



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (U.S. GAAP)

October 27, 2023

OMRON Corporation (6645)

Exchanges Listed:	Tokyo
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Start of Distribution of Dividends (scheduled):	December 4, 2023
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (for investors)

Note: This document has been translated from the Japanese original as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

Note: Figures are rounded to the nearest million yen.

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024

(April 1, 2023 – September 30, 2023)

(1) Sales and Income (cumulative)

(Percentages represent changes compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2023	400,674	(0.9)	20,651	(50.4)	24,994	(35.8)	6,080	(78.2)
September 30, 2022	404,418	9.5	41,613	(9.0)	38,919	(15.8)	27,875	(14.3)

Note: Comprehensive income: Six months ended September 30, 2023: JPY42,937 million (-36.8% change);
Six months ended September 30, 2022: JPY67,880 million (62.8% change)

	Net income per share attributable to OMRON shareholders, basic	Net income per share attributable to OMRON shareholders, diluted
Six months ended	Yen	Yen
September 30, 2023	30.89	—
September 30, 2022	139.81	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity	Shareholders' equity ratio
	Million yen	Million yen	Million yen	%
September 30, 2023	1,010,785	764,189	761,260	75.3
March 31, 2023	998,160	731,227	728,473	73.0

2. Dividends

	Dividends per share				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	49.00	—	49.00	98.00
Fiscal year ending March 31, 2024	—	52.00			
Fiscal year ending March 31, 2024 (projected)		—	—	52.00	104.00

Note: Revisions since the most recently announced dividend forecast: Yes

The Company has decided to pay an interim dividend of 52.00 yen per share for the fiscal year ending March 31, 2024. The amount had been undetermined previously. In addition, the Company has not changed the annual dividend forecast, including the year-end dividend. For more, see 1. *Qualitative Information on Quarterly Financial Results (3) Determination of Dividends (Interim Dividend) and Revision of Year-End Dividend Forecast* on P.8 in the attached materials.

3. Projected Results for the Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent changes compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders		Net income per share attributable to shareholders, basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	850,000	(3.0)	45,000	(55.3)	45,000	(54.3)	18,000	(75.6)	91.42

Note: Revisions since the most recently announced performance forecast: Yes

For more, see 1. *Qualitative Information on Quarterly Financial Results (2) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5-7 of the attached materials.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

New: - company (company name) Excluded: - company (company name)

(2) Application of simplified accounting methods and/or special accounting methods: No

(3) Changes in accounting policy

(a) Changes in accounting policy accompanying revision of accounting standards, etc.: No

(b) Changes in accounting policy other than (a) above: Yes

Note: For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies)* on P.15 in the attached materials.

(4) Number of shares issued and outstanding

[1] Number of shares outstanding at period-end (including treasury stock)

September 30, 2023	206,244,872	Year ended March 31, 2023	206,244,872
September 30, 2023	9,324,073	Year ended March 31, 2023	9,417,692
Six months ended September 30, 2023	196,857,119	Six months ended September 30, 2022	199,374,241

[2] Treasury stock at period-end

[3] Average number of shares during the period (quarterly cumulative)

Note: As of the end of the consolidated first six months of the fiscal year ending March 31, 2024, 520,413 shares of OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan are included in period-end treasury stock. The average number of shares during the period includes treasury stock deducted in the calculation of net income per share attributable to OMRON shareholders.

*Quarterly summaries of consolidated financial results are not subject to review by certified public accountants or audit corporations.

*Commentary Regarding Appropriate Use of Projections of Results and Other Matters

1. Projections of results and future developments 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, uncertainties and other factors could cause actual results to differ materially from these projections.

For the assumptions that form the basis of the projected results and appropriate use, see *1. Qualitative Information on Quarterly Financial Results (2) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5-7.

2. The Company applies the single step method for presentation of its Consolidated Financial Statements based on U.S. GAAP. However, to facilitate comparison with other companies, *operating income* on the Consolidated Statements of Operations is presented by subtracting *selling, general and administrative expenses* and *research and development expenses* from *gross profit*.

3. The Company plans to hold a presentation for investors and information session via online streaming and teleconference on Friday, October 27, 2023.

