

Q1 FY2022 Earnings
ended June 30, 2022

Results Briefing

July 26, 2022

OMRON Corporation

Summary

■ Q1 FY2022 results

- Q1 sales and profits declined on impact of Shanghai lockdown
- As a result of halted operations at mainstay Shanghai plant in April and limited production capacity in May with only a partial resumption of production, IAB sales and profits fell
- Production returned to normal from mid-June, accelerating a recovery. Backed by strong orders, June earnings rebounded to the level of the previous fiscal year

■ FY2022 full-year forecasts

- Based on thorough review of the outlook for Q2 onward, OMRON believes a full recovery from the Shanghai lockdown impact is possible: we maintain our full-year forecasts
- Overall operating environment for the group as a whole is strong. Expect strong order trends for IAB to continue in Q2 and beyond
- Committed to further strengthening supply capability from Q2, which is the key to growing sales

■ Shareholder returns

- Establish a 20 billion yen share buyback program for this fiscal year
- Dividend guidance reiterated: full-year DPS of ¥98, up ¥6 Y/Y

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1. Q1 FY2022 Results

Q1 FY2022 Results

Q1 sales and profits down on impact of Shanghai lockdown

(¥bn)

	Q1 FY2021 Actual	Q1 FY2022 Actual	Y/Y
Net Sales	188.2	184.4	-2.0%
Gross Profit (%)	87.4 (46.4%)	80.4 (43.6%)	-7.9% (-2.8%pt)
Operating Income (%)	25.8 (13.7%)	11.9 (6.5%)	-53.8% (-7.3%pt)
Net Income	20.2	8.0	-60.5%
1USD (JPY)	109.8	126.5	+16.7
1EUR (JPY)	131.7	136.8	+5.1
1CHY (JPY)	17.0	19.3	+2.4

Sales by Segment

IAB, HCB sales decline on impact from Shanghai lockdown but DMB sales up significantly on success in accurately capturing demand

	Q1 FY2021 Actual	Q1 FY2022 Actual	(¥bn) Y/Y
IAB Industrial Automation	107.6	101.0	-6.1%
HCB Healthcare	34.8	34.1	-2.0%
SSB Social Systems, Solutions & Service	15.9	15.7	-1.4%
DMB Device & Module Solutions	29.1	33.2	+14.0%
Eliminations & Corporate	0.8	0.5	-44.0%
Total	188.2	184.4	-2.0%

Operating Income by Segment

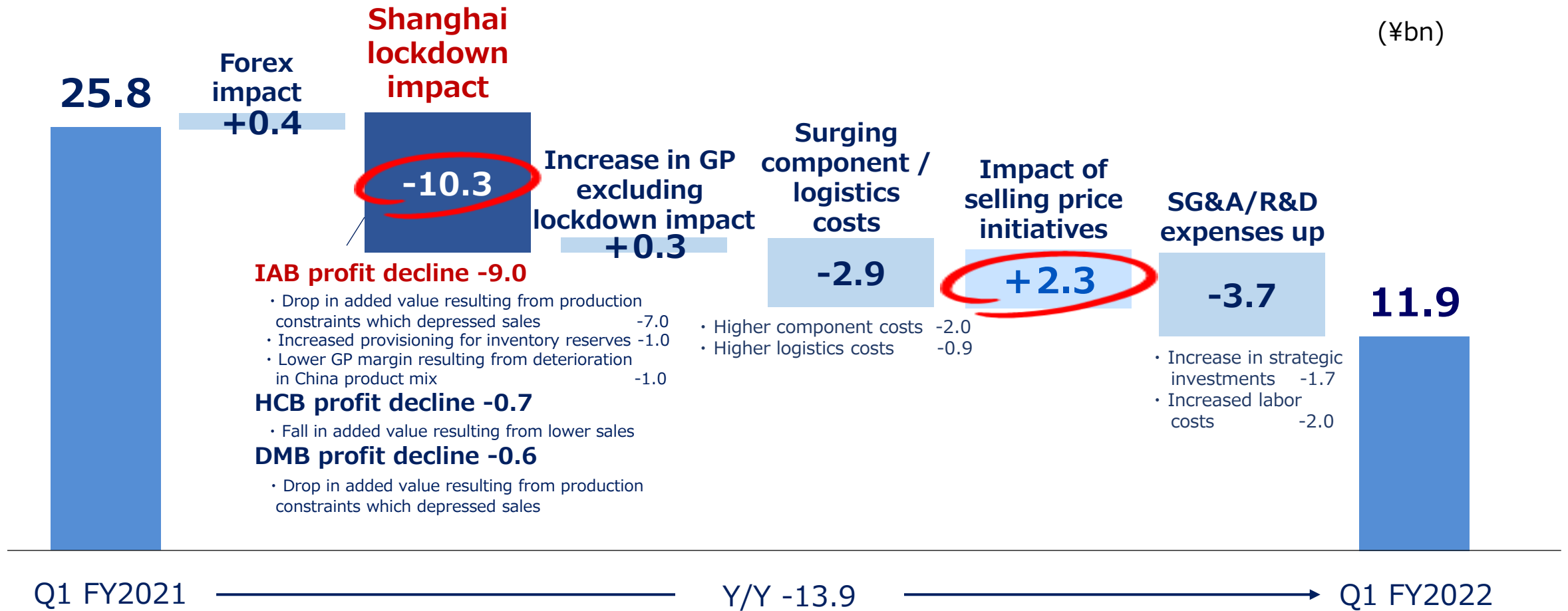
IAB, HCB profits fell on substantial impact from Shanghai lockdown but DMB posted strong profit growth on higher sales and selling price adjustments

