

FY2020 H1 Earnings Ended September 30, 2020



**Oct. 29, 2020
OMRON Corporation**

Summary

■ H1 FY2020 Results

- Sales, operating profit exceed Q1 forecasts despite tough environment
- GP margin continues to improve. Fixed cost discipline in line with plan.
Excluding forex impact, profits up Y/Y
- Both IAB and HCB outperform expectations: IAB by capturing Digital demand in China and South Korea, HCB by successfully capturing COVID-19 demand

■ Full-year Forecasts

- Revising up full-year sales and OP forecasts based on H1 results
- Expect overall H2 outlook to remain tough; prospects by region/industry mixed
- Fully committed to executing fixed cost cut plan; additional growth investments to be undertaken selectively

■ HCB Growth Strategy: Preparing for Post-COVID-19

- Expanding BPM, Remote Medical Service initiatives to achieve Zero Events
- Progress on regional expansion of Remote Medical Service through partnerships

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H1 Results



H1 Results

Exceed Q1 forecasts despite tough environment. Profits up if forex impact excluded. GP margin continues to improve

(¥bn)

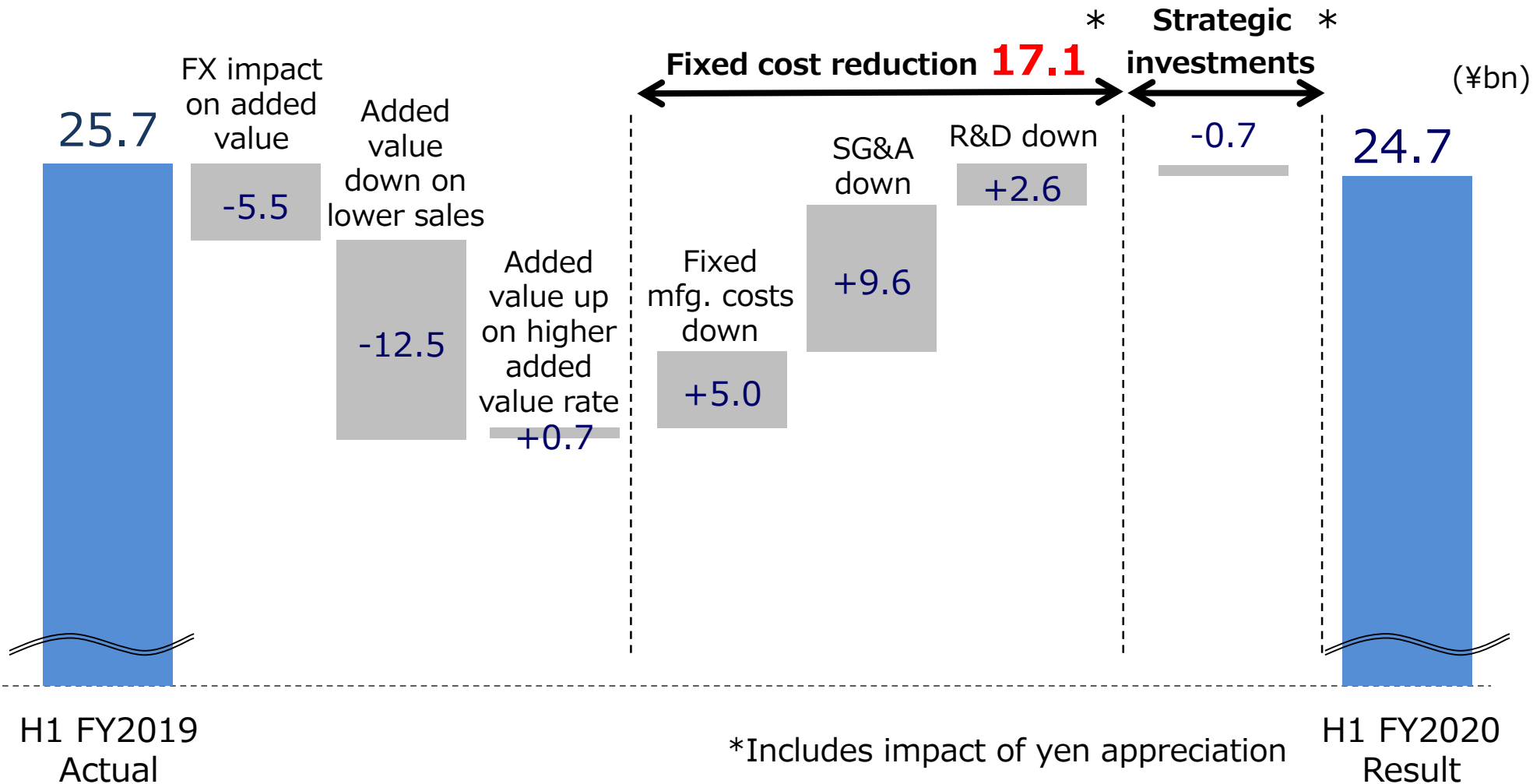
	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
Net Sales	330.2	301.3	-8.8%
Gross Profit (%)	148.8 (45.0%)	136.4 (45.3%)	-8.3% (+0.2%pt)
Operating Income (%)	25.7 (7.8%)	24.7 (8.2%)	-3.9% (+0.4%pt)
Net Income	22.4 [*]	19.2	-14.5%
1USD (JPY)	109.2	106.9	-2.3
1EUR (JPY)	122.0	120.9	-1.1
1RMB (JPY)	15.9	15.2	-0.7

Excluding
forex impact
+7.6%

*H1 FY2019 Net Income excludes Quarterly Net Loss from Discontinued Operations. If Quarterly Net Loss from Discontinued Operations is included, Net Income would be ¥19.1bn

Operating Income Analysis (Y/Y)

Fixed cost discipline maintained in line with plan



Sales by Business Segment

HCB sales up on higher BPM and thermometer sales

(¥bn)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
IAB Industrial Automation	177.9	164.9	-7.3%
EMC Electronic & Mechanical Components	45.9	38.8	-15.4%
SSB Social Systems, Solutions & Service	46.4	37.4	-19.4%
HCB Healthcare	54.6	57.5	+5.3%
Eliminations & Corporate	5.4	2.6	-51.3%
Total	330.2	301.3	-8.8%

