



Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (U.S. GAAP)

April 27, 2021

OMRON Corporation (6645)

Exchanges Listed:	Tokyo (first section)
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Annual General Shareholders' Meeting (Scheduled):	June 24, 2021
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Holding of Presentation of Financial Results:	Yes (Financial results presentation held via online streaming and teleconference for investors on April 27)

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 Year Ended March 31, 2021

(1) Sales and Income (cumulative)

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

Year ended	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	655,529	(3.3)	62,480	14.1	65,089	25.6	43,307	(42.2)
March 31, 2020	677,980	(7.5)	54,760	(18.6)	51,836	(21.4)	74,895	37.9

Notes1: Comprehensive income: Year ended March 31, 2021: JPY94,695 million (53.1% change);
Year ended March 31, 2020: JPY61,857 million (48.8% change)

Note2: Net income attributable to OMRON shareholders for the fiscal year ended March 31, 2020 includes net income (including gain on sale of AEC) from discontinued operations (Automotive Electronic Components Business (AEC), which was transferred on October 31, 2019). Net income attributable to OMRON shareholders for the fiscal year ended March 31, 2020 excluding income from discontinued operations amounted to JPY39,163 million. Year-on-year growth would be 10.6% for the fiscal year ended March 31, 2021 when calculated based on this same assumption.

Year ended	Net income per share attributable to shareholders, basic	Net income per share attributable to shareholders, diluted	Return on equity	Income before income taxes / total assets ratio	Operating income / net sales ratio
	Yen	Yen	%	%	%
March 31, 2021	214.72	—	7.6	8.2	9.5
March 31, 2020	365.26	—	14.5	6.9	8.1

Note: Net income per share attributable to OMRON shareholders for the fiscal year ended March 31, 2020 includes net income from discontinued operations. Net income per share attributable to OMRON shareholders for the fiscal year ended March 31, 2020 excluding income from discontinued operations amounted to JPY191.00.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	Million yen	%	Yen
March 31, 2021	820,379	609,358	606,858	74.0	3,009.15
March 31, 2020	758,124	532,589	530,415	70.0	2,626.62

(3) Consolidated Cash Flows

Year ended	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
March 31, 2021	93,831	(14,785)	(20,352)	250,755
March 31, 2020	89,787	28,639	(29,430)	185,533

2. Dividends

	Dividends per share					Total cash dividends paid	Payout ratio (consolidated)	Dividends / Shareholders' equity ratio (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2020	—	42.00	—	42.00	84.00	17,171	23.0	3.3
March 31, 2021	—	42.00	—	42.00	84.00	17,004	39.1	3.0
Year ending March 31, 2022 (projected)	—	—	—	—	86.00		36.1	

(Note) Interim and year-end dividends for the fiscal year ending March 31, 2022 have yet to be determined.

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
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	700,000	6.8	70,000	12.0	67,000	2.9	48,000	10.8	238.01

*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) Changes in accounting policy

(a) Changes in accounting policy accompanying revision of accounting standards, etc.: No

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

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

[1] Number of shares outstanding at period-end (including treasury stock)	Year ended March 31, 2021	206,244,872	Year ended March 31, 2020	206,244,872
[2] Treasury stock at period-end	Year ended March 31, 2021	4,574,294	Year ended March 31, 2020	4,306,748
[3] Average number of shares during the period	Year ended March 31, 2021	201,692,643	Year ended March 31, 2020	205,044,394

(Note) As of the end of the fiscal year ended March 31, 2021, 760,568 shares of OMRON stock held for the 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.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 31, 2021

(1) Non-consolidated Sales and Income

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

Year ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	258,494	(12.6)	6,266	(55.9)	23,562	(16.2)	18,503	(76.7)
March 31, 2020	295,651	(9.0)	14,200	(47.5)	28,122	(42.8)	79,376	76.3

	Net income per share	Net income per share, diluted
Year ended	Yen	Yen
March 31, 2021	91.74	—
March 31, 2020	387.12	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2021	537,742	298,916	55.6	1,482.20
March 31, 2020	510,158	302,811	59.4	1,499.52

(Reference) Net worth: Year ended March 31, 2021: JPY 298,916 million; Year ended March 31, 2020: JPY 302,811 million

*Summaries of consolidated financial results are not subject to audit 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.

See *1. Analysis of Results of Operations and Financial Condition (5) Outlook for the Year Ending March 31, 2022* on P.7 for more regarding assumptions used in earnings forecasts.

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. As we become able to provide earnings forecasts with greater reliability, we will determine and announce interim and year-end dividends for the fiscal year ending March 2022. We plan to disclose interim dividends for the next fiscal year in October 2021, at the latest, and year-end dividends in April 2022.
4. The Company classified the Automotive Electronic Components Business (AEC), transferred on October 31, 2019, as discontinued operations in consolidated performance and consolidated statements of operations for the fiscal year ended March 2020. The amount related to discontinued operations is included in net income, net income attributable to OMRON shareholders, and net income per share attributable to OMRON shareholders.
5. The Company plans to hold a presentation for investors and information session via online streaming and teleconference on Tuesday, April 27, 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

Table of Contents

1. Analysis of Results of Operations and Financial Condition.....	P.2
(1) Analysis of Results of Operations	P.2
(2) Analysis of Financial Condition.....	P.5
(3) Summary of Cash Flows for the Year Ended March 31, 2020.....	P.5
(4) Basic Policy for Distribution of Profits, and Dividends for the Year Ended March 31, 2021 and the Year Ending March 31, 2022.....	P.6
(5) Outlook for the Year Ending March 31, 2022.....	P.7
2. The OMRON Group	P.11
3. Management Policies.....	P.11
(1) OMRON's Basic Management Policies.....	P.11
(2) Targeted Management Indicators and Medium-to-Long-Term Corporate Management Strategy.....	P.11
(3) Issues Facing the Company	P.12
4. Basic Stance on the Selection of Accounting Standards	P.13
5. Consolidated Financial Statements and Notes.....	P.14
(1) Consolidated Balance Sheets.....	P.14
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss).....	P.16
(3) Consolidated Statements of Changes in Shareholders' Equity.....	P.18
(4) Consolidated Statements of Cash Flows	P.19
(5) Notes Regarding Consolidated Financial Statements.....	P.20
(Notes Regarding Assumptions of Going Concern).....	P.20
(Basis of Presentation for Consolidated Financial Statements).....	P.20
(Notes in the Event of Significant Changes in Shareholders' Equity).....	P.20
(Changes in Accounting Estimates).....	P.20
(Per-Share Information).....	P.20
(Details of Other Expenses (income), Net)	P.21
(Sale of Shares in Affiliated Companies).....	P.21
(Segment Information).....	P.22
6. Supplementary Information	P.23
(1) Consolidated Financial Results (U.S. GAAP).....	P.23
(2) Non-consolidated Financial Results.....	P.23
(3) Consolidated Net Sales by Business Segment	P.24
(4) Consolidated Operating Income (Loss) by Business Segment.....	P.25
(5) Average Currency Exchange Rate.....	P.25
(6) Projected Consolidated Net Sales by Business Segment.....	P.26
(7) Projected Consolidated Operating Income (Loss) by Business Segment.....	P.27
(8) Projected Average Currency Exchange Rate.....	P.27

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) General Overview

During the current fiscal year (ended March 31, 2021), the business environment surrounding the OMRON Group continued to present challenges due to the impact of the spread of COVID-19, beginning at the end of the previous fiscal year. However, market conditions recovered quickly in China, driving demand recovery globally through the second half of the fiscal year. In the manufacturing industry, which is our main customer base, the digital industry, including semiconductor-related products and secondary batteries, performed well. At the same time, the automobile industry continued to curb investment.

