

FY2021 Q3 Earnings Ended December 31, 2021



**January 28, 2022
OMRON Corporation**

Summary

■ Q1-Q3 FY2021 Results

- Strong growth in sales and OP. Achieve new record high in OP
- However, the negative supply chain impact from component shortages and logistics disruption persisted for longer than expected
- Results fell short of internal plan on inability to achieve supply volumes enough expected as of Q2

■ FY2021 Full-year Forecasts

- Revise down full-year forecasts, on continued negative supply chain impact in Q4
- Orders still strong. Full-year sales and OP to rise significantly Y/Y.
Expect to achieve new record high for OP
- Full-year DPS guidance maintained at ¥92.

■ Future Growth Opportunities

- OMRON is already capturing growth opportunities given its focus that arise from social change.
We will achieve further growth
- Specifically growth opportunities are EV, Digital and F&B in FA,
and BPMs and Remote Medical Services in HCB

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Q1-Q3 FY2021 Results

Q1-Q3 FY2021 Results

Sales and OP up substantially. OP hit new record high

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
Net Sales	469.6	558.6	+19.0%
Gross Profit (%)	213.9 (45.6%)	256.4 (45.9%)	+19.8% (+0.3%pt)
Operating Income (%)	42.4 (9.0%)	66.9 (12.0%)	+57.5% (+2.9%pt)
Net Income	33.9	44.8	+32.2%
1USD (JPY)	106.2	111.0	+4.8
1EUR (JPY)	121.8	130.8	+9.0
1RMB (JPY)	15.3	17.2	+1.9

Sales by Segment

IAB and EMC successfully capture global demand, achieving significant sales growth. BPM demand firm in HCB

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	252.9	321.3	+27.1%
EMC Electronic & Mechanical Components	61.8	78.5	+26.9%
SSB Social Systems, Solutions & Service	58.6	55.2	-5.8%
HCB Healthcare	92.5	101.1	+9.3%
Eliminations & Corporate	3.7	2.5	-32.7%
Total	469.6	558.6	+19.0%

IAB Sales Growth by Region

**Achieved Y/Y double-digit or higher growth in all regions.
Orders also up significantly**

Q1-Q3 FY2021 (April-December) IAB Sales and Order Growth by Region

	Japan	Americas	Europe	Greater China	SE Asia/Other	
					Ex-S. Korea	S. Korea
Sales Growth	+20%	+24%	+24%	+22%	+10%	+11%
Order Growth	+87%	+68%	+63%	+67%	+33%	+74%

* Y/Y, local currency basis

Operating Income by Segment

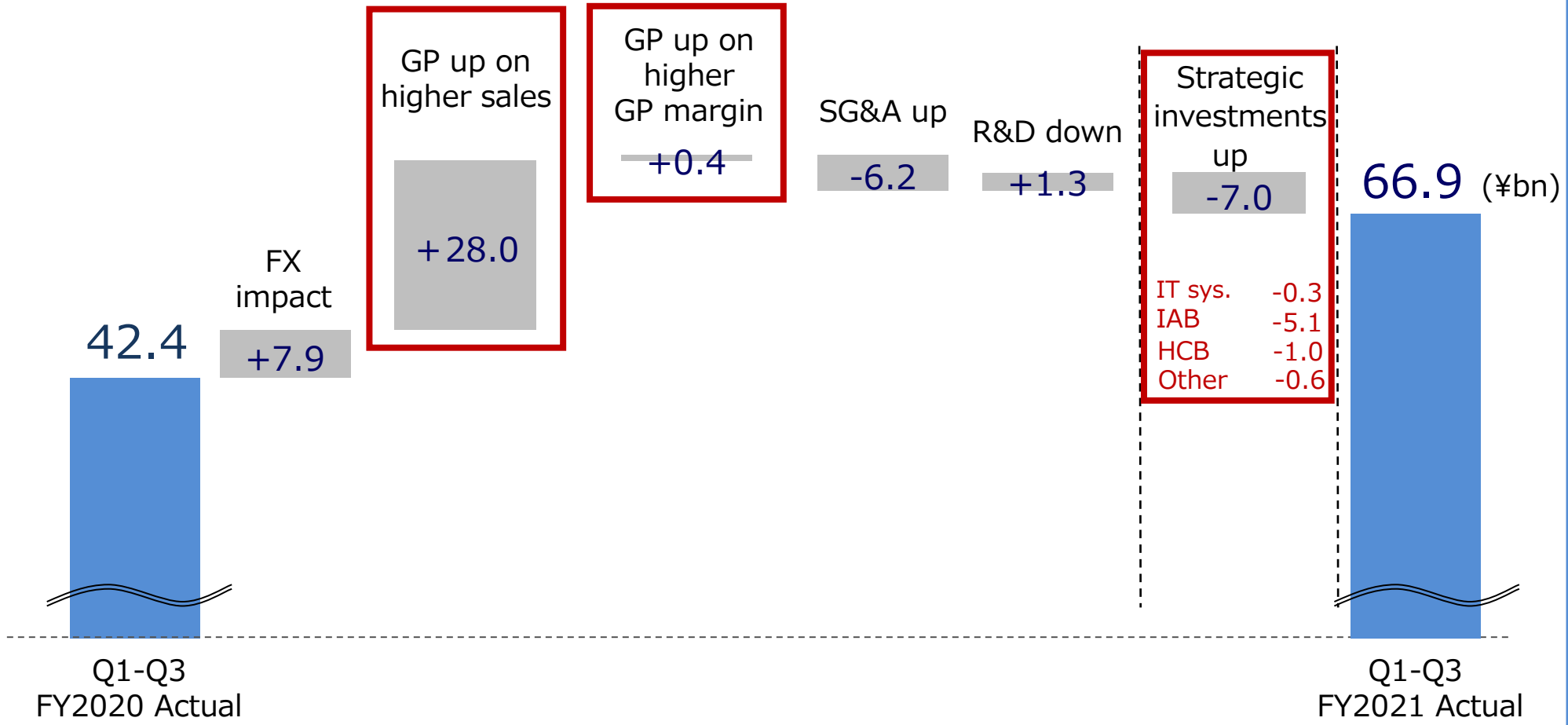
Achieve substantial OP growth in IAB, EMC. Logistics disruption a factor behind lower OP for HCB

