FY2023 Earnings
Results Briefing

May 8, 2024
OMRON Corporation

Summary

● FY2023 results

- Significant decrease in total sales and profits; mainly due to decrease of sales and profits in IAB and DMB
- HCB and SSB achieved significant increases in sales and profits capturing expanding business opportunities

● FY2024 full-year forecasts

- Gradual recovery in demand is expected from H2 in IAB and DMB.
  Business environments remain strong in HCB, SSB and DSB
- Targeting Y/Y growth in sales and profits. One-time expenses of approximately ¥28.0 bn for workforce/labor costs structural reform is factored in as non-operating expenses
- Full-year dividend guidance unchanged YoY at ¥104

● Structural Reform Program “NEXT 2025”

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1．FY2023 Results

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FY2023: Consolidated Results

Sales and profits decreased. Profits fell sharply, mainly due to decrease in sales and drop in gross profit margin

(¥bn)

	FY2022 Actual	FY2023 Actual	Y/Y	FY2023 Previous FCST	Change from Previous FCST
Net Sales	876.1	**818.8**	-6.5%	810.0	+1.1%
Gross Profit (%)	393.9 (45.0%)	**346.5** **(42.3%)**	-12.0% (-2.7%pt)	339.0 (41.9%)	+2.2% (+0.5%pt)
Operating Income (%)	100.7 (11.5%)	**34.3** **(4.2%)**	-65.9% (-7.3%pt)	24.0 (3.0%)	+42.9% (+1.2%pt)
Net income attributable to OMRON shareholders	73.9	**8.1***	-89.0%	1.5*	+440.3%
ROE	10.6%	**1.1%**	(-9.5%pt)	Approx. 1%	–
ROIC	10.4%	**1.0%**	(-9.4%pt)	Approx. 1%	–
EPS(JPY)	372	**41**	-331	8	+33
Average USD rate (JPY)	135.2	143.9	+8.7	143.4	+0.5
Average EUR rate (JPY)	140.9	156.3	+15.4	155.0	+1.3
Average CNY rate (JPY)	19.7	20.1	+0.4	20.0	+0.1

*Net income includes loss on revaluation of JMDC shares associated with its additional acquisition (¥12.0 billion)

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FY2023: Results by Segment

Decreased sales and profits in IAB and DMB.
Increased sales and profits in HCB and SSB

(¥bn)

	Sales			OP		
	FY2022 Actual	FY2023 Actual	Y/Y	FY2022 Actual	FY2023 Actual	Y/Y
IAB Industrial Automation	485.7	**393.6**	-19.0%	85.8 (17.7%)*1	**21.5 (5.5%)**	-75.0% (-12.2%pt)
HCB Healthcare	142.1	**149.7**	+5.3%	16.0 (11.3%)	**18.5 (12.3%)**	+15.3% (+1.1%pt)
SSB Social Systems, Solutions and Service	107.3	**141.6**	+32.0%	7.5 (7.0%)	**14.0 (9.9%)**	+87.2% (+2.9%pt)
DMB Device & Module Solutions	138.9	**114.4**	-17.6%	15.5 (11.2%)	**3.1 (2.8%)**	-79.7% (-8.4%pt)
DSB *2 Data Solutions	–	**17.4**	–	– –	**2.2 (12.6%)**	– –
Eliminations & Corporate	2.1	**2.1**	+2.4%	-24.2	**-24.9**	–
Total	876.1	**818.8**	-6.5%	100.7 (11.5%)	**34.3 (4.2%)**	-65.9% (-7.3%pt)

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

*2. Includes JMDC results and related expenses (amortization of intangible assets and acquisition-related expenses) associated with the consolidation

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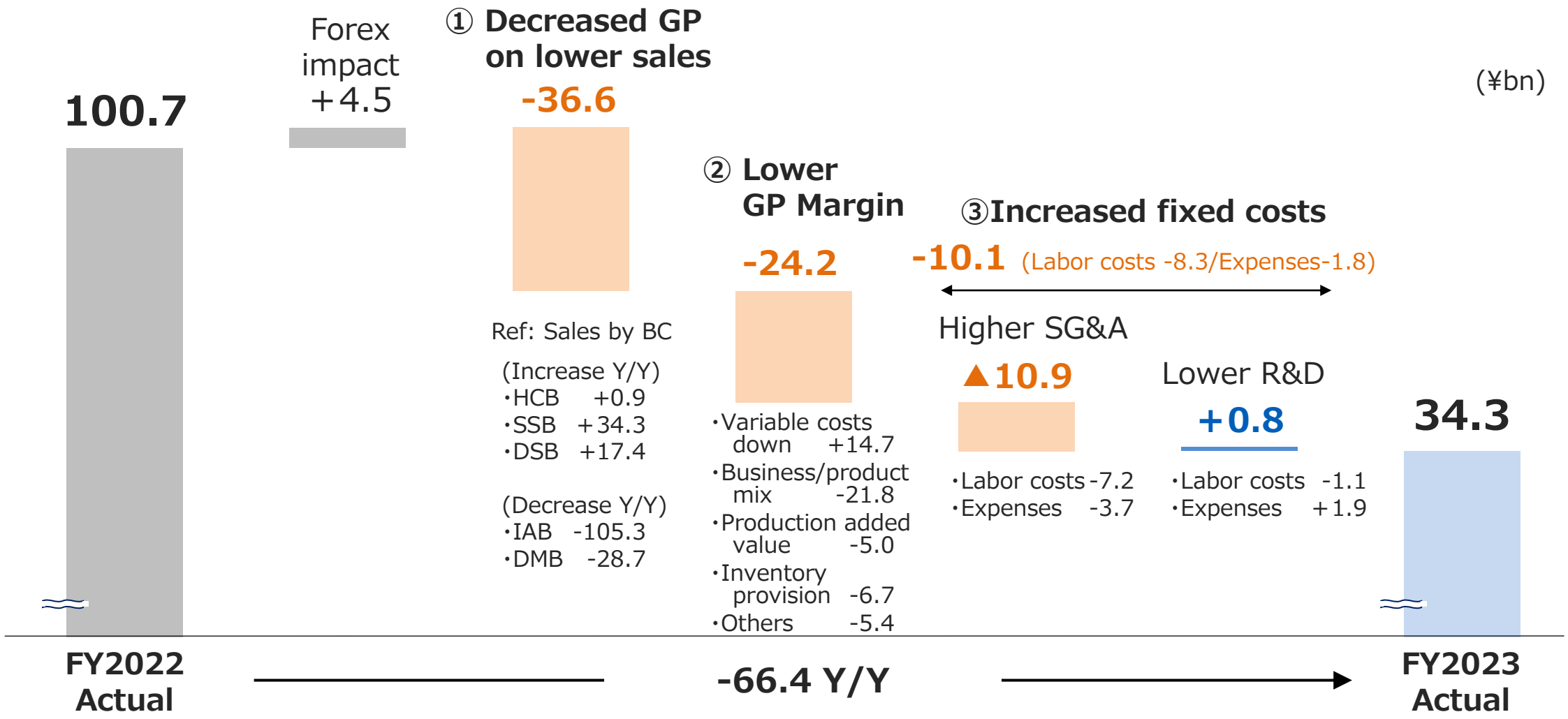
FY2023: Analysis of Change in Operating Income (Y/Y)