Amid this business environment, the group demonstrated our ability to respond to change, which we have cultivated over the years, while we accurately seized on business opportunities in an opportunistic manner. In our Industrial Automation Business, we bolstered our abilities to provide solutions, accurately seizing the resumption of capital investment opportunistically in the digital and manufacturing industries, particularly in the manufacturing industry of China. In addition, we responded quickly to demand for masks and other products related to measures against COVID-19. Our Healthcare Business responded to demand for blood pressure monitors and thermometers, driven by rising awareness of health management, by strengthening online sales channels and increasing production capacity.

As a result of these developments, and despite lower full-year net sales compared to the previous fiscal year, we recorded a record high in gross profit margin, stemming from expanded sales of high-value-added products, a stronger capacity to propose solutions, lower variable costs, and other factors we have continued to pursue. We recorded significantly higher operating income due to improved gross profit margin and achieving the JPY20 billion fixed cost reduction target set at the beginning of the year as planned.

Consolidated results for fiscal 2020 were as follows.

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

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Net sales	678.0	655.5	-3.3%
Gross profit [% of net sales]	303.7 [44.8%]	298.4 [45.5%]	-1.8% [+0.7%pt]
Operating income [% of net sales]	54.8 [8.1%]	62.5 [9.5%]	+14.1% [+1.5%pt]
Income before income taxes from continuing operations	51.8	65.1	+25.6%
Net income attributable to OMRON shareholders	74.9	43.3	-42.2%
Average USD exchange rate (JPY)	109.1	105.8	-3.3
Average EUR exchange rate (JPY)	121.2	123.2	+2.0
Average RMB exchange rate (JPY)	15.7	15.5	-0.2

Note: Net income attributable to OMRON shareholders for the fiscal year ended March 2020 includes income from discontinued operations (gain on sale of the AEC business). Net income attributable to OMRON shareholders excluding income from discontinued operations for the fiscal year ended March 2020 amounted to JPY39.2 billion, which calculates to an increase of 10.6% year on year.

2) Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Sales to external customers	352.8	346.4	-1.8%
Operating income	53.6	58.8	+9.7%

Sales

In the automobile industry, the IAB continued to face challenging conditions due to production cutbacks and revised investments due to the impact of the COVID-19. Meanwhile, capital investment in semiconductors and secondary batteries in the digital industry became active. Investment demand, particularly in China, continued to be strong. In addition, demand for capital investment in connection with masks and other products related to measures against COVID-19 grew globally. We leveraged local sales and systems engineering staff, which we have been bolstering, to accurately capture these rising demand trends, leading to a recovery in net sales over the second half of the fiscal year. However, sales for the fiscal year under review were lower year on year.

Operating Income

While net sales decreased year on year, operating income increased due to our efforts to increase added value and control fixed costs.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Sales to external customers	88.4	86.0	-2.6%
Operating income	0.9	3.0	+222.7%

Sales

At the beginning of the fiscal year, demand declined significantly due to the impact of COVID-19-related lockdowns. The decline in demand reached a low point in the second quarter as customers resumed production and sales activities. Since that point in time, demand has been on a recovery track globally, most notably in China. In addition to responding quickly to these changes in demand, we launched new products in focused markets such as power tools and PC peripherals, where demand increased due to COVID-19. As a result, segment sales were lower year on year due to the significant impact of the decline in sales at the beginning of the fiscal year, even though sales in the second half of the fiscal year recovered to levels on par with the same period in the prior year.

Operating Income

Operating income rose significantly year on year, stemming from the recovery in sales and our efforts to control fixed costs and to implement structural reforms.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Sales to external customers	116.0	95.7	-17.5%
Operating income	10.9	5.7	-47.5%

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ended March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the prior consolidated fiscal year under this new categorization for presentation herein.

Sales

Demand was firm for upgrades in our Traffic and Road Management Systems Business. The Public Transportation System business experienced the impact of ongoing restrained investment by customers. Our Energy Solutions business also experienced weak sales of storage battery systems due to the impact of voluntary restraints on social activities. As a result, segment sales fell sharply compared to the prior fiscal year.

Operating Income

Despite efforts to control fixed costs and improve added value, operating income declined significantly compared to the prior fiscal year due to a sizable decrease in sales.

HCB (Healthcare Business)

(Billions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Sales to external customers	112.0	123.1	+9.9%
Operating income	13.5	20.6	+52.3%

Sales

Global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management among consumers in response to the spread of COVID-19. In addition, the impact of lockdowns and curfews further accelerated the shift of consumer purchasing behavior to the online market. In response to these changes in demand, we strengthened our product supply capacity by quickly establishing a system to increase production. We also strengthened sales activities through online channels. These efforts combined to increase sales significantly compared to the prior fiscal year.

Operating Income

Operating income rose significantly compared to the prior fiscal year due to increased sales, as well as our efforts to implement control over fixed costs and add greater value.

(2) Analysis of Financial Condition

During the period covered by our medium-term management plan (VG2.0), fiscal years 2017 through 2020, we continued to invest actively in sustainable corporate value improvements and conduct ROIC management focused on capital efficiency.

Total assets as of the end of the fiscal year increased JPY62.3 billion compared to the end of the previous fiscal year to JPY820.4 billion, mainly due to an increase in cash and cash equivalents. Total liabilities decreased JPY14.5 billion to JPY211.0 billion, mainly due to a decrease in reserve for termination and retirement benefits stemming from improved investment performance results in our corporate pension plan. Net assets increased JPY76.8 billion compared to the end of the previous fiscal year to JPY609.4 billion, mainly due to the recording of net income attributable to OMRON shareholders.

As a result, the OMRON Group shareholders' equity ratio was 74.0%, compared to 70.0% at the end of the previous fiscal year, indicating a strong financial footing. Cash on hand as of the end of the fiscal year amounted to JPY250.8 billion. Further, OMRON has signed commitment line agreements with financial institutions in the amount of JPY30.0 billion. In addition, OMRON has received a long-term credit rating of stable from ratings firms, reflecting our strong ability to raise capital. We are maintaining positive relationships with global financial institutions, while ensuring liquidity and our ability to procure capital.

Further, ROE (return on equity) and ROIC (return on invested capital), two important financial indicators, have remained above our expected cost of capital of 6%.

Consolidated Balance Sheets (Highlights) and Financial Condition Indicators

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

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Total Assets	758.1	820.4	+62.3
Total Liabilities	225.5	211.0	(14.5)
Shareholders' Equity	530.4	606.9	+76.4
Noncontrolling Interests	2.2	2.5	+0.3
Total Net Assets	532.6	609.4	+76.8
Total Liabilities and Net Assets	758.1	820.4	+62.3

ROE	14.5 %	7.6 %	-6.9%pt
ROIC	14.1 %	7.8 %	-6.3%pt

Note: Calculations for ROE and ROIC for the year ended March 31, 2020 include the impact of divestments of discontinued operations (sale of the Automotive Electronic Components Business (AEC)).