(¥bn, %: OPM)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	41.9 (16.6%)	59.3 (18.5%)	+17.4 (+1.9%pt)
EMC Electronic & Mechanical Components	1.5 (2.5%)	6.8 (8.7%)	+5.3 (+6.2%pt)
SSB Social Systems, Solutions & Service	-0.6 (-)	-0.9 (-)	-0.3 (-)
HCB Healthcare	16.9 (18.3%)	16.2 (16.0%)	-0.7 (-2.3%pt)
Eliminations & Corporate	-17.3	-14.5	+2.8
Total	42.4 (9.0%)	66.9 (12.0%)	+24.5 (+2.9%pt)

Operating Income Analysis (Y/Y)

Improved profitability combined with sales growth to drive strong growth in gross profits. Solidly executed on growth investments



Supply Chain Update

Supply chain issues persisting. Emergence of new issues unanticipated at time of previous forecasts

Changes from Previous Outlook

Component Shortages

- At IAB, range of components in tight supply increased. Unable to secure expected procurement volumes

Component Price Surges

- All businesses reporting a larger impact from rising component prices and increased use of components procured in the spot market

Logistics Delays

- HCB impacted by container shortages, and customs clearance delays in N. America and lack of drivers as a result of labor shortages. Logistics lead times for products significantly longer

Logistics Costs

- Larger-than-expected negative impact on IAB, EMC & HCB owing to rising unit prices for air/sea freight and increased use of air shipments



Full-year Forecasts



Q4 Business Environment by Segment (January-March)

Outlook remains firm, primarily for IAB. No major changes from previous outlook

IAB Industrial Automation	Automotive: EV investments continue on trend toward decarbonization Digital: High level of investment continues on ongoing increase in demand for semiconductors/rechargeable batteries Food & bev.: Firm trend for environmental/automation investments on economic reopenings Social infrastructure: Recovering on resumption of energy investments like solar power, which had seen a temporary correction
EMC Electronic & Mechanical Components	Consumer: Recovery trend continuing, focused on US/Europe Automotive: Gradual recovery trend maintained
SSB Social Systems, Solutions & Service	Station sys.: Continued capex constraints Transport: Expect firm replacement demand to continue Env. Soln: Continued gradual recovery from COVID-19 impact
HCB Healthcare	BPMs: Continued strong global trend, including online Others: Recovery trends continue for nebulizers globally and low frequency treatment devices in Japan. Pace of demand decline in thermometers faster than expected; reverting to pre-COVID-19 levels

FY2021 Full-year Forecasts

Revising full-year forecasts on negative impact from supply chain issues. Sales and OP up Y/Y; OP to hit new record high

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	(¥bn) Y/Y
Net Sales	700.0	780.0	760.0	-2.6%	655.5	+15.9%
Gross Profit (%)	325.0 (46.4%)	361.0 (46.3%)	347.0 (45.7%)	-3.9% (-0.6%pt)	298.4 (45.5%)	+16.3% (+0.1%pt)
Operating Income (%)	70.0 (10.0%)	98.0 (12.6%)	88.0 (11.6%)	-10.2% (-1.0%pt)	62.5 (9.5%)	+40.8% (+2.0%pt)
Net Income	48.0	65.5	57.0	-13.0%	43.3	+31.6%
1USD (JPY)	108.0	108.9	111.5	+2.5	105.8	+5.7
1EUR (JPY)	128.0	129.5	130.6	+1.1	123.2	+7.5
1RMB (JPY)	16.5	16.7	17.4	+0.6	15.5	+1.8

FY2021 Forecasts: Sales by Segment

**Revising forecasts for IAB, SSB and HCB.
Projecting new record highs for IAB and HCB**

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	(¥bn) Y/Y
IAB Industrial Automation	375.0	443.0	430.0	-2.9%	346.4	+24.1%
EMC Electronic & Mechanical Components	94.0	103.0	103.0	-	86.0	+19.7%
SSB Social Systems, Solutions & Service	96.0	92.0	90.0	-2.2%	95.7	-5.9%
HCB Healthcare	133.0	140.0	134.0	-4.3%	123.1	+8.9%
Eliminations & Corporate	2.0	2.0	3.0	-	4.3	-30.3%
Total	700.0	780.0	760.0	-2.6%	655.5	+15.9%

