

FY2018 H1 Earnings Ended September 30, 2018



**Oct. 30, 2018
OMRON Corporation**

Summary

■ H1 results

- Operating environment deterioration from Q2 worse than expected. Results fell short of internal plan.
- Despite shortfall, sales and gross profits up Y/Y. IAB, HCB maintained growth.
- Continued to invest for future growth with intent.

■ Full-year forecasts

- Revising down full-year forecasts, given expectations for continued uncertainty in the operating environment.
- That said, medium- and long-term trend in social needs remain unchanged. Continue to invest selectively for the future.
- IAB & HCB topline growth to continue, partly supported by investments.

■ Aiming for further growth

- Continue to make solid progress with growth initiatives for IAB.
- Continue to enhance growth cycle to achieve sustainable growth.

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H1 Results



H1 Results

**Sales, Gross Profit up Y/Y. GP Margin of 41.8%.
Continue to improve ability to generate profits.**

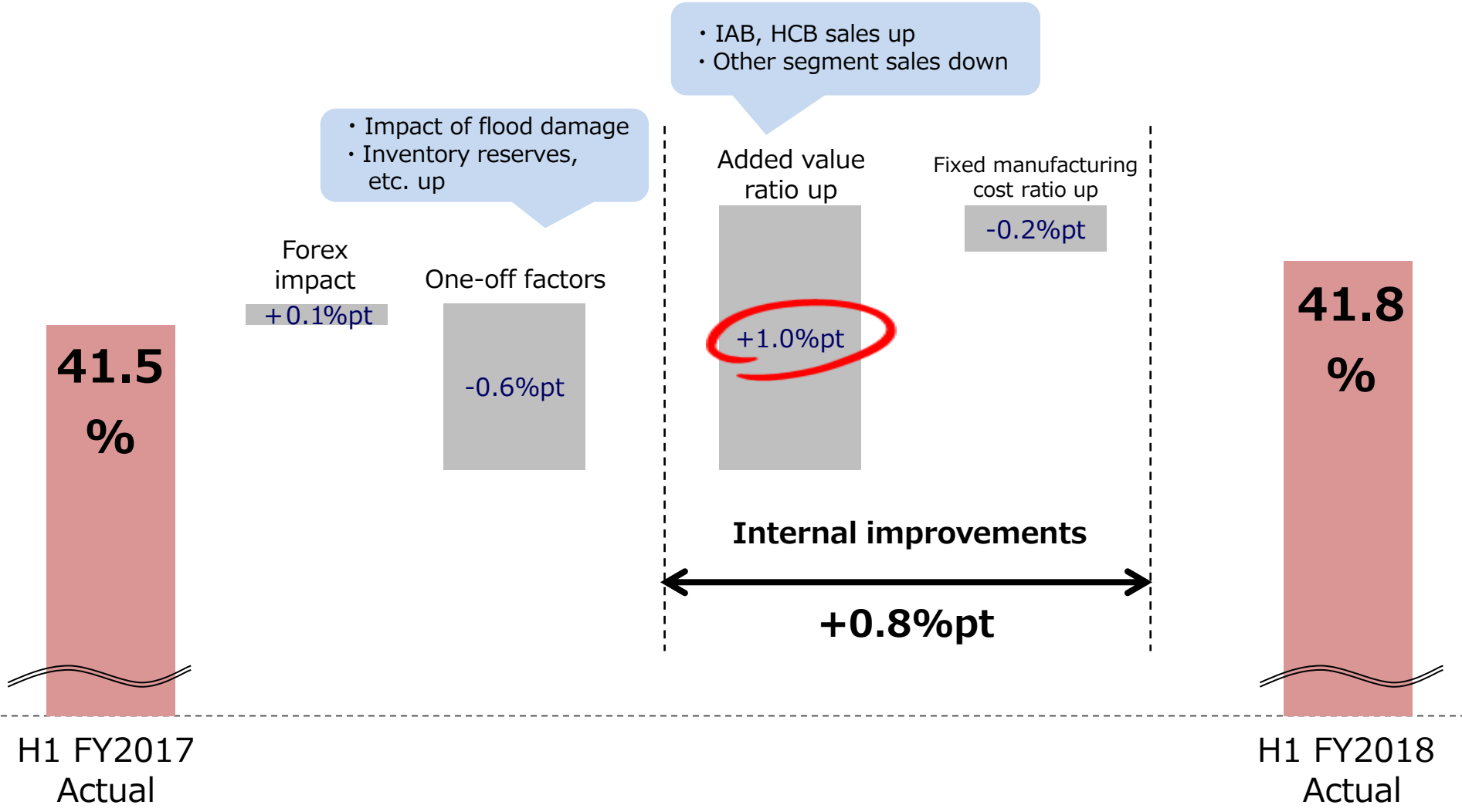
(¥bn)

	FY2017 H1 Actual	FY2018 H1 Actual	Y/Y
Net Sales	410.5	416.2	+1.4%
Gross Profit (%)	170.3 (41.5%)	173.8 (41.8%)	+2.1% (+0.3%pt)
Operating Income (%)	43.5 (10.6%)	36.6 (8.8%)	-16.0% (-1.8%pt)
Net Income Attributable to Shareholders	30.3	26.4	-12.8%
1USD (JPY)	111.2	109.5	-1.7
1EUR (JPY)	125.6	129.5	+3.9