The following abbreviations of business segment names are used in the attached materials.

IAB: Industrial Automation Business

HCB: Healthcare Business

SSB: Social Systems, Solutions and Service Business

DMB: Devices & Module Solutions Business

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

OMRON Group net sales for the cumulative consolidated second quarter (April to September 2023) decreased year on year. The Healthcare Business experienced recovering demand in Europe and other regions for blood pressure monitors while the Social Systems, Solutions and Service Business captured growing demand for renewable energy. Although both businesses performed well, the Industrial Automation Business was affected negatively by sluggish demand for capital investment in the manufacturing industry globally throughout the second quarter (July to September 2023). Inventory adjustments due to high inventory levels at distributors also impacted sales negatively. The Devices & Module Solutions Business posted an overall decrease in sales year on year due to ongoing weak demand for the consumer industry.

Gross profit margin was lower year on year, despite efforts to date in optimizing prices and reducing variable costs, due to factors including fluctuations in business composition and weaker value-added ratios stemming from declining Industrial Automation Business sales.

Operating income decreased significantly due to the preceding factors, as well as higher personnel expenses related to inflation and increased activity costs for future growth.

In addition, the Company recorded a significant decrease in net income attributable to OMRON shareholders. This decrease was due in part to the recording of losses of JPY10.2 billion due to the reevaluation of shares of equity-method affiliate JMDC Inc. (“JMDC”) held by the Company with using the market price as of September 30, 2023, related to a tender offer under the Financial Instruments and Exchange Act. Excluding the impact of the aforementioned loss, net income attributable to OMRON shareholders would have been JPY16.3 billion (-41.6% year on year).

Consolidated results for the cumulative consolidated second quarter of fiscal 2023 were as follows.

(Billions of yen, except exchange rate data and percentages)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Net sales	404.4	400.7	-0.9%
Gross profit [% of net sales]	181.4 [44.9%]	172.0 [42.9%]	-5.2% [-1.9%pt]
Operating income [% of net sales]	41.6 [10.3%]	20.7 [5.2%]	-50.4% [-5.1%pt]
Income before income taxes	38.9	25.0	-35.8%
Net income attributable to OMRON shareholders	27.9	6.1	-78.2%
Average USD exchange rate (Yen)	131.6	139.9	+8.3
Average EUR exchange rate (Yen)	138.2	152.8	+14.6
Average CNY exchange rate (Yen)	19.7	19.7	-0.0

Note: Excluding the loss on reevaluation of JMDC shares related to the tender offer under the Financial Instruments and Exchange Act, net income attributable to OMRON shareholders amounted to JPY16.3 billion (-41.6%). Net income attributable to OMRON shareholders per share amounted to JPY82.63.

Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Sales to external customers	230.1	210.4	-8.6%
Operating income	39.1	17.4	-55.4%

Sales

Demand for capital investment in the manufacturing industry was weak in Greater China, where investment in rechargeable batteries and semiconductors fell significantly short of expectations. Demand for capital investment was also weak in other regions. Inventory levels among distributors remained at high levels against the backdrop of deteriorating market conditions, and related adjustments had a negative impact on our business globally.

As a result, sales were lower year on year.

Operating Income

Operating income was significantly lower year on year due to rising manufacturing costs stemming from soaring materials costs, etc., declining profit ratio due to changes in sales product mix, and other factors.

HCB (Healthcare Business)

(Billions of yen, %)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Sales to external customers	68.1	74.0	+8.6%
Operating income	8.3	9.7	+17.5%

Sales

Demand for mainstay blood pressure monitors, remained strong, particularly in Europe and China. Demand for quarantine-related products, including oxygen concentrators and nebulizers, also remained strong due to the reemergence of COVID-19 cases in China.

As a result, sales increased year on year, due in part to the depreciation of the yen.

Operating Income

Operating income increased significantly year on year due to the increase in sales, as well as cost reductions for logistics and component costs.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Sales to external customers	36.6	53.1	+45.2%
Operating income (loss)	(1.4)	1.3	—

Sales

The storage battery systems and other businesses within the Energy Solutions Business performed well as a result of continued high electricity prices and subsidy programs in the housing domain, as well as increased investments in the industrial and commercial domains as part of accelerated efforts toward carbon neutrality. The Public Transportation System Business saw strong demand for capital investment amid strong performance among railway companies in response to a recovery in passengers and fare revisions.