FY2021 Forecasts: Operating Income by Segment

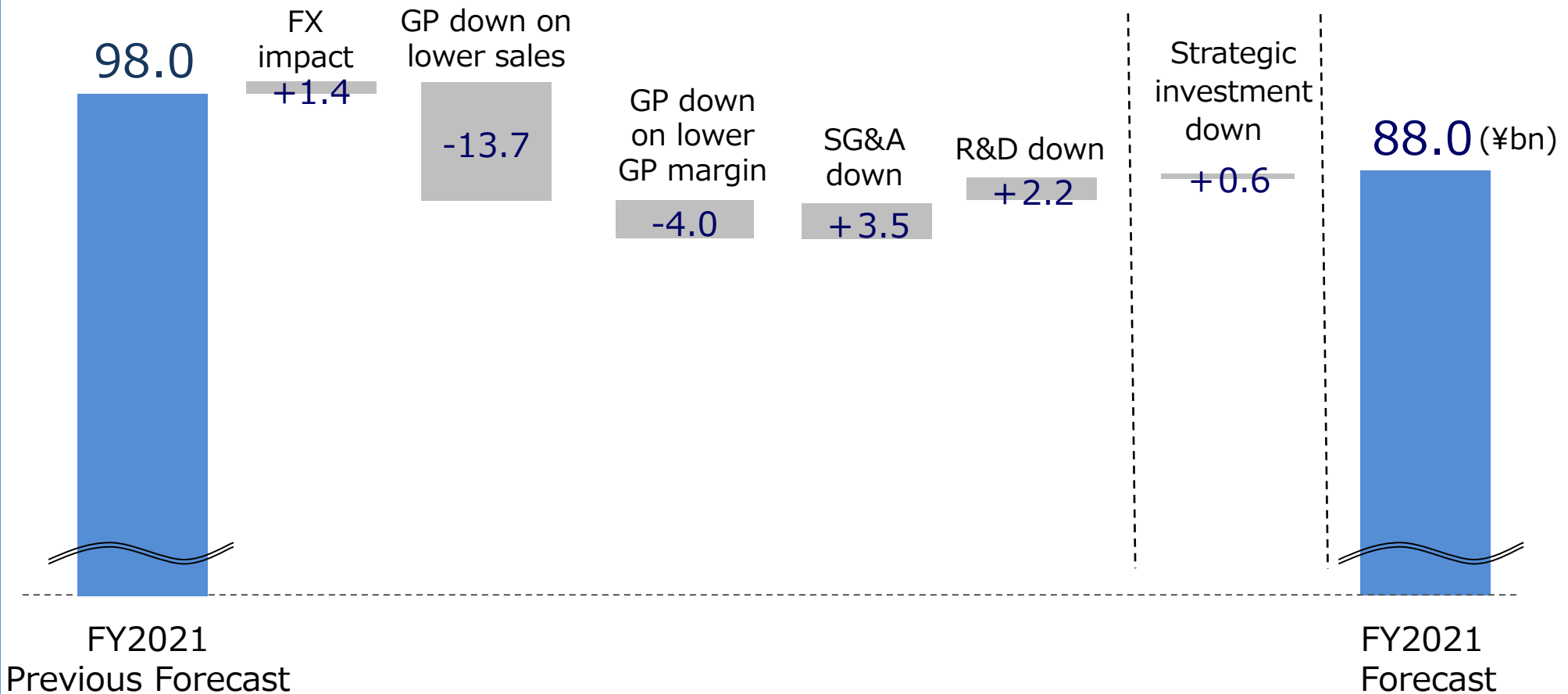
Revising IAB, SSB and HCB forecasts reflecting downward revision to sales forecasts

(¥bn, %: OPM)

	FY2021 Initial Plan	FY2021 Previous Fcst.	FY2021 Forecast	Chg. Vs Prev Fcst.	FY2020 Actual	Y/Y
IAB Industrial Automation	63.0 (16.8%)	87.0 (19.6%)	79.0 (18.4%)	-8.0 (-1.3%pt)	58.8 (17.0%)	+20.2 (+1.4%pt)
EMC Electronic & Mechanical Components	4.5 (4.8%)	7.5 (7.3%)	8.0 (7.8%)	+0.5 (+0.5%pt)	3.0 (3.4%)	+5.0 (+4.3%pt)
SSB Social Systems, Solutions & Service	7.0 (7.3%)	7.0 (7.6%)	6.5 (7.2%)	-0.5 (-0.4%pt)	5.7 (6.0%)	+0.8 (+1.3%pt)
HCB Healthcare	22.5 (16.9%)	22.5 (16.1%)	19.5 (14.6%)	-3.0 (-1.5%pt)	20.6 (16.7%)	-1.1 (-2.2%pt)
Eliminations & Corporate	-27.0	-26.0	-25.0	+1.0	-25.5	+0.5
Total	70.0 (10.0%)	98.0 (12.6%)	88.0 (11.6%)	-10.0 (-1.0%pt)	62.5 (9.5%)	+25.5 (+2.0%pt)

