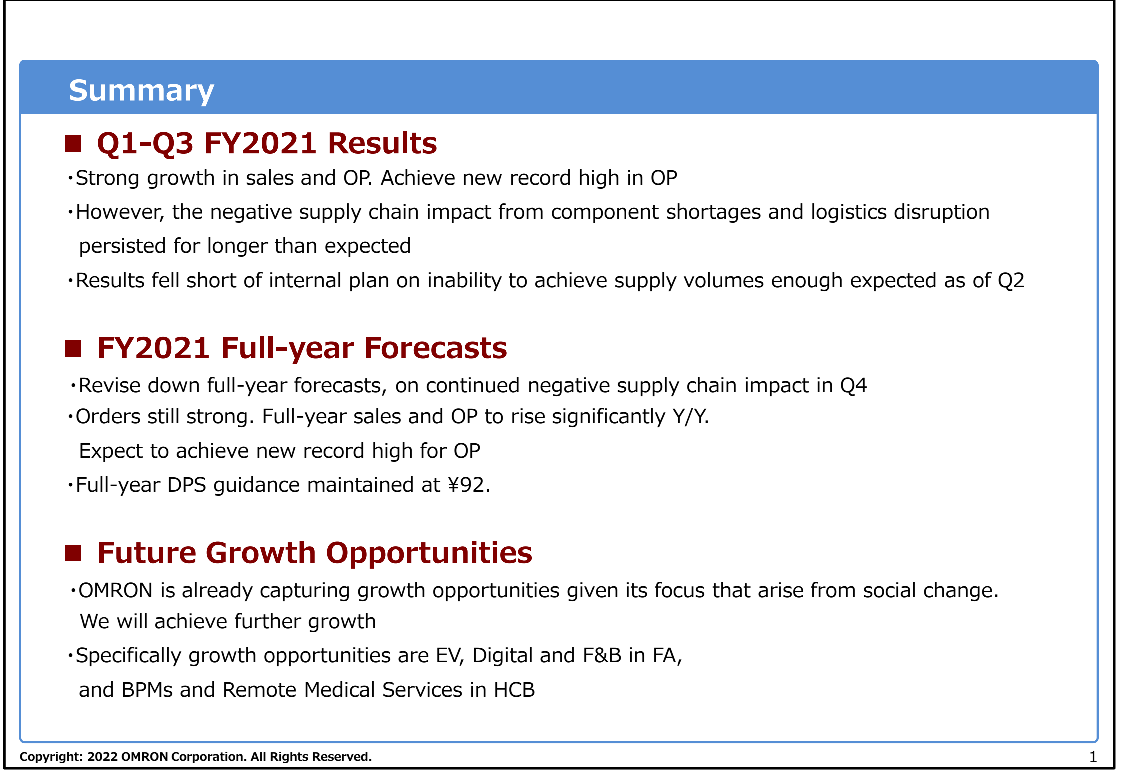
FY2021 Q3 Earnings
Ended December 31, 2021

January 28, 2022
OMRON Corporation

Good afternoon, everyone!
I am CFO Nitto.
Thank you for taking the time out of your busy schedules to participate in OMRON's Q3 FY2021 results briefing.

We will start with my presentation, to be followed by a Q&A session.
We hope to take as many questions as possible during the allotted time.

Please turn to the presentation materials.
Page 1 is a summary of the key takeaways from today's presentation.



There are 3 main points to today's presentation.
First is the Q1-Q3 FY2021 (nine-month) results.
On a Y/Y basis, nine-month sales and OP reported strong growth, with OP hitting a new record high. However, the negative impact of supply chain issues, such as component shortages and logistics disruptions, which had materialized from the start of the fiscal year expanded beyond our assumptions as of Q2. We implemented mitigating measures but were unable to secure the level of component procurements we had expected as of Q2. As a result, earnings fell short of our internal plans.

Next are our full-year forecasts for FY2021.
We expect the negative supply chain impact which expanded in Q3 to persist in Q4 and beyond. After a careful examination of the impact, we made the decision to revise down our full-year forecasts. That said, order trends remain strong. Moreover, our revised full-year forecasts still project substantial Y/Y increases in sales and profits; OP is expected to hit a new record high. Reflecting our strong earnings, we reiterate our annual DPS forecast of 92 yen per share, as raised at the end of Q2.

Finally, I will touch upon our future growth opportunities.
OMRON is addressing growth opportunities that are arising as a result of social changes and has already had some success in capturing such opportunities. Given this, we believe we can continue to achieve sustainable growth.
Specifically, within FA, we are focused on opportunities around EV-related, Digital and Food & Beverages. In HCB, we are focusing on BPMs and Remote Medical Services.
Let's get started with the presentation.

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Q1-Q3 FY2021 Results

Sales and OP up substantially. OP hit new record high

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
Net Sales	469.6	558.6	+19.0%
Gross Profit (%)	213.9 (45.6%)	256.4 (45.9%)	+19.8% (+0.3%pt)
Operating Income (%)	42.4 (9.0%)	66.9 (12.0%)	+57.5% (+2.9%pt)
Net Income	33.9	44.8	+32.2%
1USD (JPY)	106.2	111.0	+4.8
1EUR (JPY)	121.8	130.8	+9.0
1RMB (JPY)	15.3	17.2	+1.9

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This shows the Q1-Q3 FY2021 nine-month results. Please see the shaded column in the table.
Sales were 558.6 billion yen, GP was 256.4 billion yen for a GP margin of 45.9%, OP was 66.9 billion yen for an OPM of 12% and net income was 44.8 billion yen.

