

Q1 FY2022 Earnings

ended June 30, 2022

Results Briefing

July 26, 2022

OMRON Corporation

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Good afternoon everyone.
I am CFO Nitto.

Thank you for taking time out of your busy schedules to participate in OMRON's Q1 FY2022 results briefing.

I will start with an overview of the results and outlook before getting into a more detailed discussion.

Both sales and profits in Q1 declined Y/Y as a result of the impact of the Shanghai lockdown.

The lockdown meant that IAB's mainstay plant was subject to production restrictions which limited OMRON's supply capability.

However, the situation has been resolved and earnings for the month of June on a standalone basis have recovered strongly to exceed the results of June 2021.

OMRON is making steady progress in strengthening its supply capability, primarily in IAB, to respond to demand.

We expect that sales and profits will revert to positive Y/Y growth from Q2 and believe that we can make up for the shortfall in Q1. As such, we maintain our initial full-year forecasts.

Let's get started with the presentation.

We aim to respond to as many questions as possible in the Q&A session following the presentation.

Please turn to page 1, where we summarize the key points of today's presentation.

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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There are 3 key takeaways.

The first is the Q1 FY2022 results.

The Shanghai lockdown led to Y/Y declines in sales and profits in Q1. In particular, reflecting restrictions on production in April and May, IAB sales and profit trends were weak.

However, after the lockdown was lifted, OMRON focused on a rapid restart of full-scale operations and was able to return to normal utilization levels after mid-June. There was a significant rebound in earnings for June on a standalone basis to levels well in excess of June 2021 results.

I will go into more detail on the page covering monthly results.

The second key takeaway is OMRON's full-year forecasts.

Having thoroughly reviewed our plans for Q2 and beyond internally, we believe OMRON should be able to recover from the Q1 Shanghai lockdown impact: we have chosen to maintain our full-year forecasts.

We expect the overall operating environment for the group as a whole to be strong. In particular, we expect order trends for IAB to remain strong from Q2; as such, we believe we can exceed the strong earnings levels set in June.

The key for sales growth will be supply capacity. We are making solid progress on initiatives to strengthen supply capacity which should support sales in Q2 and beyond.

I will talk about this in more detail later.

The 3rd takeaway is shareholder returns.

Based on the outlook for cash as of the end of the current fiscal year, we have decided to establish a 20 billion yen share buyback program.

As announced in April, we are guiding for a full-year DPS of 98 yen, up 6 yen Y/Y.

I will move on to the presentation.

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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

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This shows the consolidated Q1 FY2022 results. Please look at the column shaded in blue in the center of the table.

In Q1 OMRON generated 184.4 bn yen in sales, 80.4 bn yen in gross profit for a GP margin of 43.6%, 11.9 bn yen in OP and 8 bn yen in net income.

Despite generally strong demand, sales fell 2% Y/Y, mainly owing to the impact of the Shanghai lockdown on IAB.

With regard to the GP margin, the impact of the Shanghai lockdown on the topline led to a temporary rise in the ratio of fixed manufacturing costs. Combined with this, all of the businesses were impacted by rising component and materials costs, depressing the GP margin by 2.8%-pts Y/Y.

Reflecting this, operating income dropped 53.8% Y/Y.

I will go into more detail later.

Additionally, on the comparison to last fiscal year, if we exclude the forex impact from the Q1 results, sales would have declined 15 bn yen, down 8% Y/Y.

OP excluding the forex impact would have fallen 14.3 bn yen, down 55% Y/Y.

Please see page 26 in the Reference section for OMRON's currency sensitivities.

Moving on, I will discuss the result of the individual segments starting on the next page.

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%

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This is the segment breakdown for sales.

Despite order intake exceeding last fiscal year's levels, IAB reported a 6.1% Y/Y drop in sales due to the impact of the Shanghai lockdown. However, after the lifting of the lockdown, the results for the month of June contrasted sharply with April and May: earnings recovered to levels significantly higher than June 2021.

I will discuss this in more detail later.

HCB sales declined, reflecting the impact of not only tight supplies of semiconductors and other components, but weaker consumption trends in China in cities like Shanghai and others where lockdowns were imposed.

SSB sales were unchanged Y/Y.

While investments by railway operators have yet to recover, the energy management business showed firm trends.

