Reform

Reconstruction of earnings base is showing signs of progress.
Focus on initiatives for re-growth from H2 onwards

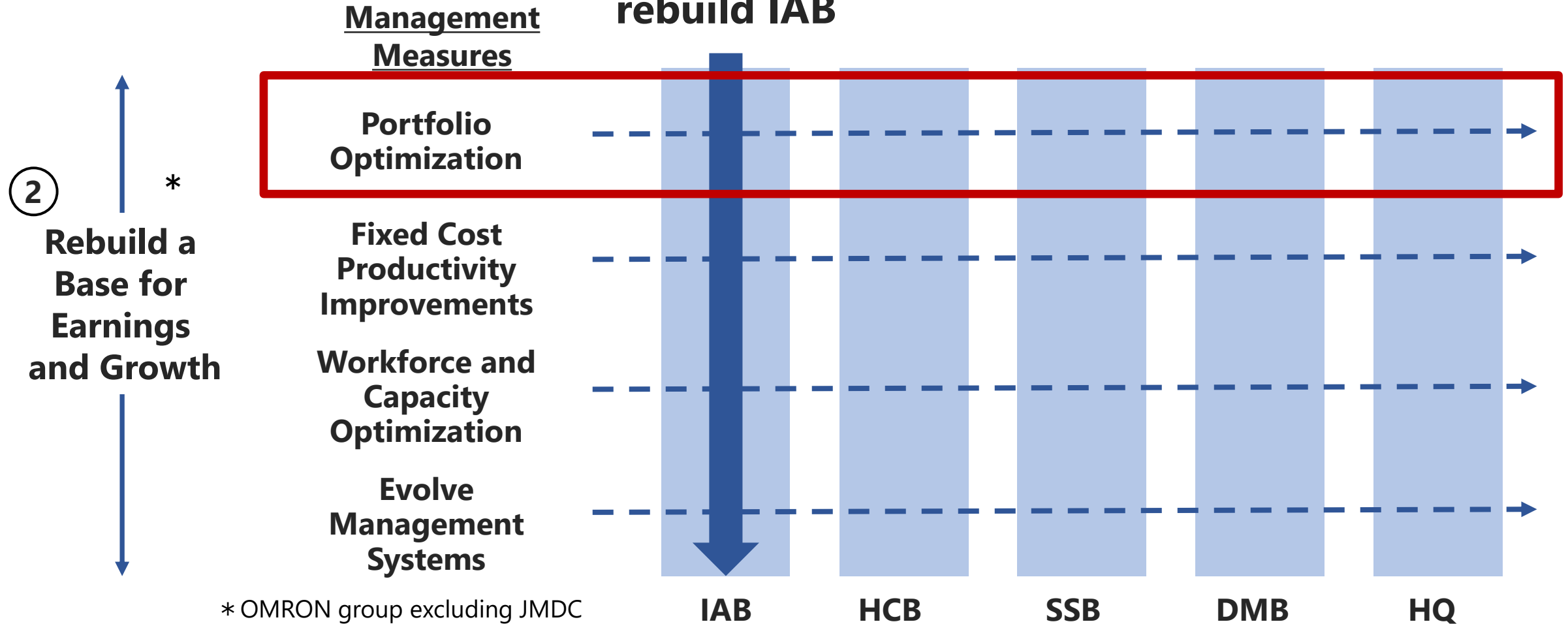
① Quickly rebuild IAB



Outline of Structural Reform

Reconstruction of earnings base is showing signs of progress.
Focus on initiatives for re-growth from H2 onwards

① Quickly rebuild IAB



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Reference

Consolidated Balance Sheet

	(¥bn)		
	End-March 2024	End-Sept.2024	Chg, vs. End-FY2023
Current assets	547.6	533.5	-14.1
(Cash and cash equivalents)	(143.1)	(161.3)	(+18.2)
(Inventory)	(174.0)	(181.2)	(+7.2)
Property, plant and equipment	136.8	133.1	-3.7
Investments and other assets	670.4	682.5	+12.1
Total assets	1,354.7	1,349.2	-5.5
Current liabilities	231.2	242.1	+10.9
Long-term liabilities	172.6	179.2	+6.6
Total Liabilities	403.7	421.3	+17.6
Shareholders' equity	786.7	763.5	-23.2
Noncontrolling interests	164.3	164.4	+0.1
Total net assets	951.0	927.9	-23.1
Total Liabilities and net assets	1,354.7	1,349.2	-5.5
Equity ratio	58.1%	56.6%	-1.5%pt

