# Q&A Session Summary, Q2 FY2023 Results Briefing
# OMRON Corporation
# October 27, 2023

**Consolidated**

Q. You indicated OMRON will undertake structural reforms. What will you specifically do?

A. Recently the magnitude of peaks and troughs in capex demand relative to the past has been amplified, reflecting investments in digital society and initiatives to address environmental issues. I want to transform our fixed cost structure to enable OMRON to respond flexibly to a highly variable operating environment. One aim would be to bring the SG&A ratio to a level around 27-28% over the medium- to long-term.

With regard to the ability to detect and respond to market changes, I believe this is an area where regretfully OMRON is lacking, as evidenced by the downward earnings revision. It is not sufficient to simply continue to do what we have done before. We must enhance our ability to detect short-, medium- and long-term changes in the market.

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Q. Please discuss order trends.

A. At the time of Q1 results, we indicated Q2 orders were likely to remain flat at low levels. However, as a result of the weak market and push-outs to large-scale investment projects, order levels fell slightly. In Q3 and beyond we expect order levels to remain similar to Q2 levels.

(Unlike the component business where elevated distributor inventory levels influence orders), high distributor inventory levels do not have much of an impact in the Solutions business. OMRON continues to see continued order flow in the Solutions business.

Q. Please comment on the current level of distributor inventory and the outlook going forward.

A. Compared to the inventory level when supply chain disruption began, distributor inventory levels have doubled and turnover is slow. That said, as a result of the roughly 2-year period of supply chain disruption, recently both distributors and customers have tended to carry higher than normal levels of inventory. Given this, there may be a need to rethink what should be viewed as a normal inventory level, but, based on our expectation for market recovery, we expect distributor inventory level to normalize in Q2 FY2024.

Q. Does OMRON need to make major changes to its China strategy going forward? How are you thinking about your China strategy?

A. I believe operating conditions in China have changed compared to the past. Up to this point, the China market could be split into domestic and overseas demand. Going forward, we will focus more on capturing domestic demand in China. At the same time, with the overall manufacturing industry now focused on a China plus 1 strategy, we are seeing a trend to invest outside of China; OMRON will also focus on capturing these opportunities as well.

While we acknowledge the presence of local manufacturers as competitors, OMRON aims to further strengthen innovative-Automation solutions to solve the challenges faced by our customers.

Q. What kind of business opportunities are you aiming to capture in FY2024 and beyond in the United States? Please talk about your strategy, including M&A.

A. I believe there is significant room for OMRON to grow in the United States. With the rising trend toward manufacturing within its own borders, OMRON is seeing an increase in the number of business opportunities.

We have been able to solidly increase the number of customers that have adopted innovative-Automation and are confident that the solutions we can provide are effective in the U.S. Going forward, by shifting more human resources to the U.S., we aim to win more of the growing demand.

With regard to M&A, our stance remains unchanged. We continue to view M&A as one of a number of growth strategies and would have interest if an attractive opportunity emerges.