(¥bn)

	Q1 FY2021 Actual	Q1 FY2022 Actual	Y/Y
IAB Industrial Automation	22.7 (21.1%)	11.8 (11.6%)	-11.0 (-9.5%pt)
HCB Healthcare	6.4 (18.3%)	4.1 (12.1%)	-2.2 (-6.1%pt)
SSB Social Systems, Solutions & Service	-1.7 -	-1.2 -	+0.5 -
DMB Device & Module Solutions	2.5 (8.5%)	3.8 (11.5%)	+1.3 (+3.0%pt)
Eliminations & Corporate	-4.0	-6.6	-2.6
Total	25.8 (13.7%)	11.9 (6.5%)	-13.9 (-7.3%pt)

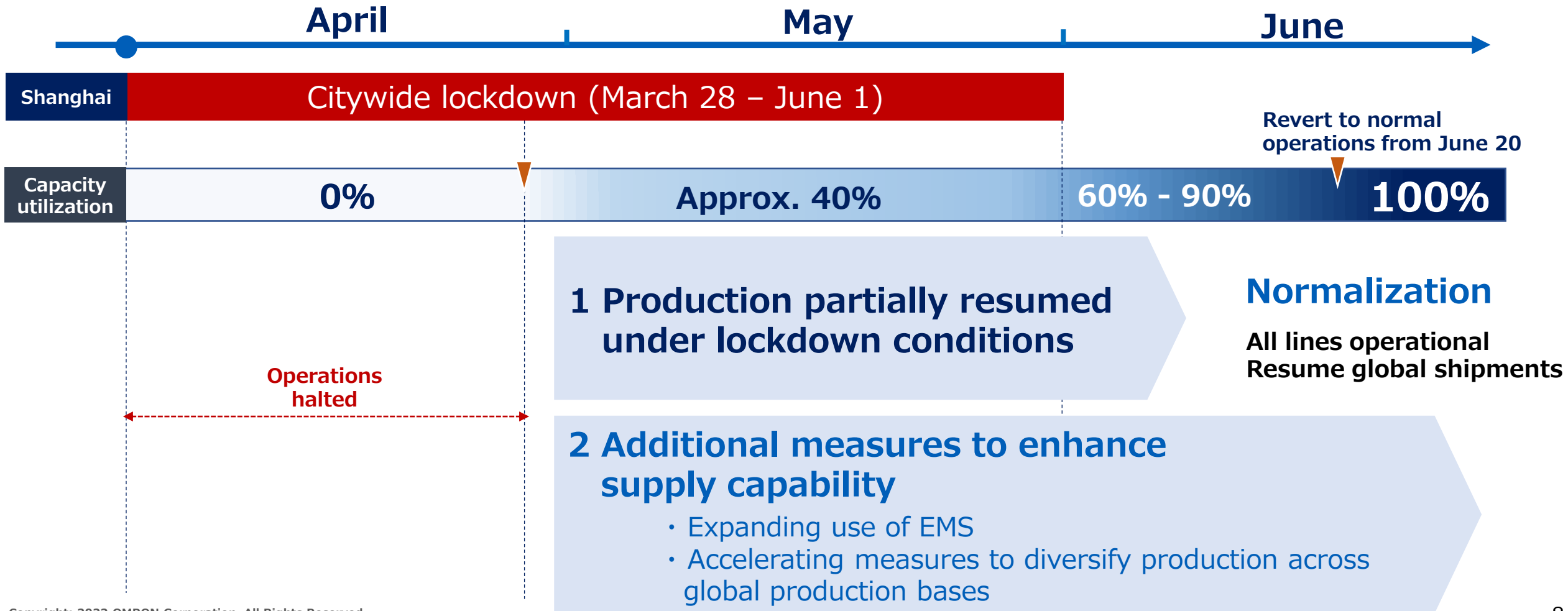
Analysis of Change in Q1 Operating Income (Y/Y)

Negative impact of 10.3 billion yen on Q1 OP from Shanghai lockdown. Minimized impact of surging component/logistics costs with selling price initiatives



