FY2021 H1 Earnings
Ended September 30, 2021

Oct. 28, 2021
OMRON Corporation

Good afternoon, everyone. I am CEO Yamada.

Thank you for taking time out of your busy schedules to participate in the briefing for OMRON's H1 FY2021 results.

We have had to adopt a remote format once again.
Today, as is usual with our briefings, we will start with my presentation. This will be followed by a Q&A session.
We hope to take as many questions as possible in the allotted time.

Let's get started.
Please refer to the presentation materials.
I will begin with a summary of today's key points on page 1.

Summary

■H1 FY2021 Results

・Sales and profits up significantly; able to respond resiliently to supply chain disruption and lockdowns
・Successfully capture rising global demand, particularly in IAB. All segments exceed internal targets
・Set new record highs for GP margin, operating income and operating profit margin

■Full-year Forecasts

・Strong macro backdrop to continue. Revise up full-year forecasts after factoring in supply chain impact
・Supported by continued, proactive capex activity: expect IAB sales growth in all regions
・Target new record highs for earnings, underpinned by further resilience in the face of change

■Raising Shareholder Returns

・Revise up annual dividend guidance to ¥92
・Also initiate a new ¥30 billion share buyback program

■Toward a New Growth Stage

・FY2021 is an important year: OMRON getting a running start ahead of next Long-term Vision
・Already reaping benefits from evolution of business model to focus on solutions rather than hardware

There are 4 key topics I would like to discuss in today's presentation.

The first is the H1 FY2021 results. This H1, and in particular Q2, was very challenging. As you know, we experienced shortages of semiconductors and components, supply chain disruption, including sharply higher prices for raw materials, as well as lockdowns as a result of a resurgence in COVID-19 infections which impacted our main production bases in Asia.
Despite this, OMRON was able to demonstrate resilience in the face of change on a firm-wide basis, improving production efficiency and procurement capacity to achieve substantial Y/Y increases in sales and profits. We were able to successfully capture growing demand on a global basis, primarily in IAB. All segments were able to exceed internal targets. As a result, OMRON was able to set new record highs for operating income and operating profit margin, as well as further boosting its GP margin.

The second topic is our full-year forecasts for FY2021. Similar to H1, we expect supply chain disruption to persist in H2. However, we also expect the favorable economic environment to continue. As such, even after factoring in the negative impact from supply chain disruption, we have revised up our full-year forecasts significantly. We expect sales growth in all regions for IAB, on the back of continued proactive investment activity. We will demonstrate further resilience in H2 and are targeting new record highs for earnings for the overall company.

The third topic is the enhancing of shareholder returns. We are revising up our full-year dividend guidance from ¥86 to ¥92. We have also initiated a new ¥30 billion share buyback program.

The fourth topic is our initiatives toward a new growth stage. This fiscal year is an important year for OMRON. We position it as a year that will allow us to get a running start for the new Long-term Vision which will begin from the next fiscal year. In the growth opportunities we are targeting in the next Long-term Vision we are already starting to reap the benefits from the evolution of our business model to focus on solutions rather than devices. I will share some concrete examples of the successes we are already seeing.

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H1 FY2021 Results

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

H1 FY2021 Results

Strong sales and profit growth. Set new record highs for GP margin, operating income and OPM

(¥bn)

	H1 FY2020 Actual	H1 FY2021 Actual	Y/Y
Net Sales	301.3	369.4	+22.6%
Gross Profit (%)	136.4 (45.3%)	170.6 (46.2%)	+25.1% (+0.9%pt)
Operating Income (%)	24.7 (8.2%)	45.7 (12.4%)	+85.0% (+4.2%pt)
Net Income	19.2	32.5	+69.5%

1USD (JPY)	106.9	109.9	+3.0
1EUR (JPY)	120.9	131.1	+10.1
1RMB (JPY)	15.2	17.0	+1.8

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These are the H1 FY2021 results. Please see the shaded column. Sales were ¥369.4 bn, gross profit ¥170.6 bn for a GP margin of 46.2%, operating income was ¥45.7 bn for an OPM of 12.4% and net income was ¥32.5 bn. We were able to successfully capture growth in global demand, for a hefty 22.6% Y/Y increase in sales. GP margin, which is our key metric, also rose 0.9%-points. Operating income grew 85% Y/Y.

OMRON was able to overcome the pandemic impact on its businesses to seize business opportunities and grow sales, reflecting the solid progress made in developing a self-sustaining growth capability. This growth capability in combination with the resilience and profitability we have nurtured to date has generated a multiplier effect, allowing OMRON to achieve new record highs in GP margin, operating income and operating profit margin. OMRON's ability to grow profits is clearly improving.

Next, I will explain the segment results.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

Sales by Business Segment

IAB, EMC successfully capture global demand.
Continued strong trend in BPMs for HCB

(¥bn)

	H1 FY2020 Actual	H1 FY2021 Actual	Y/Y
IAB Industrial Automation	164.9	213.4	+29.4%
EMC Electronic & Mechanical Components	38.8	51.6	+32.9%
SSB Social Systems, Solutions & Service	37.4	35.0	-6.4%
HCB Healthcare	57.5	67.7	+17.7%
Eliminations & Corporate	2.6	1.6	-37.3%
Total	301.3	369.4	+22.6%

This is the segment breakout for sales.

IAB sales grew 29.4% Y/Y, by successfully capturing continued strong Digital demand on a global basis, particularly in China and Japan. I will discuss this in more detail later.

EMC sales rose a substantial 32.9% Y/Y on the back of firm demand, mainly in China and the Americas.

SSB revenues declined Y/Y despite the ongoing gradual recovery in PV inverters, as a result of the significant impact of the pandemic in curtailing investment by railway operators.

HCB posted a 17.7% Y/Y increase in sales on strong global demand for BPMs, primarily from the online channel.

I will now discuss IAB results in more detail.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

IAB Sales Growth by Region

Strong China sales mainly in Digital. Recovery in Food &Pharmaceuticals in Europe. Robust Y/Y sales growth in all regions

H1 FY2021
IAB Sales Growth by Region
(Y/Y, local currency basis)

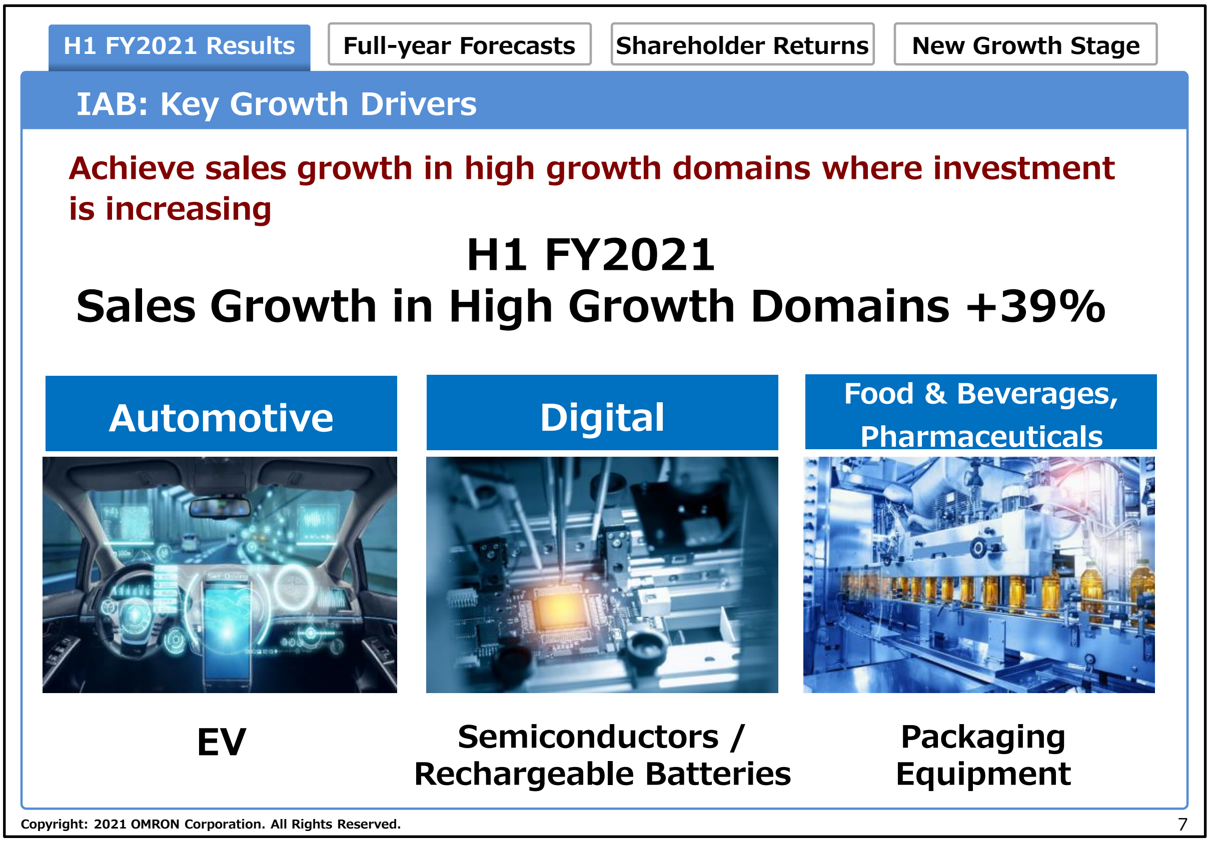
Japan	Americas	Europe	Greater China	SE Asia/Other	
				Ex-S. Korea	S. Korea
+20%	+23%	+31%	+27%	+16%	+12%

This table shows H1 IAB sales Y/Y growth by region, on a local currency basis.

First, please look at Greater China. In a continuation from Q1, China achieved 27% Y/Y growth on the ongoing strength in the Digital domain.

Next, European sales rose 31% Y/Y, by successfully capturing the demand recovery from the impact of COVID-19 in the Food and Pharmaceutical industries.

