



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (U.S. GAAP)

October 28, 2021

OMRON Corporation (6645)

| | |
|--|---|
| Exchanges Listed: | Tokyo (first section) |
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| Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (scheduled): | November 12, 2021 |
| Start of Distribution of Dividends (scheduled): | December 2, 2021 |
| Preparation of Supplementary Materials for the Quarterly Financial Results: | Yes |
| Holding of Presentation of Quarterly Financial Results: | Yes (Financial results presentation held via online streaming and teleconference for investors on October 28) |

Note: This document has been translated from the Japanese original as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

Note: Figures are rounded to the nearest million yen.

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 – September 30, 2021)

(1) Sales and Income (cumulative)

(Percentages represent changes compared with the same period of the previous fiscal year.)

| | Net sales | | Operating income | | Income before income taxes | | Net income attributable to shareholders | |
|-------------------------------------|-------------|-------|------------------|-------|----------------------------|-------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2021 | 369,351 | 22.6 | 45,727 | 85.0 | 46,217 | 75.7 | 32,531 | 69.5 |
| Six months ended September 30, 2020 | 301,276 | (8.8) | 24,723 | (3.9) | 26,308 | (4.2) | 19,195 | 0.6 |

Note: Comprehensive income: Six months ended September 30, 2021: JPY41,691 million (89.7% change);
Six months ended September 30, 2020: JPY21,983 million (5.5% change)

| | Net income per share attributable to shareholders, basic | Net income per share attributable to shareholders, diluted |
|--------------------|--|--|
| Six months ended | Yen | Yen |
| September 30, 2021 | 161.22 | — |
| September 30, 2020 | 95.16 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity | Shareholders' equity ratio |
|--------------------|--------------|-------------|----------------------|----------------------------|
| | Million yen | Million yen | Million yen | % |
| September 30, 2021 | 848,125 | 640,068 | 637,719 | 75.2 |
| March 31, 2021 | 820,379 | 609,358 | 606,858 | 74.0 |

2. Dividends

| | Dividends per share | | | | |
|---|---------------------|----------------|-------------------|-----------------|-------|
| | First quarter-end | First half-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | — | 42.00 | — | 42.00 | 84.00 |
| Fiscal year ending March 31, 2022 | — | 46.00 | | | |
| Fiscal year ending March 31, 2022 (projected) | | | — | 46.00 | 92.00 |

Note: Revisions since the most recently announced dividend forecast: Yes

The Company has decided to pay an interim dividend of JPY46 per share for the fiscal year ending March 31, 2022. The amount had been undetermined previously. In addition, the Company has changed the annual dividend forecast to JPY92 per share, including a year-end dividend. For more, see 1. *Qualitative Information on Quarterly Financial Results (3) Determination of Dividends (Interim Dividend) and Revision of Full-Year and Year-End Dividend Forecast* on P.7 in the attached materials.

3. Projected Results for the Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent changes compared with the same period of the previous fiscal year.)

| | Net sales | | Operating income | | Income before income taxes | | Net income attributable to shareholders | | Net income per share attributable to shareholders, basic |
|-----------|-------------|------|------------------|------|----------------------------|------|---|------|--|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full-year | 780,000 | 19.0 | 98,000 | 56.9 | 94,000 | 44.4 | 65,500 | 51.2 | 324.58 |

Note: Revisions since the most recently announced dividend forecast: Yes

For more, see 1. *Qualitative Information on Quarterly Financial Results (2) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5-6 of the attached materials.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

New: - company (company name) Excluded: - company (company name)

(2) Application of simplified accounting methods and/or special accounting methods: No

(3) Changes in accounting policy

(a) Changes in accounting policy accompanying revision of accounting standards, etc.: Yes

(b) Changes in accounting policy other than (a) above: No

Note: For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies)* on P.14 in the attached materials.

(4) Number of shares issued and outstanding (common stock)

| | | | | |
|---|--|-------------|--|-------------|
| [1] Number of shares outstanding at period-end (including treasury stock) | September 30, 2021 | 206,244,872 | Year ended March 31, 2021 | 206,244,872 |
| [2] Treasury stock at period-end | September 30, 2021 | 4,421,542 | Year ended March 31, 2021 | 4,574,294 |
| [3] Average number of shares during the period (quarterly cumulative) | Six months ended September 30, 2021 | 201,780,168 | Six months ended September 30, 2020 | 201,710,881 |

Note: As of the end of the consolidated first six months of the fiscal year ending March 31, 2022, 606,434 shares of OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan are included in period-end treasury stock. The average number of shares during the period includes treasury stock deducted in the calculation of net income per share attributable to OMRON shareholders.

