

FY2018 Q3 Earnings Ended December 31, 2018



**January 30, 2019
OMRON Corporation**

Summary

■ Q1-Q3 results

- Sales up but operating income down. Largely in line with plan
- Firm trends in October and November
- IAB, EMC earnings deteriorated in December

■ Full-year forecasts

- Revised down full-year forecasts
- Further expense discipline but selectively make necessary investments
- Reiterate ¥42 year-end dividend forecast, for a full-year dividend of ¥84

■ Looking forward

- Continue and complete restructuring initiatives
- Continue to selectively invest in IAB, HCB

There are three key points to today's presentation.

First, the Q3 year-to-date results. On a Y/Y basis, sales increased while profit declined, largely in line with our internal plan. On a monthly basis, we saw firm trends in October and November. However, in December, earnings for IAB and EMC deteriorated.

Next, our full-year forecasts. We expect the challenging operating environment for IAB and EMC in December to continue. This is reflected in the downward revision to our full-year forecasts. Amidst the tough environment, we will be even more disciplined in managing expenses, while selectively making necessary investments. Additionally, while we have revised down our full-year forecasts, we maintain our year-end dividend guidance at ¥42 per share, for a full-year dividend unchanged at ¥84 per share.

Finally, I will discuss our plans as we look forward. From the standpoint of CFO, I will talk about our ongoing structural reforms as well as initiatives for our core businesses, IAB and HCB.

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Q1-Q3 Results

Q1-Q3 Results

Sales, Gross Profit up Y/Y

(¥bn)

	FY2017 Q1-Q3 Act.	FY2018 Q1-Q3 Act.	Y/Y
Net Sales	624.9	635.6	+1.7%
Gross Profit (%)	260.9 (41.7%)	264.8 (41.7%)	+1.5% (-0.1%pt)
Operating Income (%)	64.6 (10.3%)	56.8 (8.9%)	-12.0% (-1.4%pt)
Net Income Attributable to Shareholders	46.7	38.8	-17.0%
1USD (JPY)	111.7	110.8	-0.9
1EUR (JPY)	127.9	129.6	+1.7

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

Starting with the year-to-date Q3 results.

As you can see, both sales and gross profits for the first nine months of the fiscal year were up Y/Y.

Partially as a result of Y/Y increases in investments, operating income declined. That said, we were more selective about our investments and disciplined about controlling expenses during Q3; as a consequence, operating income came in ahead of our internal plan.

Q1-Q3 Sales by Segment

**IAB, EMC fell short of internal plan.
Other segments largely in line with plan**

(¥bn)

	FY2017 Q1-Q3 Act.	FY2018 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	292.1	298.5	+2.2%
EMC Electronic & Mechanical Components	78.9	76.2	-3.4%
AEC Automotive Electronic Components	97.6	99.1	+1.6%
SSB Social Systems, Solutions & Service	35.7	39.9	+11.7%
HCB Healthcare	82.0	86.7	+5.7%
Other Business under the Direct Control of HQ	34.0	31.0	-8.8%
Eliminations & Corporate	4.6	4.1	-12.2%
Total	624.9	635.6	+1.7%

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This is the segment breakdown for net sales.

IAB sales for the first nine months of FY2018 were up Y/Y, continuing the positive trend. However, sales deteriorated in December and we fell slightly short of our internal plan.

EMC sales declined Y/Y. Similar to IAB, there was a weakening in December. EMC also fell short of the internal plan.

In contrast, AEC, SSB, HCB and the Environmental Solutions Business included in the Other segment reported Y/Y sales gains, largely in line with plan.

Q1-Q3 Operating Income by Segment (Y/Y)

IAB, EMC profits decline. Continued strength at HCB

(¥bn, %; OPM)

	FY2017 Q1-Q3 Act.	FY2018 Q1-Q3 Act.	Y/Y
IAB Industrial Automation	55.2 (18.9%)	48.9 (16.4%)	△6.3 (-2.5%pt)
EMC Electronic & Mechanical Components	11.1 (14.0%)	7.0 (9.2%)	△4.0 (-4.8%pt)
AEC Automotive Electronic Components	4.3 (4.4%)	4.9 (5.0%)	+0.7 (+0.6%pt)
SSB Social Systems, Solutions & Service	△ 2.7 (-)	△ 1.4 (-)	+1.4 (-)
HCB Healthcare	10.2 (12.4%)	11.2 (13.0%)	+1.1 (+0.6%pt)
Other Business under the Direct Control of HQ	△ 0.6 (-)	△ 0.5 (-)	+0.1 (-)
Eliminations & Corporate	△ 12.8	△ 13.4	△ 0.6
Total	64.6 (10.3%)	56.8 (8.9%)	△ 7.8 (-1.4%pt)

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

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Next is the segment breakdown for operating income.