IAB: Enhancing Resilience in Response to Shanghai Lockdown

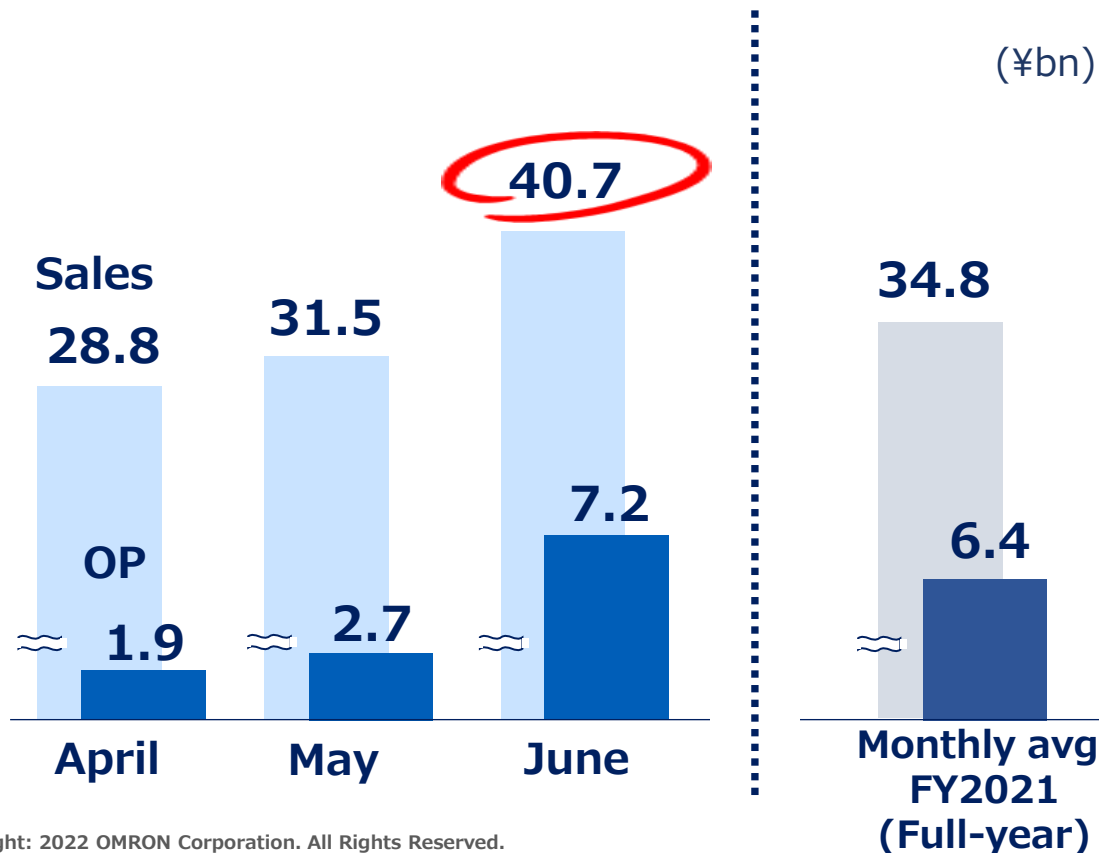
Overall production halted in April. Partial resumption of production in May despite lockdown conditions. Take actions in June for an early full restart of operations; execute on measures to boost supply capability from Q2 onward



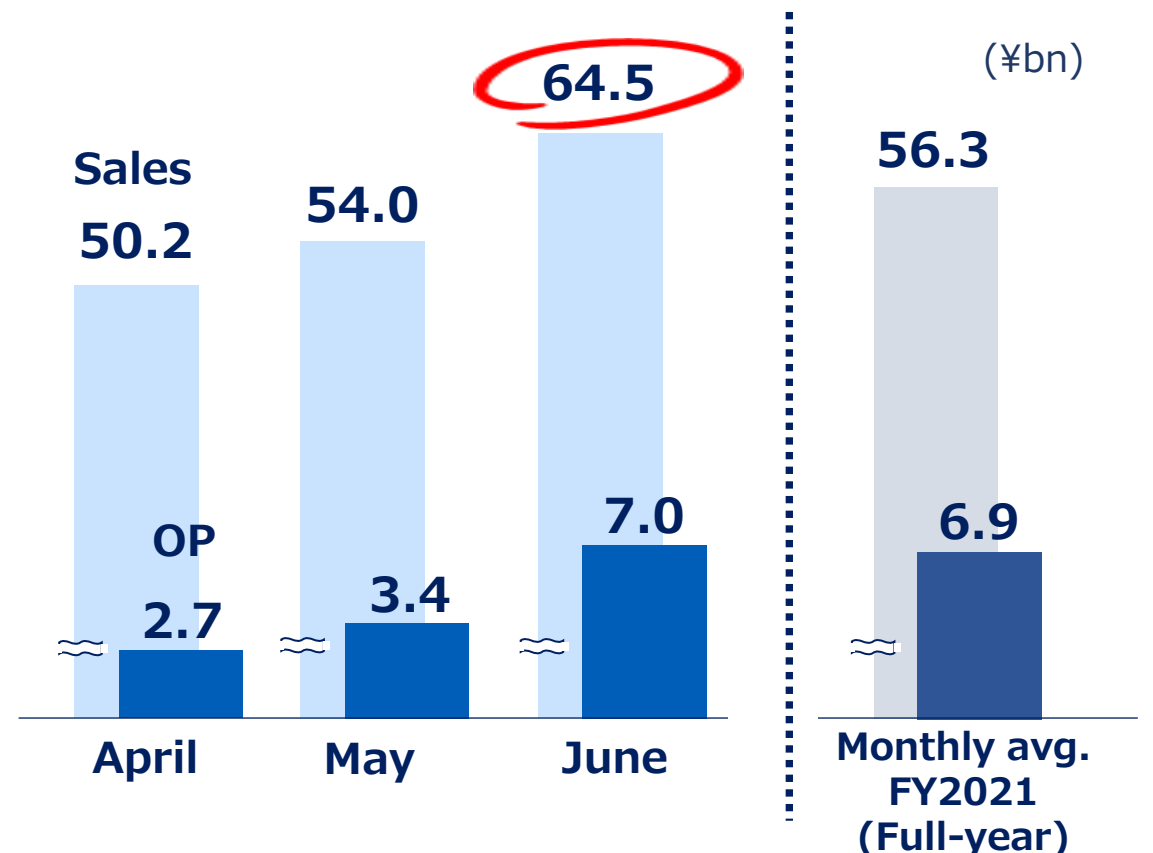
Q1 Monthly Trends (IAB/Overall)

Strong rebound in IAB earnings on lifting of Shanghai lockdown. Overall earnings also recovered in June to match last fiscal year's record high levels

IAB Q1 Monthly Earnings



Overall Q1 Monthly Earnings (Excl. SSB)