As a result, sales increased significantly year on year.

Operating Income

Despite an increase in costs due to the foreign exchange impact of foreign currency-denominated purchases, the Company saw a significant increase in operating income, driven by net sales growth.

DMB (Devices & Module Solutions Business)

(Billions of yen, %)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change
Sales to external customers	68.6	61.2	-10.9
Operating income	8.1	2.7	-66.9%

Sales

Demand for components in the consumer industry remained sluggish, particularly in the Americas and China, as capital investment and production activities among our customers stagnated due to inflation and other factors. Demand for automotive components was sluggish in general, although the impact of semiconductor and other material shortages began to ease.

As a result, sales were significantly lower year on year.

Operating Income

Operating income declined significantly year on year as a result of the decrease in sales and other factors.

(2) Description of Information on Outlook, Including Consolidated Performance Forecast

Our previous consolidated performance forecast (published April 26, 2023) reflected our assumptions of the business environment for the current consolidated fiscal year that capital investment demand and consumer industry demand in connection with the Industrial Automation Business and the Devices & Module Solutions Business would recover gradually beginning in the second quarter, despite global sluggishness throughout the first quarter. However, given our performance in the cumulative consolidated second quarter and the current business environment, our assumptions moving forward have changed.

In terms of our Industrial Automation Business, we expect the global slump in capital investment demand in the semiconductor industry, which became apparent in the second quarter, and delays in capital investment for rechargeable batteries in the Chinese environmental mobility industry and elsewhere to continue in the third quarter and beyond. In the Devices & Module Solutions Business, demand for general-purpose equipment in the consumer industry is likely to remain sluggish in the third quarter and beyond. Therefore, we expect that a full-fledged recovery in demand for these businesses will be delayed until fiscal 2024 or later, and that the challenging business environment will continue during the current consolidated fiscal year. At the same time, we expect moderate growth to continue in the third quarter and beyond for our Healthcare Business while demand in the energy and public transportation markets should remain strong in the third quarter and beyond for our Social Systems, Solutions and Service Business. Based on this recognition of the business environment, we expect OMRON Group net sales for the current fiscal year to be lower than previously forecast.

In addition to the decline in net sales, we expect operating income for the current consolidated fiscal year to fall well short of our previous forecast due to the impact of the change in business mix, which was a factor in the decline in gross margin for the first half of the fiscal year. The decline in the value-added ratio stemming from lower sales in the Industrial Automation Business, which we expect to continue in the third quarter and beyond, as well as higher personnel expenses due to inflation and higher activity costs for growth, are also factors contributing to our expectations of lower performance.

In light of these circumstances, we revised our full-year consolidated performance forecast downward from the forecast announced previously (April 26, 2023). We have set exchange rate assumptions for the third quarter and beyond to USD1 = JPY140.0, EUR1 = JPY155.0, and CNY1 = JPY19.5.

Our consolidated performance forecast incorporates the projected results (second-half projections reflected in the OMRON Group performance forecast) of JMDC, which became a consolidated subsidiary of the Company on October 16, 2023. Note that JMDC consolidated performance projections are not based on forecasts by JMDC, but are rather a rough estimate under the following assumptions in the full-year outlook for the OMRON Group.

Assumptions: The Company's consolidated results forecasts reflect 50% of the JMDC consolidated earnings forecasts for the fiscal year ending March 31, 2024 for performance under each measure (revenue, operating profit, profit before tax, and profit) as disclosed in the JMDC *Summary of Financial Statements for the Three Months Ended June 30, 2023 [IFRS] (Consolidated)*.

The following describes our main expectations for the business environment in connection with each business segment for the third quarter and beyond.

- Industrial Automation Business: Capital investment demand is likely to remain low, with a full-fledged recovery beginning in the second half fiscal 2024 or later.
- Healthcare Business: Continued moderate growth in Europe, Greater China, and India.
- Social Systems, Solutions and Service Business: Strong demand likely to continue in the energy and public transportation markets.
- Devices & Module Solutions Business: Demand for general-purpose equipment will likely remain low.