In Q1-Q3, we achieved strong Y/Y growth in sales and OP. OP hit a new record high.
As of the end of Q2, we had expected to generate even stronger earnings, but the larger-than-expected negative impact from supply chain issues meant sales fell short of internal plan by 10 billion yen.
However, despite the challenging circumstances, our most important management metric, GP margin, actually rose on a Y/Y basis for Q1-Q3 (nine months), reflecting improvements in fixed manufacturing costs and the implementation of selling price measures.

Next, I will discuss our business results by segment.

Sales by Segment

IAB and EMC successfully capture global demand, achieving significant sales growth. BPM demand firm in HCB

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	252.9	321.3	+27.1%
EMC Electronic & Mechanical Components	61.8	78.5	+26.9%
SSB Social Systems, Solutions & Service	58.6	55.2	-5.8%
HCB Healthcare	92.5	101.1	+9.3%
Eliminations & Corporate	3.7	2.5	-32.7%
Total	469.6	558.6	+19.0%

This is the breakdown of sales by segment.
IAB sales rose a hefty 27.1% YoY, reflecting the impact of production capacity expansion which supported wins in EV-related investments undertaken by the strong auto industry and demand from the Digital industries. However, sales fell short of internal plan as a result of the impact of component shortages.

EMC reported a strong 26.9% Y/Y rise in sales, on its success in capturing firm demand, primarily from the consumer electronics industry.

SSB sales fell Y/Y. While the recovery in demand for storage systems continued, investments by the railway operators have been severely constrained as a result of the pandemic.

HCB continued to report solid global demand for BPMs, posting Y/Y sales growth of 9.3%. However, the larger-than-expected impact of logistics disruption and the decline in COVID-19-driven demand for thermometers versus a high base, meant that sales fell short of internal plan.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

IAB Sales Growth by Region

Achieved Y/Y double-digit or higher growth in all regions.
Orders also up significantly

Q1-Q3 FY2021 (April-December)
IAB Sales and Order Growth by Region

	Japan	Americas	Europe	Greater China	SE Asia/Other	
					Ex-S. Korea	S. Korea
Sales Growth	+20%	+24%	+24%	+22%	+10%	+11%
Order Growth	+87%	+68%	+63%	+67%	+33%	+74%

* Y/Y, local currency basis

This table shows IAB Y/Y sales and order growth by region on a local currency basis.
Please look at the upper row shaded in blue, which shows Y/Y sales growth.
All areas reported double-digit Y/Y growth. Strong trends continued in Q3 (3 months).

Next, please look at the row shaded in orange, which is Y/Y order growth. Order growth for each region was significantly higher than sales growth. This trend is same for Q3 (3 months). In particular, in China, where there have been concerns of a slowdown, OMRON is focused on growth industries and customers, such as EV-use batteries and semiconductors. Customers in these areas continue to have a strong appetite for investments. We are seeing an increase in orders.
We expect the operating environment to remain firm into the next fiscal year.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

Operating Income by Segment

Achieve substantial OP growth in IAB, EMC. Logistics disruption a factor behind lower OP for HCB

(¥bn, %: OPM)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	41.9 (16.6%)	59.3 (18.5%)	+17.4 (+1.9%pt)
EMC Electronic & Mechanical Components	1.5 (2.5%)	6.8 (8.7%)	+5.3 (+6.2%pt)
SSB Social Systems, Solutions & Service	-0.6 (-)	-0.9 (-)	-0.3 (-)
HCB Healthcare	16.9 (18.3%)	16.2 (16.0%)	-0.7 (-2.3%pt)
Eliminations & Corporate	-17.3	-14.5	+2.8
Total	42.4 (9.0%)	66.9 (12.0%)	+24.5 (+2.9%pt)

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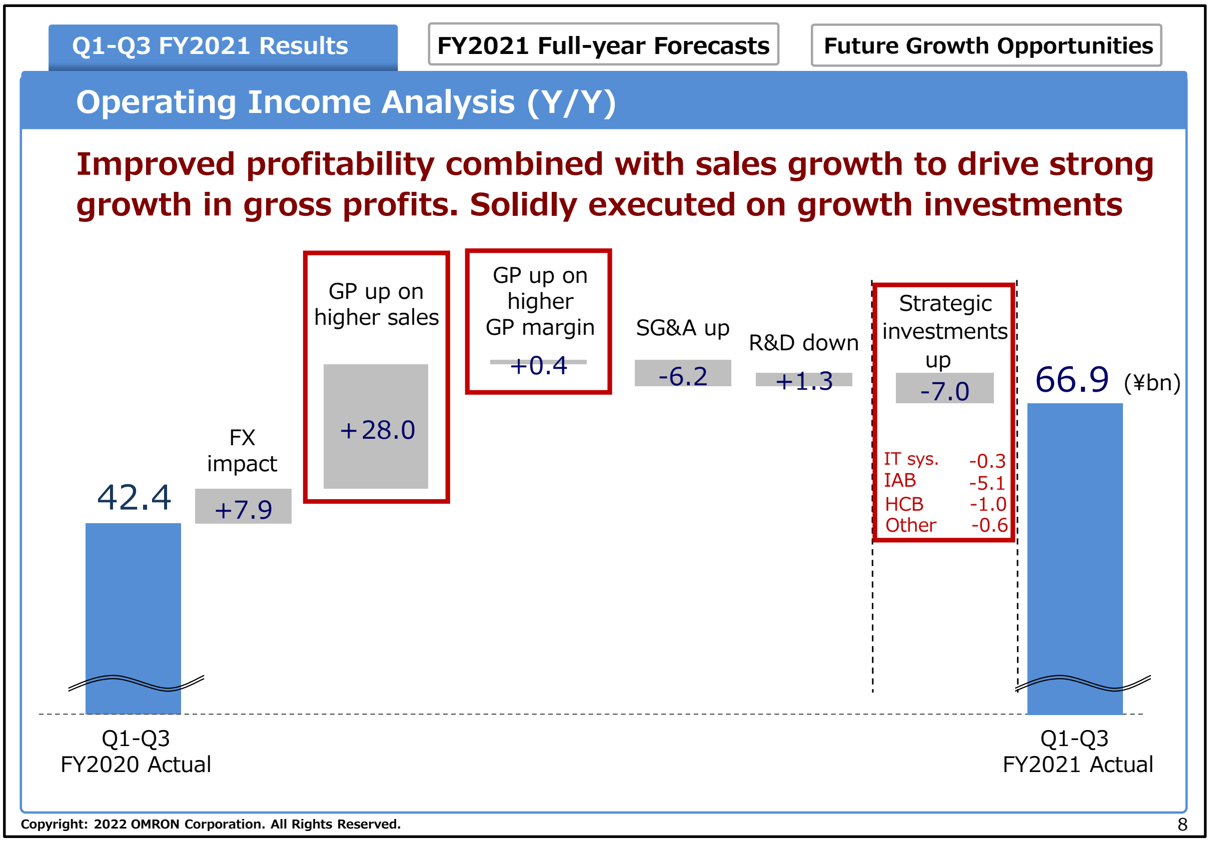
This table shows the breakdown of operating income by segment.