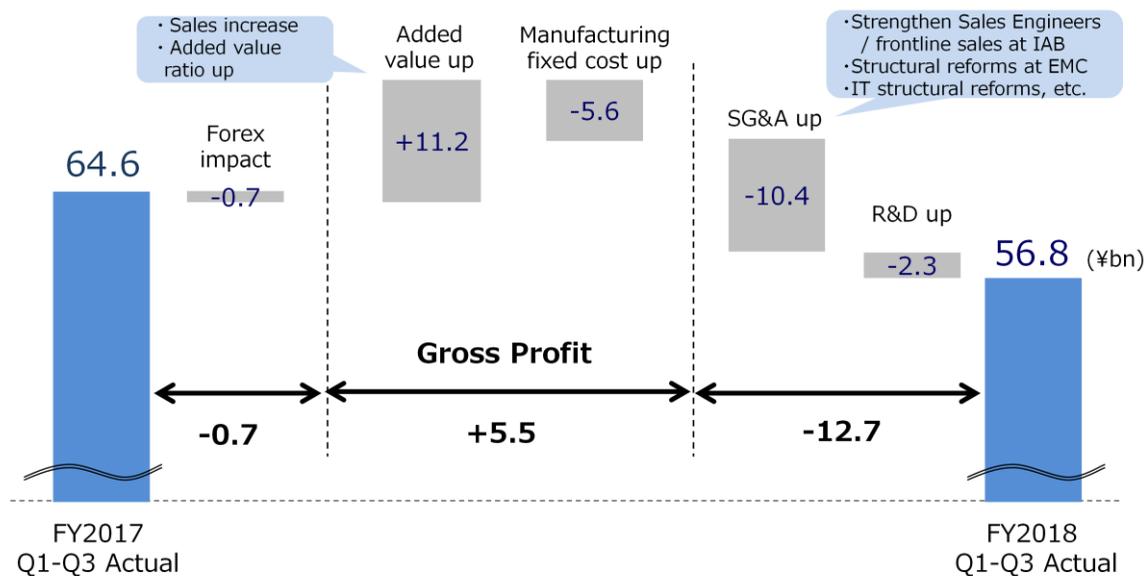
Profits declined at IAB. This was the result of a topline shortfall versus our internal plan, driven by changes in the operating environment. In addition, although we were already being more selective in our investments, we did continue to invest to enhance human resources for product development and frontline sales.

EMC profits also fell, as a consequence of ongoing restructuring initiatives to further improve productivity. Specifically, we are consolidating our footprint and transferring production.

However, core business HCB reported Y/Y profit increases. We are reaping the benefits of initiatives to improve product capability and production efficiency; HCB continues to perform well.

Q1-Q3 Operating Income Analysis (Y/Y)

Continue to invest for future growth. Profits down as a result



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This waterfall chart shows the major components of change in operating profit between Q3 FY2017 and Q3 FY2018.

IAB and HCB continued to drive increases in added value. The increase in fixed manufacturing costs is a function of production capacity increases for IAB, and the optimization of production for EMC, involving in the transfer and consolidation of production facilities.

SG&A and R&D expenses both rose on investments for future growth and expenses related to the execution of structural reforms, depressing profits.

This covers the Q3 year-to-date results.

IAB Quarterly Sales Growth by Region (Y/Y)

Dramatic change to operating environment in Q3

Y/Y in yen terms		FY2018 Q1 (A) Y/Y	FY2018 Q2 (A) Y/Y	FY2018 Q3 (A) Y/Y	FY2018 Q1-Q3 (A) Y/Y
IAB	Japan	+10%	+2%	+2%	+4%
	Americas	+20%	+17%	-9%	+8%
	Europe	+13%	+4%	+3%	+6%
	Greater China	+10%	+3%	-4%	+3%
	SE Asia, Others (excl. S. Korea)	-19% (+10%)	-15% (+12%)	-11% (+8%)	-15% (+10%)
	Total	+7.3%	+1.1%	-1.5%	+2.2%

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As noted, we saw a dramatic change in earnings for IAB and EMC during Q3.