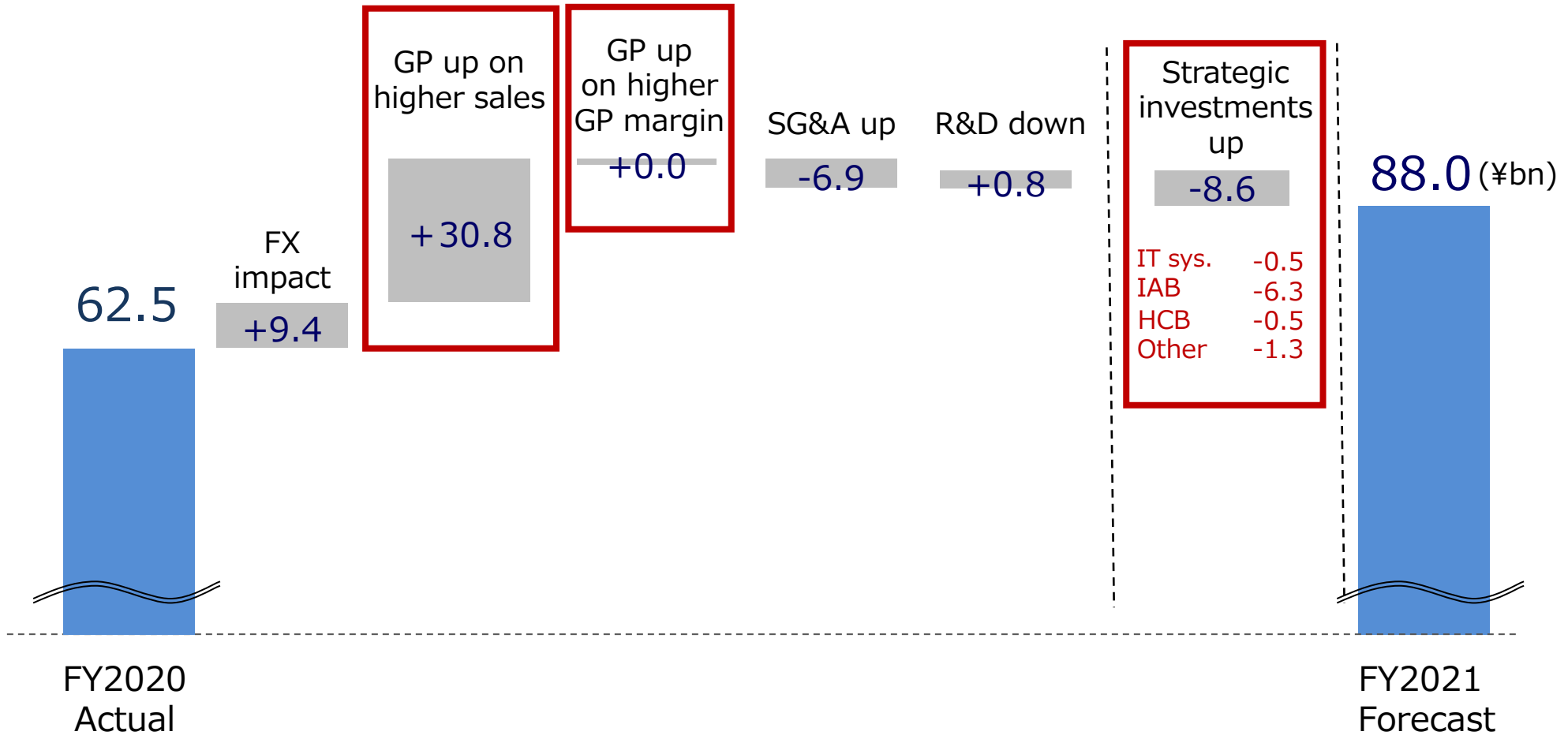
Operating Income Analysis (vs. Previous Forecast)

Factoring in negative impact of component shortages on sales and surging materials and logistics costs on GP



Operating Income Analysis (Y/Y)

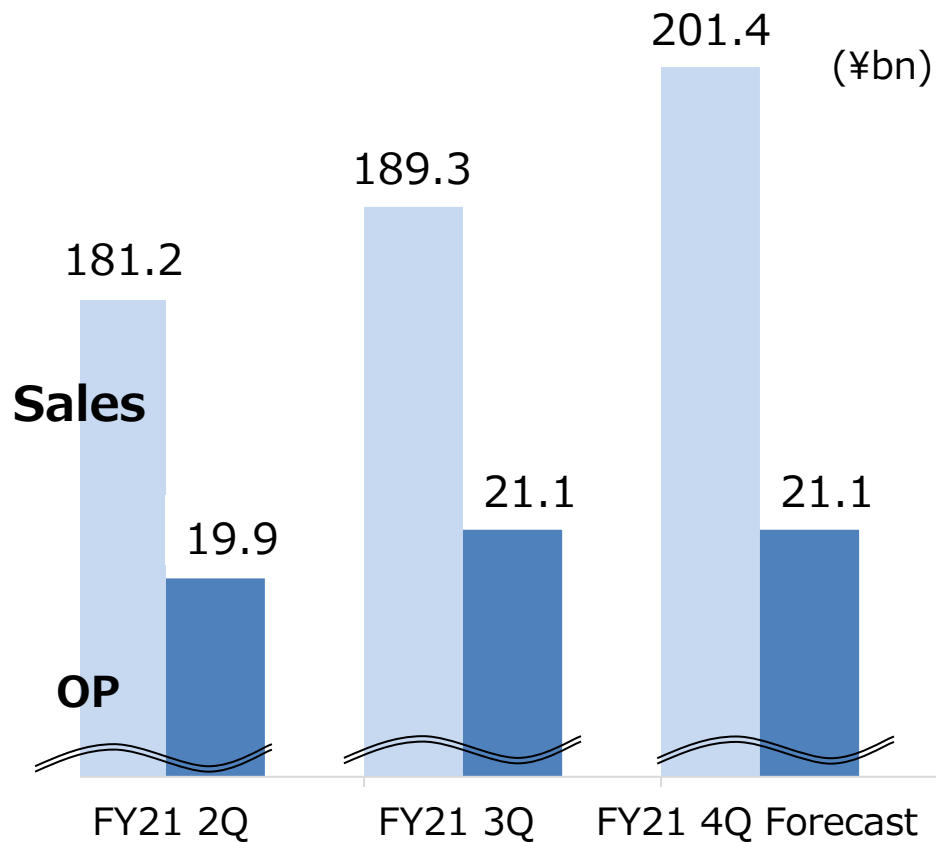
**Expect substantial Y/Y OP growth on strong sales growth.
Firmly committed to executing on investments aimed at future growth**