*Quarterly summaries of consolidated financial results are not subject to review by certified public accountants or audit corporations.

*Commentary Regarding Appropriate Use of Projections of Results and Other Matters

1. Projections of results and future developments 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, uncertainties and other factors could cause actual results to differ materially from these projections.
For the assumptions that form the basis of the projected results and appropriate use, see 1. Qualitative Information on Quarterly Financial Results (2) Description of Information on Outlook, Including Consolidated Performance Forecast on P.5-6.
2. The Company applies the single step method for presentation of its Consolidated Financial Statements based on U.S. GAAP. However, to facilitate comparison with other companies, operating income on the Consolidated Statements of Operations is presented by subtracting *selling, general and administrative expenses* and *research and development expenses* from *gross profit*.
3. The Company plans to hold a presentation for investors and information session via online streaming and teleconference on Thursday, October 28, 2021.

The following abbreviations of business segment names are used in the attached materials.

IAB: Industrial Automation Business
EMC: Electronic and Mechanical Components Business
SSB: Social Systems, Solutions and Service Business
HCB: Healthcare Business

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

The business environment surrounding the OMRON Group during the cumulative consolidated second quarter (April through September 2021) continued to be strong globally, despite the impact of supply chain confusion and COVID-19-related lockdowns. In addition to strong demand from the digital industry, mainly in Greater China, Asia and the Americas, investments related to carbon-neutral and plastic-free products continued to expand against the backdrop of social demands to protect the global environment. Further, the COVID-19 pandemic led to increased demand for home medical equipment as consumers gained a new appreciation of the importance of preventing serious lifestyle-related diseases.

Amid this business environment, the Industrial Automation Business accurately captured demand for capital investment in the semiconductor, secondary battery, and food packaging equipment industries by continuing to leverage the business's capabilities in offering solutions. Our Healthcare Business increased promotions through global retail pharmacy and online channels, accurately capturing the growing demand for blood pressure monitors.

As a result, sales for the cumulative consolidated second quarter increased significantly year on year. Gross profit margins improved year on year due to internal efforts to reduce variable costs, increase production efficiencies, etc., despite the negative impact from soaring prices for components, raw materials, and logistics costs. Operating income rose significantly year on year due to the synergistic effects of strong earning capacity and sales growth, areas we have developed over the years. We recorded historic highs in gross profit margin, operating income, and income before income taxes for any cumulative consolidated second quarter.

Consolidated results for the cumulative consolidated second quarter of fiscal 2021 were as follows.

(Billions of yen, except exchange rate data and percentages)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Change |
|--|--|--|---------------------|
| Net sales | 301.3 | 369.4 | +22.6% |
| Gross profit [% of net sales] | 136.4 [45.3%] | 170.6 [46.2%] | +25.1% [+0.9%pt] |
| Operating income [% of net sales] | 24.7 [8.2%] | 45.7 [12.4%] | +85.0% [+4.2pt] |
| Income before income taxes | 26.3 | 46.2 | +75.7% |
| Net income attributable to OMRON shareholders | 19.2 | 32.5 | +69.5% |
| Average USD exchange rate (JPY) | 106.9 | 109.9 | +3.0 |
| Average EUR exchange rate (JPY) | 120.9 | 131.1 | +10.1 |
| Average RMB exchange rate (JPY) | 15.2 | 17.0 | +1.8 |

Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Change |
|-----------------------------|--|--|--------|
| Sales to external customers | 164.9 | 213.4 | +29.4% |
| Operating income | 26.4 | 40.9 | +55.3% |

Sales

Demand for capital investment rose in all areas globally. Demand for secondary batteries and semiconductor-related capital investment in the digital industry expanded, particularly in Greater China, Asia, and the Americas. Further, demand from Japanese equipment manufacturers rose in conjunction with this increase in investments. At the same time, demand for capital investment related to electric vehicles increased in the automobile industry. The food and daily goods industry experienced a recovery in capital investment, mainly in Europe where packaging equipment and other capital investment was firm. We accurately captured these demand trends through proposal-based sales offering solutions to our customers, resulting in higher net sales year on year.