Impacted by decline in sales and GP margin in IAB and DMB. SG&A expenses increased due to the impact of inflation on labor costs



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2．FY2024 Forecasts

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Operating Environment Outlook

Overall improvement from FY2023.
Expect gradual recovery in IAB and DMB from H2

IAB Industrial Automation	**Business environment remains sluggish in H1, with differences among markets.** **In H2, expect gradual recovery in demand, mainly in digital market** *Details on later pages
HCB Healthcare	**BPM market to grow gradually on a global basis** Cardiovascular: Expect gradual growth on a global basis, centered on China and Asia Respiratory: Demand for nebulizers continues to expand globally, although affected by the backlash from China's special demand for respiratory diseases
SSB Social Systems, Solutions & Service	**Overall favorable business environment continues** Energy: Renewable energy-related investments in the residential area will continue. In the industrial field, the need for PV installation is expected to increase Railway: Investment demand from railway companies is steady due to recovery in ridership and fare revisions
DMB Device & Module Solutions	**Demand remained sluggish in general in H1; gradual improvement from H2** DC Equipment/Microwave Devices: Driven by increased demand for advanced semiconductors, expect full-scale growth from H2 Commodity Devices: Despite some differences among markets, expect gradual recovery from H2 as the market continues to deplete inventory
DSB Data Solutions	**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

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Forecasts: Consolidated Earnings

Increased sales and profits. Plan to significantly increase OP by improving GPM and fixed cost productivity

(¥bn)

	FY2023 Actual	FY2024 Forecast	Y/Y
Net Sales	818.8	**825.0**	+0.8%
Gross Profit (%)	346.5 (42.3%)	**368.5** **(44.7%)**	+6.4% (+2.4%pt)
Operating Income (%)	34.3 (4.2%)	**49.0** **(5.9%)**	+42.7% (+1.7%pt)
Net income attributable to OMRON shareholders	8.1	**8.5***	+4.9%
ROE	1.1%	**Approx. 1%**	–
ROIC	1.0%	**Approx. 1%**	–
EPS(JPY)	41	**43**	+2
Average USD rate (JPY)	143.9	145.0	+1.1
Average EUR rate (JPY)	156.3	155.0	-1.3
Average CNY rate (JPY)	20.1	20.0	-0.1

*Reflects non-operating expenses of approximately 28.0 billion yen as expenses such as special lump-sum payments associated with "optimizing the number of personnel and capabilities" in structural reforms

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Forecasts: Earnings by Segment

Forecast OP increase in IAB and DMB despite sales decrease. Expect sales and OP to keep increasing in HCB and SSB

(¥bn)

	Sales			OP		
	FY2023 Actual	FY2024 Forecast	Y/Y	FY2023 Actual	FY2024 Forecast	Y/Y
IAB Industrial Automation	393.6	**355.0**	-9.8%	21.5 (5.5%)*1	**27.5 (7.7%)**	+28.1% (+2.2%pt)
HCB Healthcare	149.7	**161.0**	+7.5%	18.5 (12.3%)	**22.0 (13.7%)**	+19.2% (+1.4%pt)
SSB Social Systems, Solutions and Service	141.6	**154.5**	+9.1%	14.0 (9.9%)	**17.0 (11.0%)**	+21.3% (+1.1%pt)
DMB Device & Module Solutions	114.4	**110.0**	-3.8%	3.1 (2.8%)	**4.0 (3.6%)**	+27.1% (+0.8%pt)
DSB*2 Data Solutions	17.4	**43.0**	–	2.2 (12.6%)	**3.0 (7.0%)**	– –
Include JMDC*3	17.4	**43.0**	–	4.8 (27.6%)	**9.3** (21.6%)	– –
Eliminations & Corporate	2.1	**1.5**	–	-24.9	**-24.5**	–
Total	818.8	**825.0**	+0.8%	34.3 (4.2%)	**49.0 (5.9%)**	+42.7% (+1.7%pt)

*1. Figures shown in brackets under OP are segment OPMs
*2. DSB includes the financial results of JMDC, the amortization of intangible assets associated with the consolidation, and other financial figures related to data services.
*3. JMDC's FY2023 results include financial figures since becoming a consolidated subsidiary on October 16, 2023, and FY2024 forecasts are full-year financial figures.

