

# FY2022 Earnings

## Results Briefing

April 26, 2023

OMRON Corporation

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Good afternoon, everyone

I am Tsujinaga. I became CEO in April.

Thank you for finding the time in your busy schedules to participate in OMRON's FY2022 full-year results briefing.

Today, as usual, we will present the earnings results, to be followed by a Q&A session. We aim to respond to as many questions as possible within the allotted time.

Before getting started with the presentation, I would like to take this opportunity to briefly introduce myself.

President and CEO \*

### **Junta Tsujinaga**

- 1989 Joined OMRON Tateisi Electronics Co. (now OMRON Corporation)
- 2016 Senior General Manager, Product Business Division HQ, IAB
- 2019 Managing Executive Officer
- 2021 IAB Company President
- 2023 President and CEO\*, OMRON Corporation

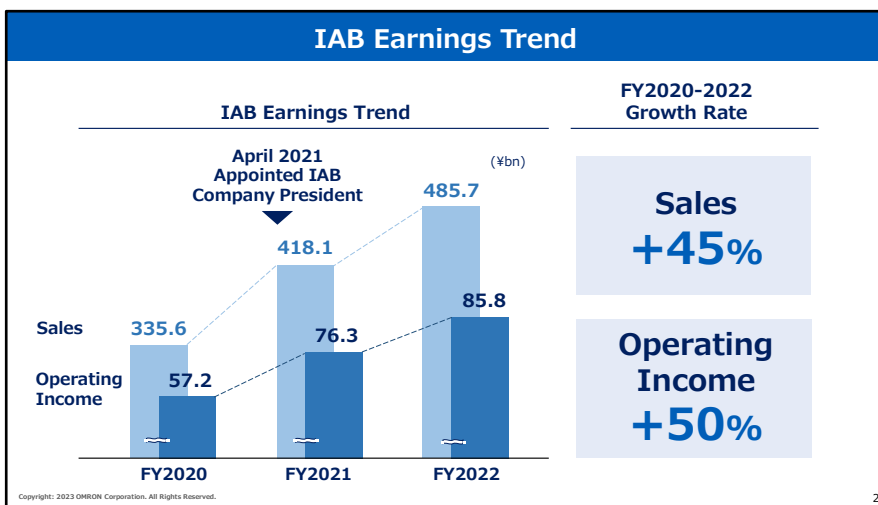
\*To be formally approved at the Annual General Shareholders Meeting scheduled for June 2023 and the Board of Directors meeting following the AGM



In 1989, I joined OMRON, which was known at the time as OMRON Tateisi Electronics. I have worked for IAB since the beginning of my career. After starting in sales, I advanced to become responsible for the overall product business, before taking the lead on ramping up and promoting innovative-Automation, IAB's innovative concept for manufacturing.

Subsequently, I was named the president of the IAB company in 2021. From April of this year, I have taken up the reins from the previous CEO, Mr. Yamada, and am now the President and CEO of OMRON Corporation.

Please turn to the next page.



When I look back at the 2 years I served as the head of IAB, it was an extremely challenging period of dramatic change, with the pandemic, expanding geopolitical risks and the acceleration of inflation on a global basis.

However, despite the tough backdrop, we were able to resiliently respond to changes in the environment and make progress on transitioning to a solutions-driven business, led by the innovative-Automation concept. We rigorously focused on front lines (gemba), picking up on what we were hearing from manufacturing gemba and elsewhere.

As a result, we were able to grow both sales and operating income by around 1.5X over the last 2 years. I attribute this success to the efforts of each and every one of our employees: this success is a reflection of their dedication to understanding our customers' issues and fully leveraging their capabilities.

Going forward, as OMRON's CEO, I aim to lead overall group growth, with a strong focus on gemba and technology.

Let's move on to talk about the full-year results. Please turn to the next page.

## Summary

### ■ FY2022 results

- 2<sup>nd</sup> consecutive fiscal year of Y/Y growth in sales and OP; achieved new record highs
- By segment, IAB, SSB and DMB recorded double-digit growth in sales and profits. HCB posted steady growth despite impact of weakening consumption as a result of inflation

### ■ FY2023 full-year forecasts

- While outlook for the operating environment remains uncertain, OMRON aims to set new record highs in sales and profits by further strengthening the growth capability nurtured to date
- By segment, targeting Y/Y growth in sales and profits for all segments
- FY2023 full-year dividend guidance at new record high of 104 yen, up 6 yen from 98 yen in FY22

### ■ IAB growth capability

- Steady growth in Solutions Business, which was launched in FY2016
- Solid progress on strengthening the business, driving an increase in the number of customers adopting innovative-Automation. Contributing significantly to sales and profit growth
- Advances in providing solutions in growth areas to further increase the number of customers adopting innovative-Automation

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We will cover 3 topics today. The first is the FY2022 results.

We achieved new record highs in earnings in the previous fiscal year, on the back of the second consecutive year of Y/Y growth in sales and profits. We were able to get off to a strong start to our new MTP, SF-1st Stage. By segment, the 3 businesses of IAB, SSB and DMB recorded strong double-digit sales and profit growth. While HCB was impacted by global inflation, which led to a slowdown in consumption, we were able to post firm growth in sales.

The second topic is the FY2023 forecast. We expect the uncertain operating environment will persist in the current fiscal year, mostly in 1H. That said, by strengthening the growth capability we have nurtured to date, we aim to yet again achieve new record high earnings. By segment, our forecasts call for Y/Y growth in both sales and profits in all segments. On the full-year dividend, we are guiding for a 6 yen Y/Y increase from last fiscal year's 98 yen, a record high, to 104 yen per share.

The third topic is the growth capability of IAB, the driver for the group as a whole. We have steadily grown IAB's Solutions Business. Today, I would like to discuss what underpins this growth, as well as future initiatives.

Let's get started with the presentation. Please turn to page 6.

