

FY2019 Full-Year Earnings Ended March 31, 2020

Results Briefing



**April 23, 2020
OMRON Corporation**

Summary

■ FY2019 Results

- Full-year results exceeded revised forecasts as of Q3
- Substantial OP overshoot. New record high for GP margin
- IAB, SSB and Environmental Solutions beat sales and OP forecasts

■ Regarding FY2020

- No disclosure of full-year guidance at this time. Forecasts to be announced in a timely manner when situation improves
- OMRON now in crisis mode, executing on emergency fixed cost plan from April
- Full-year dividend guidance also TBD

■ Improving Resilience and Preparing for Post-COVID-19

- During VG Plan period, established a robust business foundation capable of weathering crises through a continued focus on improving resilience
- Reflecting changing values and industry structure, expect new social issues to emerge once outbreak subsides
- Focus on new needs for remote healthcare and further labor-saving solutions in FA

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FY2019 Results

FY2019 Results

**Full-year results substantially higher than Q3 revised forecast.
GP margin improved despite lower sales and profits Y/Y**

	FY2019 Forecast	FY2019 Actual	Vs.Forcast	FY2018 Actual	Y/Y
					(¥bn)
Net Sales	670.0	678.0	+1.2%	732.6	-7.5%
Gross Profit	298.0	303.7	+1.9%	325.5	-6.7%
(%)	(44.5%)	(44.8%)	(+0.3%pt)	(44.4%)	(+0.4%pt)
Operating Income	45.0	54.8	+21.7%	67.3	-18.6%
(%)	(6.7%)	(8.1%)	(+1.4%pt)	(9.2%)	(-1.1%pt)
Net Income (Continuing Ops.)	30.0	39.6	+32.0%	47.3	-16.3%
Net Income (Discontinued Ops.)	36.5	35.7	△2.1%	7.7	(-)
Net Income Attributable to OMRON shareholders	66.0	74.9	+13.5%	54.3	(-)
1USD (JPY)	108.0	109.1	+1.1	110.7	-1.6
1EUR (JPY)	120.3	121.2	+0.9	128.8	-7.6
1RMB (JPY)	15.5	15.7	+0.2	16.5	-0.8

Sales by Business Segment

IAB and Environmental Solutions significantly exceed Q3 revised forecasts. SSB also up sharply Y/Y

(¥bn)

	FY2019 Forecast	FY2019 Actual	Vs.Forecast	FY2018 Actual	Y/Y
IAB Industrial Automation	343.0	352.8	+2.8%	391.8	-10.0%
EMC Electronic & Mechanical Components	90.0	88.4	-1.8%	103.1	-14.3%
SSB Social Systems, Solutions & Service	84.0	84.5	+0.6%	75.0	+12.6%
HCB Healthcare	117.0	112.0	-4.3%	115.5	-3.0%
Other Businesses under Direct Control of HQ	34.0	36.4	+7.1%	41.7	-12.7%
Eliminations & Corporate	2.0	3.9	+96.7%	5.4	-26.9%
Total	670.0	678.0	+1.2%	732.6	-7.5%

Operating Income by Business Segment

**IAB significantly higher than recently revised forecasts.
EMC down substantially Y/Y**

(¥bn, %: OPM)

	FY2019 Forecast	FY2019 Actual	Vs.Forecast	FY2018 Actual	Y/Y
IAB Industrial Automation	48.0 (14.0%)	53.6 (15.2%)	+5.6 (+1.2%pt)	62.9 (16.1%)	-9.3 (-0.9%pt)
EMC Electronic & Mechanical Components	2.0 (2.2%)	0.9 (1.0%)	-1.1 (-1.2%pt)	8.2 (7.9%)	-7.2 (-6.9%pt)
SSB Social Systems, Solutions & Service	7.5 (8.9%)	8.2 (9.7%)	+0.7 (+0.8%pt)	5.8 (7.7%)	+2.4 (+2.0%pt)
HCB Healthcare	13.5 (11.5%)	13.5 (12.1%)	+0.0 (+0.5%pt)	13.0 (11.3%)	+0.5 (+0.8%pt)
Other Businesses under Direct Control of HQ	0.0 (-)	0.7 (1.8%)	+0.7 (-)	-0.5 (-)	+1.1 (-)
Eliminations & Corporate	-26.0	-22.1	+3.9	-22.1	+0.0
Total	45.0 (6.7%)	54.8 (8.1%)	+9.8 (+1.4%pt)	67.3 (9.2%)	-12.5 (-1.1%pt)