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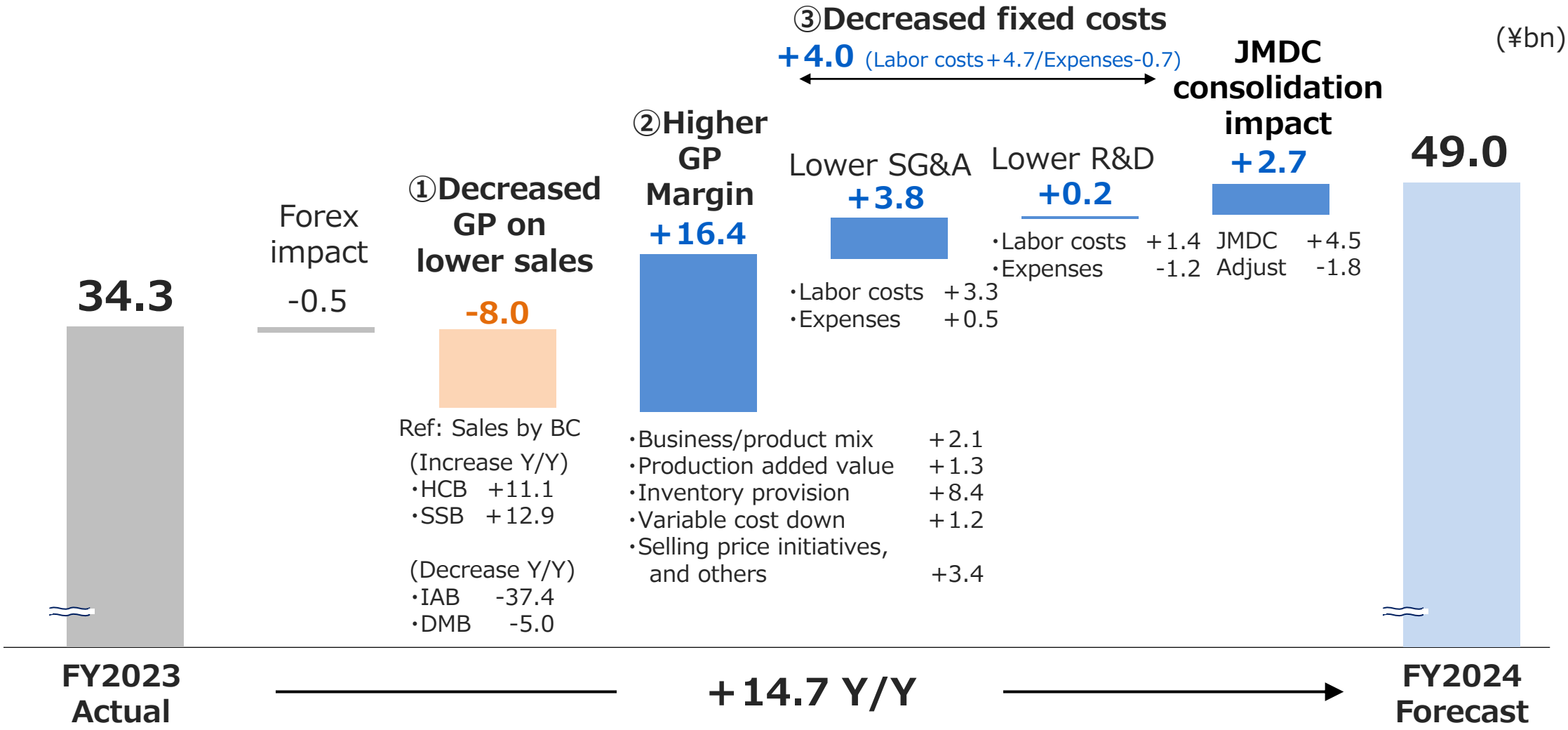
Forecasts: Analysis of Change in Operating Income (Y/Y)

Profit increase of ¥14.7bn by GP Margin improvements, fixed costs efficiency improvements, and the consolidation impact of JMDC for the full year



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Forecasts: Fixed Costs Optimization Plan (SG&A, R&D)

Initiate fixed costs efficiency improvements, and at the same time implement selective investments for growth

	Themes	Fixed costs change (Y/Y)*
Fixed cost efficiency	Reduce workforce globally Increase fixed cost productivity	¥-22.0 bn
Growth investment	Enhance competitiveness in growth business Build/deploy New ERP systems	¥+6.0 bn
Labor costs increase	Unit price increase due to inflation, etc.	¥+12.0 bn
		Total ¥-4.0 bn

*Exclude JMDC and Forex impact

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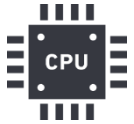
IAB: Operating Environment Outlook

In the digital domain, gradual recovery is expected in the semiconductor industry in H2, while PV and smartphone investment will remain low. Recovery of capital investment in domains other than focus domains remain gradual throughout the year

Domains	Outlook for FY2024
 **Digital**	・In semiconductors, customer/distributor inventory backlogs continue in H1, but capital investment recovers gradually in H2 ・PV and smartphone investments remain low throughout the year
NEV	・Investment in EVs/components to remain at the same level as previous year ・Cautious investment stance on in batteries due to the oversupply in China and slowing demand for EVs. With also slow rise in investment in Europe and US, the overall outlook remains at the same low level as in FY23.
Food/ Household goods	・Sluggish investment in H1, mainly in Europe, but gradual recovery expected from H2
Medicine/ Logistics	・Investments in both medicine/logistics remain at a low level throughout the year, at the same level as in H2 of FY23
Others	・Investment recovery only at a gradual level, from H1 to H2, remaining at a low level throughout the year

