

FY2020 Q1 Earnings

Financial Results for the First Quarter Ended June 30, 2020



**July 28, 2020
OMRON Corporation**

Summary

■ Q1 FY2020 Results

- Resilience in the face of unprecedented change: strong profit gains despite lower sales
- Captured COVID-19-driven demand: magnitude of sales decline smaller than expected
- Continued GP margin gains on efforts to strengthen products, structural reforms
- Fixed cost cuts progressing in line with plan

■ FY2020 Plan

- Forecast full-year sales and profits to fall Y/Y. Assume tough operating environment continues to the end of FY2020
- Aim to maximize sales and profits: pursue all opportunities
- Reiterate full-year DPS guidance of ¥84, unchanged Y/Y

■ Preparing for the Post-COVID-19 Challenge

- Position FY2020/2021 as period of transformation to prepare for a post-COVID-19 world
- Accelerate transformation to highly resilient business structure through business model evolution
- Capture emerging post-COVID-19 social needs to achieve profitable growth

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Q1 FY2020 Results



Q1 FY2020 Results

**Demonstrate resilience under tough operating conditions,
achieve strong profit growth**

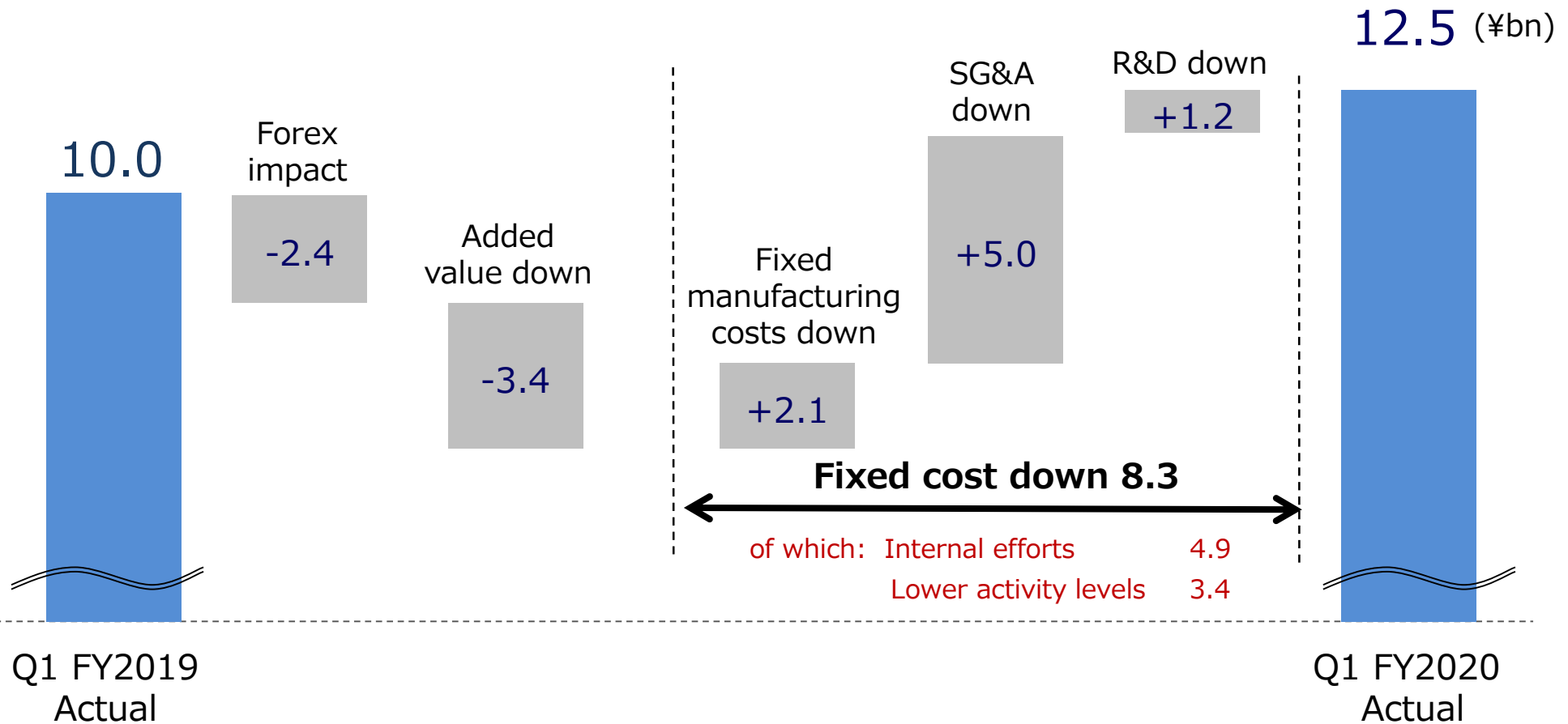
(¥bn)

| | Q1 FY2019 Actual | Q1 FY2020 Actual | Y/Y |
|-------------------------|---------------------|---------------------|----------------------------|
| Net Sales | 160.0 | 146.5 | -8.5% |
| Gross Profit (%) | 71.5 (44.7%) | 66.4 (45.3%) | -7.2% (+0.6%pt) |
| Operating Income (%) | 10.0 (6.3%) | 12.5 (8.5%) | +24.2% (+2.2%pt) |
| Net Income | 7.8 | 9.7 | +25.0% |
| 1USD (JPY) | 110.7 | 107.9 | -2.8 |
| 1EUR (JPY) | 123.6 | 118.3 | -5.3 |
| 1RMB (JPY) | 16.3 | 15.1 | -1.2 |

*Q1 FY2019 Net Income excludes Net Income from Discontinued Operations (AEC profits and gains on sale of AEC business). If Net Income from Discontinued Operations are included, Q1 FY2019 Net Income is ¥8.5 bn

Operating Income Analysis (Y/Y)

Operating income ahead of plan partly owing to temporary factors. Maintaining fixed cost discipline in line with plan



Sales by Business Segment

Magnitude of sales decline at IAB lower than expected, reflecting resilience

| | Q1 FY2019 Actual | Q1 FY2020 Actual | (¥bn) Y/Y |
|---|---------------------|---------------------|--------------|
| IAB Industrial Automation | 89.1 | 82.1 | -7.9% |
| EMC Electronic & Mechanical Components | 23.0 | 18.0 | -21.9% |
| SSB Social Systems, Solutions & Service | 17.3 | 18.1 | +4.9% |
| HCB Healthcare | 27.7 | 26.6 | -4.1% |
| Eliminations & Corporate | 3.0 | 1.8 | -40.1% |
| Total | 160.0 | 146.5 | -8.5% |

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

IAB Sales Growth by Region

Strong growth in China and South Korea, on back of rising demand in Digital

Q1 FY2020 IAB Sales Growth by Region (Y/Y, local currency basis)

| Japan | Americas | Europe | Greater China | SE Asia/Other | |
|-------|----------|--------|---------------|---------------|-------------|
| | | | | Ex-S.Korea | S. Korea |
| -9% | -10% | -22% | +22% | -23% | +31% |
| | | vs. Q4 | (+64%) | | (+27%) |

