

# H1 FY2022 Earnings

ended September 30, 2022

## Results Briefing

October 26, 2022

OMRON Corporation

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Good afternoon, everyone. I am CEO Yamada.

Thank you for finding the time out of your busy schedules to participate in OMRON's H1 FY2022 results briefing.

As always, we will start with my presentation, to be followed by a Q&A session.

We hope to respond to as many of your questions as possible within the allotted time.

Let's get started. Please turn to the slide deck.

Please turn to page 1 for today's key points.

## Summary

### ■ Q2 & H1 FY2022 Results

- Achieved V-shaped recovery in Q2 (Sep. quarter) with sales and profits up significantly from Q1, which had been impacted by the Shanghai lockdown. IAB was the key driver on success with accelerated initiatives to improve supply capacity from Q1. Set new record high for Q2 earnings
- Able to virtually make up for Q1 shortfall in H1 earnings: H1 sales up Y/Y. Also significantly narrowed Y/Y gap on operating income
- All segments reported Y/Y sales growth, with DMB achieving both strong sales and profit growth

### ■ FY2022 Full-year Forecasts

- Global economic slowdown factored into H2 forecasts, but...
- Full-year forecasts revised up on the back of elevated order backlog, improved supply capacity to drive higher sales
- Interim DPS set at ¥49. Initial full-year DPS guidance reiterated at ¥98

### ■ IAB: Sustainable Growth

- Positioned to win business opportunities despite economic slowdown. Will concentrate resources in growth areas and accelerate efforts to strengthen solutions business
- ① Delivering improvements in energy productivity with solutions unique to OMRON
- ② Taking stake in Kirin Techno-System; expanding food and beverage industry business

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There are 3 key agenda items today.

The first is our earnings for the September quarter and H1 of FY2022. In the September quarter, we were able to achieve a V-shaped recovery, with a significant sequential increase in sales and profits. Q1 had been heavily impacted by the Shanghai lockdown. In particular, we had good success with the measures to improve IAB supply capacity which we stepped up from Q1. We set a new record high for Q2 earnings as a result. For H1, we were able to largely make up for the Q1 shortfall, with H1 sales up Y/Y. We were also able to narrow the Y/Y gap on operating income. By segment, all 4 segments achieved Y/Y growth in sales. DMB in particular achieved a substantial increase in sales and profits.

The second key point is our full-year forecasts. We have factored in a global economic slowdown into our outlook for the operating environment in H2. That said, on the back of an elevated order backlog and progress in boosting supply capacity, we expect sales to grow. We are revising up our full-year forecasts for FY2022. I will go into more detail later.

We have set the interim DPS for FY2022 at 49 yen and reiterate our initial guidance for full-year DPS of 98 yen.

The third key point is the sustainable growth of the IAB business. Despite a slowing macro backdrop, we are aggressively pursuing business opportunities, concentrating our resources in growth areas and further advancing measures to strengthen our solutions business.

Today, I will highlight 2 developments: OMRON's unique solutions to realize improved energy productivity, and our capital investment in Kirin Techno-System and the growth of our food and beverage industry business.

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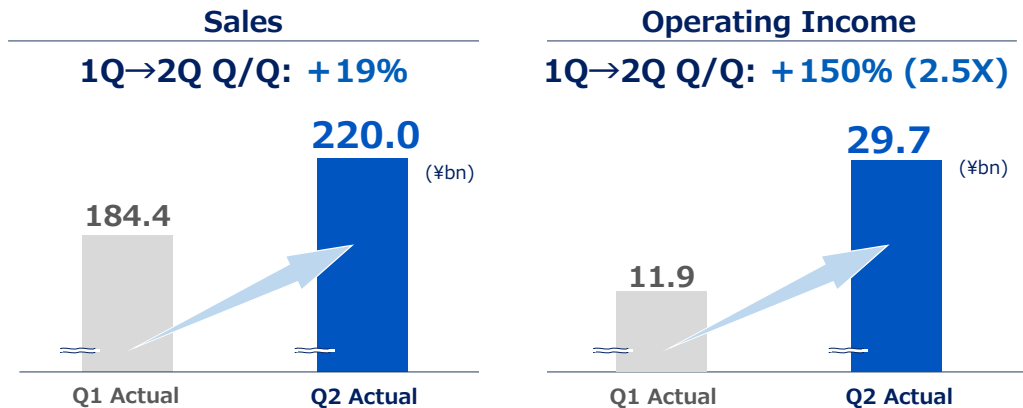
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# 1. Q2 & H1 FY2022 Results

## V-shaped Recovery in Q2 (September Quarter)

**Substantial Q/Q sales and profit growth in Q2.  
Achieved V-shaped recovery from Shanghai lockdown  
impact in Q1**



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This time, given the significant change in earnings from Q1 into Q2, I will start with the Q2 earnings, to be followed by H1 results.

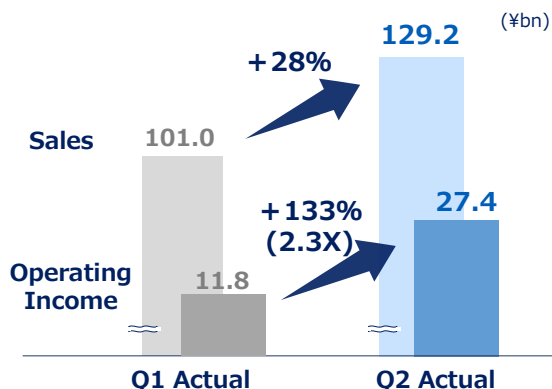
This graph shows a comparison of Q2 sales and operating income versus the Q1 results. As you can see, sales increased 19% Q/Q to 220 billion yen. Operating income grew 150% Q/Q or a 2.5-fold increase, to 29.7 billion yen. Both sales and profits showed substantial gains. While there was cause for concern in Q1 on the impact of the Shanghai lockdown, as you can see, we were able to achieve a V-shaped recovery in Q2.

Next, I will touch upon IAB's performance and the measures we implemented which drove the V-shaped recovery.

## Q2 IAB Performance and Results from Initiatives

Successful initiatives to enhance supply capacity drove swift recovery from lockdown impact. New record highs for Q2 IAB earnings boosted overall results

### 1Q→2Q Q/Q IAB Results Trend



### Initiatives to Improve Supply Capacity

- Expand use of EMS
- Implement parallel production framework
- Strengthen component procurement capability

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On this page, we show a comparison of IAB's performance in Q1 and Q2.

Please look at the graph on the left. In Q2, IAB sales rose 28% Q/Q to 129.2 billion yen and operating income increased 133% or 2.3x to 27.4 billion yen. These figures represent new record highs for Q2 in both sales and operating income.

