

Industrial Automation Business (IAB)

Market Environment

Manufacturing processes are becoming increasingly sophisticated worldwide and major changes are afoot, such as the shift from gasoline-powered to hybrid vehicles and EVs. At the same time, soaring labor costs and labor shortages due to a shrinking workforce are becoming more pronounced. Moreover, initiatives to promote decarbonization of production processes and introduce energy management are underway in response to customer needs for more sustainable products and services. In fiscal 2024, as these factors continue to reshape society, recovery in demand for factory automation (FA) is expected to commence, gaining traction from the second half of the year onward. In particular, capital expenditure in the semiconductor industry is recovering thanks to rapid growth in global demand for AI, and we expect continued expansion of investment in the technology sector, especially in Japan, South Korea, and Taiwan. In addition, we anticipate a further rise in demand, coupled with investment in semiconductor production in each country and region. Attuned to this market environment, we aim to grow our business by resolving issues at manufacturing sites.

Our Strengths

We have a threefold value proposition that can resolve issues at our customers' manufacturing sites. Firstly, the most extensive product lineup in the industry. We will begin strengthening our core products, such as various sensors for monitoring equipment status and collecting other information, and controllers and robots enabling high-speed, high-precision control of equipment. Drawing on the wealth of knowledge that OMRON has cultivated at manufacturing sites, we will further enhance our product lineup to contribute to the progress of manufacturing.

Secondly, control applications that are an elegant solution for advanced control. Our control applications, created through the combination of OMRON's product lineup and software technology, are widely used at manufacturing sites where advanced production technology is required, such as in semiconductor manufacturing where unceasing technological innovation is the norm, as typified by three-dimensional device structures including chiplets, and in the manufacture of rechargeable batteries, which are a key enabler of a decarbonized society. In addition, our experienced application engineers deployed worldwide provide field technical services to implement tailored solutions that meet individual customer needs. In cooperation with our customers, we will continue making a concerted effort to resolve new issues at manufacturing sites by leveraging OMRON's automation technology. Thirdly, the provision of services to help resolve issues related to energy management and human resources engaged in manufacturing, which are directly related to customers' business management. Notable examples are i-BELT and the Industrial Automation Academy (IA Academy). As a service that utilizes on-site data while leveraging the customer's knowledge, and through consulting, i-BELT is highly regarded for its ability to facilitate identification of on-site issues and thorough implementation of improvement activities. Many of our customers have incorporated IA Academy into their human resources development programs. The unique curriculum, which covers not only conventional training for FA devices operation but also manufacturing and equipment management methods, is customizable according to customer needs.

Growth Strategy to Achieve SF2030

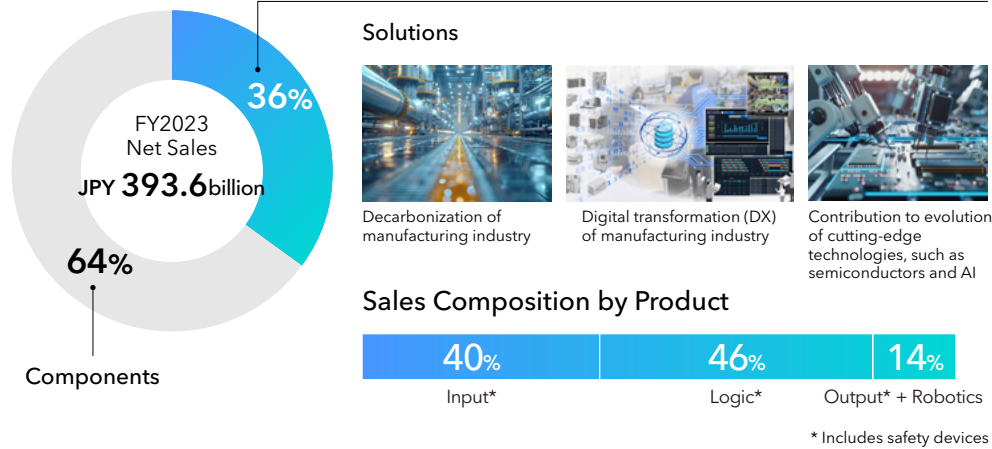
Production sites previously concentrated in China are rapidly being dispersed to Europe, the U.S., Asia, India, and elsewhere in light of soaring labor costs, geopolitical risks, and the trend toward local production for local consumption. Furthermore, with manufacturing technology

evolving at an ever-faster pace, we assume that responses to labor shortages in manufacturing industry and structural transformation of the sector through such inexorable trends as decarbonization and digitalization will remain a defining feature of the industrial landscape for the foreseeable future. In response to the burgeoning needs for FA, IAB aims to increase sales by steadily resolving customers' manufacturing issues one by one. In particular, we aim to achieve regionally balanced sales growth by deploying our automation technology, which we have established in response to changes in manufacturing mainly in China and Asia, to production sites worldwide.

