

# Q3 FY2022 Earnings

ended December 31, 2022

## Results Briefing

January 30, 2023

OMRON Corporation

Good afternoon, everyone!

I am CFO Nitto. Thank you for finding time to participate in OMRON's Q3 FY2022 Results Briefing.

Today, we will start with my presentation, to be followed by a Q&A session. We hope to take as many questions as possible during the allotted time.

Let us get started, using the presentation deck.

Please look at page 1 for today's key takeaways.

## Summary

### ■ Q3 (Oct.-Dec.)/Q1-Q3 results (Apr.-Dec.)

- Substantial Y/Y improvements in both sales and profits in Q3, continuing the Q2 trend. IAB overcame a tough operating environment, including rising COVID-19 infections in China to generate significant Y/Y sales and profit growth
- On a 9-month basis (Apr.-Dec.), OMRON achieved a new record high for consolidated earnings. By segment, IAB posted double-digit growth in sales and profits. SSB and DMB also continued to show strong results. HCB sales declined, reflecting the impact of slowing consumer spending on the back of inflation and the impact of COVID-19 in China

### ■ FY2022 full-year forecasts

- Q4 operating environment: Expect heightened uncertainty owing to global macroeconomic slowdown
- Full-year forecasts: Maintain upwardly revised forecasts as announced last quarter, on continued strong Q4 performance from IAB backed by the high order backlog. Other segments also tracking in line with plan
- Despite revision of Q4 foreign exchange rate assumptions to reflect yen appreciation, believe current forecasts are achievable
- Maintain initial full-year dividend forecast: Guiding for a ¥6 Y/Y increase to a DPS of ¥98. Completed ¥20 billion share buyback in January

### ■ New management team

- Will change the management members from the next fiscal year
- In addition to the changes of CEO and CFO, will appoint CHRO. Shift to team of 4 CXOs with CTO
- New leaders will be appointed for all the 4 business companies

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We cover 3 key topics in today's presentation.

The first topic is the Q3 and the year-to-date 9-month results.

In a continuation of the trend set in Q2, OMRON reported substantial Y/Y growth in both sales and profits in Q3. In particular, IAB was able to overcome a difficult operating environment, including the spread of COVID-19 in China, to achieve hefty Y/Y gains in sales and profits. IAB continued to drive overall earnings. As a result, consolidated Q1-Q3 FY2022 earnings hit a new record high. By segment, IAB achieved double-digit growth in sales and profits. SSB and DMB also continued to show strong performances but HCB reported a Y/Y decline in sales. This segment was the most impacted by a slowdown in consumer spending owing to inflation and the impact of rising COVID-19 infections in China.

The second topic is the full-year forecasts.

We expect increased uncertainty in the Q4 operating environment as a result of a slowdown in the global economy. That said, we expect mainstay IAB to achieve strong sales and profit growth, backed by the elevated order backlog. With the other segments also likely to track in line with plan, we have chosen to reiterate the full-year forecasts which we revised up at the end of Q2.

We have revised the foreign exchange assumptions for Q4 to reflect yen appreciation but believe that we can achieve our full-year forecasts.

The full-year dividend guidance is also unchanged from our initial plan: an increase of 6 yen Y/Y to 98 yen per share.

We note that we have also completed the 20 billion yen share buyback program in January.

The third topic is the new management team.

As announced today, a new management team will take the reins from the next fiscal year. In addition to a new CEO and CFO, OMRON will also appoint a new CHRO. Along with the CTO, this will raise the number of CXO positions to 4. We are also appointing new business company heads for all 4 business segments. This management team will take on the challenges of the next era, focusing on achieving the Long-term Vision and the Medium-term Business Plan.

Now, let's get started with the presentation.

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# 1 . Q3 FY2022 Results

## Q3 (Oct.-Dec.) FY2022 Results

**Substantial Y/Y growth in sales and operating income in Q3.  
Set new record highs for the quarter**

	Q3 FY2021 Actual	Q3 FY2022 Actual	Y/Y
Net Sales	189.3	<b>233.6</b>	<b>+23.4%</b>
Gross Profit (%)	85.8 (45.3%)	<b>105.3</b> <b>(45.1%)</b>	+22.8% (-0.2%pt)
Operating Income (%)	21.1 (11.2%)	<b>31.2</b> <b>(13.4%)</b>	<b>+47.8%</b> (+2.2%pt)
Net Income	12.3	<b>22.6</b>	+84.3%
1USD (JPY)	113.1	144.0	+30.9
1EUR (JPY)	130.3	144.5	+14.2
1CNY (JPY)	17.6	20.1	+2.4

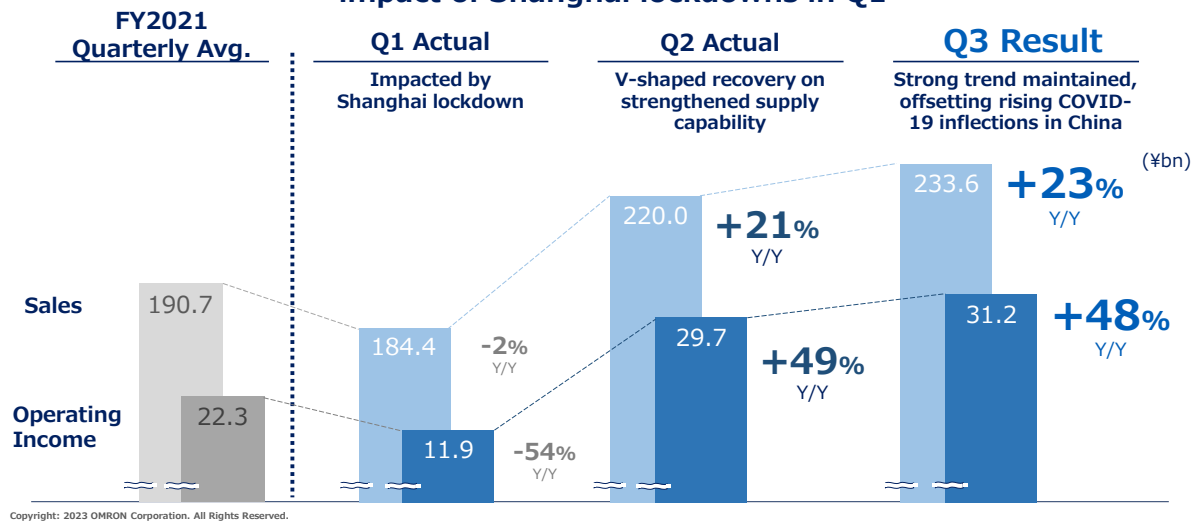
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First is the Q3 FY2022 results for the overall company. Please look at the shaded portion in the middle of the table. Sales were 233.6 billion yen, gross profit 105.3 billion yen for a GP margin of 45.1%, operating income 31.2 billion yen and net profit 22.6 billion yen. Sales was up 23.4% and OP 47.8%, both achieving substantial Y/Y growth. OMRON achieved a new record high for quarterly operating income.