Next, please look at the right side of the slide. These are our initiatives to boost supply capacity and the results of such efforts. We executed on all three of the initiatives we highlighted when explaining Q1 results.

These were: the expanded use of EMS, the development of parallel production capacity for our China plants in locations outside of China, mainly in Japan, and efforts to strengthen component procurements. The pace of progress on all three of these initiatives exceeded our plan.

As a result of these initiatives, OMRON was able to recover swiftly from the impact of the Shanghai lockdown.

Next, I will explain the consolidated Q2 results.

## Q2 FY2022 Consolidated Results

### Achieve substantial Y/Y growth in sales and profits

(¥bn)

	Q2 FY2021 Actual	Q2 FY2022 Actual	Y/Y
Net Sales	181.2	<b>220.0</b>	<b>+21.5%</b>
Gross Profit (%)	83.2 (45.9%)	<b>101.0</b> <b>(45.9%)</b>	+21.3% (-0.1%pt)
Operating Income (%)	19.9 (11.0%)	<b>29.7</b> <b>(13.5%)</b>	<b>+49.2%</b> (+2.5%pt)
Net Income	12.4	<b>19.9</b>	+61.1%
1USD (JPY)	110.0	136.6	+26.7
1EUR (JPY)	130.5	139.7	+9.2
1CNY (JPY)	17.0	20.1	+3.1

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This shows the consolidated results for Q2.

From this page onward, the presentation will focus on Y/Y change as usual.

Sales were 220 billion yen, gross profit 101 billion yen for a GP margin of 45.9%, operating income was 29.7 billion yen and net income was 19.9 billion yen.

Next, please look at the column on the right, which shows the Y/Y change. As you can see, OMRON achieved strong increases in both sales and profits. We were able to maintain the GP margin at the previous year's high level of 45.9%, supported by selling price initiatives.

## H1 FY2022 Consolidated Results

**Bolstered by sharp recovery in Q2, sales shifted into positive Y/Y growth**

	H1 FY2021 Actual	H1 FY2022 Actual	(¥bn) Y/Y
Net Sales	369.4	<b>404.4</b>	<b>+9.5%</b>
Gross Profit (%)	170.6 (46.2%)	<b>181.4</b> <b>(44.9%)</b>	+6.4% (-1.3%pt)
Operating Income (%)	45.7 (12.4%)	<b>41.6</b> <b>(10.3%)</b>	<b>-9.0%</b> (-2.1%pt)
Net Income	32.5	<b>27.9</b>	-14.3%
1USD (JPY)	109.9	131.6	+21.7
1EUR (JPY)	131.1	138.2	+7.1
1CNY (JPY)	17.0	19.7	+2.7

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This page shows H1 consolidated results.

Sales were 404.4 billion yen, GP was 181.4 billion yen for a GP margin of 44.9%, operating income was 41.6 billion yen and net income was 27.9 billion yen. Led by the strong performance of IAB, sales growth shifted into positive territory, rising 9.5% Y/Y.

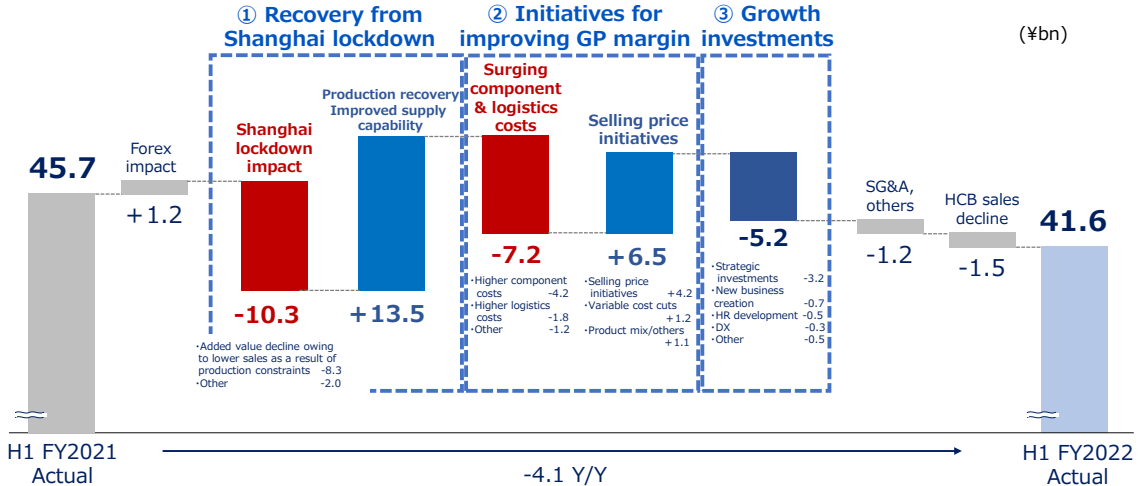
Operating income was down 9% Y/Y, but this is because we chose to execute on medium- to long-term growth investments; we expect to return to positive Y/Y growth in Q3.

On the next page, I will go into more detail on operating income.



Analysis of Change in H1 Operating Income (Y/Y)

Strong recovery from Shanghai lockdown. Minimized impact of surging component/logistics costs with selling price initiatives while also investing for future growth



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This is the waterfall chart showing Y/Y changes in the major factors for operating income.

On the far left, we show H1 operating income for FY2021; the H1 result for the current fiscal year is shown on the far right.

I will start on the left.

First, the depreciation of the yen made a positive contribution of 1.2 billion yen.

Next, please look at the area outlined in blue shown under point 1. While there was a negative impact of 10.3 billion yen from the Shanghai lockdown, we were able to recover from the lockdown impact on a 13.5 billion yen contribution from the resumption of production at the affected plants and initiatives to strengthen supply capacity.

Now, please look at the area outlined in blue under point 2. This reflects initiatives to improve GP margin. While there was a negative impact of 7.2 billion yen as a result of surging component and logistics prices, company-wide selling price initiatives generated a positive impact of 6.5 billion yen. We have been able to appropriately control the impact of inflation.

Finally, please look at the area outlined in blue under point 3. This is growth investments. Based on our initial plan, we chose to continue with investments for future growth.

To the right of this bar, we show the profit decline resulting from a fall in sales at HCB. I will elaborate further on this on the next page.

Moving on to segment sales and profits.