2. FY2022 Full-year Forecasts

Operating Environment for Focus Domains

Robust demand in growth areas addressed by IAB

<p>IAB Industrial Automation</p>	<p>Digital: While overall demand for semiconductors is mixed, investments in next-gen semiconductors remain strong NEV: EV-related investments remain firm on MT/LT trend toward decarbonization. Expect battery investments to grow in 2H</p> <p>Food/household goods: Automation investments remain firm on soaring labor costs but some variance in investment environment by region Medicine: Stable investments continue on emerging market growth, driven by population growth and rising infection rates Logistics: Continued strong investments in large-scale facilities by major logistics players although logistics costs rising on inflation</p>
<p>HCB Healthcare</p>	<p>Cardiovascular: Inflation taking a toll on personal consumption. Pace of BPM growth temporarily moderating</p> <p>Respiratory: Demand expanding on rising nebulizer penetration and increase in patient numbers on easing of COVID-19 restrictions Remote medical service: Demand continues to expand, primarily in US and Europe</p>
<p>SSB Social Systems, Solutions & Service</p>	<p>Energy: Demand firm on continued shift to diversifying electric power sources and subsidies to support energy efficiency</p> <p>Management & Services: Government revision of analog restrictions prompting wider revisiting of IT usage</p>
<p>DMB Device & Module Solutions</p>	<p>DC (Direct Current) equipment: Continued strong demand on shift to DC and rising voltage capacity</p> <p>Microwave devices: Continued strong demand from semiconductor inspection equipment and others</p>

FY2022 Full-year Forecasts

**Expect to recover from impact of Q1 Shanghai lockdown.
OMRON reiterates its initial guidance**

(¥bn)

	FY2021 Actual	FY2022 Forecast	Y/Y
Net Sales	762.9	850.0	+11.4%
Gross Profit (%)	346.8 (45.5%)	387.5 (45.6%)	+11.7% (+0.1%pt)
Operating Income (%)	89.3 (11.7%)	93.0 (10.9%)	+4.1% (-0.8%pt)
Net Income	61.4	63.0	+2.6%
1USD (JPY)	112.1	121.0	+8.9
1EUR (JPY)	130.5	133.0	+2.5
1CHY (JPY)	17.4	19.0	+1.6

Sales and Operating Income Forecasts by Segment

Reiterating segment forecasts for sales and operating income as well

(¥bn)

	Sales			OP		
	FY2021 Actual	FY2022 Forecast	Y/Y	FY2021 Actual	FY2022 Forecast	Y/Y
IAB Industrial Automation	418.1	483.0	+15.5%	76.3 (18.2%)	90.0 (18.6%)	+18.0% (+0.4%pt)
HCB Healthcare	132.9	154.0	+15.9%	18.5 (14.0%)	20.0 (13.0%)	+7.9% (-1.0%pt)
SSB Social Systems, Solutions & Service	87.7	92.0	+4.9%	6.5 (7.4%)	6.5 (7.1%)	+0.0% (-0.3%pt)
DMB Device & Module Solutions	121.0	128.0	+5.8%	10.1 (8.3%)	10.5 (8.2%)	+4.1% (-0.1%pt)
Eliminations & Corporate	3.3	3.0	-9.1%	-22.1	-30.0	-
Earnings Fluctuation Risk		-10.0	-		-4.0	-
Total	762.9	850.0	+11.4%	89.3 (11.7%)	93.0 (10.9%)	+4.1% (-0.8%pt)

*Figures reflect the reclassification of some products heretofore included in IAB into DMB

Accelerating IAB Growth From Q2

Demand remains firm on strong customer needs for innovative-Automation. Supply capability improving on continuation of measures initiated last year. OMRON expects strong sales growth from Q2 onward

Sales expected to grow from Q2 onward

1

Order Outlook

Strong trends to continue. Capex trends are firm in the growth areas addressed by OMRON

Strong customer needs for innovative-Automation to drive order intake in 2H and next fiscal year

2

Production Capacity

Capacity utilization improving on lifting of Shanghai lockdown

Enhancing production capacity by expanding use of EMS and initiatives for parallel production across regions