(3) Summary of Cash Flows for the Year Ended March 31, 2020

Cash Flows from Operating Activities

Net cash provided by operating activities was JPY93.8 billion, JPY4.0 billion higher compared to the previous fiscal year. This result was mainly due to the recording of net income, as well as a decrease in working capital such notes and accounts receivable-trade and inventories.

Cash Flows from Investing Activities

OMRON engaged in capital investment to secure production capacity increases, etc., for future growth. We made an additional investment in AliveCor, Inc. in the U.S. to accelerate progress toward the vision of the cardiovascular business of the HCB to reduce the incidence of cerebrovascular and cardiovascular disease caused by high blood pressure to Zero (Zero Events). We also transferred all shares of Hitachi-Omron Terminal Solutions, Corp., an equity method affiliate, to Hitachi, Ltd. As a result of the above, net cash used in investing activities amounted to JPY14.8 billion (JPY21.0 billion lower compared to the same period in the prior fiscal year when excluding proceeds from the transfer of the AEC).

Free cash flows (difference derived by deducting cash flows from investing activities from cash flows from operating activities) for the current consolidated fiscal period amounted to JPY79.0 billion

(JPY25.1 billion higher than the prior fiscal year when excluding proceeds from the transfer of the AEC).

Cash Flows from Financing Activities

Net cash used in financing activities was JPY20.4 billion (JPY9.1 billion lower compared to the same period in the previous fiscal year). This result was mainly due to dividends paid.

As a result of changes in foreign currency translation, cash and cash equivalents as of the end of the current fiscal year increased JPY65.2 billion compared to the prior fiscal year, amounting to JPY250.8 billion.

Consolidated Statements of Cash Flows (Highlights)

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

	Year ended March 31, 2020	Year ended March 31, 2021	Change
Cash Flows from Operating Activities	89.8	93.8	+4.0
Cash Flows from Investing Activities	28.6	(14.8)	(43.4)
Free Cash Flows	118.4	79.0	(39.4)
Cash Flows from Financing Activities	(29.4)	(20.4)	+9.1
Depreciation and amortization	28.6	22.8	(5.8)
Capital expenditures (capital investment)	(37.6)	(26.7)	+11.0

Note: Capital expenditures represent the amount from the statement of cash flows

(4) Basic Policy for Distribution of Profits, and Dividends for the Year Ended March 31, 2021 and the Year Ending March 31, 2022

OMRON consults with our general meeting of Shareholders regarding decisions on dividends from retained earnings, with the exception of interim dividends, which are decided by resolution of the Board of Directors based on the provisions of the Articles of Incorporation. We applied the following policy regarding distribution of profits to shareholders, including shareholder returns, for fiscal years 2017 through 2020 covered by our medium-term management plan (VG.2.0).

- 1) Aiming for sustainable corporate value growth, OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the company makes decisions regarding ongoing profit distribution to shareholders in consideration of capital efficiency.
- 2) 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. Specifically, the company has established a guideline of approximately 30% in payout ratio and DOE of approximately 3% for profit distributions throughout the period covered by VG2.0.
- 3) The company will distribute retained earnings accumulated over the long term to shareholders through strategic share buybacks and other measures.

For the current fiscal year (fiscal year ended March 31, 2021), OMRON plans to pay a year-end dividend of JPY42 per share for the purpose of stable, ongoing dividends in light of company earnings, DOE standards, and past dividend levels. Combined with an interim dividend of JPY42 per share implemented on December 2, 2020, our full-year dividend will amount to JPY84 per share. For the next fiscal year (fiscal year ending March 31, 2022), we plan to pay an annual dividend of JPY86 per share, in line with the policy above. The interim dividend (end of the second quarter) and year-end dividend for the next fiscal year have yet to be determined.

(5) Outlook for the Year Ending March 31, 2022

1) General Outlook

The OMRON Group sees the upcoming fiscal year (fiscal year ending March 2022) as an important one in which to begin taking actions toward our next long-term vision. As the transformation to social and economic systems accelerates toward the post-COVID-19 era, we will continue to invest for future growth, striving to reform our business models and create new businesses as we aim for sustainable growth.

We assume that the business environment for the upcoming fiscal year will continue to benefit from a recovery in the global economy. Specifically, we expect to see ongoing investments designed to increase semiconductor manufacturing capacity worldwide. In addition, we expect demand for capital investment related to electric vehicles (EV) and renewable energy to increase due to the growing social demand for CO2 reduction. We believe demand for health equipment in the healthcare industry, including blood pressure monitors and other products, will remain strong globally, as the population ages and people become more health conscious.

The OMRON Group will seize on these business opportunities in a steady manner, and we expect to see an increase in sales across all business segments in the next fiscal year. Although we will factor in the impact of price hikes for certain raw materials, we plan to continue our efforts to increase added value by strengthening our product capabilities and engaging in restructuring, leading to improved gross profit margin. While SG&A expenses and research and development expenses will rise as a result of an increased intensity in activities, we expect operating income to grow as a result of improved productivity achieved through the continuation of new work styles implemented during the COVID-19 pandemic.

Our outlook for the next fiscal year is as follows.

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

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Net sales	655.5	700.0	+6.8%
Gross profit [% of net sales]	298.4 [45.5%]	325.0 [46.4%]	+8.9% [+0.9%pt]
Operating income [% of net sales]	62.5 [9.5%]	70.0 [10.0%]	+12.0% [+0.5%pt]
Income before income taxes	65.1	67.0	+2.9%
Net income attributable to OMRON shareholders	43.3	48.0	+10.8%
Average USD exchange rate (JPY)	105.8	108.0	+2.2
Average EUR exchange rate (JPY)	123.2	128.0	+4.8
Average RMB exchange rate (JPY)	15.5	16.5	+1.0

2) Outlook by Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Sales to external customers	346.4	375.0	+8.2%
Operating income	58.8	63.0	+7.2%

Sales

In the digital industry, we expect capital investment in semiconductors and secondary batteries to continue to be strong, particularly in China and South Korea. In the automotive industry, we expect to see a gradual recovery, especially for EV/ADAS. We expect to see an increase in capital investment related to food and daily goods for environment-related factors, including new plastic-free materials. In response to these changes, we will continue to strengthen our proposals for control applications that solve production floor issues. As well, we will steadily capture the increasingly sophisticated needs for automation and labor savings, projecting an increase in sales for the next fiscal year compared to the current fiscal year.

Operating Income

Although we will continue to invest in strengthening our abilities to provide solutions, we expect operating income for the next fiscal year to increase compared to the current fiscal year due to higher sales and improved productivity.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Sales to external customers	86.0	94.0	+9.3%
Operating income	3.0	4.5	+51.9%

Sales

We expect to see a continued moderate recovery on a global scale, mainly driven by consumer demand in China and demand for automobiles. In this context, we aim to steadily capture growing demand through initiatives that include supply chain management optimization. We expect sales in the next fiscal year will increase, as we strengthen distinctive applications and products that meet the emerging needs in our focus industries.

Operating Income

Although we will factor in the impact of soaring raw material prices, we expect operating income for the next fiscal year to increase significantly over the current fiscal year in response to increased sales and our efforts to improve added value.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Sales to external customers	95.7	96.0	+0.4%
Operating income	5.7	7.0	+23.0%

Sales

We expect to see ongoing constrained investment among customers in our Public Transportation System business due to the impact of lower travel revenues. Our Energy Solutions Business, on the other hand, should see an increase in demand for storage battery systems and other products due to the growing need to reduce CO2 emissions and prepare for disasters. Further, we expect our Engineering Business to see growing demand for industrial-use renewable energy equipment. We will provide solutions that combine products and services to meet these demands. As a result of these efforts, we expect sales for the next fiscal year to increase compared to the current fiscal year.