## H1 FY2022: Segment Sales and Profit

All segments achieve sales growth. DMB in particular records significant Y/Y sales and profit gains

(¥bn)

	Sales			OP		
	H1 FY2021 Actual	H1 FY2022 Actual	Y/Y	H1 FY2021 Actual	H1 FY2022 Actual	Y/Y
<b>IAB</b> Industrial Automation	206.5	<b>230.1</b>	+11.4%	40.1 (19.4%)	<b>39.1</b> (17.0%)	-2.4% (-2.4%pt)
<b>HCB</b> Healthcare	67.7	<b>68.1</b>	+0.6%	12.1 (17.9%)	<b>8.3</b> (12.2%)	-31.5% (-5.7%pt)
<b>SSB</b> Social Systems, Solutions & Service	35.0	<b>36.6</b>	+4.5%	-1.4 -	<b>-1.4</b> -	- -
<b>DMB</b> Device & Module Solutions	58.5	<b>68.6</b>	+17.3%	4.8 (8.2%)	<b>8.1</b> (11.7%)	+68.0% (+3.5%pt)
Eliminations & Corporate	1.6	<b>1.0</b>	-40.6%	-9.8	<b>-12.5</b>	-
<b>Total</b>	369.4	<b>404.4</b>	+9.5%	45.7 (12.4%)	<b>41.6</b> (10.3%)	-9.0% (-2.1%pt)

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

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This shows sales and operating income by segment.

Sales rose Y/Y for all segments.

I will go into a little more detail on the individual segments.

IAB reported a Y/Y increase in sales of 11.4%. While H1 profits were down only very slightly, we expect to revert to positive profit growth in Q3.

HCB sales were largely flat Y/Y but if the impact of the weak yen is excluded, then sales were effectively down Y/Y. Furthermore, as a result of various city lockdowns in China and the global impact of inflation, HCB operating income fell Y/Y.

SSB sales rose Y/Y on the strength of the energy business. However, operating income was flat Y/Y on the back of the weaker yen, which drove a surge in procurement prices for some components and materials.

DMB reported substantial Y/Y gains in sales and profits, backed by firm global demand and measures to increase production. The structural reforms of the last 2 years at DMB have been completed; the business is now firmly shifting into a growth phase.

Next are our full-year forecasts for FY2022. I will start with our view of the operating environment.

## 2. FY2022 Full-year Forecasts

## Operating Environment for Focus Domains

### New growth opportunities emerging in each domain even as the global economy slows

<b>IAB</b> Industrial Automation	<b>Digital: Variance in semiconductor demand by application but overall trend flat. Renewable energy (PV) investments remain high</b> <b>NEV: EV-related investments firm on gov't subsidies and decarbonization trends. Continued growth in battery investments</b> Food/Household Goods: Investments shrinking on fading consumer demand reflecting inflation. Investments to reduce plastic use remain firm. Medicine: Special COVID-19 demand, such as vaccines, weak. Continued investments related to rising demand for pharmaceuticals driven by aging population Logistics: Temporary weakness in capex for new warehouses. Automation investments increasing due to labor shortages in warehouses
<b>HCB</b> Healthcare	<b>Cardiovascular: BPM demand sluggish on China's zero COVID strategy and impact of inflation on consumer spending</b> Respiratory: Demand recovering, mainly in Europe, Asia and India on rise in clinic visits due to easing restrictions on activity Remote Medical Service: Demand continuing to increase in US and Europe
<b>SSB</b> Social Systems, Solutions & Service	<b>Energy: Demand firm on surging electricity prices, continuation of subsidies to encourage energy consumption cuts</b> Management and Services: Firm trends on labor shortages which are driving a transition from analog inspections to inspections leveraging IT technologies (Railway Industry*: Railway companies increasing capex on rise in passenger numbers)
<b>DMB</b> Device & Module Solutions	<b>DC Equipment: Demand from some industries slowing as special WFH-related demand eases. EV-related demand still firm</b> Microwave Devices: Smart phone/PC-use semiconductors in correction mode but demand firm for semiconductor testing equipment, etc

\*While the railway industry is not positioned as a focus domain, given the significant change in the operating environment, it has been included in these materials

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In terms of the H2 operating environment, we expect a slowdown in the global economy. The impact from this has been factored into our full-year forecasts. That said, if you look deeper into the individual segments, new business opportunities are also emerging. I will elaborate on the individual segments.

For IAB, we expect overall capex demand to slow down. However, we expect continued firm investment trends in renewable energy, batteries and EVs.

For HCB, the impact on personal consumption from China's zero COVID policy and inflation is likely to lead to continued sluggishness in BPM demand. However, the number of hypertension patients continues to increase: our expectation that the BPM market will grow over the medium- to long-term is unchanged.

In SSB, we expect the energy management business will be firm. We note that investment demand from railway operators is rebounding on increases in the number of passengers.

For DMB, while special COVID-19 WFH-related demand has been paused and overall consumer electronics-related demand is slowing, we expect firm demand related to EVs and semiconductor testing equipment.

I reiterate that we have factored a global economic slowdown into our current full-year forecasts. However, there are new emerging business opportunities in the focus domains that OMRON addresses. OMRON is advancing actions to ensure we can solidly capture these opportunities.

Next are the consolidated full-year forecasts.

## FY2022 Full-year Forecasts

## Full-year forecasts revised up

(¥bn)

	FY2022 Initial Plan	FY2022 Forecast	Chg. Vs. Plan	FY2021 Actual	Y/Y
Net Sales	850.0	<b>880.0</b>	+3.5%	762.9	+15.3%
Gross Profit	387.5	<b>396.5</b>	+2.3%	346.8	+14.3%
(%)	(45.6%)	<b>(45.1%)</b>	(-0.5%pt)	(45.5%)	(-0.4%pt)
Operating Income	93.0	<b>95.0</b>	+2.2%	89.3	+6.4%
(%)	(10.9%)	<b>(10.8%)</b>	(-0.1%pt)	(11.7%)	(-0.9%pt)
Net Income	63.0	<b>64.5</b>	+2.4%	61.4	+5.0%
ROE	>10%	<b>approx. 10%</b>	-	9.7%	approx. +0.3%pt
ROIC	>10%	<b>approx. 10%</b>	-	9.6%	approx. +0.4%pt
EPS (JPY)	316	<b>324</b>	+7.6	306	+18.2
1USD (JPY)	121.0	<b>135.8</b>	+14.8	112.1	+23.7
1EUR (JPY)	133.0	<b>139.1</b>	+6.1	130.5	+8.6
1CNY (JPY)	19.0	<b>19.9</b>	+0.9	17.4	+2.4

\*H2 forex assumptions for the revised FY2022 full-year forecasts are: USD/JPY ¥140.0, EUR/JPY ¥140.0 and CNY/JPY ¥20.0

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First, we have revised up our full-year forecasts.