In the other regions, Japan rose 20%, the Americas 23%, SE Asia ex-S. Korea 16% and S. Korea 12%. Each region reported substantial Y/Y growth. We were able to achieve well-balanced growth on a global basis.

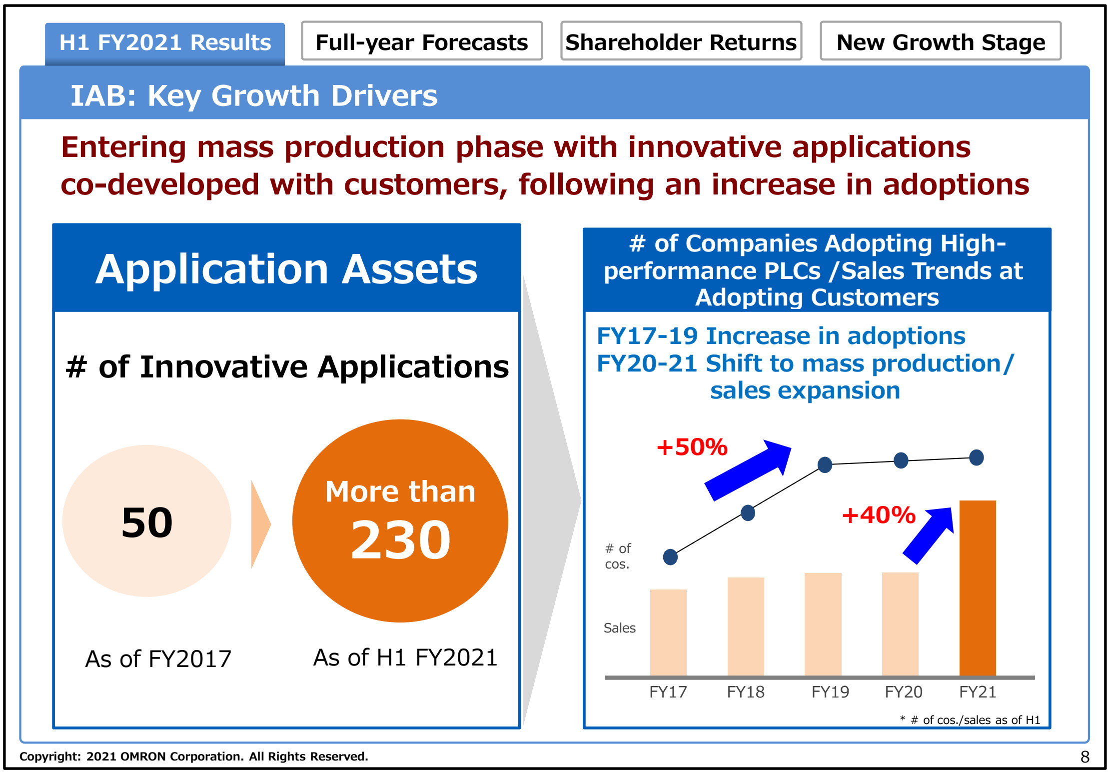


IAB growth is driven by increasing sales in high-growth areas where investments are on the rise.

We show representative areas below: starting from the left with EVs within the Automotive industry, semiconductors and rechargeable batteries within the Digital domain, and packaging equipment within the Food/Daily Goods and Pharmaceutical industries.

In H1, sales in these high-growth areas rose a strong 39% Y/Y.

I will talk about why OMRON has been able to increase sales in high-growth areas on the next slide.



OMRON's strong growth in IAB sales is not driven just by the tailwind of strong demand. We have been tenaciously focused on initiatives that would allow us to achieve self-sustaining growth regardless of the operating environment.

Please look at the left side of the slide.
OMRON has concentrated on jointly developing innovative applications with customers that are global leaders. Such applications are at the core of our ability to provide solutions. The number of innovative applications has risen from 50 in FY2017 to more than 230 now. These innovative applications, which are highly rated by a broad array of customers, are now moving into a phase of significant sales growth as shown in the chart on the right side of the page.

The line tracks the trend in the number of customers that have adopted high performance PLCs, which are at the core of innovative applications. The bars show the trend in revenues from such customers.

First, please look at the line. As you can see, the number of customers that have adopted high performance PLCs increased 50% from FY2017 to FY2019. This reflects the expanded adoption of innovative applications by new customers. Now look at the trend in sales, as shown in the bars. From FY2020 to FY2021, sales have grown 40%. Reflecting the contribution that the innovative applications made to improving productivity, we have seen an increase in the value of sales per customer as customers adopted the applications for standard usage and subsequently expanded their production lines. We expect to see a further acceleration in growth going forward. What we are seeing now is the start of self-sustaining growth.

By building out the range of applications born from innovation on the shop floor and deploying them globally, IAB will be able to grow its sales.

This covers the review of the IAB business. Let’s move on to the segment breakout of operating income.

Operating Income by Business Segment

Achieve substantial profit growth at IAB, EMC and HCB

(¥bn, %: OPM)

	H1 FY2020 Actual	H1 FY2021 Actual	Y/Y
IAB Industrial Automation	26.4 (16.0%)	40.9 (19.2%)	+14.6 (+3.2%pt)
EMC Electronic & Mechanical Components	0.3 (0.8%)	4.0 (7.7%)	+3.6 (+6.8%pt)
SSB Social Systems, Solutions & Service	-1.2 (-)	-1.4 (-)	-0.3 (-)
HCB Healthcare	10.6 (18.5%)	12.1 (17.9%)	+1.5 (-0.6%pt)
Eliminations & Corporate	-11.4	-9.8	+1.6
Total	24.7 (8.2%)	45.7 (12.4%)	+21.0 (+4.2%pt)

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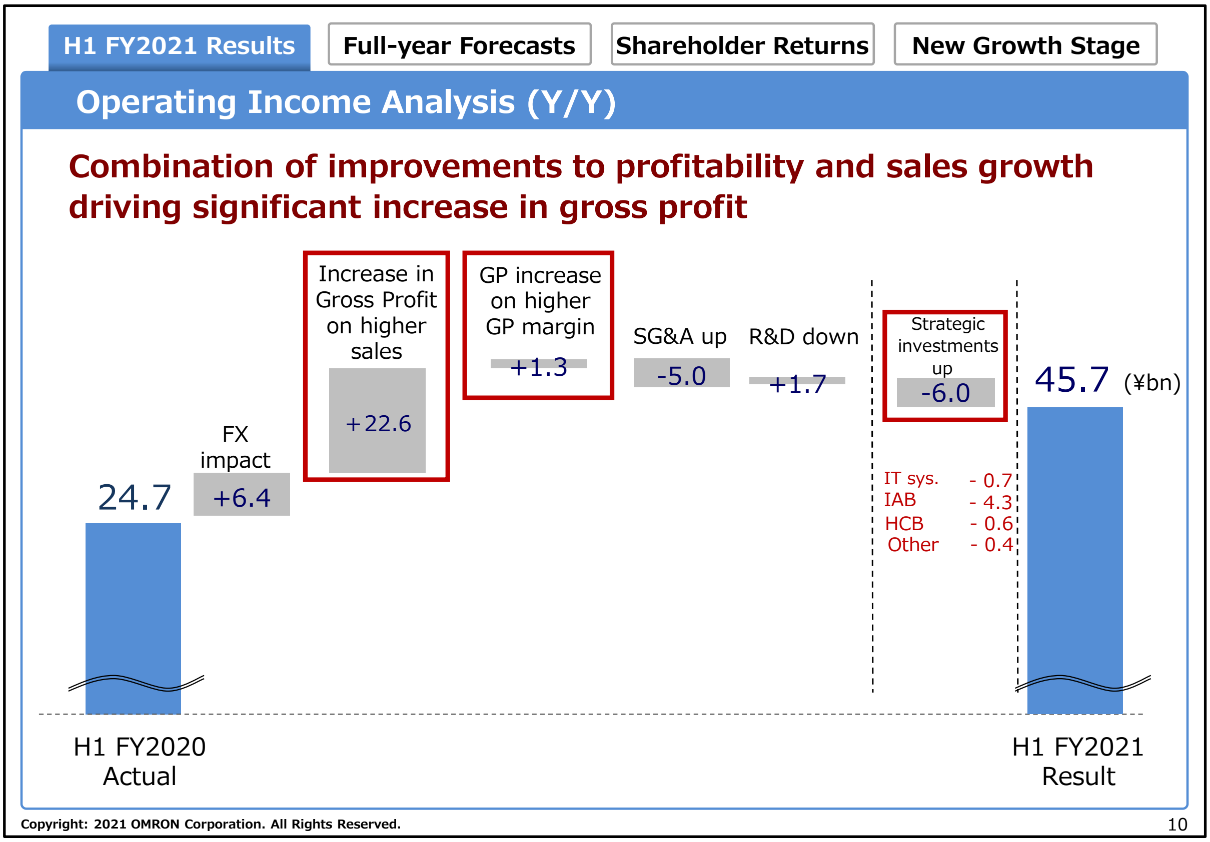
We show the segment breakout for operating income here.

IAB, EMC and HCB reported significant profit growth. IAB and HCB hit new record highs for operating income.

By nature, SSB typically generates the majority of its revenues in H2. As a result, SSB reported operating losses in H1. However, we expect to generate Y/Y profit growth on a full-year basis, in line with plan.



This is the waterfall chart showing the key elements of change for operating income on a Y/Y basis.
On the far left, we show the actual H1 FY2020 operating profit of ¥24.7 bn; H1 FY2021 operating profit was ¥45.7 bn as shown on the far right.
There are 3 points I would like to make.

Please look at the left-most box outlined in red. This shows the increase in gross profit as a result of higher sales, up a significant ¥22.6 bn Y/Y.

Next, please look at the red box to the immediate right. This is the increase in gross profit resulting from continued initiatives to boost GP margin, up ¥1.3 bn. Although there was a significant impact from component shortages and rising materials and logistics costs, OMRON was able to keep the impact to a minimum by reducing variable costs and adjusting selling prices. GP margin improved, boosting profits on an absolute basis. I will go into specifics on the next slide.

