

FY2019 Full-Year Earnings Ended March 31, 2020

Results Briefing



April 23, 2020
OMRON Corporation

Good afternoon, everyone. I am CEO Yamada.

Thank you for taking the time to participate in OMRON's FY2019 Results Briefing. I would have preferred to address you in person, but to prevent the possible spread of COVID-19, we chose a conference call format this time. As always, we will start the briefing with a presentation, to be followed by a Q&A session.

Let's get started. I will begin with an update of the OMRON Group's response to the COVID-19 outbreak. COVID-19 is having a major impact around the world. OMRON is no exception. Our top priorities as a group are to ensure that our employees are healthy and safe, and to implement measures to prevent a further spread of the virus.

In principle, where possible our employees in Japan are either working from home or furloughed. At the same time, we have initiated business continuity procedures, to ensure the continued operation of our businesses.

Currently, all of our plants, with the exception of the automotive relay plant in Italy, continue to operate although we are adjusting capacity utilization as necessary. We are monitoring the situation very closely and are focused on working with our customers to ensure we meet our supply commitments.

Please also allow me to take the opportunity to sincerely express our gratitude to everyone for their messages of sympathy and condolence in response to the passing of OMRON's Honorary Advisor, Yoshio Tateishi. Thank you.

I will now start my presentation. Please refer to the presentation materials on the website. Please turn to slide 1, which shows a summary of today's key points.

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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There are 3 key points to today's presentation.

First, the FY2019 results.

Our full-year results exceeded the revised forecasts as of Q3. In particular, operating income was significantly higher than we had projected. The GP margin hit a new record high. By segment, IAB, SSB and Environmental Solutions overshot both sales and operating income forecasts. I will discuss this in more detail later.

Next, with regard to FY2020.

In light of the COVID-19 outbreak, we have chosen not to disclose full-year guidance at this time. Once the situation has improved, we will announce our forecasts in a timely manner. We are now in crisis mode, and have implemented an emergency fixed cost plan from the beginning of April. We will also refrain from providing full-year dividend guidance at this time.

Today, I will also discuss OMRON's ability to adapt to change and our preparations for a post-COVID-19 world. Over the course of the VG Medium-term Business Plan, we continued to focus on enhancing our resilience in the face of change, to develop a robust business foundation which will allow OMRON to weather a crisis. OMRON's resilience has improved. We will leverage our strong business foundation to capture business opportunities that emerge from new social issues we expect will arise post-COVID-19. Today I will share some examples from our Healthcare and FA business domains.

Let us begin. Please turn to slide 4.

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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.Forecast	FY2018 Actual	(¥bn) Y/Y
Net Sales	670.0	678.0	+1.2%	732.6	-7.5%
Gross Profit (%)	298.0 (44.5%)	303.7 (44.8%)	+1.9% (+0.3%pt)	325.5 (44.4%)	-6.7% +0.4%pt
Operating Income (%)	45.0 (6.7%)	54.8 (8.1%)	+21.7% (+1.4%pt)	67.3 (9.2%)	-18.6% (-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

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These are our FY2019 results.

Net sales were ¥678 billion, gross profit ¥303.7 billion, operating income ¥54.8 billion, and net income attributable to OMRON shareholders was ¥74.9 billion. All came in well ahead of our most recently revised full-year forecasts.

The GP margin was 44.8%, up 0.4%pts Y/Y and 0.3%pts ahead of plan. Net income from continuing operations exceeded our initial forecast of ¥37.5 billion (not shown here), coming in at ¥39.6 billion.

While our businesses were impacted by COVID-19 in Q4, we were able to more than overcome this negative impact, for a significant overshoot.

There are three reasons why operating income was significantly higher than plan.

First, IAB was able to capitalize on a recovery in the FA market from Q3 into Q4, showing strong growth.

Second, we benefited from company-wide initiatives to improve GP margin. Efforts to boost selling prices by providing solutions, and ongoing cost reduction measures bore fruit.

Third, we were able to control fixed costs. We set out clear priorities to dynamically control our fixed costs.

Next is sales by segment. Please turn to slide 5.

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%

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This is the segment breakdown of sales.

Please look at the comparison to our most recently revised forecast. I will comment on the items circled in red.