Operating Income by Business Segment

Profits up Y/Y for all segments despite COVID-19 impact, reflecting resilience of OMRON's businesses

(¥bn, %:OPM)

| | Q1 FY2019 Actual | Q1 FY2020 Actual | Y/Y |
|---|---------------------|---------------------|-------------------|
| IAB Industrial Automation | 13.3 (14.9%) | 13.8 (16.8%) | +0.5 (+1.9%pt) |
| EMC Electronic & Mechanical Components | 0.0 (0.0%) | 0.1 (0.5%) | +0.1 (+0.4%pt) |
| SSB Social Systems, Solutions & Service | -1.4 (-) | -0.9 (-) | +0.5 (-) |
| HCB Healthcare | 3.4 (12.3%) | 4.5 (16.9%) | +1.1 (+4.6%pt) |
| Eliminations & Corporate | -5.3 | -5.1 | +0.2 |
| Total | 10.0 (6.3%) | 12.5 (8.5%) | +2.4 (+2.2%pt) |

NB. FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business



FY2020 Plan



FY2020 Plan: Assumptions

- ✓ **Expect COVID-19 outbreak to have prolonged impact, both in Japan and overseas. Operating environment visibility to remain poor**
- ✓ **Forecasts for Q2 and beyond assume tough operating conditions remain in place at least until the end of FY2020**
- ✓ **Maintain cautious stance on fixed costs as planned, but will undertake investments deemed essential for post-COVID-19 growth**

Business Outlook by Segment: Q2 and beyond

Visibility extremely limited. Expect operating environment to remain challenging

| | |
|---|---|
| IAB Industrial Automation | Automotive: Auto sales down on COVID-19; expect capex to remain weak Digital: Expect weaker China, S. Korea after strong Q1 but gradual recovery from Q4 Food & bev.: Expect flat Y/Y trend. Continued impact from weak economy but initiatives to control COVID-19 outbreak and maintain activity levels to be supportive Social infrastructure: Flat Y/Y overall on government stimulus measures despite COVID-19 impact |
| EMC Electronic & Mechanical Components | Consumer: China domestic market recovering but not back to last year's levels. Expect gradual recovery for US/Europe Automotive: Expect substantial decline in demand on falling auto sales |
| SSB Social Systems, Solutions & Service | Station sys.: Capex appetite increasingly declining; demand to be weak Transport: Expect firm replacement demand Energy: Restart of selling activity to support gradual recovery in sales of battery storage systems |
| HCB Healthcare | Domestic: Firm, primarily in thermometers. Expect gradual recovery in store sales on reopening Overseas: Online sales firm primarily in BPMs. Similar to domestic store sales, expect gradual recovery |

FY2020 Plan

Expect to maintain FY2019 GP margin level and achieve ¥30bn in operating income despite Y/Y sales and profit decline

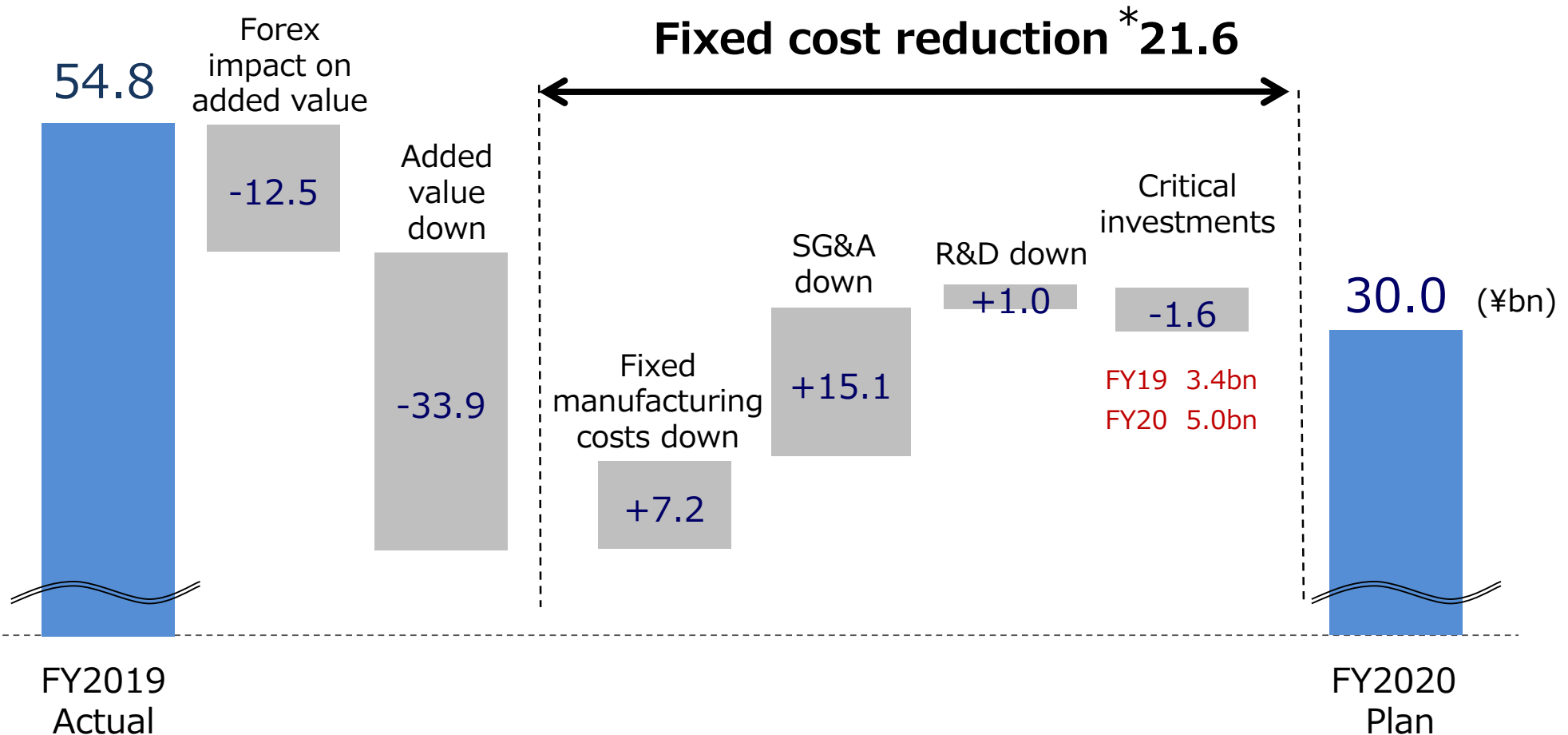
| | FY2019 Actual | FY2020 Plan | Y/Y |
|-------------------------|------------------|------------------|---------------------|
| | | | (¥bn) |
| Net Sales | 678.0 | 590.0 | -13.0% |
| Gross Profit (%) | 303.7 (44.8%) | 264.5 (44.8%) | -12.9% (+0.0%pt) |
| Operating Income (%) | 54.8 (8.1%) | 30.0 (5.1%) | -45.2% (-3.0%pt) |
| Net Income | 39.2 | 16.5 | -57.9% |
| 1USD (JPY) | 109.1 | 106.5 | -2.6 |
| 1EUR (JPY) | 121.2 | 119.6 | -1.6 |
| 1RMB (JPY) | 15.7 | 15.0 | -0.7 |