Consolidated Balance Sheet

Solid and stable financial foundation owing to sound operations and portfolio optimization

(¥bn)

	End-Mar 2019	End-Mar 2020	Y/Y
Current assets	460.0	447.1	-12.8
(Cash and cash equivalents)	(103.9)	(185.5)	(+81.7)
(Inventory)	(120.4)	(104.3)	(-16.1)
Property, plant and equipment	115.1	114.5	-0.6
Investments and other assets	174.8	196.5	+21.6
Total assets	749.9	758.1	+8.2
Current liabilities	175.6	151.3	-24.3
Long-term liabilities	68.0	74.2	+6.2
Total Liabilities	243.6	225.5	-18.0
Shareholders' equity	504.2	530.4	+26.2
Noncontrolling interests	2.1	2.2	+0.1
Total net assets	506.3	532.6	+26.3
Total Liabilities and net assets	749.9	758.1	+8.2
Equity ratio	67.2%	70.0%	+2.8%pt

Consolidated Cash Flow Statement

Free cash flow up sharply on income from transfer of AEC

(¥bn)

	FY2018 Actual	FY2019 Actual	Y/Y
Operating cash flow	71.2	89.8	+18.5
Investment cash flow	-35.0	28.6	+63.6
Free cash flow (FCF)	36.3	118.4	+82.1
Financing cash flow	-40.8	-29.4	+11.4
Cash and cash equivalents as of end of period	110.3	185.5	+75.3
Capital expenditure	35.7	33.1	-2.6
Depreciation	25.4	25.7	+0.4

Shareholder Returns

Maintain strong management focus on rewarding shareholders

**Full-year
Dividend**

**Maintain initial guidance
for DPS of ¥84***

* Fiscal year-end dividend subject to approval at AGM

**Share
Buyback**

**Completed maximum
amount of ¥20 billion
(Oct. 30, 2019 – Apr. 3, 2020)**



Regarding FY2020



Regarding OMRON's Operations in FY2020

- ✓ **In light of the ongoing spread of COVID-19, we have chosen not to disclose FY2020 forecasts at this time**
- ✓ **We are now in crisis mode and have been executing on an emergency fixed cost plan from April 2020**
- ✓ **For necessary investments, we will leverage our sound financial foundation to execute on investment decisions with speed**

Our Thoughts on FY2020 Cash Allocation Priorities

Top priority is ensuring continued operations. Beyond this, our priorities are: 1. Growth investments; 2. Dividends; 3. Buybacks

Future Growth Investments

- M&A, with a focus on FA and Healthcare
- Investments in R&D and IT infrastructure

Dividends

- Guidance to be announced when earnings forecasts are disclosed
- Currently TBD

Share Buybacks

- No programs in place at this time



Enhancing Resilience



Initiatives to Enhance Resilience

Over the course of the VG Medium-term Plan, we have implemented many initiatives to enhance resilience

- **BCP framework for the supply chain**
- **Business portfolio optimization**
- **Initiatives to boost GP margin**
- **Contingency preparation by enhancing financial soundness**

Supply Chain BCP Structure (Key Manufacturing Bases)

Production locations split into 3 regions, each with the ability to provide backup cover for other regions