*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

Greater China and South Korea sales up on continued success in capturing Digital demand

H1 FY2020 IAB Sales Growth by Region (Y/Y, local currency basis)

Japan	Americas	Europe	Greater China	SE Asia/Other	
				Ex-S. Korea	S. Korea
-12%	-12%	-15%	+19%	-15%	+17%

IAB: Initiatives During the COVID-19 Outbreak

Successfully captured capex growth opportunities on a global basis, in spite of the COVID-19 outbreak

Demand Related to COVID-19 Measures

5G Infrastructure Investments



Mask Manufacturing Line



Ventilator



UV-C Irradiation Robot

AXI
(X-ray Substrate Inspection Equipment)



Captured opportunities on global basis

H1 sales ¥4.0 bn

Captured automotive and 5G base station demand

H1 sales +40% Y/Y

HCB: Responding to Rising Demand for Thermometers

**Rapid capacity expansion drove strong sales growth.
Preparations for further demand increases already in place**

**H1 FY2020
Thermometer
Sales Growth (Y/Y)**



Dalian Plant, China



**Large-scale
capacity
expansion**

Matsusaka Plant, Japan



**Production
started in
October**

Operating Income by Business Segment

HCB profits up significantly

(¥bn, %:OPM)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y	
IAB Industrial Automation	27.6 (15.5%)	26.4 (16.0%)	-1.2 (+0.5%pt)	Y/Y +¥0.8bn (Local currency basis)
EMC Electronic & Mechanical Components	0.7 (1.5%)	0.3 (0.8%)	-0.3 (-0.6%pt)	
SSB Social Systems, Solutions & Service	1.9 (4.0%)	-1.2 (-)	-3.0 (-)	
HCB Healthcare	6.9 (12.6%)	10.6 (18.5%)	+3.7 (+5.8%pt)	Y/Y +54%
Eliminations & Corporate	-11.3	-11.4	-0.1	
Total	25.7 (7.8%)	24.7 (8.2%)	-1.0 (+0.4%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 Forecasts



H2 Business Environment by Segment

Tough overall operating environment but outlook mixed depending upon region and industry

IAB Industrial Automation	Automotive: Auto sales down on COVID-19; expect capex to remain weak Digital: Investments paused primarily in China and S. Korea but underlying trend firm Food & bev.: Continued macro impact but COVID-19-related demand supportive. Gradually recovering Social infrastructure: Flat Y/Y overall on government stimulus measures despite COVID-19 impact
EMC Electronic & Mechanical Components	Consumer: Recovery continues in Americas and China, where recovery relatively early. Expect gradual recovery in Europe and Asia Automotive: Auto sales improving on global basis but weak trend likely to continue on full-year basis
SSB Social Systems, Solutions & Service	Station sys.: Capex appetite increasingly in decline; demand to be weak Transport: Expect firm replacement demand to continue Energy: Restart of sales 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 Forecast

Revised full-year forecasts. Expect GP margin to improve Y/Y

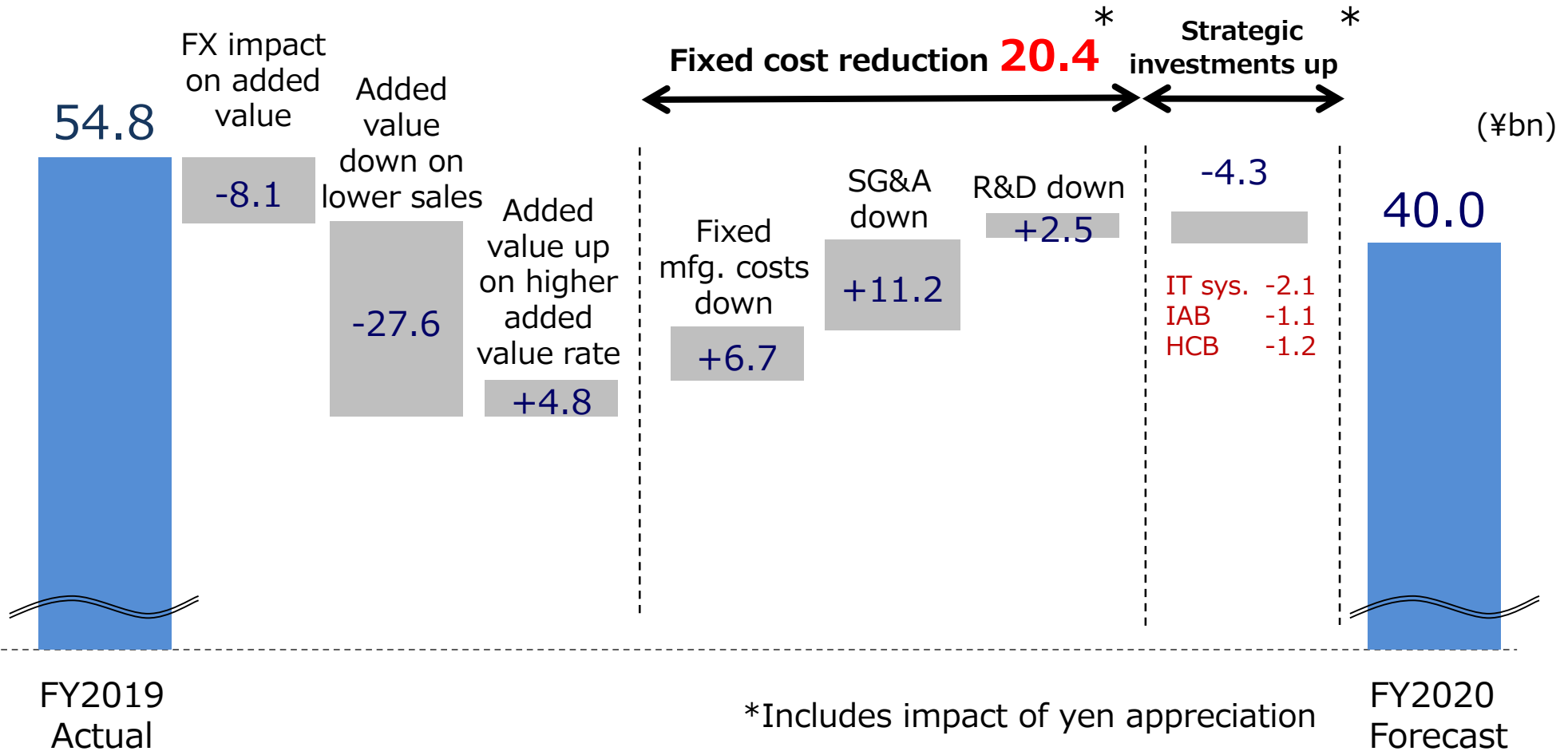
	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	(¥bn) Y/Y
Net Sales	590.0	620.0	+5.1%	678.0	-8.6%
Gross Profit (%)	264.5 (44.8%)	279.5 (45.1%)	+5.7% (+0.3%pt)	303.7 (44.8%)	-8.0% (+0.3%pt)
Operating Income (%)	30.0 (5.1%)	40.0 (6.5%)	+33.3% (+1.4%pt)	54.8 (8.1%)	-27.0% (-1.6%pt)
Net Income	16.5	24.0	+45.5%	39.2	-38.8%
1USD (JPY)	106.5	105.9	-0.6	109.1	-3.2
1EUR (JPY)	119.6	122.5	+2.9	121.2	+1.3
1RMB (JPY)	15.0	15.2	+0.2	15.7	-0.5