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# 1. FY2022 Results

## FY2022: Full-year Consolidated Results

Achieve new record highs with 2 consecutive years of sales and profit growth.  
Surpass 100 billion yen in operating income

(¥bn)

	FY2021	FY2022	Y/Y	vs Forecast
	Actual	Actual		
Net Sales	762.9	<b>876.1</b>	<b>+14.8%</b>	-0.4%
Gross Profit (%)	346.8 (45.5%)	<b>393.9</b> <b>(45.0%)</b>	+13.6% (-0.5%pt)	-0.7% (-0.1%pt)
Operating Income (%)	89.3 (11.7%)	<b>100.7</b> <b>(11.5%)</b>	<b>+12.7%</b> (-0.2%pt)	+6.0% (+0.7%pt)
Net Income	61.4	<b>73.9</b>	+20.3%	+14.5%
EPS (JPY)	306	<b>372</b>	+67	+48
ROIC	9.6%	<b>10.4%</b>	+0.8%pt	-
ROE	9.7%	<b>10.6%</b>	+0.9%pt	-
1USD (JPY)	112.1	<b>135.2</b>	+23.1	+2.2
1EUR (JPY)	130.5	<b>140.9</b>	+10.4	+1.9
1CNY (JPY)	17.4	<b>19.7</b>	+2.3	+0.1

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We start with the full-year results for FY2022. Please look at the shaded section in the middle of the table.

Sales were 876.1 billion yen, gross profit 393.9 billion yen for a GP margin of 45%, operating income 100.7 billion yen, and net profit 73.9 billion yen. Sales grew substantially, rising 14.8% Y/Y. We were able to maximize 2 strengths, the growth capability we have developed to date and our resilience in the face of changes in the operating environment, to achieve higher sales.

Operating income exceeded the 100 billion yen mark, surpassing the upwardly revised forecast as of Q2 results. OP grew substantially Y/Y, up 12.7%. We were able to maintain OPM at a high level of 11.5%, supported by solid progress in improving our profit structure, the result of topline growth and progress on selling price initiatives.

ROIC and ROE were also both over 10%, up from the previous fiscal year. Next, I will cover the segment results. Please turn to the next page.

## Full-year Segment Results

Sales up Y/Y in all segments. Notably, double-digit sales and profit growth achieved in IAB, SSB and DMB

(¥bn)

	Sales				OP			
	FY2021 Actual	FY2022 Actual	Y/Y	vs Forecast	FY2021 Actual	FY2022 Actual	Y/Y	vs Forecast
<b>IAB</b> Industrial Automation	418.1	<b>485.7</b>	+16.2%	-3.4%	76.3 (18.2%)	<b>85.8</b> (17.7%)	+12.6% (-0.6%pt)	-7.7%
<b>HCB</b> Healthcare	132.9	<b>142.1</b>	+7.0%	-0.6%	18.5 (14.0%)	<b>16.0</b> (11.3%)	-13.6% (-2.7%pt)	+6.8%
<b>SSB</b> Social Systems, Solutions & Service	87.7	<b>107.3</b>	+22.3%	+11.7%	6.5 (7.4%)	<b>7.5</b> (7.0%)	+15.1% (-0.4%pt)	+49.8%
<b>DMB</b> Device & Module Solutions	121.0	<b>138.9</b>	+14.8%	+2.9%	10.1 (8.3%)	<b>15.5</b> (11.2%)	+53.7% (+2.8%pt)	+29.2%
Eliminations & Corporate	3.3	<b>2.1</b>	-36.8%	-30.5%	-22.1	<b>-24.2</b>	-	-
<b>Total</b>	762.9	<b>876.1</b>	+14.8%	-0.4%	89.3 (11.7%)	<b>100.7</b> (11.5%)	+12.7% (-0.2%pt)	+6.0%

\*Figures shown in brackets under OP are segment OPMs

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This page shows the results for each of the segments.

Despite the significant impact of the Shanghai lockdown in Q1, from Q2 onward, IAB made progress on initiatives to enhance supply capability aimed at working down the elevated order backlog. As a result, sales rose 16.2% Y/Y and OP grew 12.6%: both achieved new record highs.

Despite the impact of COVID-19 in China and global inflation, HCB achieved solid 7% Y/Y sales. However, OP fell on the decline in the share of sales from BPMs and continued growth investments.

In SSB, the Energy Business performed strongly, successfully capturing opportunities on the back of increased investments in renewable energy. In addition, the Railway Business reported a firm increase in sales, on success in capturing demand from a resumption of investments by railway operators. While the weak yen had an impact on component procurements, OP grew 15.1%, up significantly.

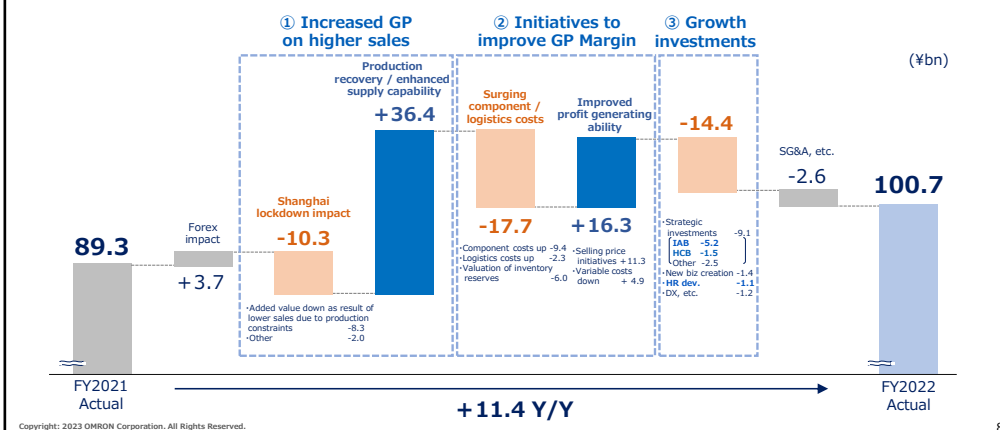
DMB reaped the benefits of production restructuring initiatives implemented in the previous MTP, which led to a firm strengthening of its profit structure. Supported by initiatives to boost supply capability and expand the customer base in the previous fiscal year as well, sales grew 14.8% Y/Y and OP surged 53.7% Y/Y. The substantial topline and profit growth allowed DMB to achieve new record highs in earnings.

Next, I will discuss OP in more detail. Please turn to the next page.



# Full-year Results: Analysis of Y/Y Change in Operating Income

GP up significantly on enhanced supply capability. Successfully controlled impact of surging component/logistics costs with selling price initiatives



This is the Y/Y waterfall chart for OP.