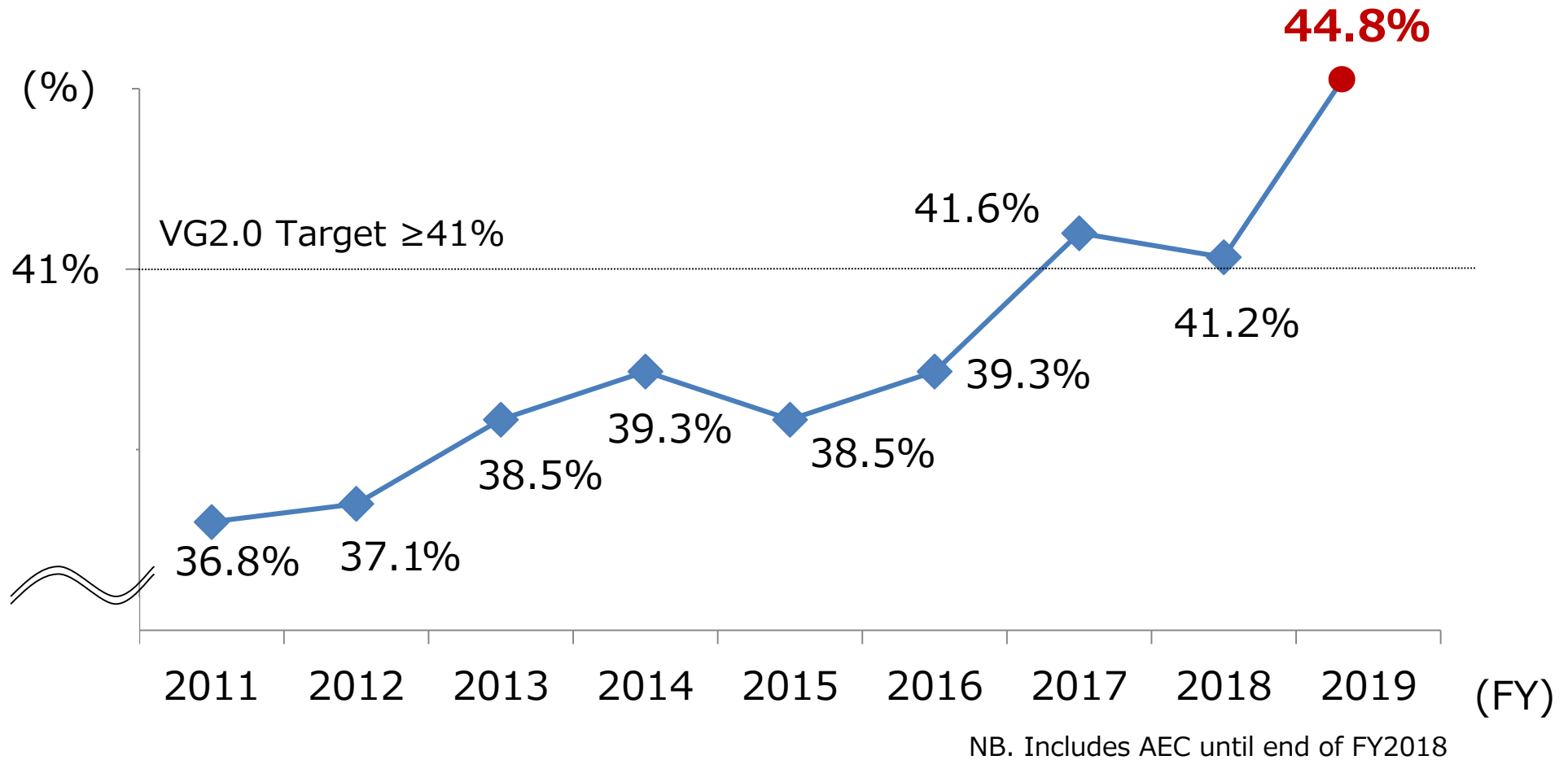
Business Portfolio Optimization

Optimized business portfolio (business transfers/exits) and sold idle assets, based on ROIC management

	FY	Target Business
Business Transfer	'18	Laser Processing Eq. (IAB)
	'19	EDMS (Other)
	'19	AEC
Exit	'18	Micro Device (Other)
	'19	Backlight (Other)
Idle Assets Sold	'19	Gotemba Recreational Facility (Real Estate)
	'19	Mishima Site (Real Estate)

GP Margin Improvements

**Continued focus on improving GP margin.
GP margin achieved new record high in FY2019**



Contingency Preparations: Improved Financial Soundness

**Enhanced financial soundness in preparation for contingencies.
Secured financing capability while reducing risk**

**Financing
Capability**

- **Maintain high credit ratings:
S&P A / R&I AA-***
- **Secured ¥30 billion commitment line**
- **Group financing capabilities on global basis**