First, IAB overshot plan by approximately ¥10 billion, or 2.8%. We saw a stronger trend throughout 2H, with a recovery in the Digital industry, primarily in semiconductors, in not only Q4 but Q3 as well. In particular, Q4 orders were strong, reflecting increased semiconductor demand. We also made progress in our strategic focus on solutions, with improved take-up by customers.

By geographic area, all regions trended above plan throughout 2H, with the exception of Greater China which was significantly impacted by the COVID-19 outbreak.

Next, please look at the Other segment at the bottom of the table. The Environmental Solutions business accounts for the vast majority of this segment. We successfully captured growth in the storage systems market and were able to exceed plan on the back of market share gains.

Next, please look at the column for Y/Y change on the right. SSB, circled in red, reported substantial topline growth of 12.6%. SSB was able to tap into replacement demand for railway station systems and growing demand for cashless payment systems and terminals. However, HCB fell short of the recently revised forecast. The China business was strongly impacted in Q4 by the COVID-19 outbreak.

I will now touch upon the segment breakdown for operating income. Please refer to slide 6.

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)

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First, please see the comparison to plan.

IAB, as circled in red, exceeded our operating income plan by ¥5.6 billion. At the time we revised our forecasts, we expected segment OPM to decline as a result of lower sales. However, we were able to improve our GP margin, which pushed IAB's OPM over the 15% level.

SSB and HCB also posted higher-than-expected OPMs. This contributed to a consolidated OPM of just over 8.1%.

Please look at the Y/Y change column on the right.

US-China trade friction had a substantial impact on EMC, primarily in the automotive relay business. Operating income fell ¥7.2 billion Y/Y. EMC is a capex-driven business. Structurally, profits are driven by higher levels of capacity utilization. Topline declines have a meaningful impact on profits.

Next, the balance sheet. Please see slide 7.

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)
(Inventories)	(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

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As you can see, the balance sheet is very healthy.

There are 3 key points to note on this slide. Please look at the items circled in red.

First, cash and cash equivalents. The cash position was significantly boosted by proceeds from the transfer of the AEC business.

Next, please see inventory. We reduced inventory by ¥16.1 billion from the end of the previous fiscal year. Inventory days relative to sales fell 0.2 months Y/Y. Inventory is being maintained at appropriate levels.

Finally, the equity ratio. As of the end of March, stability improved, with the equity ratio rising to 70.0%.

OMRON has been able to improve financial soundness through solid management of its businesses and business portfolio optimization.

Please turn to slide 8 for a discussion of the cash flow statement.

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

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This is the cash flow statement.

Please look at operating cash flow. While sales fell in FY2019, operating cash flow improved by ¥18.5 billion. The improvement was the result of declines in trade receivables and inventory.

Free cash flow rose substantially as a result of the proceeds from the transfer of AEC.

Please turn to slide 9.

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)**

We discuss shareholder returns on this slide.

We intend to pay a full-year dividend of ¥84 per share, in line with our initial guidance.

In addition, the share buyback program announced in October 2019, with a maximum purchase amount of ¥20 billion, on April 3rd.

We will continue to manage our business with a focus on improving shareholder returns and capital efficiency.

This completes the section on the FY2019 results.

Next, I will discuss FY2020. Please turn to slide 11.



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**

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At one point, we did internally begin the process of formulating our FY2020 plan. However, the COVID-19 outbreak has continued to expand, so we have chosen not to disclose guidance, leaving it TBD for the time being.

Starting with the supply side, OMRON's plants, with the exception of the automotive relay plant in Italy, are all operating normally. Our supply chain has also recovered, so there are no significant issues on the supply side at this time.

However, the outbreak has had a substantial impact on demand. As an example, some of our auto industry customers have suspended production. By region, we are concerned about the potential for a major impact on business in Japan, the Americas, and Europe going forward. We expect April sales to be around 10% lower Y/Y. Orders are weaker and visibility for May is poor.

It is tough to predict how long this situation will persist. At this time, we leave it TBD for the time being. When the current situation improves, we will disclose our forecasts in a timely manner. We aim to disclose our guidance as soon as possible, ideally by the time we announce Q1 results. However, any decision will be subject to the then current conditions.