## Quarterly Earnings Trend

Strong sales and profit growth maintained from Q2 onward, offsetting impact of Shanghai lockdowns in Q1



On this page we show the quarterly trend for sales, operating income and the respective Y/Y growth rates.

The fiscal year began with declines in both sales and operating income in Q1 owing to the impact from the Shanghai lockdown. However, we were able to achieve a V-shaped recovery in Q2, due to the success of initiatives to improve supply capability.

The Q3 performance was also strong. While China sales were impacted by the spread of COVID-19, there was strong sales growth in other regions which made up for the shortfall in China. By enhancing parallel production capabilities in other regions, we were able to minimize the impact on a global basis.

Although this fiscal year has been one where OMRON navigated dramatic changes in the operating environment, we leveraged our resilience in the face of change, a key area of focus to date, to overcome challenging business conditions.

## Q1-Q3 (Apr.-Dec.) Results

Double-digit growth in sales.  
New record highs for 9-month earnings

(¥bn)

	FY2021 Q1-Q3 Act.	FY2022 Q1-Q3 Act.	Y/Y
Net Sales	558.6	<b>638.0</b>	<b>+14.2%</b>
Gross Profit (%)	256.4 (45.9%)	<b>286.8</b> <b>(45.0%)</b>	+11.9% (-0.9%pt)
Operating Income (%)	66.9 (12.0%)	<b>72.9</b> <b>(11.4%)</b>	<b>+9.0%</b> (-0.5%pt)
Net Income	44.8	<b>50.5</b>	+12.7%
1USD (JPY)	111.0	135.7	+24.7
1EUR (JPY)	130.8	140.3	+9.5
1CNY (JPY)	17.2	19.8	+2.6

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Here we show the Q1-Q3 FY2022 results.

Please look at the shaded portion in the middle of the table. The Q1-Q3 (9-month) results were: sales of 638 billion yen, gross profit of 286.8 billion yen for a GP margin of 45%, operating income of 72.9 billion yen and net profits of 50.5 billion yen. Sales grew 14.2% Y/Y, for double-digit growth. Operating income rose 9% Y/Y to 72.9 billion yen, a new record high for 9-month earnings.

Next, I will explain the details of the segment results.

## Q1-Q3 Results (Apr.-Dec) Segment Results

IAB OP shifts into positive Y/Y growth. DMB achieves strong sales and profit growth

(¥bn)

	Sales			OP		
	FY2021 Q1-Q3 Act.	FY2022 Q1-Q3 Act.	Y/Y	FY2021 Q1-Q3 Act.	FY2022 Q1-Q3 Act.	Y/Y
<b>IAB</b> Industrial Automation	310.6	<b>359.1</b>	+15.6%	57.9 (18.6%)	<b>64.5</b> (18.0%)	11.4% (-0.7%pt)
<b>HCB</b> Healthcare	101.1	<b>106.7</b>	+5.6%	16.2 (16.0%)	<b>13.1</b> (12.3%)	-19.3% (-3.8%pt)
<b>SSB</b> Social Systems, Solutions & Service	55.2	<b>63.9</b>	+15.6%	-0.9 -	<b>-0.2</b> -	- -
<b>DMB</b> Device & Module Solutions	89.2	<b>105.0</b>	+17.7%	8.2 (9.2%)	<b>13.5</b> (12.8%)	<b>+64.1%</b> (+3.6%pt)
Eliminations & Corporate	2.5	<b>3.3</b>	+30.9%	-14.5	<b>-17.9</b>	-
Total	558.6	<b>638.0</b>	+14.2%	66.9 (12.0%)	<b>72.9</b> (11.4%)	9.0% (-0.5%pt)

\*Figures shown in brackets under OP are segment OPMs

\*Figures reflect the reclassification of some IAB products to DMB

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Segment sales and operating income are as shown here.

Supported by a high order backlog and the success of initiatives to boost supply capability, IAB reported sales growth of 15.6% Y/Y and operating income growth of 11.4%. IAB continues to achieve strong growth.

While sales at HCB rose Y/Y, if we exclude the foreign exchange impact, sales actually fell Y/Y. Operating income also declined, reflecting the impact of changes in product mix which led to a decline in the GP margin. Demand for BPMs has temporarily slowed on the impact of inflation, but our view that the BPM market will grow over the medium- to long-term remains intact. We continue to take actions that will position HCB for growth when demand recovers.

SSB sales grew Y/Y, reflecting not only the strong Energy business but the recovery in investments by the railway industry. While SSB posted an operating loss for Q1-Q3, this is a business where sales and profits typically skew heavily to Q4. We are making good progress toward our full-year forecast.

DMB reported sales growth of 17.7% Y/Y, on the back of improved supply capability and actions taken to expand the customer base. Operating income grew 64.1%. Both sales and operating income posted strong Y/Y growth.

Next I will talk about conditions at IAB in more detail.

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## IAB Sales Growth by Region

Greater China sales decline offset by growth in other regions.  
Successfully captured EV/semiconductor demand in Americas, achieving highest regional growth rate

FY2021→FY2022 Sales Growth (Q1-Q3 Y/Y, excluding FX impact)

Japan	Americas	Europe	Greater China	SE Asia /Other
+9%	+17%	+9%	-1%	+11%

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This table shows the Y/Y sales growth rate for the 9 months of Q1-Q3 for IAB by region. The sales growth rates are local currency-based, excluding the impact of foreign exchange.