* FY2019 Net Income excludes Net Income from Discontinued Operations.

If Net Income from Discontinued Operations is included FY2019 Net Income would be ¥74.9bn

Operating Income Analysis (Y/Y)

Committed to executing on fixed cost reduction plan but will also selectively undertake additional growth investments



Sales by Business Segment

Sales forecasts for IAB, EMC and HCB revised up

(¥bn)

	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	Y/Y
IAB Industrial Automation	307.0	322.0	+4.9%	352.8	-8.7%
EMC Electronic & Mechanical Components	76.0	81.0	+6.6%	88.4	-8.3%
SSB Social Systems, Solutions & Service	93.0	93.0	±0.0%	116.0	-19.8%
HCB Healthcare	112.0	119.0	+6.3%	112.0	+6.3%
Eliminations & Corporate	2.0	5.0	-	8.9	-43.5%
Total	590.0	620.0	+5.1%	678.0	-8.6%

*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

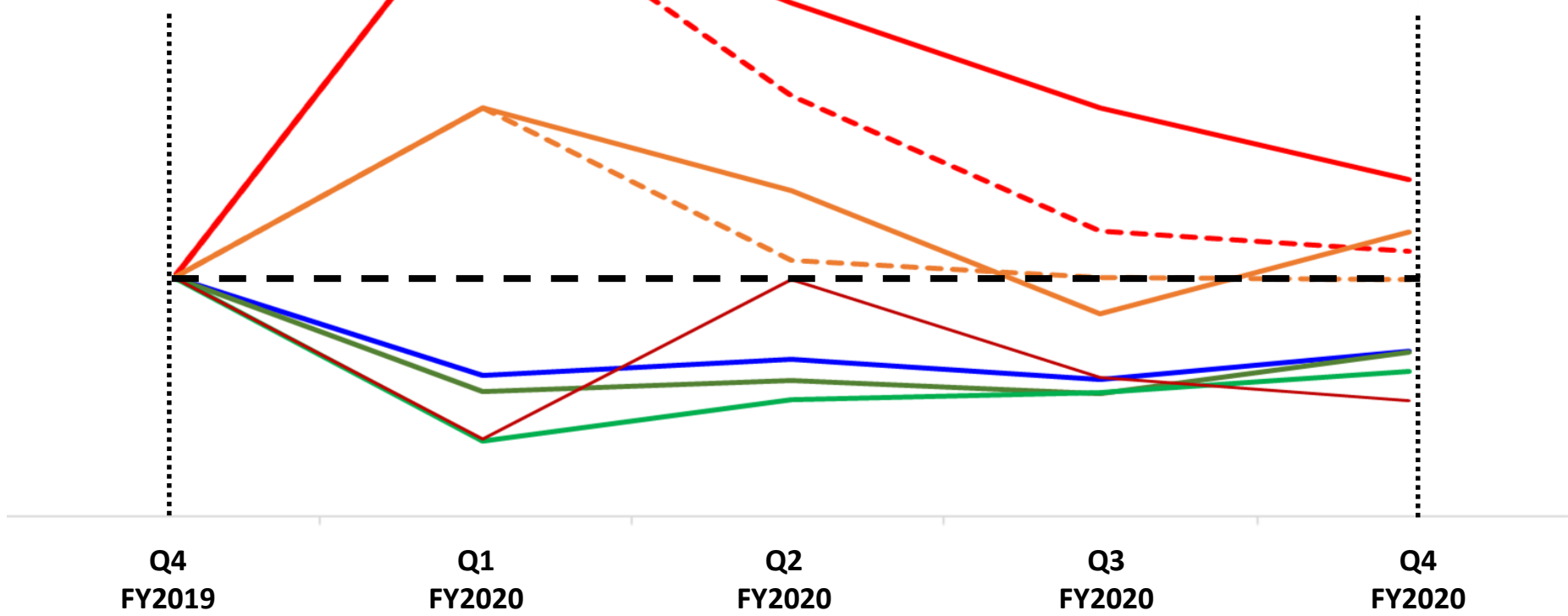
Q2 sales for Greater China and S. Korea exceeded plan. Now expect sales for Greater China to be up Y/Y throughout the year

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

% change relative to Q4 FY2019

Outlook for Greater China as of Q1

Outlook for South Korea as of Q1



Operating Income by Business Segment

Upward revisions primarily focused on IAB, HCB

(¥bn, %:OPM)