**Lowered
Risk**

- **Reduced strategic equity holdings**
- **Pension reform
(shift from defined benefits to defined contributions)**

*Long-term rating as of April 2020

Well-recognized ESG Initiatives

Included in major ESG indices, in recognition of efforts to date

DJSI – World



3 consecutive years

GPIF



MSCI Japan ESG
Select Leaders Index



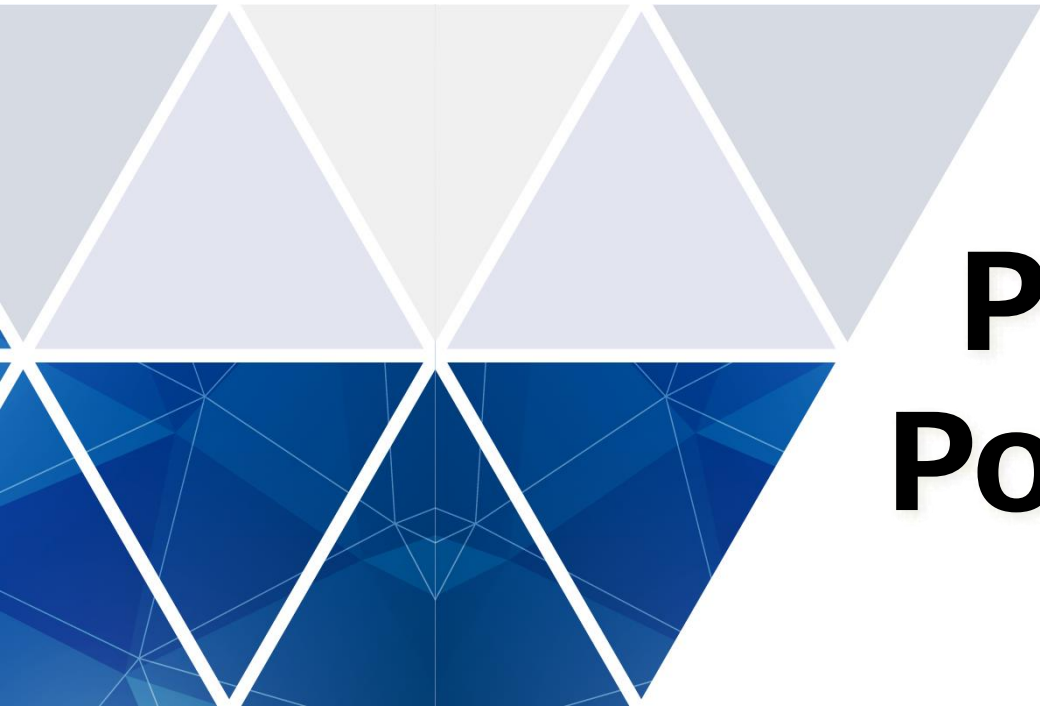
FTSE Blossom
Japan



MSCI Japan Empowering
Women Index (WIN)



Inclusion in 4 indices



Preparing for Post-COVID-19

New Social Issues


We believe the changing world will create new social issues which will generate expanded business opportunities

- **New challenges in remote medical services**
- **Contributing to 5G adoption
(X-ray substrate inspection equipment)**
- **Medical traceability solutions**
- **New needs to reduce labor intensity**

New Challenges: Remote Medical Services

**New remote service opportunity with BPM and EKG at the core.
 AliveCor stake increased by ¥2.6 bn to accelerate global expansion**

Company Overview

Name	AliveCor, Inc. 
Established	2011
HQ	California, USA
Employees	57 persons (as of Dec. 2019)