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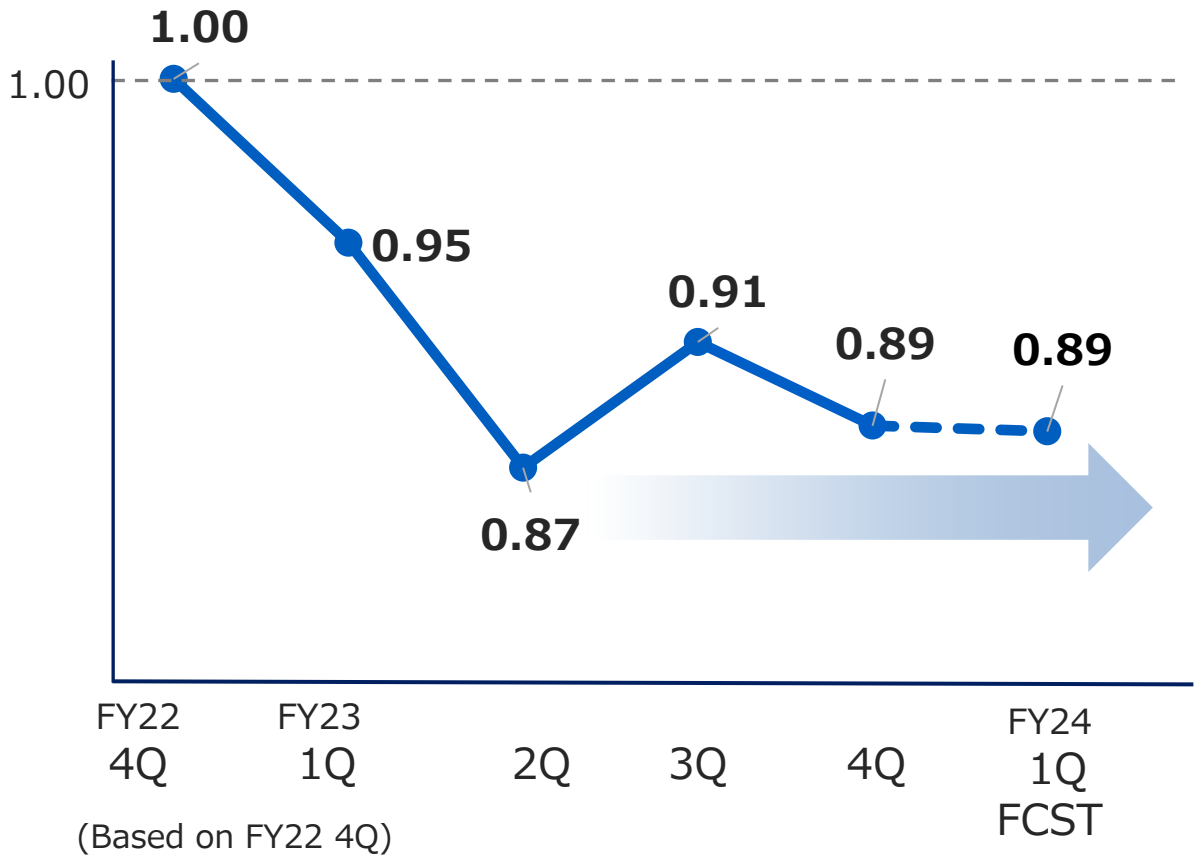
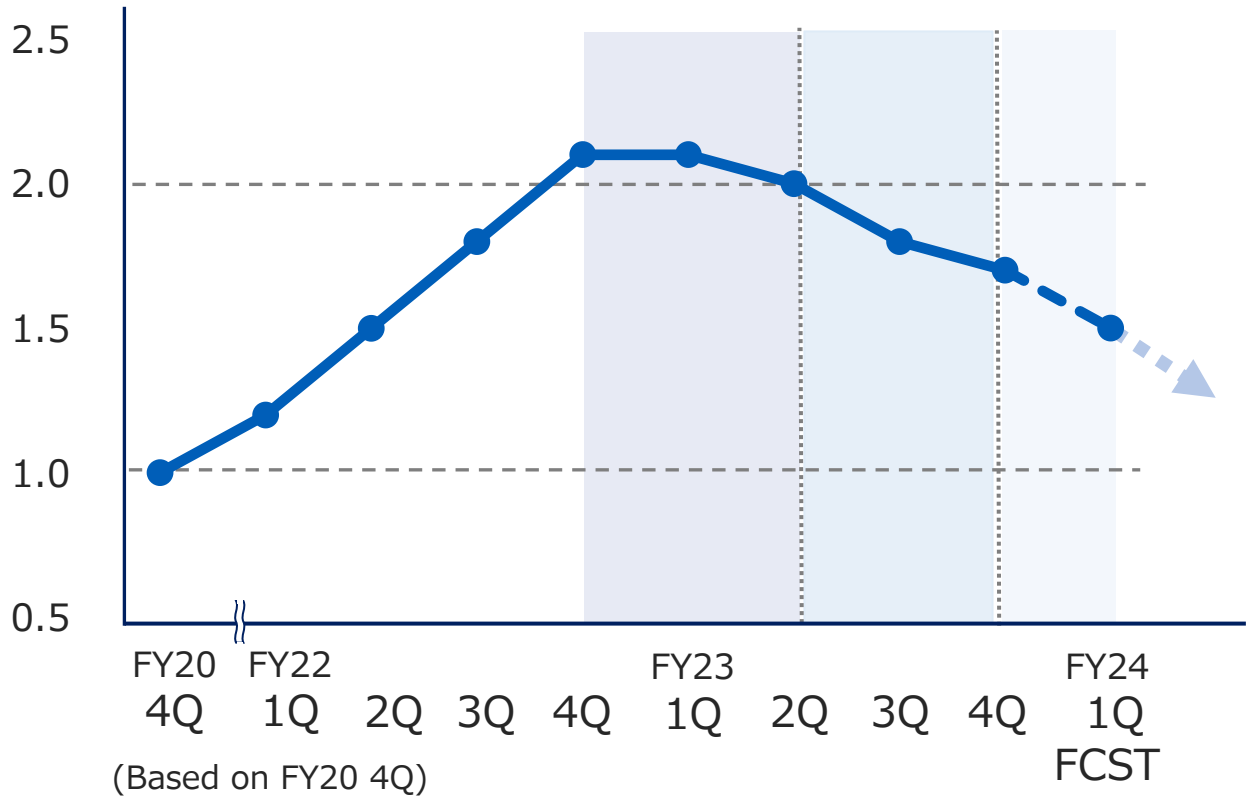
IAB: Changes in Orders and Distributor Inventory levels

Order levels are flat, and distributors inventory levels are steadily returning to normal except in some areas

Order levels (FY24 FX FCST rate base)



Distributor inventory levels (all area avg.)



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IAB: Operating Income Forecast

Despite the impact of decreased sales, we aim to increase profits by improving GP margin and fixed costs efficiency

Causes of change in OP		FY24 forecast	Change from FY23
Sales decrease	Business environment	• Sluggish business environment continued in H1. Gradual recovery from H2	¥-17.3 bn
	Inventory backlog at distributors	• Overall return to normal level except in some areas in H1	
GPM improve-ments	Product/area mix	• Improvements by increasing the composition ratio of high value-added products	¥+14.7 bn
	Production value added	• Production increase planned from H2, as market conditions expected to recover next fiscal year	
	Inventory provision	• Reduction of provision by purchase control	
	Production fixed costs	• Decrease by optimizing the headcount	
	Others	• Effects of price optimization from FY2023 enjoyed throughout the year.	
Fixed costs	SG&A, R&D	• Labor costs reduced by optimizing the headcount. Selective investments continued	¥+8.5 bn

* Excluding forex impact

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Shareholder Returns

Full-year dividend guidance unchanged YoY at ¥104.