	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	Y/Y
IAB Industrial Automation	35.0 (11.4%)	44.0 (13.7%)	+9.0 (+2.3%pt)	53.6 (15.2%)	-9.6 (-1.5%pt)
EMC Electronic & Mechanical Components	0.5 (0.7%)	1.0 (1.2%)	+0.5 (+0.6%pt)	0.9 (1.0%)	+0.1 (+0.2%pt)
SSB Social Systems, Solutions & Service	5.0 (5.4%)	5.0 (5.4%)	±0.0 (-)	10.9 (9.4%)	-5.9 (-4.0%pt)
HCB Healthcare	15.0 (13.4%)	17.0 (14.3%)	+2.0 (+0.9%pt)	13.5 (12.1%)	+3.5 (+2.2%pt)
Eliminations & Corporate	-25.5	-27.0	-1.5	-24.1	-2.9
Total	30.0 (5.1%)	40.0 (6.5%)	+10.0 (+1.4%pt)	54.8 (8.1%)	-14.8 (-1.6%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

Annual Dividend

**H1 dividend fixed at ¥42. Maintain full-year DPS guidance at ¥84.
Fiscal year-end dividend guidance at ¥42**

H1 DPS FY-end DPS Full-year DPS
Fixed (Forecast) (Forecast)

**FY2020
Forecast**

¥42

¥42

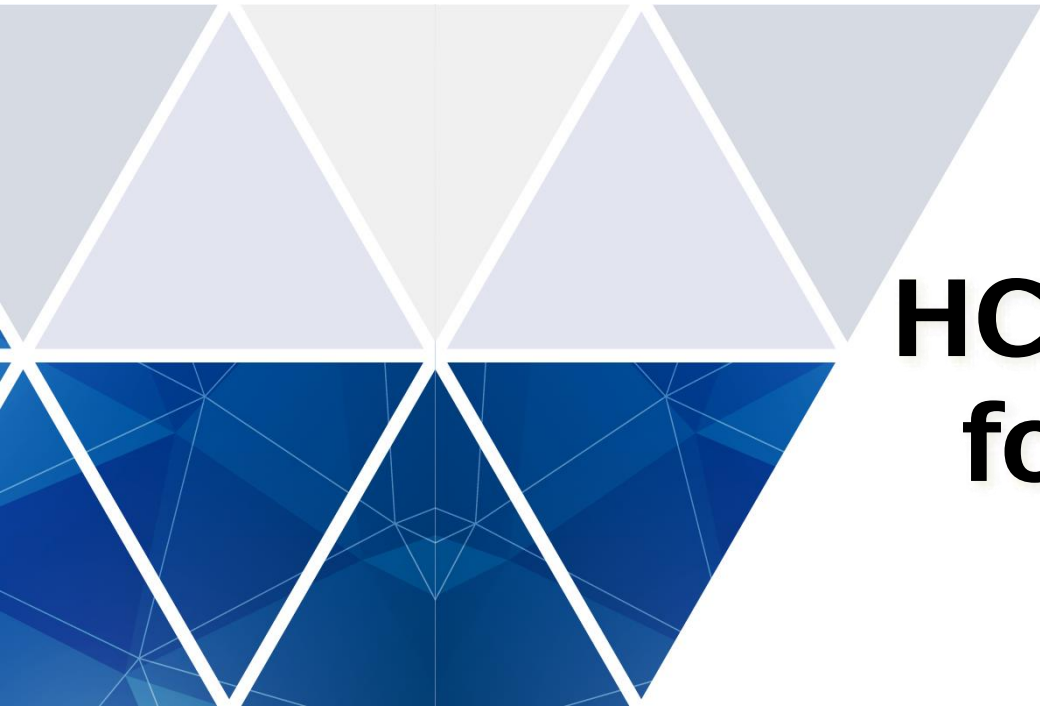
¥84

**FY2019
(Actual)**

¥42

¥42

¥84



HCB Growth Strategy for Post-COVID-19

Going For Zero Events



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.

Growing BPM Business in Emerging Markets (Brazil)

Started BPM production in Brazil, where import tariffs are high, before peers. Ramping up additional capacity at new plant

BPM Market Share in Brazil

approx. **50%**

* Volume basis



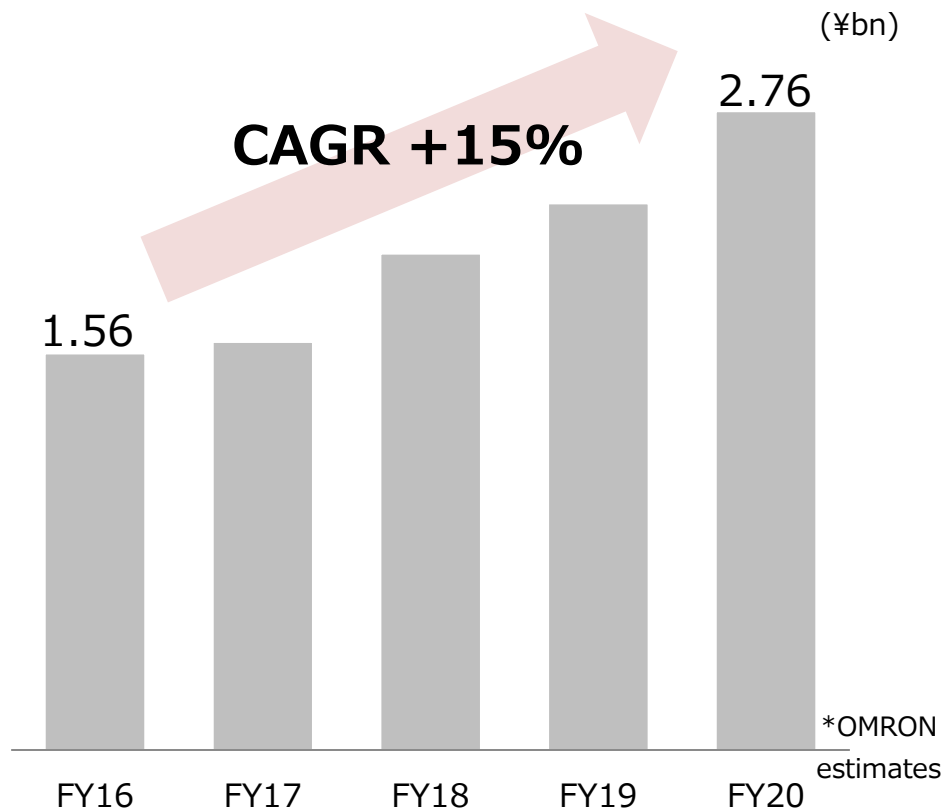
New Brazil Plant



Growing BPM Business in Emerging Markets (India)