Finally, strategic investments, as shown in the red box on the right, increased ¥6 bn. While maintaining discipline in fixed costs, we chose to execute on strategic investments we feel are indispensable for future growth, focusing mainly on investments in IT systems and IAB.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

Demonstrating Resilience in Supply Chain and Production

Minimize impact through sustained response to component shortages, rising materials/logistics costs. Lockdown impact in Malaysia, Vietnam already resolved

	Challenges	Response
Semi/Resin Shortages	Incur ongoing procurement delays to secure demand volumes in excess of plan	Largely completed design changes for products that are significantly impacted, facilitating procurement
Rising Material Prices (Silver/Copper)	・Silver prices drop back to assumption levels ・Copper prices remain high	Adjusting prices, developing technologies to reduce usage
Production	・Production capacity shortages for some IAB products ・Lockdowns lead to temporary decline in capacity utilization at plants in Malaysia, Indonesia and Vietnam	・Invest to increase production capacity for IAB ・All 3 plants returned to full capacity utilization by the end of October
Rising Logistics Costs	Continued increase in expenses on higher container prices, higher use of air freight	Reviewing balance between sea and air freight shipping to optimize logistics costs

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This slide looks at how we were able to demonstrate resilience in the face of disruption to the supply chain and production. Starting from the top, I will run through the challenges that emerged and how we responded.

We experienced procurement delays for semiconductors and resins as a result of a concentrated surge in demand well in excess of our plan. In response, we made design changes to those products that were significantly impacted, making it possible to procure new components and materials. The necessary design changes have been largely completed in H1.

Next is materials prices. While silver has come back into line with our assumptions, copper prices have remained above our assumptions. We have responded to these challenges by adjusting selling prices and developing technologies to reduce usage.

Next is production. As a result of demand well above our assumptions, IAB experienced shortfalls in production capacity for some products. We have already completed capacity expansion investments for these production lines. Capacity utilization at plants in Malaysia, Indonesia and Vietnam declined temporarily as a result of the pandemic, but has already returned to normal, full capacity operations.

Finally, logistics costs. Logistics costs have been rising as we increased the use of air freight to ensure that we were able to deliver to our customers in a timely manner and avoid supply disruption. In response, we are reviewing the balance between air and sea freight to normalize logistics costs.

As we show here, we have done as much as we can to respond to issues that emerged in H1, but we believe there will be a continued impact going forward. The situation is changing on a daily basis. We will remain vigilant by staying on top of the latest developments and responding swiftly and appropriately.

This completes the section on our H1 results. I will now move on to discuss the full-year forecasts for FY2021. I will start with our view of the operating environment by segment.

Full-year Forecasts

H1 FY2021 Results | **Full-year Forecasts** | Shareholder Returns | New Growth Stage

H2 Business Environment by Segment

Despite ongoing impact of supply chain issues, expect economic conditions to remain strong

Segment	Business environment
IAB Industrial Automation	Automotive: Continued increase in EV-related investments Digital: Continued strength, mainly on global investments for semiconductors, demand growth for rechargeable batteries Food & bev.: Firm base recovery trend on progress on vaccinations, environmental investments Social infrastructure: Continued adjustment phase on rising materials costs in solar power and others
EMC Electronic & Mechanical Components	Consumer: Global recovery trend continuing, primarily in the Americas, China Automotive: Gradual global recovery trend ongoing
SSB Social Systems, Solutions & Service	Station sys.: Increasing shift toward curtailing capex Transport: Firm replacement demand to continue Env. Soln: Continued gradual recovery from COVID-19 impact
HCB Healthcare	BPMs: Continued strong global trend, including online Others: Recovery trends continue for nebulizers in China/Asia, and low frequency treatment devices in Japan

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This is our view of the operating environment by segment.

Please review this slide at your leisure but as mentioned earlier, we believe that the negative impact of supply chain disruption will persist in Q3 and beyond.

That said, near-term demand and order momentum has not deteriorated. Overall, we expect firm conditions to prevail, particularly for IAB.

I will now explain our full-year forecasts, which are based on this view of the operating environment.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

FY2021 Full-year Forecasts

Strong macro backdrop to continue. Revising up full-year forecasts

(¥bn)

	FY2021 Previous Plan	FY2021 Forecast	Chg. Vs Plan	FY2020 Actual	Y/Y
Net Sales	700.0	780.0	+11.4%	655.5	+19.0%
Gross Profit	325.0	361.0	+11.1%	298.4	+21.0%
(%)	(46.4%)	(46.3%)	(-0.1%pt)	(45.5%)	(+0.8%pt)
Operating Income	70.0	98.0	+40.0%	62.5	+56.9%
(%)	(10.0%)	(12.6%)	(+2.6%pt)	(9.5%)	(+3.0%pt)
Net Income	48.0	65.5	+36.5%	43.3	+51.2%
1USD (JPY)	108.0	108.9	+0.9	105.8	+3.1
1EUR (JPY)	128.0	129.5	+1.5	123.2	+6.4
1RMB (JPY)	16.5	16.7	+0.2	15.5	+1.2

We revised up our full-year forecasts based on our expectation of continued favorable economic conditions and improvements resulting from enhancements to product supply capability.

Please look at the shaded column in the middle of the slide.
Our revised forecasts are for full-year sales of ¥780 bn, gross profit of ¥361 bn for a GP margin of 46.3%, operating income of ¥98 bn for an operating profit margin of 12.6%, and net income of ¥65.5 bn.

We are targeting a 19% Y/Y increase in sales. The GP margin, a key management metric for OMRON, is projected to improve by 0.8%-points Y/Y. We expect operating income to rise 56.9%, for a new record high. Net income is projected to rise 51.2%. If we exclude AEC which has been divested, this represents new record highs for sales and net income.

Although not shown on this slide, ROIC and ROE are both expected to exceed 10%.

Please note that as much as possible we have factored in the impact of supply chain disruption, including component and materials shortages, in these forecasts.

H1 FY2021 Results | **Full-year Forecasts** | Shareholder Returns | New Growth Stage

FY2021 Sales by Business Segment

Targeting new record high sales for IAB and HCB

(¥bn)

	FY2021 Previous Plan	FY2021 Forecast	Chg. Vs Plan	FY2020 Actual	Y/Y
IAB Industrial Automation	375.0	443.0	+18.1%	346.4	+27.9%
EMC Electronic & Mechanical Components	94.0	103.0	+9.6%	86.0	+19.7%
SSB Social Systems, Solutions & Service	96.0	92.0	-4.2%	95.7	-3.8%
HCB Healthcare	133.0	140.0	+5.3%	123.1	+13.7%
Eliminations & Corporate	2.0	2.0	-	4.3	-53.5%
Total	700.0	780.0	+11.4%	655.5	+19.0%

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This is the segment breakout for sales.

Please look at the shaded column in the middle of the slide.
We have revised up our forecast for IAB significantly from our previous forecast, targeting ¥443 bn. We expect to achieve continuous growth by capturing investments in high-growth areas such as EVs and semiconductors. I will discuss the regional situation for IAB in more detail later.

On expectations of a continued recovery trend, we have revised up our forecast for EMC to ¥103 bn.

We revised down our forecast for SSB to ¥92 bn. We have factored in a decline in sales from railway operators and payment systems, on the back of the prolonged impact of COVID-19.

The forecast for HCB has been revised up to ¥140 bn, with the strong BPM business as the driver.

Reaping the benefits of investments made to date, our forecasts for IAB and HCB represent new record highs.

Next, I will provide more color on operating conditions for IAB by region.

H1 FY2021 Results | **Full-year Forecasts** | Shareholder Returns | New Growth Stage

H2 IAB Operating Environment by Region

Firm demand expected to continue, mainly in the Digital domain

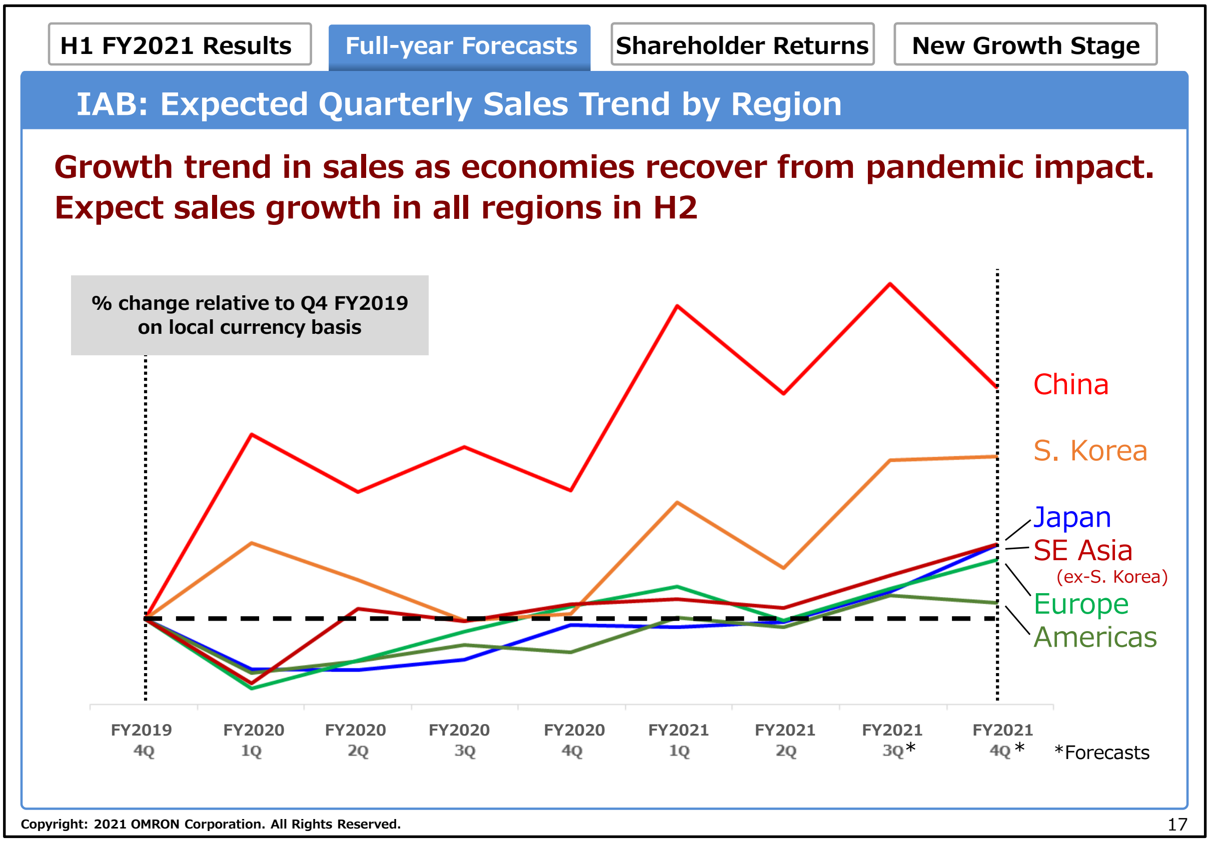
IAB	Japan	Recovery trend to continue on step-by-step normalization of economic activity Digital: SPE, 5G-use electronic component demand to remain high Automotive: Continuing recovery in EV-related investments by parts manufacturers
	Americas	Gradual recovery trend to continue Digital: SPE demand to remain high Automotive: EV-related demand firm but temporary pause in investments on impact from production adjustments
	Europe	Economies stabilizing on rising vaccination rates and recovery fund Food & bev.: Europe, China demand for food packaging eq. still growing Automotive: EV-related investments taking off in earnest on tightening environmental restrictions
	Greater China	Impact of power shortages on capex minimal, demand trend remains solid Digital: High capex levels continuing for semiconductors / batteries Automotive: Anticipated market growth supporting growth in new vehicle production investments, primarily for EVs
	SE Asia	Recovery trend to continue but uncertainty over COVID-19 resurgence to linger Digital: Semiconductor-related investments to remain largely unchanged at high levels Food & bev.: Capex restarting in earnest after weak trends due to lockdowns