IAB and EMC achieved significant Y/Y OP growth, despite the impact of sharply higher component prices.

By nature, SSB's sales skew very heavily to Q4 so OP for the nine-months to Q3 is negative. However, on a full-year basis, we expect SSB to report Y/Y OP growth.

HCB profits declined Y/Y. On top of the surge in transportation expenses and components/materials costs, there was a high base for comparison in sales of thermometers, which contributed to lower profits.



This is the waterfall chart comparing operating income on a Y/Y basis.
On the left, we show Q1-Q3 FY2020 OP of 42.4 billion yen; on the far right is the 66.9 billion yen OP for this fiscal year.

Please look at the box outlined in red on the left. This shows the increase in gross profit as a result of higher sales, up 28 billion yen Y/Y.
Now, look at the next red box to the right. While there was a substantial negative impact from the surge in materials prices and logistics expenses, OMRON was able to generate a Y/Y increase in gross profit as a result of selling price measures and other initiatives which boosted the GP margin.
Finally, please look at the red box on the right. OMRON firmly executed on investments for future growth, primarily for IAB and HCB.

After factoring in all of the above, Q1-Q3 OP for the company as a whole hit a new record high.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

Supply Chain Update

Supply chain issues persisting. Emergence of new issues unanticipated at time of previous forecasts

	Changes from Previous Outlook
Component Shortages	・At IAB, range of components in tight supply increased. Unable to secure expected procurement volumes
Component Price Surges	・All businesses reporting a larger impact from rising component prices and increased use of components procured in the spot market
Logistics Delays	・HCB impacted by container shortages, and customs clearance delays in N. America and lack of drivers as a result of labor shortages. Logistics lead times for products significantly longer
Logistics Costs	・Larger-than-expected negative impact on IAB, EMC & HCB owing to rising unit prices for air/sea freight and increased use of air shipments

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In the final slide in this section, I will explain the supply chain situation.
We will start from the top of the table.

First is component shortages. This had an impact on OMRON's business as a whole, but in particular, IAB which uses a wide array of components, reported a broadening in the range of components in short supply. Specifically, in defiance of our expectations as of the end of Q2, the impact of shortages expanded into commodity components such as connectors and cables. As well, semiconductor procurement volumes fell short of our expectations as a result of delivery delays, despite previously contracted fixed delivery dates.

Next is component prices. All of our businesses continued to experience rising component and materials prices. As well, in order to mitigate the impact of components in short supply, we also procured some components in the spot market, which contributed to higher unit prices.

Next is logistics delays. In particular, HCB, which relies mainly on sea freight, was impacted by container shortages and labor shortages in North America, which led to delays in customs clearance and a lack of truck drivers. As a result, logistics lead times for products have become significantly longer, so does delivery to the customer.

Finally, logistics expenses. With the exception of SSB, all other businesses experienced an increase in logistics expenses. On top of the rise in freight unit prices, we increased the proportion of products shipped by air to meet our supply obligations to our customers to deliver on time. These are products for which we would normally ship by sea.

As you can see, we were impacted by component shortages and supply chain disruption which we had not anticipated as of the end of Q2.
We expect these conditions to persist in Q4; as such, we revised our full-year forecasts.

Full-year Forecasts

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

Q4 Business Environment by Segment (January-March)

Outlook remains firm, primarily for IAB. No major changes from previous outlook

IAB Industrial Automation	Automotive: EV investments continue on trend toward decarbonization Digital: High level of investment continues on ongoing increase in demand for semiconductors/rechargeable batteries Food & bev.: Firm trend for environmental/automation investments on economic reopenings Social infrastructure: Recovering on resumption of energy investments like solar power, which had seen a temporary correction
EMC Electronic & Mechanical Components	Consumer: Recovery trend continuing, focused on US/Europe Automotive: Gradual recovery trend maintained
SSB Social Systems, Solutions & Service	Station sys.: Continued capex constraints Transport: Expect 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 globally and low frequency treatment devices in Japan. Pace of demand decline in thermometers faster than expected; reverting to pre-COVID-19 levels

This is our view of the operating environment by business for Q4.

We expect demand in Q4 to remain strong, largely unchanged from our outlook as of the end of Q2. Supported by strong demand, order momentum has not diminished: overall, we expect firm trends to continue, focused mainly on IAB.