***excluding forex impact +0.7%pt**

*FY2019 Net Income excludes Net Income from Discontinued Operations (AEC profits and gains on sale of AEC business). If Net Income from Discontinued Operations are included, FY2019 Net Income is ¥74.9 bn

FY2020 Plan: Operating Income Analysis (Y/Y)

Continue to undertake investments deemed critical but maintain discipline in fixed cost reductions



*Includes impact of yen appreciation

Sales Forecasts by Business Segment

HCB sales to remain unchanged Y/Y

(¥bn)

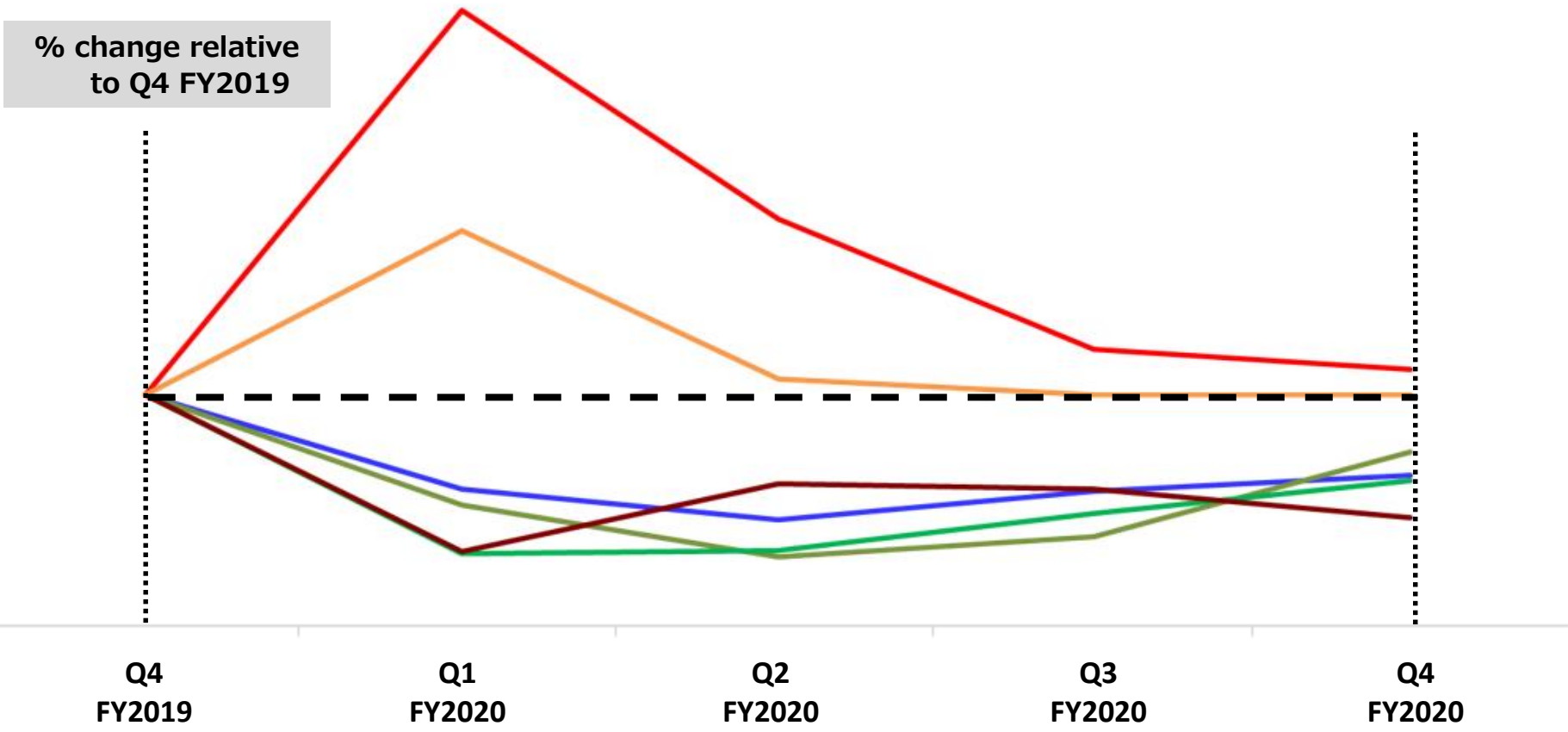
| | FY2019 Actual | FY2020 Plan | Y/Y |
|---|------------------|----------------|---------------|
| IAB Industrial Automation | 352.8 | 307.0 | -13.0% |
| EMC Electronic & Mechanical Components | 88.4 | 76.0 | -14.0% |
| SSB Social Systems, Solutions & Service | 116.0 | 93.0 | -19.8% |
| HCB Healthcare | 112.0 | 112.0 | +0.0% |
| Eliminations & Corporate | 8.9 | 2.0 | -77.5% |
| Total | 678.0 | 590.0 | -13.0% |

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

IAB: Expected Quarterly Sales Trend by Region

Greater China, S. Korea strong in Q1 but expect tough conditions to prevail from Q2 onward, similar to other regions

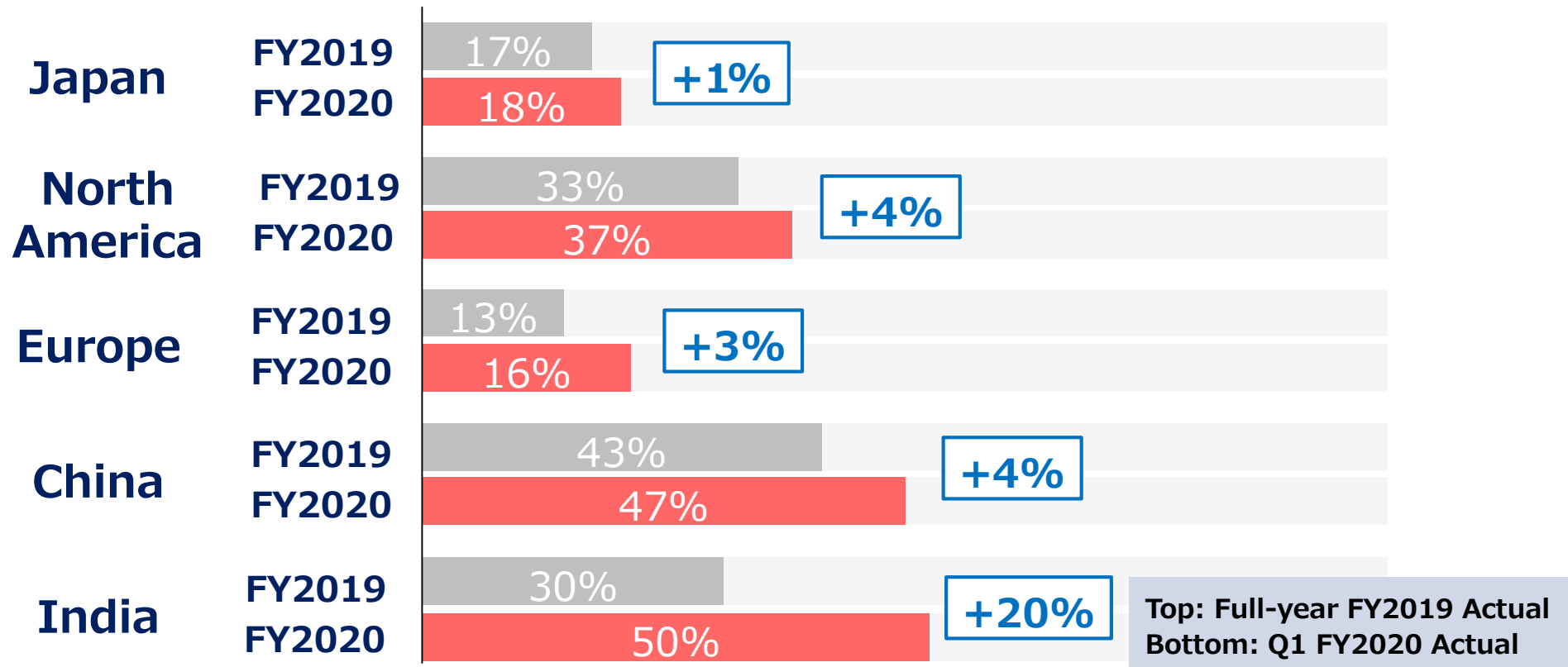
Japan Americas Europe Greater China South Korea SE Asia ex. S. Korea