Operating Income

Operating income increased significantly year on year, mainly due to the large increase in sales.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Change |
|-----------------------------|--|--|-----------|
| Sales to external customers | 38.8 | 51.6 | +32.9% |
| Operating income | 0.3 | 4.0 | +1,128.3% |

Sales

Global demand for consumer-use components continued to grow. In particular, demand expanded significantly our focus industries, including home appliances, housing equipment, and power tools. Despite emerging from the impact of the COVID-19 pandemic last year, demand for automotive components recovered moderately due to semiconductor shortages among customers. We accurately captured this demand, resulting in a significant increase in sales year on year.

Operating Income

Operating income rose significantly year on year due to the large increase in sales, improved added value, and our efforts in restructuring.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Change |
|-----------------------------|--|--|--------|
| Sales to external customers | 37.4 | 35.0 | -6.4% |
| Operating income (loss) | (1.2) | (1.4) | — |

Sales

The Public Transportation System Business experienced the impact of ongoing restrained investment by customers owing to the prolonged effects of the COVID-19 pandemic. Our Energy Solutions Business saw strong demand for storage battery systems due to the growing need for carbon-neutral businesses and disaster prevention and mitigation. However, this was not enough to compensate for the decline in demand in the Public Transportation System business. As a result, net sales were lower year on year.

Operating Income

Due to the nature of this business, the larger portion of sales occurs in the second half of the fiscal year. Therefore, we recorded an operating loss for the first half.

HCB (Healthcare Business)

(Billions of yen, %)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Change |
|-----------------------------|--|--|--------|
| Sales to external customers | 57.5 | 67.7 | +17.7% |
| Operating income | 10.6 | 12.1 | +13.9% |

Sales

Demand for blood pressure monitors continued to grow globally as the COVID-19 pandemic raised awareness of the need to prevent serious lifestyle-related diseases. Demand for thermometers was firm, despite a rebound effect from last year. We steadily captured this demand through increased promotions in pharmacy retail and online channels on a global basis, resulting in significant net sales growth year on year.

Operating Income

Operating income increased significantly year on year, mainly due to the large increase in sales.

(2) Description of Information on Outlook, Including Consolidated Performance Forecast

We expect the business environment surrounding the OMRON Group to continue to be favorable on a global basis in the third quarter and beyond, despite the lingering effects of tighter supplies of parts and raw materials, as well as soaring logistics costs. In China, the impact of real estate market regulations and power restrictions are cause for concern. However, we expect strong capital investment to continue in areas such as semiconductors and electric vehicles. We will respond to this strong demand through increased product supply capacity supported by expanded production line capacity and stronger component procurement. We have been working in these areas throughout the first half of the fiscal year.

In the Industrial Automation Business (IAB), we expect a significant increase in both sales and profits compared with our previous (initial) forecast, supported by strong capital investment, mainly in electric vehicles, semiconductors, secondary batteries, and food packaging. Our investments in integrated robot controllers and next-generation collaborative robots, etc., support our aim to create new automation in which humans and machines work in cooperation. In the Electronic and Mechanical Components Business (EMC), we expect to achieve significant increases in both sales and profits compared with our previous (initial) forecasts, as global demand grows for electronic components. We intend to accelerate the introduction of high-value-added products that meet new needs, such as environmental friendliness. We expect Social Systems, Solutions and Service Business (SSB) sales to decrease due to restrained investment in the railroad industry, despite ongoing firm demand for storage battery systems. However, operating income results should be in line with our previous (initial) forecast as we reduce variable costs and improve operational efficiencies. In response to growing social demands for carbon neutrality, we plan to provide solutions that leverage the expertise we have accumulated over the years. We expect Health Care Business (HCB) sales to increase due to strong demand for blood pressure monitors. However, operating income will likely remain level with our previous (initial) forecast, which already reflects the impact of soaring logistics and component costs. We also intend to create new value through remote medical services businesses, leveraging our global No.1 share in the market for blood pressure monitors and the relationships of trust we have built with the medical community.

The OMRON Group revised our fiscal 2021 forecasts as shown below. We have set exchange rate assumptions for the third quarter and beyond to USD1 = JPY108, EUR1 = JPY128, and RMB1 = JPY16.5.