First, on an overall basis, we expect to see a continuation of active investments in domains currently addressed by OMRON, particularly the Digital domain, backed by economic recovery as a result of rising vaccination rates.

For example, China, a market in which everyone has a keen interest, we are closely monitoring for changes in the economic situation, given talk of risks associated with electric power supply restrictions and the real estate market, and stagnating GDP growth. However, in high-growth areas such as EVs, semiconductors and rechargeable batteries, we continue to see active investments as a part of the government's strategy. Rising awareness of safety issues in food and medicine have led to advances in the development of new production methods for the food processing and pharmaceutical industries.

By focusing on these high-growth domains, OMRON is able to demonstrate its ability to be unaffected by overall macro trends in China, a key strength.

Next, I will touch upon growth trends and the outlook by region.



This chart shows sales trends by region for IAB.
We show the historical change relative to Q4 FY2019 on a quarterly basis for FY2020 and FY2021 as well as forecasts for the final 2 quarters.

We expect sales growth this fiscal year, with all regions surpassing pre-COVID levels.

I will comment on the chart, starting at the top. Please look at the red line for China. Q1 FY2021 was strong. While the operating environment remained strong in Q2, as a result of component shortages and a shortfall in production capacity, on top of seasonal factors, we were unable to achieve sufficient shipments, leading to a temporary decline in sales. We expect Q3 sales to rebound on the back of completed measures to address component shortages and other issues. Note that the expected decline in Q4 is simply a reflection of normal seasonality.

Next, the orange line, which is S. Korea. Trends in S. Korea are tracking trends in China.

In the other regions, we will take full advantage of expanded production capacity: we expect further sales growth from Q3 into Q4. As a result, we expect to return to pre-COVID-19 levels in all regions.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

FY2021 Operating Income by Business Segment

Targeting new record highs for IAB and HCB

(¥bn, %: OPM)

	FY2021 Previous Plan	FY2021 Forecast	Chg. Vs Plan	FY2020 Actual	Y/Y
IAB Industrial Automation	63.0 (16.8%)	87.0 (19.6%)	+24.0 (+2.8%pt)	58.8 (17.0%)	+28.2 (+2.7%pt)
EMC Electronic & Mechanical Components	4.5 (4.8%)	7.5 (7.3%)	+3.0 (+2.5%pt)	3.0 (3.4%)	+4.5 (+3.8%pt)
SSB Social Systems, Solutions & Service	7.0 (7.3%)	7.0 (7.6%)	±0.0 (+0.3%pt)	5.7 (6.0%)	+1.3 (+1.7%pt)
HCB Healthcare	22.5 (16.9%)	22.5 (16.1%)	±0.0 (-0.8%pt)	20.6 (16.7%)	+1.9 (-0.6%pt)
Eliminations & Corporate	-27.0	-26.0	+1.0	-25.5	-0.5
Total	70.0 (10.0%)	98.0 (12.6%)	+28.0 (+2.6%pt)	62.5 (9.5%)	+35.5 (+3.0%pt)

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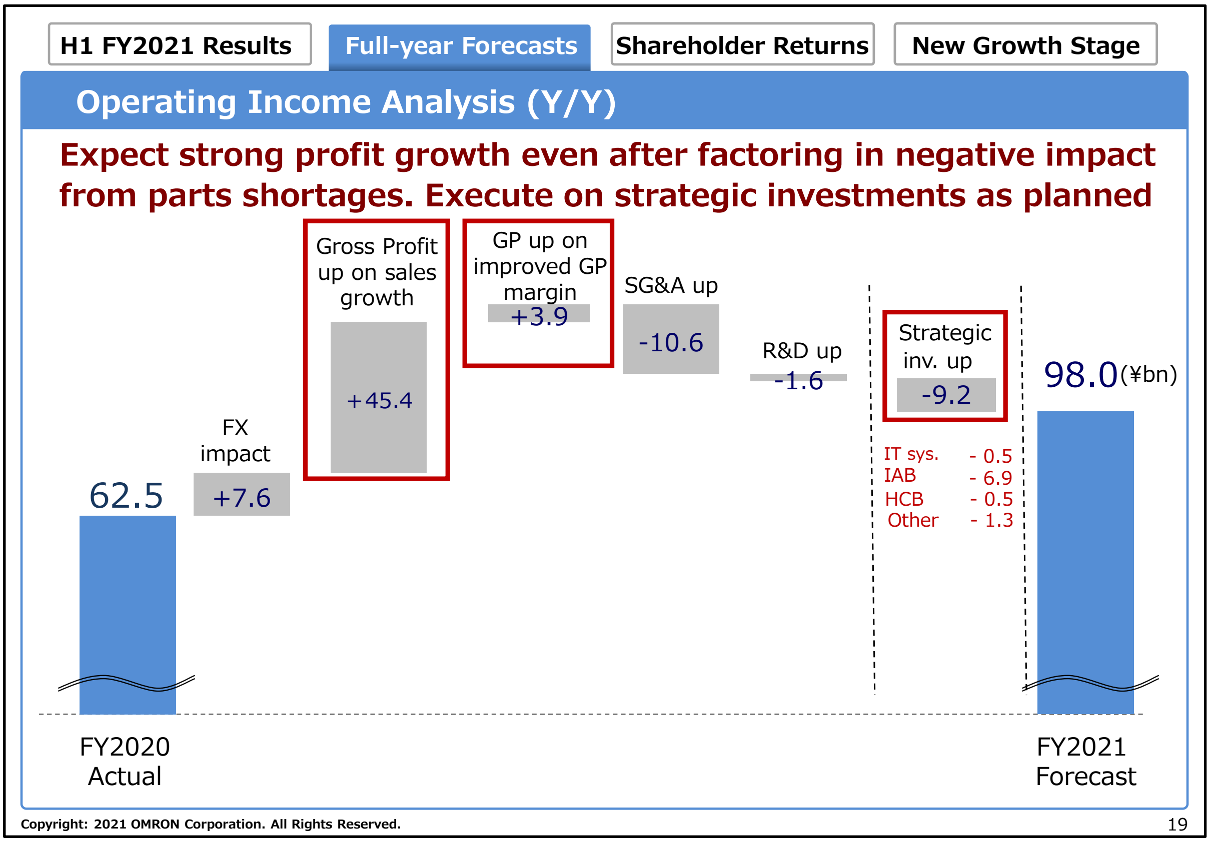
Our segment forecasts for operating income are as shown here.

We have revised our forecasts for IAB and EMC up significantly.

For SSB, although we project a decline in sales, we reiterate our previous forecast for operating income, as a result of variable cost reductions and improvements to operational efficiency.

For HCB, while we expect sales to increase, we maintain our previous operating income forecast, reflecting the impact of surging materials costs and the impact of increased air shipping as we prioritize making deliveries.

Similar to sales, we project new record highs for IAB and HCB.