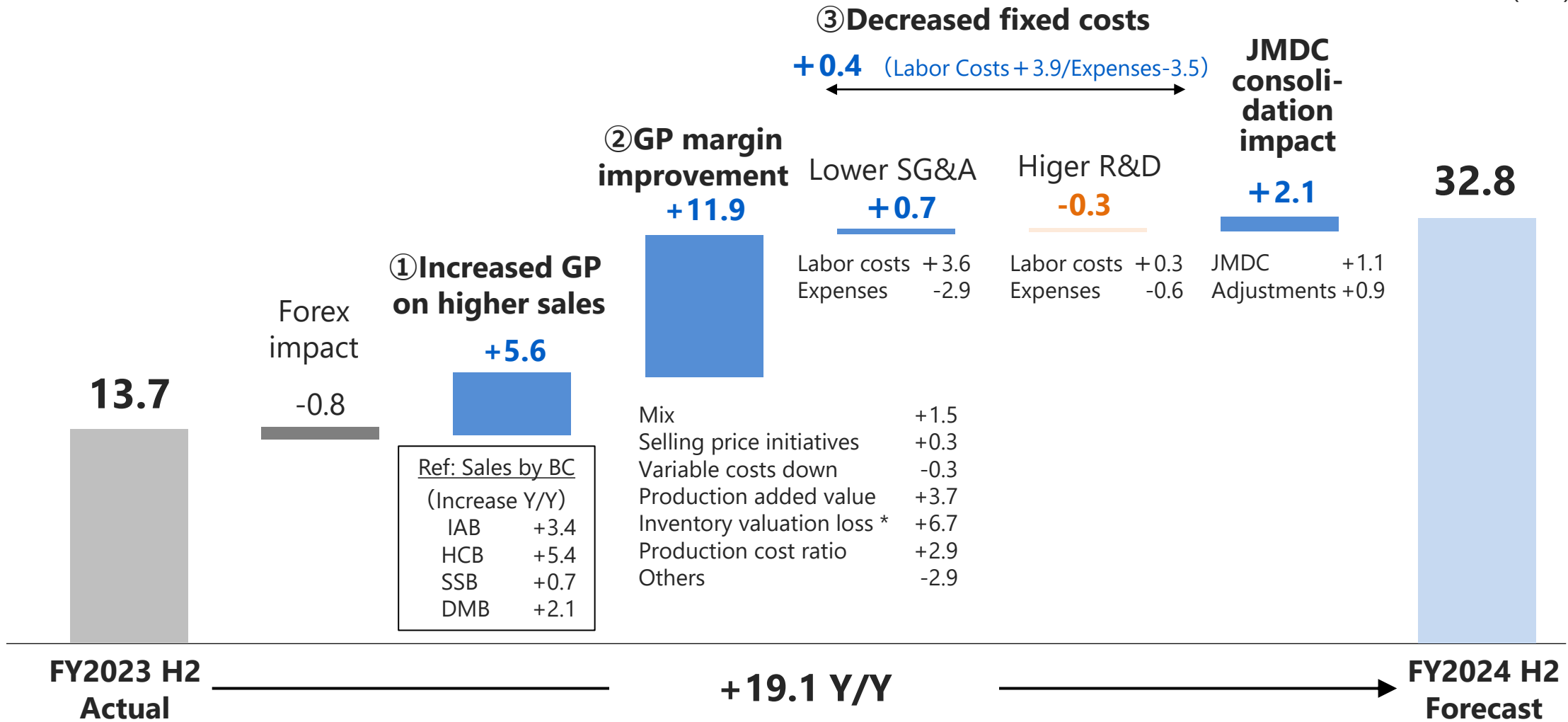
Consolidated Cash Flow Statement

(¥bn)

	H1 FY2023 Actual	H1 FY2024 Actual	Y/Y
Operating cash flow	25.7	23.8	-1.9
Investment cash flow	-19.0	-29.8	-10.8
Free cash flow (FCF)	6.8	-5.9	-12.7
Financing cash flow	-11.4	22.9	+34.3
Cash and cash equivalents as of end of period	107.7	161.3	+53.6
Capital expenditure	17.3	19.3	+2.0
Depreciation	13.8	16.8	+3.0