Operating Income

In addition to an increase in sales, we expect operating income for the next fiscal year to increase significantly over the current fiscal year due to our efforts to increase added value.

HCB (Healthcare Business)

(Billions of yen, %)

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Sales to external customers	123.1	133.0	+8.1%
Operating income	20.6	22.5	+9.4%

Sales

We forecast continued strong demand on a global basis in connection with a growing awareness of in-home health management. Although we do expect a reactionary decrease in demand for thermometers after the surge caused by COVID-19, blood pressure monitor demand should remain strong due to increased demand for blood pressure management related to chronic diseases. In China, one of the largest market for blood pressure monitors, we plan to build a network infrastructure in collaboration with doctors and pharmacies to provide products and services for patients with chronic diseases. As a result of these efforts, we expect sales for the next fiscal year to increase compared to the current fiscal year.

Operating Income

Although we will continue investments to expand telemedicine services, we expect operating income for the next fiscal year to increase compared to the current fiscal year due to increased sales and improved productivity.

3) Forecast of Financial Condition for the Year Ending March 31, 2022

In the next fiscal year (fiscal year ending March 31, 2022), we will conduct aggressive capital investments and financing that will lead to future growth toward our new long-term vision, which we will begin pursuing in fiscal 2022. In particular, we project capital investment to increase by JPY15.5 billion more than the current fiscal year, including the upgrade of IT systems across the entire group.

We will implement flexible procurement and management in our financing activities by allocating funds efficiently throughout the group in consideration of financial conditions.

We view ROE (return on equity) and ROIC (return on invested capital) to be important financial indicators. We expect to see improvements in these indicators compared to the current fiscal year due to an increase in net income.

Financial Condition Indicators for the Year Ending March 31, 2022

	Year ended March 31, 2021	Year ending March 31, 2022	Change
ROE	7.6 %	8.0%+	—
ROIC	7.8 %	8.0%+	—

Cash Flows for the Year Ending March 31, 2022

(Billions of yen)

	Year ended March 31, 2021	Year ending March 31, 2022	Change
Depreciation and amortization	22.8	25.0	+2.2
Capital expenditures (capital investment)	-26.7	-42.2	-15.5

Note: Capital expenditures based on cash flows

2. The OMRON Group

No significant changes in *Business Activities* or *Status of Subsidiaries and Affiliates* have occurred since our most recent securities report (submitted on June 24, 2020). Therefore, we have omitted disclosures of status for the current fiscal year.

3. Management Policies

(1) OMRON's Basic Management Policies

Since our founding, the mission of the OMRON Group has been to improve lives and contribute to a better society by solving social issues through our businesses. Through the practice of the OMRON Principles, we strive for sustainable improvement in corporate value and engage in management based on these principles.

(2) Targeted Management Indicators and Medium-to-Long-Term Corporate Management Strategy

Fiscal 2020 Results

During fiscal 2020, we began operating under an emergency response mode due to the COVID-19 pandemic, placing our highest priorities on preventing the spread of infection and on business continuity. More specifically, we minimized the negative impact of COVID-19 on our business by leveraging our strong financial base and business continuity planning (BCP) system in our supply chain developed to date. We also reduced fixed costs by JPY20 billion per year. In addition, we quickly responded to the changing tide in the market over the second half of the fiscal year. Here, we demonstrated our responsiveness to change in connection with the recovery in global demand, driven by China. In so doing, we saw a recovery in our sales figures. Further, we improved our gross profit margin despite the challenging business environment presented by the COVID-19 pandemic. This success reflected the results of solutions-based sales and variable cost reductions—efforts we have pursued for some time. As a result, net sales amounted to JPY655.5 billion (-3.3% year on year), while operating income amounted to JPY62.5 billion (+14.1%), and gross profit margin rose to a record 45.5% (+0.7%). Despite a slight decline in sales, we achieved more than double-digit growth in profit.

We have designated the two-year period between fiscal years 2020 and 2021 as a period to accelerate business transformation to achieve sustainable growth in the era of the new normal. We assume that the “with-COVID-19” period will extend throughout this time. Our next long-term vision will begin in fiscal 2022.

Overview of Our Long-Term Vision, *Value Generation 2020*

The OMRON Group has conducted business from a long-term perspective under our ten-year long-term vision, *Value Generation 2020* (“VG2020”), from fiscal 2011 to fiscal 2020. During the effective period of VG2020, we endeavored to enhance financial value by improving in three areas (*Enhance Growth Power, Increase Earning Capacity, Strengthen Ability to Respond to Change*) and non-financial value by engaging in ESG management. As a result of our efforts, total shareholder return (TSR), which is an indicator of corporate value creation, grew approximately 400% over the past ten years, proving a significant increase in corporate value.

The following provides specific examples of improved financial value through our work to enhance growth power, increase earning capacity, and strengthen ability to respond to change.

1. Enhance Growth Power

Through proactive investment, we have built three assets that will support future growth. The first is a strengthened ability to provide solutions. We have developed competitive and innovative products and applications, while strengthening our front-line human resources (sales and sales engineers) to communicate the value of these products and applications. The second is the formation of new business models. We invested in commercializing services that we expect to grow significantly in the future. These services include i-BELT, a data utilization service in our Industrial Automation Business, and remote medical consultation services in our Healthcare Business. The third is the securing of new products and new technologies. In our Industrial Automation Business, we acquired a robotics business, a motion controller business, and other entities to expand

our product lineup and technological capabilities. The Healthcare Business saw an increase in competitiveness through the acquisition of a nebulizer business and investments in emerging companies.

2. Increase Earnings Capacity

We have been strengthening our earning capacity steadily by optimizing our business portfolio through ROIC management. We sold off the Automotive Electronic Components Business and wrapped up low-profit businesses, narrowing our business portfolio to businesses with higher profits and market shares, while concentrating our management resources. In fiscal 2011, our only business with an operating income margin of more than 10% was the Industrial Automation Business, which accounted for about 40% of total net sales. In fiscal 2020, our Healthcare Business also exceeded 10% in operating income margin. Combined with the Industrial Automation Business, these two businesses have grown to account for approximately 70% of total net sales. In addition to our efforts in portfolio management, we have continued to improve our earning capacity by expanding sales of high-value-added products and by strengthening our ability to provide solutions. As a result, we improved gross profit margin, a focus for the past 10 years, from 36.8% in fiscal 2011 to 45.5% in fiscal 2020.

3. Strengthen Ability to Respond to Change

We have been endeavored to optimize our production centers and supply chains, aiming to support global business expansion, improve productivity, and build a resilient structure that is resistant to change. In addition to M&A activities to acquire new businesses in our Industrial Automation Business, we doubled the number of production centers from four in fiscal 2011 to eight, responding to the global expansion of our customers. In our Healthcare Business, we expanded the number of our production centers from three in fiscal 2011 to five through mergers and acquisitions. This increase in production allows us to quickly respond to demand fluctuations in the major markets of the Americas and Europe. At the same time, we consolidated 11 production centers to seven in our Electronic and Mechanical Components Business. This consolidation and elimination has improved our productivity.