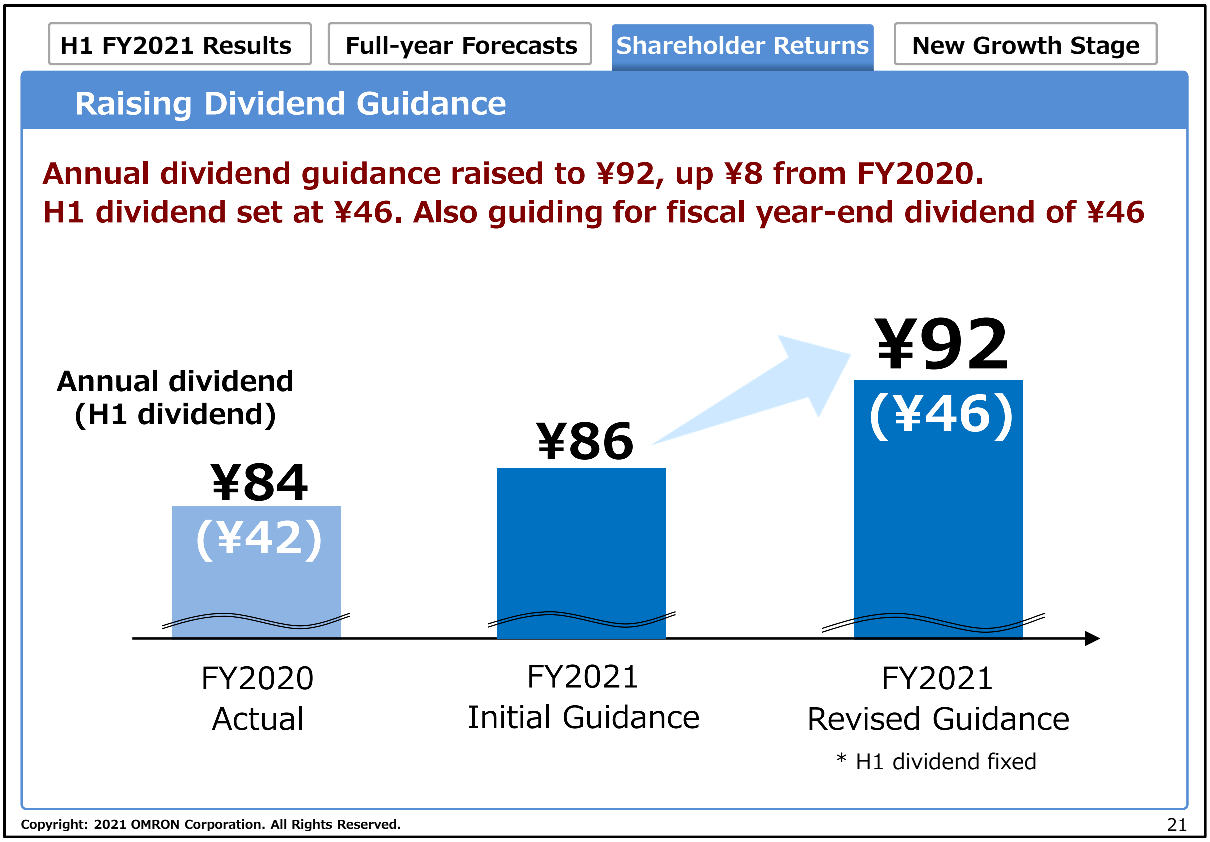
This is the waterfall chart showing the key elements of change for operating income on a Y/Y basis.
The waterfall chart shows the key components of Y/Y change to operating income, similar to the earlier waterfall chart for H1 operating income.
FY2020 operating income of ¥62.5 bn is shown on the far left, with our forecast for FY2021 on the far right at ¥98 bn.
There are three key points I would like to highlight.

Starting with the red box on the left, the increase in gross profits as a result of higher sales is a significant ¥45.4 bn.

Next, please look at the red box to the immediate right. We expect a positive impact of ¥3.9 bn from an improved GP margin. Although component shortages will have an effect, we expect a positive impact as a result of initiatives to improve productivity and selling price adjustments.

Finally, please look at the red box for strategic investments on the right. We project an increase of ¥9.2 bn. We remain firmly committed to executing on strategic investments which will contribute to achieving growth under the next Long-term Vision, in line with our plans.

Raising Shareholder Returns



I will start with dividends.

In conjunction with our upward revision to the full-year forecasts, we revised up our full-year dividend guidance by ¥6 from our initial forecast of ¥86 to ¥92. Last fiscal year, our annual dividend per share was ¥84, so this will be a ¥8 Y/Y increase. We have set the H1 dividend at ¥46 and are guiding for a fiscal year-end dividend of ¥46 as well.

We will continue to aim for a stable and sustainable dividend going forward.

Next, I will discuss share buybacks.

H1 FY2021 Results | Full-year Forecasts | **Shareholder Returns** | New Growth Stage

Share Buyback Program

Launch new ¥30 billion share buyback program. Remain committed to managing business with focus on capital efficiency

Share Buyback

Value: ¥30 bn (Max.)
Shares: 3.3 mn (Max.)
Period: October 29, 2021 to April 28, 2022

Cumulative total of share buyback programs over the last 4 years: ¥60 bn (FY17 ¥20 bn, FY18 ¥20 bn, FY19 ¥20 bn)

To further enhance our shareholder returns, in addition to the upward revision to our annual dividend guidance, we are initiating a new share buyback program of ¥30 bn.
The acquisition period is 6 months.
The largest maximum annual value of the share buyback programs conducted in the last 4 years was ¥20 bn. The new program, at ¥30 bn, therefore represents a new record high.

We will continue to manage our business while being mindful of capital efficiency.

This completes the section on enhancing shareholder returns.

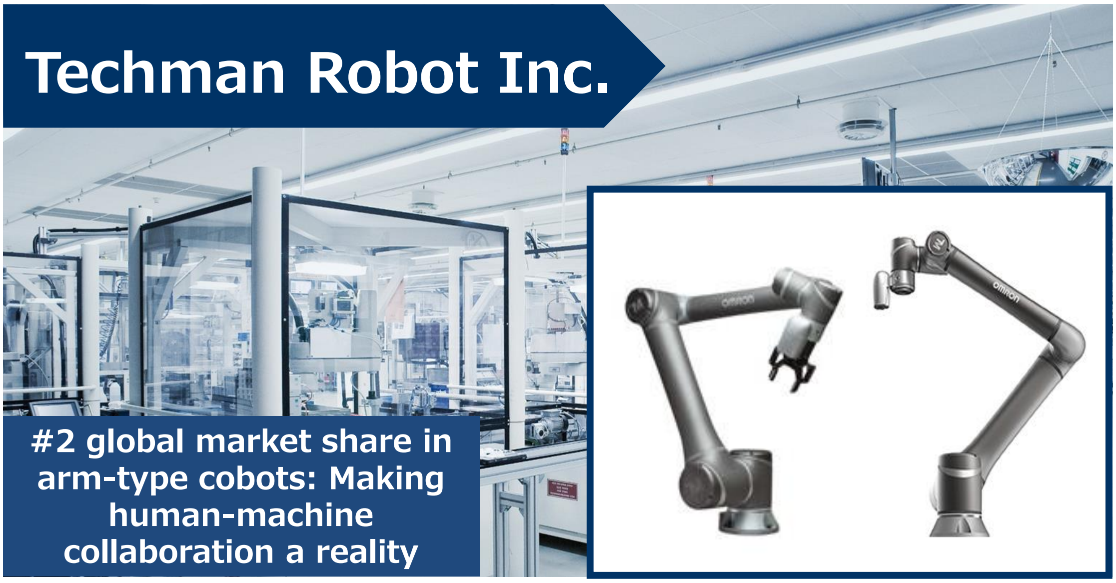
I would now like to discuss some of our initiatives as we prepare for a new growth stage.

The first is the capital and business alliance with Techman Robot Inc.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | **New Growth Stage**

Manufacturing Sophistication: Elevating Alliance with Techman Robot

Enhancing alliance by taking a stake in Techman Robot (Quanta Group), which has #2 global market share in collaborative robots



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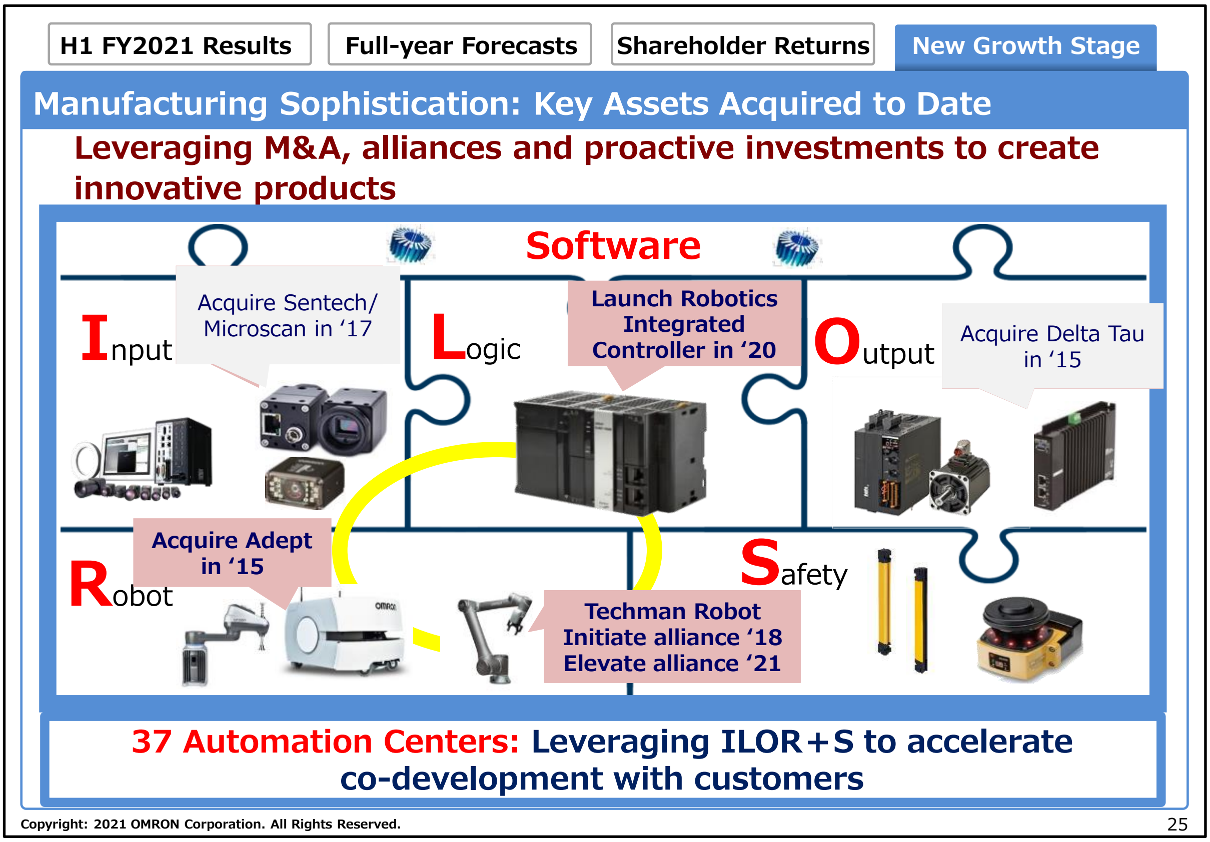
On October 25, OMRON announced it was taking a stake in Techman Robot of Taiwan, which holds the #2 global share in arm-type cobots, which enable human-robotic collaboration. Techman is a group company of PC OEM major Quanta Computer Inc. We will be taking a stake of approximately 10%. The deal is expected to close at the end of December.