Q1-Q3 FY2021 Results | **FY2021 Full-year Forecasts** | Future Growth Opportunities

FY2021 Full-year Forecasts

Revising full-year forecasts on negative impact from supply chain issues. Sales and OP up Y/Y; OP to hit new record high

(¥bn)

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	Y/Y
Net Sales	700.0	780.0	760.0	-2.6%	655.5	+15.9%
Gross Profit	325.0	361.0	347.0	-3.9%	298.4	+16.3%
(%)	(46.4%)	(46.3%)	(45.7%)	(-0.6%pt)	(45.5%)	(+0.1%pt)
Operating Income	70.0	98.0	88.0	-10.2%	62.5	+40.8%
(%)	(10.0%)	(12.6%)	(11.6%)	(-1.0%pt)	(9.5%)	(+2.0%pt)
Net Income	48.0	65.5	57.0	-13.0%	43.3	+31.6%
1USD (JPY)	108.0	108.9	111.5	+2.5	105.8	+5.7
1EUR (JPY)	128.0	129.5	130.6	+1.1	123.2	+7.5
1RMB (JPY)	16.5	16.7	17.4	+0.6	15.5	+1.8

I will now explain our full-year consolidated forecasts.
Please look at the column on the far left, which shows our initial plan for FY2021. This fiscal year, as uncertainties in the operating environment due to the pandemic persist, we made our initial forecasts, projecting sales of 700 billion yen and OP of 70 billion yen.

The next column to the right shows our previous forecasts. After announcing our initial plan, there was a sudden surge in IAB orders. To reflect this, we chose to revise up substantially as of the end of Q2, projecting sales of 780 billion yen and OP of 98 billion yen.
The sudden increase in demand led to a tight supply of components. However, we responded by leveraging the component inventory we had secured and, where components were unavailable, we locked in alternative components based on design changes. Our full-year forecasts as of Q2 were based on the assumption that we would be able to lock in components where we had some expectations for supply.

However, the supply chain disruption persisted into Q3, with a larger-than-expected impact. We expect this disruption to continue in Q4 and therefore made the decision to revise down our full-year forecasts at this time. We note that our current forecast is based on component supply where we already have a contracted delivery date.
Please look at the shaded part of the table in the middle.
Our revised forecast is for sales of 760 billion yen, gross profit of 347 billion yen for a GP margin of 45.7%, OP of 88 billion yen for an OPM of 11.6% and net income of 57 billion yen.

There are 2 major reasons for the 20 billion yen downward revision to sales. First, we have factored in a negative impact of 13 billion yen to reflect expected declines in product volumes as a result of component shortages. The second is a negative impact of approximately 4 billion yen due to logistics delays which we expect will mean we will not be able to deliver products to our customers as scheduled.
In addition to the impact of lower sales, we have factored in the increase in component costs and logistics expenses, lowering our OP forecast by 10 billion yen.

Finally, please look at the column on the far right. Although we are revising down our full-year forecasts, we are still projecting a substantial Y/Y increase in sales and profits and are guiding for a new record high in OP.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

FY2021 Forecasts: Sales by Segment

Revising forecasts for IAB, SSB and HCB.
Projecting new record highs for IAB and HCB

(¥bn)

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	Y/Y
IAB Industrial Automation	375.0	443.0	430.0	-2.9%	346.4	+24.1%
EMC Electronic & Mechanical Components	94.0	103.0	103.0	-	86.0	+19.7%
SSB Social Systems, Solutions & Service	96.0	92.0	90.0	-2.2%	95.7	-5.9%
HCB Healthcare	133.0	140.0	134.0	-4.3%	123.1	+8.9%
Eliminations & Corporate	2.0	2.0	3.0	-	4.3	-30.3%
Total	700.0	780.0	760.0	-2.6%	655.5	+15.9%

This is the breakdown of the sales forecast by segment. Please look at the shaded part of the table in the middle.

We have revised our forecast for IAB to 430 billion yen. Component shortages account for virtually all of the 13 billion yen reduction. That said, on a Y/Y basis, this represents a 24.1% increase.

We expect to see a continued recovery trend for EMC and have reiterated our 103 billion yen forecast.

We revised our forecasts for SSB to 90 billion yen, factoring in a decline in sales for both railway and payment systems as a result of the prolonged pandemic.

We revised our forecast for HCB to 134 billion yen, reflecting the decline in sales as a result of logistics delays. However, on a Y/Y basis, we expect sales to rise 8.9%, maintaining a strong trend.

We note that our segment sales forecasts for IAB and HCB represent new record highs.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

FY2021 Forecasts: Operating Income by Segment

Revising IAB, SSB and HCB forecasts reflecting downward revision to sales forecasts

(¥bn, %: OPM)

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	Y/Y
IAB Industrial Automation	63.0 (16.8%)	87.0 (19.6%)	79.0 (18.4%)	-8.0 (-1.3%pt)	58.8 (17.0%)	+20.2 (+1.4%pt)
EMC Electronic & Mechanical Components	4.5 (4.8%)	7.5 (7.3%)	8.0 (7.8%)	+0.5 (+0.5%pt)	3.0 (3.4%)	+5.0 (+4.3%pt)
SSB Social Systems, Solutions & Service	7.0 (7.3%)	7.0 (7.6%)	6.5 (7.2%)	-0.5 (-0.4%pt)	5.7 (6.0%)	+0.8 (+1.3%pt)
HCB Healthcare	22.5 (16.9%)	22.5 (16.1%)	19.5 (14.6%)	-3.0 (-1.5%pt)	20.6 (16.7%)	-1.1 (-2.2%pt)
Eliminations & Corporate	-27.0	-26.0	-25.0	+1.0	-25.5	+0.5
Total	70.0 (10.0%)	98.0 (12.6%)	88.0 (11.6%)	-10.0 (-1.0%pt)	62.5 (9.5%)	+25.5 (+2.0%pt)

This is the breakdown of the OP forecast by segment.
Similar to our revisions to segment sales forecasts, we have reduced our OP forecasts for IAB, SSB and HCB versus the previous forecasts.