HCB: Online Channel Sales Growth

Solid progress in growing online channel. HCB increasingly less impacted by weak real store sales

HCB: Online Channel Share of Total Sales



Operating Income by Business Segment

Expect HCB profits to grow Y/Y

(¥bn, %: OPM)

| | FY2019 Actual | FY2020 Plan | Y/Y |
|---|------------------|-----------------|--------------------------|
| IAB Industrial Automation | 53.6 (15.2%) | 35.0 (11.4%) | -18.6 (-3.8%pt) |
| EMC Electronic & Mechanical Components | 0.9 (1.0%) | 0.5 (0.7%) | -0.4 (-0.4%pt) |
| SSB Social Systems, Solutions & Service | 10.9 (9.4%) | 5.0 (5.4%) | -5.9 (-4.0%pt) |
| HCB Healthcare | 13.5 (12.1%) | 15.0 (13.4%) | +1.5 (+1.3%pt) |
| Eliminations & Corporate | -24.1 | -25.5 | -1.4 |
| Total | 54.8 (8.1%) | 30.0 (5.1%) | -24.8 (-3.0%pt) |

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

Full-year Dividend Guidance

**Maintain full-year dividend guidance based on DOE target.
DPS guidance at ¥84, unchanged Y/Y**

**FY2019
(Actual)**

**FY2020
(Forecast)**

**Full-year
Dividend**

¥84

¥84

NB. Guidance for interim and year-end dividend TBD



Preparing for Post-COVID-19

Post-COVID-19: Emerging Social Issues

COVID-19 is accelerating the pace of social change. Social issues, business opportunities expected in the future materializing now

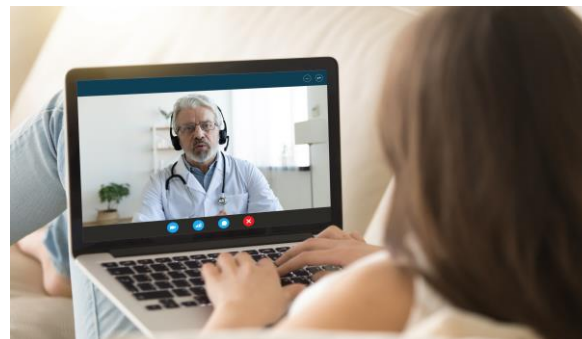
Changes in Manufacturing

New reduced labor intensity



Changes in Medicine

Need for remote medical treatment



Changes in Society and Services

Needs for remote and labor-saving solutions for station services



Post-COVID-19: Emerging Social Issues

New, emerging labor-saving needs: Averting 3 C's on the shop floor



New Labor-saving Needs

Creating new market with a controller which integrates robotic control to achieve ILOR+S

Achieving integrated line and robotic control with a single controller:
One Controller

Shipments start July 31!

World First



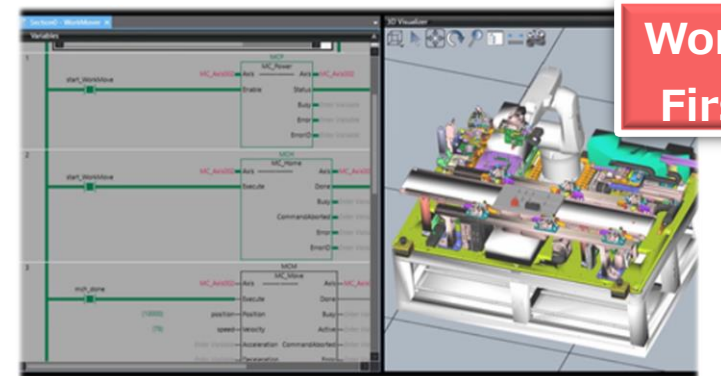
Automating delicate processes only possible by human hand through seamless ILOR+S control



World First

Labor Saving

Now possible to conduct remote simulations from design and operations to maintenance, using aggregated data