**Market growth on recognition of importance of home monitoring.
Aiming for further sales growth leveraging on 2021 Drugs Act Revision**

BPM market growth in India



Rising BPM Penetration

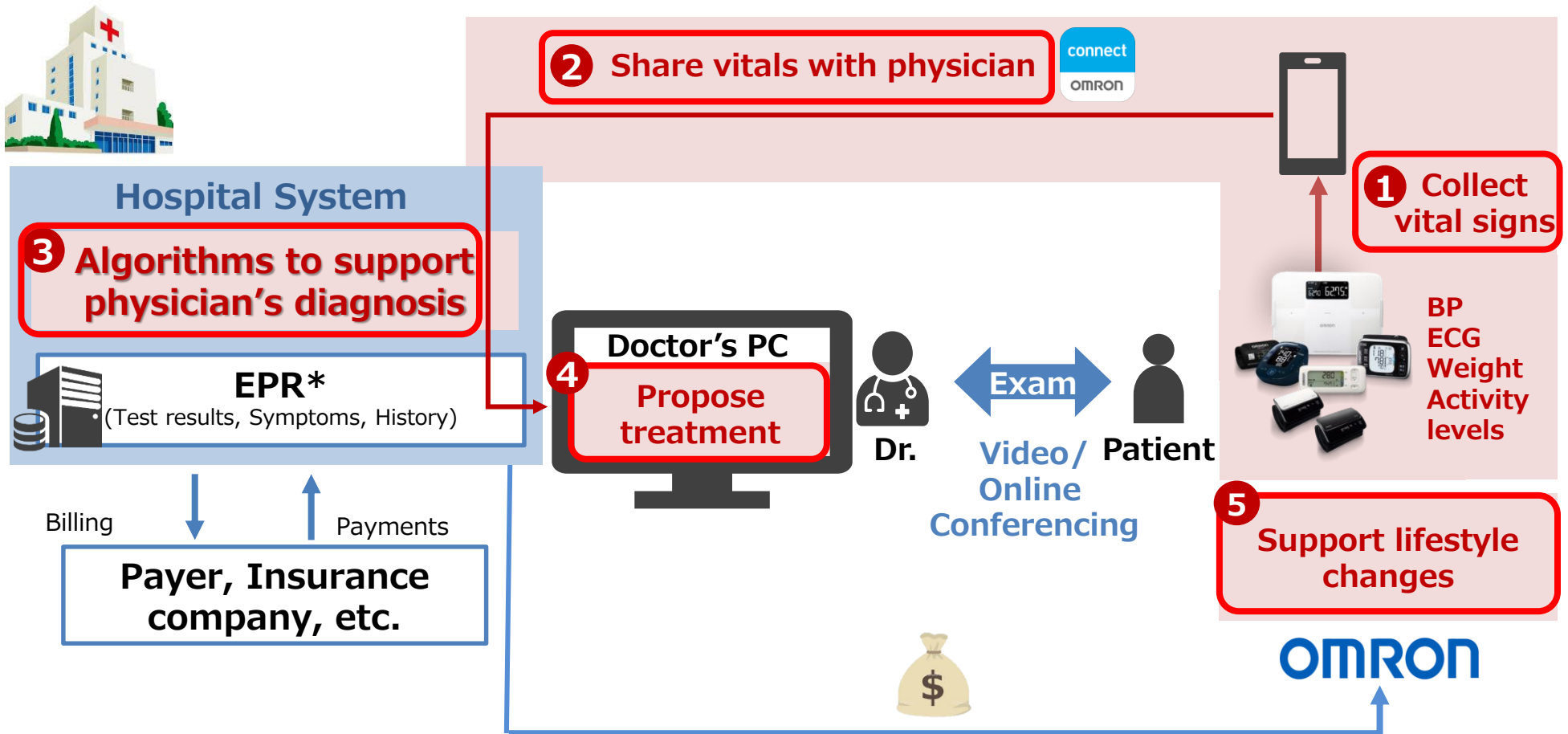
Enhancing educational activities for Hypertension Society of India (OMRON Academy)

Growth in online channel

Initiatives related to Drugs and Cosmetics Act

Remote Medical Service Business Model

Developed Remote Medical Service business model



* Electronic Patient Records

Global Expansion of Remote Medical Service

Remote Medical Service aimed at Zero Events expanding beyond the US to the Netherlands, UK, India and Singapore

Netherlands/UK

More hospitals adopting remote medical service for specialists with Luscii Healthtech

US

More hospitals adopting Remote Patient Monitoring (RPM)

India

Collaboration with Terrals Technologies to ramp up remote medical service

Singapore

Ramping up remote medical and enhanced corporate wellness services with HeartVoice Pte.

Remote Medical Service: The Netherlands/UK

**Remote medical services increasingly covered by insurance.
Luscii making solid progress in expanding remote monitoring service**

Outlook: Insurance Coverage

Europe: Coverage of online treatment and remote monitoring expected to accelerate
UK: Penetration of remote treatment to accelerate on expected changes to insurance system

Partner: Luscii Healthtech B.V.

Based The Netherlands
Est. November 2018
Sales 1.4M EUR (FY2019)

Key service features

- Enables remote monitoring of high-risk patients for cardiovascular specialists

Remote Medical Service: Singapore

Government support for remote medical services to further boost penetration. Accelerating OMRON's growth through HeartVoice

Government, Corporate Initiatives in Remote Medicine

Government: Providing support to medical institutions which adopt remote medical services from 2020

Corporates: Proactively invest in preventative medicine for employees (subsidizing employee wellness management and periodic medical checkup fees)

Partner: iAPPS Pte.