In addition to solid demand across all areas globally, DMB also reaped the benefit of increases to production capacity undertaken last fiscal year, leading to substantial Y/Y sales growth on increased supply volumes.

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

	Q1 FY2021 Actual	Q1 FY2022 Actual	(¥bn) 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)

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This shows the segment breakdown for operating income.

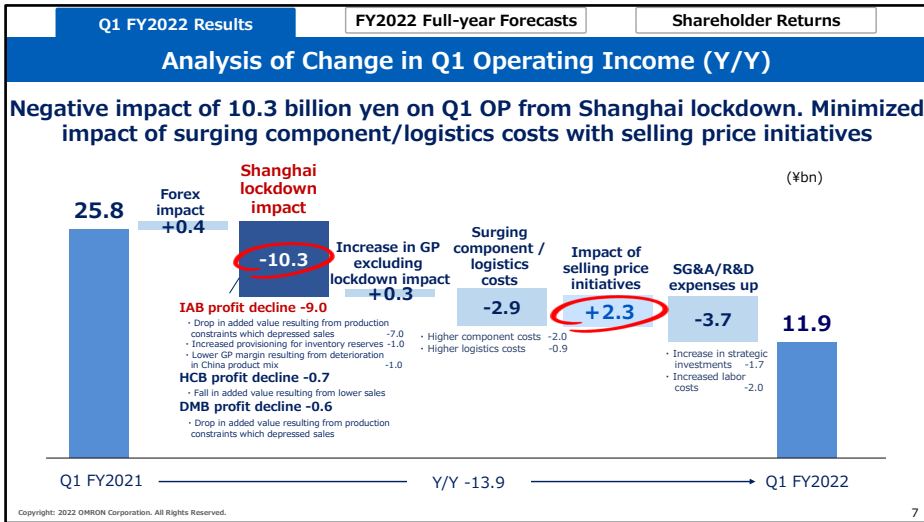
IAB OP fell 11 bn yen Y/Y primarily on the impact of the Shanghai lockdown.

HCB OP dropped 2.2 bn yen Y/Y, hurt by lower sales and the impact of surging components prices and logistics costs.

SSB reported a 0.5 bn yen Y/Y increase in OP, as a result of frontloading of some investment themes in the railway-related business and the contribution from structural reforms.

DMB OP rose 1.3 bn yen Y/Y on topline growth and the impact of selling price adjustments made in the previous fiscal year. With regard to OPM, DMB has strengthened its profit structure enabling an OPM in excess of 10%.

Next, I will cover the analysis of changes in OP at the consolidated level.



This is the waterfall chart showing the changes to major components of OP compared to Q1 FY2021.

I will quickly explain how to view the chart. The bar on the far left shows the actual Q1 FY2021 OP while the bar on the far right is the actual OP for Q1 FY2022. In between, we show the Y/Y changes to key components of OP. I will start on the left. Please look at bar for the impact of the Shanghai lockdown.

Initially, OMRON had expected the impact of the Shanghai lockdown to last 1 month. On that basis, we had factored in a negative earnings risk impact of 4 billion yen for the company as a whole. However, as the lockdown persisted for 2 months and a half, the negative impact on OMRON as a whole was 10.3 bn yen.

The negative profit impact for IAB was 9 bn yen. This was mainly due to a decline in added value as a result of sales declines owing to production restrictions and an increase in inventory reserve provisioning.

At HCB, profits fell as a result of opportunity losses in China, which hurt sales. DMB was also impacted because of the production restrictions at its plant in Shanghai.

Next, please look at the bar in the center which shows the impact of surging component and logistics costs.