As I noted on the previous page, sales for Greater China were impacted by China's Zero COVID measures and the rise in infections following the lifting of restrictions, which depressed demand. However, this was offset by sales growth in other regions. Overall, as you can see, IAB is achieving steady growth.

In particular, IAB was able to achieve substantial sales growth of 17% Y/Y in the Americas, backed by moves to diversify production base locations and EV- and semiconductor-related demand. To date, Greater China had been a major driver of OMRON's growth, but going forward, we are aiming for strong growth in other regions as well.

What will support this growth is the expansion of the Solutions business.

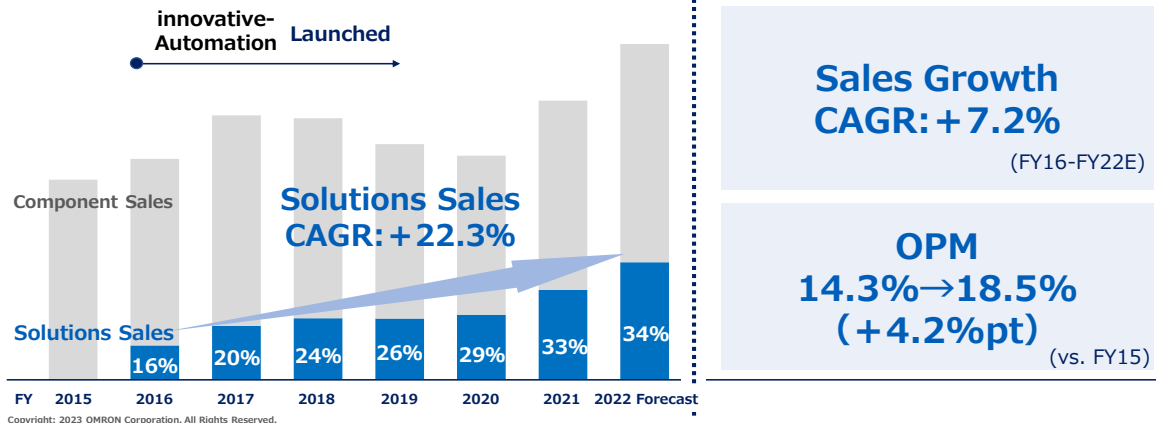
Please turn to the next page for more detail.

## IAB: Expansion of the Solutions Business

Since FY2016, the Solutions business has grown every year, developing into a driver of growth in sales and profits for IAB

Trend in Solutions Business as a Share of IAB Sales

IAB Earnings Performance  
(FY2022 Forecasts)



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We launched our Solutions business in FY2016, under a new concept, innovative-Automation.

IAB's Solution business is one in which OMRON provides value that is unique to OMRON by combining into a single package our very broad product categories with applications that address issues on the manufacturing shop floor.

Please look at the left side of the page. This graph shows the share of IAB sales coming from the Solution business and its growth rate. As you can see, the Solution business is steadily expanding, achieving a CAGR of 22.3% for the period from FY2016 up to and including the current fiscal year. The share of IAB sales derived from Solution sales is also expected to more than double from 16% to 34% over the same period.

Please now look at the right side of the page. We show here metrics for the performance of IAB as a whole. On the back of the expansion in Solution sales, overall IAB sales recorded a strong CAGR of 7.2%. The improvement in the OPM is expected to be 4.2%-points.

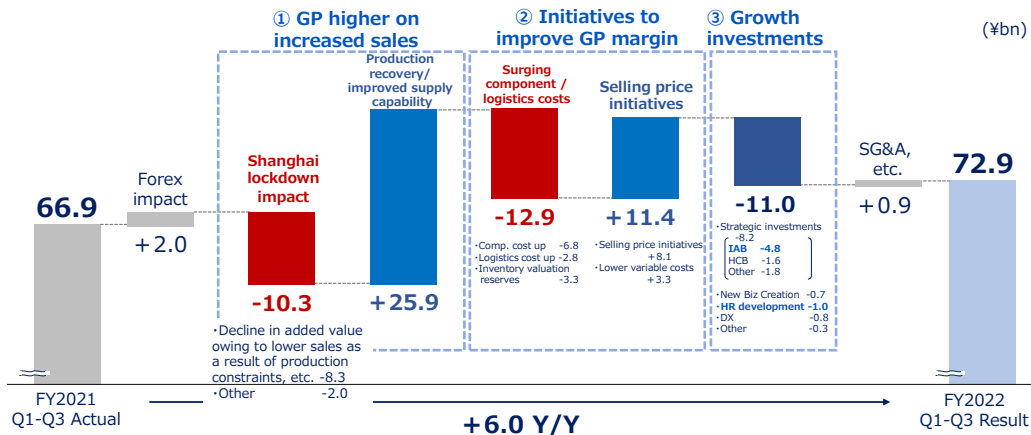
As you can see, the Solution business is a growth driver that will continue to contribute to the growth of both IAB sales and profits.

This completes my explanation of IAB.

Next, I will cover the analysis of change in factors impacting overall operating profit.

## Q1-Q3 (Apr.-Dec.): Analysis of Y/Y Change in OP

Minimized impact of surging component/logistics costs through sales growth as a result of improved supply capability and selling price initiatives. Despite maintaining growth investments, profits grew by ¥6 billion Y/Y



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This waterfall chart compares Q1-Q3 operating income to the 9-month OP of the previous fiscal year.

We show the Q1-Q3 FY 2021 operating profit on the far left and the Q1-Q3 FY2022 operating profit on the far right. In between, we show the Y/Y changes contributing to the change.

Starting on the left, there was a 2 billion yen positive impact from a weaker yen.

Next, please look at the blue box marked ① GP higher on increased sales. In Q1, there was a negative impact from the Shanghai lockdown, depressing OP by 10.3 billion yen. However, as a result of a quick recovery in production and continued initiatives to boost supply capability, we were able to generate 25.9 billion yen in profits.