We have positioned ourselves for crisis mode in FY2020. From April, we initiated an emergency fixed cost plan. Specifically, our plan for Q1 is to assume we are aiming to reduce annual fixed costs by ¥20 billion from the previous fiscal year.

That said, we will also leverage our sound financial foundation to execute on necessary investments, including additional investments, with speed.

Please turn to slide 12.

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

I will explain how we are thinking about cash flow allocation in FY2020.

In crisis mode, our top priority is to ensure our businesses are able to continue to operate.

With this as our assumption, our cash allocation priorities in order of importance are:

1. Growth investments
2. Dividends
3. Share buybacks

For growth investments, we will maintain our focus on M&A in the FA and Healthcare domains, as well as R&D and IT infrastructure investments.

With regard to dividends, once our business plan has been finalized, we will look to also disclose our dividend guidance. At this time, our full-year dividend guidance is TBD.

We currently have no plans for share buyback programs.

This completes my discussion of FY2020.

I will now explain the initiatives we have implemented to date to improve our resilience. Please refer to slide 14.



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**

Throughout the VG Medium-term Plan period, OMRON has consistently focused on enhancing resilience in the face of change. This has allowed OMRON to establish a robust business foundation.

In this section of the presentation, I will discuss the initiatives OMRON has undertaken to date, as well as ongoing efforts.

Specific initiatives are as shown on this page. I will cover this theme from 4 perspectives.

I will start with the BCP framework for the supply chain.

Please turn to slide 15.

Supply Chain BCP Structure (Key Manufacturing Bases)

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



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OMRON had already split its manufacturing footprint into 3 regional blocs. Each business has a major manufacturing base in all three of the regions, Japan, China and Southeast Asia. This diversified structure ensures that each region has a backup in the event of a natural disaster, country risk or other contingencies.

For example, we do not concentrate IAB production at just Kusatsu or Ayabe in Japan, but instead maintain a good balance across the three regions with production in Shanghai, China and Indonesia in Southeast Asia.

HCB production is regionally diversified with manufacturing taking place at Matsuzaka in Japan, Dalian in China and Vietnam in Southeast Asia. In response to heightened US-China trade friction, we shifted production of BPMs destined for the US from Dalian, China to Vietnam, to minimize the impact. As a result, our US business has remained firm.

We were able to respond swiftly to the COVID-19 outbreak. As a result, our supply chains in China and Japan have largely recovered and we have no concerns on the production front.

We remain vigilant in monitoring the rapidly evolving situation, tracking trends at our customers and capacity utilization at our suppliers, in order to fulfil our responsibility as a supplier as well as our social responsibilities.

Please refer to slide 16.

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)

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This slide shows the major business transfers and terminations, and sales of idle assets over the last 1 to 2 years.

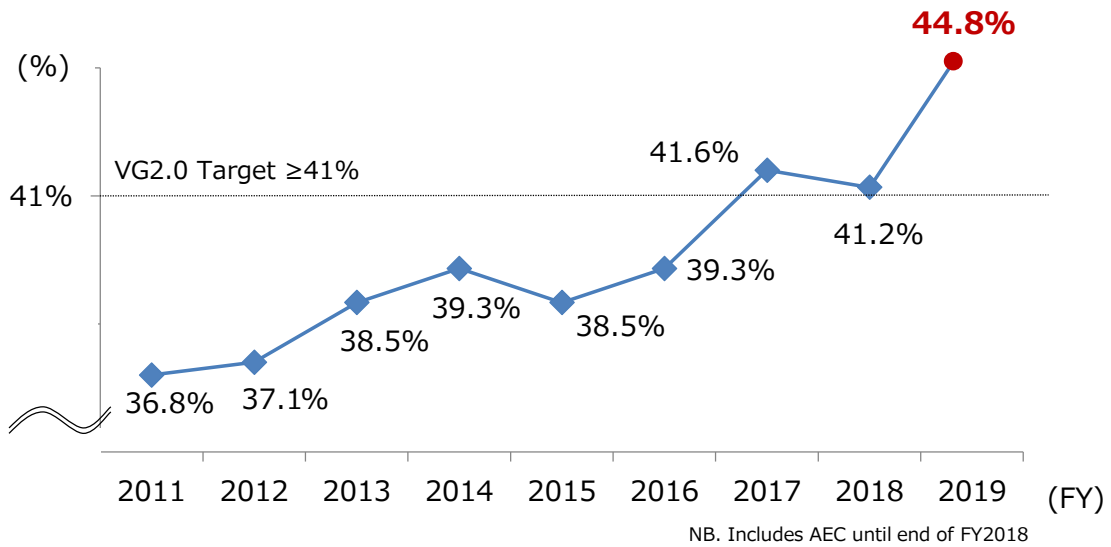
Based on ROIC management principles, OMRON has been optimizing its business portfolio and assets. As a result, OMRON's business portfolio has become stronger and more agile.