Projected Consolidated Performance

(Billions of yen, except percentages)

	Previous forecast	Revised forecast	Change in forecast [%]	(Reference) Actual results for the prior fiscal year ended March 31, 2023	(Reference) Year-on-year change
Net sales	890.0	850.0	(40.0) [-4.5%]	876.1	-3.0%
Gross profit %	46.6%	43.1%	-3.5%pt	45.0%	[-1.9%pt]
Operating income	102.0	45.0	(57.0) [-55.9%]	100.7	-55.3%
Income before income taxes	99.5	45.0	(54.5) [-54.8%]	98.4	-54.3%
Net income attributable to OMRON shareholders	74.5	18.0	(56.5) [-75.8%]	73.9	-75.6%
Net income per share attributable to OMRON shareholders (Yen)	378.50	91.42	(287.08)	372.19	[-280.77]
Average USD exchange rate (Yen)	130.0	140.0	+10.0	135.2	+4.8
Average EUR exchange rate (Yen)	140.0	153.9	+13.9	140.9	+12.9
Average CNY exchange rate (Yen)	19.0	19.6	+0.6	19.7	-0.1

Note: Projected average rate for the full year based on historical rates for the first half and assumed exchange rates for the third quarter and later.

Note: Excluding the loss on reevaluation of JMDC shares related to the tender offer under the Financial Instruments and Exchange Act, net income attributable to OMRON shareholders amounted to JPY30.0 billion. Net income attributable to OMRON shareholders per share amounted to JPY152.37.

Forecasts by Business Segment

(Billions of yen, except percentages)

		Previous forecast	Revised forecast	Change in forecast [%]	(Reference) Actual results for the prior fiscal year ended March 31, 2023	(Reference) Year-on-year change
IAB	Sales to external customers	490.0	420.0	(70.0) [-14.3%]	485.7	-13.5%
	Operating income	88.0	29.5	(58.5) [-66.5%]	85.8	-65.6%
HCB	Sales to external customers	146.0	152.0	+6.0 [+4.1%]	142.1	+6.9%
	Operating income	17.0	17.5	+0.5 [+2.9%]	16.0	+9.3%
SSB	Sales to external customers	114.0	137.0	+23.0 [+20.2%]	107.3	+27.7%
	Operating income	9.0	13.5	+4.5 [+50.0%]	7.5	+80.2%
DMB	Sales to external customers	139.0	123.0	(16.0) [-11.5%]	138.9	-11.4%
	Operating income	15.5	5.5	(10.0) [-64.5%]	15.5	-64.5%
Eliminations & Corporate	Sales to external customers	1.0	18.0	+17.0 [—]	2.1	+15.9 [—]
	Operating income (loss)	(27.5)	(21.0)	+6.5 [—]	(24.2)	+3.2 [—]
Consolidated	Sales to external customers	890.0	850.0	(40.0) [-4.5%]	876.1	-3.0%
	Operating income	102.0	45.0	(57.0) [-55.9%]	100.7	-55.3%

Note: The JMDC forecast (not based on the JMDC outlook, but an estimate based on our calculations of OMRON Group full-year performance results) is included in *Eliminations & Corporate*.

(3) Determination of Dividends (Interim Dividend) and Revision of Year-End Dividend Forecast

At a meeting held today (October 27, 2023) the OMRON Corporation board of directors resolved to approve a dividend from surplus (interim dividend) with a record date of September 30, 2023. The board also resolved to revise the year-end dividend forecast for the fiscal year ending March 31, 2024.