3

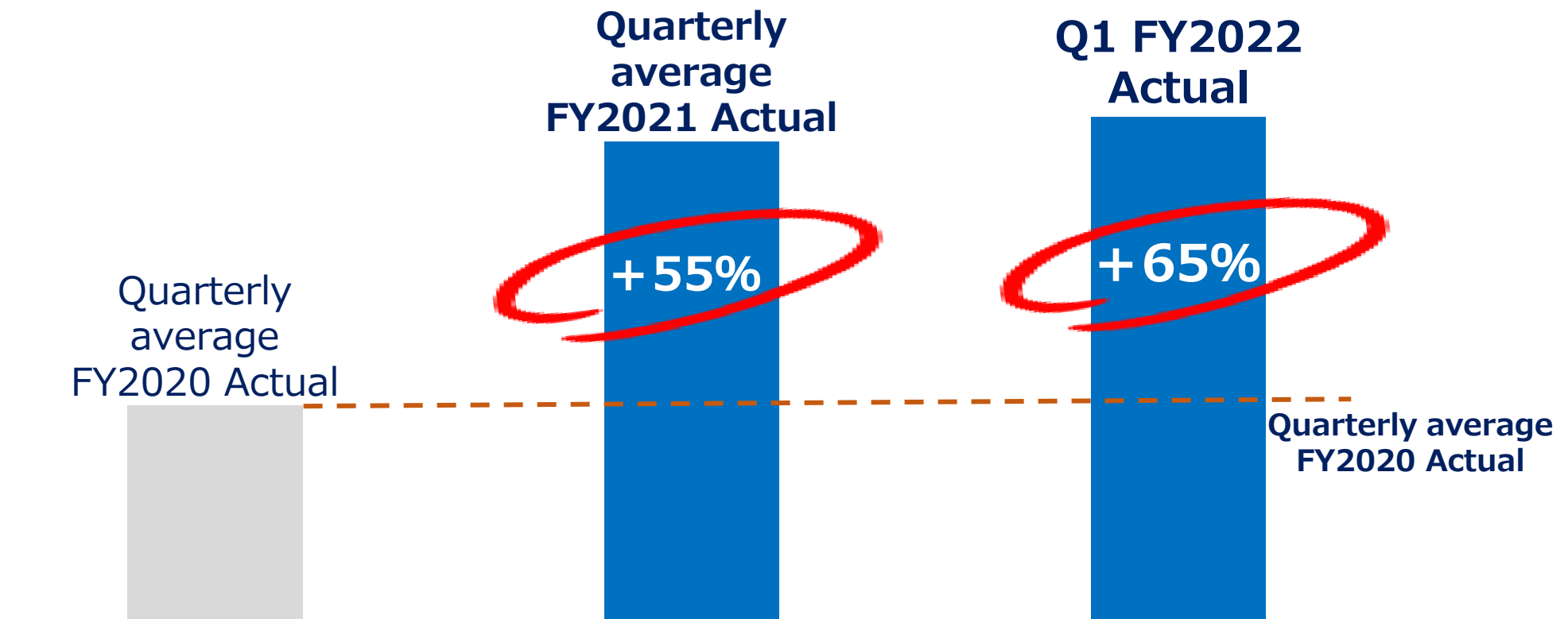
Procurement

While the procurement environment has not changed significantly, **OMRON is reaping the benefits of design changes and other measures implemented in the previous fiscal year.** In addition, OMRON is making further improvements to its procurement capability **by expanding measures such as design changes and the development of new procurement routes**

IAB Order Trends (FY2020 – Q1 FY2022)

Q1 FY2022 orders remain at a significantly higher level than the quarterly average for FY2020. OMRON continues to implement actions to swiftly reduce the order backlog

Order Trends (FY2020 – FY2022)

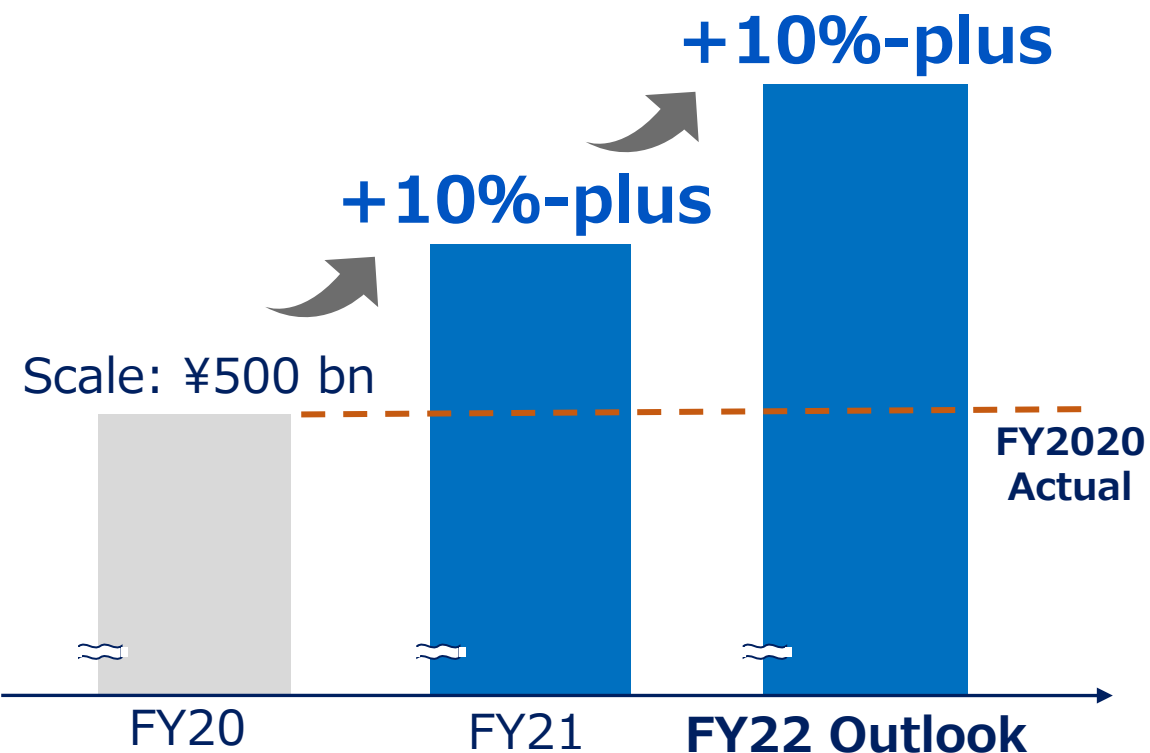


Strengthening IAB's Supply Capacity

Build production framework to allow flexibility in procurements and production, and enhance responsiveness to developments such as geopolitical risk

Strengthening Production Capacity

Versus FY2020: +20%-plus



Initiatives to Enhance Medium- to Long-term Supply Capacity

1

Strengthen component procurement capacity, improve ability to weather changes in demand

Expand strategic partnerships with EMS

2

Improve ability to respond to lockdowns and supply chain disruptions

Accelerate efforts to localize production

3. Shareholder Returns

SF 1st Stage Cash Allocation Policy

Prioritizing growth investments that create new value from a medium- to long-term perspective. Beyond this, OMRON will maintain stable and consistent shareholder returns