Projected Consolidated Performance

(Billions of yen, %, JPY)

| | Previous forecast | Revised forecast | Change in forecast [%] | (Reference) Actual results for the prior fiscal year ended March 31, 2021 | (Reference) Year-on-year change |
|---|-------------------|------------------|------------------------|--|------------------------------------|
| Net sales | 700.0 | 780.0 | +80.0 [+11.4%] | 655.5 | +19.0% |
| Gross profit % | 46.4% | 46.3% | -0.1%pt | 45.5% | [+0.8%pt] |
| Operating income | 70.0 | 98.0 | +28.0 [+40.0%] | 62.5 | +56.9% |
| Income before income taxes | 67.0 | 94.0 | +27.0 [+40.3%] | 65.1 | +44.4% |
| Net income attributable to OMRON shareholders | 48.0 | 65.5 | +17.5 [+36.5%] | 43.3 | +51.2% |
| Net income per share attributable to OMRON shareholders (JPY) | 238.01 | 324.58 | +86.57 | 214.72 | [+109.86] |
| Average USD exchange rate (JPY) | 108.0 | 108.9 | +0.9 | 105.8 | +3.1 |
| Average EUR exchange rate (JPY) | 128.0 | 129.5 | +1.5 | 123.2 | +6.4 |
| Average RMB exchange rate (JPY) | 16.5 | 16.7 | +0.2 | 15.5 | +1.2 |

Note: Full-year average rate based on historical rates for the first half and assumed exchange rates for the third quarter and later.

Forecasts by Business Segment

(Billions of yen, %)

| | | Previous forecast | Revised forecast | Change in forecast [%] | (Reference) Actual results for the prior fiscal year ended March 31, 2021 | (Reference) Year-on-year change |
|--------------------------|-----------------------------|-------------------|------------------|------------------------|---|---------------------------------|
| IAB | Sales to external customers | 375.0 | 443.0 | +68.0 [+18.1%] | 346.4 | +27.9% |
| | Operating income (loss) | 63.0 | 87.0 | +24.0 [+38.1%] | 58.8 | +48.0% |
| EMC | Sales to external customers | 94.0 | 103.0 | +9.0 [+9.6%] | 86.0 | +19.7% |
| | Operating income (loss) | 4.5 | 7.5 | +3.0 [+66.7%] | 3.0 | +153.5% |
| SSB | Sales to external customers | 96.0 | 92.0 | -4.0 [-4.2%] | 95.7 | -3.8% |
| | Operating income (loss) | 7.0 | 7.0 | - | 5.7 | +23.0% |
| HCB | Sales to external customers | 133.0 | 140.0 | 7.0 [+5.3%] | 123.1 | +13.7% |
| | Operating income (loss) | 22.5 | 22.5 | - | 20.6 | +9.4% |
| Eliminations & Corporate | Sales to external customers | 2.0 | 2.0 | - | 4.3 | -53.5% |
| | Operating income (loss) | (27.0) | (26.0) | +1.0 - | (25.5) | - |
| Consolidated | Sales to external customers | 700.0 | 780.0 | +80.0 [+11.4%] | 655.5 | +19.0% |
| | Operating income (loss) | 70.0 | 98.0 | +28.0 [+40.0%] | 62.5 | +56.9% |

Note: Beginning with the prior consolidated fiscal year, the OMRON Group has changed our depreciation method related to property, plant and equipment from the declining balance method to the straight-line method for the Company and our domestic consolidated subsidiaries. This change resulted in a decrease in operating expense (total JPY2,120 million, consisting of JPY427 million under the IAB, JPY418 million under the EMC, JPY370 million under the SSB, JPY311 million under the HCB, and JPY594 million under Eliminations & Corporate) when applied to the prior fiscal year (ended March 31, 2021). Rather than allocate these amounts to each segment, we have posted the entire JPY2,210 million to Eliminations & Corporate. This change has been reflected in the previous and revised forecasts for each segment.

(3) Determination of Dividends (Interim Dividend) and Revision of Full-Year and Year-End Dividend Forecast

At a meeting held today (October 28, 2021) the OMRON Corporation board of directors resolved to approve a dividend from surplus (interim dividend) with a record date of September 30, 2021. The board also resolved to revise full-year and year-end dividend forecasts for the fiscal year ending March 31, 2022.

Determination of Dividends (Interim Dividend)

| | Amount | Previous forecast (announced April 27, 2021) | Actual results for the prior fiscal year ended March 31, 2021 |
|----------------------|--------------------|---|---|
| Dividend record date | September 30, 2021 | September 30, 2021 | September 30, 2020 |
| Dividends per share | 46.00 yen | — | 42.00 yen |
| Total dividends | 9,312 million yen | — | 8,502 million yen |
| Effective date | December 2, 2021 | — | December 2, 2020 |
| Source of dividends | Retained earnings | — | Retained earnings |