Based Singapore
Est. August 2012
Sales 2.1M SGD (FY2019)

Rationale for partnership

- Strong relationship with Singaporean government
- Technology and know-how developed by providing wellness management to 1.6 million people

Joint Venture: HeartVoice Pte.

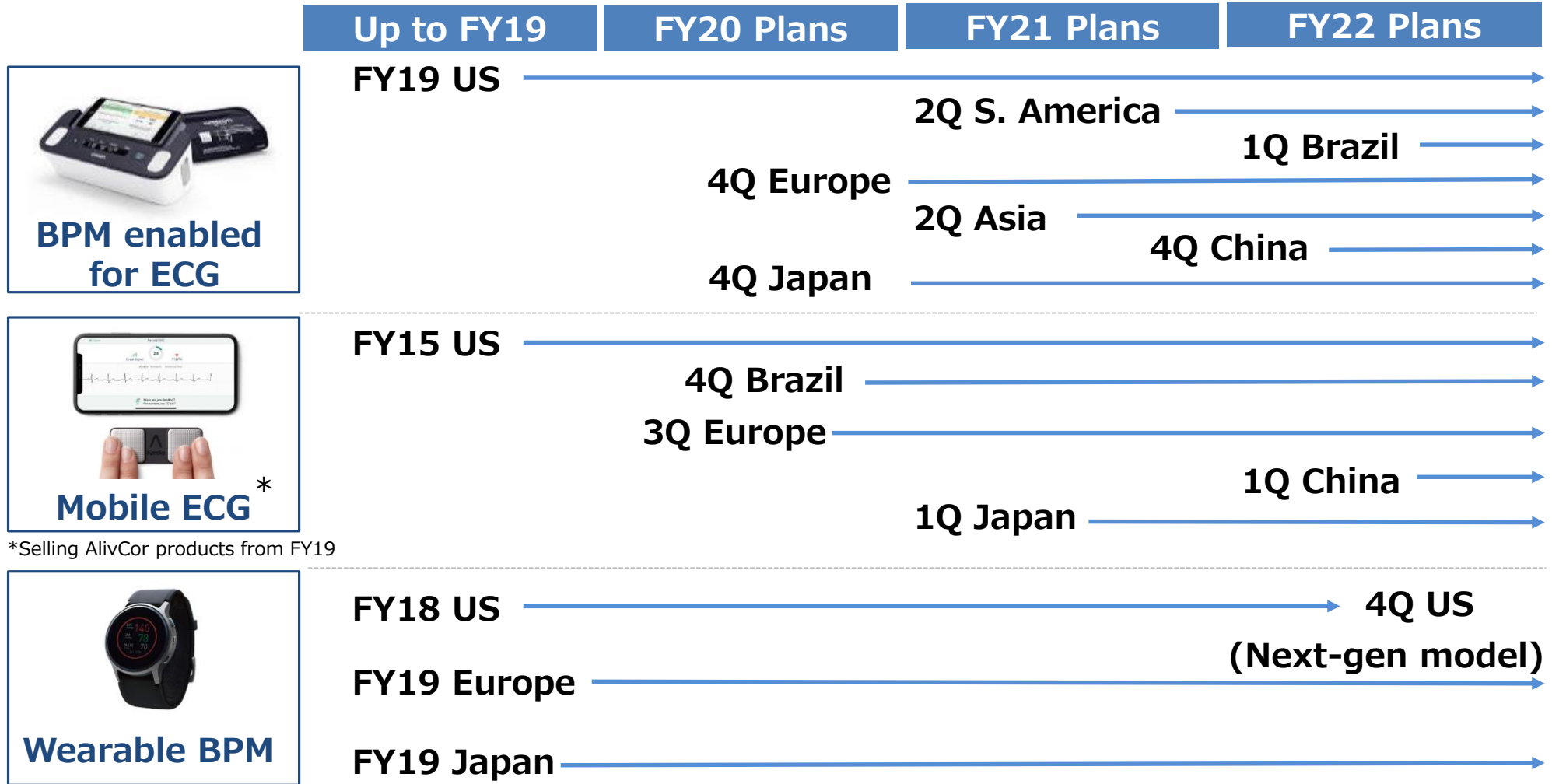
Based Singapore
Est. January 2019
Sales 6.6M SGD (FY2019)

Key service features

- Linked to employee wellness management service
- Remote medical service for patients with chronic conditions