Next is ② Initiatives to improve GP margin.

Prices for components and logistics costs continue to rise. The negative impact to date is 12.9 billion yen. However, through selling price initiatives and efforts to reduce cost, we were able to generate a positive impact of 11.4 billion yen. As such, we have been able to appropriately control the impact of inflation.

Last is ③ Growth investments.

We have been steadily implementing strategic investments such as the strengthening of innovative-Automation at IAB, and investments in human capital. As a result of all of the above, we were able to achieve a hefty 6 billion yen Y/Y increase in Q1-Q3 FY2022 operating income.

Next, I will discuss the full-year forecasts.

## 2. FY2022 Full-year Forecasts

## Operating Environment Outlook by Segment

**Expect heightened uncertainty as a result of global macro slowdown.  
Mixed picture for demand by business domain**

<b>IAB</b> Industrial Automation	<p><b>Digital:</b> Expect differences in semiconductor demand by application but overall investment to slow. <b>Renewable energy (PV) to remain strong</b> <b>NEV:</b> EV-related and rechargeable battery investments to remain firm</p> <p>Food/household goods: Investments falling on weaker consumer demand due to inflation. Investments to eliminate use of plastics remain firm</p> <p>Medicine: Vaccine/other COVID-19-related special demand paused. Capex to address rising demand for drugs on population aging to remain firm</p> <p>Logistics: Capex investments related to new builds remain sluggish. Automation investments increasing on warehouse worker shortages</p>
<b>HCB</b> Healthcare	<p><b>Cardiovascular:</b> BPM demand lackluster on impact of inflation on consumer spending</p> <p>Respiratory: Demand expanding on COVID-19 conditions in China and easing of restrictions on movement in Central/South America, Asia and Europe</p> <p>Remote medical service: Demand remains firm, primarily in U.S. and Europe</p>
<b>SSB</b> Social Systems, Solutions & Service	<p><b>Energy:</b> Demand firm on tight energy supply, surging prices and continuation of subsidies to support adoption of renewable energy</p> <p>Management &amp; Services: As a result of labor shortages, firm shift from analog inspections to inspections that leverage IT</p> <p>Railway operators: Continued recovery trend in capex by railway operators on the back of rising passenger numbers</p>
<b>DMB</b> Device & Module Solutions	<p><b>DC (direct current) equipment:</b> On a global basis, some differences in demand by geography but continued firm demand related to EVs and renewable energy</p> <p>Microwave devices: Memory demand weak but semiconductor testing equipment-related demand remains firm</p>

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First is our outlook for the operating environment in Q4.

We expect uncertainty in the operating environment to increase as a result of a global economic slowdown.

I will now touch upon the individual segments.

First is IAB. For semiconductors, we expect the overall investment pace to moderate, although there will be differences in demand by application. In contrast, we expect to see continued strong demand for renewable energy, EV-related and rechargeable battery investments.

For HCB, we expect demand for BPMs to remain sluggish on the impact of inflation on consumer spending.

For SSB, we expect Energy business demand to remain firm on the back of a tight supply of electric power and surging prices. In addition, we continue to see a recovery in investments by the railway industry.

For DMB, while global demand is likely to slow on the impact of inflation, we expect demand related to EVs, renewable energy and semiconductor testing equipment to remain solid.

Next are the consolidated full-year forecasts.

## FY2022 Full-year Forecasts

Maintaining full-year forecasts as upwardly revised  
at the end of Q2 FY2022

	FY2021 Actual	FY2022 Forecast	Y/Y
Net Sales	762.9	<b>880.0</b>	+15.3%
Gross Profit	346.8	<b>396.5</b>	+14.3%
(%)	(45.5%)	<b>(45.1%)</b>	(-0.4%pt)
Operating Income	89.3	<b>95.0</b>	+6.4%
(%)	(11.7%)	<b>(10.8%)</b>	(-0.9%pt)
Net Income	61.4	<b>64.5</b>	+5.0%
1USD (JPY)	112.1	133.0	+21.0
1EUR (JPY)	130.5	139.0	+8.5
1CNY (JPY)	17.4	19.6	+2.2

(¥bn)  
\*Foreign exchange assumptions for Q4 have been revised  
USD (JPY): 140→125, EUR (JPY): 140→ 135, CNY (JPY): 20.0→ 19.0

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We reiterate the full-year forecasts which we revised up at the end of Q2.

The order backlog at IAB remains at high levels; as a result we expect IAB Q4 sales and profit growth will remain high.

For the other segments, we expect Q4 to track in line with our most recent forecasts.

We have revised the forex assumptions for Q4 to reflect yen appreciation, but even after factoring this in, we believe our full-year forecasts are achievable.

Next, I will explain the full-year forecasts for the segments.

## Sales and Operating Income Forecasts by Segment

Maintaining segment forecasts for sales and operating income as well

(¥bn)

	Sales			OP		
	FY2021 Actual	FY2022 Forecast	Y/Y	FY2021 Actual	FY2022 Forecast	Y/Y
<b>IAB</b> Industrial Automation	<b>418.1</b>	<b>503.0</b>	+20.3%	76.3 (18.2%)	<b>93.0</b> <b>(18.5%)</b>	+22.0% (+0.3%pt)
<b>HCB</b> Healthcare	<b>132.9</b>	<b>143.0</b>	+7.6%	18.5 (14.0%)	<b>15.0</b> <b>(10.5%)</b>	-19.1% (-3.5%pt)
<b>SSB</b> Social Systems, Solutions & Service	<b>87.7</b>	<b>96.0</b>	+9.5%	6.5 (7.4%)	<b>5.0</b> <b>(5.2%)</b>	-23.1% (-2.2%pt)
<b>DMB</b> Device & Module Solutions	<b>121.0</b>	<b>135.0</b>	+11.6%	10.1 (8.3%)	<b>12.0</b> <b>(8.9%)</b>	+19.0% (+0.6%pt)
Eliminations & Corporate	<b>3.3</b>	<b>3.0</b>	-9.1%	-22.1	<b>-30.0</b>	-
<b>Total</b>	<b>762.9</b>	<b>880.0</b>	+15.3%	89.3 (11.7%)	<b>95.0</b> <b>(10.8%)</b>	+6.4% (-0.9%pt)

\*Figures shown in brackets under OP are segment OPMs

\*Figures reflect the reclassification of some IAB products to DMB

We have chosen to also reiterate our segment forecasts for both sales and operating income.