I would like to use this slide to talk in more detail about the change in circumstances for our core IAB business in particular. We show here the regional breakdown for Y/Y sales growth in yen terms by quarter.

Please look at Q1. Y/Y topline growth was 7.3%.

Next, looking at Q2: Y/Y growth was 1.1%. However, although overall growth slowed sequentially, all regions except South Korea reported Y/Y sales growth. Despite a challenging operating environment, we were able to hold firm through Q2.

However, the situation changed significantly in Q3. Overall sales for IAB fell Y/Y. By month in yen terms, October was up 4% Y/Y and November was flat, but December sales were down 8% Y/Y.

The impact of the slowdown in Greater China from October, and pushouts of semiconductor investment plans started to have a major impact on corporate capex from December, not just in Greater China, but across all regions, including Japan and the US, as reflected in the earnings. We were tracking virtually in line with plan up to November but the dramatic change in December was much larger than we had expected.

We expect the tough operating environment to continue into Q4. I will now discuss our full-year forecasts. Please turn to slide 10.



Full-year Forecasts



Q4 Business Environment by Segment (Change vs. Q2 Outlook)

Expect December weakness to continue in IAB, EMC. AEC also weak. No major outlook change for HCB or domestic businesses

IAB Industrial Automation	Automotive capex for ADAS/EV & electrification to remain firm. Capex slowdown in China and South Korea having knock-on effect on capex in other regions by global players.
EMC Electronic & Mechanical Components	Consumer: China consumer/commercial product demand still weak. Europe and Asia slowdown increasingly clear. Automotive: Consumer sentiment weak in China. Europe demand falling on emissions regulations.
AEC Automotive Electronic Components	Demand still falling on cooling consumer appetite in China and soft US auto market. Expect US market to slow on macroeconomic uncertainty.
SSB Social Systems, Solutions & Service	Station sys.: Replacement cycle firm, expect demand to pick up. Transport: Expect firm replacement demand.
HCB Healthcare	Online channel firm globally despite negative impact of weaker EM currencies, and slowing personal consumption in China.
Other Businesses under the Direct Control of HQ	Env. Soln.: PV inverters weak but continued growth for storage systems. Backlights: Smartphone market to remain weak.

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I will start with our view of the operating environment. This slide shows how our outlook for operating conditions in the Q4 March quarter have changed from October, when we announced our 1H results.

As you can see, we expect a continuation of the challenging operating environment seen in December for our global B-to-B businesses of IAB and EMC. We also expect conditions for AEC to deteriorate further.

However, conditions remain firm for the B-to-C business of HCB, and the domestically-focused B-to-B businesses of SSB and the Environmental Solutions Business included in the Other segment. We do not anticipate any major changes from our previous outlook.

I will discuss IAB in more detail on the following slide.

Q4 IAB Outlook by Region (Change vs. Q2 Outlook)

China slowdown and semiconductor investment pushouts impacting corporate capex in all regions

IAB	Japan	<ul style="list-style-type: none"> • Customers' capex appetite sluggish on China slowdown • Advanced capex for Autos firm on ADAS/EV. Curtailing maintenance capex • Continued semiconductor weakness prompting Digital investment delays
	Americas	<ul style="list-style-type: none"> • Despite firm macro backdrop, customers cautious on capex, particularly in Auto and Digital • Digital: Semiconductor investments delayed
	Europe	<ul style="list-style-type: none"> • Customers cautious on capex, given not only the China slowdown but rising political uncertainty
	Greater China	<ul style="list-style-type: none"> • Impact of additional US tariffs being felt. Auto/Digital investments sluggish • Despite government stimulus measures, customers cautious on Social Infrastructure investments
	SE Asia, Other	<ul style="list-style-type: none"> • South Korea: Remain weak on further delays to semiconductor capex. • Ex-S. Korea: Autos firm in India and Thailand but outlook for markets as a whole still uncertain.