The steady, continued progress on optimization has contributed to the solid improvements in our overall GP margin.

Please turn to slide 17.

GP Margin Improvements

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



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Since FY2011, OMRON has focused on improving our GP margin.

As you can see here, the GP margin has consistently improved over time. In FY2019, we were able to achieve a new record high of 44.8%.

We are now reaping the benefits of many initiatives, supported by multifaceted firm-wide collaboration between production, sales, development and planning teams. This includes a focus on solutions to boost selling prices, expanding sales of new high-value added products, reducing variable costs, and structural reforms to lower manufacturing fixed costs. Business portfolio optimization is just one such initiative.

To date, we have seen changes to the operating environment from year to year, but have been able to more than overcome this with continued improvements to GP margin.

Please refer to slide 18.

Contingency Preparations: Improved Financial Soundness

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

**Financing
Capability**

**Lowered
Risk**

- **Maintain high credit ratings:
S&P A / R&I AA-***
- **Secured ¥30 billion commitment line**
- **Group financing capabilities on global basis**
- **Reduced strategic equity holdings**
- **Pension reform
(shift from defined benefits to defined contributions)**

*Long-term rating as of April 2020

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This slide discusses our efforts to enhance financial soundness in preparation for contingencies.

We have been able to secure financing capabilities while also reducing risk.

OMRON is highly rated by the ratings agencies. OMRON's long-term rating from Standard & Poors is A. R&I's long term rating is AA-. We have been able to secure a ¥30 billion commitment line while also maintaining good relationships with financial institutions.

OMRON has established a flexible group financing framework across regions on a global basis.

We have also implemented measures to reduce risk.

We have reduced our holdings in investment securities by selling down our strategic equity holdings. Strategic equity holdings now account for only 3% of total assets; volatility in the prices of our holdings has a minimal impact on earnings.

We have completed pension reforms, shifting from defined benefits to defined contributions.

Please turn to slide 20.

Well-recognized ESG Initiatives

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

DJSI – World

MEMBER OF
**Dow Jones
 Sustainability Indices**
 In collaboration with  SAM
© RobecoSAM brand

3 consecutive years

GPIF

MSCI  MSCI Japan ESG
 Select Leaders Index

MSCI  MSCI Japan Empowering
 Women Index (WIN)

 FTSE Blossom
 Japan

 S&P/JPX
 Carbon
 Efficient
 Index

Inclusion in 4 indices

I have discussed 4 focus areas to improve OMRON's resilience.

In addition to our efforts to enhance our ability to respond to change, we placed great importance on addressing sustainability issues and governance in managing our business. As a result, OMRON is rated highly in the major ESG indices around the world.

First, DJSI World. We have been included in this index for 3 consecutive years since FY2017.

Next, the four indices that GPIF has adopted in ESG investing. OMRON is included in all 4.

OMRON will remain unwaveringly focused on its aim of enhancing corporate value in a sustainable manner.

Finally, I will explain our initiatives as we prepare for a post-COVID-19 world.

Please refer to slide 21.



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**

I believe that the COVID-19 outbreak will lead to changes in value systems and industrial structure, accelerating social change. The emergence of new social issues as the world changes will also expand business opportunities.

For example, in healthcare, we expect the need to reduce contact between and amongst medical practitioners or patients will create a new social need for remote medical services.

In FA, we expect increasing demand for higher levels of traceability, to assure product quality and support product safety and peace of mind. We also expect increased and new demand from manufacturing sites to further reduce labor intensity through the use of automation equipment and robots, to reduce reliance on human workers. New revolutionary technologies such as 5G will only accelerate these needs.

