

Q&A Session Summary, FY2024 H1 Results Briefing OMRON Corporation

Consolidated

Q. Please tell us the background behind the lowering* of fixed costs from the initial plan.

*The initial plan for fixed costs (SG&A and R&D) for FY2024 was ¥4 billion lower than the previous year. The full-year forecast is ¥16.1 billion lower than the previous year.

A. The effects of optimizing personnel numbers and streamlining expenses are expected to exceed the plan. In addition, fixed costs are expected to fall significantly below the plan due to the fact that the increase in labor costs per unit was lower than expected and that IT investments have been reexamined.

Q. While the profitability of IAB has improved, HCB and SSB have been revised downward.

Is it possible that attention has been reduced to these two businesses due to too much focus on IAB? Also, is there a possibility that these two businesses will experience downsides next fiscal year?

A. We are not reducing investment in other businesses in order to recover the performance of IAB. The reason for the downward revision of HCB is due to sluggish personal consumption in China, and the reason for the downward revision of SSB is due to the growth rate of the energy business being slightly lower than expected, and the factors have been identified. Both businesses have a good chance of growing in the medium term, and we would like to continue to grow in the next fiscal year and beyond by taking measures to address these factors.

IAB

Q. In the structural reform "NEXT 2025," it was said that you would strengthen product appeal, strengthen channels in Europe and the USA, and strengthen services including i-BELT. In a situation that differs from your expectations, such as sluggish demand in Europe and the USA, where do you plan to focus your efforts for growth?

A. I cannot give specifics, but we are considering the following three points.

1. To quickly develop and release products tailored to the market.
2. To further expand i-BELT, which is steadily increasing its customer base, while making medium- to long-term investments.
3. To strengthen local production and consumption amid rising geopolitical risks, and provide products and solutions tailored to the market characteristics of each area.

Q. Regarding China, it appears that your performance in H1 was good despite the tough environment, including competition with local manufacturers, but I would like to hear your views on the business environment in the country.

A. The reason why H1 was favorable compared to the market conditions is because we were able to accurately grasp the demand for domestic semiconductor production and secure sales through our solutions business. We were able to reaffirm that our solutions business has a certain degree of competitiveness.

On the other hand, it is true that cost competition with local manufacturers in China is becoming more intense. In response to this, we will release cost-competitive products with an eye to the future.

In addition, in the medium to long term, we believe that the "China Plus One" movement in manufacturing will progress, but we also believe that there will be continued demand in China for the production of advanced products. We would like to assess the Chinese market from a short-term and medium-term perspective.

HCB

Q. In H2, both sales and operating profit are expected to exceed those of H1. Please tell us the likelihood of this.

A. Regarding China, where demand has been sluggish due to the worsening economic environment, we believe that this market environment will continue in H2.

On the other hand, we expect solid sales in Europe, where demand continues to be high due to prevention and health maintenance, as well as in the United States and Asia, and we believe that we will be able to exceed H1 by partially covering the sales in China.