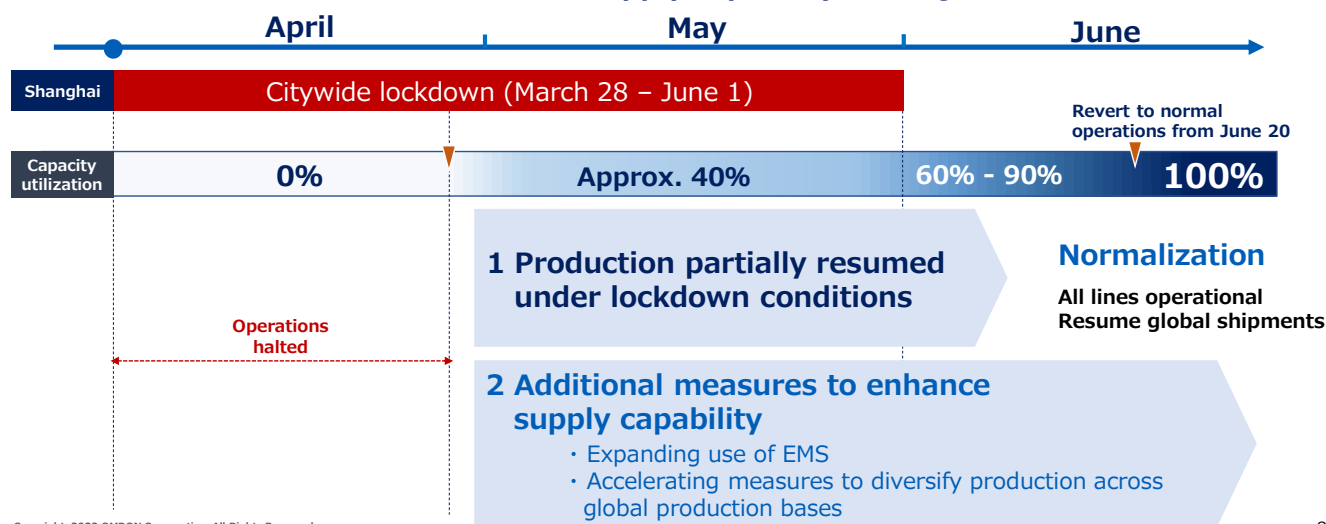
There was a negative impact of 2.9 bn yen Y/Y for OMRON as a whole. However, as shown in the bar to the immediate right, we were able to minimize this negative with selling price adjustments across the businesses, which had a positive impact of 2.3 bn yen Y/Y.

Finally, looking at SG&A and R&D, despite rising labor costs, OMRON was able to execute on medium- and long-term growth investments as planned as a result of disciplined fixed cost controls.

On the next pages, I will cover OMRON's initiatives in Q1 to improve resilience and explain Q1 results on a monthly basis.

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



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This slide shows the IAB initiatives at the Shanghai plant undertaken during the lockdown.

I will explain the progression of events for April, May and June, starting on the left.

Production at the Shanghai production plant was halted in April, as a result of the citywide lockdown. We were unable to operate at all. In May, we were able to partially restart some production under the supervision of the Shanghai municipal government, achieving capacity utilization of around 40%. In June, with the lifting of the lockdown, we were able to swiftly restart full capacity operations, returning to normal utilization levels from mid-June.

At the same time, we also expanded and accelerated the use of EMS, which we began in April. We also began parallel production of some Shanghai models in Japan.

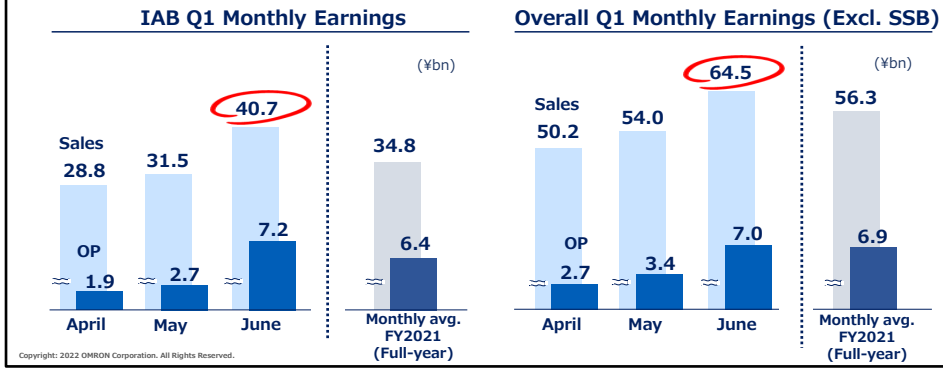
We have made solid progress in preparing for capacity increases from July onward.

I will move on to talk about Q1 results on a monthly basis.

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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



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This slide shows the monthly earnings trends for both IAB and the overall company for Q1.

We do not typically disclose monthly results but, we have chosen to make an exception in this case in order to ensure that everyone can have a correct understanding of the situation.

Please look to the left side of the page. This is the monthly earnings trend for IAB.