Under our revised forecasts, we project sales of 880 billion yen, gross profit of 396.5 billion yen for a GP margin of 45.1%, operating income of 95 billion yen and net income of 64.5 billion yen.

We aim to achieve new record highs for sales and operating income, backed by a high level order backlog and the acceleration of measures to boost supply capacity.

As footnoted below the table, we have changed our H2 forex assumptions for foreign exchange as shown here.

## FY2022 Segment Sales and Profit Full-year Forecasts

### IAB, DMB revised up. HCB revised down

(¥bn)

	Sales			OP		
	FY2022 Forecast	Chg. Vs. Plan	Y/Y	FY2022 Forecast	Chg. Vs. Plan	Y/Y
<b>IAB</b> Industrial Automation	<b>503.0</b>	+20.0	+84.9	<b>93.0</b> <b>(18.5%)</b>	+3.0 (-0.1%pt)	+16.7 (+0.3%pt)
<b>HCB</b> Healthcare	<b>143.0</b>	-11.0	+10.1	<b>15.0</b> <b>(10.5%)</b>	-5.0 (-2.5%pt)	-3.5 (-3.5%pt)
<b>SSB</b> Social Systems, Solutions & Service	<b>96.0</b>	+4.0	+8.3	<b>5.0</b> <b>(5.2%)</b>	-1.5 (-1.9%pt)	-1.5 (-2.2%pt)
<b>DMB</b> Device & Module Solutions	<b>135.0</b>	+7.0	+14.0	<b>12.0</b> <b>(8.9%)</b>	+1.5 (+0.7%pt)	+1.9 (+0.6%pt)
Eliminations & Corporate	<b>3.0</b>	-	-0.3	<b>-30.0</b>	-	-7.9
<b>Total</b>	<b>880.0</b>	+30.0 <sup>†</sup>	+117.1	<b>95.0</b> <b>(10.8%)</b>	+2.0 <sup>†</sup> (-0.1%pt)	+5.7 (-0.9%pt)

<sup>†</sup> Impact of earnings fluctuation risk included in initial plan (Sales -¥10bn, OP -¥4bn) not included

\*Y/Y change figures compare restated figures after the impact of the reclassification of some products previously included in IAB to DMB

\*Please refer to p. 29 for the % change comparison to initial forecasts and the previous fiscal year's results

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I will now cover our segment forecasts.

The shaded portion of the table shows our new forecasts. I will explain the segment forecasts in order.

First, we have revised up our sales and operating income forecasts for IAB. We expect to achieve new record highs in IAB sales and profits, supported by measures to strengthen supply capacity continued from H1 and selling price initiatives.

Next, for HCB, we have factored in the impact of inflation on personal consumption and the risk of an economic slowdown: we have revised down our sales and operating income forecasts.

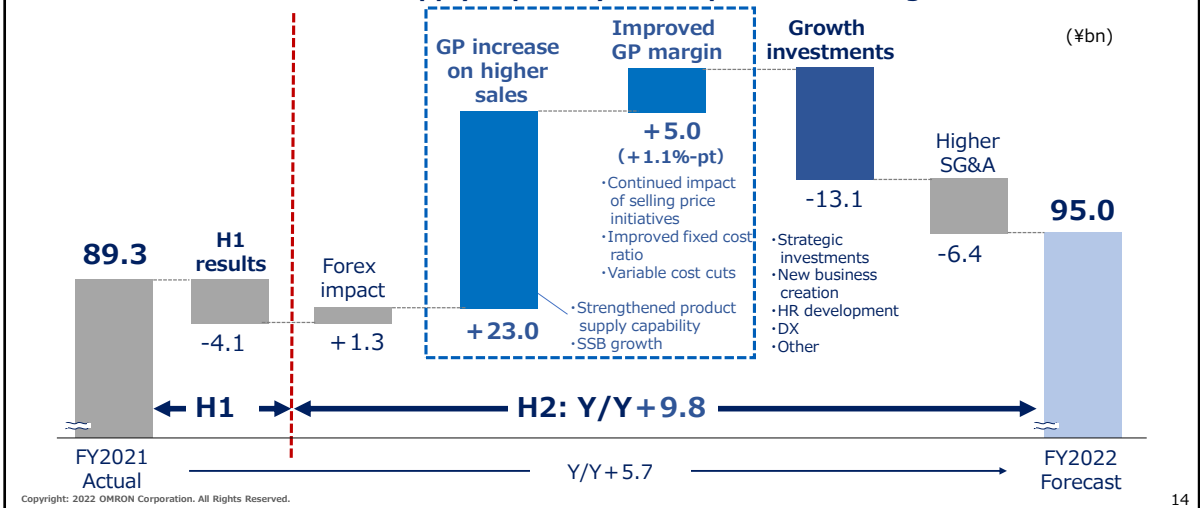
For SSB, we have revised up our sales forecast, on expectations that investment demand from railway operators will pick up on the back of rising passenger numbers. However, we have revised down our operating profit forecast to reflect the impact of surging component and materials prices as a result of a weaker yen.

For DMB, we revise up our sales and operating income forecasts on the impact of continued measures to boost supply capacity and selling price initiatives.

Next, I will talk in more detail about factors contributing to full-year consolidated operating income.

## FY2022 Forecast: Analysis of Change in Operating Income (Y/Y)

Aiming for strong profit gains in H2, on the back of higher sales as a result of enhanced supply capability and improved GP margin



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This is the waterfall chart showing the Y/Y changes in factors contributing to operating income. On the left, we have the actual FY2021 operating income; on the right, the FY2022 forecast.

I will start on the left. Operating income fell 4.1 billion yen Y/Y in H1, as explained earlier.

On the right hand side of the red dotted line, we show the factors of change for H2 operating income. First, we expect a 1.3 billion yen positive impact from the weaker yen.

Next, please look at the bars outlined in blue to the right. The first reflects the increase in gross profits as a result of increases in sales. We expect a positive 23 billion yen profit impact from higher sales as the result of efforts to boost supply capacity in IAB and DMB and a recovery in demand in SSB.

Please look at the next bar to the right, which shows the impact of an improved GP margin. While there will be an impact from higher component prices, we expect profits to improve by 5 billion yen from the effect of selling price measures in H2 and the completion of cost reduction measures.

Finally, we show growth investments. Despite the uncertain operating environment, we will continue to execute on investments which will support growth in FY2023 and beyond.

As a result, OMRON expects operating income to increase 9.8 billion yen Y/Y in H2.

Next, I will explain our projections for IAB in H2.