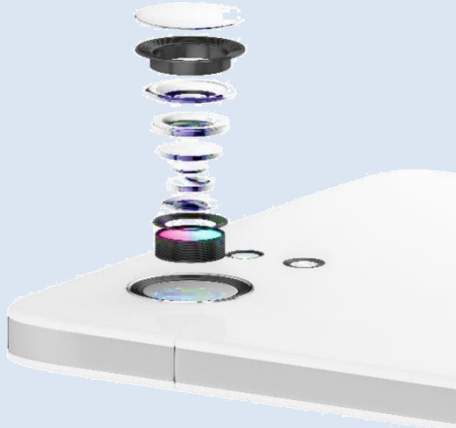


World First

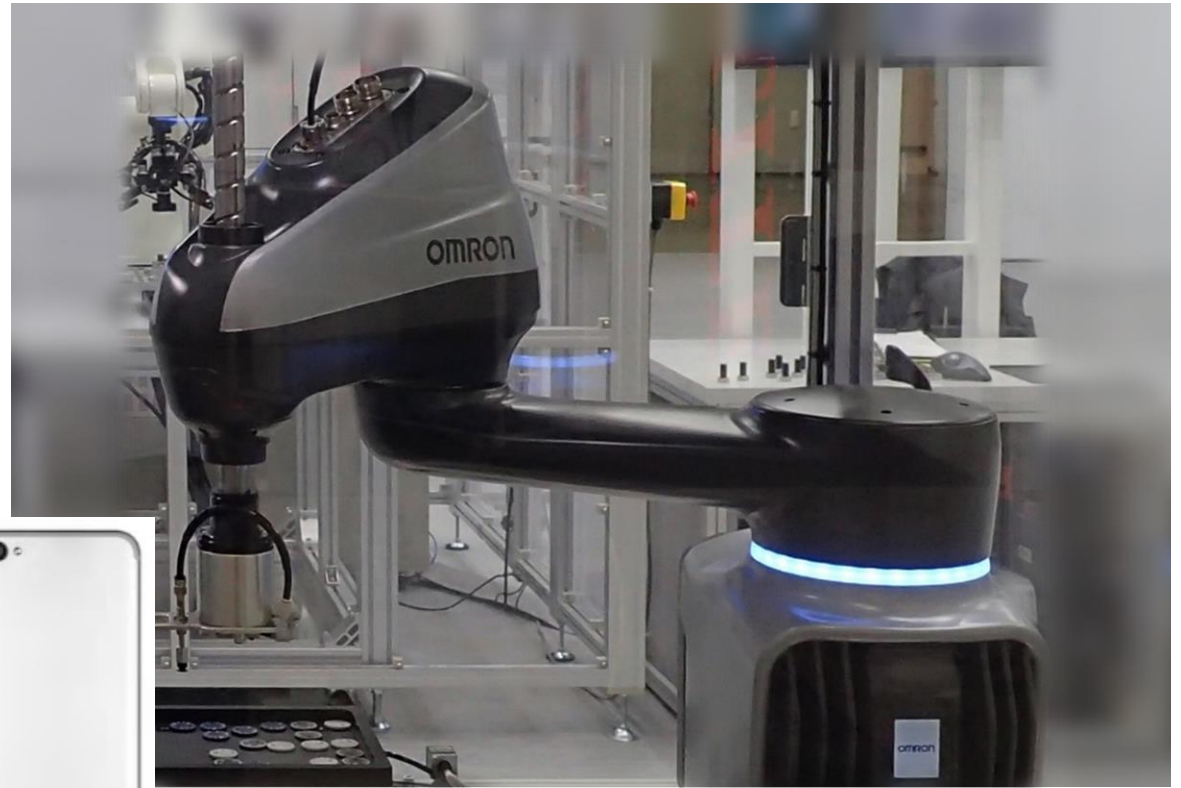
*Regarding "ILOR+S", please refer to P45

Automating Delicate Processes Only Possible for Human Hands

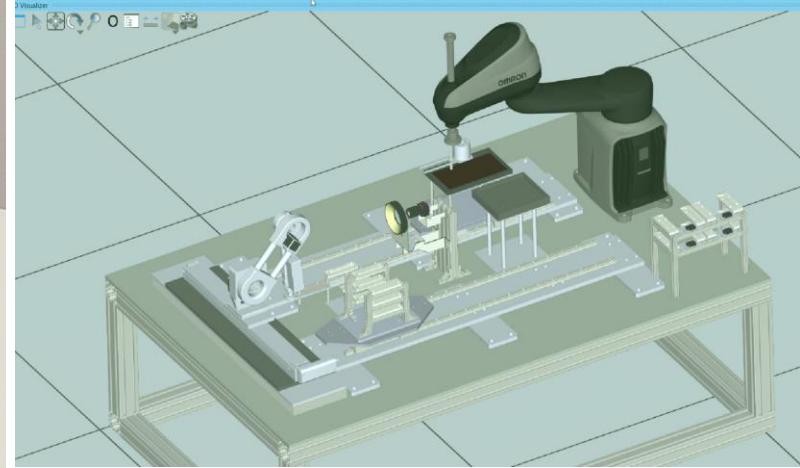
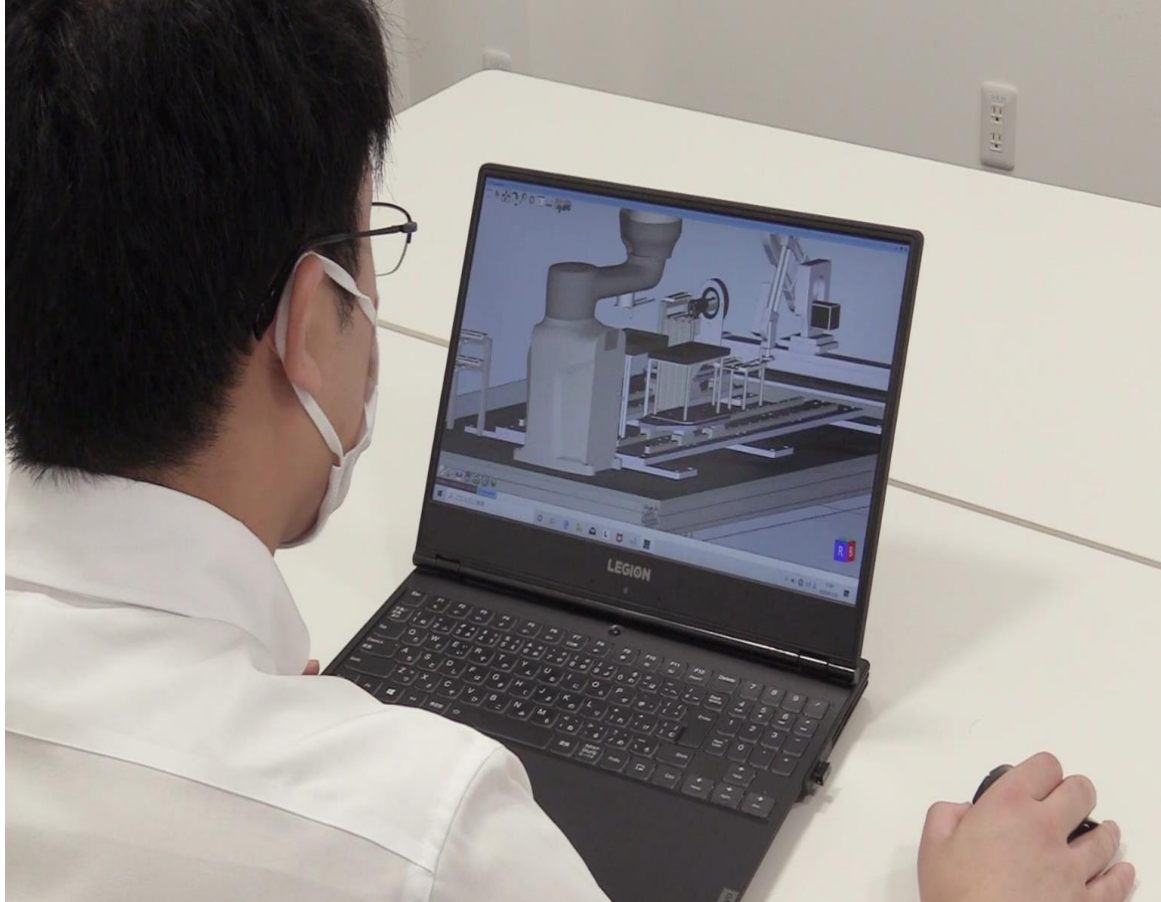
Creating solutions that leverage the revolutionary nature of One Controller