Given that we are projecting a Y/Y decline in OP despite higher sales for HCB, I would like to provide more detail. Logistics delays have led to instances where products we have manufactured have not been reaching our customers. We have factored in a sales decline of 4 billion yen from the previous forecast to reflect this. We note that thermometer sales have returned to the pre-COVID-19 level, which has also depressed sales.
However, demand continues to be very strong, primarily for BPMs. We expect BPM sales growth to exceed 10% YoY. We are expecting overall HCB sales to grow 8.9% Y/Y.

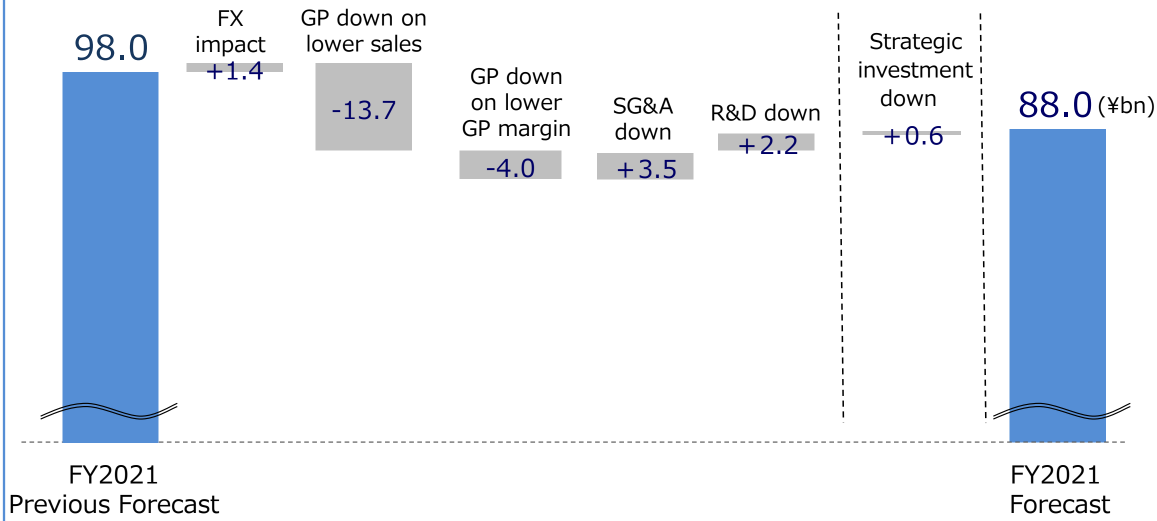
At the OP level, we have factored in 2 negatives. The first is an increase in logistics expenses of approximately 1.5 billion yen Y/Y, to reflect the significant impact of a temporary increase in air freight to ensure we fulfil our supply obligations to our customers. The second is the increase in component costs. Reflecting the surge in semiconductor prices, we have factored in a 2.5 billion yen Y/Y increase. The total impact of supply chain issues on OP is roughly 4 billion yen.

As a result, we expect HCB OP to decline 1.1 billion yen Y/Y; this is reflected in our HCB forecasts of Y/Y gains in sales but a decline in OP.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

Operating Income Analysis (vs. Previous Forecast)

Factoring in negative impact of component shortages on sales and surging materials and logistics costs on GP



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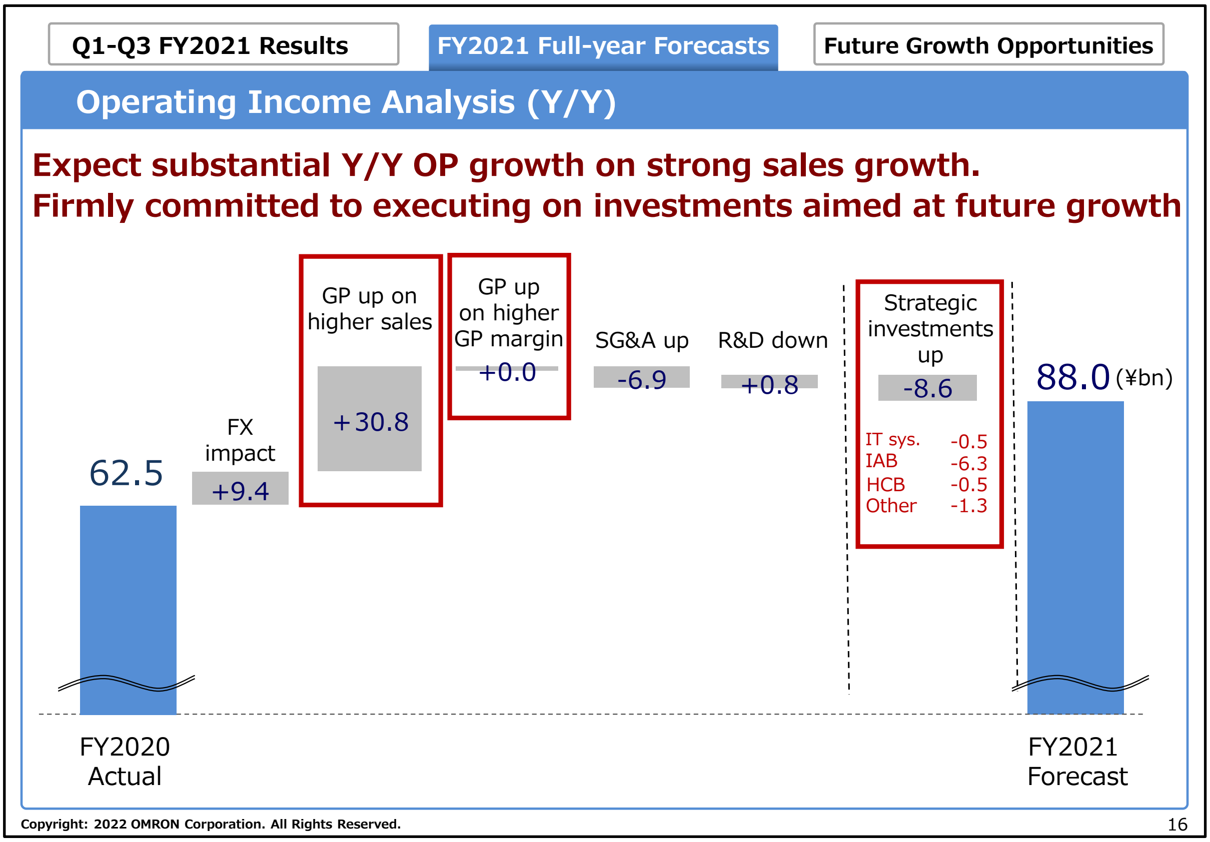
This is the waterfall chart for full-year OP comparing the current forecasts to previous forecasts.
On the left, we show our previous forecast for 98 billion yen in OP.
On the far right, we show our newly revised forecast for OP of 88 billion yen.