## Shareholder Returns

DPS guidance for fiscal year-end of ¥49 and full-year of ¥98 reiterated.  
Completed ¥20 billion share buyback announced in July;  
hit upper limit on January 11, 2023

Dividend	FYE Dividend (Forecast)	¥49	+ ¥3 versus FY21 level	Full-year (Forecast)	¥98	+ ¥6 versus FY21 level
	Share Buyback	Completed (January 11, 2023)	¥20.0bn (2.86mn shares)	Program announced July 26 Amount: ¥20.0bn (upper limit) No. of shares: 3.3mn (upper limit) Acquisition period: July 27, '22 to March 31, '23		

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Next is our shareholder returns guidance for FY2022.

In line with our previous forecast, we are guiding for a fiscal year-end dividend per share of 49 yen. Our annual DPS forecast remains unchanged, for a 6 yen Y/Y increase to 98 yen.

Also, in January we completed the 20 billion yen share buyback program announced in July.



This covers the full-year forecasts.

Next, I will highlight OMRON's ESG initiatives.



# ESG: External Recognition & Inclusion in Indices

## Major External Ratings

<b>DJSI World</b>	<b>6 Years in a Row</b>	Member of <b>Dow Jones Sustainability Indices</b> <small>Powered by the S&amp;P Global CSA</small>
<b>EcoVadis Sustainability Assessment</b>	<b>Platinum (Top 1%)</b>	
<b>CDP (Former Carbon Disclosure Project)</b>	<b>Climate Change: A Water Security: A</b>	

## Major ESG Indices in which OMRON is Included

### Global

- ✓ **DJSI World** 6<sup>th</sup> consecutive yr.
- ✓ **FTSE4Good Index Series** 7<sup>th</sup> consecutive yr.
- ✓ **MSCI ESG Leaders Indexes** 8<sup>th</sup> consecutive yr.
- ✓ **MSCI SRI Indexes** 6<sup>th</sup> consecutive yr.
- ✓ **STOXX Global ESG Leaders Indices** 7<sup>th</sup> consecutive yr.

### Domestic

- ✓ **FTSE Blossom Japan Index** 6<sup>th</sup> consecutive yr.
- ✓ **FTSE Blossom Japan Sector Relative Index** 1<sup>st</sup> time inclusion
- ✓ **MSCI Japan ESG Select Leaders Index** 6<sup>th</sup> consecutive yr.
- ✓ **MSCI Japan Empowering Women Index** 6<sup>th</sup> consecutive yr.
- ✓ **S&P/JPX Carbon Efficient Index** 5<sup>th</sup> consecutive yr.

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In the Long-term Vision which started in April 2022, OMRON aims to maximize corporate value by identifying material sustainability issues, and creating social and economic value.

Please look at the left side of the slide.

This fiscal year marks the 6th consecutive year that OMRON has been included in DJSI World. Also, OMRON was rated Platinum by EcoVadis in its sustainability assessment. This is the top rating awarded by a sustainability assessment considered to be particularly important in Europe. As well, we were able to achieve our highest rating ever with CDP.

In addition, as shown on the right side of the slide, OMRON continues to be selected for inclusion in the major ESG indices, including the main indices adopted by GPIF.

OMRON will continue to strengthen its sustainability initiatives going forward.

We note that we plan to hold a face-to-face ESG briefing for this fiscal year on March 8th. CEO Yamada will present. We hope to be able to engage with you in person at the briefing.

Next, I will explain the new management team.

## 3. New Management Team

## New Management Members from FY2023



Chairman  
Chair of the Board  
of Directors

Yoshihito Yamada  
(61)



Representative Director  
President, CEO

Junta Tsujinaga  
(56)



Representative Director  
Vice President, CTO

Kiichiro Miyata  
(62)



Senior Managing  
Executive Officers, CHRO  
and  
Senior General manager,  
Global Human Resources  
and Administration HQ

Masahiko Tomita  
(56)



Managing Executive  
Officer, CFO  
and  
Senior General manager,  
Global Strategy HQ

Seiji Takeda  
(55)

\*To be approved at the 86th Ordinary General Stakeholders Meeting scheduled in June, 2023

\*Figures shown in brackets are ages as of April 1, 2023

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I will now present the new management team, as announced today.

I will start on the left. As you know Representative Director, President and CEO Yamada will be stepping down from his position as CEO and President.

Following the AGM in June, he is expected to take on the role of Chairman of the Board. He will focus on strengthening corporate government in his new role as board chairman.

Next on the right is Mr. Tsujinaga, who will become President and CEO on April 1.

Since joining OMRON, Mr. Tsujinaga career has been with IAB. After contributing to expanding the European business, he was instrumental in launching innovative-Automation! in 2016 and has led the shift to focusing on the Solution business.

After becoming the head of IAB in 2021, he has achieved strong growth, increasing IAB sales by 1.5-fold and operating income 1.6-fold over 2 years.

Next on the right is Mr. Miyata, who will remain in his position as CTO to support Mr. Tsujinaga.

Next is Mr. Tomita, who has been appointed to take on the newly created role of CHRO.

After taking on management strategy roles in Japan and the U.S. at both the business unit and group level, Mr. Tomita is currently tasked with promoting the group's human resource strategies as the Senior General Manager of the Global Human Resources and Administration HQ.

Going forward in his role as CHRO, he will accelerate initiatives to invest in and elevate the value of human capital, which will contribute to enhancing corporate value.

Next to him is Mr. Takeda, who will be my replacement as CFO and Senior General Manager of the Global Strategy HQ.

Mr. Takeda has taken on management roles in HCB in a number of geographies, including the U.S., China and Brazil. Subsequently, he had taken a leadership role in the planning and execution of group management strategies as General Manager of the Corporate Planning Department, Global Strategy HQ. He was also the project leader responsible for the formulation of the Long-term Vision.