Maintain “dividends on equity (DOE) of around 3%” during the Structural Reform Period

Full-year Dividend

FY2023: Plan	FY2024: Forecast
¥104	¥104

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3. Structural Reform Program “NEXT 2025”

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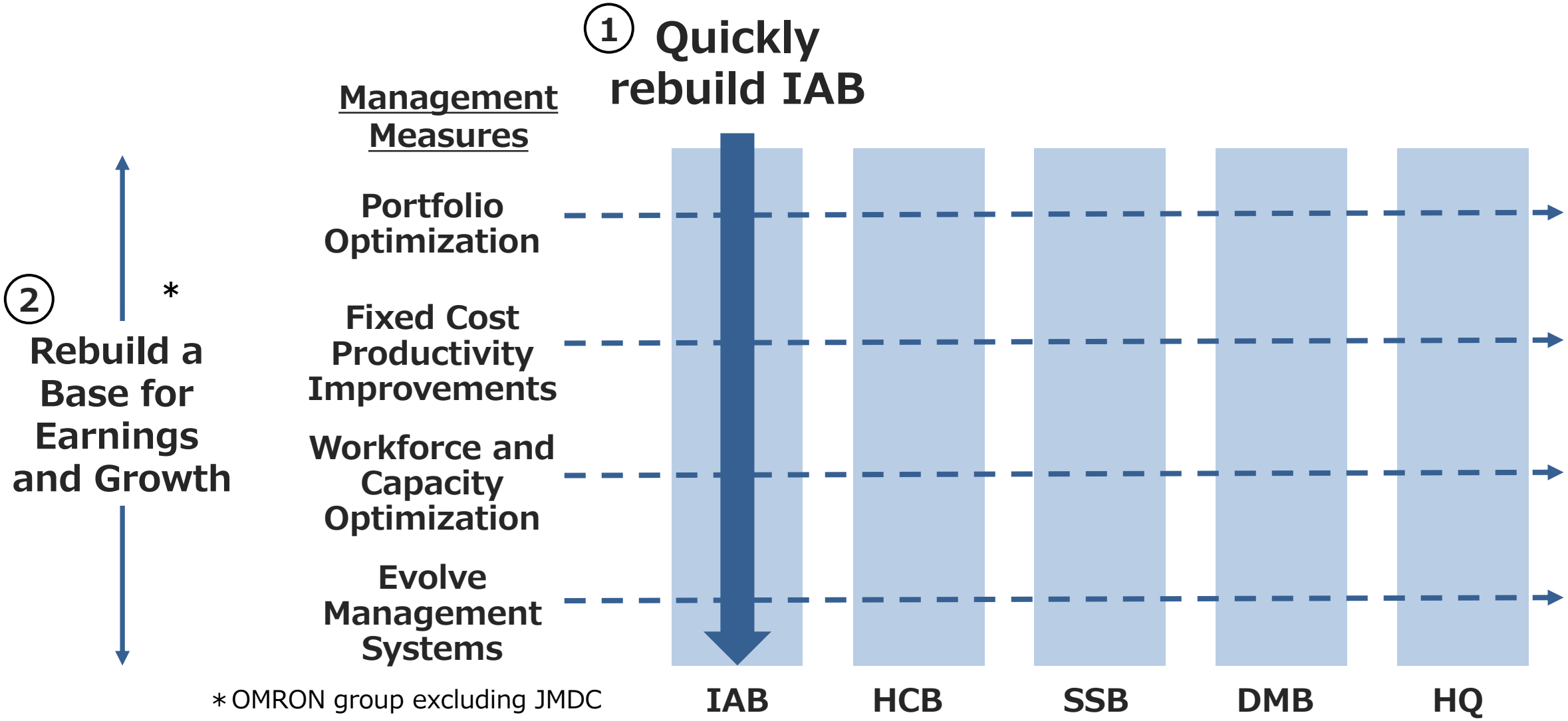
Outline of Structural Reform

Initiate actions to resolve two management issues



＊OMRON group excluding JMDC

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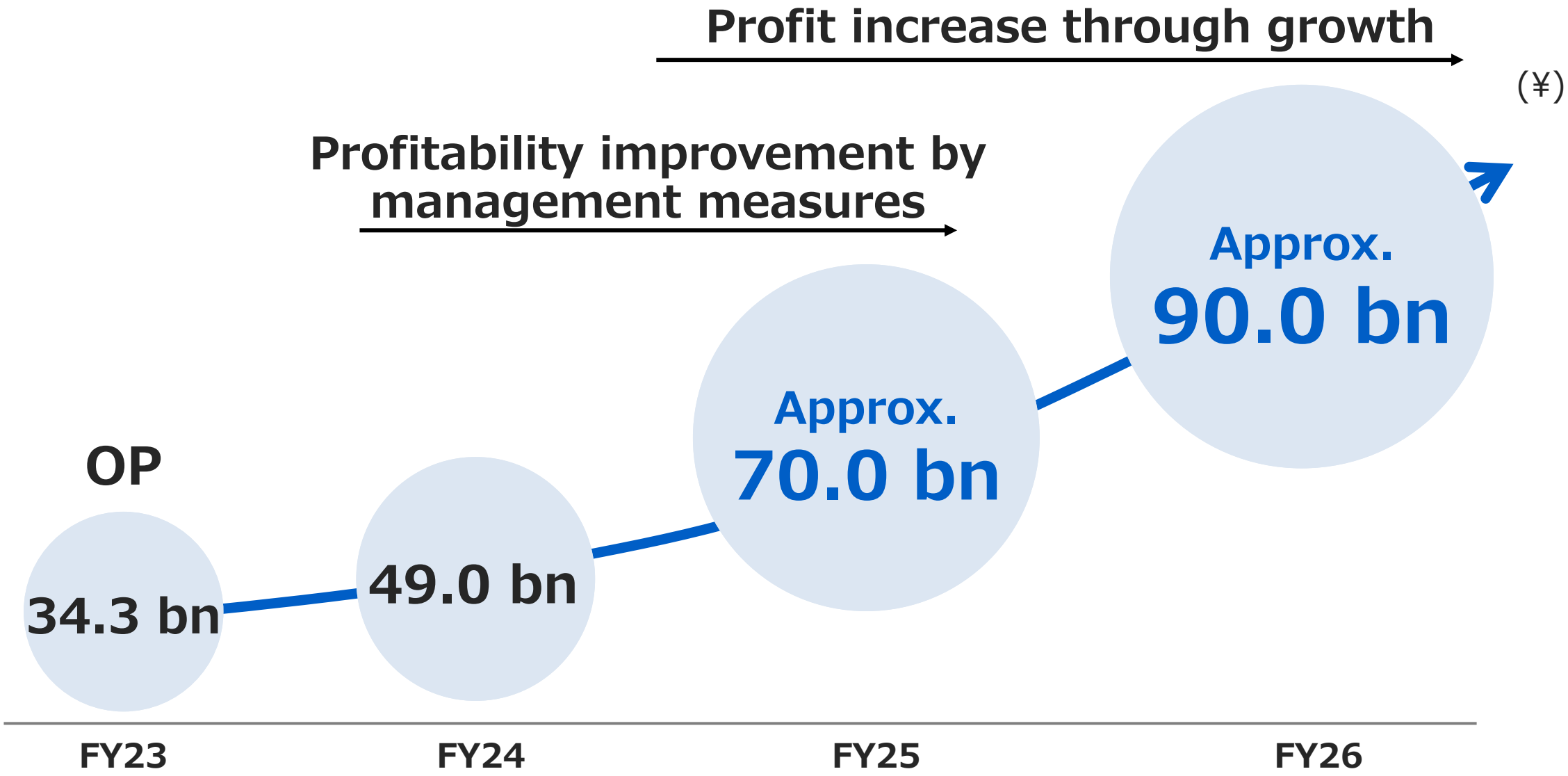
Performance Outlook