On the far left is the actual OP for FY2021; on the far right, we show the OP for FY2022. The Y/Y elements of change in OP are shown in between.

I will begin on the left. To start, the impact of a weaker yen had a positive impact of 3.7 billion yen. Next, please see the box marked ① outlined in blue. The impact of the Shanghai lockdown in Q1 depressed OP by 10.3 billion yen. However, the rapid rebound in production and initiatives to strengthen supply capability generated a positive impact of 36.4 billion yen.

Next are the initiatives to boost GP margin, shown in box ②. Surging component and logistics costs depressed OP by 17.7 billion for the full year. However, this was offset by swiftly implemented selling price and cost reduction initiatives, which generated a positive impact of 16.3 billion yen. We were able to appropriately control the negative impact of inflation.

Finally, the growth investments in box ③. We implemented investments to enhance our growth capability, including investments in development of innovative applications at IAB, strengthening HCB's marketing, as well as skill-development training for human resources.

As we demonstrate here, we responded to changes in the environment in FY2022, simultaneously strengthening our profit base and laying the foundations for growth in the following fiscal year and beyond.

Next, I will discuss the FY2023 forecasts.

Please turn to page 10.

## 2. FY2023 Full-year Forecasts

# Operating Environment Outlook by Segment

**Uncertain operating environment to persist, mainly in 1H.  
Expect recovery in 2H, although demand likely to differ by industry**

<b>IAB</b> Industrial Automation	<b>Mixed picture by industry in 1H but uncertain environment to persist. Expect recovery from 2H</b> Digital: MT investment trend unchanged; strong investments in power ICs and PV to continue NEV: Firm trends in EVs and batteries to continue on full-year basis, supported by government stimulus measures Food/household goods: In addition to continued environmental investments, expect moderation of inflation to support gradual recovery in investments Medicine: Investments continue on demand for drugs due to aging population, despite absence of special COVID-19 demand Logistics: Signs of resumption of capex related to new warehouse construction. Automation investments to remain firm on shortage of warehouse workers
<b>HCB</b> Healthcare	<b>BPM market to recover gradually from 2H. Expect normalized market conditions in Greater China on full-year basis</b> Cardiovascular: Expect gradual recovery in 2H on easing of COVID-19 restrictions in China, peaking out of inflation mainly in US/Europe Respiratory: Recovery trends in nebulizers to generally continue, with exception of Asia Remote medical service: Market growth, primarily in US and Europe, to continue
<b>SSB</b> Social Systems, Solutions & Service	<b>Overall operating environment firm. Continued demand in renewable energy for residential/industrial in Energy business</b> Energy: Surging electricity costs, continued support from subsidies contributing to firm demand for renewable energy business (residential/industrial) Management & Services: Overall demand to stay firm. Increasing investments to address diverse operational issues on sustainability targets for individual companies Railway operators: Capex demand recovering on rebound in passenger numbers
<b>DMB</b> Device & Module Solutions	<b>Weak overall environment to persist in 1H. Expect recovery from 2H, particularly in IC-, EV- and renewable energy-related</b> DC (direct current) equipment/microwave devices: Weak customer demand to persist in 1H. Expect recovery in 2H in EV/batteries (decarbonization), semiconductor capex demand Commodity devices: Although demand differs by industry, expect overall, gradual recovery in 2H and beyond

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First, this is our outlook for the operating environment in FY2023.

We expect an uncertain macro backdrop for our operating environment as a result of the sluggish global economy, mostly in 1H. At the same time, demand related to the 3 social issues we have singled out, carbon neutral, digital society and healthy longevity, is expected to continue to grow. We are targeting these business opportunities in each segment.

For example, demand related to realizing a carbon neutral society underpins expanding capex demand for EVs and batteries in IAB, rising demand for renewable energy in SSB and growth in DC equipment in DMB. It is a tailwind for growth in each of these segments. In this way, while the outlook for the global economy is uncertain, we believe there are multiple opportunities to drive growth.

Next, I will talk about our management policy and operating stance. Please turn to page 11.

**FY2023 Management Policy**

**Significantly accelerate  
transformation**

**Operating Stance**

**Demonstrate self-sustaining  
growth capability**

Our management policy for FY2023 is to significantly accelerate transformation.

As discussed earlier, we expect an uncertain operating environment to persist but we have already locked in substantial business opportunities created by a changing social structure.

By fully executing on our action plan to strengthen our self-sustaining growth capability, such as shifting sales resources to expand customer contact points, creating new solutions and enhancing the development of human resources, we will significantly accelerate our transformation. This will allow us to achieve sales growth in FY2023 and over the medium- to long-term, backed by business opportunities.

On the next page, I will explain our forecasts for FY2023.

Please turn to page 12.

## Consolidated Earnings Forecasts

Aim to set new record highs for both sales and operating income

(¥bn)

	FY2022 Actual	FY2023 Forecast	Y/Y
Net Sales	876.1	<b>890.0</b>	+1.6%
Gross Profit (%)	393.9 (45.0%)	<b>414.5</b> <b>(46.6%)</b>	+5.2% (+1.6%pt)
Operating Income (%)	100.7 (11.5%)	<b>102.0</b> <b>(11.5%)</b>	+1.3% (+0.0%pt)
Net Income	73.9	<b>74.5</b>	+0.9%
EPS(JPY)	372	<b>379</b>	+6
ROIC	10.4%	<b>approx. 10%</b>	-
ROE	10.6%	<b>approx. 10%</b>	-
1USD (JPY)	135.2	<b>130.0</b>	-5.2
1EUR (JPY)	140.9	<b>140.0</b>	-0.9
1CNY (JPY)	19.7	<b>19.0</b>	-0.7

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Here are our full-year forecasts for FY2023. Please look at the shaded area in the middle of the table.

We project sales of 890 billion yen, gross profit of 414.5 billion yen, operating income of 102 billion yen and net profit of 74.5 billion yen. We expect growth in the focus domains, where demand is firm, will drive topline Y/Y growth on a full-year basis. We also expect to set yet another record high in operating income by further improving the GP margin, which reflects our ability to generate profits.