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

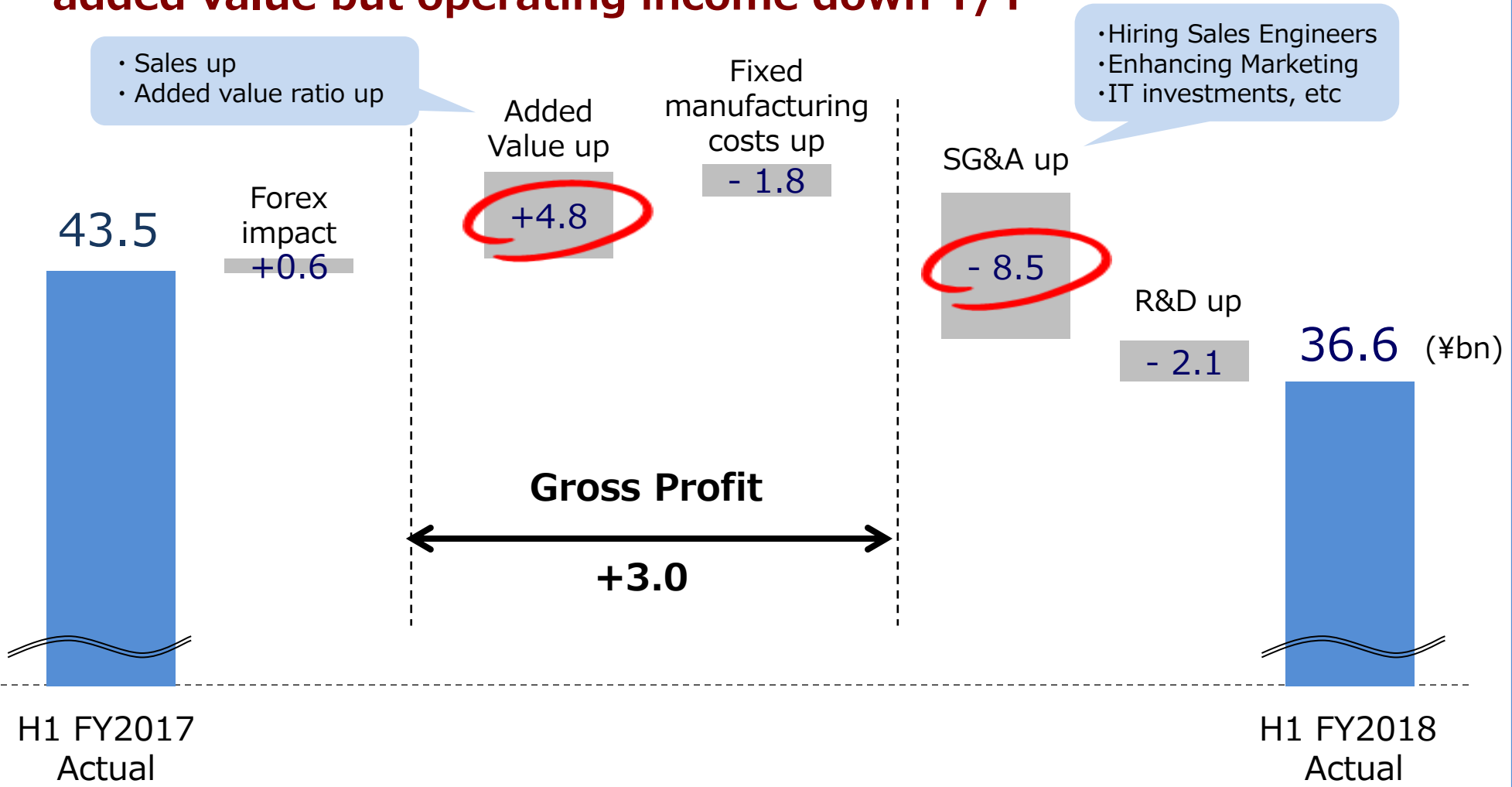
GP Margin Analysis, Y/Y

Solid improvement in profit-generating capability



Operating Income Analysis, Y/Y

Proactive investments for future growth funded by increase in added value but operating income down Y/Y



Sales by Business Segment

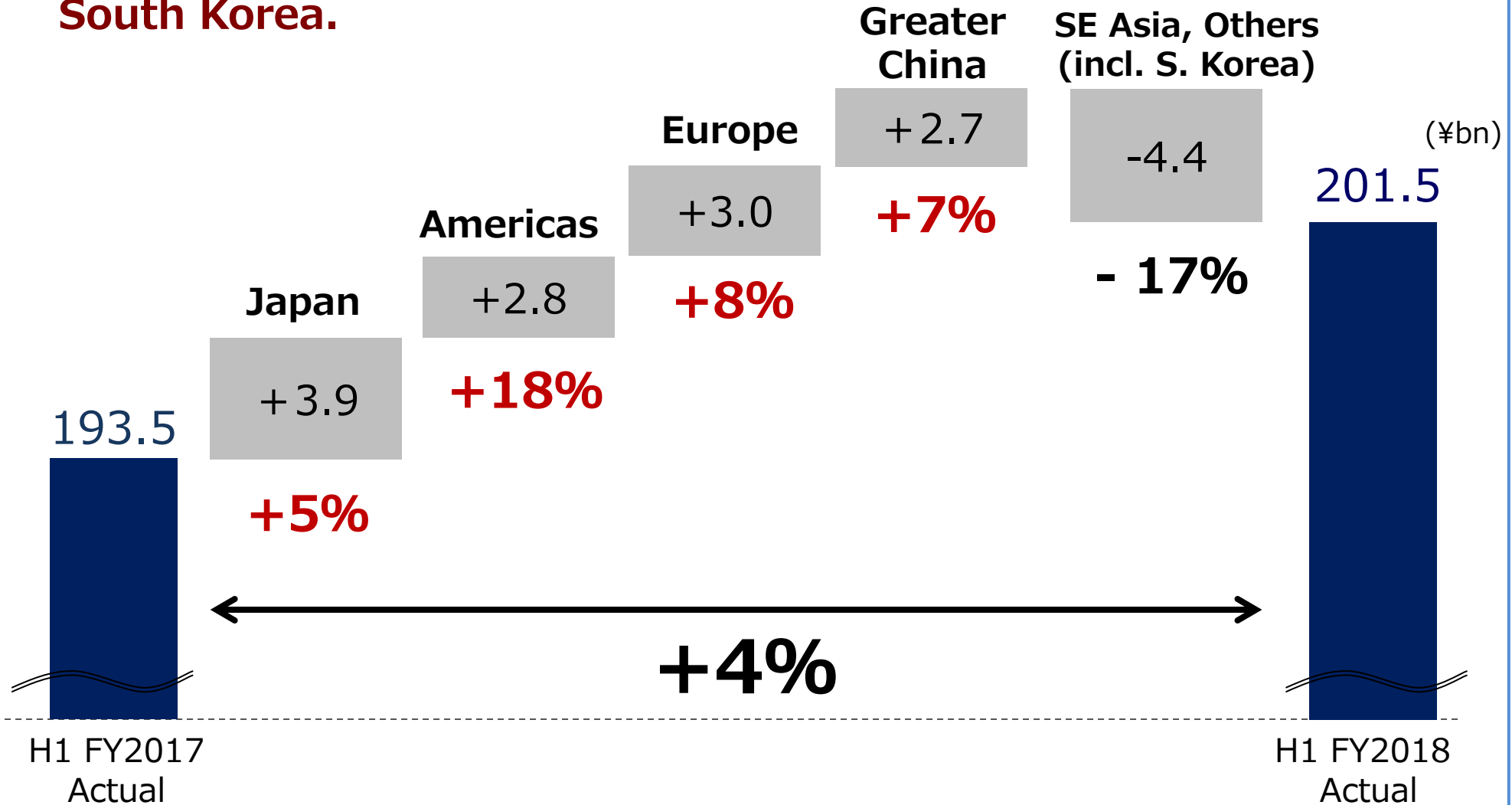
**IAB, HCB growth maintained. SSB sales also up.
Restructuring Other segment.**

(¥bn)

	H1 FY2017 Actual	H1 FY2018 Actual	Y/Y
IAB Industrial Automation	193.5	201.5	+4.1%
EMC Electronic & Mechanical Components	52.8	51.3	-2.8%
AEC Automotive Electronic Components	64.1	65.0	+1.3%
SSB Social Systems, Solutions & Service	19.5	20.6	+5.6%
HCB Healthcare	51.1	55.5	+8.5%
Other Businesses under the Direct Control of HQ	26.5	20.0	-24.7%
Eliminations & Corporate	3.0	2.4	-19.6%
Total	410.5	416.2	+1.4%

IAB Sales by Region

IAB showing well-balanced global growth, with the exception of South Korea.



Operating Income by Business Segment

**Increased growth investments at IAB, EMC.
Continued strength at HCB.**

(¥bn, %: OP margin)

	H1 FY2017 Actual	H1 FY2018 Actual	Y/Y
IAB Industrial Automation	38.0 (19.7%)	33.3 (16.6%)	-4.7 (-3.1%pt)
EMC Electronic & Mechanical Components	7.3 (13.9%)	4.6 (8.9%)	-2.8 (-5.0%pt)
AEC Automotive Electronic Components	2.6 (4.1%)	3.2 (4.9%)	+0.6 (+0.8%pt)
SSB Social Systems, Solutions & Service	-2.8 (-)	-2.5 (-)	+0.3 (-)
HCB Healthcare	6.2 (12.1%)	7.2 (13.0%)	+1.0 (+0.8%pt)
Other Businesses under the Direct Control of HQ	0.4 (1.6%)	-1.2 (-)	-1.6 (-)
Eliminations & Corporate	-8.3	-8.0	+0.3
Total	43.5 (10.6%)	36.6 (8.8%)	-7.0 (-1.8%pt)

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.