Aim for OP of approx. ¥90.0 bn in FY26 by improving profitability and increasing profits through growth



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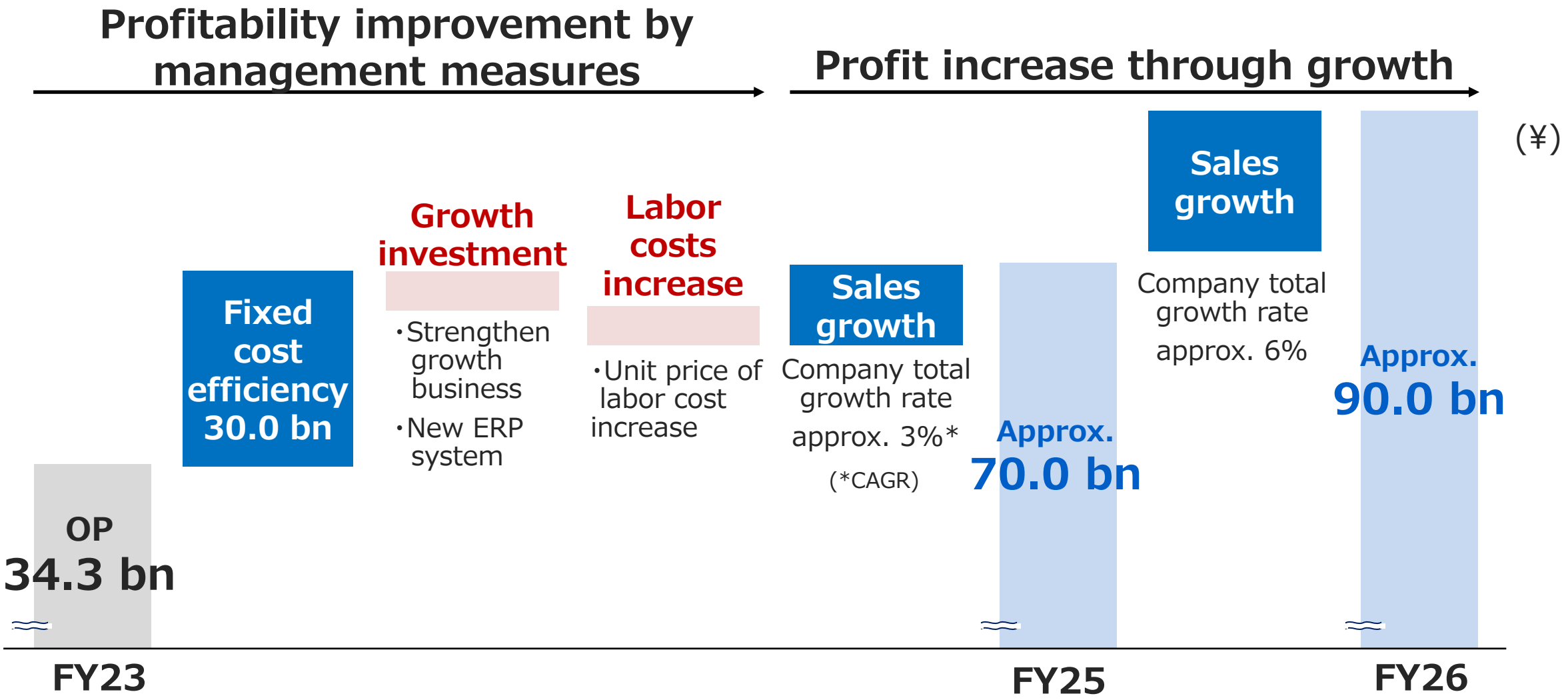
Scenario for Maximizing Profits

Maximize profits through steady implementation of management measures, regrowth of IAB, and sustainable growth of other segments



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Implementation plans for each management measure

Promote each management measure and strengthen the profit base and growth base

Management Measures	FY24 Plans
1 Portfolio Optimization	Re-evaluation and optimize all business and product segments sequentially. Implement carefully selected growth investments
2 Fixed Cost Productivity Improvements	Complete fixed cost efficiency programs and reduce ¥24.0 bn
3 Workforce and Capacity Optimization	Complete optimization of headcount for 2,000 people globally. At the same time, strengthen the necessary human resources and transform the group's capabilities
4 Evolve Management Systems	Start of ERP operations in Europe and accelerate global expansion. Set/operate KPIs that lead to sales growth