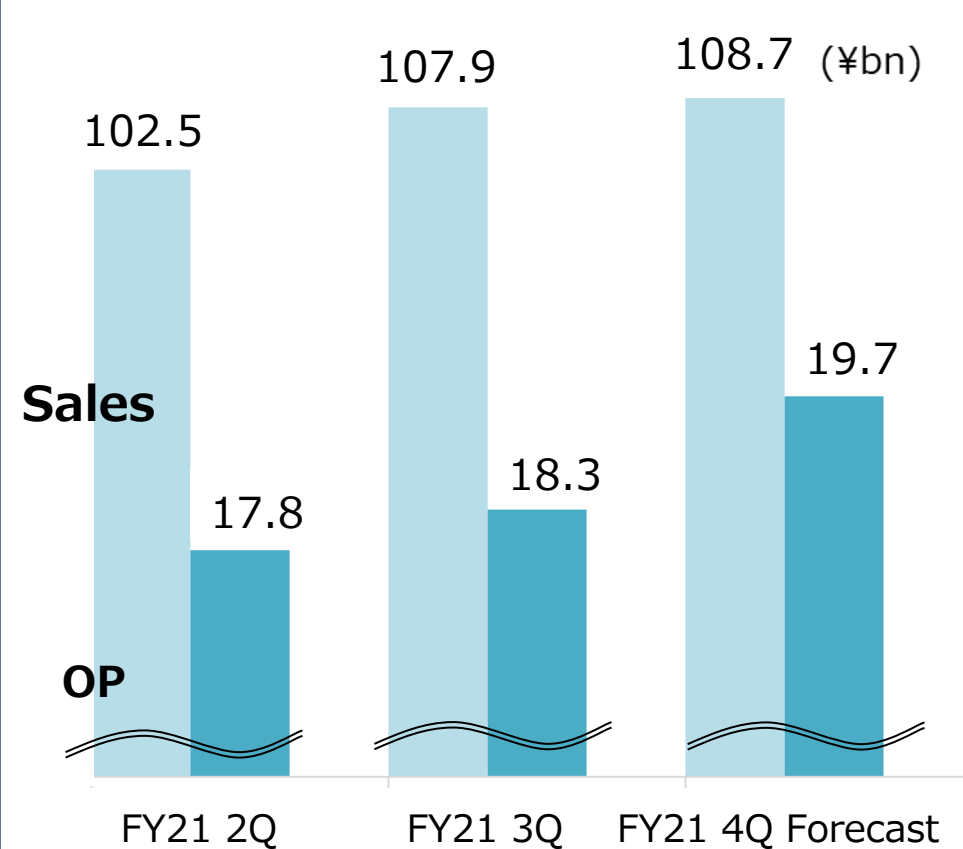
Quarterly Earnings Trends: Consolidated and IAB

Achieving sequential earnings growth from Q2 onward for the overall company and IAB. If component procurement situation improves, room for upside to forecasts