He has ably supported me over the last 6 years: I am very comfortable in handing over to Mr. Takeda.

## New Management Members of 4 BCs

Young leaders to drive each company toward the realization of SF 2030

IAB



Managing Executive Officer  
Company President,  
Industrial Automation  
Company

Motohiro Yamanishi  
(48)

HCB



Managing Executive Officer  
President and CEO,  
OMRON HEALTHCARE  
CO., LTD.

Ayumu Okada  
(50)

SSB



Managing Executive Officer  
President and CEO,  
OMRON SOCIAL SOLUTIONS  
CO., LTD.

Katsuhiko Shikata  
(52)

DMB



Managing Executive Officer  
Company President,  
Device & Module Solutions  
Company

Masahiko Ezaki  
(52)

Present  
post

Senior General Manager  
Product Business Division HQ,  
Industrial Automation Company

Senior General Manager  
Management Strategy HQ,  
OMRON HEALTHCARE CO., LTD.

Senior General Manager  
President and CEO,  
OMRON FIELD ENGINEERING CO., LTD.

Senior General Manager  
Business Management Division HQ,  
Device & Module Solutions Company

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\*To be appointed as of March 21, 2023

\*Figures shown in brackets are ages as of April 1, 2023

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We have also announced a fresh lineup for all 4 heads of the business segments.

All 4 of these individuals have long been key pillars in their respective businesses, supporting their company presidents.

All have substantial experience and track records, not only playing central roles in business operation but also as leaders in the formulation of the Long-term Vision, structural reforms and overseas business operations.

We also highlight the fact that Ms. Okada, who will become the new company president of OMRON Healthcare, is OMRON's first female company president.

We hold very high expectations for these 4 individuals as leaders in driving business growth to realize SF2030.

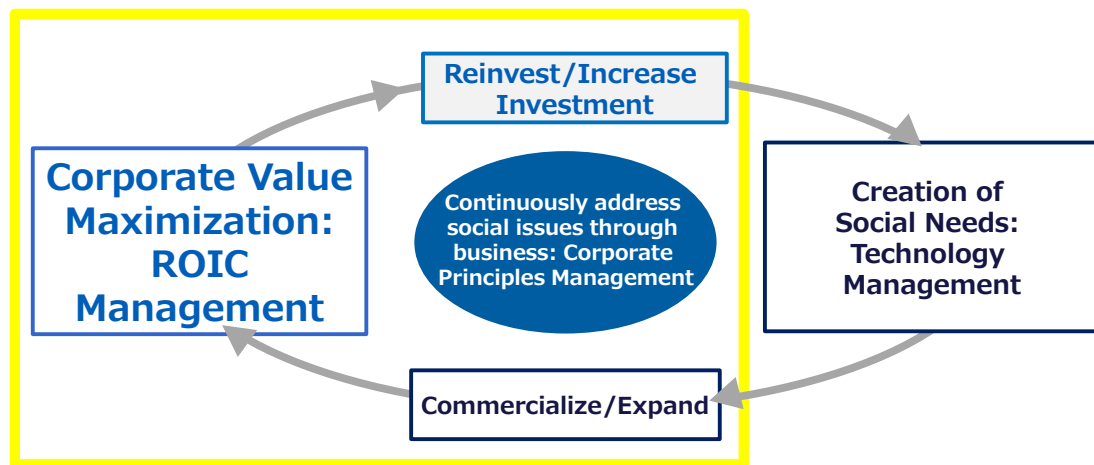
I am confident that this youthful and dynamic new management team will further develop OMRON's businesses and achieve sustainable growth in corporate value.

## 4. Message from CFO

Finally, I would like to take this opportunity before I step down to look back at what I have focused on as CFO as well as what I will be handing on to the new management team as OMRON seeks to realize our goals under SF2030.

## Toward Maximizing Corporate Value

### OMRON's Cycle for Corporate Value Maximization



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On this page, we show OMRON's cycle for maximizing corporate value.

At the core of corporate value maximization for OMRON is the Corporate Principles.

By acting on the Corporate Principles, focusing on addressing social issues through our business, we will maximize the value of our businesses and reinvest in creating the next social needs. This will allow us to continue to expand our business.

I have highlighted in yellow the areas of the cycle for which I had responsibility as the CFO and the Senior General Manager of Global Strategy HQ.

In Japan, there aren't many instances where the CFO is also tasked with being the head of strategy. However, I believe that one of OMRON's strengths in aiming to enhance corporate value is an executive approach which not only focuses on strong group management functions, such as ROIC, but also has a good eye for investments and is responsible for honing strategies to expand the business.

## ROIC Management & Solid CF Foundations for SF2030

Implementing ROIC Management in VG

Portfolio Management

Down-Top ROIC Tree

OMRON's Robust CF Foundation (FY16→FY22 Forecasts)

1	Portfolio of selected business segments (business portfolio)	# of Business Segments <b>9→4</b>
2	Focus on high margin product categories (product portfolio)	Total # of Segments* <b>86→62</b>
3	Growth of IAB, increased share of sales from Solutions business	Share of Solutions Sales <b>+18%pt</b>
4	Profit growth driven by strong profit-generating capability	GP Margin <b>+5.8%pt</b>
5	Business segments with ROIC greater than 10%	All 4 Business Segments

\* FY21 figures for product categories

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Under ROIC management, OMRON has chiefly focused on implementing 2 major initiatives.

Please look at the left side of the page.

The first is portfolio management and the second is front line action and KPI management as a result of deploying the Down-Top ROIC Tree.

On the right, we show the major achievements as a result of these initiatives: these are effectively OMRON's strengths.

First, under portfolio management, we made progress on a review of our business companies such as AEC and the backlight business. As a result, we narrowed down our business portfolio to 4 high margin business segments.

At the same time, we were also disciplined in managing the portfolio at the product level, narrowing down to focus on high margin product categories.

The cash that was generated through these initiatives was reinvested in growth businesses, mainly in IAB.

As a result, as is reflected in the current fiscal year's results, we have been able to solidly improve IAB's growth capability. The share of sales coming from the key driver of this growth, the Solution business, continues to rise.