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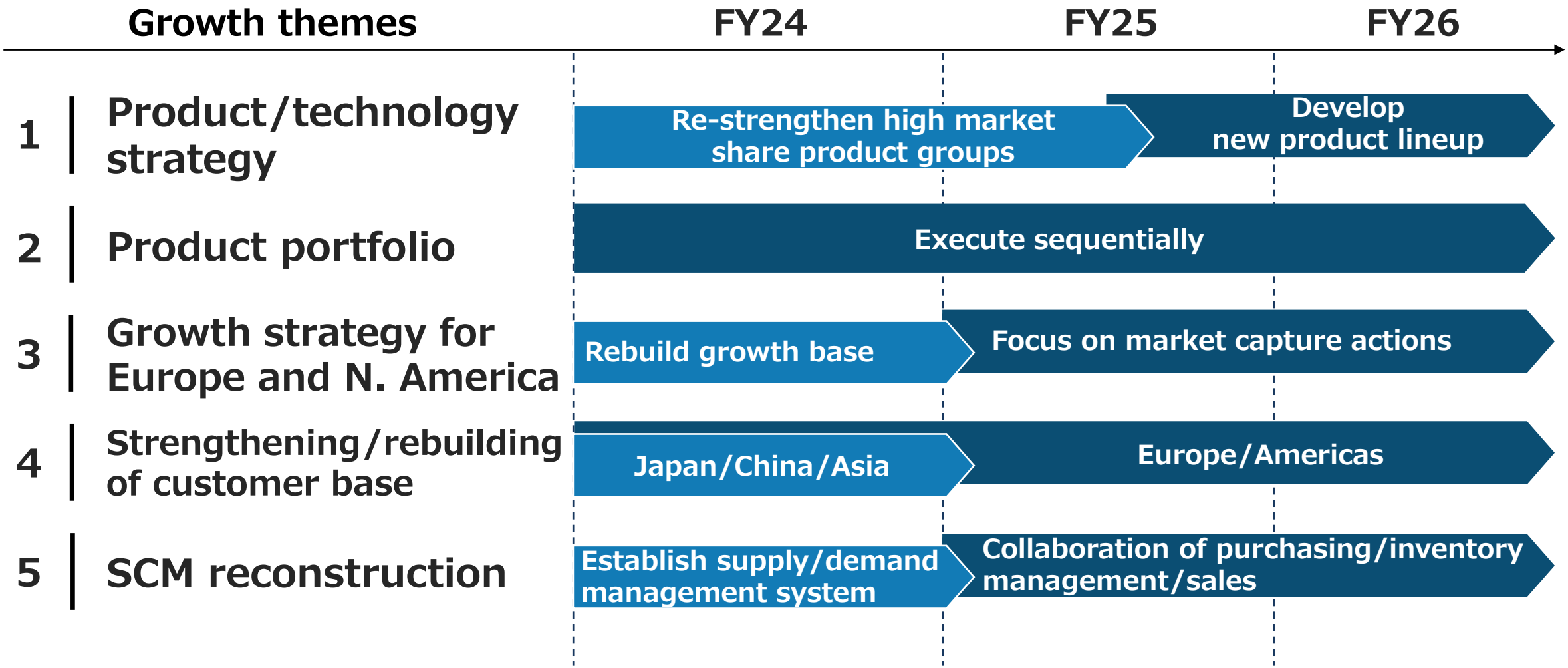
Regrowth of IAB

Strengthen business competitiveness and achieve sustainable sales and profit expansion for re-growth



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Reference

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Consolidated Balance Sheet

(¥bn)

	End-Mar. 2023	End-Mar. 2024	Change (Y/Y)
Current assets	486.9	547.6	+60.7
(Cash and cash equivalents)	(105.3)	(143.1)	(+37.8)
(Inventory)	(173.9)	(174.0)	(+0.1)
Property, plant and equipment	129.6	136.8	+7.2
Investments and other assets	381.7	670.4	+288.6
Total assets	998.2	1354.7	+356.6
Current liabilities	210.0	231.2	+21.1
Long-term liabilities	56.9	172.6	+115.7
Total Liabilities	266.9	403.7	+136.8
Shareholders' equity	728.5	786.7	+58.2
Noncontrolling interests	2.8	164.3	+161.6
Total net assets	731.2	951.0	+219.8
Total liabilities and net assets	998.2	1,354.7	+356.6
Equity ratio	73.0%	58.1%	-14.9%pt

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Consolidated Cash Flow Statement

(¥bn)

	FY22 Actual	FY23 Actual	Change (Y/Y)
Operating cash flow	53.5	44.9	-8.6
Investment cash flow	-55.5	-107.1	-51.6
Free cash flow（FCF）	-2.1	-62.2	-60.1
Financing cash flow	-58.8	86.0	+144.8
Cash and cash equivalents at end of the period	105.3	143.1	37.8
Capital expenditure	45.0	43.7	-1.3
Depreciation	26.6	30.8	+4.2

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FY2024 Forex Sensitivities and Assumptions

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

	Sensitivities		Assumptions
	Sales	OP	FY2024 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