Strength

Analytic algorithm for definitive diagnosis of atrial fibrillation

Rights Acquired

**Global Sales Rights
 AliveCor Device**

Mobile EKG



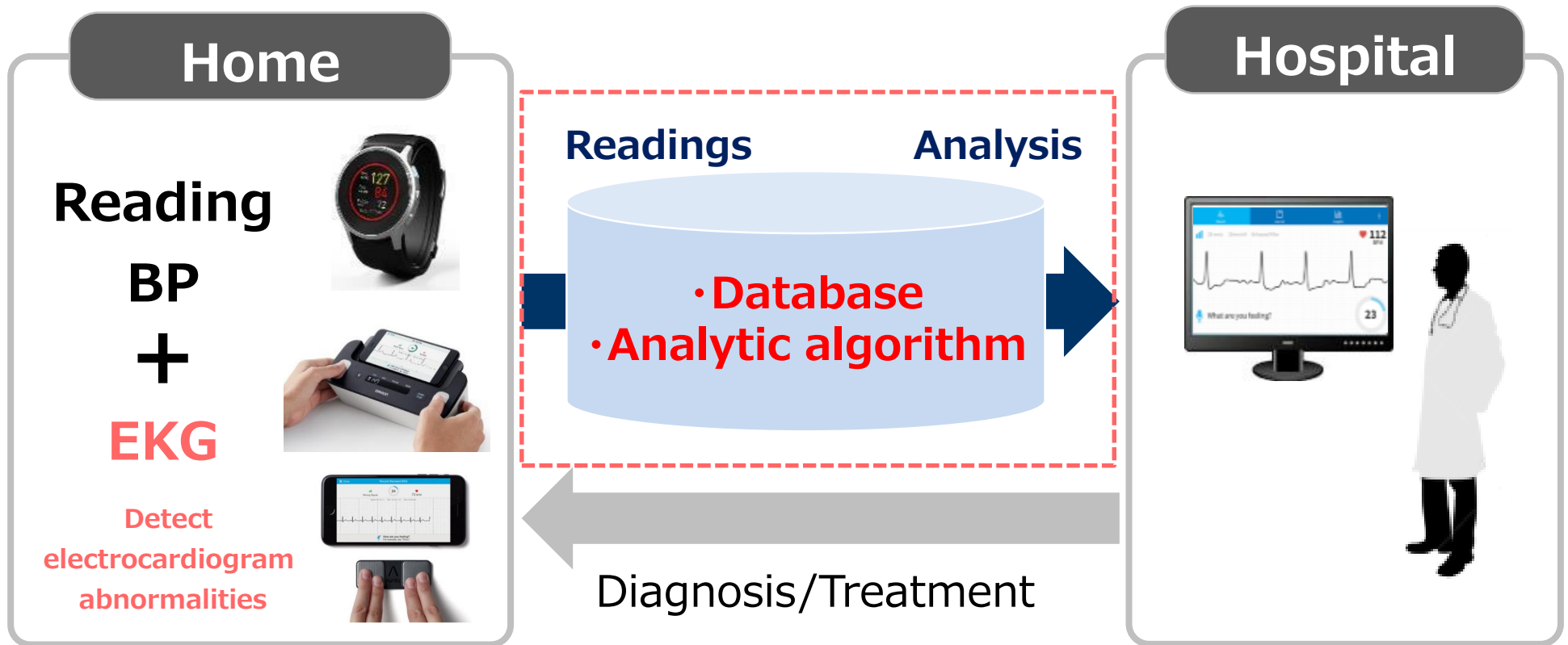
**Global Rights to
 Subscription
 Service using
 EKG/BP**

BPM enabled for EKG



New Challenges: Remote Medical Services

Contribute to early detection/treatment of blood pressure fluctuations and atrial fibrillation, using home readings of BP/EKG



3D Inspection Technology Contributes to 5G Adoption

Unique OMRON technology enables high-quality, high-density substrates necessary for 5G-related equipment requiring high levels of reliability

5G Base Station



Substrate

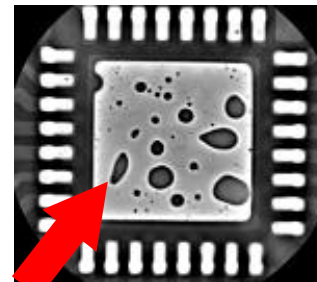
5G Smartphone



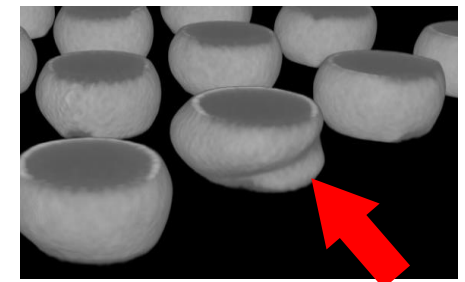
Substrate

3D X-ray substrate solder joint inspection

High-speed 3D testing using CT cross-sectional images for 100% in-line inspection