Next is the Down-Top ROIC Tree. We linked the elements that make up ROIC with front-line actions, to improve effectiveness. As a result, the GP margin, which reflects our ability to generate profits, has improved significantly.

In addition, all of our business segments are now generating ROICs in excess of our group hurdle rate of 10%.

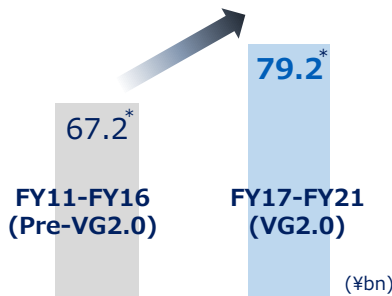
My message to you today is that as a result of OMRON's continued efforts, we now have a sound foundation for CF generation which will contribute to the growth we aim to achieve under SF2030.

## Enhancing Corporate Value: Achievements

Cash generated through ROIC management contributes to enhancing corporate value via business growth and improved shareholder returns

### Improved CF Generation Capability

**OPCF Generation Capability**  
+12.0bn (approx. 1.2x)



### Business Growth Achievements and Shareholder Returns

#### Achieved Business Growth (CAGR FY16→FY22 forecast)

<b>IAB Sales Growth</b>	<b>HCB Sales Growth</b>
<b>+7%</b>	<b>+6%</b>
<b>SSB Sales Growth</b>	<b>DMB Sales Growth</b>
<b>+1%</b>	<b>+6%</b>

#### Enhanced Shareholder Returns (FY16→FY22 forecast)

- **Stable, sustainable DPS** **+¥30**  
(FY2016: ¥68→FY2022E: ¥98)
- **Flexible share buybacks** **¥110.0 bn (cumulative)**

### Corporate Value Enhancement

**TSR**  
**+42%\***

(End Mar. 2017  
→End Dec. 2022)

\*TSR includes ¥98 DPS guidance for FY22

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As a result of implementing ROIC management as discussed, OMRON's CF generating capability has improved significantly.

Please look at the left side of the page.

This shows the average annual OPCF from FY2017 onward when I became CFO compared to the average annual OPCF prior to FY2017. As shown here, average annual OPCF improved 12 billion yen, a roughly 1.2-fold increase.

As a result of continuously reinvesting the increased cash in growth businesses, we were able to grow the sales of each of our businesses, led by IAB.

At the same time, in alignment with our cash allocation policy, we also made progress on enhancing shareholder returns. Our DPS has increased 30 yen from FY2016. Since FY2017 we have implemented a cumulative 110 billion yen in share buybacks.

As a result of share price appreciation driven by business growth and improved shareholder returns, we have made solid progress in improving corporate value. Our TSR has risen a significant 42% versus FY2016.

This achievement is evidence that we are moving in the right direction with our strategies.

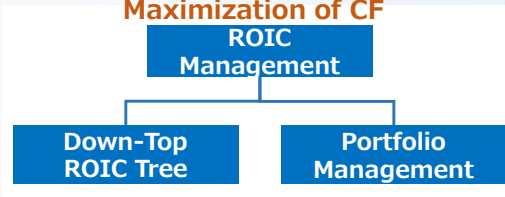
As CFO, I feel that I will be leaving my successor with significant assets that will contribute to OMRON's future.



## Preparing For Dramatic Growth In SF2030

### Long-term Vision SF2030

#### Mechanism to Support Maximization of CF

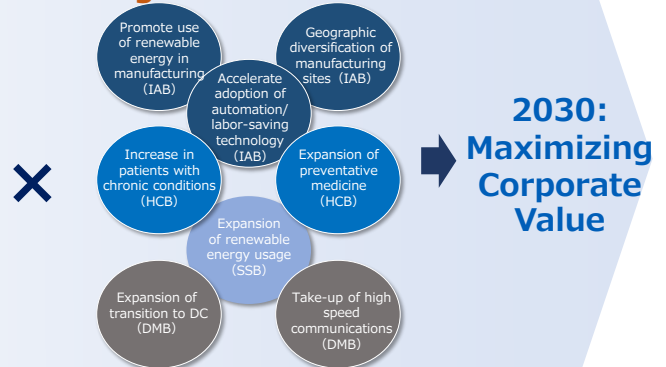


#### Passionate and Professional Human Resources



- HR system that allows human resources to fully realize their potential
- Continuous investment in individuals keen to achieve personal growth

#### Multiple Growth Opportunities Targeted Under SF2030



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This is the final slide of this section of the presentation.

As discussed today, the framework for ROIC management, which allows OMRON to maximize CF, is already solidly in place.

We are also fortunate to have talented, passionate and professional employees around the world.

We are in the process of putting into place a HR system that will allow each individual to fully tap into their potential. We also intend to invest in individuals who seek personal growth.

I firmly believe that the ROIC management framework and our passionate professionals will make progress on addressing social issues and solidly capture the many growth opportunities identified in SF2030 to boost OMRON's corporate value.



This completes my presentation. I have covered our results for the fiscal year to date, the new management team and shared my message with you.

Thank you.

# Reference

# Consolidated Balance Sheet

	End-March 2022	End-Dec 2022	(¥bn) Chg, vs. End-FY2021
Current assets	482.9	467.9	-15.0
(Cash and cash equivalents)	(155.5)	(87.6)	(-67.9)
(Inventory)	(141.9)	(187.4)	(+45.5)
Property, plant and equipment	122.1	123.7	+1.6
Investments and other assets	325.6	352.9	+27.3
<b>Total assets</b>	<b>930.6</b>	<b>944.5</b>	<b>+13.8</b>
Current liabilities	211.7	188.2	-23.5
Long-term liabilities	51.0	44.7	-6.3
<b>Total Liabilities</b>	<b>262.7</b>	<b>232.9</b>	<b>-29.8</b>
Shareholders' equity	665.2	708.9	+43.7
Noncontrolling interests	2.7	2.7	-0.1
<b>Total net assets</b>	<b>668.0</b>	<b>711.6</b>	<b>+43.6</b>
<b>Total Liabilities and net assets</b>	<b>930.6</b>	<b>944.5</b>	<b>+13.8</b>
<b>Equity ratio</b>	<b>71.5%</b>	<b>75.1%</b>	<b>+3.6%pt</b>