## IAB: Strong Confidence in Ability to Achieve H2 Forecast

High order backlog is supportive. Also making solid progress in strengthening supply capability

**H2 sales ¥272.9 bn (Y/Y +29%)**

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### Order Backlog/Demand Trends

#### Order Backlog

Strong support this fiscal year  
from order backlog

#### Demand Trends in Growth Areas

Firm demand in renewables/EVs/batteries

2

### Supply Capability

#### Production Capacity

Plans to expand EMS use, build parallel  
production framework on track

#### Component Procurement

Gradual improvement with the exception of  
some components such as semiconductors

We expect IAB's H2 sales to be 272.9 billion yen, up 29% Y/Y. I will elaborate on 2 factors that speak to our confidence in our ability to achieve this forecast.

The first is our order backlog and demand trends in growth domains.

With regard to the order backlog, we thoroughly reviewed order conditions in formulating our most recent forecast. Despite a tough operating environment, we believe our order backlog is sufficient to support our full-year forecast. In addition, in our focus domains, such as renewable energy, EVs and batteries, we expect firm capex trends will be maintained.

The second is our supply capacity.

With regard to production capacity, our initiatives to expand use of EMS and develop a parallel production framework are proceeding in line with plan. On component procurements, with the exception of some components such as semiconductors, near term, we have seen improving conditions, although the magnitude of the improvements is modest. We will continue to negotiate with suppliers to enhance our procurement capability.



## Shareholder Returns

Interim DPS fixed at ¥49. Initial full-year DPS guidance maintained at ¥98. As of the end of September, acquired ¥5.5 bn in shares under the buyback program announced July 26

Dividend	Interim (Fixed)	(+ ¥3 versus FY21 level)	Full-year (Forecast)	(+ ¥6 versus FY21 level)
	¥49		¥98	
Share Buyback	Amount purchased as of the end of September			
	¥5.5bn	( Program announced July 26 Amount: ¥20.0bn (upper limit) No. of shares: 3.3mn (upper limit) Acquisition period: July 27, '22 to March 31, '23 )		

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This is the final slide in this section of the presentation. I will comment our shareholder return guidance for FY2022.

As shown here, we have fixed the interim DPS for FY2022 at 49 yen. We reiterate our initial full-year DPS guidance of 98 yen, up 6 yen Y/Y.

With regard to the share buyback program announced in July, we continue to make progress. As of the end of September, we have acquired 5.5 billion yen worth of shares.

This completes the explanation of our full-year forecasts for FY2022.

Next, I will talk about sustainable growth for IAB.

## 3. IAB: Sustainable Growth

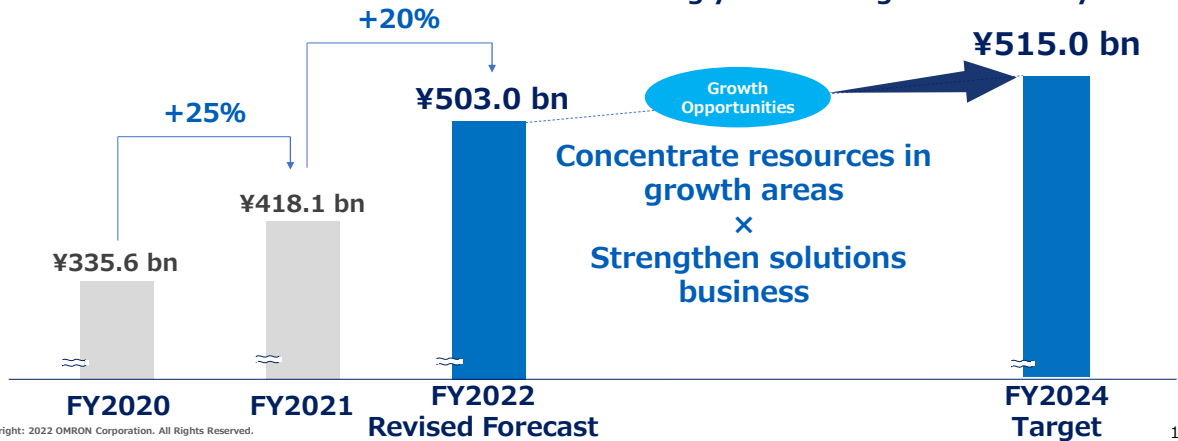
## IAB: Progress Toward Medium-Term Plan Targets and Outlook

Significant progress toward MTP targets. OMRON positioned to capture growth-enhancing business opportunities despite macro slowdown

Up to FY2022

FY2023 and beyond

Increasingly uncertain global economy



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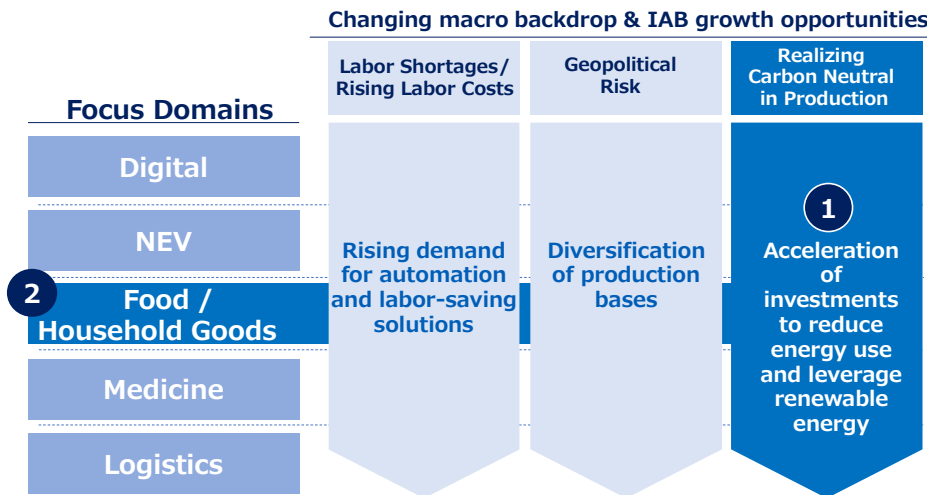
First, I will discuss IAB's progress toward medium-term plan targets and the outlook going forward.

Please look at the bar graph on the left. Over the last 2 years, IAB sales have grown substantially. In conjunction with the evolution of the business model, OMRON has been able to solidly capture market needs over time. With regard to the FY2024 target of 515 billion yen, we are now approaching levels this fiscal year where this target is coming into view.

Going forward, the global economy is likely to be increasingly uncertain. However, even in this environment, there are many growth opportunities for IAB. We are concentrating resources in growth areas and will accelerate efforts to strengthen the solutions business. This will allow us to solidly capture growth opportunities and achieve sustainable growth.