We revised our forecast for OP, factoring in a decline in sales owing to component shortages and a deterioration in the GP margin as a result of surging component and logistics costs.

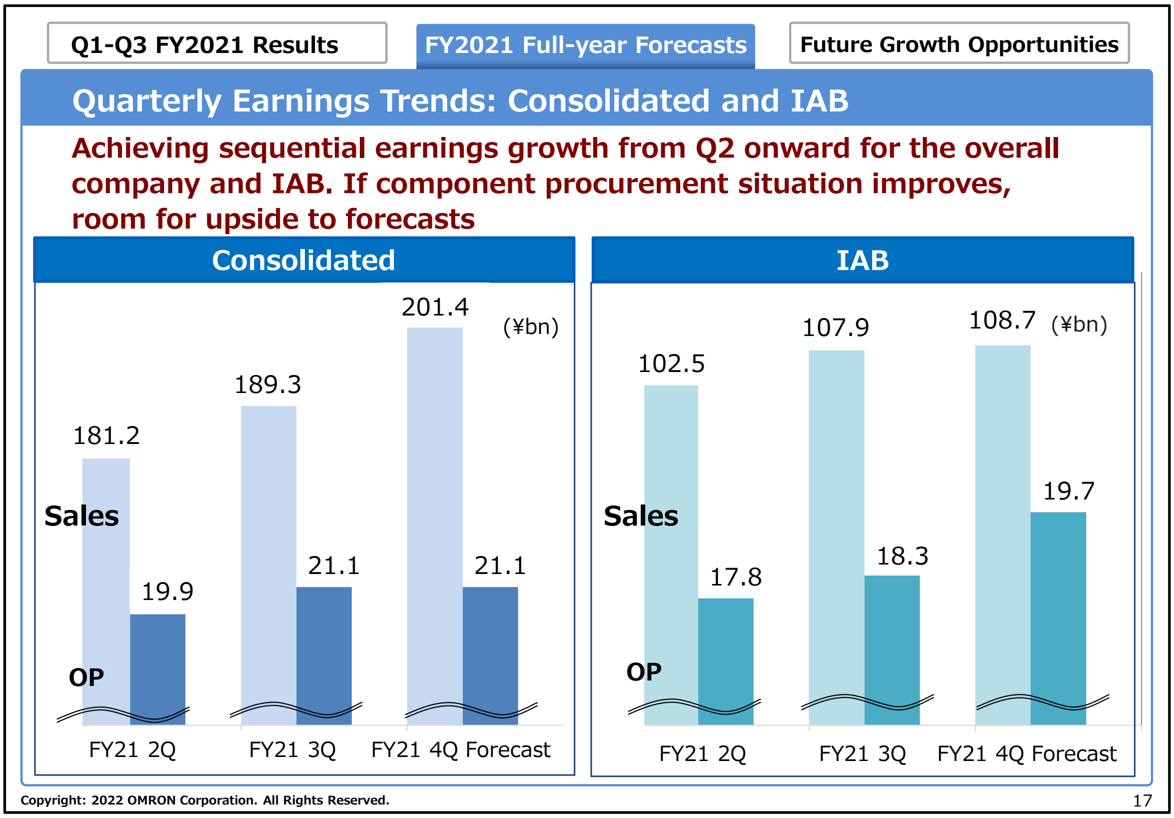


This is the waterfall chart comparing full-year operating income on a Y/Y basis.
On the left, we show FY2020 actual OP of 62.5 billion yen, with our FY2021 forecast of 88 billion yen on the far right.

Please look at the box outlined in red on the left. As a result of the significant Y/Y increase in sales, we expect OP to rise substantially.

Now look at the red box to the right. We aim to offset the negative impact of higher component and logistics expenses through our own efforts, such as selling price measures. This will allow us to maintain the GP margin virtually unchanged Y/Y.

Next is the red box on the far right. By firmly executing on investments for future growth, we believe we can achieve sustainable growth into FY2022 and beyond.



This table shows the quarterly earnings trends for the consolidated entity and IAB.
As has been discussed today, despite the challenging supply chain issues, if we look at quarterly earnings, OMRON is continuing to achieve solid sequential gains.