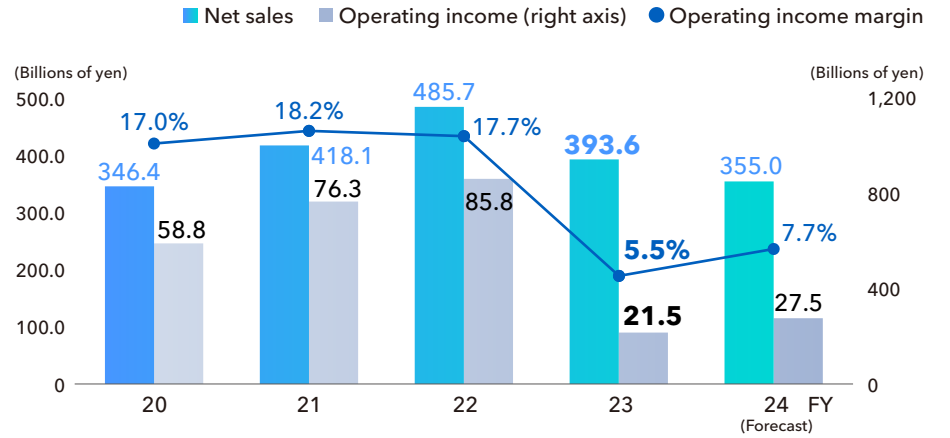
To this end, under NEXT 2025, we will reinforce our capabilities for resolving customers' manufacturing issues. Firstly, we will pursue optimization of our product portfolio, centering on core products. We will focus companywide development resources on creation of a highly competitive product lineup to amplify our growth potential. Secondly, we will continue to enhance our control applications in response to the evolution of manufacturing technology, which is tantamount to structural transformation. Our field engineers deployed around the world will work with customers at their sites, resolving issues with them as control applications continue to evolve. Furthermore, we will refine our services to effectively resolve issues using our products and control applications. For example, OMRON invested in SALTYSTER, Inc.*, whose technology is capable of integrating all types of data at manufacturing sites at unparalleled speed. Through co-creation with SALTYSTER, we intend to expand i-BELT services that utilize on-site data for such purposes as "predictive maintenance," "manufacturing that does not produce defective products," and "energy-saving production." There is an urgent need to address issues arising from increasing consumer demand for high-quality, sustainable products and the ongoing changes in manufacturing. Capitalizing on its industry-leading product lineup and automation technology, OMRON will create a stream of innovations that resolve social issues and contribute to the progress of manufacturing that supports a sustainable society.

*Investment in SALTYSTER was executed in October 2023.

Sales Composition by Business Domains



Net Sales / Operating income / Operating income Margin



Net Sales for Fiscal 2023

Demand for capital investment in manufacturing industry was sluggish globally throughout the year. In particular, we saw a significant negative impact stemming from postponements or reductions in investments related to rechargeable batteries for EVs and semiconductors. Inventory at distributors, which had been an issue, remained at high levels, despite a trend toward drawdowns. As a result, net sales were JPY 393.6 billion, significantly lower year on year.

Operating income for Fiscal 2023

Operating income was JPY 21.5 billion, significantly lower year on year due to lower sales, changes in the sales composition by product, write-down of slow-moving inventories, and other factors affecting gross profit margin negatively.

INPUT	OUTPUT	OUTCOME
<ul style="list-style-type: none"> R&D cost: JPY 25.9 billion (results for FY2023) Capital expenditure: JPY 7.3 billion (results for FY2023) Invested in SALTYSER, Inc., which has high-speed data integration technology applicable to any product data at manufacturing sites (October 2023) Launched CT-type automatic X-ray inspection systems that enable one of the highest-speed inspection in the industry (November 2023) Strengthened product supply capabilities by implementing SCM reform, including design changes, enhanced procurement of components, and parallel production at multiple sites (July 2024) Proactively pursued strategic alliances to respond to diversifying robotics needs (Lowpad BV in November 2023, NEURA Robotics GmbH in April 2024) 	<ul style="list-style-type: none"> Net sales: JPY 393.6 billion (-19.0% YoY) Operating income: JPY 21.5 billion (-75.0% YoY) Number of customers using innovative-Automation: 4,315 companies Sales of the solutions business as a proportion of total sales of IAB: 36% (+1% points YoY) The high-definition, high-speed in-line CT-type automated X-ray inspection technology for semiconductor chiplets received the Minister of Education, Culture, Sports, Science and Technology Award at the 53rd Japan Industrial Technology Awards. (March 2024) 	<ul style="list-style-type: none"> Contributed to the progress of "manufacturing that will support a sustainable society" through the combination of products and services to resolve essential issues facing society <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>SDGs 8.2.1</p> </div> <div style="text-align: center;"> <p>SDGs 9.2.1</p> </div> <div style="text-align: center;"> <p>SDGs 17.16</p> </div> </div>