Global Development of Revolutionary Devices

Going for Zero: Global deployment of revolutionary devices



*Selling AlivCor products from FY19

OMRON

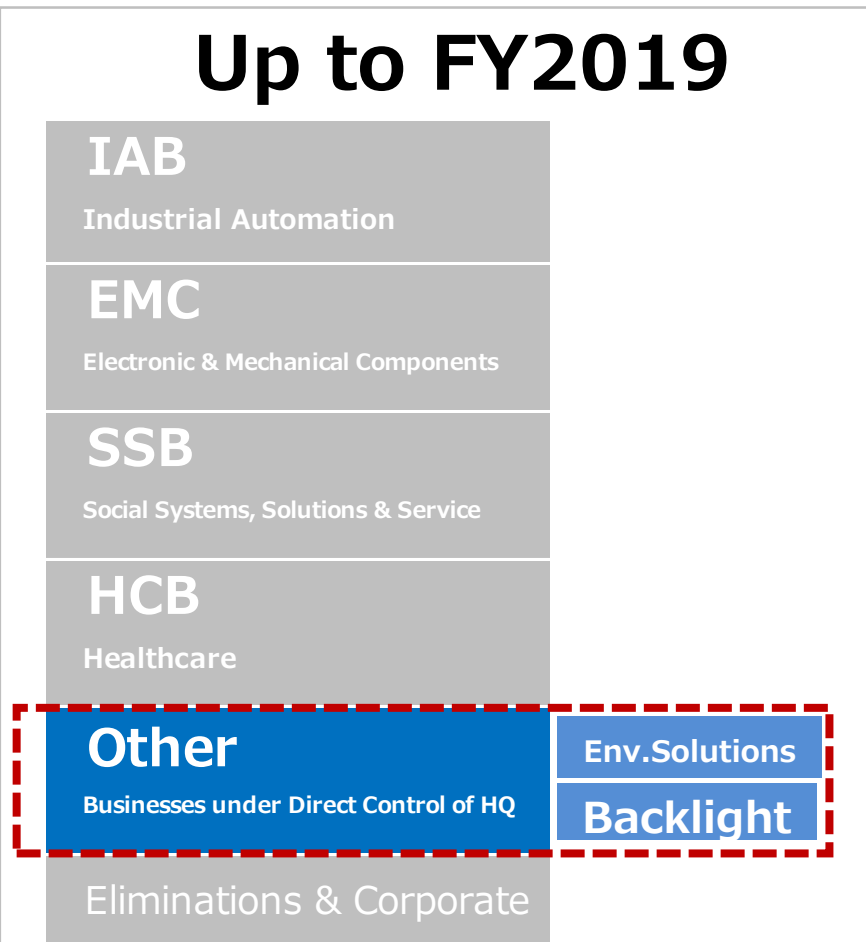


Reference

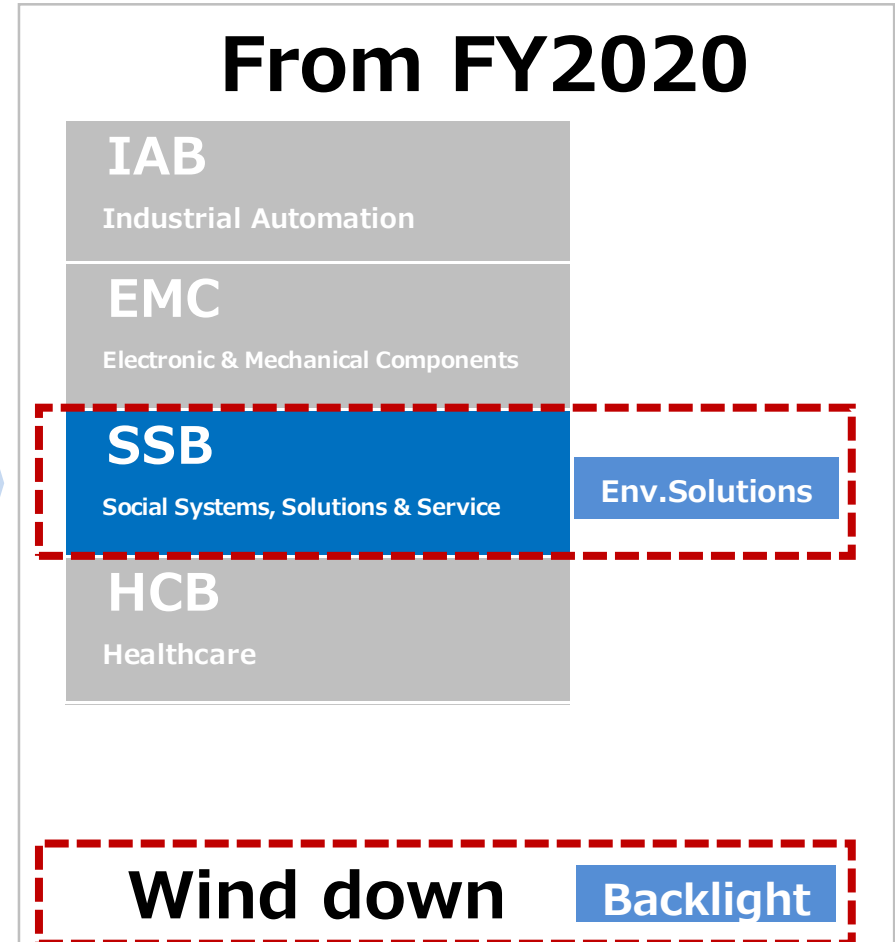
Segment Changes

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-Sept 2020	Y/Y
Current assets	447.1	444.5	-2.7
(Cash and cash equivalents)	(185.5)	(209.1)	(+23.6)
(Inventory)	(104.3)	(109.6)	(+5.3)
Property, plant and equipment	114.5	111.5	-3.0
Investments and other assets	196.5	196.4	-0.1
Total assets	758.1	752.4	-5.8
Current liabilities	151.3	136.7	-14.6
Long-term liabilities	74.2	70.9	-3.3
Total Liabilities	225.5	207.6	-17.9
Shareholders' equity	530.4	542.7	+12.2
Noncontrolling interests	2.2	2.1	-0.1
Total net assets	532.6	544.8	+12.2
Total Liabilities and net assets	758.1	752.4	-5.8
Equity ratio	70.0%	72.1%	+2.1%pt

Consolidated Statement of Cash Flow

(¥bn)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
Operating cash flow	36.5	45.7	+9.3
Investment cash flow	-14.9	-10.0	+4.9
Free cash flow (FCF)	21.5	35.7	+14.2
Financing cash flow	-9.0	-12.0	-3.0
Cash and cash equivalents as of end of period	109.9	209.1	+99.3
Capital expenditure	16.9	8.3	-8.6
Depreciation	12.2	11.5	-0.7

FY2020 Forex Assumptions

	FY2020 H2 Assumptions	Impact of ¥1 move(full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	¥105	¥1.3bn	¥0.1bn
EUR	¥124	¥0.8bn	¥0.4bn
RMB	¥15.2	¥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 October 2020)

ESG Indices which include OMRON

- ✓ DJSI – World **3rd consecutive year**
- ✓ FTSE4Good Index Series **5th consecutive year**
- ✓ MSCI ESG Leaders Indexes **6th consecutive year**
- ✓ MSCI SRI Indexes **4th consecutive year**
- ✓ STOXX Global ESG Leaders indices **5th 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 **3rd 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'



2020 CONSTITUENT MSCI JAPAN
 ESG SELECT LEADERS INDEX



2020 CONSTITUENT MSCI JAPAN
 EMPOWERING WOMEN INDEX (WIN)



External Recognition (As of October 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