Full-year Forecasts

H2 Business Environment by Segment (Change vs. Initial Plan)

**Expect uncertain business environment to continue.
However, underlying longer-term growth trend is unchanged.**

IAB Industrial Automation	Auto: Remain firm, on capex for ADAS/EV & electrification Digital: Semiconductor/smartphone investments weak Food & Bev.: Stable. Automation/quality mgmt. investments for safety & security needs Social Infra.: Remain firm on continued EM smart city investments
EMC Electronic & Mechanical Components	Consumer: Americas/Europe firm. Weaker China demand for consumer/commercial product Automotive: Expect China demand to decline but other regions generally firm
AEC Automotive Electronic Components	Demand in China to decline on weak US automakers and cooling consumer sentiment but overall markets firm with demand picking up in Japan, SE Asia/Other
SSB Social Systems, Solutions & Service	Station sys.: Replacement cycle firm, expect demand to pick up Transport: Expect firm replacement demand
HCB Healthcare	Online channel firm globally despite negative impact of weaker EM currencies and slowing personal consumption in China
Other Businesses under the Direct Control of HQ	Env. Soln.: PV inverters weak but continued growth for storage systems Backlights: Smartphone market to remain weak

Full-year Forecasts

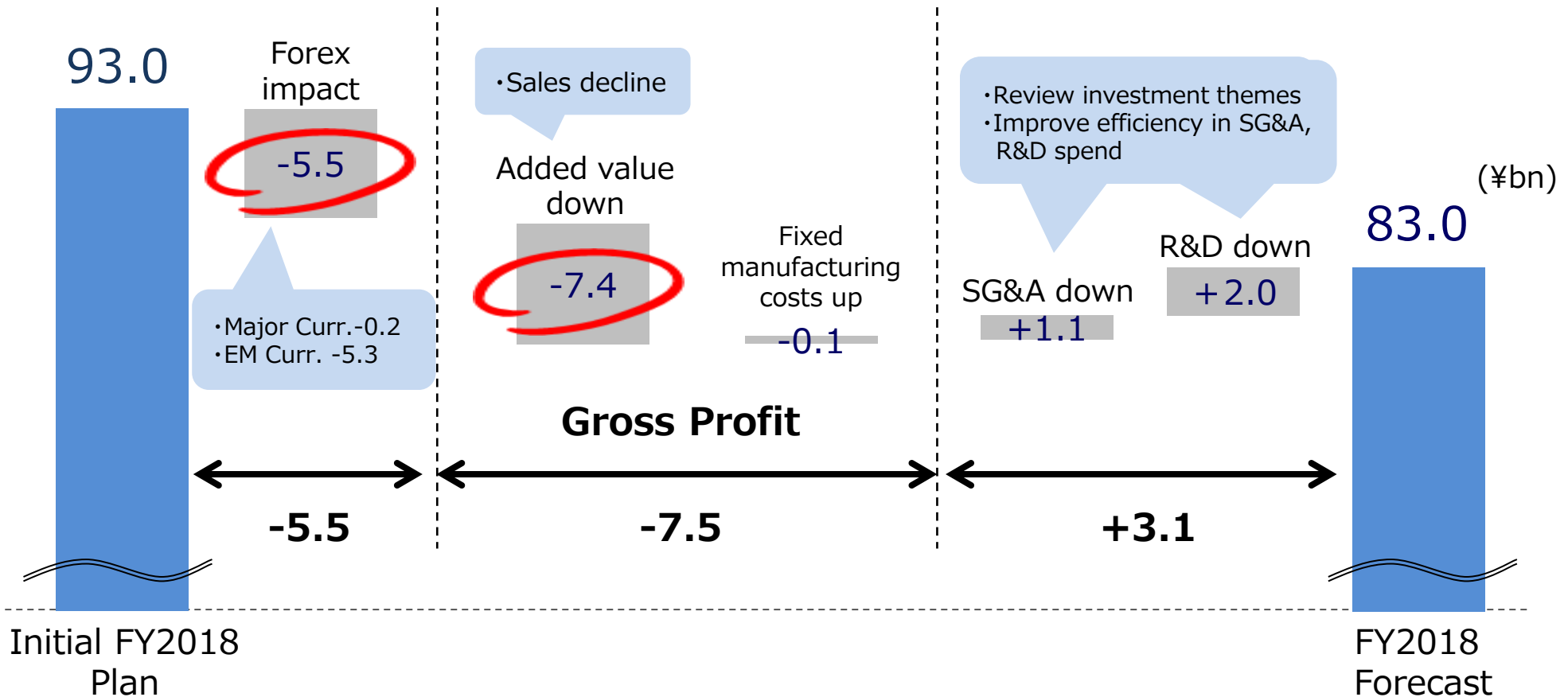
**Forecasts revised: projecting sales growth but profit declines Y/Y.
Full-year GP Margin 41.8%, up Y/Y.**

	FY2018 Initial Plan	FY2018 Forecast	Chg. vs Plan	FY2017 Actual	(¥bn) Y/Y
Net Sales	900.0	880.0	-2.2%	860.0	+2.3%
Gross Profit (%)	382.5 (42.5%)	367.5 (41.8%)	-3.9% (-0.7%pt)	357.8 (41.6%)	+2.7% (+0.2%pt)
Operating Income (%)	93.0 (10.3%)	83.0 (9.4%)	-10.8% (-0.9%pt)	86.3 (10.0%)	-3.8% (-0.6%pt)
Net Income Attributable to Shareholders	64.5	58.5	-9.3%	63.2	-7.4%
1USD (JPY)	107.0	109.7	+2.7	111.2	-1.5
1EUR (JPY)	131.0	128.3	-2.7	129.4	-1.1

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

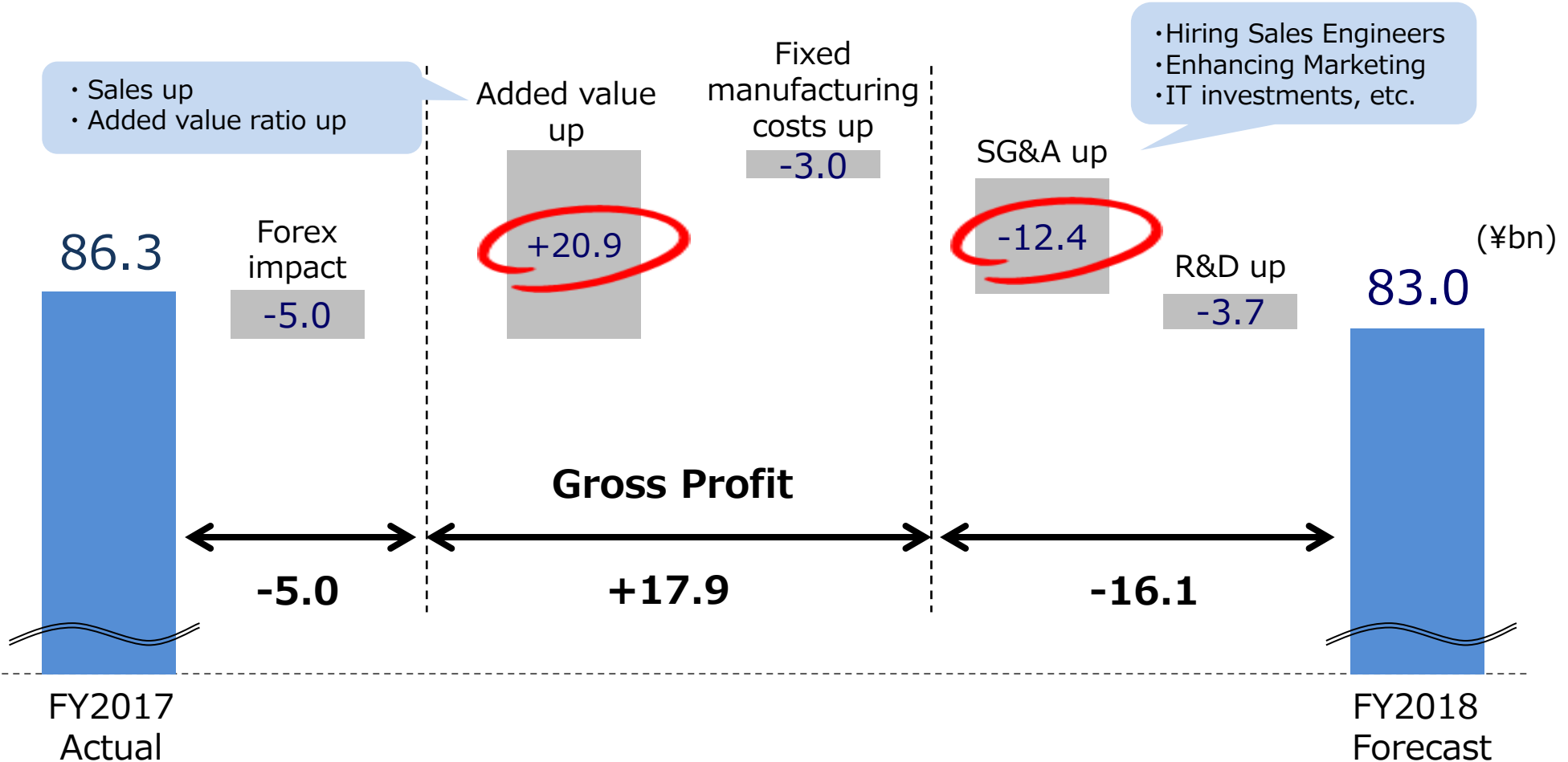
Operating Income Analysis (vs Initial Plan)