Accurately detect cavities



3D imaging enables detection of solder fails

Medical Traceability: Providing Unique Value

100% data integrity and highly reliable test/ID solutions contribute to improved medical safety in an increasingly automated industry

Increase in POC benchtop equipment



Rising demand for portable, simplified test / analytical equipment

Acceleration of mandatory traceability



Global adoption of UDI

Traceability based on secure data reliability



Simultaneous inspection and data tracing



Embedded code reader 100% auto tracking



UDI compliant code reading



Direct marking for medical devices

UDI: Unique Device Identification; International standard

New Needs for Reducing Labor Intensity

New need emerging for reducing labor intensity from a risk management standpoint: 1. Address 3C's on shop floor 2. Mitigate risk of worker absences

**Labor intensive
assembly and
inspection**



**New reduced labor
intensity**



In Closing

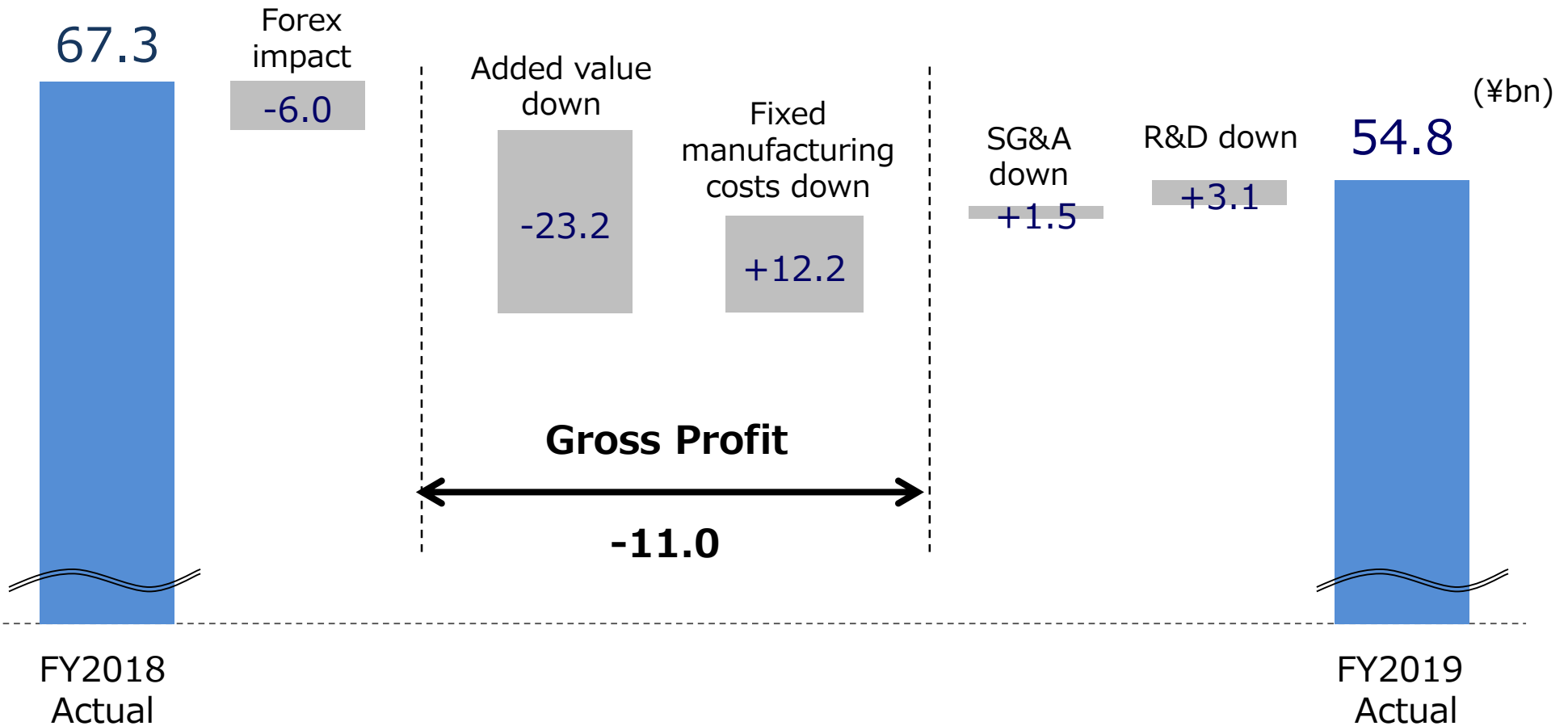
- **OMRON has the resilience to overcome the substantial impact of the COVID-19 outbreak**
- **OMRON's businesses address markets which will see demand recover post-COVID-19**
- **OMRON is prepared and poised to capture the new business opportunities that will accelerate post-COVID-19**