For ROIC and ROE, we aim to maintain high levels, targeting around 10% for both.

Next are the segment forecasts.

Please turn to the next page.

## Segment Earnings Forecasts

All segments targeting Y/Y sales and profit growth. IAB aiming for 3<sup>rd</sup> consecutive fiscal year of new record highs

(¥bn)

	Sales			OP		
	FY2022 Actual	FY2023 Forecast	Y/Y	FY2022 Actual	FY2023 Forecast	Y/Y
<b>IAB</b> Industrial Automation	485.7	<b>490.0</b>	+0.9%	85.8 (17.7%)	<b>88.0</b> (18.0%)	+2.5% (+0.3%pt)
<b>HCB</b> Healthcare	142.1	<b>146.0</b>	+2.7%	16.0 (11.3%)	<b>17.0</b> (11.6%)	+6.1% (+0.4%pt)
<b>SSB</b> Social Systems, Solutions & Service	107.3	<b>114.0</b>	+6.3%	7.5 (7.0%)	<b>9.0</b> (7.9%)	+20.2% (+0.9%pt)
<b>DMB</b> Device & Module Solutions	138.9	<b>139.0</b>	+0.1%	15.5 (11.2%)	<b>15.5</b> (11.2%)	+0.0% (-0.0%pt)
Eliminations & Corporate	2.1	<b>1.0</b>	-52.0%	-24.2	<b>-27.5</b>	-
Total	876.1	<b>890.0</b>	+1.6%	100.7 (11.5%)	<b>102.0</b> (11.5%)	+1.3% (+0.0%Pt)

\*For OP, bracketed figures are OPMS

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I will touch upon our forecasts for each of the segments. As you can see, we expect all segments to achieve Y/Y sales and profit growth.

We aim to set further record highs for IAB by making progress on normalization of the elevated order backlog and growth in the Solutions Business. I will comment in more detail later on growing the Solutions Business.

For HCB, we will focus on BPM demand in China and capturing demand in India and other emerging countries, which will raise our global market share.

For SSB, we solidly grow sales by continuing to pursue business opportunities on the back of firm energy-related demand and also targeting opportunities created by the resumption of investments by the railway operators.

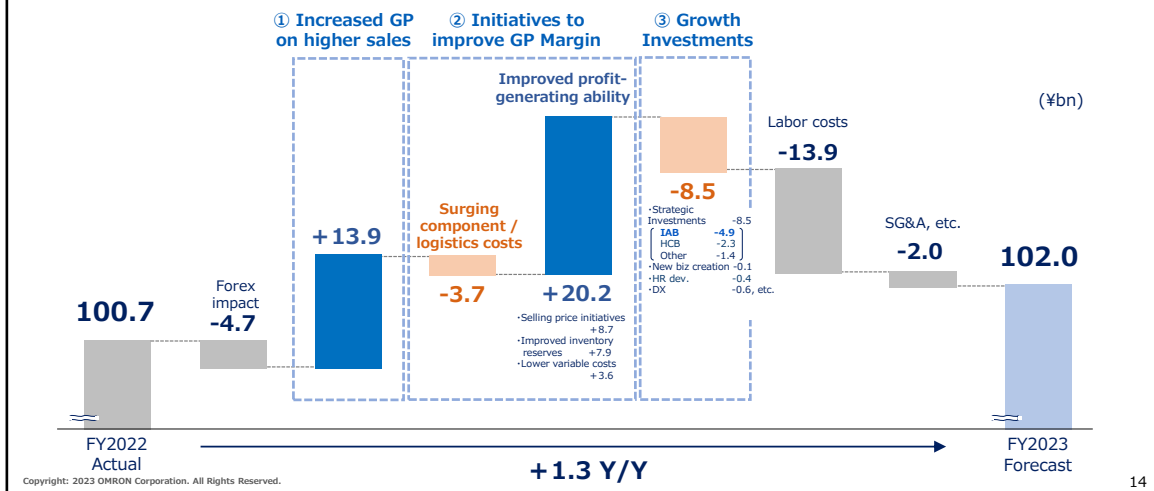
In DMB, we will grow our customer base, primarily in the focus domains, taking advantage of the active investment environment for DC equipment and others.

Next is the outlook for OP in FY2023.

Please turn to the next page.

# Full-year Forecast: Analysis of Y/Y Change in Operating Income

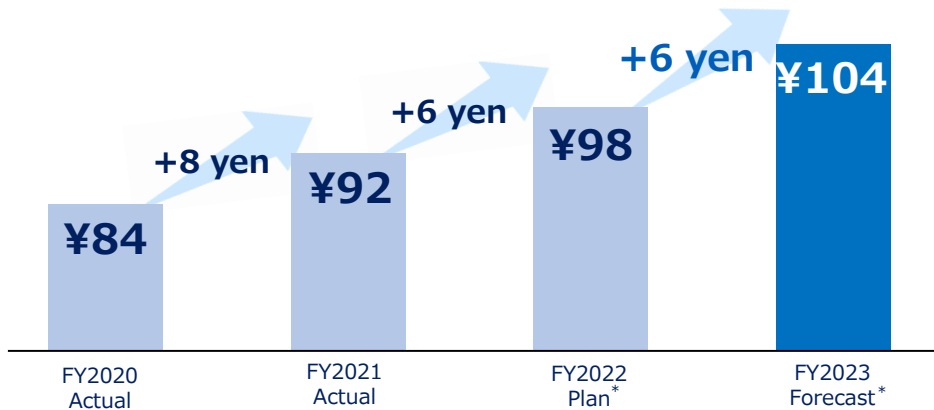
Grow profits on higher sales and enhanced profit-generating ability. Execute on growth investments to boost growth and enhance organizational capability



This slide shows the waterfall chart for the transition of operating income from FY2022 to FY2023. I will start from the left. This fiscal year, we have factored in a negative impact of 4.7 billion yen from a stronger yen. Next, please look at box ① outlined in blue: growth in gross profits driven by higher sales. As a result of topline growth in all segments, we expect to generate a positive 13.9 billion yen in profits. Next are initiatives to improve GP margin in box ②. We expect it will take more time before component and logistics costs peak out. However, by making further progress with selling price and cost reduction initiatives, we are targeting a positive profit impact of 20.2 billion yen, reflecting a further enhancement of our profit-generating capability. Next is growth investments, in box ③. We are projecting a 8.5 billion yen Y/Y increase in strategic investments, focusing mainly on investments to strengthen innovative-Automation within IAB, which will elevate our growth capability in the medium- to long-term. Finally, we have factored in a Y/Y increase in labor costs of 13.9 billion yen, reflecting the global increase in wages. In FY2023, we aim to set a new record high for operating income of 102 billion yen, simultaneously further strengthening sales growth and our ability to generate profits while also solidly executing on investments to drive future growth. Please turn to the next page.