Consolidated

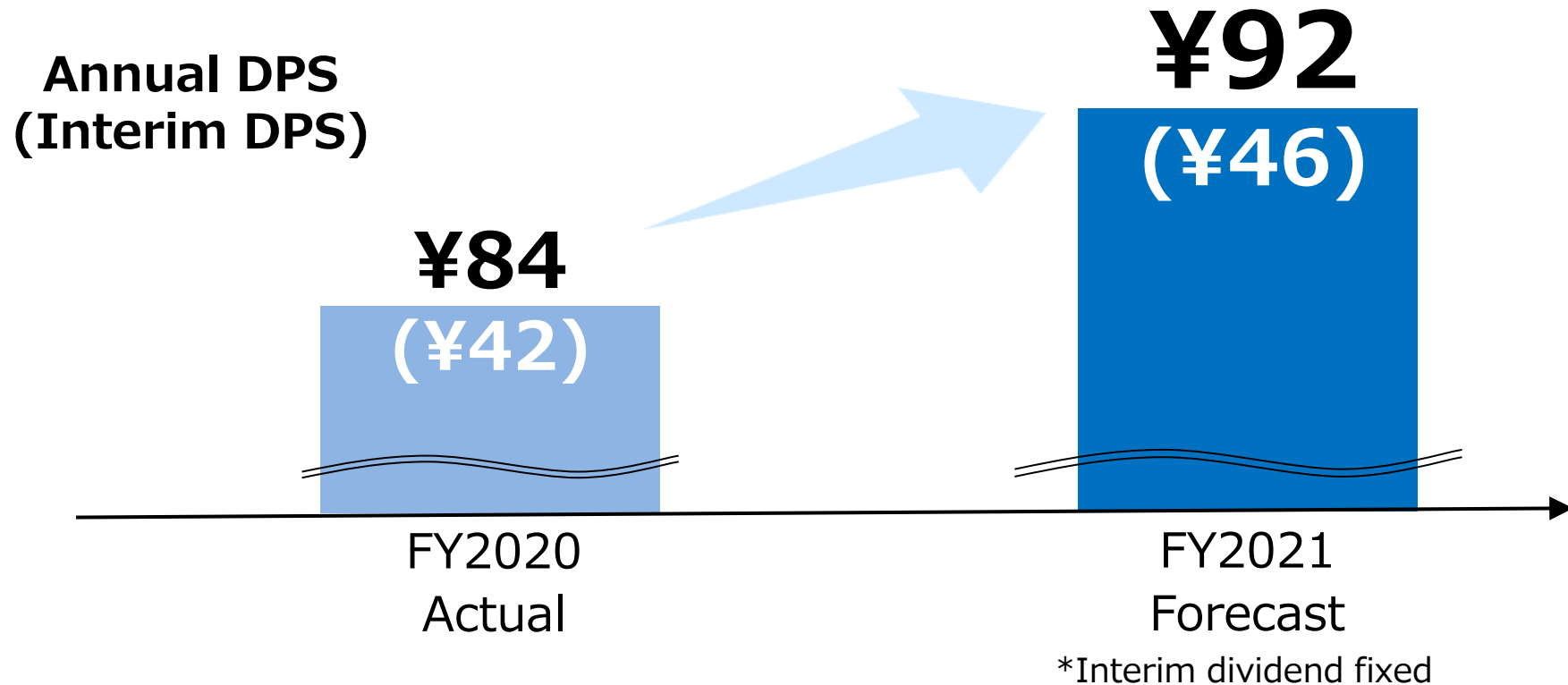


IAB



Shareholder Returns

Maintain annual dividend guidance at ¥92 increase announced in Q2, up ¥8 Y/Y. Share buyback (¥30bn, 2.63mn shares) completed in December





Future Growth Opportunities

Future Growth Opportunities

OMRON is focused on growth opportunities arising as a result of social change

Demand and investments in our focus markets will remain strong

OMRON is already capturing such growth opportunities. We will achieve further growth by successfully securing new needs that emerge going forward

IAB: Drivers for Achieving Strong Growth

Increase sales in high growth areas on active investments in FA emerging on social demands to lower environmental burdens, the pandemic and a surge in demand

Social Change

Easing environmental burden through cuts to GHGs and waste losses



Automation of production processes overly reliant on workers

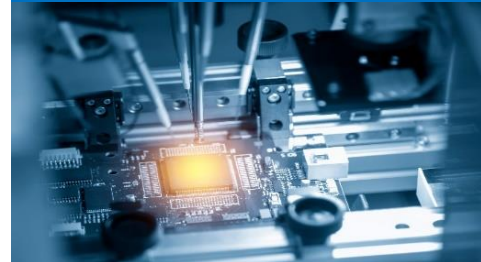


Growth Opportunities Emerging as a Result of Social Change

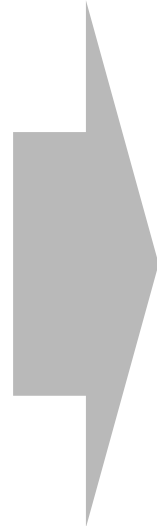
Improving energy efficiency of EVs



Global increases in semiconductor production capacity and further miniaturization



Evolution in packaging materials to eliminate plastic use



HCB: Drivers for Achieving Strong Growth

Achieve strong growth by capturing emerging needs resulting from a changing awareness of health issues and new lifestyles

Social Change

Rising awareness of preventative healthcare



Lifestyle changes



Growth Opportunities Emerging as a Result of Social Change

Growth of BPM business, mainly in emerging markets



Acceleration of Remote Medical Service



Briefing on Next Long-Term Vision and Medium-Term Business Plan

Date: Early March, 2022

Format: Remote Webinar

OMRON



Reference

Shareholder Return Policy

Capital allocation priorities: (1) Investments for future growth, (2) Dividends, (3) Share buybacks

Investment for Future Growth

Focus on Factory Automation and Healthcare
Allocate to growth investments (including M&A), R&D, and capital expenditures

Dividends

Targets:

- Full-year dividend payout ratio: approx. 30%
- Dividend on equity ratio (DOE): approx. 3%

Share Buybacks

Long-term retained earnings may be allocated toward share buybacks in a flexible manner.

Consolidated Balance Sheet

(¥bn)

	End-March 2021	End-Dec. 2021	Chg, vs. End-FY2020
Current assets	514.4	532.1	+17.7
(Cash and cash equivalents)	(250.8)	(235.2)	(-15.5)
(Inventory)	(103.3)	(133.1)	(+29.9)
Property, plant and equipment	113.0	114.7	+1.7
Investments and other assets	192.9	194.8	+1.9
Total assets	820.4	841.6	+21.3
Current liabilities	161.4	163.3	+2.0
Long-term liabilities	49.7	44.2	-5.4
Total Liabilities	211.0	207.5	-3.5
Shareholders' equity	606.9	631.5	+24.7
Noncontrolling interests	2.5	2.6	+0.1
Total net assets	609.4	634.1	+24.8
Total Liabilities and net assets	820.4	841.6	+21.3
Equity ratio	74.0%	75.0%	+1.0%pt

Consolidated Cash Flow Statement

(¥bn)

	FY2020 Q1-Q3 Act.	FY2021 Q1-Q3 Act.	Y/Y
Operating cash flow	62.6	47.3	-15.3
Investment cash flow	-17.7	-24.0	-6.3
Free cash flow (FCF)	45.0	23.3	-21.6
Financing cash flow	-20.4	-49.6	-29.2
Cash and cash equivalents as of end of period	211.4	235.2	+23.8
Capital expenditure	13.3	20.7	+7.4
Depreciation	17.2	17.4	+0.2

FY2021 Forex Assumptions

	Q4 FY2021 Assumptions	Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	¥113	¥1.7bn	¥0.2bn
EUR	¥130	¥0.9bn	¥0.4bn
RMB	¥17.8	¥0.8bn	¥0.2bn

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

OMRON Included in Major ESG Indices (As of January 2022)