Revision to Full-Year and Year-End Dividend Forecast

| | Dividends per share | | |
|---|---------------------|-----------|-----------|
| | Interim | Year-end | Full-year |
| Dividend record date | Interim | Year-end | Full-year |
| Previous forecast (announced April 27, 2021) | — | — | 86.00 yen |
| Revised forecast | — | 46.00 yen | 92.00 yen |
| Fiscal 2021 actual (ending March 31, 2022) | 46.00 yen | — | — |
| Fiscal 2020 actual (ended March 31, 2021) | 42.00 yen | 42.00 yen | 84.00 yen |

Reasons for Revision

We have decided to continue the shareholder return established in our medium-term management plan for fiscal years 2017 through 2020 (VG2.0). This policy aims for sustainable corporate value growth, prioritizing investments necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. After ensuring internal reserves for those investments, the Company will strive for sustained and appropriate shareholder returns while taking capital efficiency into account. Annual dividends are based on consolidated earnings, payout ratio, and dividends on equity (return on equity multiplied by payout ratio). These considerations reflect the Company's policy to provide stable and sustainable profit distributions to shareholders.

Taking into account the policy above and the revision of our full-year earnings forecast (see (2) *Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5), we revised our full-year dividend forecast for the fiscal year ending March 31, 2022 upward from JPY86 to JPY92, representing a JPY8 per share dividend increase year on year. Our forecasts of interim dividends and year-end dividends for the fiscal year ending March 31, 2022 are JPY46 per share, respectively, each representing half of our full-year dividend forecast. These amounts each represent a JPY4 per share increase year on year.

(4) Establishment of Treasury Stock Acquisition Limit

At a meeting held today (October 28, 2021), the OMRON Corporation board of directors resolved to establish a limit on share repurchases in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to Paragraph 3 Article 165 of the same Act.

Details of Matters Related to the Acquisition of Treasury Stock

| | |
|--|------------------------------------|
| Type of shares to be acquired | Common stock of the Company |
| Total number of shares to be acquired | 3,300,000 shares (maximum) |
| Ratio of total shares outstanding (excluding treasury stock) | 1.64% |
| Total acquisition price | 30,000,000,000 yen (maximum) |
| Acquisition period | October 29, 2021 to April 28, 2022 |

Reasons for the Acquisition of Treasury Stock

We have decided to continue the shareholder return established in our medium-term management plan for fiscal years 2017 through 2020 (known as VG2.0). This policy aims for sustainable corporate value growth, prioritizing investments necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. After ensuring internal reserves for those investments, the Company will strive for sustained and appropriate shareholder returns while taking capital efficiency into account. The Company will distribute retained earnings accumulated over the long term to shareholders through strategic share buybacks and other measures.

In accordance with the policy above, we have set a limit of 3.3 million shares or JPY30.0 billion for the acquisition of treasury stock.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2021 | | As of September 30, 2021 | |
|--|-------------------------|--------------|-----------------------------|--------------|
| | | % | | % |
| ASSETS | | | | |
| Current assets: | 514,432 | 62.7 | 545,132 | 64.3 |
| Cash and cash equivalents | 250,755 | | 273,994 | |
| Notes and accounts receivable-trade | 135,161 | | 126,467 | |
| Allowance for doubtful receivables | (756) | | (759) | |
| Inventories | 103,265 | | 115,044 | |
| Assets held for sale | — | | 2,379 | |
| Other current assets | 26,007 | | 28,007 | |
| Property, plant and equipment: | 113,028 | 13.8 | 111,854 | 13.2 |
| Land | 19,778 | | 19,812 | |
| Buildings | 124,404 | | 123,982 | |
| Machinery and equipment | 153,142 | | 156,342 | |
| Construction in progress | 3,281 | | 4,402 | |
| Accumulated depreciation | (187,577) | | (192,684) | |
| Investments and other assets: | 192,919 | 23.5 | 191,139 | 22.5 |
| Right-of-use assets under operating leases | 38,153 | | 36,087 | |
| Goodwill | 39,160 | | 39,794 | |
| Investments in and advances to affiliates | 13,159 | | 12,536 | |
| Investment securities | 33,423 | | 36,970 | |
| Leasehold deposits | 7,675 | | 7,654 | |
| Prepaid benefit cost | 6,736 | | 8,606 | |
| Deferred income taxes | 24,179 | | 17,799 | |
| Other assets | 30,434 | | 31,693 | |
| Total assets | 820,379 | 100.0 | 848,125 | 100.0 |