## IAB Growth Opportunities

Changes in macro trends driving increase in growth opportunities despite an economic slowdown



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On this slide, I will explain the growth opportunities IAB will pursue.

In SF 1st stage, IAB identified 5 focus domains which will drive growth going forward. Within our business domains there are 3 business opportunities that have been bolstered by changes in the macro environment and are applicable across industries.

The first is the promotion of automation and labor-saving solutions, as a result of labor shortages and surging labor costs.

The second is rising geopolitical risk, which has led to a diversification of production bases.

The third is the acceleration of investments in energy conservation and renewable energy driven by the need to achieve Carbon Neutral in production.

Today I will showcase 2 examples. The first are solutions unique to OMRON related to investments in energy conservation and renewable energy, marked as number 1 on the right. The second, marked number 2 on the left, are OMRON's initiatives for growth in the food and household goods industry.

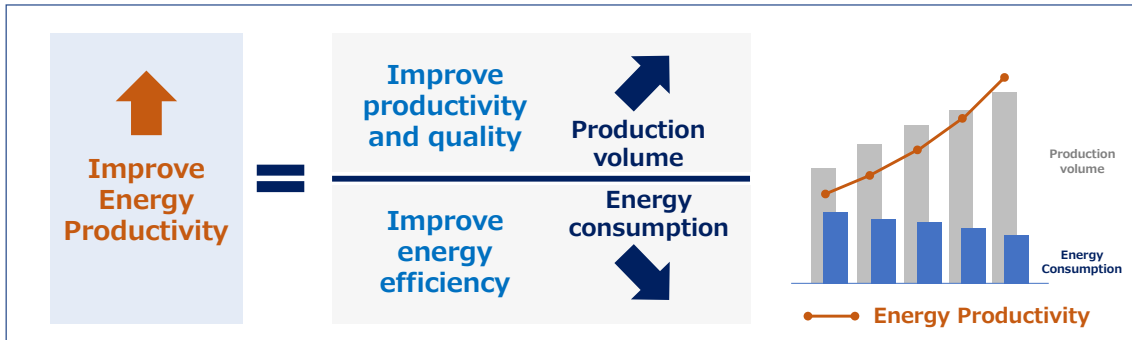
I will start with an explanation of OMRON's solutions for energy conservation and renewable energy investments.

## IAB: Improving Energy Productivity

Expanding solutions unique to OMRON in response to manufacturers' need to achieve Carbon Neutral

innovative  
-Automation

Energy productivity solutions for  
manufacturing



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OMRON aims to improve energy productivity on the shop floor.

Look at the equation set out below.

We define energy productivity as follows. We believe, as depicted in this equation, that it is possible to simultaneously improve plant productivity and quality which increases production volume while improving the energy efficiency of the production process, effectively reducing power consumption.

Our solutions do not simply reduce energy consumption. As shown in the graph on the right, increasing production volumes by simultaneously improving productivity and quality, and reducing energy consumption, it is possible to dramatically improve energy productivity.

I will explain this solution in more detail.

## IAB: Solutions to Improve Energy Productivity

Achieve improvements in both productivity/quality and energy efficiency by capitalizing on increasingly diverse production floor data and integrated control

1

### 1 Improve Productivity and Quality

More than 250 innovative applications driving the use of shop floor data and sophisticated automation



Productivity/  
Quality Data

2

### 2 Improve Energy Efficiency

More than 10 years of accumulated technologies and knowledge underpinning

visualization of energy data and optimized control of electricity



Energy Data

3 Integrated Control



There are three key points I will highlight.

Please look at the left side of the page. This covers improvements to manufacturing productivity and quality. OMRON has many solutions that are based on more than 250 innovative applications which leverage shop floor data and deliver sophisticated automation.

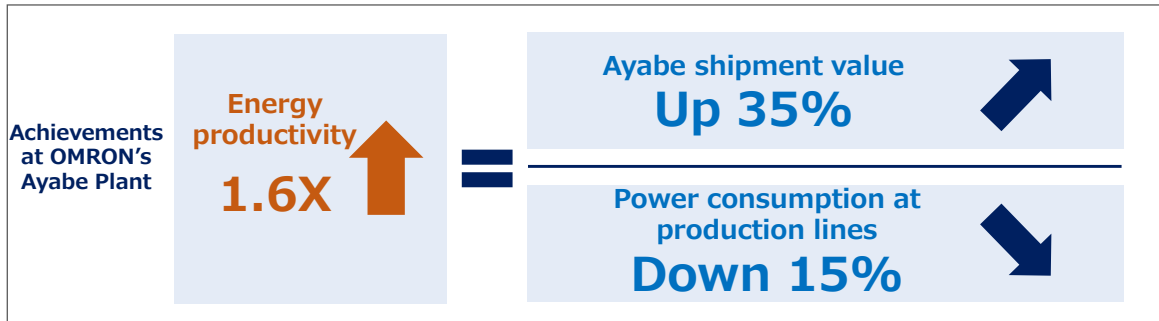
Now look at the right side of the page where we focus on improving energy efficiency. OMRON has many proven solutions that are based on the visualization of energy data, rooted in more than 10 years of accumulated technologies and knowledge and optimal power control.

Please look at the center of the page. The most important point is that OMRON has the integrated control that enables both. OMRON can achieve integrated control by aggregating and analyzing a diverse array of data from the manufacturing process related to productivity, quality and energy.

On the next page, I will explain an example of this solution that is actually in use.

## Track Record at IAB Plants and Growth of the Solutions Business

Significantly raised energy efficiency at IAB plant by implementing technologies incorporated in the *i*-BELT service. Aim to expand solution business by providing this service to global customers focused on achieving production Carbon Neutral



(Actual achievements for the period of 2010-2021)

At OMRON's Ayabe plant, OMRON has been able to achieve a 1.6x increase in energy productivity over the 11-year period from 2010 as a result of this solution.

Growth in sales was underpinned by a 35% increase in production value. However, production line energy consumption, rather than increasing, actually declined 15%. We are now starting to offer many of our customers solutions that are unique to OMRON, based on in-house developed knowledge and know-how, which is the basis for the *i*-BELT service.

We are receiving many inquiries for this solution, particularly from players in the auto industry including the majors, primarily for EVs. OMRON's energy management business is a solutions business that will drive IAB growth. We are targeting global growth going forward.

Next, I will talk about the expansion of the business in the food and beverage industry.