## Annual Dividend Forecast

FY2022 dividend to be 98 yen, up 6 yen Y/Y. FY2023 forecast also for 6 yen increase to 104 yen. Aim for good balance between proactive execution of growth investments and stable and consistent shareholder returns



\*FY2022 full-year dividend to be approved at annual general shareholders' meeting.  
Interim, FY-end dividend for FY2023 TBD

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The final slide in this section covers our dividend guidance. We plan to pay a record high dividend per share for FY2022 of 98 yen, up 6 yen from the previous fiscal year's 92 yen. For FY2023, we are guiding for a dividend of 104 yen, up a further 6 yen from FY2022. As set out in our MTP, while our first priority is growth investments, in alignment with our new shareholder return policy, we aim to maintain stable and sustainable returns, with a target dividend per share at around a 3% DOE.

This concludes the section on the FY2023 forecasts. Next, I will discuss the growth capability of IAB which drives the growth of the OMRON Group.

Please turn to page 17.



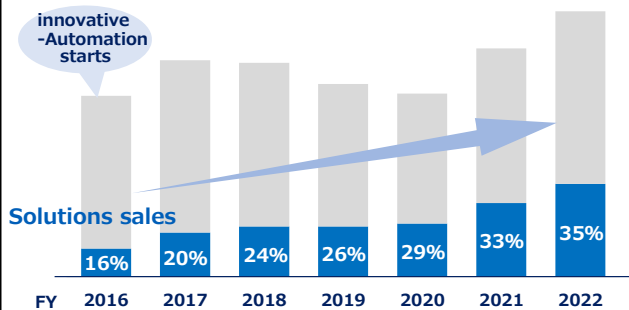
## 3. IAB Growth Capability

## Expanding the Solutions Business

Solid growth for the Solutions Business since FY2016.  
Customer adoption of innovative-Automation accelerating

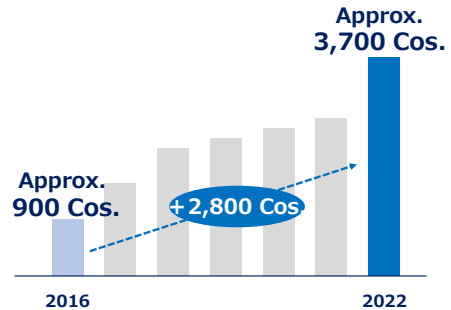
### Share of sales from Solutions

**CAGR +22.0%**  
(FY16→22)



### # of customers adopting innovative-Automation

**FY22 Approx. 3,700 Cos.**  
(vs. FY16: >4X)



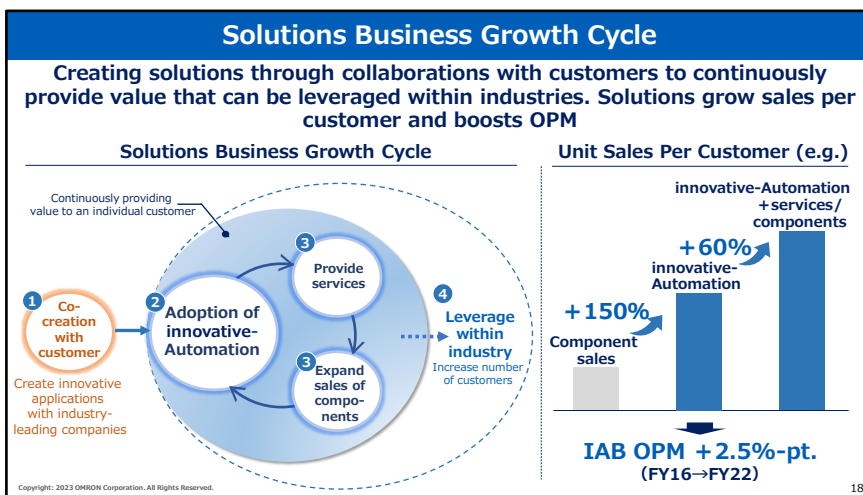
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We have put IAB on a strong growth trajectory, as I mentioned in my introduction at the beginning and in the discussion of last fiscal year's results. The driving force behind this is the growth of the Solutions Business. Please look at the left side of the slide. The Solutions Business was started in FY2016 and has shown steady growth over time. The CAGR for Solutions Business sales from FY2016 to FY2022 was 22%; the share of sales more than doubled from 16% to 35% over the same period. Please look at the right side of the slide. The number of customers that have adopted innovative-Automation has steadily increased, more than quadrupling from 900 companies in FY2016 to 3,700 in FY2022, a strong track record.

Today, I will explain how the growth in the Solutions Business is linked to IAB growth. I will also discuss our initiatives for further growth.

Please turn to page 18.



This page explains the Solutions Business Growth Cycle. Please look at the left side of the page.

The key to our Solutions Business begins with our co-creation efforts with leading companies. Together with our customers, we create innovative applications based on the innovative-Automation concept, to address fundamental issues for our customers at the front lines of their manufacturing sites (gemba). These innovative applications are only uniquely achievable by OMRON through the combination of our broad product lineup in control equipment and software.

In addition, our engineers work alongside our customers to follow through to the implementation of innovative applications in the customer's production line. This shortens the time required to solve the issue, contributing to innovation in manufacturing. We are seeing an acceleration of the adoption of solutions packages, from the co-creation process to implementation, in the major manufacturing processes of leading companies.

Through the process leading up to and including the adoption of innovative-Automation applications, OMRON is able to develop a strong relationship of trust with its customers as a valued partner. As a result, the process does not end with the adoption of innovative-Automation but leads to services that address new customer issues, the adoption of components/devices including at peripheral production lines, and the discovery and expansion of the next co-creation themes.