Lowered OP forecast, on impact of weaker EM currencies and sales decline. Maintaining growth investments.



Operating Income Analysis (Y/Y)

Added value up significantly Y/Y. Continue to proactively invest for the future; OP down Y/Y as a consequence.



Sales by Business Segment

**Revised full-year segment forecasts.
IAB, HCB continue to grow Y/Y.**

	FY2018 Initial Plan	FY2018 Forecast	vs. Initial Plan	FY2017 Actual	Y/Y
IAB Industrial Automation	428.0	411.5	-3.9%	396.1	+3.9%
EMC Electronic & Mechanical Components	102.0	103.0	+1.0%	104.4	-1.3%
AEC Automotive Electronic Components	128.0	130.0	+1.6%	131.2	-0.9%
SSB Social Systems, Solutions & Service	74.0	76.0	+2.7%	70.3	+8.1%
HCB Healthcare	119.0	117.5	-1.3%	108.5	+8.3%
Other Businesses under the Direct Control of HQ	43.5	37.5	-13.8%	44.4	-15.5%
Eliminations & Corporate	5.5	4.5	-18.2%	5.2	-13.0%
Total	900.0	880.0	-2.2%	860.0	+2.3%

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

* Other segment UPS business included in SSB.

Operating Income by Business Segment

(¥bn, %: OPM)

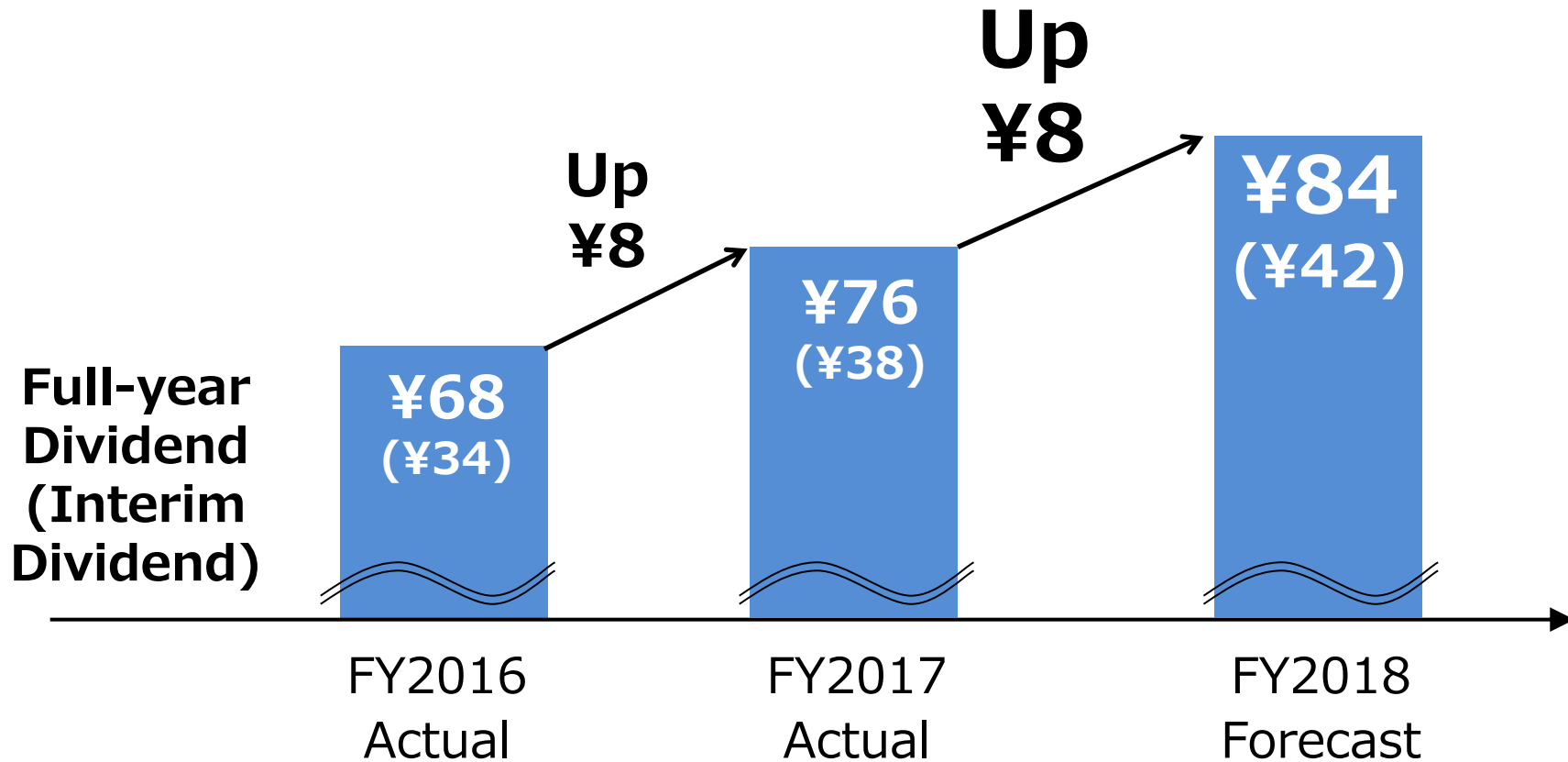
	FY2018 Initial Plan	FY2018 Forecast	vs. Initial Plan	FY2017 Actual	Y/Y
IAB Industrial Automation	82.0 (19.2%)	72.0 (17.5%)	-10.0 (-1.7%pt)	74.0 (18.7%)	-2.0 (-1.2%pt)
EMC Electronic & Mechanical Components	12.5 (12.3%)	11.5 (11.2%)	-1.0 (-1.1%pt)	12.5 (12.0%)	-1.0 (-0.8%pt)
AEC Automotive Electronic Components	6.0 (4.7%)	6.0 (4.6%)	±0.0 (-0.1%pt)	5.8 (4.4%)	+0.2 (+0.2%pt)
SSB Social Systems, Solutions & Service	5.5 (7.4%)	6.0 (7.9%)	+0.5 (+0.5%pt)	4.8 (6.9%)	+1.2 (+1.0%pt)
HCB Healthcare	12.5 (10.5%)	13.0 (11.1%)	+0.5 (+0.6%pt)	11.2 (10.3%)	+1.8 (+0.7%pt)
Other Businesses under the Direct Control of HQ	-1.0 (-)	-2.5 (-)	-1.5 (-)	-1.2 (-)	-1.3 (-)
Eliminations & Corporate	-24.5	-23.0	+1.5	-20.9	-2.1
Total	93.0 (10.3%)	83.0 (9.4%)	-10.0 (-0.9%pt)	86.3 (10.0%)	-3.3 (-0.6%pt)

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

* Other segment UPS business included in SSB.