While April and May were generally weak, with the lifting of the lockdown, June earnings recovered strongly, as you can see here.

While the return to 100% capacity utilization was only from mid-June, we were still able to generate sales of 40.7 bn yen and OP of 7.2 bn yen. These are levels well over the monthly average for the previous fiscal year. As we will be able to raise monthly capacity utilization from what we achieved in June, we expect to achieve even higher sales growth in July.

Next, please look at the right side of the slide. This is the trend for the overall company. We have excluded SSB from these figures given the strong seasonal nature of the SSB business.

As you can see, as a result of the strong recovery in IAB earnings, overall earnings also recovered substantially to levels in line with the average for the last fiscal year.

As shown here, earnings have already recovered. Given that supply capacity will increase from Q2 onward, we believe we can maintain the trend of higher Y/Y sales and profits.

I will now discuss our full year forecasts on the next page.

2. FY2022 Full-year Forecasts

Operating Environment for Focus Domains

Robust demand in growth areas addressed by IAB

IAB Industrial Automation	<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</p> <p>Medicine: Stable investments continue on emerging market growth, driven by population growth and rising infection rates</p> <p>Logistics: Continued strong investments in large-scale facilities by major logistics players although logistics costs rising on inflation</p>
HCB Healthcare	<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</p> <p>Remote medical service: Demand continues to expand, primarily in US and Europe</p>
SSB Social Systems, Solutions & Service	<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>
DMB Device & Module Solutions	<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>

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This is our view of the operating environment by segment. I will touch on each of the individual segments.

For IAB, while some global economic indicators appear to suggest some uncertainty going forward, the growth areas addressed by OMRON continue to see robust demand materialize on the back of the evolution in social and industrial structure.

For example, in digital, while the demand picture is mixed for semiconductors overall, investments in next-gen semiconductors is expected to remain strong.

In NEV, the medium- to long-term trend toward decarbonization should keep investments in batteries and motors related to EVs firm.

Within HCB, inflation is having an impact on personal consumption in the Cardiovascular area, which we believe is leading to a temporary moderation in the pace of demand growth for BPMs.

For SSB, we expect demand to remain firm in the Energy Management business, on continued government subsidies to encourage energy efficiency.

In DMB, we expect demand for DC equipment to remain strong on the shift to direct current and rising voltage capacity.

Next, I will discuss OMRON's overall full-year forecasts based on our outlook by business.

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

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We conducted a thorough review of our plans for each business from Q2 onward. Based on this, we have chosen to maintain our initial full-year forecasts.

For sales, as noted earlier, we expect IAB sales to grow substantially from Q2 onward, which should drive overall growth.

For the GP margin, although it will be impacted by surging component and logistics costs, we expect to realize the benefits of selling price strategies. Topline growth should also lead to improvements in the fixed manufacturing cost ratio and an improved BC mix as a result of growth in the high margin IAB business. This should allow OMRON to maintain the GP margin at levels similar to last fiscal year.

Taking all of these factors into account, we expect to achieve a solid recovery in OP from 2Q while continuing to execute on growth investments.

Next, I will explain the full-year segment forecasts.

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

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As you can see, we have chosen to maintain our initial full-year segment forecasts.

As initially planned, we expect to achieve double-digit growth in sales and profits for IAB.

While we expect a temporary moderation in demand for BPMs compared to our initial assumptions, we aim to achieve our initial forecasts for HCB, by solidly capturing demand following the lifting of the China lockdowns and making firm progress on selling price measures.

We continue to see strong trends in DMB; we aim to enact initiatives that should allow us to exceed our initial forecasts.

In the next few pages, I will cover the outlook for IAB from Q2 onward and key initiatives.

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

<p>1</p> <p>Order Outlook</p>	<p>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</p>
<p>2</p> <p>Production Capacity</p>	<p>Capacity utilization improving on lifting of Shanghai lockdown Enhancing production capacity by expanding use of EMS and initiatives for parallel production across regions</p>
<p>3</p> <p>Procurement</p>	<p>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</p>

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On this slide, we highlight 3 points that will drive an acceleration in growth for IAB from Q2 onward.

The first is the outlook for orders.

The business areas addressed by IAB continue to see firm capex demand.

Within this, customer needs for innovative-Automation remain strong; we continue to see steady order inflow for 2H and next fiscal year.

The second is production capacity.