OMRON is already implementing measures to tap into these business opportunities. Today I will highlight specific examples in Healthcare and FA.

Please turn to slide 22.

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. 	Strength	Analytic algorithm for definitive diagnosis of atrial fibrillation
Established	2011		
HQ	California, USA		
Employees	57 persons (as of Dec. 2019)		

Rights Acquired

Global Sales Rights AliveCor Device	Mobile EKG	Global Rights to Subscription Service using EKG/BP	BPM enabled for EKG
			

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In the healthcare domain, we are developing a remote medical service focused on BPMs and EKGs, as a part of our efforts to achieve Zero neuro- and cardiovascular Events.

To accelerate the process, we increased our stake in AliveCor, through an additional investment of ¥2.6 billion. We have been partnering with AliveCor since 2017. By raising our stake, we have secured the global sales rights for AliveCor's mobile EKG device. OMRON has also secured the global rights for a remote medical service based on a BPM enabled for EKG readings, which was jointly developed with AliveCor.

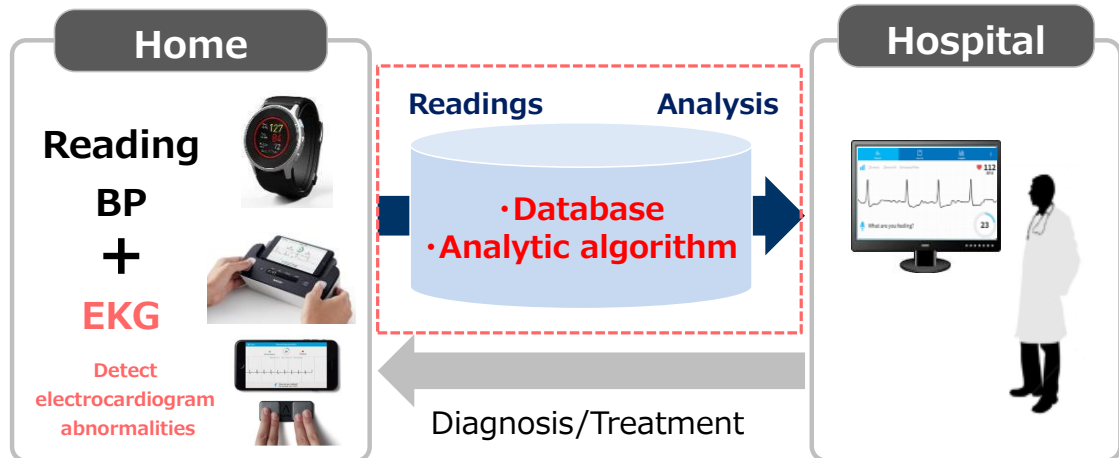
AliveCor is the only company in the world to have secured FDA approval for its mobile EKG device and is partnering with OMRON to provide a remote diagnostic platform.

AliveCor has a database of tens of millions of EKG readings taken under normal daily living conditions. It applies an analytical algorithm using AI technologies to support doctors in diagnosing and treating conditions. It already has tens of thousands of paid users in the US, in collaboration with the highly respected Mayo Clinic.

Please turn to slide 23.

New Challenges: Remote Medical Services

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



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Let me talk about the remote medical service which is a key focus for OMRON going forward.

Preventing sudden fatalities or averting becoming bedridden from cerebral or cardiovascular events requires appropriate diagnosis and treatment by a doctor, using blood pressure and electrocardiogram data taken under normal living conditions.

Our collaboration with AliveCor will give us access to not only the AliveCor device but will allow us to combine blood pressure and EKG data taken under normal living conditions. We will be able to remotely share the analytical results with doctors.

I believe that the COVID-19 outbreak will accelerate the need for this type of remote medical service. This will make it possible for individuals with primary conditions such as hypertension, where the risk of becoming severely ill if infected is high, to consult a doctor without incurring the risk of going to a hospital. It can also reduce the risk of hospital-acquired infections.

By leveraging technologies of start-ups like AliveCor, OMRON aims to commercialize remote medical services.