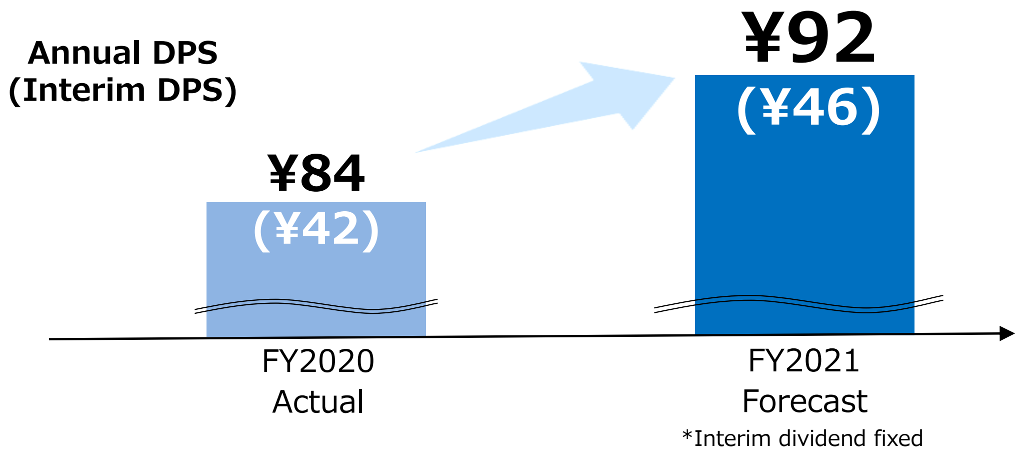
Please look at the bar chart on the left. For the consolidated entity, we were able to achieve firm sequential growth in sales and OP from Q2 into Q3. We expect to see further sequential sales growth in Q4.
The bar chart on the right shows a similar trend for IAB, with solid quarterly sequential earnings growth. This is the result of our success in raising the level of trust that our customers have in OMRON, which reflects firm-wide initiatives to improve our capability to provide solutions by leveraging SEs and our automation centers.
Additionally, we have demonstrated our resilience in the face of change, through our agile response to the shortage of components such as design changes and procurement of alternative components.

I feel that the measures we have implemented to date have delivered results even during this time of crisis. Orders remain strong. If the supply chain situation improves, there should be further upside for earnings.

Q1-Q3 FY2021 Results | FY2021 Full-year Forecasts | Future Growth Opportunities

Shareholder Returns

Maintain annual dividend guidance at ¥92 increase announced in Q2, up ¥8 Y/Y. Share buyback (¥30bn, 2.63mn shares) completed in December



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Next, I will discuss shareholder returns.

As explained today, we expect to hit a new record high in full-year profits this fiscal year. We reiterate our guidance for an annual DPS of 92 yen, as raised at the end of Q2. This is an 8 yen increase Y/Y.

Also, please note that the 30 billion yen share buyback was completed in December.

This covers my explanation of the full-year forecasts.

Future Growth Opportunities

Finally, I would like to talk about future growth opportunities for OMRON.

OMRON is focused on addressing growth opportunities that arise as a result of social change. We believe these markets will continue to see robust demand and high levels of investments.

We are already having success in winning new opportunities. By capturing new needs driven by such growth opportunities, we believe we can continue growing sustainably.

I will first touch upon the FA area.
Demand in the FA area is expanding as a result of social changes, such as the need to lower the environmental burden and a shift to automating production processes which have relied heavily on human workers to date.

IAB is capturing growth opportunities such as efforts to improve EV energy efficiency in the auto industry, global capacity expansion and further miniaturization for semiconductors, and the evolution in packaging materials as the food & beverage, household goods and pharmaceutical industries eliminate the use of plastics.

These are industries that are actively investing and have adopted i-Automation applications provided by OMRON.
Order trends are strong; we believe we can continue to achieve growth going forward.

Next is HCB.
Demand for preventative medicine is rising on a global basis, supported by social changes such as rising health awareness and changes in lifestyle.

The BPM market, which is a key focus for OMRON, will continue to grow further. We aim to raise the penetration of BPMs in emerging markets such as India. We are also accelerating the deployment of remote medical services on the back of emerging demand.

We continue to ‘Go for Zero’, our campaign to reduce neurovascular and cardiovascular events to zero, which will drive growth in HCB.

This completes my comments on the growth opportunities for IAB and HCB.

Briefing on Next Long-Term Vision and Medium-Term Business Plan

Date: Early March, 2022
Format: Remote Webinar

We plan to hold a briefing on its next Long-Term Vision and Medium-Term Management Plan in early March.
We hope you will hold high expectations for these plans.

As discussed today, this fiscal year has been a difficult year to navigate, with significant opportunities supported by market growth on the one hand but major challenges in the form of supply chain disruption on the other.

We sincerely regret the market confusion stemming from our decision to revise down the forecasts we revised upward at Q2. I, as CFO, have focused on ROIC management and business portfolio management, as rooted in our corporate principles. We have been able to improve OMRON's ability to be resilient in the face of change, which has led to an enhancement of corporate value to date.
In spite of the continued uncertainty in the operating environment as a result of the pandemic, the fact that OMRON has been able to grow its profits for 2 consecutive years is, in my view, a reflection of the solid progress we have made in strengthening our capabilities. Current order trends are strong, so if there is a recovery in the supply chain, I believe we can grow profits further.