With the impact of the Shanghai lockdown dissipating, we expect capacity utilization to improve in Q2 and beyond.

We will also raise production capacity by expanding use of EMS and initiatives to produce in parallel in other regions.

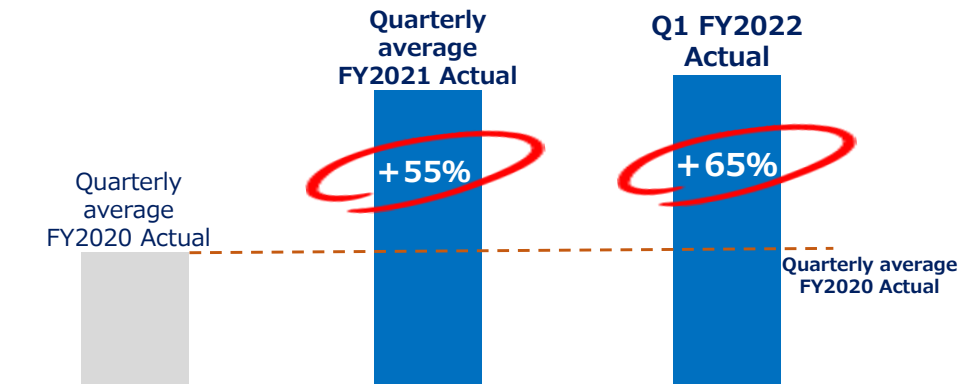
The third is procurement. While the procurement environment has not changed significantly, we expect to reap the benefits of the design changes implemented last fiscal year which encompass 750 themes. In addition, we will move forward with design changes based on an additional 200 themes.

Also, by expanding procurement routes leveraging standard components and materials, we will further improve our procurement capabilities.

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)



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This slide shows trends in order value for IAB from FY2020 onward.

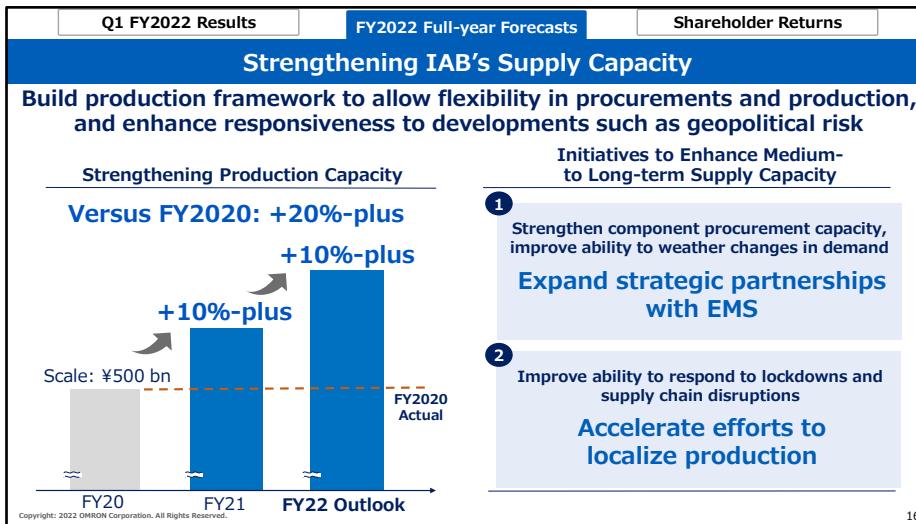
As you can see, FY2021 IAB orders rose a hefty 55% versus FY2020.

This fiscal year, we expect the strong trend to continue, driving further expansion.

These order levels show that OMRON continues to successfully capture dynamically evolving market needs. We expect this trend to be maintained over the course of this fiscal year.

Although we do not disclose detailed figures on the order backlog, what we can say is that the order backlog is supportive of the full-year forecasts.

We are focused on enhancing our overall supply capacity in order to ensure customers waiting for products receive them as quickly as possible.



Next, I will talk about measures to improve supply capability. Please look at the graph on the left.

To respond to strong demand, we have continued to increase IAB's production capacity by more than 10% every year since FY2020.

Now look at the right-hand side of the slide.

Here we explain 2 key initiatives to improve the stability of our supply capacity.

The first is the expansion of our strategic partnerships with EMS.

In order to improve our ability to respond to the ongoing component procurement risk and our resilience to rapid changes in demand, we have already put partnership contracts in place with multiple EMS and have started consignment production.