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This slide shows our operating environment outlook for IAB by region.

As noted earlier, the global operating environment took a sharp turn for the worse in December. We expect the macroeconomic slowdown in China and pushouts to semiconductor investments to continue to weigh down corporate capex across all regions.

For more details about the individual regions, please refer to the slide at your leisure.

Full-year Forecasts

Full-year forecasts revised down

	(¥bn)				
	FY2018 Previous Plan	FY2018 Forecasts	Chg. vs Plan	FY2017 Actual	Y/Y
Net Sales	880.0	855.0	-2.8%	860.0	-0.6%
Gross Profit (%)	367.5 (41.8%)	352.5 (41.2%)	-4.1% (-0.5%pt)	357.8 (41.6%)	-1.5% (-0.4%pt)
Operating Income (%)	83.0 (9.4%)	72.0 (8.4%)	-13.3% (-1.0%pt)	86.3 (10.0%)	-16.5% (-1.6%pt)
Net Income Attributable to Shareholders	58.5	50.0	-14.5%	63.2	-20.8%
1USD (JPY)	109.7	110.1	+0.4	111.2	-1.1
1EUR (JPY)	128.3	128.2	-0.1	129.4	-1.2

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

* Q4 forex assumptions: 1USD JPY108; 1 EUR JPY124

This table shows our full-year forecasts for FY2018.

As explained earlier, we have revised down our forecasts, taking into account conditions in December, as well as the outlook for Q4.

We now guide for net sales of ¥855.0 bn, gross profit of ¥352.5 bn, operating income of ¥72.0 bn and net income attributable to shareholders of ¥50.0 bn. Our forex assumptions for Q4 are ¥108 versus USD and ¥124 versus EUR. We have adjusted our assumptions to reflect the recent appreciation of the yen. On a full-year basis, our assumptions are ¥110.1 versus USD and ¥128.2 versus EUR.

Sales by Business Segment

Segment forecasts revised, primarily for IAB and EMC

(¥bn)

	FY2018 Previous Plan	FY2018 Forecasts	Chg. vs Plan	FY2017 Actual	Y/Y
IAB Industrial Automation	411.5	390.0	-5.2%	396.1	-1.5%
EMC Electronic & Mechanical Components	103.0	99.0	-3.9%	104.4	-5.1%
AEC Automotive Electronic Components	130.0	130.0	-	131.2	-0.9%
SSB Social Systems, Solutions & Service	76.0	76.0	-	70.3	+8.1%
HCB Healthcare	117.5	115.5	-1.7%	108.5	+6.5%
Other Business under the Direct Control of HQ	37.5	40.0	+6.7%	44.4	-9.9%
Eliminations & Corporate	4.5	4.5	-	5.2	-13.0%
Total	880.0	855.0	-2.8%	860.0	-0.6%

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

Here are our full-year sales forecasts by segment.

We have lowered our topline forecasts for IAB and EMC. We now expect sales to be down Y/Y as well. In contrast, we project Y/Y sales growth for SSB and HCB. We have also revised up our forecast for the Other segment. There has been a full recovery at partners' manufacturing facilities for the Environmental Solutions Business, which had been damaged in the torrential rains that struck Western Japan in July. We have also factored in the strong performance of storage systems.

Operating Income by Segment

(¥bn, %, OPM)

	FY2018 Previous Plan	FY2018 Forecasts	Chg. vs Plan	FY2017 Actual	Y/Y
IAB	72.0	61.0	-11.0	74.0	-13.0
Industrial Automation	(17.5%)	(15.6%)	(-1.9%pt)	(18.7%)	(-3.0%pt)
EMC	11.5	8.5	-3.0	12.5	-4.0
Electronic & Mechanical Components	(11.2%)	(8.6%)	(-2.6%pt)	(12.0%)	(-3.4%pt)
AEC	6.0	6.0	±0	5.8	+0.2
Automotive Electronic Components	(4.6%)	(4.6%)	(-)	(4.4%)	(+0.2%pt)
SSB	6.0	6.0	±0	4.8	+1.2
Social Systems, Solutions & Service	(7.9%)	(7.9%)	(-)	(6.9%)	(+1.0%pt)
HCB	13.0	13.0	±0	11.2	+1.8
Healthcare	(11.1%)	(11.3%)	(+0.2%pt)	(10.3%)	(+0.9%pt)
Other	△ 2.5	△ 1.0	+1.5	△ 1.2	+0.2
Business under the Direct Control of HQ	(-)	(-)	(-)	(-)	(-)
Eliminations & Corporate	△ 23.0	△ 21.5	+1.5	△ 20.9	-0.6
Total	83.0	72.0	△11.0	86.3	-14.3
	(9.4%)	(8.4%)	(-1.0%pt)	(10.0%)	(-1.6%pt)