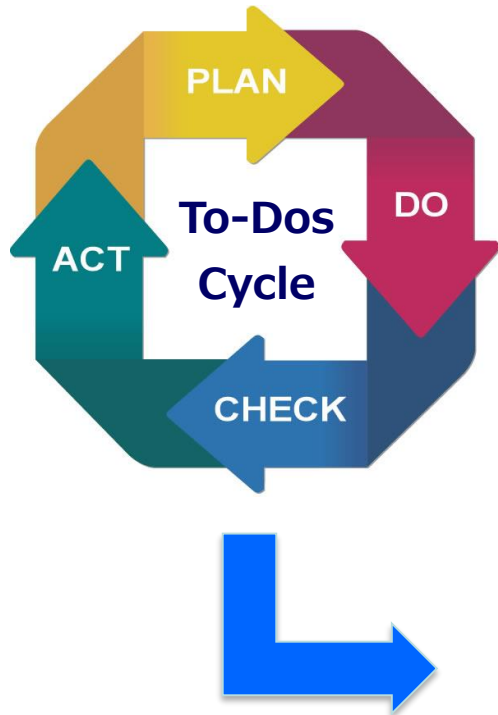
Selected by Nikkei Inc.

- ✓ 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

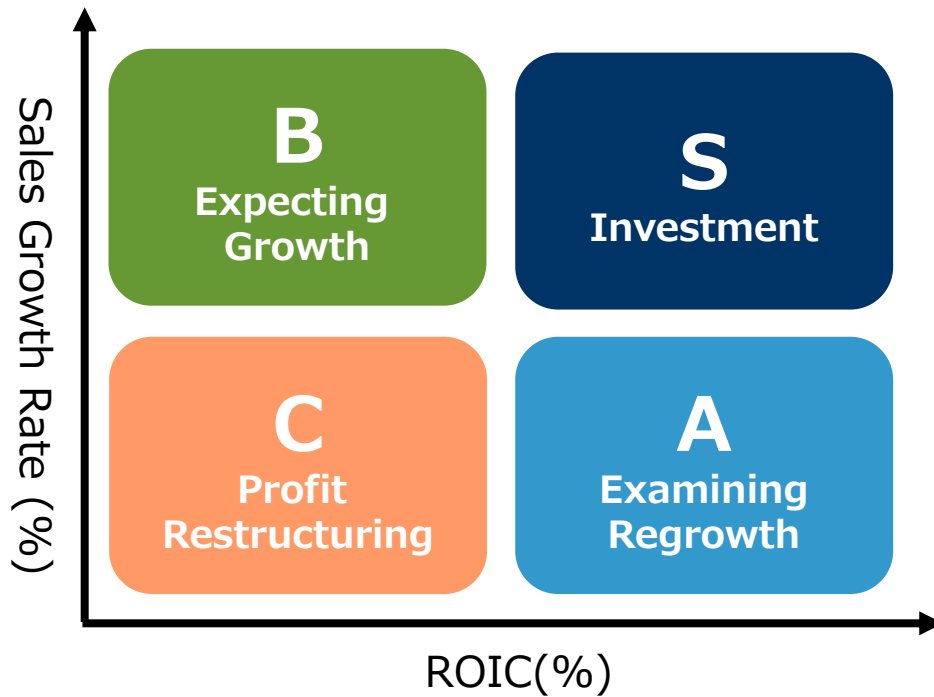
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Invested Capital Turnover

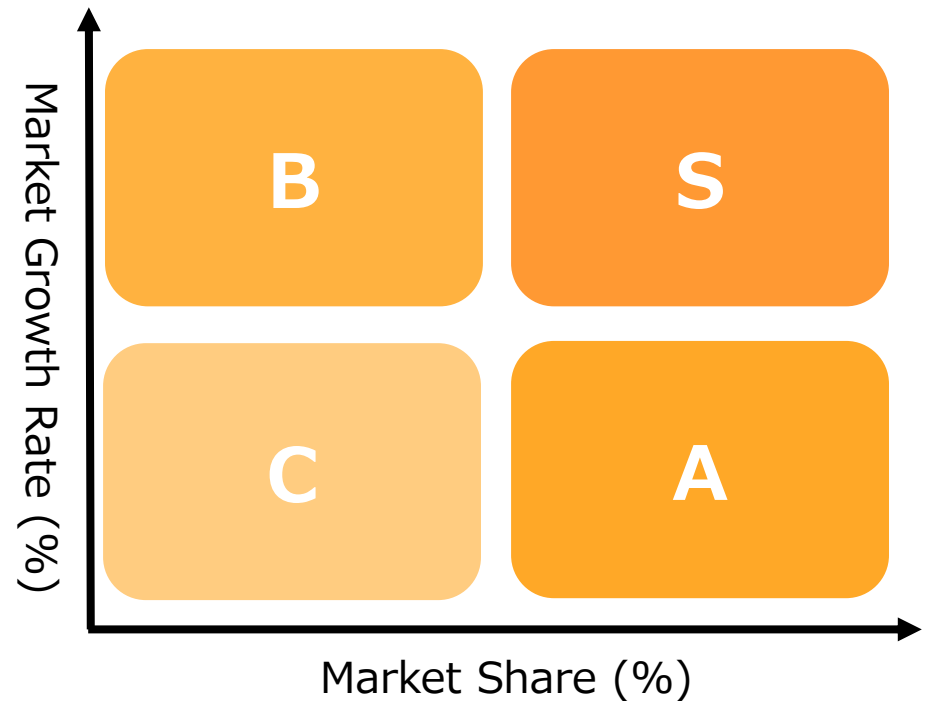
ROIC

Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC Definition

<Consol. B/S>

LIABILITIES		
Current liabilities:		
Short-term debt	[Red dashed box]	
Notes and accounts payable — trade		
Accrued expenses		
Income taxes payable		
Other current liabilities		
Deferred income taxes	[Red dashed box]	
Termination and retirement benefits		
Other long-term liabilities		
Total liabilities		
NET ASSETS		
Shareholders' equity		
Common stock	[Red dashed box]	
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 Second 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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