In addition, as we look toward next fiscal year, we are in the process of negotiating further expansions in scale.

The second initiative is the acceleration of localized production.

To avoid a decline in supply capacity on a global basis in the event of another round of lockdowns or geopolitical risks which could disrupt the supply chain, we are increasing the proportion of local production we do in proximity to markets and customers.

As additional measures implemented in Q1, we have initiated parallel production at 4 bases, which should lead to improved resilience to change in the medium- to long-term.

This completes my explanation of the full-year forecasts.

Finally, I will talk about shareholder returns.

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

First, I will explain our cash allocation policy under SF-1st Stage.

Under our cash allocation policy, we are prioritizing investments that create new value from a medium- to long-term perspective.

Beyond this, OMRON aims to maintain stable and consistent shareholder returns.

Our basic policy for funding investments and shareholder returns is to utilize retained earnings and consistently generated operating cash flow. If necessary, OMRON will tap into appropriate fund-raising alternatives.

Next is our shareholder returns policy.

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**

Under SF-1st Stage, OMRON will 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.

Based on the cash allocation policy touched upon earlier and our shareholder returns policy, we have chosen to implement a share buyback program to further enhance shareholder returns.

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

We have set a maximum of 20 billion yen or 3.3 million shares. The buyback program will run from July 27, 2022 to March 31, 2023.

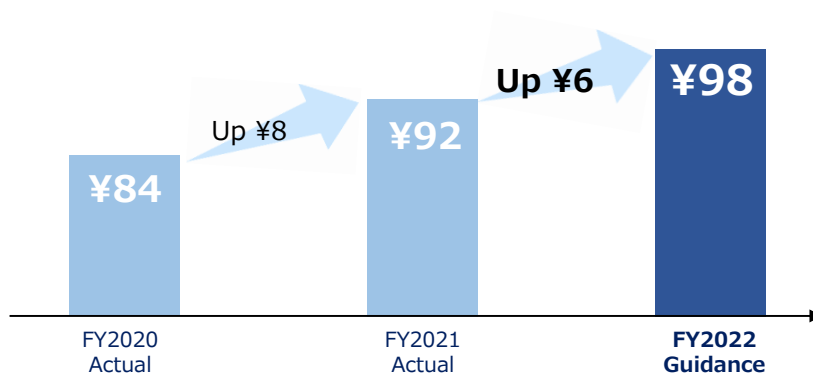
This share buyback program reflects a comprehensive assessment of the current and expected fiscal year-end cash position, investment plans and equity market conditions.

We note that our proactive stance on undertaking growth investments remains unchanged.

In the event of an M&A opportunity that could accelerate growth, we will leverage retained earnings and, where necessary, tap into appropriate funding alternatives to execute in a timely manner.

Dividend Guidance

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



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As shown here, our FY2022 DPS guidance is unchanged from forecast announced on April 26, 2022. We are guiding for a full-year DPS of 98 yen, up 6 yen Y/Y.

We aim to maintain stable and consistent dividends.

This completes my discussion of shareholder returns.



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As discussed today, OMRON reported Y/Y declines in sales and profits in Q1 as a result of the impact of the Shanghai lockdown. This may have come as a surprise to our shareholders. However, we have already solidly implemented measures for positive Y/Y growth in sales and profits from Q2 onward. We expect to see strong earnings for the month of July.

If we look at the overall macro environment, the situation remains highly uncertain. However, in the growth areas addressed by OMRON, robust demand continues to materialize on the back of evolving social and industrial structures.

For example, the need for automation as a result of labor shortages, new needs for capex as manufacturers seek to diversify their manufacturing bases in response to geopolitical risk or the need for new solutions reflecting the issue of rising energy costs are all business opportunities that OMRON is targeting under SF2030.

We remain focused on completing necessary actions in this fiscal year in order to respond to this demand. We believe this will ensure that we can achieve our targets for this fiscal year as well as our medium-term targets.

This completes my presentation. Thank you.