Determination of Dividends (Interim Dividend)

	Amount	Previous forecast (announced April 26, 2023)	Actual results for the prior fiscal year ended March 31, 2023
Dividend record date	September 30, 2023	September 30, 2023	September 30, 2022
Dividends per share	52.00 yen	—	49.00 yen
Total dividends	10,267 million yen	—	9,778 million yen
Effective date	December 4, 2023	—	December 2, 2022
Source of dividends	Retained earnings	—	Retained earnings

Revision of Year-End Dividend Forecast

	Dividends per share		
	Interim	Year-end	Full-year
Previous forecast (announced April 26, 2023)	—	—	104.00 yen
Revised forecast	—	52.00 yen	104.00 yen
Fiscal 2023 actual (ending March 31, 2024)	52.00 yen	—	—
Fiscal 2022 actual (ended March 31, 2023)	49.00 yen	49.00 yen	98.00 yen

Reasons for Revision

In line with our cash allocation policy and shareholder return policy, the annual dividend forecast will remain unchanged from the initial forecast of JPY104.0. Our forecasts of interim dividends and year-end dividends are JPY52.0 per share, respectively, each representing half of our full-year dividend forecast. These amounts are a JPY3.0 per share increase year on year.

Cash Allocation Policy

(1) Aiming to maximize corporate value through the realization of the long-term vision, OMRON prioritizes the necessary investment to create new value from a medium- and long-term perspective. During SF 1st Stage, priority will be placed on investments in human resources and R&D to solve social issues and innovate driven by social needs; capital investments in production capacity increases and digital transformation (DX); investment in growth initiatives such as M&A&A (merger, acquisition, and alliance); and investment in sustainability initiatives such as decarbonization, reduction of environmental impacts, and respect for human rights in the value chain. On this basis, OMRON will return profits to shareholders in a stable and sustainable manner.

(2) Such investment for value creation and shareholder returns will be, in principle, sourced from internal reserves and operating cash flows that are generated continually, with appropriate financing facilities used as necessary. We will maintain a degree of financial soundness that allows us to seek financing regardless of the current financial situation.

Shareholder Return Policy

(1) With priority being placed on the investment necessary for value creation over the medium and long term, annual dividends will be based on “dividends on equity (DOE) of around 3%.” Taking past dividend payments also into account, we intend to ensure stable and sustainable shareholder returns.

(2) After making the above investments and distributing profit to shareholders, OMRON will distribute retained earnings accumulated over the long term to its shareholders through strategic share buybacks and other measures.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
		%		%
ASSETS				
Current assets:	486,892	48.8	490,730	48.6
Cash and cash equivalents	105,279		107,715	
Notes and accounts receivable-trade	180,074		152,490	
Allowance for doubtful receivables	(869)		(918)	
Inventories	173,926		190,058	
Other current assets	28,482		41,385	
Property, plant and equipment, net:	129,585	13.0	131,521	13.0
Investments and other assets:	381,683	38.2	388,534	38.4
Right-of-use assets under operating leases	47,501		46,450	
Goodwill	43,125		48,500	
Investments in and advances to affiliates	134,557		124,935	
Investment securities	46,123		53,393	
Leasehold deposits	8,094		8,287	
Prepaid pension cost	29,103		30,121	
Deferred income taxes	23,513		21,029	
Other assets	49,667		55,819	
Total assets	998,160	100.0	1,010,785	100.0

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023	
		%		%
LIABILITIES				
Current liabilities	210,020	21.0	190,415	18.8
Notes and accounts payable-trade	92,855		80,283	
Short-term borrowings	213		1,207	
Accrued expenses	50,246		49,528	
Income taxes payable	10,560		3,333	
Short-term operating lease liabilities	11,871		12,066	
Other current liabilities	44,275		43,998	
Deferred income taxes	2,052	0.2	2,213	0.2
Termination and retirement benefits	9,348	0.9	8,954	0.9
Long-term operating lease liabilities	33,284	3.3	31,525	3.1
Other long-term liabilities	12,229	1.3	13,489	1.4
Total liabilities	266,933	26.7	246,596	24.4
NET ASSETS				
Shareholders' equity	728,473	73.0	761,260	75.3
Common stock	64,100	6.4	64,100	6.3
Capital surplus	98,506	9.9	98,526	9.7
Legal reserve	24,729	2.5	27,115	2.7
Retained earnings	571,807	57.3	565,263	55.9
Accumulated other comprehensive income (loss)	39,947	4.0	76,217	7.6
Foreign currency translation adjustments	51,344		86,725	
Pension liability adjustments	(11,226)		(10,339)	
Net gains (losses) on derivative instruments	(171)		(169)	
Treasury stock	(70,616)	(7.1)	(69,961)	(6.9)
Noncontrolling interests	2,754	0.3	2,929	0.3
Total net assets	731,227	73.3	764,189	75.6
Total liabilities and net assets	998,160	100.0	1,010,785	100.0