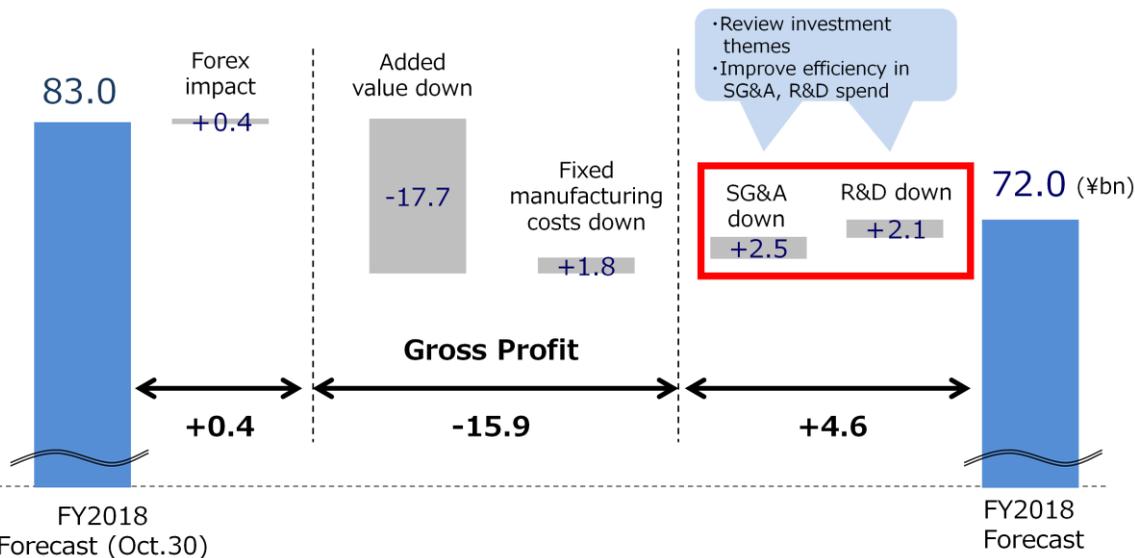
* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

These are the full-year segment forecasts for operating income.

As with sales, we have revised down our operating income forecasts for IAB and EMC. We now expect operating income to fall Y/Y. However, we expect SSB and HCB to report significant Y/Y improvements, which should support overall profits.

Operating Income Analysis (vs Oct. 2018 Forecast)

Added value down on lower sales. Further expense discipline but execute on selected investments