# Consolidated Cash Flow Statement

(¥bn)

	FY2021 Q1-Q3 Act.	FY2022 Q1-Q3 Act.	Y/Y
Operating cash flow	47.3	20.2	-27.1
Investment cash flow	-24.0	-38.6	-14.7
Free cash flow (FCF)	23.3	-18.4	-41.7
Financing cash flow	-49.6	-56.8	-7.2
Cash and cash equivalents as of end of period	235.2	87.6	-147.7
Capital expenditure	20.7	28.4	+7.7
Depreciation	17.4	19.8	+2.4

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

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

	Sensitivities		Assumptions
	Sales	OP	Q4 FY2022 Assumptions
USD	¥1.8 bn	¥0.1 bn	¥125
EUR	¥0.9 bn	¥0.4 bn	¥135
CNY	¥1.0 bn	¥0.3 bn	¥19.0

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

# OMRON Included in Major ESG Indices (As of January 2023)

## ESG Indices which include OMRON

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

\* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.  
 FY2022 Assessment: Climate Change 'A', Water Security 'A'

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



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



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# External Recognition (As of January 2023)

## Domestic ESG awards, selection for inclusion

### S&P Global Sustainability Award

- ✓ S&P Sustainability Award Silver Class

### EcoVadis

- ✓ Sustainability Assessment Gold Rating

### Japan Association of Corporate Directors

- ✓ Corporate Governance of the Year 2018  
METI Minister's Award for Corporate Governance of the Year **FY2018**

### Ministry of the Environment

- ✓ FY2018 Minister's Award for Global Warming Prevention Activity  
'Implementation of Countermeasures and Dissemination Category' **FY2018**

### Sponsored by Nikkei Inc

- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award **December 2019**
- ✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Social Value Award **November 2022**

### Selected by METI, TSE

- ✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**  
**5<sup>th</sup> consecutive year from FY2017**
- ✓ Nadeshiko Brand **4<sup>th</sup> consecutive year from FY2018**
- ✓ Health & Productivity Stock **6<sup>th</sup> consecutive year from FY2016**

### Selected by Nikkei Inc.

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

Sustainability Award  
Silver Class 2022  
S&P Global

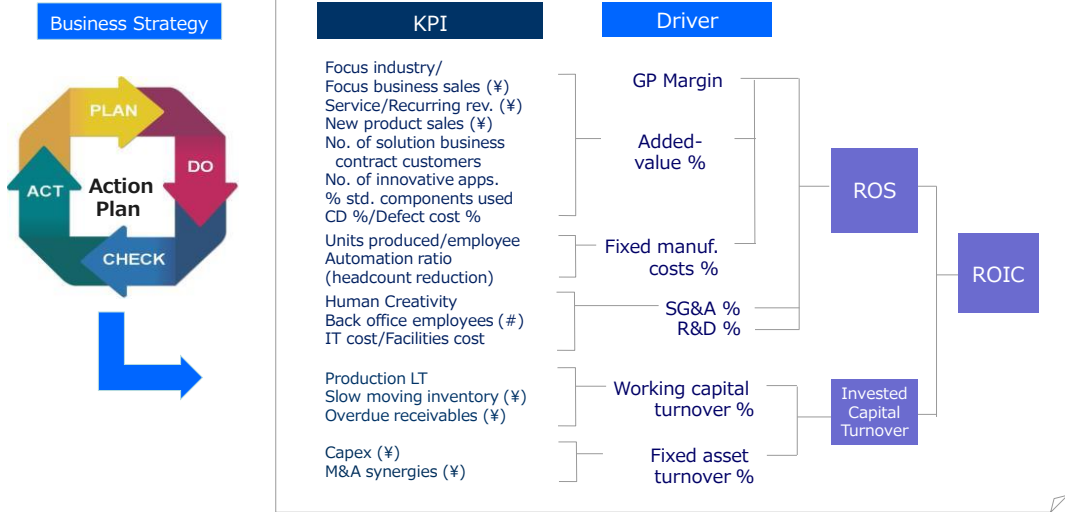


平成30年度  
地球温暖化防止活動  
環境大臣表彰

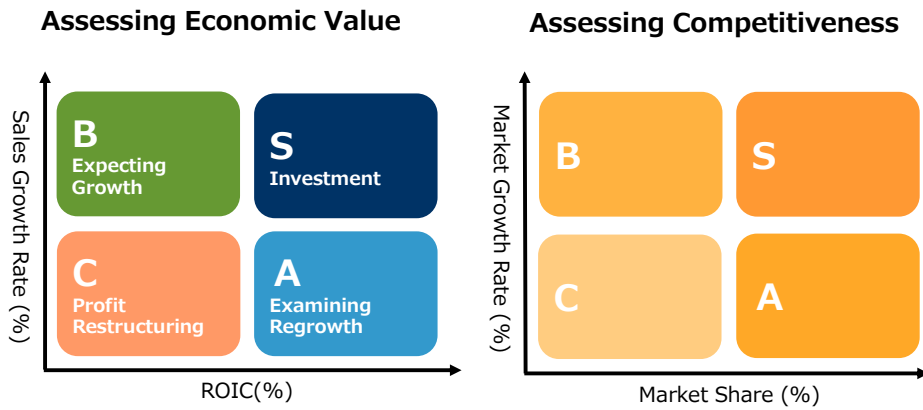




# Down-Top ROIC Tree (2.0)



# Portfolio Management



# ROIC Definition

<Consol. B/S>

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

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

**Invested capital\***

= Net assets + Interest-bearing debt

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

**Capital cost forecast at 5.5%  
for FY2021 - 2024**

## **Notes**

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.

Contact:  
**Investor Relations Department**  
**Global Investor & Brand Communications**  
**OMRON Corporation**  
Email: [omron-ir@omron.com](mailto:omron-ir@omron.com)  
Website: [www.omron.com/global/en/](http://www.omron.com/global/en/)