(Millions of yen)

| | As of March 31, 2021 | | As of September 30, 2021 | |
|--|-------------------------|-------|-----------------------------|-------|
| | | % | | % |
| LIABILITIES | | | | |
| Current liabilities | 161,370 | 19.7 | 161,176 | 19.0 |
| Notes and accounts payable-trade | 69,561 | | 71,671 | |
| Accrued expenses | 44,441 | | 42,357 | |
| Income taxes payable | 3,504 | | 3,307 | |
| Short-term operating lease liabilities | 11,179 | | 10,854 | |
| Liabilities held for sale | — | | 876 | |
| Other current liabilities | 32,685 | | 32,111 | |
| Deferred income taxes | 1,671 | 0.2 | 2,023 | 0.2 |
| Termination and retirement benefits | 7,598 | 0.9 | 6,922 | 0.8 |
| Long-term operating lease liabilities | 27,709 | 3.4 | 26,030 | 3.1 |
| Other long-term liabilities | 12,673 | 1.5 | 11,906 | 1.4 |
| Total liabilities | 211,021 | 25.7 | 208,057 | 24.5 |
| NET ASSETS | | | | |
| Shareholders' equity | 606,858 | 74.0 | 637,719 | 75.2 |
| Common stock | 64,100 | 7.8 | 64,100 | 7.5 |
| Capital surplus | 101,403 | 12.4 | 99,960 | 11.8 |
| Legal reserve | 22,931 | 2.8 | 23,709 | 2.8 |
| Retained earnings | 476,185 | 58.0 | 498,654 | 58.8 |
| Accumulated other comprehensive income (loss) | (32,945) | (4.0) | (24,115) | (2.8) |
| Foreign currency translation adjustments | (8,096) | | (924) | |
| Pension liability adjustments | (24,567) | | (23,203) | |
| Net gains (losses) on derivative instruments | (282) | | 12 | |
| Treasury stock | (24,816) | (3.0) | (24,589) | (2.9) |
| Noncontrolling interests | 2,500 | 0.3 | 2,349 | 0.3 |
| Total net assets | 609,358 | 74.3 | 640,068 | 75.5 |
| Total liabilities and net assets | 820,379 | 100.0 | 848,125 | 100.0 |

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Operations)

(Six months ended September 30, 2021)

(Millions of yen)

| | Six months ended September 30, 2020 | | Six months ended September 30, 2021 | |
|---|--|-------|--|-------|
| | | % | | % |
| Net sales | 301,276 | 100.0 | 369,351 | 100.0 |
| Cost of sales | 164,898 | 54.7 | 198,755 | 53.8 |
| Gross profit | 136,378 | 45.3 | 170,596 | 46.2 |
| Selling, general and administrative expenses | 90,932 | 30.2 | 102,846 | 27.8 |
| Research and development expenses | 20,723 | 6.9 | 22,023 | 6.0 |
| Operating income | 24,723 | 8.2 | 45,727 | 12.4 |
| Other expenses (income), net | (1,585) | (0.5) | (490) | (0.1) |
| Income before income taxes | 26,308 | 8.7 | 46,217 | 12.5 |
| Income taxes | 7,380 | 2.4 | 12,500 | 3.4 |
| Equity in loss (earnings) of affiliates | (484) | (0.1) | 862 | 0.2 |
| Net income | 19,412 | 6.4 | 32,855 | 8.9 |
| Net income attributable to noncontrolling interests | 217 | 0.0 | 324 | 0.1 |
| Net income attributable to OMRON shareholders | 19,195 | 6.4 | 32,531 | 8.8 |

(Quarterly Consolidated Statements of Comprehensive Income)**(Six months ended September 30, 2021)**