From a non-financial perspective, we incorporated sustainability targets into our medium-term management plan, which we launched in 2017. Since then, we have pursued sustainability targets as an integral part of our business activities. We have also pursued ESG management. Here, we adopted a sustainability evaluation-based survey conducted by third-party organizations, using these measures as indicators for medium- and long-term performance-linked compensation for directors. As a result of our efforts, OMRON has been selected for many ESG indexes, and we have received numerous recognitions from outside the company.

In this way, the OMRON Group has accelerated our financial and non-financial initiatives throughout the period covered by VG2020. In so doing, we have enhanced our corporate value significantly. At the same time, we recognize that there are ongoing issues which we must address in establishing a sound self-driven growth structure that will help us fight against headwinds and grow profits in times of adversity, including changes in the economic environment. Throughout VG2020, the OMRON Group invested in growth through M&A, technological development, and other means, building a variety of assets. We will utilize these assets throughout our next long-term vision to achieve self-driven growth.

(3) Issues Facing the Company

The Direction of Our Next Long-Term Vision

The OMRON Group sees the next decade as a time of uncertainty and rapid change. In recent years, for example, we have seen a number of social changes. These changes include the frequent occurrence of natural disasters on a global scale, the spread of COVID-19, and the increasing risk of global fragmentation due to the friction between the United States and China. These changes are shifting social and economic systems toward sustainable mechanisms, where traditionally, such systems have been based on the premise of sharp upward growth stemming from mass consumption and mass production. Many new social issues will emerge in the future. Solving these issues is the very purpose we exist as the OMRON Group: To create social value through our businesses and continue to contribute to society .

To tie solutions for social issues to OMRON growth, the next OMRON Group long-term vision will call for strengthening our existing business, while creating value by seizing on four new growth opportunities. Specifically, these opportunities consist of (1) increasing sophistication on the production floor, (2) automating

primary and tertiary industries, (3) providing preventive medical support for chronic diseases, and (4) delivering energy solutions toward carbon neutrality. We will create social value by identifying and solving social issues arising from climate change, aging populations, and economic disparity among individuals. To achieve this goal, we will not only provide value through products, but also evolve our business model through combined services and co-creation with partners, as we take on the challenge to expand added value on a continual basis.

These efforts will require focus on three key topics across our organization. The first is evolution in automation. Here, we will create unique technologies that maximize human capabilities and achieve cooperation and harmony between humans and machines. The second is transformation of human resources management. Moving forward, the OMRON Group will welcome people with highly specialized and diverse abilities; people who will be indispensable for solving social issues through our business. And by creating an environment that allows these individuals to fulfill their potential, we will create new, unprecedented value. The third is the acceleration of digital transformation. Mastering digital technologies, we will leverage data to extend our business models and evolve our corporate operations.

Through these aforementioned initiatives, the OMRON Group will achieve sustainable growth over the next ten years by solving social issues through our businesses and maximizing corporate value.

Fiscal 2021 Policies and Action Plans

Fiscal 2021 is an important year for the OMRON Group to begin taking actions toward our next long-term vision. Fiscal 2021 will also be a year in which we see an acceleration in transition to the new social and economic systems of the post-COVID-19 era. The OMRON Group believes this period of change will be the perfect opportunity to hasten the creation of new value and evolve our work style and operations. Therefore, our policies will consist of *maximizing our responsiveness to change* and *accelerating transformation*.

To achieve sales growth, we plan to leverage the assets that we have built through our existing businesses, to seize on business opportunities more swiftly than ever, and to demonstrate our responsiveness to change. In the current fiscal year, we will continue to prepare for various risks, including COVID-19 and even greater trade friction between the U.S. and China. At the same time, we will ensure that we seize on business opportunities created by the recovery of economic activities and the acceleration of innovation, linking these opportunities to growth.

We will also speed progress in the following three reforms as we look ahead to our next long-term vision.

The first reform is to transform our business models and take on the challenge of creating new businesses. By reforming our business models through remote maintenance, remote medical services, and other means, we plan to generate more business with existing customers and develop new customer bases, thereby growing sales. We will also identify emerging social issues and new businesses addressable by the OMRON Group, creating and implementing new business concepts. The second reform is to transform our operations. Here, we intend to shift resources to high-value-added operations, such as solutions and services, that support new business models. Productivity and efficiency gains will come through evolutions in business process improvements and other initiatives aimed at business continuity under the COVID-19 pandemic. To support these efforts, we will continue to strengthen our group IT infrastructure, which we have already been pursuing for some time. The third reform is to transform work styles and human resources management. The OMRON Group intends to build a structure that allows us to use human resources information formerly managed locally by each business and area on a global basis. In addition, we will actively recruit specialized human resources from outside our organization to create a structure for taking on the challenge of solving social issues as a global mixed team spanning countries and areas.

Driven by these initiatives, we will strive to grow sales and profits, aiming for fiscal 2021 net sales of JPY700 billion (+6.8% year on year), gross profit margin of 46.4% (+0.9 points), and operating income of JPY70 billion (+12.0%). By maximizing our responsiveness to change and accelerating transformation, the OMRON Group will make a concerted effort in a strong start toward our long-term vision, which we will begin pursuing in fiscal 2022.

4. Basic Stance on the Selection of Accounting Standards

The OMRON Group has adopted U.S. GAAP, an international accounting standard, to secure the trust of stakeholders worldwide.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021		Increase (decrease)
		%		%	
ASSETS					
Current assets:	447,139	59.0	514,432	62.7	67,293
Cash and cash equivalents	185,533		250,755		65,222
Notes and accounts receivable-trade	134,786		135,161		375
Allowance for doubtful receivables	(759)		(756)		3
Inventories	104,301		103,265		(1,036)
Assets held for sale	441		—		(441)
Other current assets	22,837		26,007		3,170
Property, plant and equipment:	114,526	15.1	113,028	13.8	(1,498)
Land	20,446		19,778		(668)
Buildings	129,110		124,404		(4,706)
Machinery and equipment	147,038		153,142		6,104
Construction in progress	5,467		3,281		(2,186)
Accumulated depreciation	(187,535)		(187,577)		(42)
Investments and other assets:	196,459	25.9	192,919	23.5	(3,540)
Right-of-use assets under operating leases	30,327		38,153		7,826
Goodwill	38,568		39,160		592
Investments in and advances to affiliates	29,251		13,159		(16,092)
Investment securities	25,782		33,423		7,641
Leasehold deposits	7,486		7,675		189
Prepaid benefit costs	—		6,736		6,736
Deferred income taxes	37,416		24,179		(13,237)
Other assets	27,629		30,434		2,805
Total assets	758,124	100.0	820,379	100.0	62,255