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Operations)

(Six months ended September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2022		Six months ended September 30, 2023	
		%		%
Net sales	404,418	100.0	400,674	100.0
Cost of sales	222,986	55.1	228,637	57.1
Gross profit	181,432	44.9	172,037	42.9
Selling, general and administrative expenses	115,995	28.7	125,995	31.4
Research and development expenses	23,824	5.9	25,391	6.3
Operating income	41,613	10.3	20,651	5.2
Other expenses (income), net	2,694	0.7	(4,343)	(1.0)
Income before income taxes and equity in loss of affiliates	38,919	9.6	24,994	6.2
Income taxes	10,346	2.5	7,251	1.8
Equity in loss of affiliates	417	0.1	11,271	2.8
Net income	28,156	7.0	6,472	1.6
Net income attributable to noncontrolling interests	281	0.1	392	0.1
Net income attributable to OMRON shareholders	27,875	6.9	6,080	1.5

Note: *Equity in loss of affiliates* includes loss from the reevaluation of JMDC shares related to the implementation of the tender offer under the Financial Instruments and Exchange Act. Excluding the aforementioned loss, net income attributable to OMRON shareholders amounted to JPY16.3 billion (-41.6%). Net income attributable to OMRON shareholders per share amounted to JPY82.63.

(Quarterly Consolidated Statements of Comprehensive Income)

(Six months ended September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	28,156	6,472
Other comprehensive income, net of tax		
Foreign currency translation adjustments	35,572	35,576
Pension liability adjustments	3,242	887
Net gains on derivative instruments	910	2
Other comprehensive income	39,724	36,465
Comprehensive income	67,880	42,937
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	400	587
Comprehensive income attributable to OMRON shareholders	67,480	42,350

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022		Six months ended September 30, 2023	
I Operating Activities:				
1. Net income		28,156		6,472
2. Adjustments to reconcile net income to net cash provided by operating activities:				
(1) Depreciation and amortization	13,012		13,835	
(2) Equity in loss of affiliates	417		11,271	
(3) Decrease in notes and accounts receivable-trade	13,057		36,540	
(4) Increase in inventories	(32,049)		(5,872)	
(5) Increase (decrease) in notes and accounts payable – trade	9,513		(13,265)	
(6) Others, net	(13,052)	(9,102)	(23,249)	19,260
Net cash provided by (used in) operating activities		19,054		25,732
II Investing Activities:				
1. Purchases of investment securities		(1,092)		(342)
2. Capital expenditures		(17,746)		(18,820)
3. Proceeds from sale of property, plant and equipment		1,330		363
4. Increase in investments in and loans to affiliates, net		(9,981)		(642)
5. Others, net		(204)		463
Net cash used in investing activities		(27,693)		(18,978)
(Reference) Free cash flows		(8,639)		6,754
III Financing Activities:				
1. Net decrease of short-term debt		(20,000)		(2,214)
2. Proceeds from short-term borrowings		—		1,080
3. Dividends paid by OMRON Corporation		(9,163)		(9,645)
4. Acquisition of treasury stock		(5,488)		(11)
5. Others, net		14		(642)
Net cash used in financing activities		(34,637)		(11,432)
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents		11,709		7,114
Net decrease in cash and cash equivalents		(31,567)		2,436
Cash and cash equivalents at beginning of the period		155,484		105,279
Cash and cash equivalents at end of the period		123,917		107,715

Note: *Free cash flow* is cash flow from operating activities plus cash flow from investing activities.