Smartphone camera module



One Software: Leveraging Aggregated Data to Enable Simulations



Post-COVID-19: Emerging Social Issues

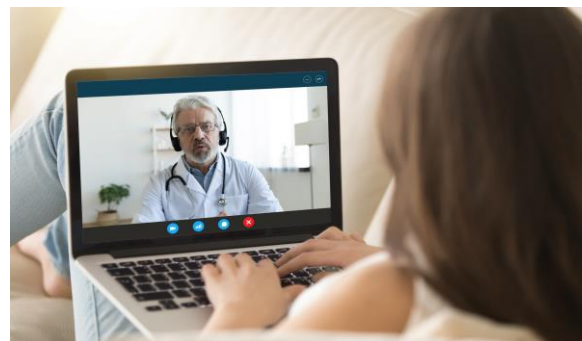
Changes in Manufacturing

New reduced labor intensity



Changes in Medicine

Need for remote medical treatment



Changes in Society and Services

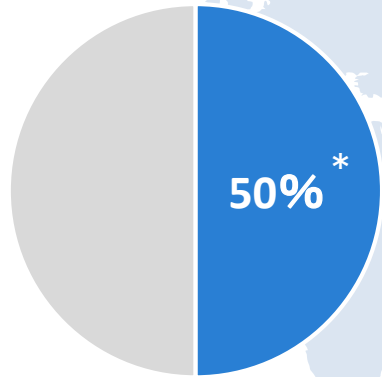
Needs for remote and labor-saving solutions for station services



OMRON Strengths: Focusing on Post-COVID-19 Opportunities

Leveraging OMRON's dominant strengths to create new businesses aligned for a post-COVID-19 world

BPM Share



Global Share No. 1



*Value basis, OMRON estimate

Global Coverage

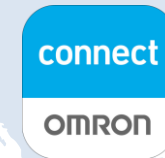


Real Store Network
Focused on Pharmacies

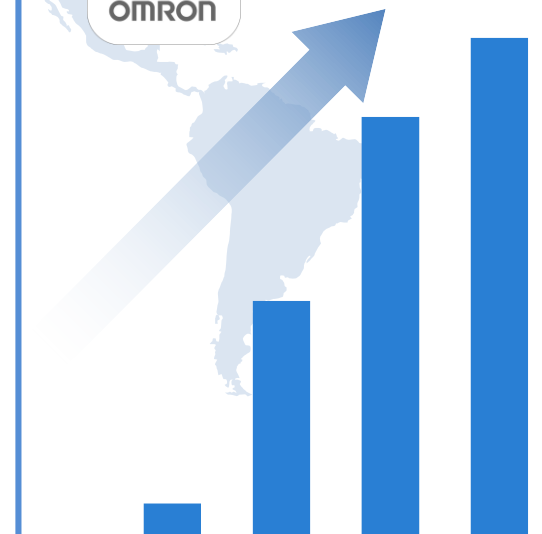


Online Channel

App Downloads



1.9 mn



FY16 FY17 FY18 FY19

Remote Medicine Service Business Model

Develop business model for remote medicine service. Already launched at US medical institutions



2 Share vitals with physician



1 Collect vital signs



BP
ECG
Weight
Activity levels

3 Algorithms to support physician's diagnosis

EPR*
(Test results, Symptoms, History)

4 Propose treatment



Dr.



Patient

Video/
Online
Conferencing

5 Support lifestyle changes



Billing ↓ Payments ↑

Payer, Insurance company, etc.

* Electronic Patient Records

Global Expansion of ECG Devices: Accelerating Remote Medicine

**Expand BPM enabled for ECG and mobile ECG businesses.
Establish concept of home readings for ECG**

FY2019

FY2020

FY2021

**BPM
Enabled
for ECG
Readings**

▼ Launched May 2019
in US



Enable OMRON connect
app for ECG

▼ **European Launch February**
▼ **Japan Launch March**

**Other Asian launches
to follow** →

**Mobile
ECG**

▼ Launched June 2017
in US



▼ **European launch
in September**

Enabled for
OMRON connect
app

▼ **Japan Launch May**
**(China Launch
May '22)**

Post-COVID-19: Emerging Social Issues

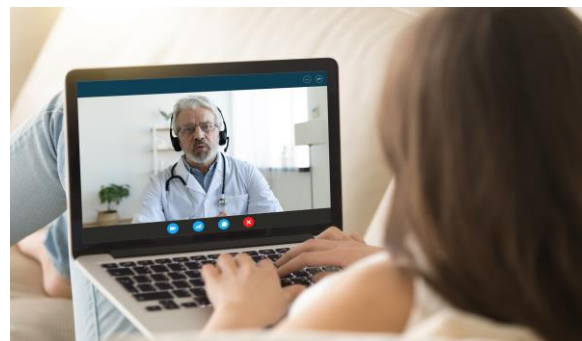
Changes in Manufacturing

New reduced labor intensity



Changes in Medicine

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Changes in Society and Services

Needs for remote and labor-saving solutions for station services



Station Services: Migrate to Remote, Reduce Labor Intensity

Create safe, secure and pleasant railway stations through remote monitoring service, in addition to existing products, remote systems

Conventional Systems

Provide station equipment, remote monitoring systems

OMRON

Provide station equipment & systems

Railway

Monitor/Operate A Rail



Eq. to be monitored



Station equipment /systems

Targeted Operations Service

Solve operational issues for stations through remote monitoring operations service

OMRON

Provide station equipment & systems



Monitor/Operate

Remote Cust. Svc

Service Center



Railway

Focus Area
Going Forward

A Rail

B Rail

Eq. to be monitored



Station equipment/systems



Manage station facilities



Security



Customer svc.

In Conclusion

OMRON's Fundamental Purpose

**Continue to contribute to
society through the
creation of social value**

In Conclusion



OMRON Healthcare is Going for Zero.
We aim to eliminate cerebral and cardiac events,
such as stroke or heart attacks,
that can lead to fatalities or being bedridden.