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021		Increase (decrease)
		%		%	
LIABILITIES					
Current liabilities	151,299	20.0	161,370	19.7	10,071
Notes and accounts payable-trade	64,496		69,561		5,065
Accrued expenses	37,179		44,441		7,262
Income taxes payable	2,516		3,504		988
Short-term operating lease liabilities	11,070		11,179		109
Other current liabilities	36,038		32,685		(3,353)
Deferred income taxes	1,717	0.2	1,671	0.2	(46)
Termination and retirement benefits	40,236	5.3	7,598	0.9	(32,638)
Long-term operating lease liabilities	19,820	2.6	27,709	3.4	7,889
Other long-term liabilities	12,463	1.6	12,673	1.5	210
Total liabilities	225,535	29.7	211,021	25.7	(14,514)
NET ASSETS					
Shareholders' equity	530,415	70.0	606,858	74.0	76,443
Common stock	64,100	8.5	64,100	7.8	—
Capital surplus	100,521	13.3	101,403	12.4	882
Legal reserve	20,981	2.8	22,931	2.8	1,950
Retained earnings	451,768	59.6	476,185	58.0	24,417
Accumulated other comprehensive income (loss)	(83,606)	(11.0)	(32,945)	(4.0)	50,661
Foreign currency translation adjustments	(31,408)		(8,096)		23,312
Pension liability adjustments	(52,250)		(24,567)		27,683
Net gains (losses) on derivative instruments	52		(282)		(334)
Treasury stock	(23,349)	(3.2)	(24,816)	(3.0)	(1,467)
Noncontrolling interests	2,174	0.3	2,500	0.3	326
Total net assets	532,589	70.3	609,358	74.3	76,769
Total liabilities and net assets	758,124	100.0	820,379	100.0	62,255

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

(Millions of yen)

	Year ended March 31, 2020		Year ended March 31, 2021		Increase (decrease)
		%		%	
Net sales	677,980	100.0	655,529	100.0	(22,451)
Cost of sales	374,278	55.2	357,178	54.5	(17,100)
Gross profit	303,702	44.8	298,351	45.5	(5,351)
Selling, general and administrative expenses	202,954	29.9	192,687	29.4	(10,267)
Research and development expenses	45,988	6.8	43,184	6.6	(2,804)
Operating income	54,760	8.1	62,480	9.5	7,720
Other expenses (income), net	2,924	0.5	(2,609)	(0.4)	(5,533)
Income before income taxes from continuing operations	51,836	7.6	65,089	9.9	13,253
Income taxes	11,270	1.7	15,093	2.3	3,823
Current	10,470		13,929		3,459
Deferred	800		1,164		364
Equity in loss (earnings) of affiliates	963	0.1	6,098	0.9	5,135
Income from continuing operations	39,603	5.8	43,898	6.7	4,295
Income from discontinued operations	35,732	5.3	—	—	(35,732)
Net income	75,335	11.1	43,898	6.7	(31,437)
Net income attributable to noncontrolling interests	440	0.1	591	0.1	151
Net income (loss) attributable to OMRON shareholders	74,895	11.0	43,307	6.6	(31,588)

Note: Net income and net income attributable to OMRON shareholders for the prior consolidated fiscal year include income from discontinued operations (including gains on the sale of the AEC).

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Increase (decrease)
Net income	75,335	43,898	(31,437)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(23,793)	23,448	47,241
Pension liability adjustments	10,398	27,683	17,285
Net gains (losses) on derivative instruments	(83)	(334)	(251)
Other comprehensive income (loss)	(13,478)	50,797	64,275
Comprehensive income	61,857	94,695	32,838
(Breakdown)			
Comprehensive income attributable to noncontrolling interests	368	727	359
Comprehensive income attributable to OMRON shareholders	61,489	93,968	32,479

Note: Net income for the prior consolidated fiscal year includes net income from discontinued operations (including gains on the sale of the AEC).

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Non-controlling interests	Total net assets
Balance, March 31, 2019	64,100	100,233	21,826	433,639	(70,200)	(45,386)	504,212	2,099	506,311
Net income				74,895			74,895	440	75,335
Cash dividends paid to OMRON Corporation shareholders				(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests							—	(293)	(293)
Equity transactions with noncontrolling interests and other		2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries		(74)	(2,386)	2,460			—		—
Stock-based payment (Note)		360					360		360
Reversal of legal retained earnings			1,541	(1,541)			—		—
Foreign currency translation adjustments					(23,721)		(23,721)	(72)	(23,793)
Pension liability adjustments					10,398		10,398		10,398
Net gains (losses) on derivative instruments					(83)		(83)		(83)
Acquisition of treasury stock						(18,541)	(18,541)		(18,541)
Cancellation of treasury stock				(40,578)		40,578	—		—
Balance, March 31, 2020	64,100	100,521	20,981	451,768	(83,606)	(23,349)	530,415	2,174	532,589
Net income				43,307			43,307	591	43,898
Cash dividends paid to OMRON Corporation shareholders				(16,940)			(16,940)		(16,940)
Cash dividends paid to noncontrolling interests							—	(401)	(401)
Equity transactions with noncontrolling interests and other		0					0		0
Stock-based payment		882					882		882
Reversal of legal retained earnings			1,950	(1,950)			—		—
Foreign currency translation adjustments					23,312		23,312	136	23,448
Pension liability adjustments					27,683		27,683		27,683
Net gains (losses) on derivative instruments					(334)		(334)		(334)
Acquisition of treasury stock						(1,467)	(1,467)		(1,467)
Balance, March 31, 2021	64,100	101,403	22,931	476,185	(32,945)	(24,816)	606,858	2,500	609,358

Note: Includes a decrease of JPY275 million in capital surplus due to a change in estimate related to stock-based compensation.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2020		Year ended March 31, 2021		Increase (decrease)
I Operating Activities:					
1 Net income		75,335		43,898	(31,437)
2 Adjustments to reconcile net income to net cash provided by operating activities:					
(1) Depreciation and amortization	28,605		22,756		
(2) Net gain on sale and disposals of property, plant and equipment	(1,487)		(325)		
(3) Impairment losses on long-lived assets	498		1,976		
(4) Net loss on sale of investment securities	43		—		
(5) Gain on sale of business	(51,450)		—		
(6) Loss (gain) on valuation of investment securities	1,170		(7,615)		
(7) Termination and retirement benefits and prepaid benefit costs	(436)		(617)		
(8) Deferred income taxes	(125)		1,164		
(9) Equity in loss of affiliates	963		6,098		
(10) Changes in assets and liabilities:					
(i) Decrease in notes and accounts receivable — trade	12,944		3,893		
(ii) Decrease in inventories	10,704		5,425		
(iii) Decrease (increase) in other assets	(6,442)		955		
(iv) Increase (decrease) in notes and accounts payable — trade	(1,319)		6,237		
(v) Increase in income taxes payable	15,614		833		
(vi) Increase in accrued expenses and other current liabilities	3,570		5,301		
(11) Other, net	1,600	14,452	3,852	49,933	35,481
Net cash provided by operating activities		89,787		93,831	4,044
II Investing Activities:					
1 Proceeds from sale of investment securities		1,423		751	(672)
2 Purchases of investment securities		(2,344)		(1,057)	1,287
3 Capital expenditures		(37,629)		(26,662)	10,967
4 Net decrease (increase) in leasehold deposits		62		(189)	(251)
5 Proceeds from sale of property, plant and equipment		4,565		2,069	(2,496)
6 Decrease (increase) in investments to affiliates		(2,231)		7,850	10,081
7 Proceeds from sale of business, net of cash paid		64,460		2,453	(62,007)
8 Other, net		333		0	(333)
Net cash used in investing activities		28,639		(14,785)	(43,424)
III Financing Activities:					
1 Net increase (decrease) in short-term debt		6,365		(1,587)	(7,952)
2 Dividends paid by the Company		(17,250)		(16,952)	298
3 Dividends paid to noncontrolling interests		(293)		(352)	(59)
4 Acquisition of treasury stock		(18,571)		(1,471)	17,100
5 Other, net		319		10	(309)
Net cash used in financing activities		(29,430)		(20,352)	9,078
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents		(13,713)		6,528	20,241
Net Increase in Cash and Cash Equivalents		75,283		65,222	(10,061)
Cash and Cash Equivalents at Beginning of the Period		110,250		185,533	75,283
Cash and Cash Equivalents at End of the Period		185,533		250,755	65,222
Cash and Cash Equivalents from Discontinued Operations at End of the Period (Deduct)		—		—	—
Cash and Cash Equivalents from Continuing Operations at End of the Period		185,533		250,755	65,222
Notes to cash flows from operating activities:					
1 Interest paid		231		187	(44)
2 Taxes paid		13,513		13,729	216
Notes to investing and financing activities not involving cash flow:					
1 Debt related to capital expenditures		3,362		659	(2,703)
2 Decrease in retained earnings due to retirement of treasury stock		40,578		—	(40,578)

Note: Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations.