Full-year Dividend

Dividend guidance revised to ¥84 per share, in line with revised forecasts.





Aiming for Further Growth

IAB: Aiming for Further Growth

Creating revolutionary applications

**Adding automation centers,
hiring sales engineers**

Initiating i-BELT

IAB: Creating Revolutionary Applications

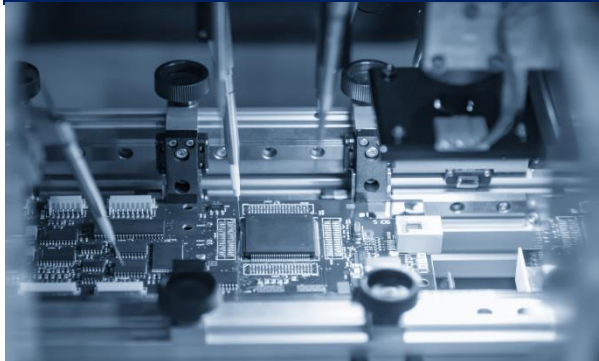
Multiple unique and revolutionary applications launched in growth domains where investment is increasing.

Auto (EV/ADAS)



- ✓ Improve quality control in assembly process
- ✓ Greater manufacturing flexibility through integrated modularization of control and safety
- ✓ Enhance QCD of new manufacturing process for next-gen secondary batteries

Digital (Semi/OLED)



- ✓ Improve plastic mold quality control for semi encapsulation process
- ✓ Introduction of IoT for passive component production equipment
- ✓ Advances in OLED chemical deposition process

Food & Beverage (Safety/Security)



- ✓ Maintain quality control through real-time feedback of temperature and pressure data
- ✓ Detect setup process errors by applying AI to torque data feedback
- ✓ Incorporate accumulated expertise into maintenance process through visualization of overall facility efficiency

IAB: Creating Revolutionary Applications

Create revolutionary applications to address industry challenges around sensory inspection and traceability.

Automate sensory inspection process



Traceability systems



IAB: Revolutionary Application Example (Sensory Testing)

Fully automated inspection process for compact electronic components.

Visual Inspection

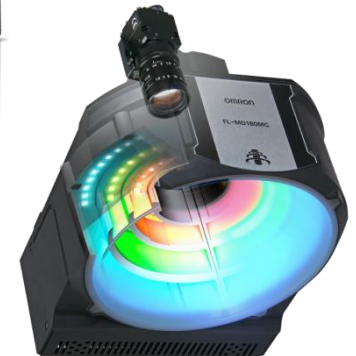


**Inspection process
400 workers**

Full Automation



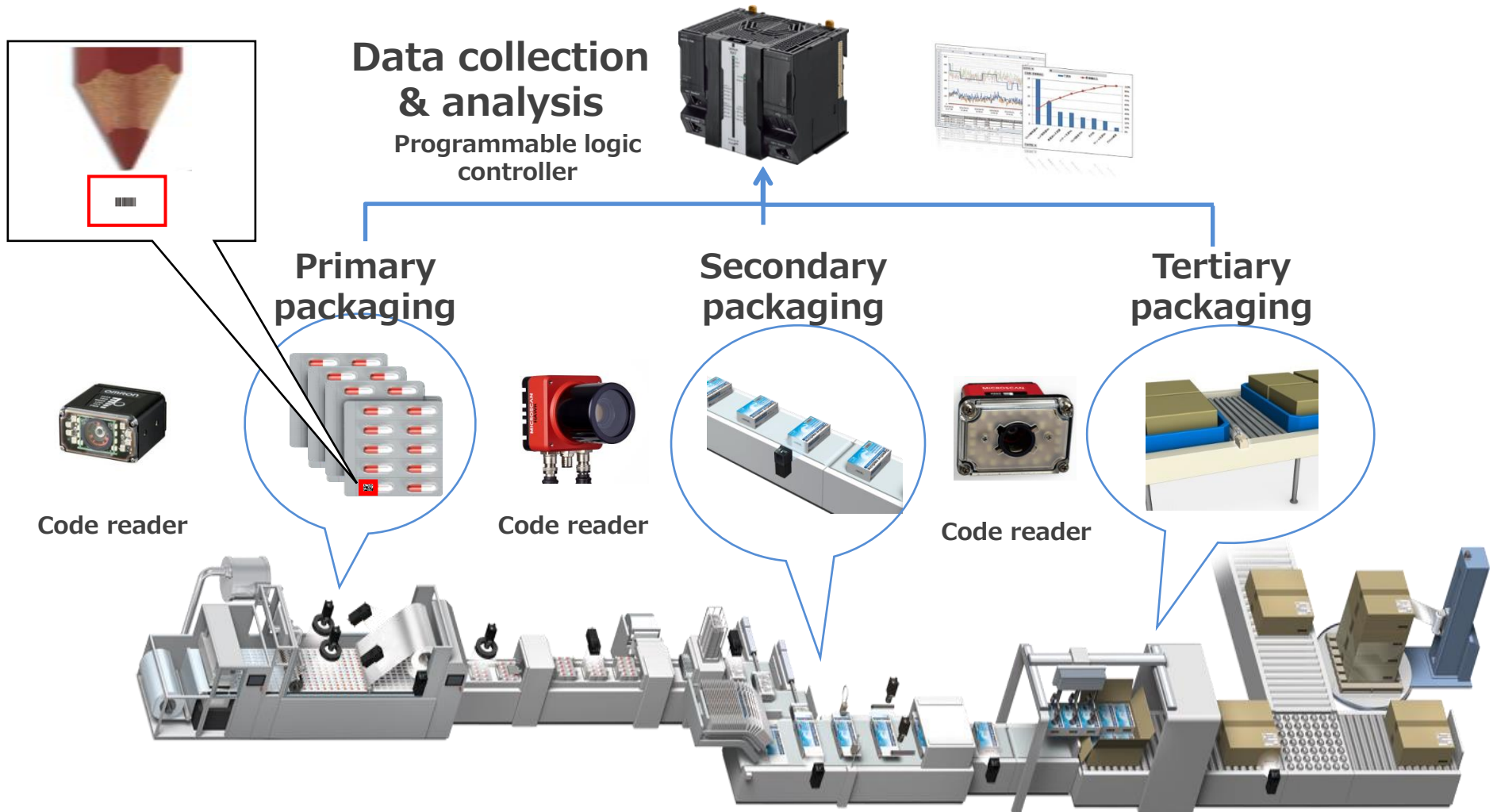
Vision sensors



**Inspection process
0 workers**

IAB: Revolutionary Application Example (Traceability System)

Significantly reduce ramp-up lead time and costs with easy-to-setup traceability system.



IAB: Creating Revolutionary Applications

Serially launching new products to deliver revolutionary applications

I

Input

L

Logic

O

Output

R

obot

S

afety

Industry First



IoT liquid flow/pressure sensor capable of simultaneous temperature measurement



Smallest in class multicode reader

Industry Fastest



Vision sensors that enable high-speed, high accuracy inspection measurements

Industry First



AI controller integrating control and information processing



Industrial PC combining robustness and expandability



Expanded lineup of servo drives & motors

Industry Fastest



Multi axis motion controller capable of nano order control



Self-propelled co-bot to enable flexible manufacturing

Industry First



SCARA robot enabled with predictive maintenance functionality

Industry First



Safety controller enabled for high levels of safety when adopting robots

IAB: Aiming for Further Growth

Creating revolutionary applications

**Adding automation centers,
hiring sales engineers**

Initiating i-BELT

IAB: Expanding Automation Centers, Hiring SEs

Automation Centers are a forum for working with customers to devise solutions to management and operational challenges.