## Taking a Stake in Kirin Techno-System Co., Ltd.

Signed stock transfer agreement for Kirin Techno-System. Major domestic manufacturer of inspection machinery for the beverage industry

### Kirin Techno-System



**Company profile:**

Manufactures and sells inspection machinery for the beverage industry  
Major domestic beverage inspection machinery player

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As announced in a press release dated October 18, OMRON has signed a stock transfer agreement related to its capital investment in Kirin Techno-System.

As a result, OMRON will acquire 60% of the outstanding Kirin Techno-System shares held by Kirin Brewery.

Today, we have a 30-second video overview of Kirin Techno-System for you.



## Taking a Stake in Kirin Techno-System Co., Ltd



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(30 second video)

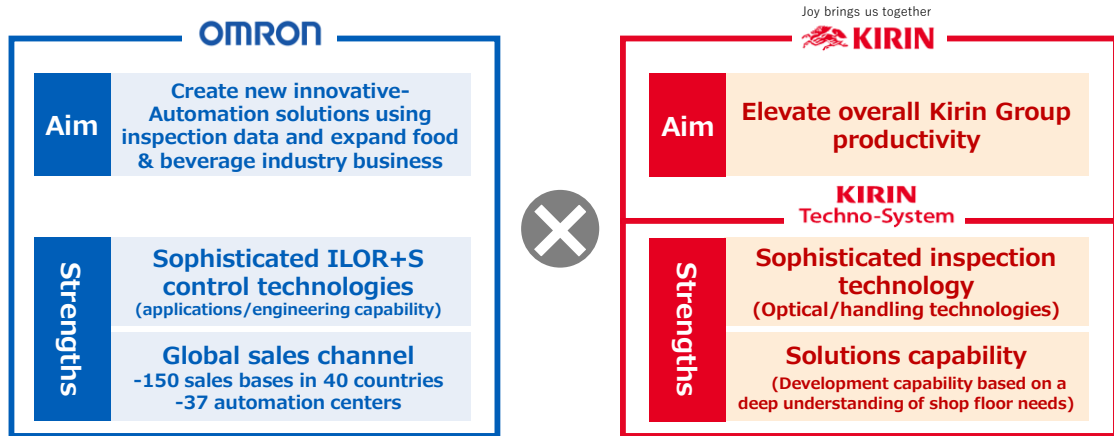
Kirin Techno-System is an inspection machinery manufacturer which has its roots as the Engineering Department of Kirin Brewery.

It boasts a high share of the domestic inspection machinery market. It has sophisticated technology in inspection machinery, with strengths in optical technology and high speed handling to enable high speed inspection, and a deep knowledge of requirements for inspection machinery on manufacturing lines.

Its business is primarily domestic, with a broad focus on various industries such as beverages and food, pharmaceuticals and others.

## Expanding Business in the Food and Beverage Industry

## Innovation in production and expansion of overseas business in the food and beverage industry



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Through this capital alliance, OMRON aims to create new innovative-Automation Solutions leveraging testing data together with Kirin Techno-System as a new member of the OMRON group.

I am firmly convinced that this will further contribute to the growth of our business in the food and beverage industry, through the combination of OMRON's strengths in sophisticated control technologies through ILOR+S and a global sales network and Kirin Techno-System's strengths in sophisticated inspection technologies and solutions capabilities.

In addition, Kirin Holdings has expressed its high expectations for the combination to further elevate the sophistication of production for the Kirin Group as a whole.

Through the creation of innovative solutions in manufacturing for the beverage industry, OMRON and Kirin Techno-System aim to grow its business in the food and beverage industry on a global basis.



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This completes my presentation.

In closing, I would like to reiterate 3 key takeaways.

As promised, OMRON was able to achieve a V-shaped recovery in Q2 earnings after the impact on Q1 earnings from the Shanghai lockdown.

Our ability to overcome this crisis has further strengthened OMRON's profitability and resilience in the face of change.

Next, we are confident in our ability to achieve the full-year forecasts. While we expect the operating environment in H2 will be increasingly uncertain, we believe our earnings will be supported by our enhanced supply capability and the high level of our order backlog, primarily in IAB.

Also, as alluded to during the presentation, even in a tough environment, there are many opportunities. Around the world, manufacturers have been moving to reorganize supply chains and build new production bases in proximity to target markets, largely on the back of rising geopolitical risk. This is a significant business opportunity for OMRON.

OMRON will continue to accelerate the implementation of initiatives toward a new growth stage.

We humbly ask for the continued support of shareholders and investors. Please continue to hold high expectations for OMRON.

This completes my presentation. Thank you.

# Reference

Top domestic manufacturer of inspection machines for the beverage industry

Corporate Profile

Company Name: Kirin Techno-Systems Co., Ltd.
President: Hironobu Hosokawa
Established: 1990
(Previously the Engineering Department of Kirin Brewery Co., Ltd. between 1976 to 1989)
No. of Employees: 160 (as of April 1, 2022)
Shareholder: 100% subsidiary of Kirin Brewery Co., Ltd.
Head Office: 10-10 Ohkawa-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken



Main Products: Inspection machinery for the beverage industry

Grid of product categories: PET Bottles, Bottles, Cans, Pharmaceutical Containers, Printing, and Related Devices, each with a title, description, and representative image.

## FY2022 Segment Sales and Profit Full-year Forecasts (%)

(¥bn)

	Sales			OP		
	FY2022 Forecast	Chg. Vs. Plan	Y/Y	FY2022 Forecast	Chg. Vs. Plan	Y/Y
<b>IAB</b> Industrial Automation	<b>503.0</b>	+4.1%	+20.3%	<b>93.0</b> <b>(18.5%)</b>	+3.3% (-0.1%pt)	+22.0% (+0.3%pt)
<b>HCB</b> Healthcare	<b>143.0</b>	-7.1%	+7.6%	<b>15.0</b> <b>(10.5%)</b>	-25.0% (-2.5%pt)	-19.1% (-3.5%pt)
<b>SSB</b> Social Systems, Solutions & Service	<b>96.0</b>	+4.3%	+9.5%	<b>5.0</b> <b>(5.2%)</b>	-23.1% (-1.9%pt)	-23.1% (-2.2%pt)
<b>DMB</b> Device & Module Solutions	<b>135.0</b>	+5.5%	+11.6%	<b>12.0</b> <b>(8.9%)</b>	+14.3% (+0.7%pt)	+19.0% (+0.6%pt)
Eliminations & Corporate	<b>3.0</b>	-	-9.1%	<b>-30.0</b>	-	-
Earnings Fluctuation Risk	-	-	-	-	-	-
<b>Total</b>	<b>880.0</b>	+3.5%	+15.3%	<b>95.0</b> <b>(10.8%)</b>	+2.2% (-0.1%pt)	+6.4% (-0.9%pt)