1. Aim to maximize corporate value by realizing OMRON's LT Vision. **Prioritizing investments that will create new value from a medium- to long-term perspective.** In SF 1st Stage, will prioritize investments in human capital and R&D to address social issues and create social needs, capex to increase production capacity and to advance DX, growth investments such as M&A&A(IIiances) and sustainability initiatives such as decarbonization, reducing environmental impact and respecting human rights in the supply chain. **Beyond this, OMRON will maintain stable and consistent shareholder returns**
2. Basic policy for funding the above value creation investments and shareholder returns: **funds to come from retained earnings and consistently generated operating cash flow. If necessary, OMRON will tap into appropriate fund raising alternatives.** Given its ability to raise funds without being unduly impacted by financial market conditions, OMRON will continue to focus on maintaining financial soundness

SF 1st Stage Shareholder Return Policy

Focus on maintaining stable and consistent shareholder returns.

In the event of excess cash, OMRON may reward shareholders by undertaking share buybacks from time to time

1. After prioritizing necessary investments for medium- to long-term value creation, OMRON's annual dividend payout policy will be a DOE of 3%. Beyond this, OMRON will take into account previous DPS levels in order to maintain stable and consistent shareholder returns
2. In the event where **excess levels of cash** are maintained over the long-term after making the above investments and profit distributions, **OMRON may reward shareholders by undertaking share buybacks from time to time**

Share Buyback Program

Launch 20 billion yen share buyback program, reflecting a comprehensive assessment based on factors including the current and expected fiscal year-end cash position, investment plans and equity market conditions

Share Buyback Program

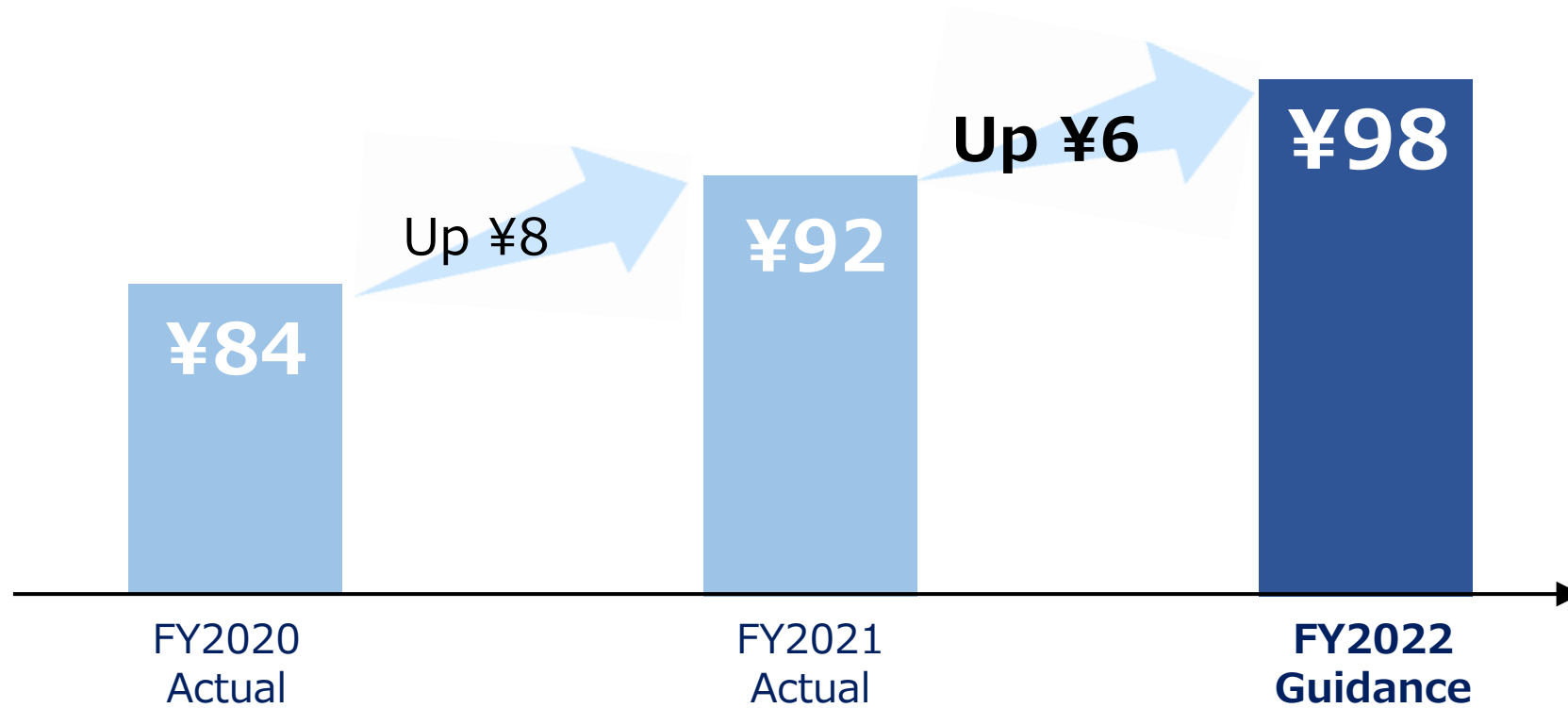
Amount: ¥20 billion (Maximum)

Number of shares: 3.3 million (Maximum)