(Ref.) H2 Forecasts: Analysis of Change in Operating Income (Y/Y)

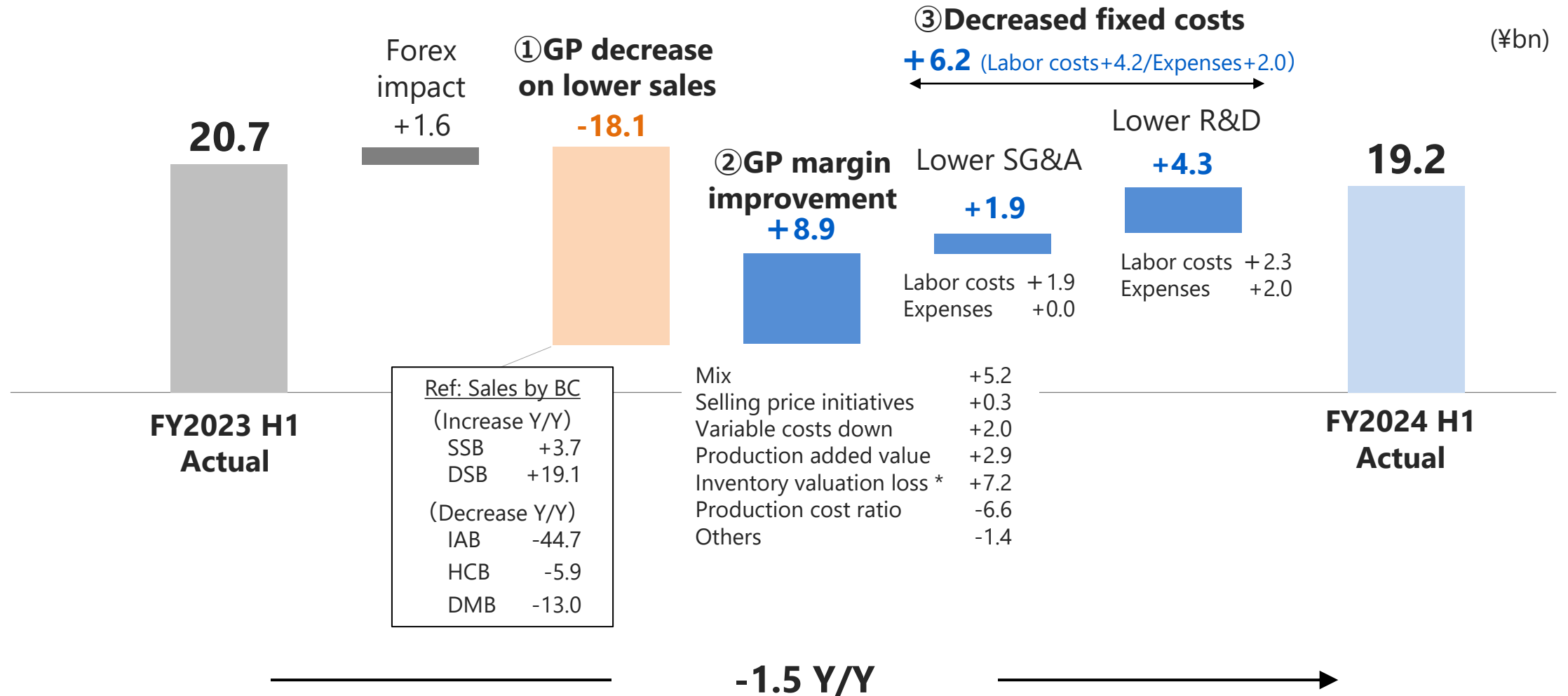
(¥bn)



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

***Includes JMDC consolidated impact**

JMDC consolidation impact



FY2024 Forex Sensitivities and Assumptions

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

	Sensitivities		Assumptions
	Sales	OP	FY2024 H2 Assumptions
USD	Approx. ¥1.3 bn	Approx. ¥-0.1 bn	¥145.0
EUR	Approx. ¥0.8 bn	Approx. ¥0.3 bn	¥155.0
CNY	Approx. ¥0.7 bn	Approx. ¥0.1 bn	¥20.0

* 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

Invested capital: The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year

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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