Automation Centers

As of	FY2018
FY2016	Plan
8	35
locations	locations



Sales Engineers (SE)

Increase human resources by 20% (vs. FY2016)



IAB: Aiming for Further Growth

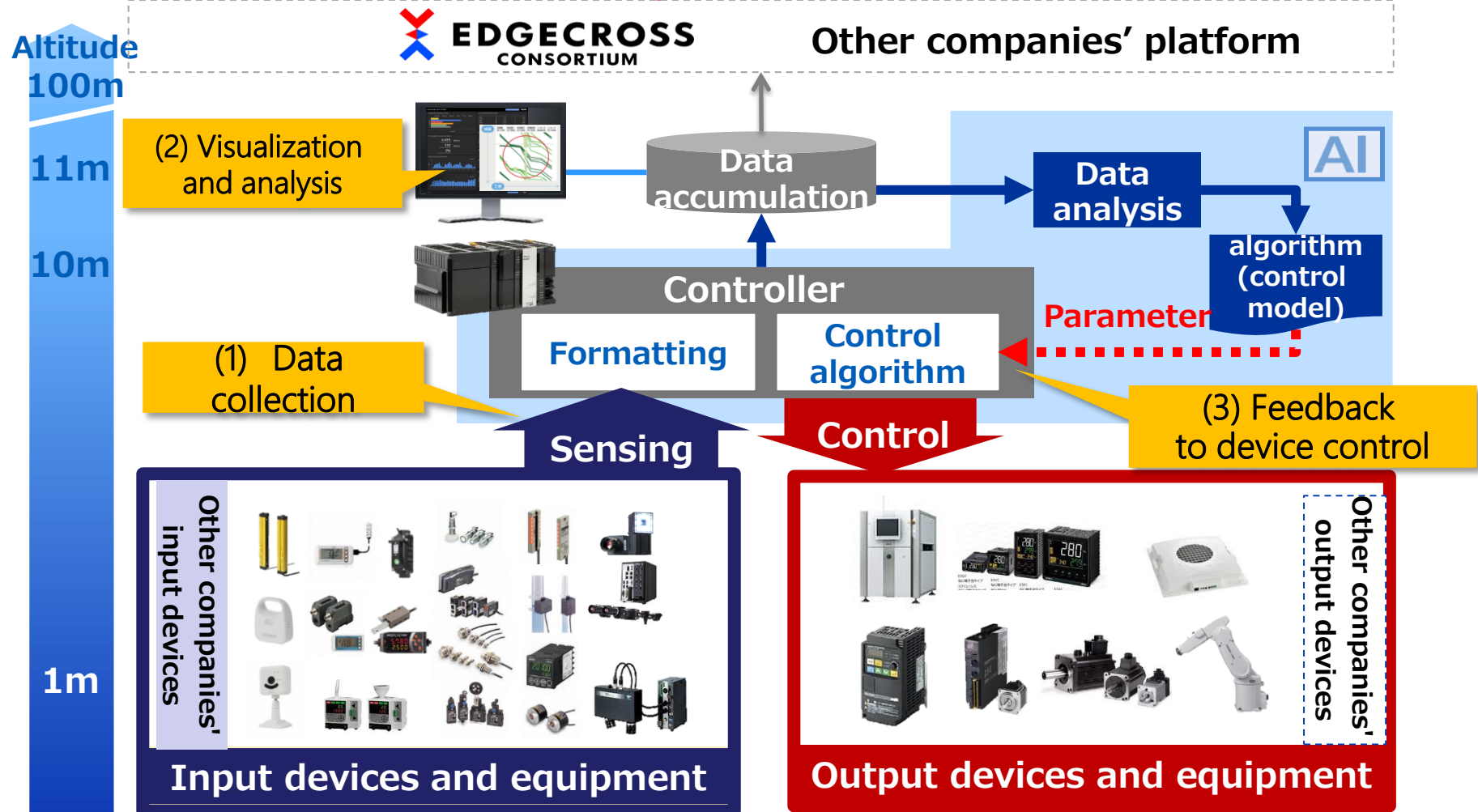
Creating revolutionary applications

**Adding automation centers,
hiring sales engineers**

Initiating i-BELT

IAB: Initiating i-BELT Business Model

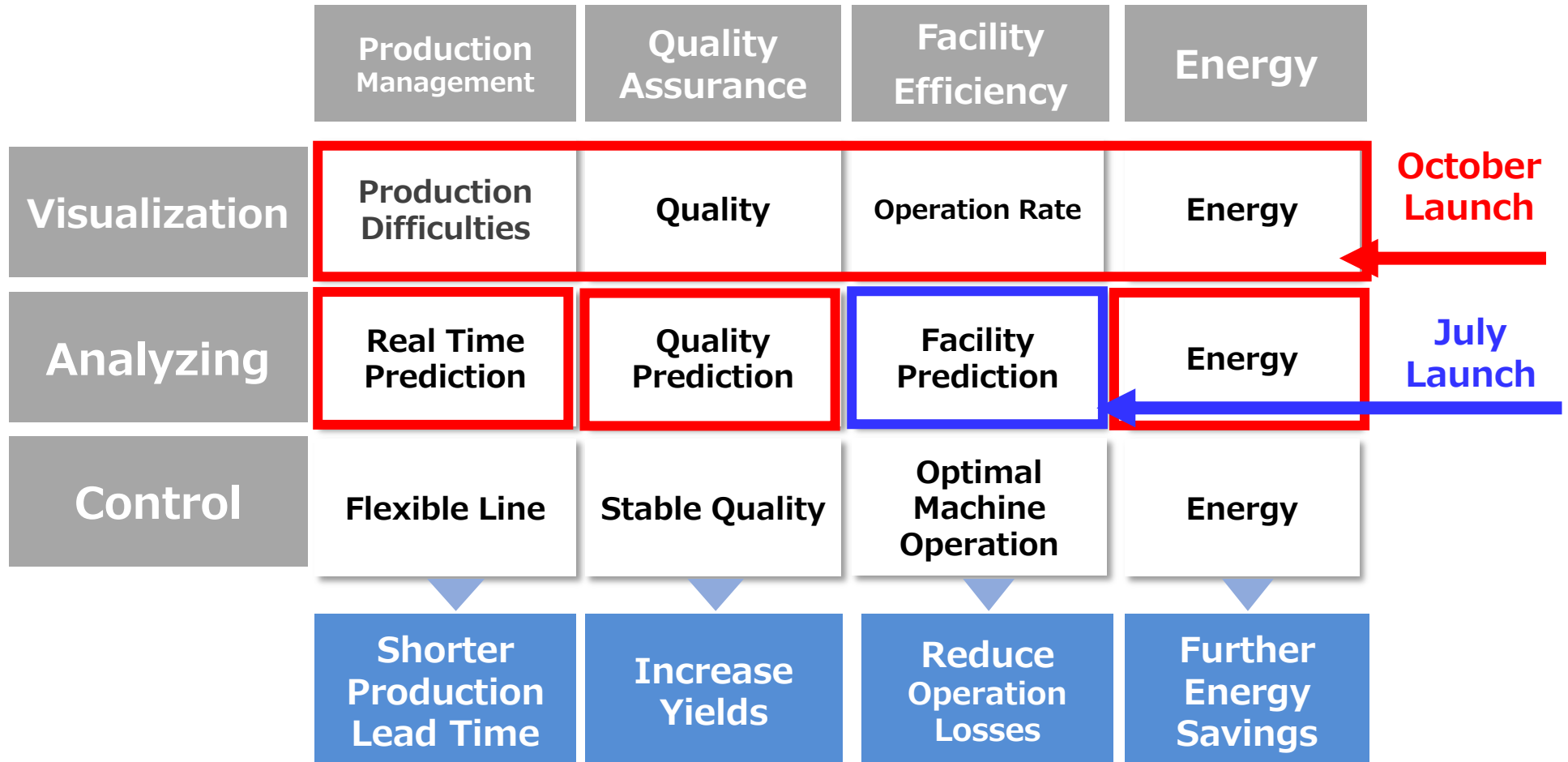
Launching collaborative business model i-BELT which will revolutionize manufacturing



IAB: Initiating i-BELT Business Model

Phase 1: Analytics service to predict production facility issues.