Next is the FA domain. I will discuss three examples in FA. Please see slide 24.

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

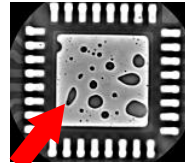
5G Smartphone



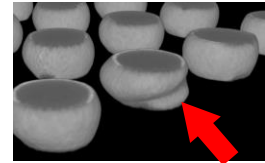
Substrate

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

The COVID-19 outbreak has accelerated take-up of remote medical services, virtual meetings and online entertainment. This is rapidly driving up expectations for accelerated 5G adoption as a new component of social infrastructure. OMRON is proactively targeting this new social need.

We have previously showcased AXI, our X-ray substrate inspection equipment. It is leading-edge inspection equipment that can deliver high-speed inspections of electronic substrates, where form factors are increasingly smaller and component density increasingly higher.

Demand for high-density electronic substrates first emerged in the automotive industry, but inquiries about AXI from the digital industry are on the rise. As an example, component density for the electronic substrates used in 5G base stations has increased significantly. Recently, there has been a rapid increase in 5G base station installations. Given communications services are part of the social infrastructure, where failures are unacceptable, the level of quality assurance for substrates used in base stations has risen meaningfully.

Given this, 3D image inspection is indispensable in detecting cavities and solder fails at the time of component mounting. The trend toward high-density mounting is not limited to base stations. It is increasingly used in high performance mobile devices, such as smartphones, or equipment used in data centers. OMRON's AXI is contributing to high-density mounting substrate inspections for more than the automotive industry.

Next, I would like to discuss medical traceability, our second example. Please turn to slide 25.

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

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As a result of the COVID-19 outbreak, demand for portable PCR testing equipment and benchtop blood analysis equipment has risen sharply in medical settings. It goes without saying that traceability of test samples and management of test data from this type of equipment is critical.

OMRON contributes to test sample traceability through technology which makes it possible to read all samples with 100% accuracy. OMRON code readers incorporate this sophisticated technology, enabling the simultaneous reading of codes for all of the samples and external visual inspection, without halting the equipment.

There is an accelerating trend toward making traceability mandatory for medical devices and drugs, prompted by the increasing adoption around the world of an international identification standard called UDI or unique device identification. As an example, under this standard surgical implements like scalpels must each be directly imprinted with a UDI to enable the keeping of records including how many times that particular scalpel has been used.

In addition to a code reader capable of reading UDIs, OMRON also has laser technology making it possible to print directly on the vast variety of surgical implements without the risk of rust. In this way, OMRON is contributing to the improvement of safety in medical settings and the prevention of medical malpractice, by supporting product quality for medical devices.

Please refer to slide 26.

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



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The final example from FA I will highlight today is in robotics and automation. Even before the COVID-19 outbreak, there had been demand to reduce labor intensity through automation in processes that had historically relied heavily human hands, such as component assembly and inspections.

However, the COVID-19 outbreak has triggered a further change in the minds of manufacturing customers across all industries. Please look at the picture on the left. This is what assembly inspection processes look like now, with many workers crammed together in a confined and enclosed space – the epitome of the 3 C's. Our customers now face the serious challenge of how to make changes to prevent the spread of infection under such conditions, and how best to maintain production activity in unexpected situations where there might be a severe shortage of workers.

This is creating a new need to rethink the shop floor in order to mitigate the impact of a major contagious outbreak. Against this backdrop, there is a renewed focus on OMRON's collaborative robots.

Please look at the picture on the right. The concept of a collaborative robot is a robot that can work alongside and in proximity to a human being. Co-bots can work safely alongside humans. Increasingly, co-bots are being recognized as a solution to the new social issues raised by the COVID-19 outbreak.

We expect demand for automation and labor intensity reductions through the use of robots will expand. We aim to grow further by capturing this demand.

This completes my discussion of initiatives to prepare for a post-COVID-19 world.

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**

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In closing, I have 3 key messages.

The first is that OMRON has the resilience to overcome the substantial impact of the COVID-19 outbreak. As I have discussed today, OMRON has sufficient cash on hand and has maintained a high GP margin. OMRON is well positioned from a financing perspective and the risk of a significant write-down is limited. OMRON has a solid financial foundation capable of weathering a crisis.