In Conclusion

OMRON's Fundamental Purpose

**Continue to contribute to society through
the creation of social value**

Management Stance for FY2020 - 2021

**Accelerate business transformation in
preparation for a post-COVID-19 world**

OMRON

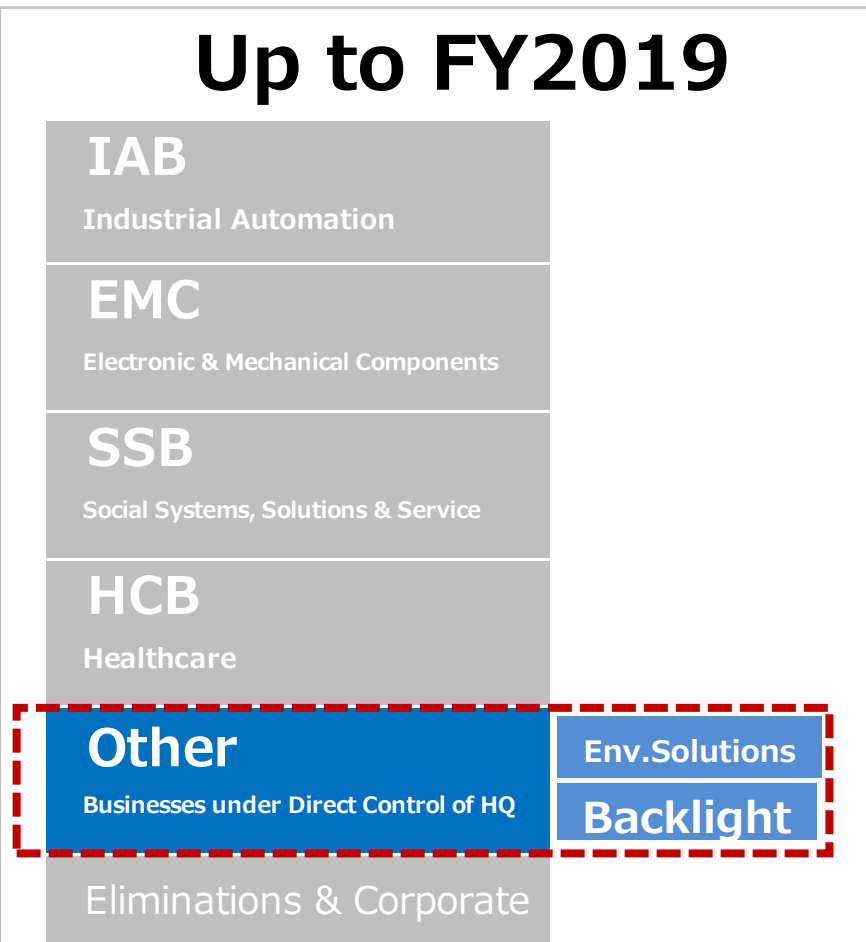


Reference

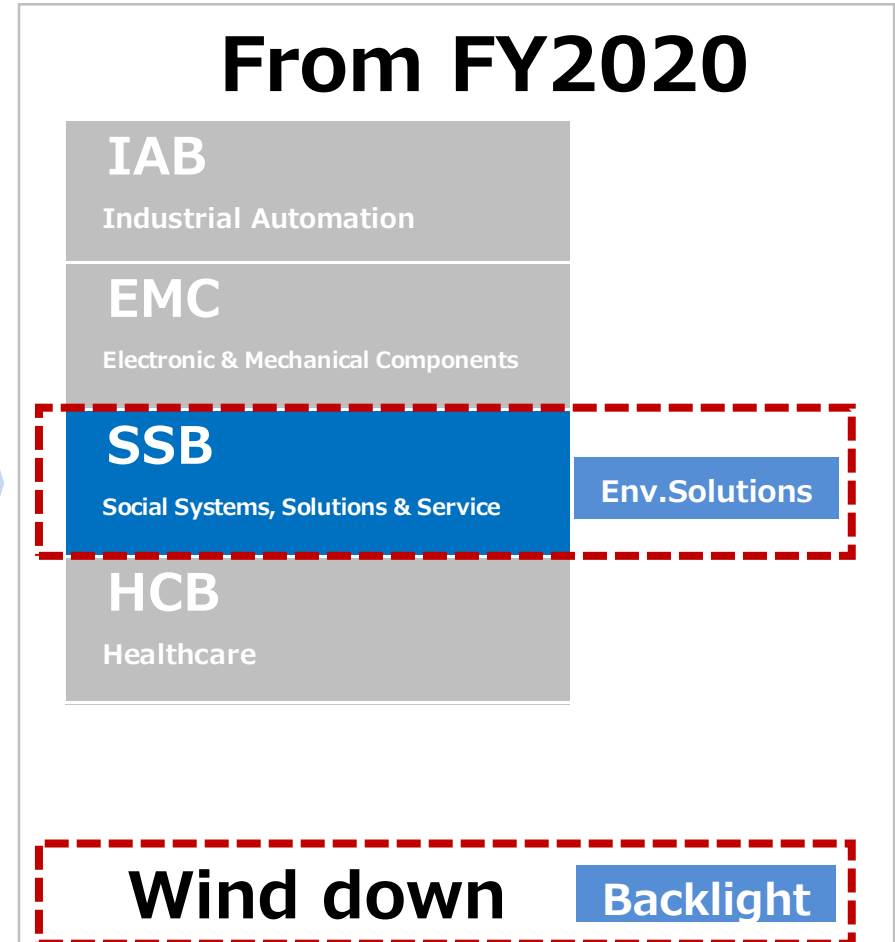
Segment Changes

Eliminating Other segment: Environmental Solutions business transferred to SSB, winding down Backlight business

Up to FY2019



From FY2020



Consolidated Balance Sheet

| | (¥bn) | | |
|---|----------------|---------------|----------------|
| | End-March 2020 | End-June 2020 | Q/Q |
| Current assets | 447.1 | 434.6 | -12.6 |
| (Cash and cash equivalents) | (185.5) | (195.9) | (+10.4) |
| (Inventory) | (104.3) | (109.7) | (+5.4) |
| Property, plant and equipment | 114.5 | 111.8 | -2.7 |
| Investments and other assets | 196.5 | 196.2 | -0.3 |
| Total assets | 758.1 | 742.6 | -15.5 |
| Current liabilities | 151.3 | 129.0 | -22.3 |
| Long-term liabilities | 74.2 | 73.1 | -1.2 |
| Total Liabilities | 225.5 | 202.0 | -23.5 |
| Shareholders' equity | 530.4 | 538.6 | +8.2 |
| Noncontrolling interests | 2.2 | 2.0 | -0.2 |
| Total net assets | 532.6 | 540.6 | +8.0 |
| Total Liabilities and net assets | 758.1 | 742.6 | -15.5 |
| Equity ratio | 70.0% | 72.5% | +2.5%pt |

Consolidated Statement of Cash Flow

(¥bn)

| | Q1 FY2019 Actual | Q1 FY2020 Actual | Y/Y |
|---|---------------------|---------------------|-------|
| Operating cash flow | 17.2 | 27.5 | +10.3 |
| Investment cash flow | -6.3 | -4.6 | +1.6 |
| Free cash flow (FCF) | 10.9 | 22.9 | +12.0 |
| Financing cash flow | -8.8 | -11.3 | -2.6 |
| Cash and cash equivalents as of end of period | 110.3 | 195.9 | +85.5 |
| Capital expenditure | 5.6 | 3.9 | -1.6 |
| Depreciation | 6.0 | 6.0 | -0.0 |

FY2020 Forex Assumptions

| | FY2020 Assumptions for 2Q and beyond | Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move | |
|-----|--|--|--------|
| | | Sales | OP |
| USD | 106円 | ¥1.3bn | ¥0.1bn |
| EUR | 120円 | ¥0.8bn | ¥0.4bn |
| RMB | 15.0円 | ¥0.7bn | ¥0.1bn |

* 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 July 2020)