That said, what we have seen this fiscal year is that the pandemic has accelerated structural changes in society. As such, it is not a short term issue. Instead, I feel that corporates are being called upon to dig deep for resilience in the face of change over the medium- to long-term.
To respond to structural changes in society will require a further evolution of our capabilities from a longer-term perspective. As CFO, I aim to continue to further enhance our core businesses and to identify growth opportunities and invest appropriately to ensure we can realize profitable medium- to long-term growth, while also maintaining a skillful balance between discipline and growth investments.
This completes my presentation. 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-Dec. 2021	Chg, vs. End-FY2020
Current assets	514.4	532.1	+17.7
(Cash and cash equivalents)	(250.8)	(235.2)	(-15.5)
(Inventory)	(103.3)	(133.1)	(+29.9)
Property, plant and equipment	113.0	114.7	+1.7
Investments and other assets	192.9	194.8	+1.9
Total assets	820.4	841.6	+21.3
Current liabilities	161.4	163.3	+2.0
Long-term liabilities	49.7	44.2	-5.4
Total Liabilities	211.0	207.5	-3.5
Shareholders' equity	606.9	631.5	+24.7
Noncontrolling interests	2.5	2.6	+0.1
Total net assets	609.4	634.1	+24.8
Total Liabilities and net assets	820.4	841.6	+21.3
Equity ratio	74.0%	75.0%	+1.0%pt

Consolidated Cash Flow Statement

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
Operating cash flow	62.6	47.3	-15.3
Investment cash flow	-17.7	-24.0	-6.3
Free cash flow (FCF)	45.0	23.3	-21.6
Financing cash flow	-20.4	-49.6	-29.2
Cash and cash equivalents as of end of period	211.4	235.2	+23.8

Capital expenditure	13.3	20.7	+7.4
Depreciation	17.2	17.4	+0.2

FY2021 Forex Assumptions

	Q4 FY2021 Assumptions	Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	**¥113**	¥1.7bn	¥0.2bn
EUR	**¥130**	¥0.9bn	¥0.4bn
RMB	**¥17.8**	¥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 January 2022)

ESG Indices which include OMRON

- ✓ DJSI – World — **5th 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 — **6th 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**

* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.
FY2021 Assessment: Climate Change ‘A⁻’, Water Security ‘A⁻’

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 2021/2022 ESG Leaders Indices

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

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.

FTSE Blossom Japan

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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.

S&P/JPX Carbon Efficient Index

CDP DISCLOSER 2021

External Recognition (As of January 2022)

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**

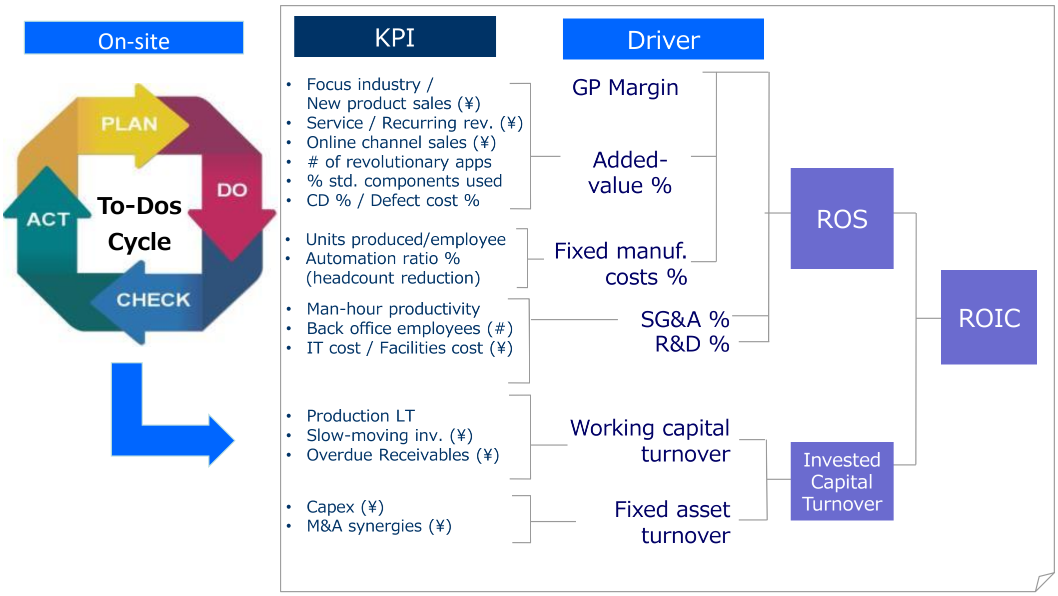
Selected by METI, TSE

- ✓ 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.

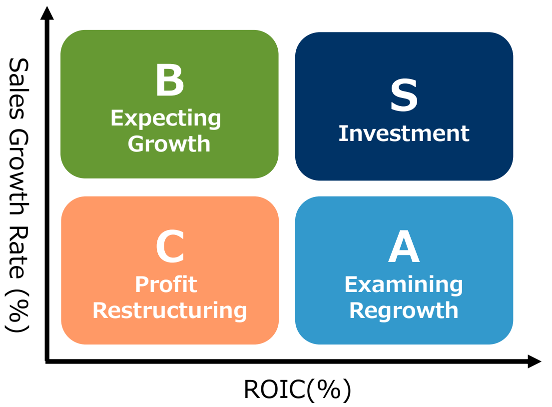
- ✓ Nikkei 225 **March 2019, 1st time**

Down-Top ROIC Tree（2.0）

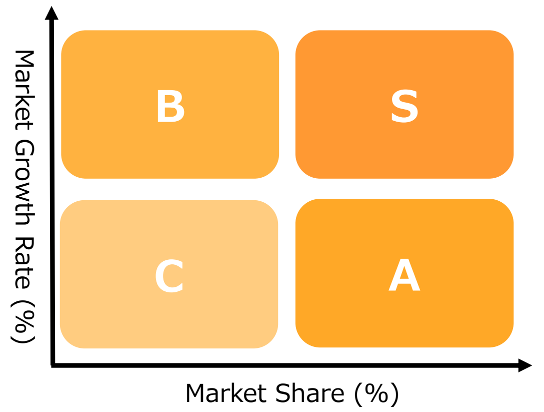


Portfolio Management

Assessing Economic Value



Assessing Competitiveness



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 Third 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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