OMRON is also able to leverage the knowledge acquired through the development of innovative applications and from manufacturing front lines, to benefit other customers within the same industry confronted by the same challenges. As noted earlier, one consequence of this is the increase in the number of customers adopting innovative-Automation.




As we show on the right side of the slide, there is a notable increase in unit sales per customer triggered by the adoption of innovative-Automation. In addition, innovative-Automation is highly competitive as we can combine unique innovative applications with services. Profitability is high as a result. Growth in the number of customers adopting innovative-Automation contributes to an improvement in overall IAB margins.

In this way, the adoption of innovative-Automation is a major driver of sales and profit growth for IAB. We are targeting further growth for this business in FY2023.

Please turn to the next page.

## Strengthening Business Assets to Grow Solutions Business

Solid progress from FY2016 in strengthening the 3 business assets that are central to the Solutions Business

	FY2016	FY2022	Vs. FY2016	
<b>Share of Sales: Solutions</b>	<b>16%</b>	<b>35%</b>	<b>+ 19%-pt.</b>	
<b>Business assets which underpin competitive advantages</b>	<b>Automation Centers</b> 	<b>8 locations</b>	<b>36 locations</b>	<b>+ 28</b>
	<b>Innovative Applications</b> 	<b>12 apps.</b>	<b>290 apps.</b>	<b>+ 278</b>
	<b>Applications Engineers</b> 	<b>1,340 engineers</b>	<b>1,740 engineers</b>	<b>+ 400</b>

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OMRON has been continuously investing to strengthen 3 business assets to further drive the Solutions Business Growth Cycle. Please look at the left side of the slide. The 3 business assets represent our competitive advantage and are core to the Solutions Business. They are: the Automation Centers, which are the forum for value co-creation with customers; the innovative applications which solve customer issues; and engineers with a deep understanding of manufacturing that are able to propose solutions to issues and implement such solutions at customer sites.

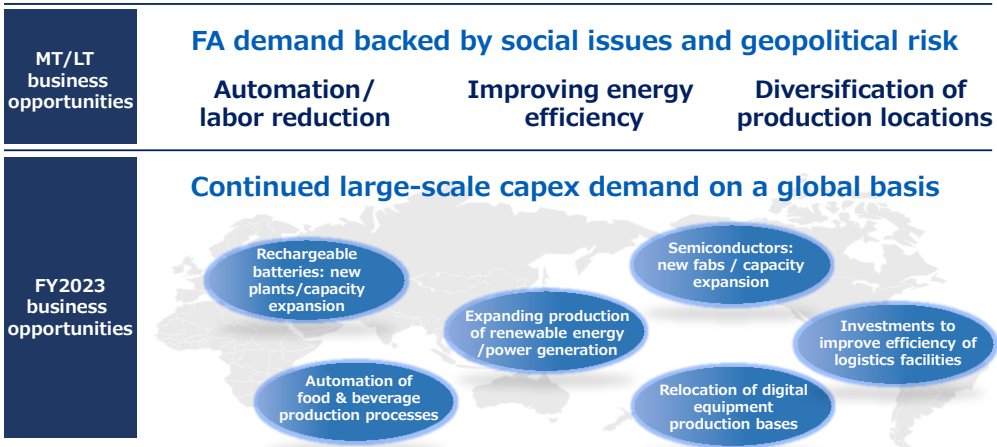
As we show on the right side of the slide, we have made solid progress in strengthening each of these business assets since FY2016. As a result, the quality of our solutions and the breadth of our offering has expanded, enhancing our ability to address the challenges of even more customers.

From the next page, I will talk about the business opportunities we see for further growth and our initiatives going forward.

Please turn to page 20.

## Business Opportunities Expanding Globally

Social issues and geopolitical risk boosting MT/LT growth opportunities.  
Near-term demand by industry mixed but continued large-scale capex demand in semiconductors and batteries



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First are the business opportunities we target.

This fiscal year, while the uncertain outlook for the global economy will linger, capex investment over the medium- to long-term continues to grow, driven by the need for innovation in manufacturing on the back of social issues. We expect capex demand for FA will continue to expand as a result of the need for automation owing to labor shortages, the need for better energy efficiency for the realization of decarbonization and the relocation of manufacturing bases due to geopolitical risks.

For FY2023, while there will be variance in demand by industry, in the 5 focus domains we have identified, we expect to see large-scale capex demand on a global basis, in areas such as semiconductors and batteries. We view this as an opportunity to expand growth by providing the solutions we have developed to date to customers in the focus domains.

I will now talk about what OMRON will tackle in this environment on the next page.

Please turn to page 21.

## Key Initiatives for FY2023

Focus on 3 key initiatives.  
Aim for double-digit growth for total focus domain sales

### FY23 Focus Initiatives

- 1 **Shift resources to focus domains**  
(Focus domains: Digital, NEV, Food & Household Goods, Medicine, Logistics)
- 2 **Accelerate creation of innovative applications**
- 3 **Strengthen service business**

### Focus Domain Sales Growth (FY22→23)

**+13%**



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In FY2023, there are 3 key initiatives. Please look at the left side of the slide.

The first is a shift of resources to the focus domains. Even within the 5 focus domains, we will shift up to 40% more sales resources Y/Y to markets where demand is expected to be firm.

The second is the acceleration of the creation of innovative applications. Every day, our customers come to us to help them with many different challenges. We will concentrate on creating more innovative applications by promoting further co-creation with customers to address manufacturing issues in the focus domains.

The third is the strengthening of the service business. OMRON's solutions to customer issues are not limited to the building of production lines. We will strengthen our service business, aiming to develop solutions for the full gamut of gemba issues, such as new services that leverage gemba data to be used in solutions to improve energy productivity, or educational services to address the shortage of highly skilled human resources.

Through such initiatives, we aim to achieve double-digit sales growth for the focus domains in total, as shown on the right.