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Net income | 19,412 | 32,855 |
| Other comprehensive income (loss), net of tax | | |
| Foreign currency translation adjustments | 1,309 | 7,178 |
| Pension liability adjustments | 1,453 | 1,364 |
| Net gains (losses) on derivative instruments | (191) | 294 |
| Other comprehensive income (loss) | 2,571 | 8,836 |
| Comprehensive income | 21,983 | 41,691 |
| (Breakdown) | | |
| Comprehensive income attributable to noncontrolling interests | 294 | 330 |
| Comprehensive income attributable to OMRON shareholders | 21,689 | 41,361 |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2020 | | Six months ended September 30, 2021 | |
|--|--|----------|--|----------|
| I Operating Activities: | | | | |
| 1. Net income | | 19,412 | | 32,855 |
| 2. Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| (1) Depreciation and amortization | 11,535 | | 11,529 | |
| (2) Decrease in notes and accounts receivable — trade | 29,012 | | 9,678 | |
| (3) Increase in inventories | (5,000) | | (11,631) | |
| (4) Increase (decrease) in notes and accounts payable — trade | (6,930) | | 1,582 | |
| (5) Others, net | (2,296) | 26,321 | (4,763) | 6,395 |
| Net cash provided by operating activities | | 45,733 | | 39,250 |
| II Investing Activities: | | | | |
| 1. Purchases of investment securities | | (541) | | (872) |
| 2. Capital expenditures | | (10,823) | | (11,803) |
| 3. Proceeds from sale of property, plant and equipment | | 1,340 | | 412 |
| 4. Others, net | | (2) | | (175) |
| Net cash used in investing activities | | (10,026) | | (12,438) |
| (Reference) Free cash flows | | 35,707 | | 26,812 |
| III Financing Activities: | | | | |
| 1. Net decrease in net borrowings of short-term debt | | (1,585) | | — |
| 2. Dividends paid by the Company | | (8,481) | | (8,470) |
| 3. Acquisition of treasury stock | | (1,453) | | (1,413) |
| 4. Others, net | | (442) | | (479) |
| Net cash used in financing activities | | (11,961) | | (10,362) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | | (137) | | 8,160 |
| Cash and cash equivalents included in assets held for sale | | - | | (1,371) |
| Net Increase in Cash and Cash Equivalents | | 23,609 | | 23,239 |
| Cash and Cash Equivalents at Beginning of the Period | | 185,533 | | 250,755 |
| Cash and Cash Equivalents at End of the Period | | 209,142 | | 273,994 |

Note: Free cash flow is cash flow from operating activities plus cash flow from investing activities.

(4) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

(Notes in the Event of Significant Changes in Shareholders' Equity)

None applicable

(Changes in Accounting Policies)

For the current consolidated fiscal year, OMRON elected for the early adoption of FASB Accounting Standards Update No.2017-04, *Simplifying the Test for Goodwill Impairment*. This Accounting Standards Update eliminates step 2 of the two-step test previously required for goodwill impairment testing, and requires that if the carrying amount of a reporting unit exceeds its fair value, the excess of the carrying amount over the fair value of the reporting unit shall be recognized as an impairment loss, up to the amount of the total goodwill allocated to the reporting unit. The impact of the adoption of this accounting standards update on OMRON and its subsidiaries will depend on the results of future goodwill impairment tests.

(Notes Regarding Significant Subsequent Events)

At a meeting held October 28, 2021, the OMRON Corporation board of directors resolved to establish a limit on share repurchases in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to Paragraph 3 Article 165 of the same Act.

[Details of matters related to the acquisition of treasury stock]

- | | |
|---|---|
| 1. Type of shares to be acquired: | Common stock of the Company |
| 2. Total number of shares to be acquired: | 3,300,000 shares (maximum) (Representing 1.64% of total shares outstanding (excluding treasury stock)) |
| 3. Total acquisition price: | 30,000,000,000 yen (maximum) |
| 4. Acquisition period: | October 29, 2021 to April 28, 2022 |

(Segment Information)**Business Segment Information**

(Millions of yen)

| | | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Year-on-year change |
|-----------------------------|-----------------------------|--|--|------------------------|
| IAB | Sales to external customers | 164,914 | 213,411 | 129.4% |
| | Intersegment sales | 2,330 | 3,049 | 130.9% |
| | Total net sales | 167,244 | 216,460 | 129.4% |
| | Operating expenses | 140,878 | 175,524 | 124.6% |
| | Operating income (loss) | 26,366 | 40,936 | 155.3% |
| EMC | Sales to external customers | 38,830 | 51,614 | 132.9% |
| | Intersegment sales | 20,872 | 25,645 | 122.9% |
| | Total net sales | 59,702 | 77,259 | 129.4% |
| | Operating expenses | 59,380 | 73,304 | 123.4% |
| | Operating income (loss) | 322 | 3,955 | 1,228.3% |
| SSB | Sales to external customers | 37,411 | 34,999 | 93.6% |
| | Intersegment sales | 3,765 | 4,664 | 123.9% |
| | Total net sales | 41,176 | 39,663 | 96.3% |
| | Operating expenses | 42,365 | 41,111 | 97.0% |
| | Operating income (loss) | (1,189) | (1,448) | — |
| HCB | Sales to external customers | 57,497 | 67,682 | 117.7% |
| | Intersegment sales | 186 | 62 | 33.3% |
| | Total net sales | 57,683 | 67,744 | 117.4% |
| | Operating expenses | 47,072 | 55,655 | 118.2% |
| | Operating income (loss) | 10,611 | 12,089 | 113.9% |
| Eliminations & Corporate | Sales to external customers | 2,624 | 1,645 | 62.7% |
| | Intersegment sales | (27,153) | (33,420) | — |
| | Total net sales | (24,529) | (31,775) | — |
| | Operating expenses | (13,142) | (21,970) | — |
| | Operating income (loss) | (11,387) | (9,805) | — |
| Consolidated | Sales to external customers | 301,276 | 369,351 | 122.6% |
| | Intersegment sales | — | — | — |
| | Total net sales | 301,276 | 369,351 | 122.6% |
| | Operating expenses | 276,553 | 323,624 | 117.0% |
| | Operating income (loss) | 24,723 | 45,727 | 185.0% |