This capital investment will strengthen the alliance between OMRON and Techman: we will move forward with joint development of next-generation cobots.



I would like to explain our reasons for strengthening the alliance with Techman.

To date, OMRON has leveraged M&A and alliances to build out its ILOR+S product lineup, with the objective of creating solutions packages only possible by OMRON.

In 2015, OMRON acquired Adept Technology and Delta Tau; we acquired Sentech and Microscan in 2017. We initiated our alliance with Techman in 2018. Last year, we released the world's first robotics integrated controller. We have also established 37 Automation Centers around the world to leverage ILOR+S to accelerate co-developments with customers.

OMRON is the only company in the world that has all of the pieces for full coverage of ILOR+S. With the investment in Techman, we aim to further establish ourselves in the field of cobots. Further enhancing the array of pieces we can offer will significantly boost our ability to provide customers with solutions.

Through the combination of cobots and the robotics integrated controller, we aim to break new ground in automation.

H1 FY2021 Results | Full-year Forecasts | Shareholder Returns | New Growth Stage

Manufacturing Sophistication: Enhancing Techman Alliance

Targeting further advances in solutions through joint development of next-gen cobots with Techman Robot

Example: Cobot Adoption

Major Brand: Screw tightening process for electric shavers

Value: Achieve better safety for human-robot collaboration, enhance quality control

Further Advances in Solutions

OMRON

Solutions capability leveraging Robotics Integrated Controller

Techman Robot

Development technologies for cobots

Joint development of next-gen cobots

Achieve synchronized control and high speed motion with Robotics Integrated Controller, contributing to elevating sophistication on shop floor

 26

I will showcase an example of a solution adopted by a customer using Techman cobots. What you are looking at is the screw tightening process for a major European manufacturer of electric shavers.
There are 3 key points I want to emphasize.

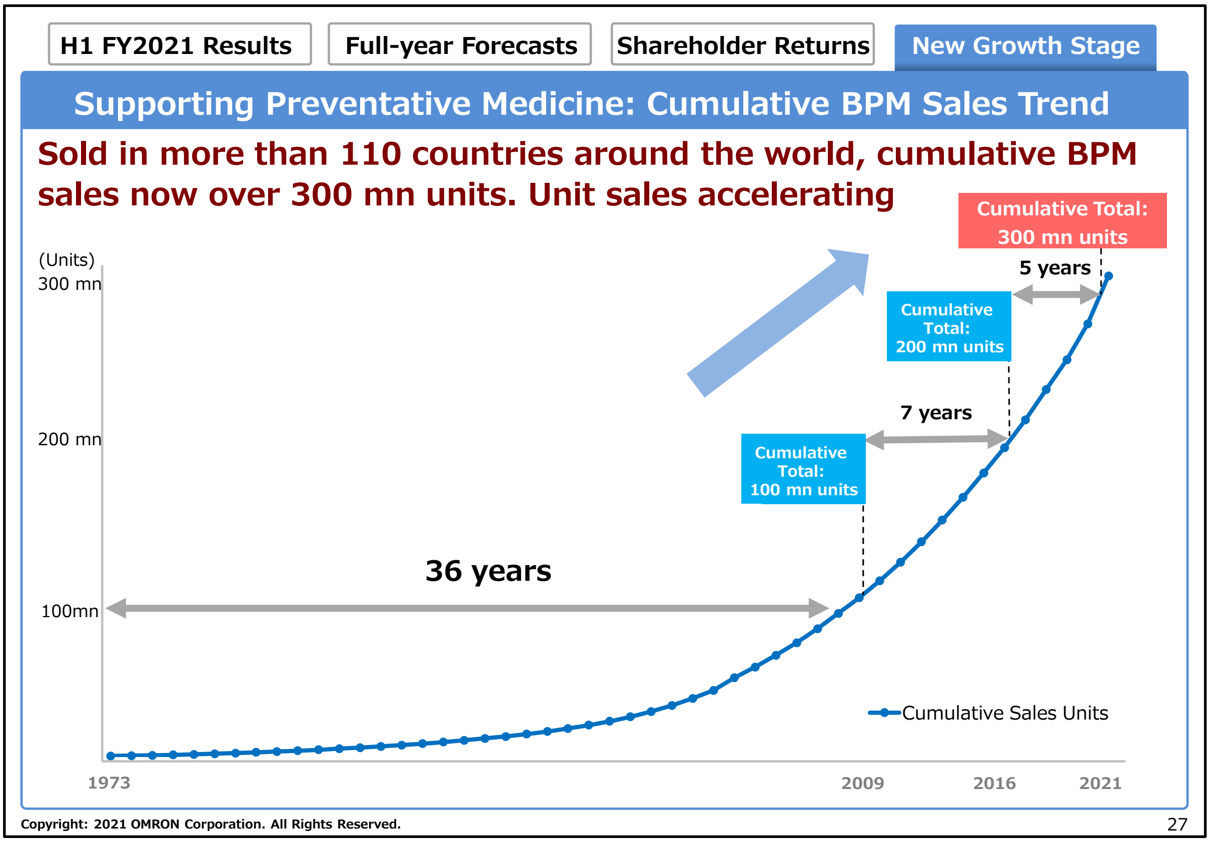
The first is that the operator is working alongside the cobot without a safety cage. To date, when humans and robots worked together, it was necessary to install safety cages or set aside sufficient work space. Cobots have the ability to recognize the presence of a human and can automatically adjust work speed accordingly. As such, it is possible to have a safe work environment even with the two working in proximity.

The second is the flexibility to accommodate production of a wide array of small lot products. There are many electric shaver models; reconfiguring for a different model is time consuming. However, using a cobot enables flexible changes to the production line layout, facilitating speedy rejigging.

The third is consistency of quality. When production facilities are reconfigured, the production process changes. On manned lines, when the screw tightening position changes it can lead to human error or inconsistent quality. However, these issues can be resolved by having a robot handle the screw tightening process.

The need for human-machine collaboration on the shop floor will continue to increase going forward. In order to respond to such needs, OMRON will work with Techman to jointly develop next-generation cobots.
OMRON will also contribute to the increased sophistication of manufacturing through the synchronization of control with the use of the robotics integrated controller and the development of robots capable of higher speed movement.

This completes the discussion of examples of initiatives in FA.
I will now talk about our initiatives in HCB.

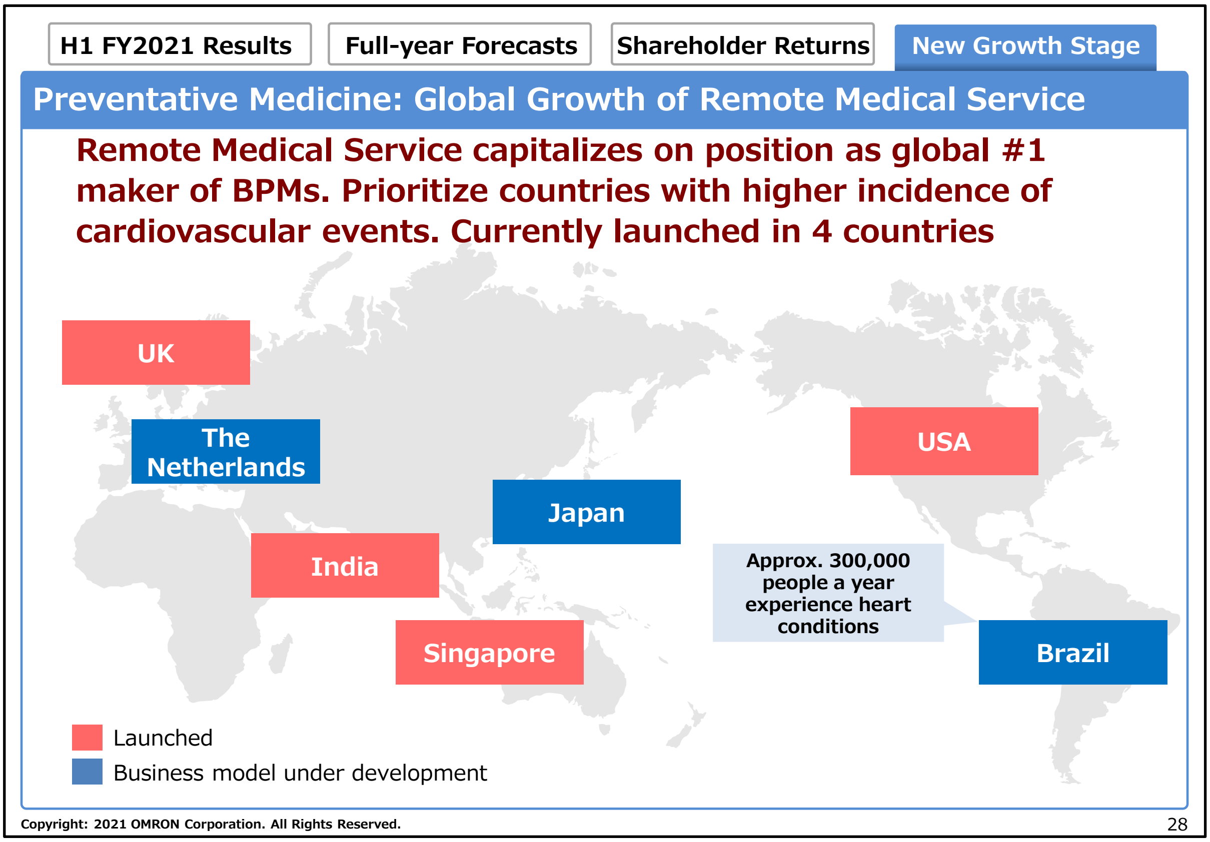


This line graph shows our cumulative unit sales of BPMs since the launch in 1973.
Currently, OMRON sells BPMs around the world in more than 110 countries. This year, cumulative unit sales surpassed the 300 mn mark on a global basis.