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Reference

Consolidated Balance Sheet

	End-March 2022	End-June 2022	(¥bn) 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

	(¥bn)		
	Q1 FY2021 Actual	Q1 FY2022 Actual	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 | 5th consecutive year |
| ✓ FTSE4Good Index Series | 7th consecutive year |
| ✓ MSCI ESG Leaders Indexes | 8th consecutive year |
| ✓ MSCI SRI Indexes | 6th consecutive year |
| ✓ STOXX Global ESG Leaders Indices | 6th consecutive year |
| ✓ FTSE Blossom Japan Index | 6th consecutive year |
| ✓ FTSE Blossom Japan Sector Relative Index | 1st time selected |
| ✓ MSCI Japan ESG Select Leaders Index | 6th consecutive year |
| ✓ MSCI Japan Empowering Women Index | 6th 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



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WNI)



THE INCLUSION OF OMRON CORPORATION IN ANY ESG INDEX AND THE USE OF ESG LOGOS, TRADEMARKS, SERVICE MARKS OR OTHER INDEX SERVICES DO NOT CONSTITUTE A GUARANTEE, ENDORSEMENT OR PROMOTION OF OMRON. THE LOGOS ARE THE EXCLUSIVE PROPERTY OF MSCI, ASSET AND THE ESG INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

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**

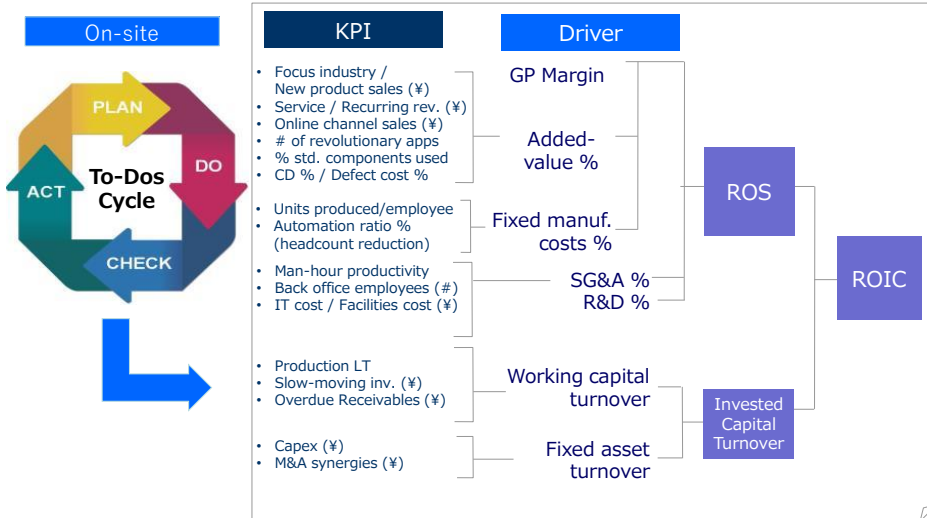
Selected by Nikkei Inc.

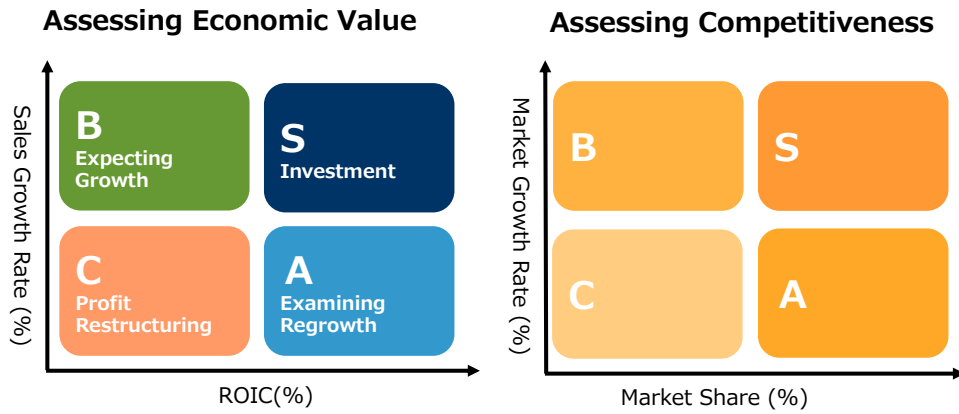
- ✓ Nikkei 225 **March 2019, 1st time**

Sustainability Award
Silver Class 2022
S&P Global



Down-Top ROIC Tree (2.0)





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.

Contact:

Investor Relations Department
Global Investor & Brand Communications
OMRON Corporation

Email: omron-ir@omron.com
Website: www.omron.com/global/en/