Second, OMRON's businesses address markets which will see demand recover post-COVID-19. Many suggest that the outbreak will lead to major changes in how we view the world and our lives, which is likely to drive changes in demand. As a result, when the situation improves, we believe there will be a polarization between industries where demand reverts to pre-COVID-19 levels and industries where demand does not recover. Our mainstay businesses address FA, healthcare and social systems, all domains which will clearly be necessary in a post-COVID-19 world. We believe demand in these domains will recover. The optimization of our business portfolio to date has refashioned OMRON into a strong corporate group providing services and products necessary in a post-COVID-19 world.

The third key message is that OMRON is prepared and poised to capture the new business opportunities that will take off post-COVID-19. The remote medical service and co-bots I highlighted earlier epitomize the opportunities. We have shifted into crisis mode but we are also thinking about the medium- to long-term in managing our businesses and laying the foundations for a post-COVID world, by responding flexibly to the changing environment.

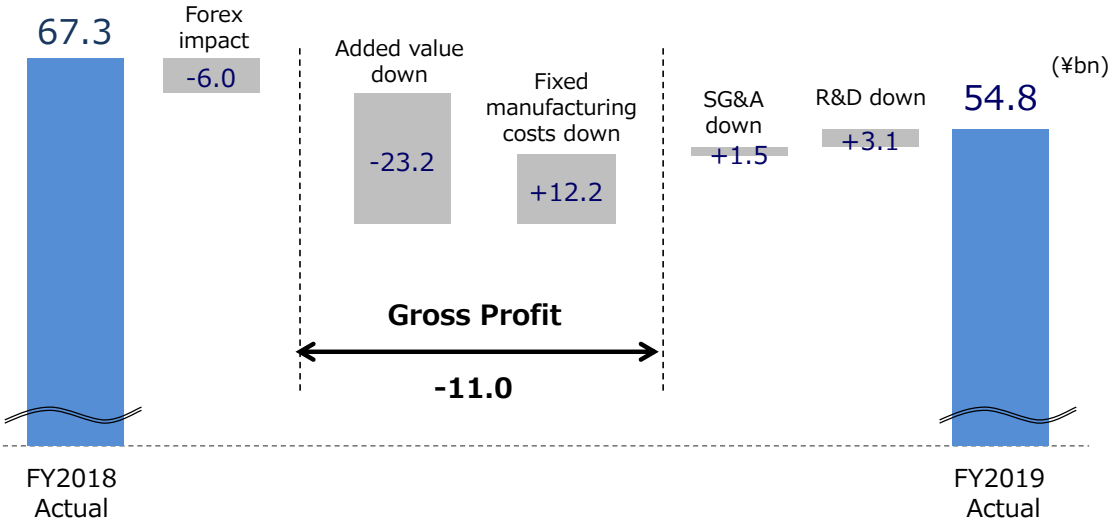
We humbly ask for the continued support of our shareholders and investors. This completes my presentation. Thank you.

OMRON



Reference

FY2019 Operating Income Analysis (Y/Y)