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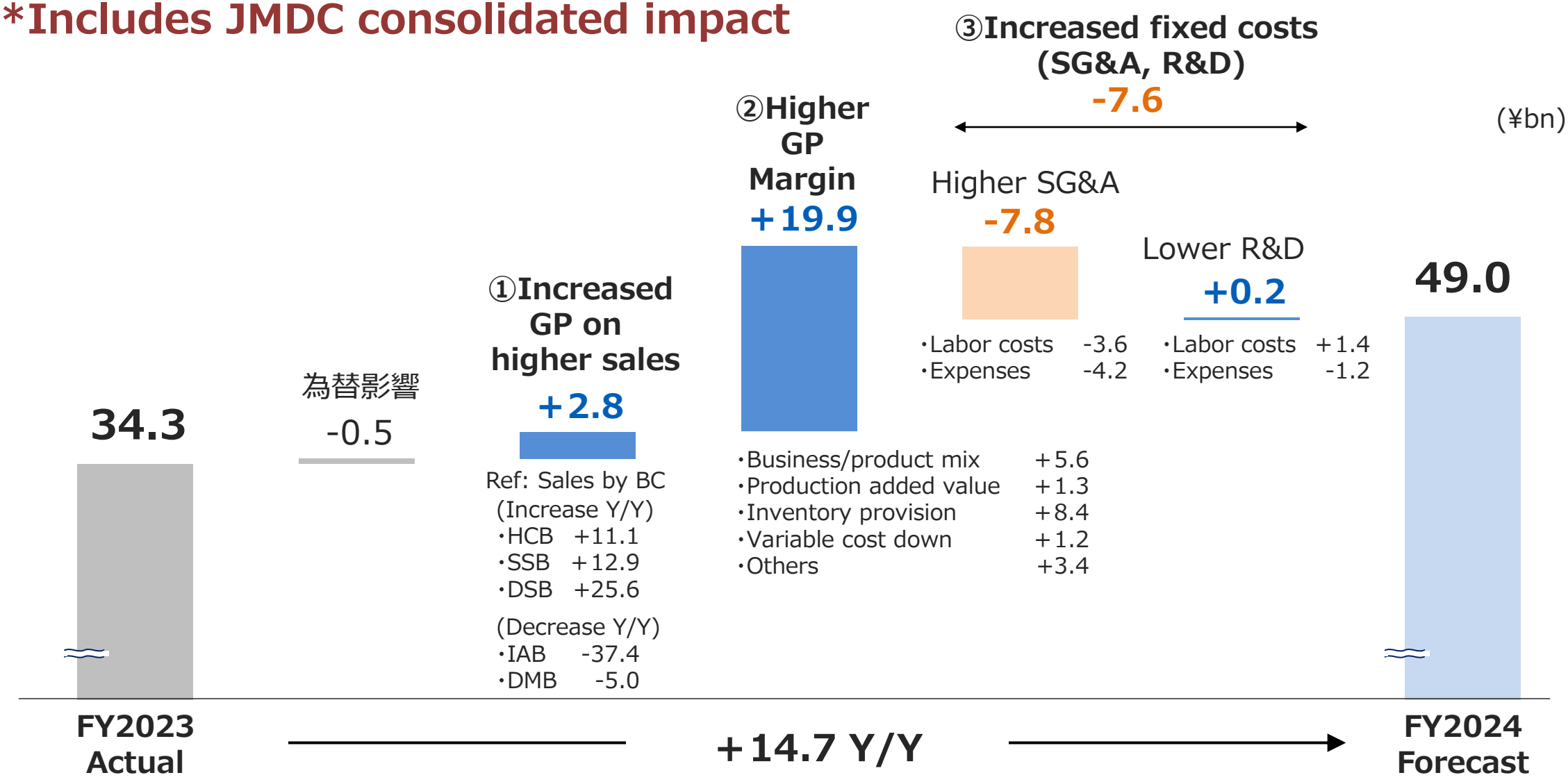
【Ref.】Forecasts: Analysis of Change in Operating Income (Y/Y)

Change in profit based on FY24 new classification
*Includes JMDC consolidated impact



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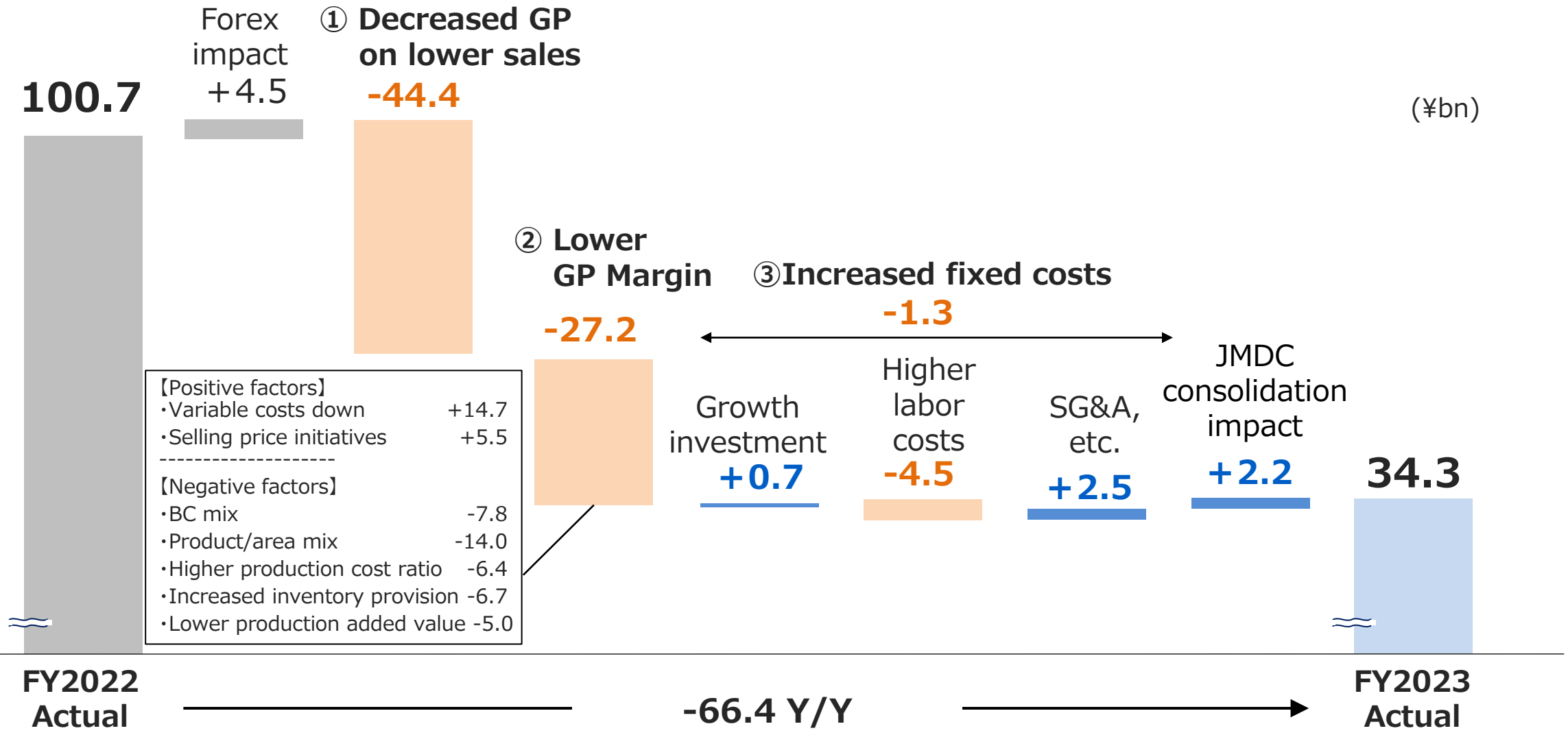
【Ref.】FY2023: Analysis of Change in Operating Income (Y/Y)

Change in profit based on FY23 classification



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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

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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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