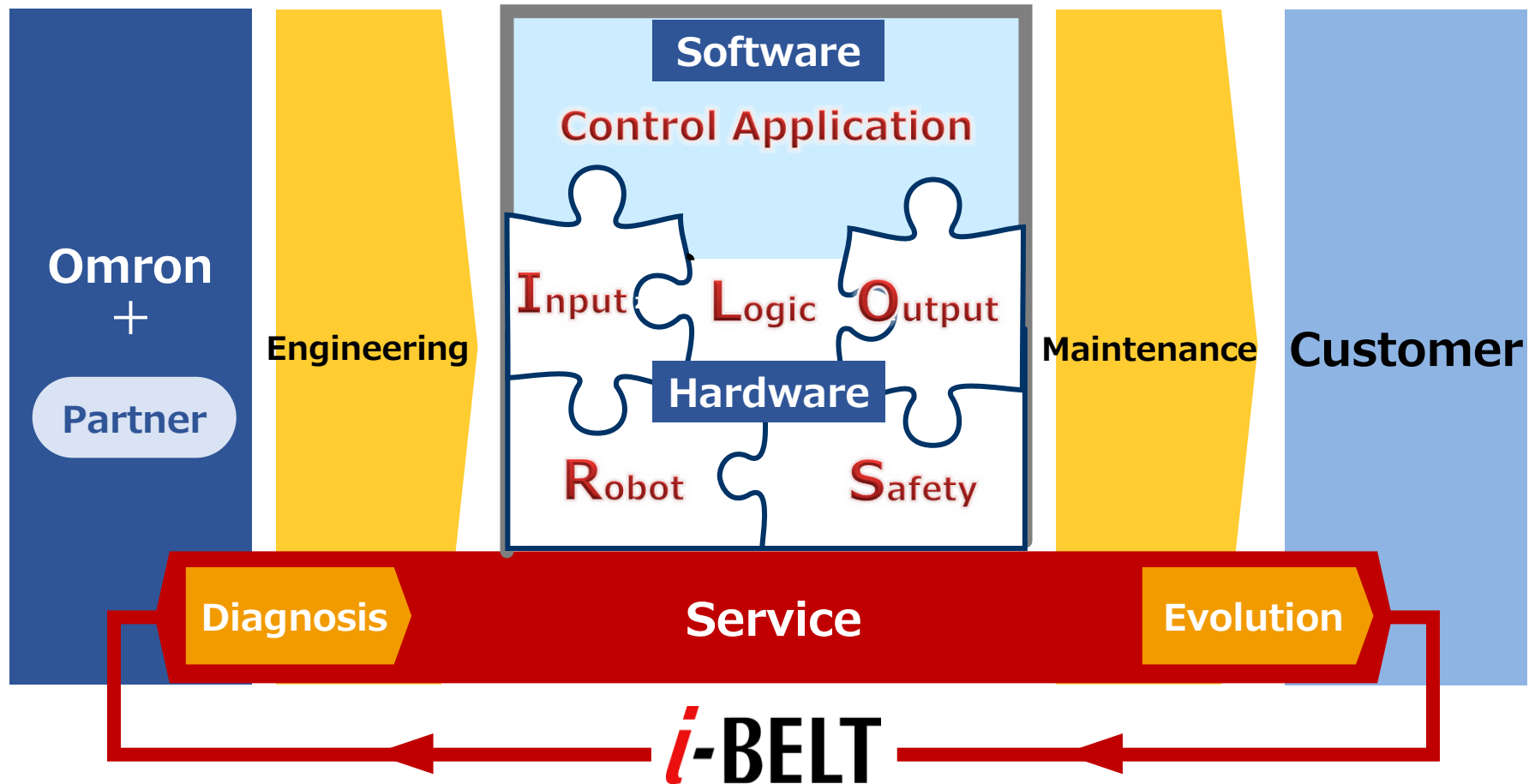
Phase 2: Visualization/analytics service targeting operational issues



IAB: Initiating i-BELT Business Model

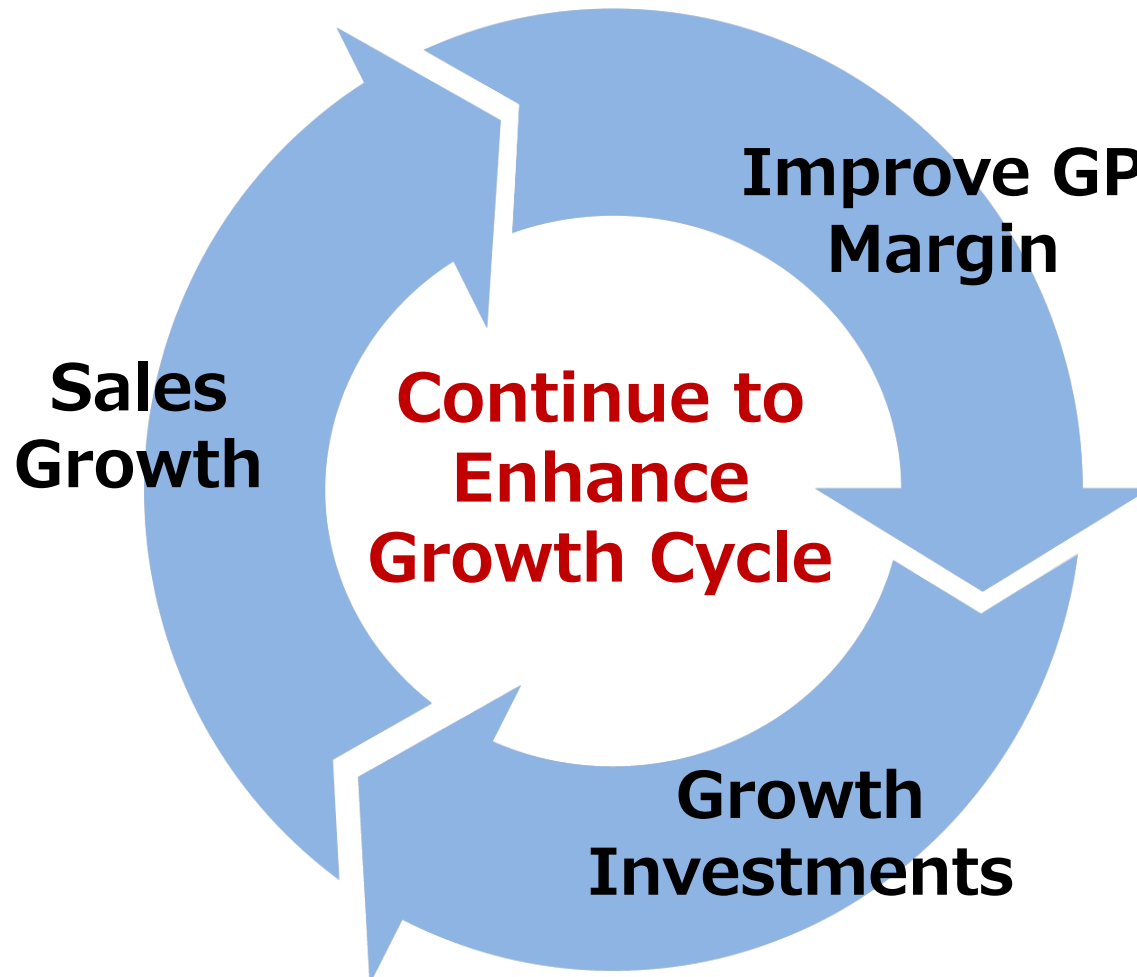
Our aim is to implement a continuous cycle to develop solutions to our evolving customers' manufacturing challenges.