\*Y/Y change figures compare restated figures after the impact of the reclassification of some products previously included in IAB to DMB

## Consolidated Balance Sheet

	End-March 2022	End-Sept. 2022	Chg, vs. End-FY2021
			(¥bn)
Current assets	482.9	490.6	+7.7
(Cash and cash equivalents)	(155.5)	(123.9)	(-31.6)
(Inventory)	(141.9)	(183.2)	(+41.2)
Property, plant and equipment	122.1	124.1	+2.0
Investments and other assets	325.6	354.8	+29.2
<b>Total assets</b>	<b>930.6</b>	<b>969.5</b>	<b>+38.9</b>
Current liabilities	211.7	201.7	-9.9
Long-term liabilities	51.0	46.7	-4.3
<b>Total Liabilities</b>	<b>262.7</b>	<b>248.4</b>	<b>-14.2</b>
Shareholders' equity	665.2	718.6	+53.4
Noncontrolling interests	2.7	2.4	-0.3
<b>Total net assets</b>	<b>668.0</b>	<b>721.1</b>	<b>+53.1</b>
<b>Total Liabilities and net assets</b>	<b>930.6</b>	<b>969.5</b>	<b>+38.9</b>
Equity ratio	71.5%	74.1%	+2.6%pt

## Consolidated Cash Flow Statement

(¥bn)

	H1 FY2021 Actual	H1 FY2022 Actual	Y/Y
Operating cash flow	39.3	19.1	-20.2
Investment cash flow	-12.4	-27.7	-15.3
Free cash flow (FCF)	26.8	-8.6	-35.5
Financing cash flow	-10.4	-34.6	-24.3
Cash and cash equivalents as of end of period	274.0	123.9	-150.1
Capital expenditure	11.8	17.3	+5.5
Depreciation	11.5	13.0	+1.5



## Forex Sensitivities (At the beginning of this fiscal year) and Assumptions

Impact of 1 yen move (full year)  
CNY impact of 0.1 yen move

	Sensitivities		Assumptions
	Sales	OP	H2 FY2022 Assumptions
USD	¥1.8 bn	¥0.1 bn	¥140
EUR	¥0.9 bn	¥0.4 bn	¥140
CNY	¥1.0 bn	¥0.3 bn	¥20.0

\* 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 2022)

## ESG Indices which include OMRON

- |  |  |
|--|--|
| ✓ DJSI – World                             | <b>5<sup>th</sup> consecutive year</b> |
| ✓ FTSE4Good Index Series                   | <b>7<sup>th</sup> consecutive year</b> |
| ✓ MSCI ESG Leaders Indexes                 | <b>8<sup>th</sup> consecutive year</b> |
| ✓ MSCI SRI Indexes                         | <b>6<sup>th</sup> consecutive year</b> |
| ✓ STOXX Global ESG Leaders Indices         | <b>6<sup>th</sup> consecutive year</b> |
| ✓ FTSE Blossom Japan Index                 | <b>6<sup>th</sup> consecutive year</b> |
| ✓ FTSE Blossom Japan Sector Relative Index | <b>1<sup>st</sup> time selected</b>    |
| ✓ MSCI Japan ESG Select Leaders Index      | <b>6<sup>th</sup> consecutive year</b> |
| ✓ MSCI Japan Empowering Women Index        | <b>6<sup>th</sup> consecutive year</b> |
| ✓ S&P/JPX Carbon Efficient Index           | <b>5<sup>th</sup> consecutive year</b> |

\* 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 (EWMI)



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# External Recognition (As of October 2022)

## Domestic ESG awards, selection for inclusion

### S&P Global Sustainability Award

- ✓ S&P Sustainability Award Silver Class

Sustainability Award  
Silver Class 2022  
S&P Global



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



### Selected by Nikkei Inc.

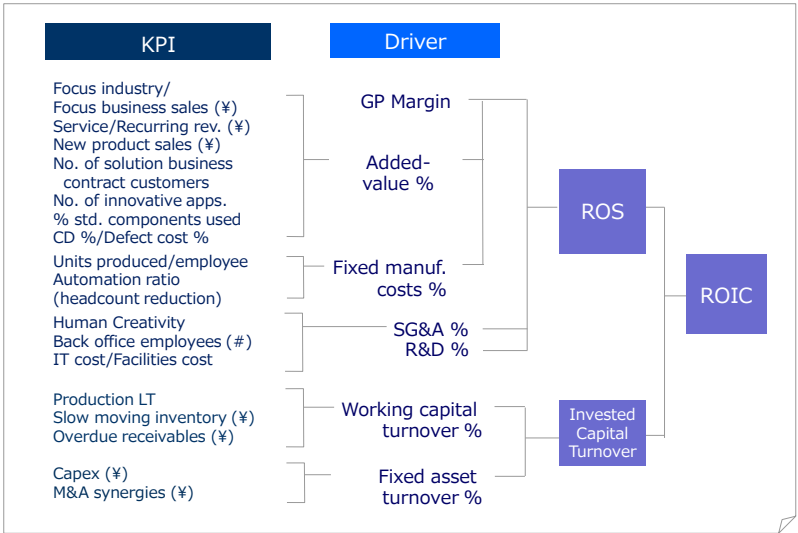
- ✓ Nikkei 225 **March 2019, 1<sup>st</sup> time**



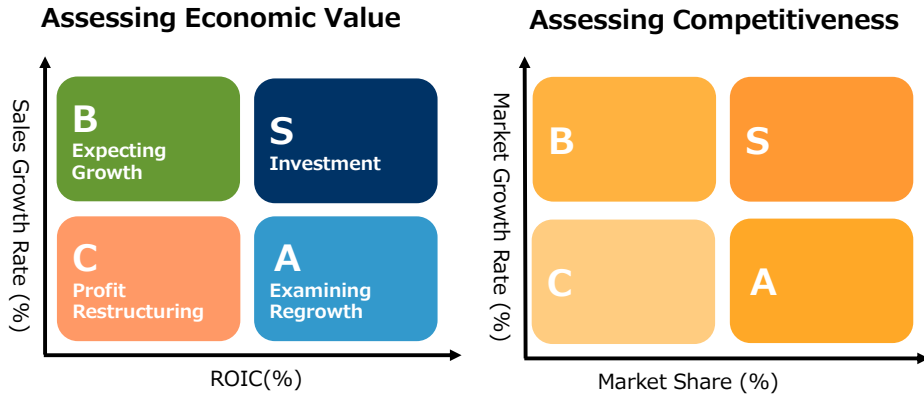
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# Down-Top ROIC Tree (2.0)

**Business Strategy**



# 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	

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

**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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