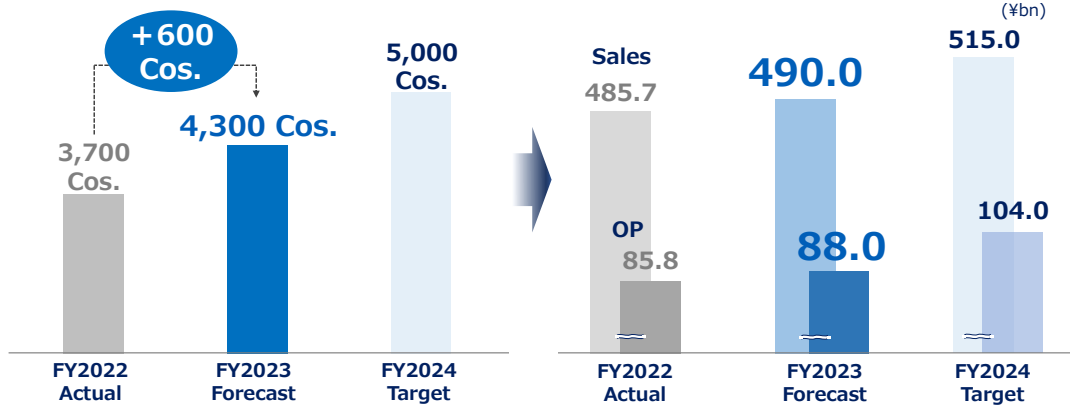
Please turn to the next page.

## Growth in innovative-Automation Customers toward FY2024

Expanding adoptions of innovative-Automation to drive FY2023 Y/Y sales and OP growth. Setting stage for achieving medium-term targets

Grow # of customers adopting innovative-Automation

IAB Earnings Targets



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This page shows our targets for FY2023.

The most important KPI for further growing OMRON's Solutions Business is the number of customers adopting innovative-Automation. In FY2023, we aim to increase the number to 4,300 companies, up 600 from the previous fiscal year.

This fiscal year, we believe that the operating environment will remain uncertain, mainly in 1H. However, by focusing on markets where demand is expected to grow and leveraging adoptions of innovative-Automation as a growth driver, we aim to achieve Y/Y growth for sales and profits. This will also increase confidence in our ability to achieve our MTP targets.

This completes the discussion of IAB.

In closing today's presentation, I would like to share some of my thoughts with you.



As CEO, I am very focused on self-sustaining growth.

OMRON has set out a target of maximizing corporate value under its new vision, SF2030. We have already made solid progress toward achieving this.

I have taken up the baton from my predecessor, Mr. Yamada for the vital role of leading OMRON's development, backed by strong growth as outlined in the new Vision and MTP.

What is the key to further strengthening this growth vector? I believe it is the ability to execute.

We have identified changes in markets and customers and made progress on transformation at each business and gemba. We have also laid the ground for realizing strong growth through specific plans that we expect to deliver results. The rest is down to the business cycle and elevating our ability to move swiftly in making decisions and executing. Elevating our ability to execute will lead to even greater growth.

OMRON's belief that our mission is to improve lives and contribute to a better society reflects a spirit that has remained unchanged since the founding of the company. We will continue to further strengthen our efforts to put the OMRON Principles into practice.

It has been my policy to place a high value on the front lines or gemba, which I believe includes shareholder and investor engagement. I intend to maintain this policy going forward. I am committed to devoting all of my energy to growing OMRON's corporate value to respond to the expectations of shareholders and investors through ongoing dialogue.

Please continue to have high expectations for OMRON.

This concludes the presentation. Thank you.



# Reference

# Non-financial Value KPIs

Non-financial Goals (FY24 Targets)	FY22 Actual	FY23 Target
1. <b>45% growth in Sustainability Sales vs FY2021 (reflects contribution to solving 3 social issues)</b>	<b>+28% growth</b>	<b>+43% growth</b>
2. <b>Global ratio of women in management roles: &gt;18%</b>	<b>16.8%*</b>	<b>17.4%</b>
3. <b>Overseas hiring of disabled individuals: target 28 overseas locations</b> <b>Japan disabled employee ratio: maintain &gt;3% ratio</b>	<b>27 locations</b> <b>3.1%*</b>	<b>28 locations</b> <b>&gt;3%</b>
4. <b>Scope 1/2 GHG emissions volume: 53% reduction (vs. FY2016)</b>	<b>58% reduction*</b>	<b>52% reduction</b>
5. <b># of sites to achieve Carbon Zero: All 76 domestic sites</b>	<b>10 sites</b>	<b>38 sites</b>
6. <b>Implement human rights due diligence in alignment with UNGP and develop mechanism for remedying abuses in the value chain</b>	<b>In line with plan</b>	<b>Establish measures to address human rights issues</b>
7. <b>Continue to make solid advances on sustainability initiatives to maintain inclusion in DJSI World</b>	<b>Selected FY22</b>	<b>To be selected in FY23</b>
8. <b>100% participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources</b>	<b>46% completed</b>	<b>60% completion</b>
9. <b>In all regions, introduce training programs covering the basic knowledge required for DX: statistics, data analytics, AI and others</b>	<b>Initiate trials in EU</b>	<b>Launch in other regions</b>
10. <b>Reduce paper usage volume more than 50% versus FY2019 by proactively using digital tools</b>	<b>44% reduction</b>	<b>46% reduction</b>
+1. <b>Top management for all regions to declare and continue to execute on commitment to contribute to local communities in alignment with OMRON's Sustainability Policy</b>	<b>FY22: Declare and Execute</b>	<b>FY23: Declare and Execute</b>

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\*Expected levels as of April 25

# Consolidated Balance Sheet

	End-March 2022	End-March 2023	(¥bn) Y/Y
Current assets	482.9	486.9	+4.0
(Cash and cash equivalents)	(155.5)	(105.3)	(-50.2)
(Inventory)	(141.9)	(173.9)	(+32.0)
Property, plant and equipment	122.1	129.6	+7.5
Investments and other assets	325.6	381.7	+56.1
<b>Total assets</b>	<b>930.6</b>	<b>998.2</b>	<b>+67.5</b>
Current liabilities	211.7	210.0	-1.7
Long-term liabilities	51.0	56.9	+5.9
<b>Total Liabilities</b>	<b>262.7</b>	<b>266.9</b>	<b>+4.3</b>
Shareholders' equity	665.2	728.5	+63.2
Noncontrolling interests	2.7	2.8	+0.0
<b>Total net assets</b>	<b>668.0</b>	<b>731.2</b>	<b>+63.3</b>
<b>Total Liabilities and net assets</b>	<b>930.6</b>	<b>998.2</b>	<b>+67.5</b>
Equity ratio	71.5%	73.0%	+1.5%pt