innovative-Automation



Growth Cycle

Continue to enhance growth cycle to achieve VG2.0 goals



OMRON



Reference

FY2018 Assumptions: Exchange Rates

	FY2018	Impact of ¥1 fluctuation (full-year, approx.)	
		Sales	OP
USD	H1: ¥107 H2: ¥110	¥3.9bn	¥0.6bn
EUR	H1: ¥131 H2: ¥127	¥1.0bn	¥0.5bn

*If emerging-market currency trends diverge from USD and/or EUR contrary to our expectations, sensitivities will be impacted.

VG2.0 and Sustainability Policy are Linked



OMRON Included in Major ESG Indices (As of October 2018)

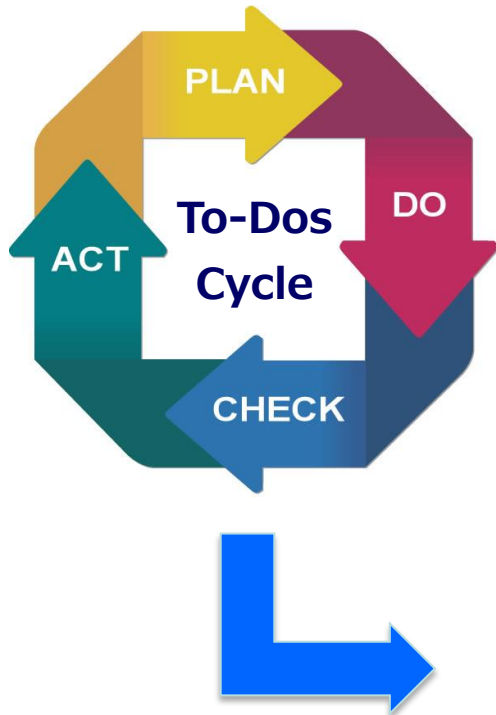
ESG Indices which include OMRON

- ✓ DJSI – World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders indices
- ✓ CDP
- ✓ MS-SRI
- ✓ FTSE Blossom Japan Index
- ✓ MSCI Japan ESG Select Leaders Index
- ✓ MSCI Japan Empowering Women Index
- ✓ S&P/JPX Carbon Efficient Index



Down-Top ROIC Tree

On-site



KPI

- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable cost reduction, value/%
- Defect cost %
- Per-head production # unit
- Automation % (headcount reduction)
- Labor costs-sales %
- Inventory turnover months
- Slow-moving inv. months
- Credits & debts months
- Facilities turnover (1/N automation ratio)

Drivers

GP Margin

Added -value %

Fixed manuf. costs %

SG&A %
R&D %

Working capital turnover

Fixed assets turnover

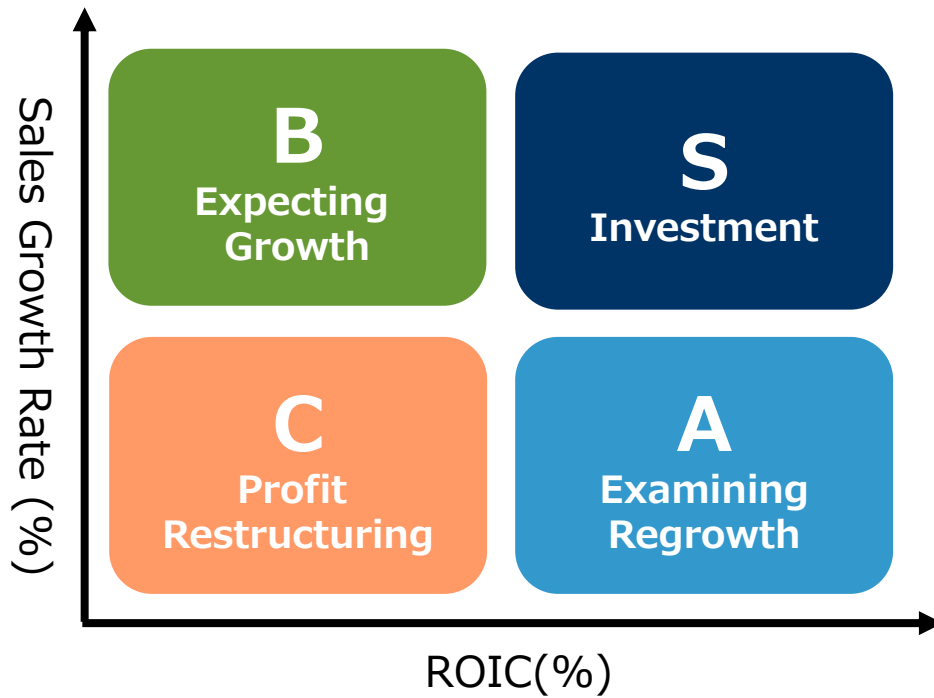
ROS

Invested Capital Turnover

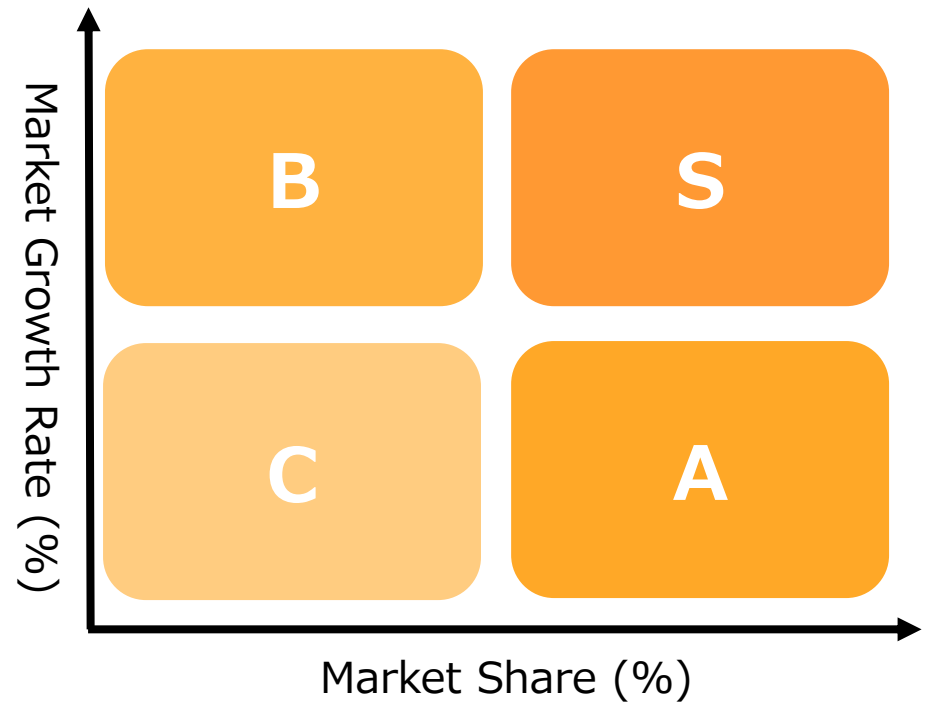
ROIC

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	

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

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 6%
for FY2017 - 2020**



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 Second Quarter of the Fiscal Year Ending March 31, 2019 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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