ESG Indices which include OMRON

- ✓ DJSI – World **5th consecutive year**
- ✓ FTSE4Good Index Series **6th consecutive year**
- ✓ MSCI ESG Leaders Indexes **7th consecutive year**
- ✓ MSCI SRI Indexes **5th consecutive year**
- ✓ STOXX Global ESG Leaders indices **6th consecutive year**
- ✓ FTSE Blossom Japan Index **5th consecutive year**
- ✓ MSCI Japan ESG Select Leaders Index **5th consecutive year**
- ✓ MSCI Japan Empowering Women Index **5th consecutive year**
- ✓ S&P/JPX Carbon Efficient Index **4th consecutive year**

* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.
 FY2021 Assessment: Climate Change 'A-', Water Security 'A-'

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA



FTSE4Good

2021 MSCI ESG Leaders Indexes Constituent

THE INCLUSION OF OMRON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF OMRON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

STOXX

Member 2021/2022
ESG Leaders Indices

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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FTSE Blossom Japan

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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External Recognition (As of January 2022)

Domestic ESG awards, selection for inclusion

S&P Global Sustainability Award

- ✓ S&P Sustainability Award Gold Class **1st time**

Sustainability Award

Gold Class 2021

S&P Global



Japan Association of Corporate Directors

- ✓ Corporate Governance of the Year 2018

METI Minister's Award for Corporate Governance of the Year **FY2018**



Corporate Governance
of The Year

Ministry of the Environment

- ✓ FY2018 Minister's Award for Global Warming Prevention Activity

'Implementation of Countermeasures and Dissemination Category' **FY2018**



Sponsored by Nikkei Inc

- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award **December 2019**

Selected by METI, TSE

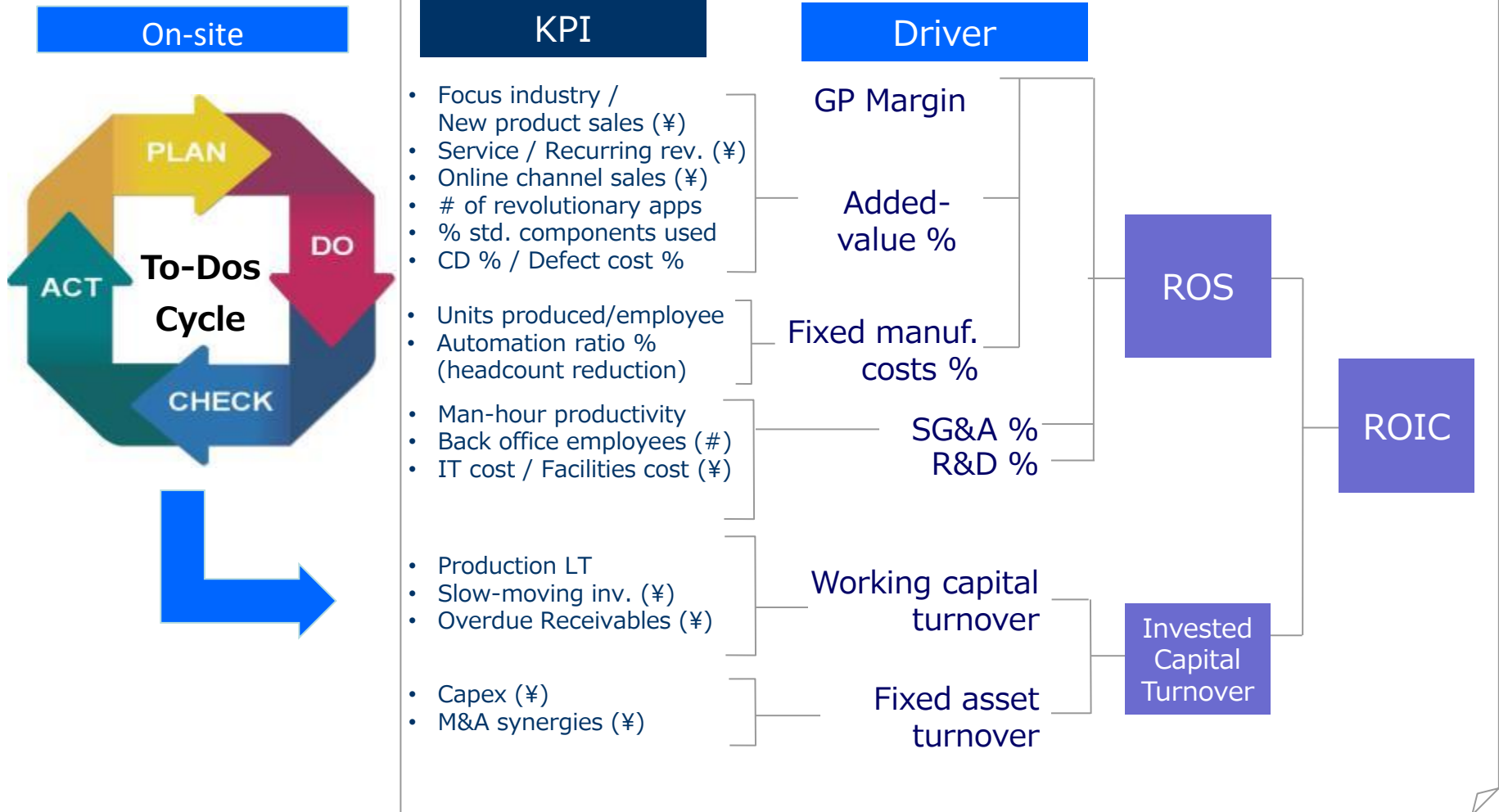
- ✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**
- ✓ Nadeshiko Brand **4th consecutive year from FY2017**
- ✓ Health & Productivity Stock **3rd consecutive year from FY2018**
- ✓ Health & Productivity: White 500 **5th consecutive year from FY2016**



Selected by Nikkei Inc.