# Consolidated Cash Flow Statement

	(¥bn)		
	FY2021 Actual	FY2022 Actual	Y/Y
Operating cash flow	67.4	53.5	-14.0
Investment cash flow	-150.2	-55.5	+94.6
Free cash flow (FCF)	-82.7	-2.1	+80.7
Financing cash flow	-29.6	-58.8	-29.2
Cash and cash equivalents as of end of period	155.5	105.3	-50.2
Capital expenditure	34.2	45.0	+10.8
Depreciation	23.4	26.6	+3.2

## FY2023 Forex Sensitivities and Assumptions

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

	Sensitivities		Assumptions
	Sales	OP	FY2023 Assumptions
USD	¥1.7 bn	¥0.1 bn	¥130
EUR	¥1.0 bn	¥0.4 bn	¥140
CNY	¥0.9 bn	¥0.2 bn	¥19.0

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

# External ESG Recognition① (As of April 2023)

## Inclusion in major ESG indices, ESG assessments

### Global

- ✓ DJSI World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders Indices
- ✓ CDP Score (FY2022 Assessment)
- ✓ CDP Supplier Engagement Leader 2022

**6<sup>th</sup> consecutive year**

**7<sup>th</sup> consecutive year**

**8<sup>th</sup> consecutive year**

**6<sup>th</sup> consecutive year**

**7<sup>th</sup> consecutive year**

**Climate change A, Water security A**

**1<sup>st</sup> time selected**

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



### Domestic

- ✓ 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

**6<sup>th</sup> consecutive year**

**1<sup>st</sup> time selected**

**6<sup>th</sup> consecutive year**

**6<sup>th</sup> consecutive year**

**5<sup>th</sup> consecutive year**



FTSE Blossom  
Japan



FTSE Blossom  
Japan Sector  
Relative Index

2022 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



# External ESG Recognition② (As of April 2023)

## ESG Awards, Index Inclusions

### S&P Global Sustainability Award

- ✓ S&P Sustainability Award Silver Class
- ✓ S&P Sustainability Yearbook 2023 Top 5% Global ESG Score

### Sustainability Award

Silver Class 2022

S&P Global

### EcoVadis

- ✓ Sustainability Assessment Platinum Rating



### Sponsored by Nikkei Inc

- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award
- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Social Value Award
- ✓ Nikkei Integrated Report Award Grand Prix

December 2019

November 2022

March 2023

### Selected by METI, TSE

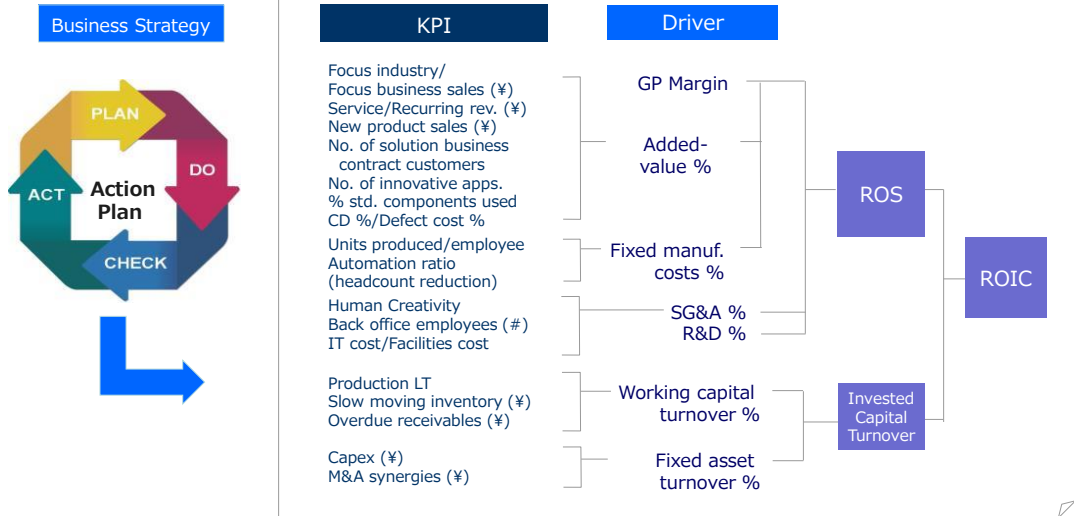
- ✓ Health & Productivity Stock **5<sup>th</sup> consecutive year from FY2018**
- ✓ Health & Productivity: White 500 **7<sup>th</sup> consecutive year from FY2016**



### Selected by Nikkei Inc.

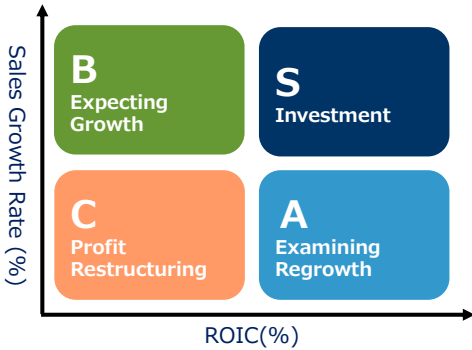
- ✓ Nikkei 225 **March 2019, 1<sup>st</sup> time**

# Down-Top ROIC Tree (2.0)

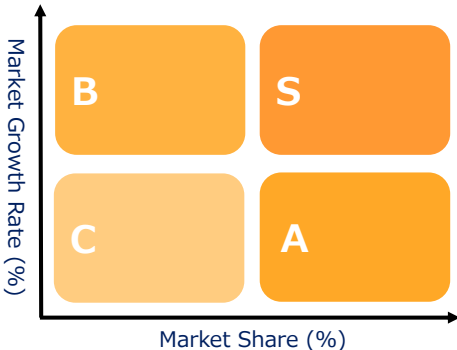




## Assessing Economic Value



## 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	
Non-controlling 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](mailto:omron-ir@omron.com)  
Website: [www.omron.com/global/en/](http://www.omron.com/global/en/)