Note: Beginning with the prior consolidated fiscal year, the OMRON Group has changed our depreciation method related to property, plant and equipment from the declining balance method to the straight-line method for the Company and our domestic consolidated subsidiaries. This change resulted in a decrease in operating expense (total of JPY 873 million, consisting of JPY185 million under the IAB, JPY163 million under the EMC, JPY124 million under the SSB, JPY143 million under the HCB, and JPY258 million under Eliminations & Corporate) for the cumulative consolidated second quarter of the fiscal year ended March 31, 2021. Rather than allocate these amounts to each segment, we have posted the entire JPY873 million to Eliminations & Corporate. This change has been reflected under each business segment for the cumulative consolidated second quarter of the fiscal year ending March 31, 2022.

Sales by Geographical Region

(Millions of yen)

| | | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Year-on-year change |
|-----------------------------|---------------------------|--|--|------------------------|
| IAB | Japan | 59,990 | 71,759 | 119.6% |
| | Americas | 13,508 | 17,392 | 128.8% |
| | Europe | 28,901 | 40,502 | 140.1% |
| | Greater China | 43,352 | 60,708 | 140.0% |
| | Southeast Asia and Others | 19,109 | 23,035 | 120.5% |
| | Direct Exports | 54 | 15 | 27.8% |
| | Total | 164,914 | 213,411 | 129.4% |
| EMC | Japan | 9,437 | 10,390 | 110.1% |
| | Americas | 5,689 | 8,058 | 141.6% |
| | Europe | 5,706 | 7,723 | 135.3% |
| | Greater China | 13,248 | 18,161 | 137.1% |
| | Southeast Asia and Others | 4,693 | 7,205 | 153.5% |
| | Direct Exports | 57 | 77 | 135.1% |
| | Total | 38,830 | 51,614 | 132.9% |
| SSB | Japan | 37,262 | 34,927 | 93.7% |
| | Americas | — | — | — |
| | Europe | — | — | — |
| | Greater China | 124 | 60 | 48.4% |
| | Southeast Asia and Others | — | — | — |
| | Direct Exports | 25 | 12 | 48.0% |
| | Total | 37,411 | 34,999 | 93.6% |
| HCB | Japan | 13,440 | 14,358 | 106.8% |
| | Americas | 11,495 | 12,396 | 107.8% |
| | Europe | 10,482 | 10,978 | 104.7% |
| | Greater China | 15,929 | 22,065 | 138.5% |
| | Southeast Asia and Others | 5,945 | 7,644 | 128.6% |
| | Direct Exports | 206 | 241 | 117.0% |
| | Total | 57,497 | 67,682 | 117.7% |
| Eliminations & Corporate | Japan | 2,271 | 1,645 | 72.4% |
| | Americas | — | — | — |
| | Europe | — | — | — |
| | Greater China | 341 | — | — |
| | Southeast Asia and Others | — | — | — |
| | Direct Exports | 12 | 0 | — |
| | Total | 2,624 | 1,645 | 62.7% |
| Consolidated | Japan | 122,400 | 133,079 | 108.7% |
| | Americas | 30,692 | 37,846 | 123.3% |
| | Europe | 45,089 | 59,203 | 131.3% |
| | Greater China | 72,994 | 100,994 | 138.4% |
| | Southeast Asia and Others | 29,747 | 37,884 | 127.4% |
| | Direct Exports | 354 | 345 | 97.5% |
| | Total | 301,276 | 369,351 | 122.6% |

Note: Major countries or regions belonging to segments other than Japan are as follows:

- (1) Americas: United States of America, Canada, Brazil
- (2) Europe: Netherlands, Great Britain, Germany, France, Italy, Spain
- (3) Greater China: China, Hong Kong, Taiwan
- (4) Southeast Asia and Others: Singapore, Republic of Korea, India, Australia
- (5) Direct Exports: Direct export transactions