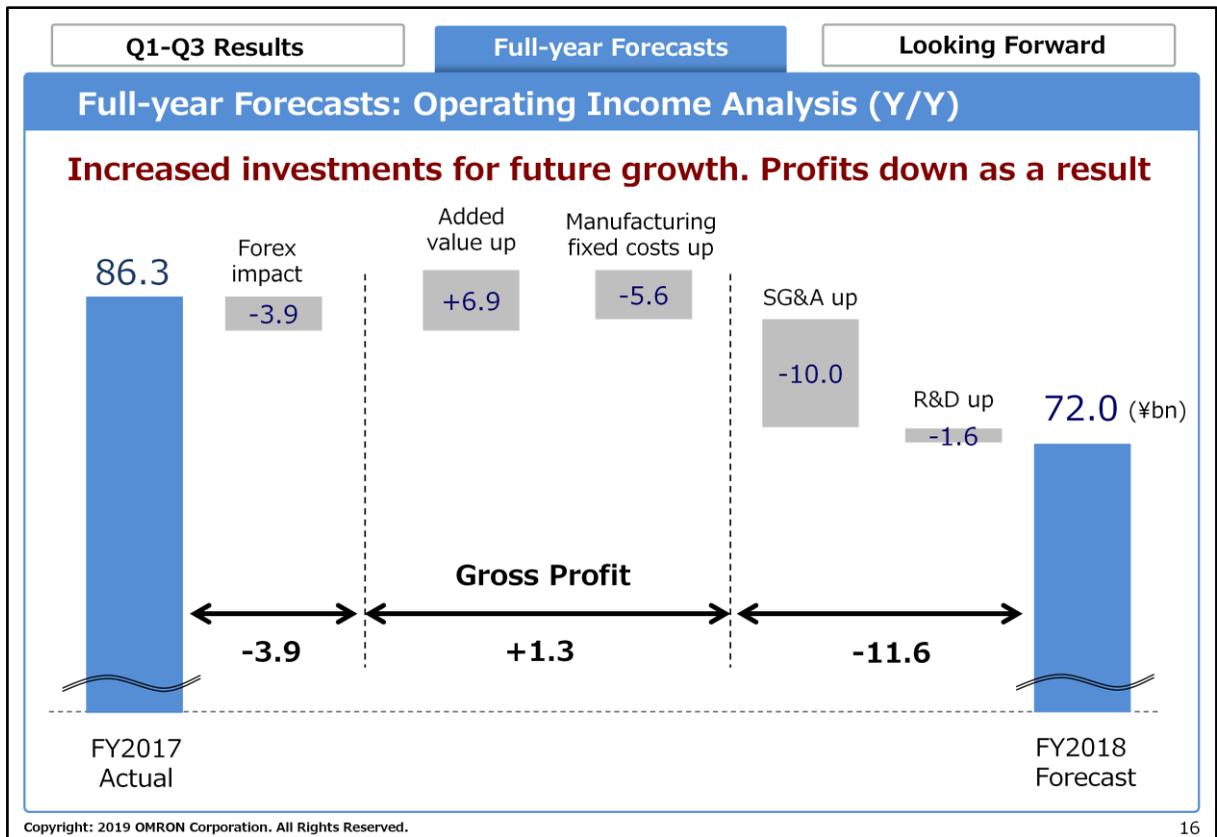
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This waterfall chart shows the major components of change to our operating income forecast for the full year, relative to our October 2018 forecasts.

On the back of the sales declines for IAB and EMC, added value will be significantly lower. To offset this, we will exert further discipline in controlling expenses. Specifically, we will thoroughly review investment themes and focus on improved expense efficiency, for a ¥4.6 bn positive contribution from SG&A and R&D expenses in Q3 and Q4, versus our previous plan.

We will enhance and enforce further expense controls but we will also make investments necessary for medium- to long-term growth on a selective basis.



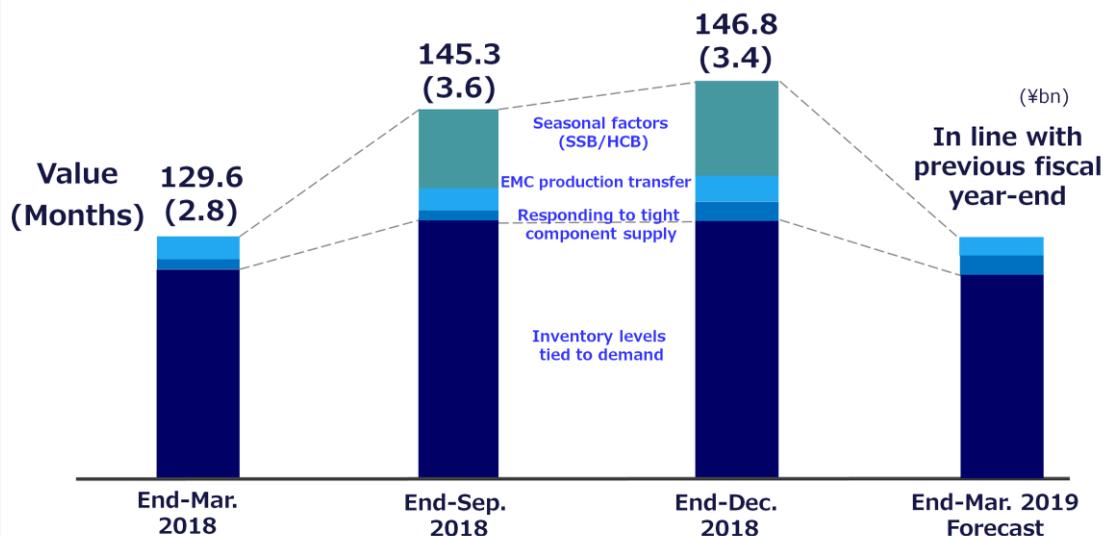
This waterfall chart shows the major components of Y/Y change for our full-year operating income forecast.