(5) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

(Basis of Presentation for Consolidated Financial Statements)

No significant changes have occurred since our most recent securities report (submitted on June 24, 2020). Therefore, we have omitted disclosures.

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

None applicable

(Changes in Accounting Estimates)

Beginning with Accounting Period 84, the Company and our domestic consolidated subsidiaries changed from the declining balance method to the straight-line method for property, plant and equipment.

Based on the growth strategies of our long-term vision Value Generation 2020 (launched in 2011) and VG2.0 medium-term management plan, we have invested in manufacturing and development facilities for our focus business domains: Industrial Automation Business (IAB), Healthcare Business (HCB), and Social Systems, Solutions and Service Business (SSB). In the prior consolidated fiscal year, we expanded our Yasu office and Katsuragawa office and reconstructed the OMRON Healthcare Co., Ltd. Matsusaka factory. In addition, we reorganized our production centers and consolidated production lines to build a global production system for our Electronic and Mechanical Components Business (EMC). We have also conducted a review of our business portfolio, including the divestment of the Automotive Electronic Components Business (AEC). As a result, the Company and our consolidated subsidiaries in Japan expect the stable operations of our facilities and more normalized levels of capital investment and repairs and maintenance expense.

Taking advantage of the circumstances discussed above, we decided that depreciation via the straight-line method more appropriately reflects the actual usage of our property, plant and equipment for which we expect stable operations. This change in depreciation method will be handled as a change in accounting estimate based on FASB Accounting Standards Codification No.250, *Accounting Changes and Error Corrections*, the impact of which will be recognized in the future. As a result of this change, depreciation for Accounting Period 84 decreased by JPY2,120 million compared to the former method, while net income attributable to OMRON shareholders and basic net income per share increased JPY1,580 million and JPY7.83, respectively.

(Per-Share Information)

In calculating earnings per share, the Company applies FASB Statement No. 260, *Earnings per Share*.

The number of shares used to calculate net income per share attributable to OMRON shareholders and diluted net income per share attributable to OMRON shareholders are as follows.

No. of Shares (in shares)	Year ended March 31, 2020	Year ended March 31, 2021
Basic	205,044,394	201,692,643
Diluted	—	—

Note: The number of diluted shares for the fiscal year ended March 31, 2020 and March 31, 2021 are not shown, as there are not dilutive shares.

(Details of Other Expenses (income), Net)

Details of other expenses (income), net are as follows.

Year ended March 31, 2020

Foreign exchange loss (net)	797	Million yen
Net gain on sale and disposals of property, plant and equipment (net)	(1,089)	
Insurance income	(326)	
Loss on valuation of investment securities (net)	1,170	
Provision for retirement benefits	1,282	
Restructuring charges	1,250	

Year ended March 31, 2021

Foreign exchange loss (net)	1,238	Million yen
Net gain on sale and disposals of property, plant and equipment (net)	(325)	
Provision for retirement benefits	3,006	
Gain on valuation of investment securities (net)	(7,615)	
Impairment losses on long-lived assets	1,976	
Settlements paid	844	

(Sale of Shares in Affiliated Companies)

On March 29, 2021, the Company entered into a share transfer agreement to transfer all shares of Hitachi-Omron Terminal Solutions, Corp. held by the Company to Hitachi, Ltd. The relevant share transfer was completed on March 31, 2021. In connection with this transaction, the Company recorded equity in loss of affiliates in the amount of JPY6,787 million on the consolidated statements of operations for Accounting Period 84.

We have omitted notes on lease transactions, transactions with related parties, tax effect accounting, financial instruments, securities, derivative transactions, retirement benefits, business combinations, etc., and asset retirement obligations, as the necessity for disclosure in the summary of financial results is not considered significant.

(Segment Information)

Business Segment Information

Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Net sales							
(1) Sales to external customers	352,762	88,357	116,008	111,999	669,126	8,854	677,980
(2) Intersegment sales	5,120	44,061	9,813	440	59,434	(59,434)	—
Total	357,882	132,418	125,821	112,439	728,560	(50,580)	677,980
Operating expenses	304,287	131,500	114,968	98,928	649,683	(26,463)	623,220
Operating income (loss)	53,595	918	10,853	13,511	78,877	(24,117)	54,760

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ended March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the prior consolidated fiscal year under this new categorization for presentation herein.

Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Net sales							
(1) Sales to external customers	346,446	86,028	95,663	123,087	651,224	4,305	655,529
(2) Intersegment sales	5,029	43,327	8,994	292	57,642	(57,642)	—
Total	351,475	129,355	104,657	123,379	708,866	(53,337)	655,529
Operating expenses	292,682	126,393	98,964	102,806	620,845	(27,796)	593,049
Operating income (loss)	58,793	2,962	5,693	20,573	88,021	(25,541)	62,480

Note: Beginning with the current 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 compared to the prior fiscal year (total of JPY 2,120 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). Rather than allocate these amounts to each segment, we have posted the entire amount to Eliminations & Corporate.

Sales by Geographical Region

Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)							
Japan	139,970	22,845	115,225	26,081	304,121	7,390	311,511
Americas	32,635	13,560	—	21,605	67,800	—	67,800
Europe	71,766	15,051	—	21,690	108,507	—	108,507
Greater China	68,775	24,149	283	31,408	124,615	1,439	126,054
Southeast Asia and Others	39,404	12,530	—	10,808	62,742	—	62,742
Direct Exports	212	222	500	407	1,341	25	1,366
Total	352,762	88,357	116,008	111,999	669,126	8,854	677,980

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ended March 31, 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the consolidated prior year under this new categorization for presentation herein.

Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)							
Japan	126,805	20,885	95,414	29,610	272,714	3,898	276,612
Americas	27,629	12,061	—	23,952	63,642	—	63,642
Europe	65,554	13,141	—	22,784	101,479	—	101,479
Greater China	87,824	28,668	174	34,160	150,826	341	151,167
Southeast Asia and Others	38,534	11,089	—	12,140	61,763	—	61,763
Direct Exports	100	184	75	441	800	66	866
Total	346,446	86,028	95,663	123,087	651,224	4,305	655,529

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

6. Supplementary Information

(1) Consolidated Financial Results (U.S. GAAP)

(Millions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year change
Net sales	677,980	655,529	96.7%
Operating income [% of net sales]	54,760 [8.1%]	62,480 [9.5%]	114.1% [+1.5%pt]
Income before income taxes from continuing operations [% of net sales]	51,836 [7.6%]	65,089 [9.9%]	125.6% [+2.3%pt]
Net income attributable to OMRON shareholders	74,895	43,307	57.8%
Net income per share attributable to OMRON shareholders (JPY)	365.26	214.72	(150.54)
Total assets	758,124	820,379	108.2%
Shareholders' equity [Shareholders' equity ratio (%)]	530,415 [70.0%]	606,858 [74.0%]	114.4% [+4.0%pt]
Shareholders' equity per share (JPY)	2,626.62	3,009.15	+382.53
Net cash used in operating activities	89,787	93,831	+4,044
Net cash used in investing activities	28,639	(14,785)	(43,424)
Net cash used in financing activities	(29,430)	(20,352)	+9,078
Cash and cash equivalents at end of period	185,533	250,755	+65,222

Notes: 1 126 consolidated subsidiaries and 6 equity-method affiliates.