Period: July 27, 2022 to March 31, 2023

Dividend Guidance

As announced on April 26th, guiding for full-year DPS of 98 yen, up 6 yen Y/Y



OMRON

Reference

Consolidated Balance Sheet

	(¥bn)		
	End-March 2022	End-June 2022	Y/Y
Current assets	482.9	472.7	-10.3
(Cash and cash equivalents)	(155.5)	(128.4)	(-27.1)
(Inventory)	(141.9)	(163.8)	(+21.8)
Property, plant and equipment	122.1	123.9	+1.8
Investments and other assets	325.6	337.0	+11.4
Total assets	930.6	933.6	+2.9
Current liabilities	211.7	176.9	-34.7
Long-term liabilities	51.0	48.4	-2.6
Total Liabilities	262.7	225.4	-37.3
Shareholders' equity	665.2	705.7	+40.5
Noncontrolling interests	2.7	2.5	-0.2
Total net assets	668.0	708.2	+40.2
Total Liabilities and net assets	930.6	933.6	+2.9
Equity ratio	71.5%	75.6%	+4.1%pt

Consolidated Cash Flow Statement

	Q1 FY2021 Actual	Q1 FY2022 Actual	(¥bn) Y/Y
Operating cash flow	22.2	-1.4	-23.6
Investment cash flow	-4.9	-6.5	-1.7
Free cash flow (FCF)	17.4	-7.9	-25.3
Financing cash flow	-8.8	-28.9	-20.1
Cash and cash equivalents as of end of period	266.1	128.4	-137.7
Capital expenditure	4.8	6.0	+1.2
Depreciation	5.7	6.2	+0.4

Forex Assumptions and Sensitivities

		Impact of 1 yen move (full year) CNY impact of 0.1 yen move	
	FY2022 Assumptions	Sales	OP
USD	¥121	¥1.8 bn	¥0.1 bn
EUR	¥133	¥0.9 bn	¥0.4 bn
CNY	¥19.0	¥1.0 bn	¥0.3 bn

* 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 July 2022)

ESG Indices which include OMRON

- ✓ DJSI – World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders Indices
- ✓ FTSE Blossom Japan Index
- ✓ FTSE Blossom Japan Sector Relative Index
- ✓ MSCI Japan ESG Select Leaders Index
- ✓ MSCI Japan Empowering Women Index
- ✓ S&P/JPX Carbon Efficient Index

5th consecutive year

7th consecutive year

8th consecutive year

6th consecutive year

6th consecutive year

6th consecutive year

1st time selected

6th consecutive year

6th consecutive year

4th consecutive year

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



FTSE4Good



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



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* 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-'

External Recognition (As of July 2022)

Domestic ESG awards, selection for inclusion

S&P Global Sustainability Award

- ✓ S&P Sustainability Award Silver Class

EcoVadis

- ✓ Sustainability Assessment Gold Rating

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 **5th consecutive year from FY2017**
- ✓ Health & Productivity Stock **4th consecutive year from FY2018**
- ✓ Health & Productivity: White 500 **6th consecutive year from FY2016**

Selected by Nikkei Inc.