(4) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

(Changes in Accounting Policies)

(Change in inventory valuation method)

Effective as of the first quarter of the current consolidated fiscal year, the Company, consolidated subsidiaries in Japan, and certain consolidated subsidiaries overseas have changed to the lower of cost or net realizable value based on the average method. To date, the entities mentioned used the lower of cost or net realizable value based on first in, first out method for inventory valuation. This change is based on our Long-Term Vision, Shaping The Future 2030, launched in fiscal 2022, and our medium-term management plan, SF 1st Stage. This vision and plan presented an opportunity to review our systems related to sales, production, inventory retention policies, and inventory management systems amid increasing uncertainties in recent years, as well as changes in the social and business environments. Based on this review, we determined that valuing inventory using the average method offered a more appropriate means of calculating period profit or loss. The impact of this change on the (quarterly) consolidated financial statements is immaterial.

(Notes in the Event of Significant Changes in Shareholders' Equity)

None applicable

(Notes Regarding Significant Subsequent Events)

On October 16, 2023, the Company acquired 23.0% of the voting shares of JMDC Inc. (“JMDC”) through a tender offer under the Financial Instruments and Exchange Act (“the Tender Offer”), making JMDC and its 35 subsidiaries consolidated subsidiaries of the Company.

(1) Overview of the business combination

(a) Name and description of the acquiree

Name of the acquiree	JMDC Inc.
Description of the acquiree	Medical statistics data services

(b) Acquisition date

October 16, 2023

(c) Percentage of voting equity interests acquired

Percentage of voting equity interests held immediately before the Tender Offer	31.3%
Percentage of voting equity interests acquired through the Tender Offer	23.0%
<hr/> Percentage of voting equity interests after acquisition	54.3%

(d) Primary reasons for the business combination and description of how the acquirer obtained control of the acquiree

Since signing a capital and business alliance agreement on February 22, 2022, the Company and JMDC have made steady progress in understanding one another’s businesses and in building a relationship of mutual trust. In April 2023, we began a data link between the Omron Healthcare Co., Ltd. healthcare management smartphone app, *OMRON connect*, and the JMDC app, *PepUp* PHR service for insurance providers. In June 2023, eight representative management companies, including the Company and JMDC (including 140 member companies and organizations), launched the Health & Productivity Management Alliance. The objective of this Health & Productivity Management Alliance is to improve the competitiveness of Japanese companies and the sustainability of corporate health insurance through the health of employees. As a result, collaboration between the two companies has accelerated. At the same time, we recognize that the numerous restrictions on the sharing of management resources have made it difficult to respond adequately to increasingly sophisticated market needs.

We believe that converting JMDC from an equity-method affiliate to a consolidated subsidiary will allow the Company to leverage JMDC assets actively to create value and achieve sustainable growth through business transformation. This new relationship will also maximize corporate value over the medium to long term. Therefore, at a meeting held on September 8, 2023, the Company’s Board of Directors resolved to make the Tender Offer for JMDC shares. Subsequently, the Company made the Tender Offer between September 11 and October 10, 2023, making JMDC a consolidated subsidiary (specified subsidiary) on October 16, 2023. The total amount of the Tender Offer, 85,500 million yen, was procured through a loan from Sumitomo Mitsui Banking Corporation on October 13, 2023.

Expenses incurred in connection with the acquisition of shares amounted to 220 million yen for the six months ended September 30, 2023. These expenses are included in selling, general and administrative expenses in the Quarterly Consolidated Statements of Operations.

Note: The Health & Productivity Management Alliance is an inter-corporate initiative to create a model for health management, co-create solutions leading to outcomes, and implement said solutions across industry. The alliance will achieve these aims through a vision of revitalizing Japan’s companies through employee health and sustainable health insurance, pursuing health promotion and the prevention of serious illness in the workplace through data and the collaboration of corporations and health insurance societies. As originators of the alliance, the Company and JMDC are involved in the planning and management of the alliance, working in cooperation with the other representative managing companies. By combining JMDC’s capabilities of data services with the Company ecosystem-building capabilities (brand power, and network capabilities), we expect to leverage the activities of the Health & Productivity Management Alliance to develop businesses in the corporate health domain, providing health management solutions for corporate human resources.

(2) Other

The quarterly consolidated statements of operations for the six months ended September 30, 2023 do not include revenue and earnings of the acquiree since the acquisition date.

The fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date, the fair value of the noncontrolling interest in the acquiree at the acquisition date, the amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer immediately before the business combination, the fair value of the assets acquired and liabilities assumed, as well as pro forma information related to this business combination, has not been disclosed because the accounting treatment related to this business combination has not been completed as of the date of this disclosure.