VG2.0 and Sustainability Policy are Linked

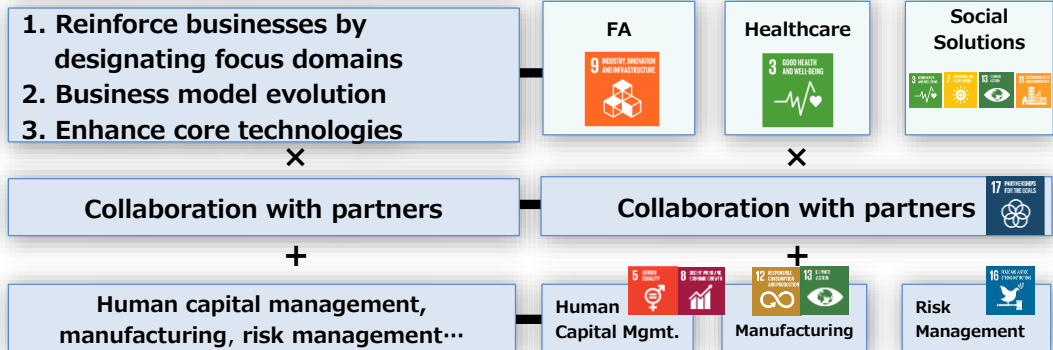
OMRON Principles

Medium-term Management Plan: VG2.0

Business Strategies

Sustainability Issues

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



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



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**



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

3rd consecutive year from FY2017

- ✓ Health & Productivity Stock 2020

2nd consecutive year from FY2018

- ✓ Health & Productivity: White 500

4th consecutive year from FY2016



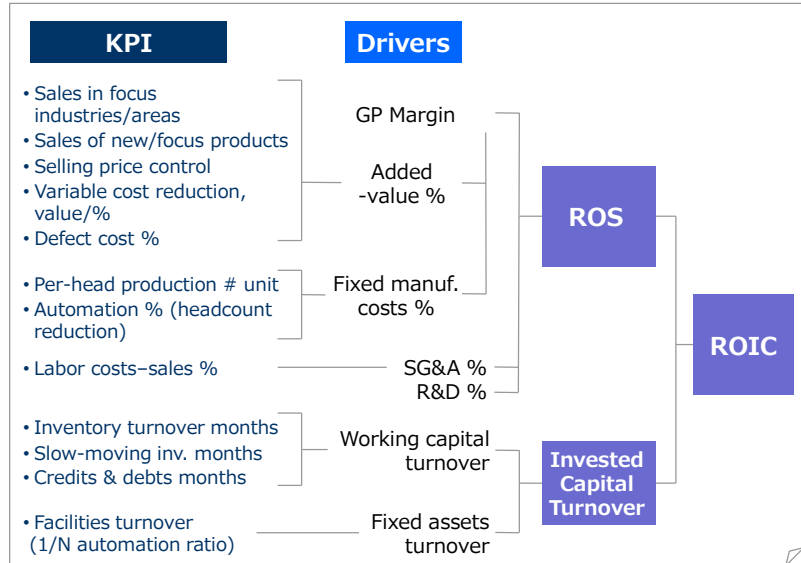
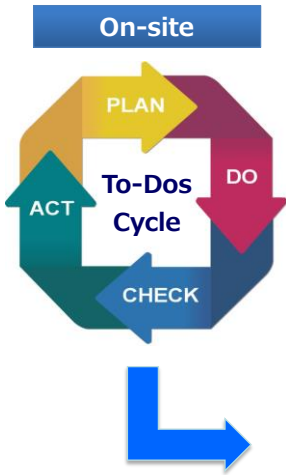
Selected by Nikkei Inc.

- ✓ Nikkei 225

March 2019, 1st time

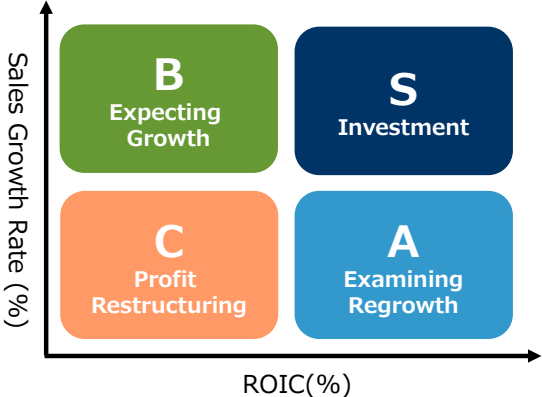


Down-Top ROIC Tree

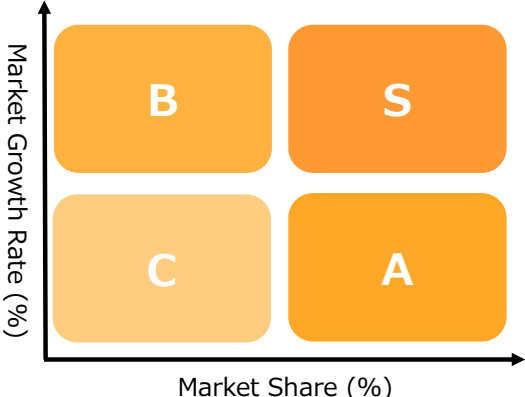


Portfolio Management

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*

$$= \text{Net assets} + \text{Interest-bearing debt}$$

*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.

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