2 Net income attributable to OMRON shareholders and net income per share attributable to OMRON shareholders for the fiscal year ended March 31, 2020 include income from discontinued operations (including gain on sale of the AEC). Net income attributable to OMRON shareholders and net income per share attributable to OMRON shareholders for the fiscal year ended March 31, 2020 excluding income from discontinued operations are as follows.

Net income attributable to OMRON shareholders excluding income from discontinued operations

Fiscal year ended March 31, 2020 JPY39.2 billion (fiscal year ended March 31, 2021 110.6% compared to the prior fiscal year)

Net income per share attributable to OMRON shareholders excluding income from discontinued operations

Fiscal year ended March 31, 2020 JPY191.00 (fiscal year ended March 31, 2021 JPY23.72 higher compared to the prior fiscal year)

(2) Non-consolidated Financial Results

(Millions of yen, %)

	Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year change
Net sales	295,651	258,494	87.4%
Operating income [% of net sales]	14,200 [4.8%]	6,266 [2.4%]	44.1% [-2.4%pt]
Ordinary income [% of net sales]	28,122 [9.5%]	23,562 [9.1%]	83.8% [-0.4%pt]
Income before income taxes [% of net sales]	83,518 [28.2%]	16,058 [6.2%]	19.2% [-22.0%pt]
Net income	79,376	18,503	23.3%
Net income per share (basic) (JPY)	387.12	91.74	(295.38)
Net income per share (diluted) (JPY)	—	—	—
Common stock	64,100	64,100	100.0%
Total assets	510,158	537,742	105.4%
Net assets	302,811	298,916	98.7%
Net worth ratio (%)	59.4%	55.6%	-3.8%pt
Net assets per share (JPY)	1,499.52	1,482.20	(17.32)

(3) Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year change
IAB	Japan	140.0	126.8	-9.4%
	Americas	32.6	27.6	-15.3%
	Europe	71.8	65.6	-8.7%
	Greater China	68.8	87.8	+27.7%
	Southeast Asia and Others	39.4	38.5	-2.2%
	Direct Exports	0.2	0.1	-52.8%
	Total	352.8	346.4	-1.8%
EMC	Japan	22.8	20.9	-8.6%
	Americas	13.6	12.1	-11.1%
	Europe	15.1	13.1	-12.7%
	Greater China	24.1	28.7	+18.7%
	Southeast Asia and Others	12.5	11.1	-11.5%
	Direct Exports	0.2	0.2	-17.1%
	Total	88.4	86.0	-2.6%
SSB	Japan	115.2	95.4	-17.2%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.3	0.2	-38.5%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.5	0.1	-85.0%
	Total	116.0	95.7	-17.5%
HCB	Japan	26.1	29.6	+13.5%
	Americas	21.6	24.0	+10.9%
	Europe	21.7	22.8	+5.0%
	Greater China	31.4	34.2	+8.8%
	Southeast Asia and Others	10.8	12.1	+12.3%
	Direct Exports	0.4	0.4	+8.4%
	Total	112.0	123.1	+9.9%
Eliminations & Corporate	Japan	7.4	3.9	-47.3%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	1.4	0.3	-76.3%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.0	0.1	+164.0%
	Total	8.9	4.3	-51.4%
Total	Japan	311.5	276.6	-11.2%
	Americas	67.8	63.6	-6.1%
	Europe	108.5	101.5	-6.5%
	Greater China	126.1	151.2	+19.9%
	Southeast Asia and Others	62.7	61.8	-1.6%
	Direct Exports	1.4	0.9	-36.6%
	Total	678.0	655.5	-3.3%

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ended March 31, 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the fiscal year ended March 2020 under this new categorization for presentation herein.

(4) Consolidated Operating Income (Loss) by Business Segment

(Billions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year change
IAB	53.6	58.8	+9.7%
EMC	0.9	3.0	+222.7%
SSB	10.9	5.7	-47.5%
HCB	13.5	20.6	+52.3%
Eliminations & Corporate	(24.1)	(25.5)	-
Total	54.8	62.5	+14.1%

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ended March 31, 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the fiscal year ended March 31, 2020 under this new categorization for presentation herein.

(5) Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year change
USD	109.1	105.8	-3.3
EUR	121.2	123.2	+2.0
RMB	15.7	15.5	-0.2

(6) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2021	Year ending March 31, 2022	Year-on-year change
IAB	Japan	126.8	137.0	+8.0%
	Americas	27.6	30.0	+8.6%
	Europe	65.6	72.5	+10.6%
	Greater China	87.8	93.5	+6.5%
	Southeast Asia and Others	38.5	42.0	+9.0%
	Direct Exports	0.1	0.0	-100.0%
	Total	346.4	375.0	+8.2%
EMC	Japan	20.9	22.5	+7.7%
	Americas	12.1	13.5	+11.9%
	Europe	13.1	15.0	+14.1%
	Greater China	28.7	30.0	+4.6%
	Southeast Asia and Others	11.1	13.0	+17.2%
	Direct Exports	0.2	0.0	-100.0%
	Total	86.0	94.0	+9.3%
SSB	Japan	95.4	95.0	-0.4%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.2	0.5	+187.4%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	0.5	+566.7%
	Total	95.7	96.0	+0.4%
HCB	Japan	29.6	27.5	-7.1%
	Americas	24.0	27.0	+12.7%
	Europe	22.8	24.5	+7.5%
	Greater China	34.2	39.5	+15.6%
	Southeast Asia and Others	12.1	14.0	+15.3%
	Direct Exports	0.4	0.5	+13.4%
	Total	123.1	133.0	+8.1%
Eliminations & Corporate	Japan	3.9	2.0	-48.7%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.3	—	-100.0%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	-100.0%
	Total	4.3	2.0	-53.5%
Total	Japan	276.6	284.0	+2.7%
	Americas	63.6	70.5	+10.8%
	Europe	101.5	112.0	+10.4%
	Greater China	151.2	163.5	+8.2%
	Southeast Asia and Others	61.8	69.0	+11.7%
	Direct Exports	0.9	1.0	+15.5%
	Total	655.5	700.0	+6.8%

(7) Projected Consolidated Operating Income (Loss) by Business Segment

(Billions of yen)

	Year ended March 31, 2021	Year ending March 31, 2022	Year-on-year change
IAB	58.8	63.0	+7.2%
EMC	3.0	4.5	+51.9%
SSB	5.7	7.0	+23.0%
HCB	20.6	22.5	+9.4%
Eliminations & Corporate	-25.5	-27.0	—
Total	62.5	70.0	+12.0%

(8) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2021	Year ending March 31, 2022	Year-on-year change
USD	105.8	108.0	+2.2
EUR	123.2	128.0	+4.8
RMB	15.5	16.5	+1.0