(Segment Information)**Business Segment Information**

(Millions of yen)

		Six months ended September 30, 2022	Six months ended September 30, 2023	Year-on-year change
IAB	Sales to external customers	230,146	210,382	91.4%
	Intersegment sales	3,400	2,585	76.0%
	Total net sales	233,546	212,967	91.2%
	Operating expenses	194,401	195,522	100.6%
	Operating income (loss)	39,145	17,445	44.6%
HCB	Sales to external customers	68,080	73,967	108.6%
	Intersegment sales	118	118	100.0%
	Total net sales	68,198	74,085	108.6%
	Operating expenses	59,916	64,352	107.4%
	Operating income (loss)	8,282	9,733	117.5%
SSB	Sales to external customers	36,585	53,139	145.2%
	Intersegment sales	5,774	6,405	110.9%
	Total net sales	42,359	59,544	140.6%
	Operating expenses	43,763	58,222	133.0%
	Operating income (loss)	(1,404)	1,322	—
DMB	Sales to external customers	68,630	61,175	89.1%
	Intersegment sales	25,066	19,769	78.9%
	Total net sales	93,696	80,944	86.4%
	Operating expenses	85,635	78,273	91.4%
	Operating income (loss)	8,061	2,671	33.1%
Eliminations & Corporate	Sales to external customers	977	2,011	205.8%
	Intersegment sales	(34,358)	(28,877)	—
	Total net sales	(33,381)	(26,866)	—
	Operating expenses	(20,910)	(16,346)	—
	Operating income (loss)	(12,471)	(10,520)	—
Consolidated	Sales to external customers	404,418	400,674	99.1%
	Intersegment sales	—	—	—
	Total net sales	404,418	400,674	99.1%
	Operating expenses	362,805	380,023	104.7%
	Operating income (loss)	41,613	20,651	49.6%

Sales by Geographical Region

(Millions of yen)

		Six months ended September 30, 2022	Six months ended September 30, 2023	Year-on-year change
IAB	Japan	67,743	67,691	99.9%
	Americas	25,631	22,278	86.9%
	Europe	41,448	44,798	108.1%
	Greater China	68,936	52,086	75.6%
	Southeast Asia and Others	26,377	23,527	89.2%
	Direct Exports	11	2	18.2%
	Total	230,146	210,382	91.4%
HCB	Japan	12,624	11,691	92.6%
	Americas	13,750	13,672	99.4%
	Europe	10,130	14,545	143.6%
	Greater China	22,291	26,101	117.1%
	Southeast Asia and Others	8,955	7,665	85.6%
	Direct Exports	330	293	88.8%
	Total	68,080	73,967	108.6%
SSB	Japan	36,572	52,341	143.1%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	2	123	—
	Southeast Asia and Others	—	—	—
	Direct Exports	11	675	—
	Total	36,585	53,139	145.2%
DMB	Japan	19,692	21,657	110.0%
	Americas	11,507	8,203	71.3%
	Europe	8,923	8,946	100.3%
	Greater China	19,922	14,404	72.3%
	Southeast Asia and Others	8,529	7,866	92.2%
	Direct Exports	57	99	173.7%
	Total	68,630	61,175	89.1%
Eliminations & Corporate	Japan	977	2,011	205.8%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	—	—	—
	Total	977	2,011	205.8%
Consolidated	Japan	137,608	155,391	112.9%
	Americas	50,888	44,153	86.8%
	Europe	60,501	68,289	112.9%
	Greater China	111,151	92,714	83.4%
	Southeast Asia and Others	43,861	39,058	89.0%
	Direct Exports	409	1,069	261.4%
	Total	404,418	400,674	99.1%

Note: Major countries or regions belonging to segments other than Japan are as follows:

- (1) Americas: United States of America, Canada, Brazil
- (2) Europe: Netherlands, Great Britain, Germany, France, Italy, Spain
- (3) Greater China: China, Hong Kong, Taiwan
- (4) Southeast Asia and Others: Singapore, Republic of Korea, India, Australia
- (5) Direct Exports: Direct export transactions