ESG Indices which include OMRON

- ✓ DJSI – World **3rd consecutive year**
- ✓ FTSE4Good Index Series **3rd consecutive year**
- ✓ MSCI ESG Leaders Indexes **4th consecutive year**
- ✓ MSCI SRI Indexes **3rd consecutive year**
- ✓ STOXX Global ESG Leaders indices **4th consecutive year**
- ✓ FTSE Blossom Japan Index **4th consecutive year**
- ✓ MSCI Japan ESG Select Leaders Index **4th consecutive year**
- ✓ MSCI Japan Empowering Women Index **4th consecutive year**
- ✓ S&P/JPX Carbon Efficient Index **2nd consecutive year**

* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.
FY2019 Assessment: Climate Change 'A-', Water Security 'B'

MEMBER OF
**Dow Jones
Sustainability Indices**

In collaboration with  a RobecoSAM brand



FTSE4Good

MSCI 

2019 Constituent
MSCI ESG
Leaders Indexes

Member 2019/2020

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 July 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

- ✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**



- ✓ Nadeshiko Brand

3rd consecutive year from FY2017



- ✓ Health & Productivity Stock

2nd consecutive year from FY2018



- ✓ Health & Productivity: White 500

4th consecutive year from FY2016



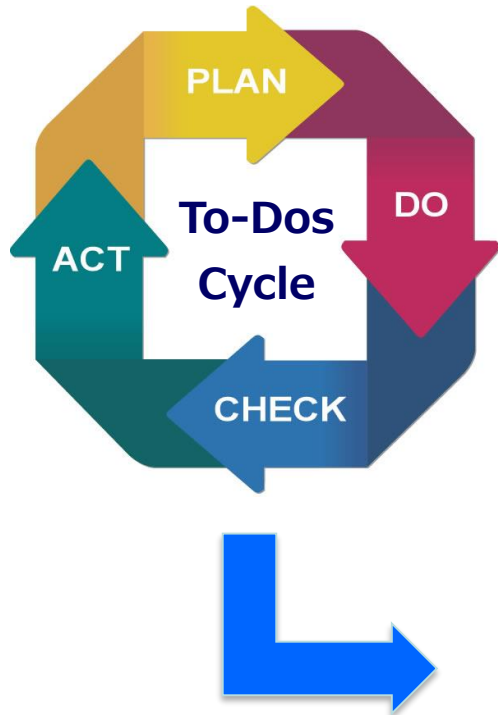
Selected by Nikkei Inc.

- ✓ Nikkei 225

March 2019, 1st time

Down-Top ROIC Tree

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

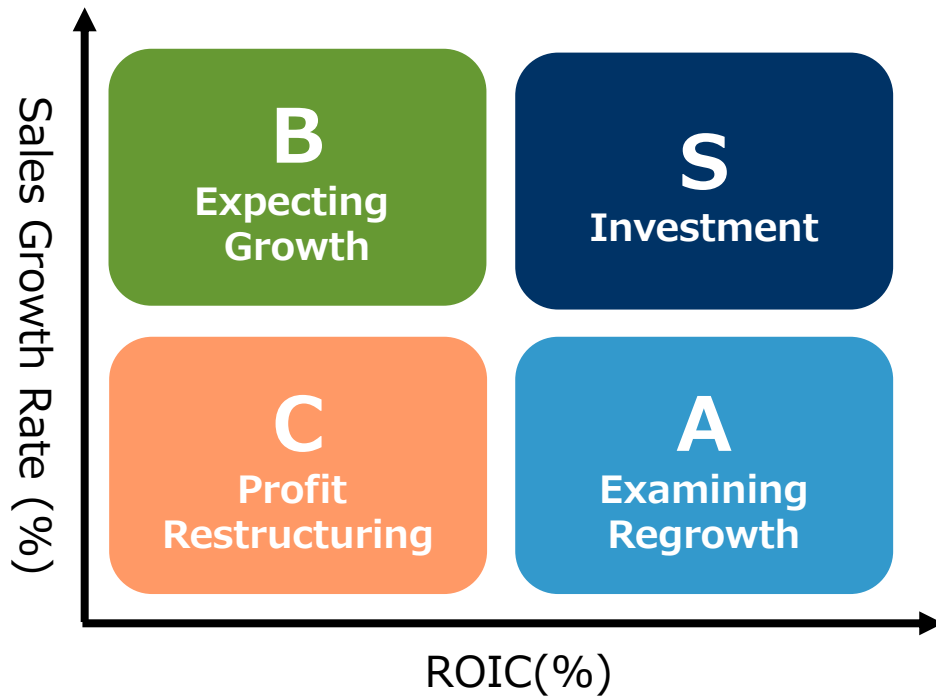
ROS

Invested Capital Turnover

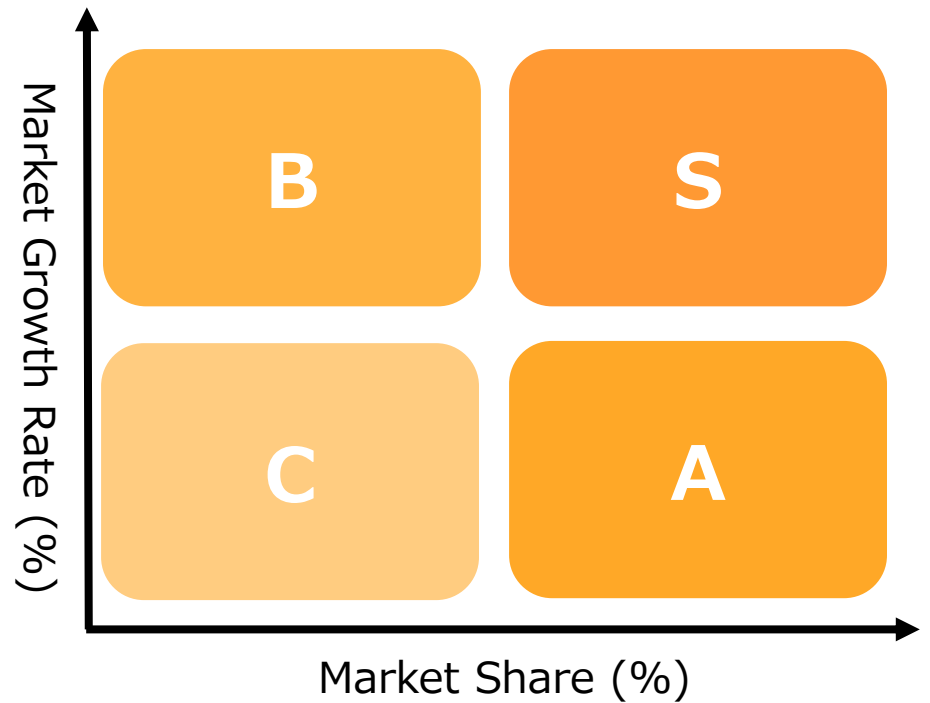
ROIC

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**

ILOR+S

Broad lineup of over 200,000 products

× as many as 170 control applications software generation



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 First Quarter of the Fiscal Year Ending March 31, 2021 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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