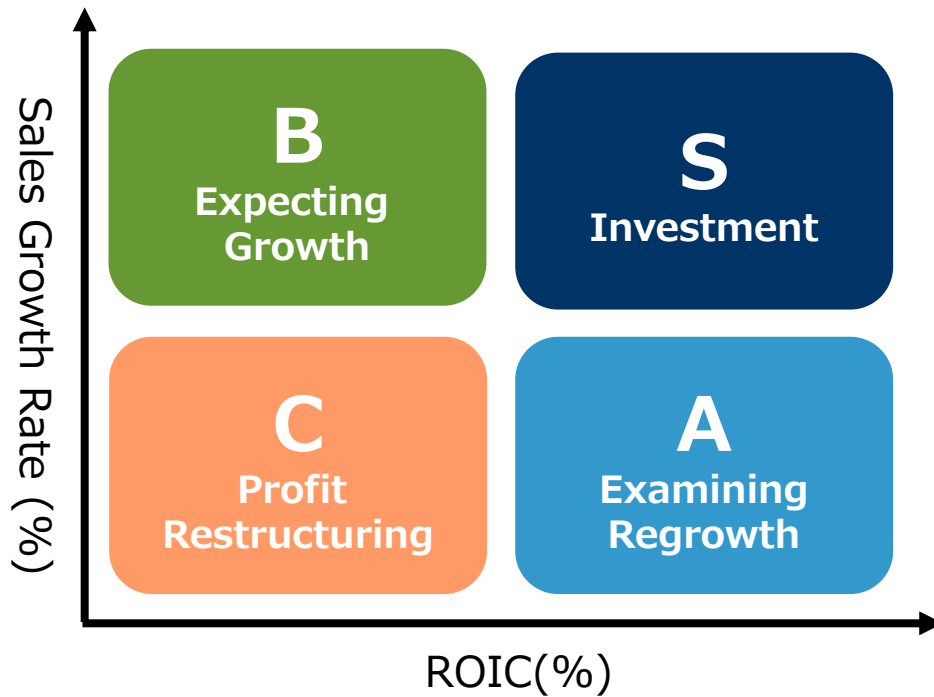
- ✓ Nikkei 225 **March 2019, 1st time**

Down-Top ROIC Tree (2.0)

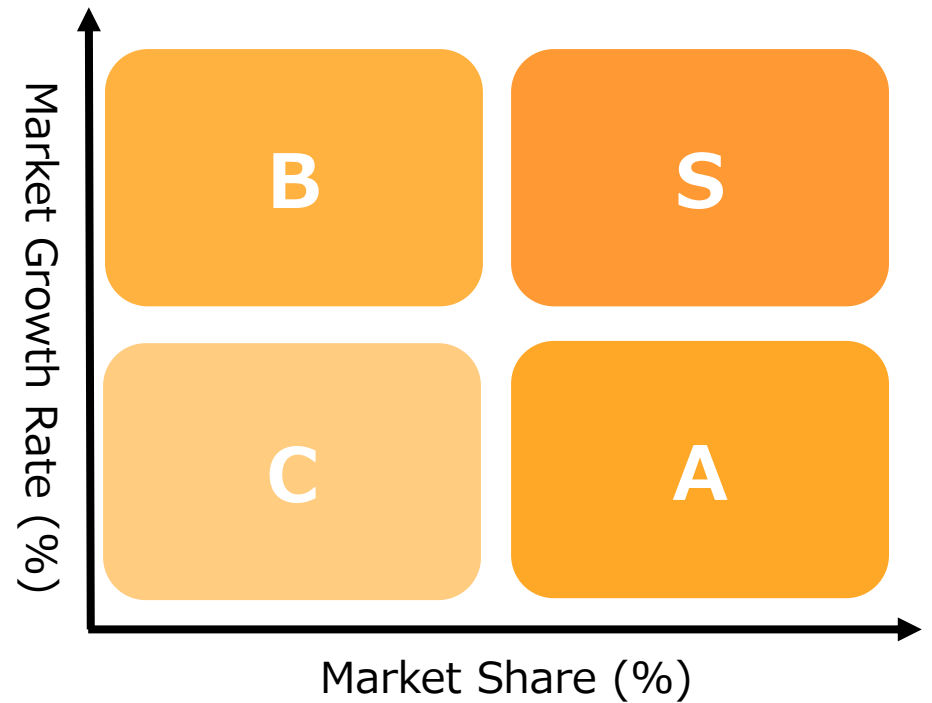


Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC Definition

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	
Notes and accounts payable — trade	
Accrued expenses	
Income taxes payable	
Other current liabilities	
Deferred income taxes	
Termination and retirement benefits	
Other long-term liabilities	
Total liabilities	
NET ASSETS	
Shareholders' equity	
Common stock	
Capital surplus	
Legal reserve	
Retained earnings	
Accumulated other comprehensive income (loss)	
Foreign currency translation adjustments	
Minimum pension liability adjustments	
Net unrealized gains on available-for-sale securities	
Net losses on derivative instruments	
Treasury stock	
Noncontrolling interests	
Total net assets	
Total liabilities and net assets	

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

Invested capital*

= Net assets + Interest-bearing debt

*The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year.

Capital cost forecast at 5.5%
for FY2021 - 2024

Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

Contact:

Investor Relations Department
Global Investor & Brand Communications
OMRON Corporation

Phone: +81-(0)3-6718-3421

Email: omron-ir@omron.com

Website: www.omron.com/global/en/