It took 36 years for us to break through the 100 mn mark for cumulative BPM sales in 2009. However, we achieved cumulative sales of 200 mn units in 2016, only 7 years later. Only 5 years from that point, we were then able to surpass the 300 mn mark. As you can see, we have been able to substantially grow BPM sales in the last few years.

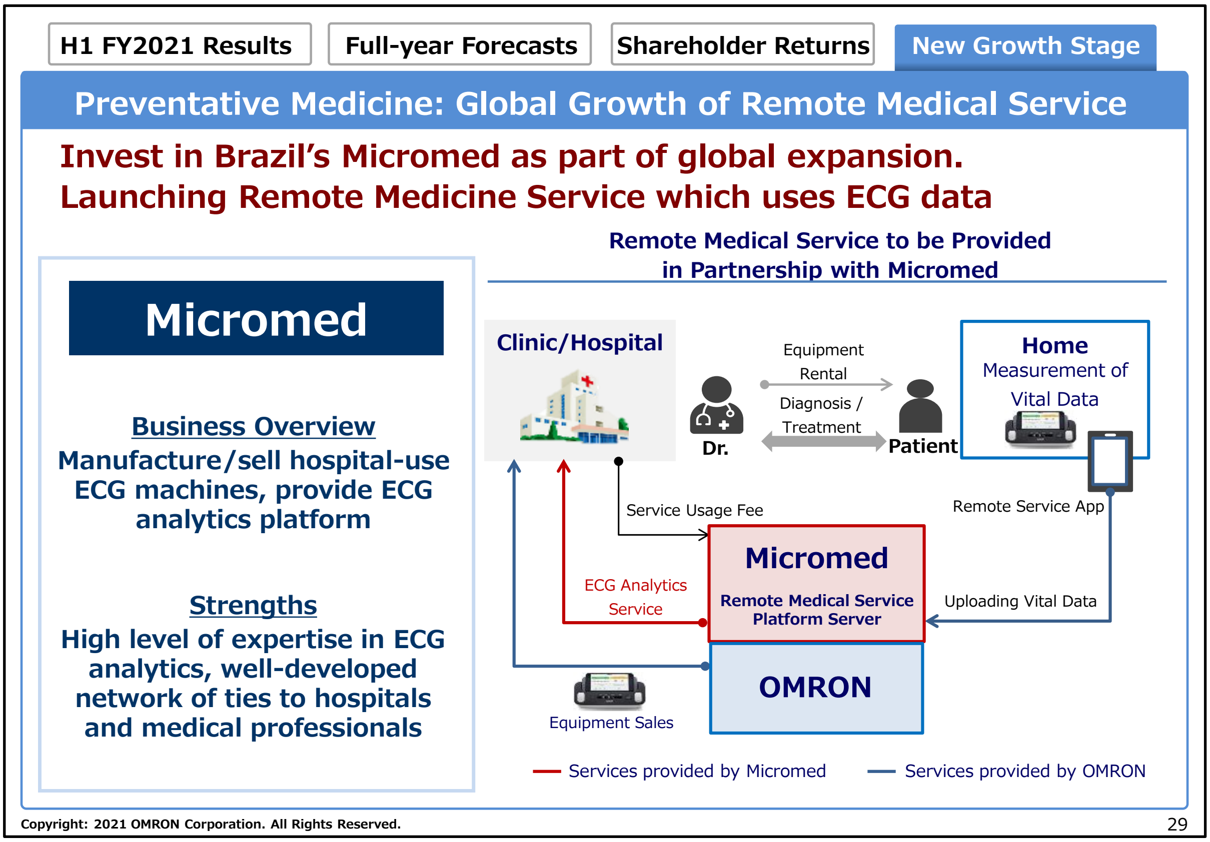
This is a reflection of not only rising health consciousness and the global increase in patients with lifestyle-related conditions, but the result of OMRON's longstanding and dedicated efforts in each country to teach the importance of measuring blood pressure in the home.

OMRON has been able to leverage this track record and the strong relationship of trust in our products by medical practitioners and pharmacists nurtured through 50 years of selling BPMs to launch remote medical services.



OMRON is deploying its remote medical services primarily in countries where cardiovascular and neurovascular events are an issue.

As you can see on this slide, the service has been launched in the 4 countries of the UK, India, Singapore and the US. The next step will be to launch the service in Brazil where 300,000 people a year experience cardiovascular events.



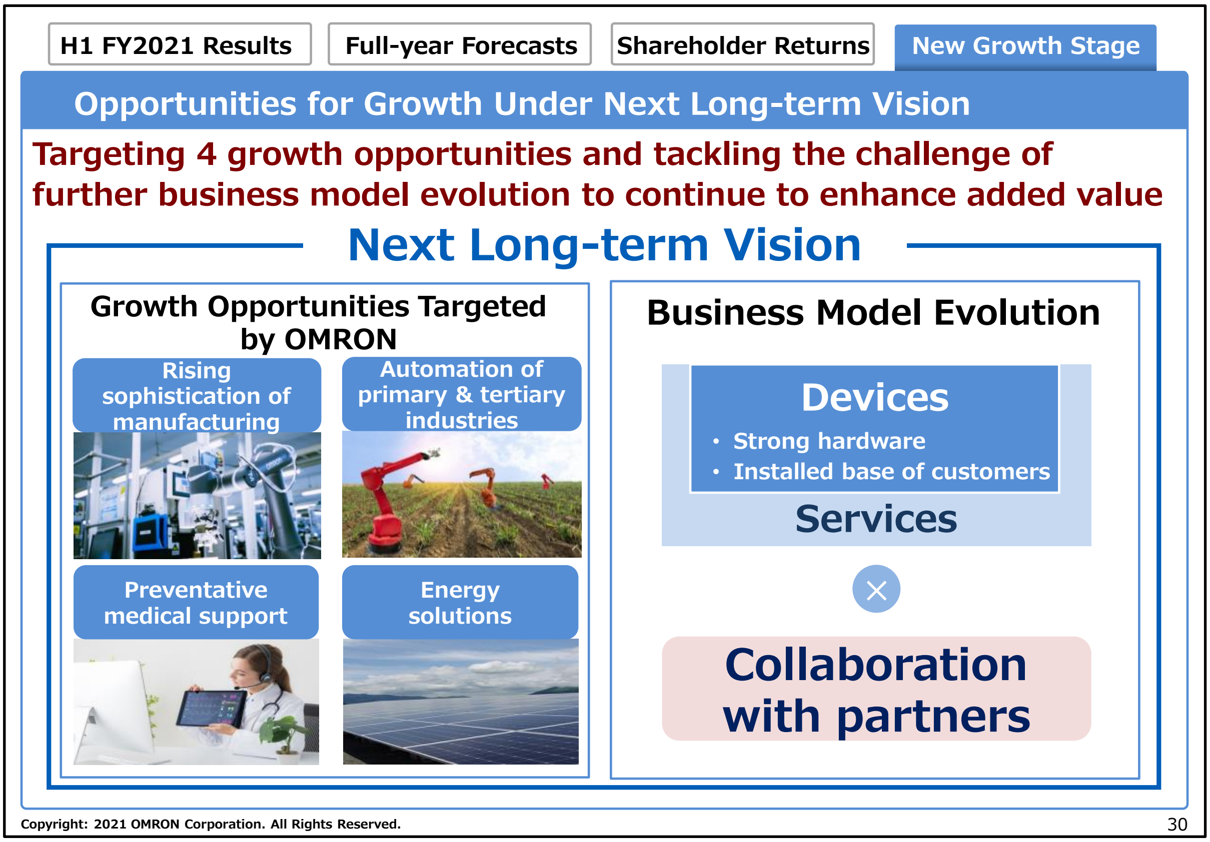
OMRON will enter Brazil, which will be the 5th country for its remote medical service, through a capital alliance with Micromed, which supplies hospital-use ECG equipment and an ECG analytics platform.

Through this alliance, electrocardiogram data collected in the home using OMRON devices will be analyzed in a timely manner leveraging Micromed's ECG analytics platform. The remote medical service will facilitate the sharing of this data with doctors.

In addition to BPMs, OMRON will provide devices such as ECG equipment that will lead to the early detection of hypertension and atrial fibrillation, factors that can contribute to a cardiovascular or neurovascular event.

OMRON is also aiming to create new value through its remote medical service by improving its support for preventative medicine. This will contribute to achieving our goal of going for zero cardiovascular and neurovascular events.

This covers our initiatives to support preventative medicine.



The initiatives discussed today which lay the foundations for a new growth stage are included in the 4 growth opportunities OMRON will pursue in the next Long-term Vision.

The 4 growth opportunities are: increased sophistication of manufacturing on the shop floor, automation in primary and tertiary industries, support for preventative medicine and energy solutions.

We aim to accelerate our efforts to create new value through the evolution of our business model, which will combine the value of services with co-development efforts with partners. The underlying base to all this will be the strong hardware we have developed to date and our global customer installed base.

We plan to announce our next Long-term Vision along with a Medium-term Management plan in March 2022. Under the Long-term Vision, we aim to enhance corporate value through further proactive investments.

We hope you will hold high expectations for OMRON.

This completes my presentation. In closing, I would like to take this opportunity to share my thoughts.

To date, OMRON has made solid progress in improving its growth capacity, profitability and ability to respond to change through a disciplined approach to business portfolio management and concentrated investments in FA and healthcare.