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

Sustainability Award
Silver Class 2022

S&P Global



Corporate Governance
of The Year

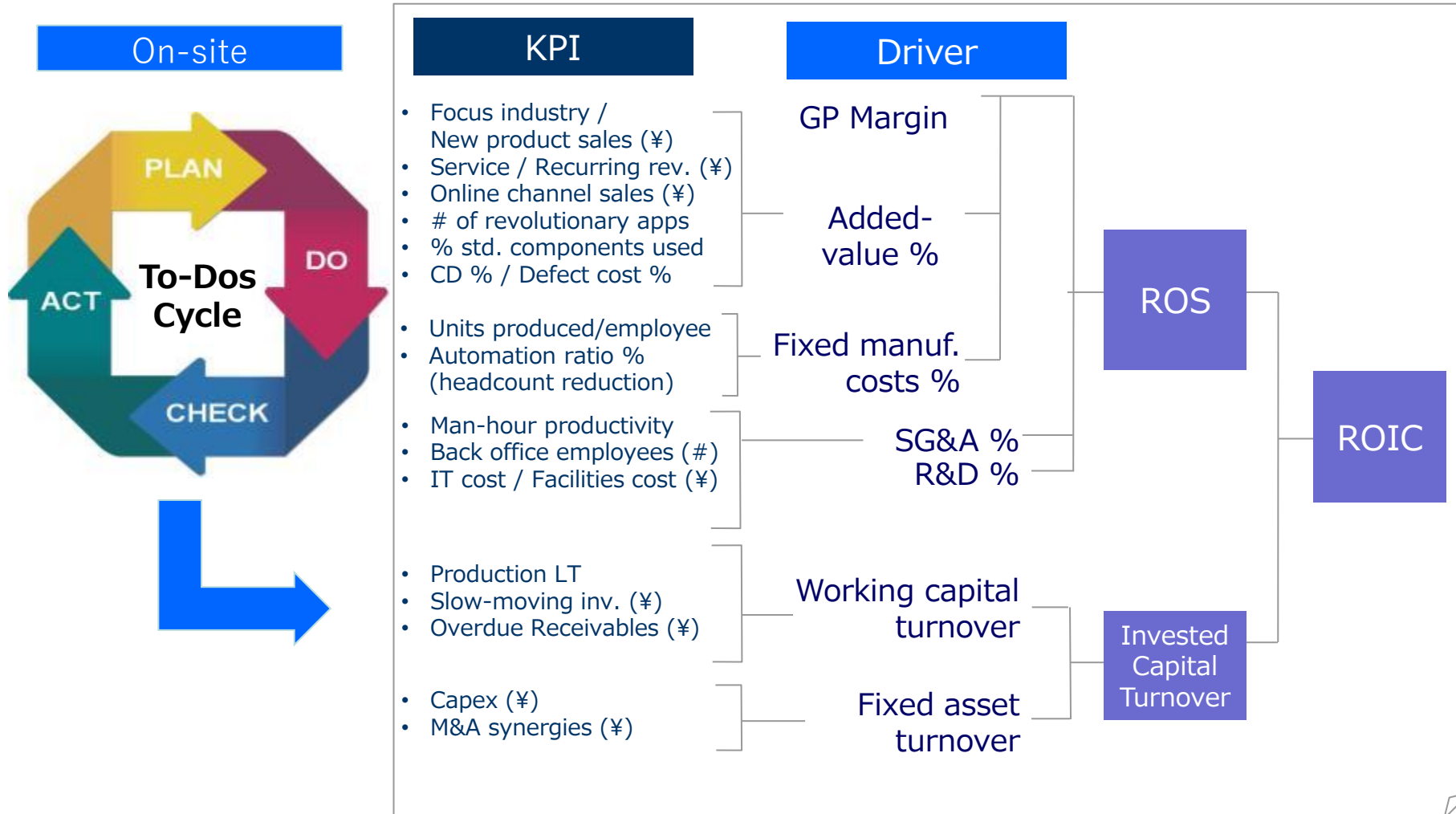


健康経営銘柄 2022
Health and Productivity



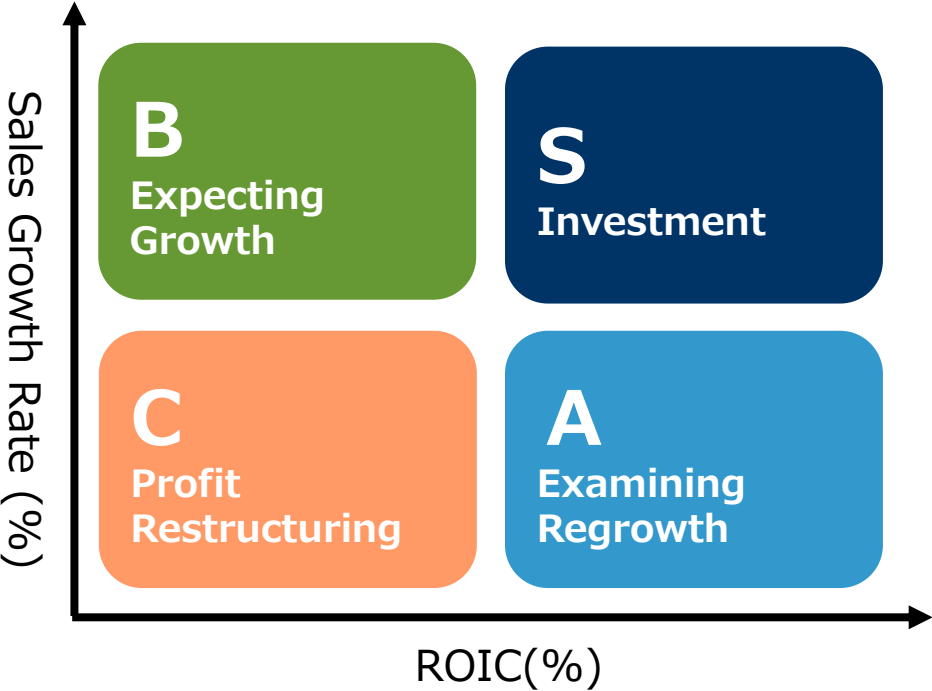
2022
健康経営優良法人
Health and productivity
ホワイト500

Down-Top ROIC Tree (2.0)

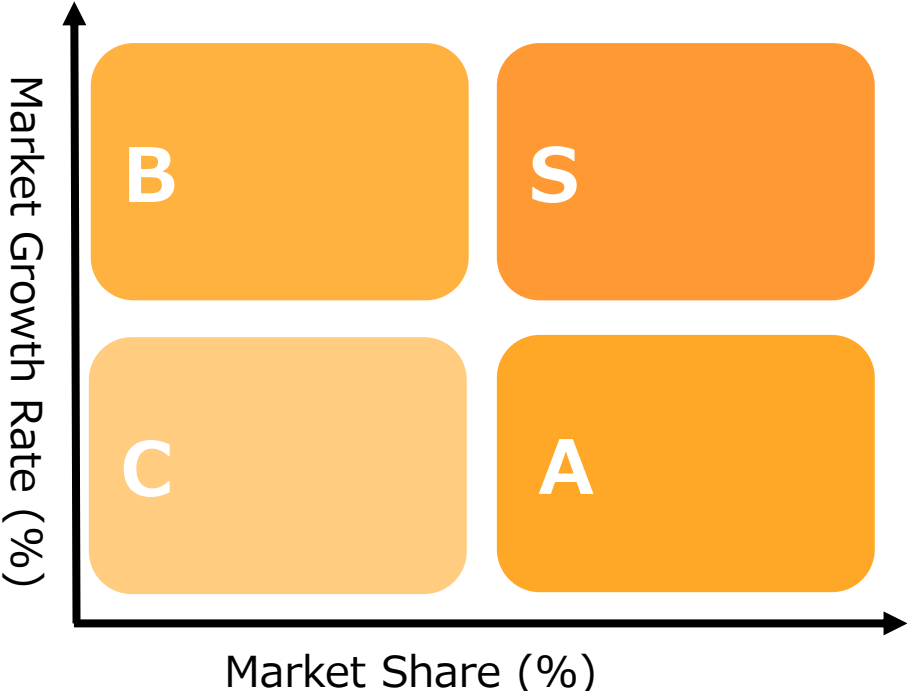


Portfolio Management

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	

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

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.

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