OMRON



Reference

FY2019 Operating Income Analysis (Y/Y)



VG2.0 and Sustainability Policy are Linked

OMRON Principles

Medium-term Management Plan: VG2.0

Business Strategies

Sustainability Issues

A value-generator for people and the Earth that is qualitatively and quantitatively superior

1. Reinforce businesses by designating focus domains
2. Business model evolution
3. Enhance core technologies

×

Collaboration with partners

+

Human capital management, manufacturing, risk management...

FA



Healthcare



Social Solutions



×

Collaboration with partners



+

Human Capital Mgmt.



Manufacturing



Risk Management



OMRON Included in Major ESG Indices (As of April 2020)

ESG Indices which include OMRON

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

* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires

MEMBER OF
**Dow Jones
Sustainability Indices**

In collaboration with  **SAM**
a RobecoSAM brand



FTSE4Good

MSCI 

2019 Constituent
MSCI ESG
Leaders Indexes

Member 2018/2019

STOXX
ESG LEADERS INDICES



FTSE Blossom
Japan

MSCI 

MSCI Japan ESG
Select Leaders Index

MSCI 

MSCI Japan Empowering
Women Index (WIN)

**S&P/JPX
Carbon
Efficient
Index**


DRIVING SUSTAINABLE ECONOMIES

External Recognition (As of April 2020)

Domestic ESG awards, selection for inclusion

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

- ✓ Nadeshiko Brand
- ✓ Health & Productivity Stock 2020
- ✓ Health & Productivity: White 500

3rd consecutive year from FY2017

2nd consecutive year from FY2018

4th consecutive year from FY2016



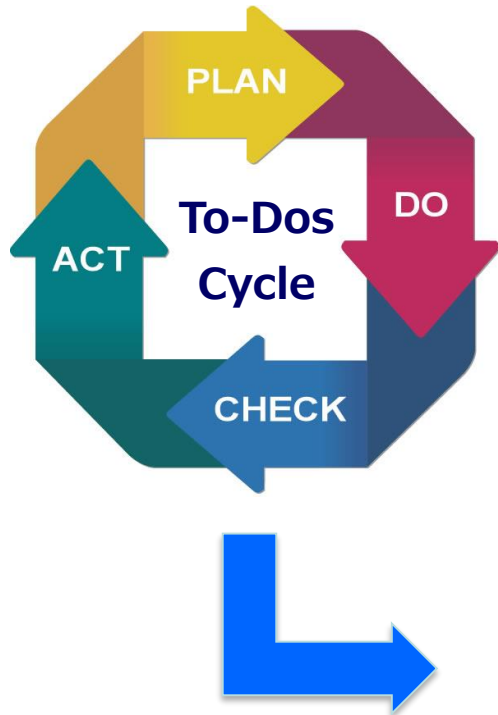
Selected by Nikkei Inc.