I am increasingly confident in our ability to seize the growth opportunities discussed today and believe we have made progress in expanding customers and deploying a solutions-based business model.

The multiplier effect of growth combined with improved profitability and resilience underpins our forecasts for new record high earnings this fiscal year.

Going forward, OMRON will accelerate its initiatives to lay the ground for a new growth stage. We humbly ask for the continued support of our shareholders and investors.
This completes my remarks. Thank you.

Reference

Shareholder Return Policy

Capital allocation priorities: (1) Investments for future growth, (2) Dividends, (3) Share buybacks

Investment for Future Growth	Focus on Factory Automation and Healthcare Allocate to growth investments (including M&A), R&D, and capital expenditures
Dividends	Targets: ・Full-year dividend payout ratio: approx. 30% ・Dividend on equity ratio (DOE): approx. 3%
Share Buybacks	Long-term retained earnings may be allocated toward share buybacks in a flexible manner.

Consolidated Balance Sheet

(¥bn)

	End-March 2021	End-Sept. 2021	Chg, vs. End-FY2020
Current assets	514.4	545.1	+30.7
(Cash and cash equivalents)	(250.8)	(274.0)	(+23.2)
(Inventory)	(103.3)	(115.0)	(+11.8)
Property, plant and equipment	113.0	111.9	-1.2
Investments and other assets	192.9	191.1	-1.8
Total assets	820.4	848.1	+27.7
Current liabilities	161.4	161.2	-0.2
Long-term liabilities	49.7	46.9	-2.8
Total Liabilities	211.0	208.1	-3.0
Shareholders' equity	606.9	637.7	+30.9
Noncontrolling interests	2.5	2.3	-0.2
Total net assets	609.4	640.1	+30.7
Total Liabilities and net assets	820.4	848.1	+27.7
Equity ratio	74.0%	75.2%	+1.2%pt

Consolidated Cash Flow Statement

(¥bn)

	H1 FY2020 Actual	H1 FY2021 Actual	Y/Y
Operating cash flow	45.7	39.3	-6.5
Investment cash flow	-10.0	-12.4	-2.4
Free cash flow (FCF)	35.7	26.8	-8.9
Financing cash flow	-12.0	-10.4	+1.6
Cash and cash equivalents as of end of period	209.1	274.0	+64.9

Capital expenditure	8.3	11.8	+3.5
Depreciation	11.5	11.5	-0.0

FY2021 Forex Assumptions

	FY2021 H2 Assumption	Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	**¥108**	¥1.7bn	¥0.2bn
EUR	**¥128**	¥0.9bn	¥0.4bn
RMB	**¥16.5**	¥0.8bn	¥0.2bn

* If emerging market currency trends diverge from trends in major currencies contrary to our expectations, it will impact sensitivities

OMRON Included in Major ESG Indices (As of October 2021)

ESG Indices which include OMRON

✓ DJSI – World	4th consecutive year
✓ FTSE4Good Index Series	6th consecutive year
✓ MSCI ESG Leaders Indexes	7th consecutive year
✓ MSCI SRI Indexes	5th consecutive year
✓ STOXX Global ESG Leaders indices	5th consecutive year
✓ FTSE Blossom Japan Index	5th consecutive year
✓ MSCI Japan ESG Select Leaders Index	5th consecutive year
✓ MSCI Japan Empowering Women Index	5th consecutive year
✓ S&P/JPX Carbon Efficient Index	4th consecutive year

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good

2021 MSCI ESG Leaders Indexes Constituent

THE INCLUSION OF OMRON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF OMRON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

STOXX Member 2020/2021 ESG Leaders Indices

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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FTSE Blossom Japan

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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S&P/JPX Carbon Efficient Index

CDP DRIVING SUSTAINABLE ECONOMIES

* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.
FY2020 Assessment: Climate Change 'A-', Water Security 'A-'

External Recognition (As of October 2021)

Domestic ESG awards, selection for inclusion

S&P Global Sustainability Award

- ✓ S&P Sustainability Award Gold Class **1st time**

Japan Association of Corporate Directors

- ✓ Corporate Governance of the Year 2018
  METI Minister's Award for Corporate Governance of the Year **FY2018**

Ministry of the Environment

- ✓ FY2018 Minister's Award for Global Warming Prevention Activity
  'Implementation of Countermeasures and Dissemination Category' **FY2018**

Sponsored by Nikkei Inc

- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award **December 2019**

Selected by METI, TSE

- ✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**
- ✓ Nadeshiko Brand **4th consecutive year from FY2017**
- ✓ Health & Productivity Stock **3rd consecutive year from FY2018**
- ✓ Health & Productivity: White 500 **5th consecutive year from FY2016**

Selected by Nikkei Inc.

- ✓ Nikkei 225 **March 2019, 1st time**

Sustainability Award
Gold Class 2021
S&P Global

Corporate Governance of The Year

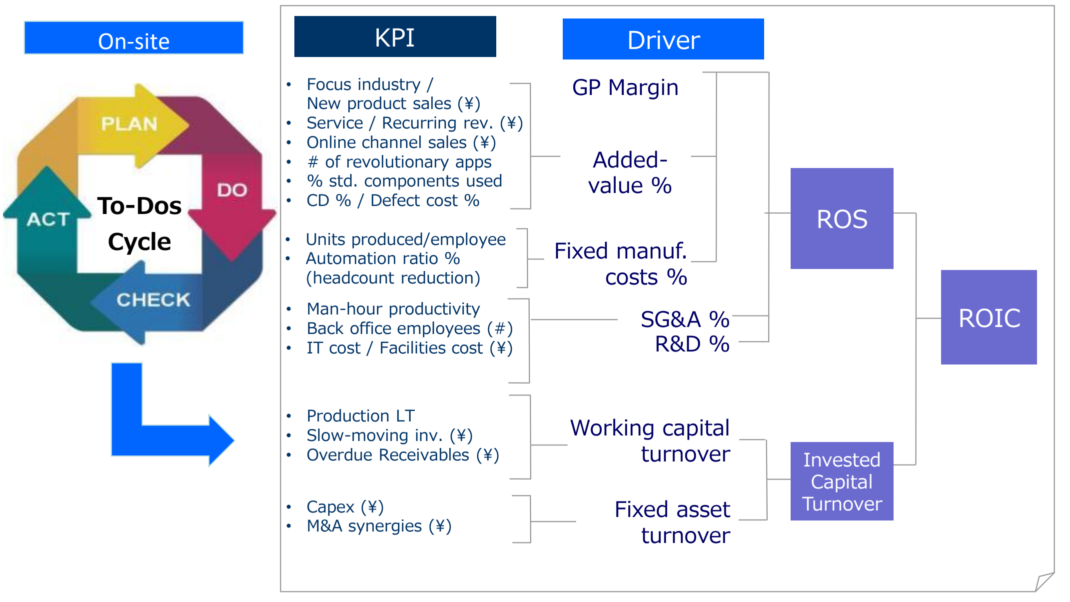
LISTED COMPANY AWARD 2014年度

NADE SHI KO BRAND 2021

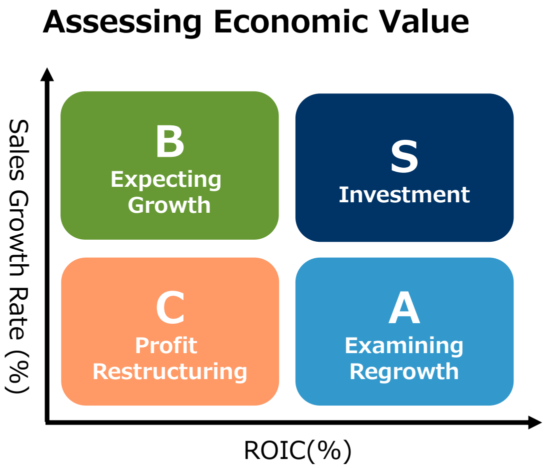
健康経営銘柄 2021

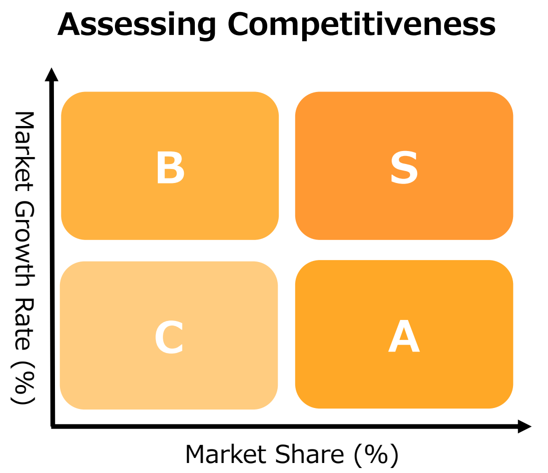
2021 健康経営優良法人 ホワイト500

Down-Top ROIC Tree（2.0）



Portfolio Management





ROIC Definition

<Consol. B/S>

LIABILITIES

Current liabilities:
- Short-term debt
- Notes and accounts payable — trade
- Accrued expenses
- Income taxes payable
- Other current liabilities

Deferred income taxes
Termination and retirement benefits
Other long-term liabilities
Total liabilities

NET ASSETS

Shareholders' equity
- Common stock
- Capital surplus
- Legal reserve
- Retained earnings
- Accumulated other comprehensive income (loss)
  - Foreign currency translation adjustments
  - Minimum pension liability adjustments
  - Net unrealized gains on available-for-sale securities
  - Net losses on derivative instruments
- Treasury stock

Noncontrolling interests
Total net assets
Total liabilities and net assets

$$\textbf{ROIC} = \frac{\text{Net income attributable to OMRON shareholders}}{\text{Invested capital}}$$

Invested capital*

= Net assets + Interest-bearing debt

*The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year.

Capital cost forecast at 5.5% for FY2021 - 2024

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.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (U.S. GAAP)."
   Figures rounded to the nearest million JPY and percentage to one decimal place.

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