- ✓ Nikkei 225

March 2019, 1st time

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

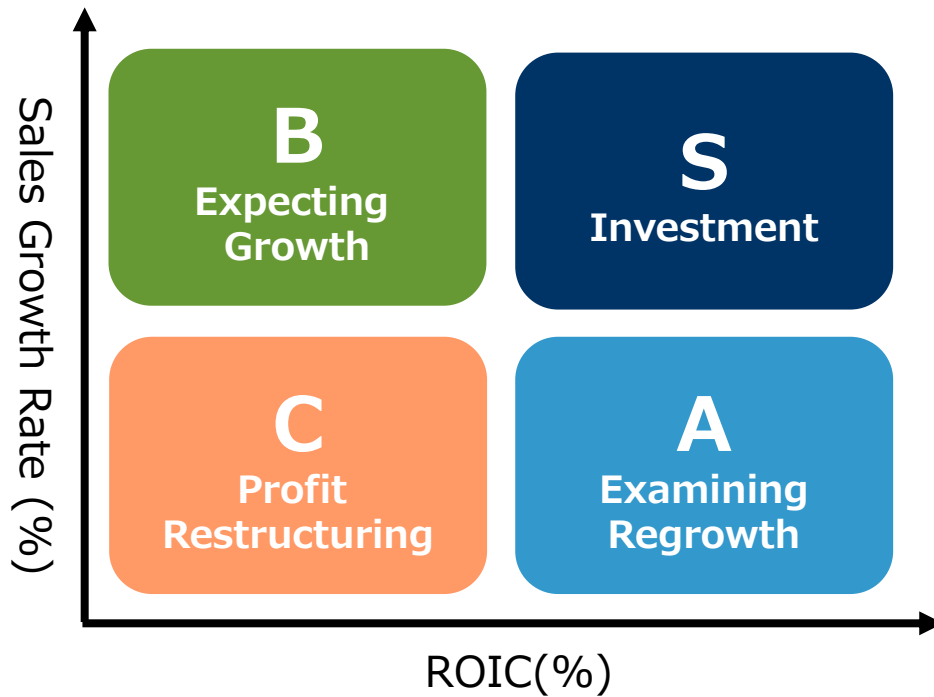
ROS

Invested Capital Turnover

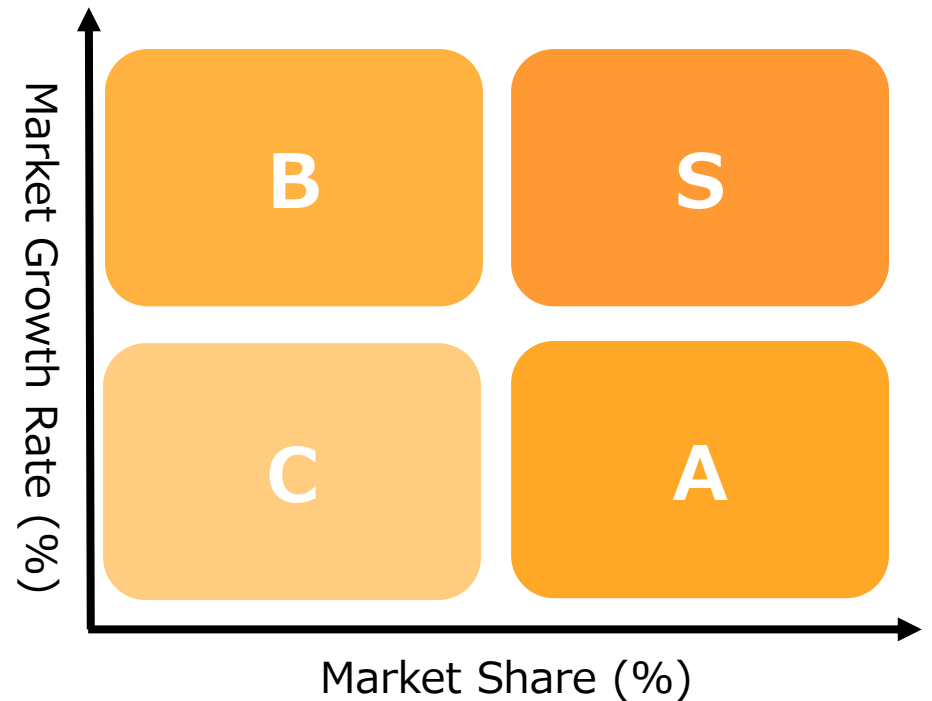
ROIC

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	

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

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 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 Year Ended March 31, 2020 (U.S. GAAP)."

Figures rounded to the nearest million JPY and percentage to one decimal place.

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