From last fiscal year, we have been investing for future growth and restructuring. As you can see, Y/Y increases in such investments are depressing operating income on a Y/Y basis. However, we have already passed the peak for these investments. Going forward, while being more selective about investments, we will leverage the enhanced competitiveness resulting from such investments to transition into a growth phase.

In October, we discussed the impact of an increase in inventory reserves on operating income. I will touch upon inventory conditions in the next slide.

Inventory Forecast

Inventory up temporarily on seasonal factors but expected to decline into the fiscal year-end



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This shows the quarterly trend in inventory levels in value terms from the end of the previous fiscal year.

On the back of fluctuations in sales and seasonal factors, inventory levels as of the end of December were temporarily elevated. However, by the end of the current fiscal year, we expect inventory to decline to levels in line with the end of March 2018.

Inventory reserves, which had risen at the end of September, fell slightly at the end of December. We expect further declines into the end of the fiscal year.

Full-year Dividend

Earnings forecasts revised down but year-end dividend forecast maintained at ¥42, for a full-year dividend of ¥84/share

	Interim dividend (Paid)	Year-end dividend (Forecast)	Full-year dividend (Forecast)
Forecast	¥42	¥42	¥84
Previous Forecast (as of Oct.30)	¥42	¥42	¥84

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Turning now to our full-year dividend guidance.

While we have revised down our full-year forecasts, we reiterate our year-end dividend guidance of ¥42 per share. We have already paid an interim dividend of ¥42; on a full-year basis, we are guiding for a dividend of ¥84 per share.

We will continue to aim for a stable and sustainable dividend.

With regard to the share repurchase program of ¥20 bn announced in July, we continue to buy back shares. As of the end of December, we have bought back a total of ¥13.1 bn in shares.



Looking Forward

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As I have explained, we expect the December deterioration in earnings to continue in Q4, particularly at the global businesses of IAB and EMC. Our forecasts fully factor in a thorough, company-wide assessment of the expected sales declines in Q4.

We expect the operating environment to remain challenging. We believe it behooves us to manage our business assuming a further deterioration in operating conditions. As the CFO, I am committed to responding to the changing operating environment and enforcing disciplined management while continuing to focus on improving our ability to generate profits sustainably and further enhance our business portfolio.

In the next several pages, I will discuss my intentions as CFO as we look forward.

Continue to Execute on Structural Reforms

Profit Structure Reforms

- Improve GP Margin
- Optimize EMC production

Fixed Cost Structure Reforms

- Reform P/L structure
- Achieve standardization, efficiency improvements through back office consolidation

Business Structure Reforms

- Enhance business portfolio management
- Optimize Backlight business
- Transfer of EDMS business*

*Consignment service business for the development and manufacture of industrial electronic devices

First, as CFO, I will focus on completing our initiatives for structural reform in the three areas shown here: profit structure, fixed cost structure and business structure.

For instance, under profit structure reforms, we have already passed the peak for VG2.0 growth investments. Going forward, I will focus on controlling the SG&A ratio in line with our objectives, in order to improve profitability.

While we focus on making progress with such structural reforms, we will also continue to execute on initiatives to drive further growth.

Investing for Growth in Core Businesses

IAB Industrial Automation	<ul style="list-style-type: none">• Strengthen concentration on 4 focus domains• Enhance total solution capability
HCB Healthcare	<ul style="list-style-type: none">• Going for Zero

Despite a volatile operating environment, the longer-term challenges facing society remain unchanged. Our core businesses, IAB and HCB, address these growth areas. Our strategy of focusing on these two businesses will not change. We will allocate more resources to these businesses to ensure we capture growth opportunities. Let me talk a little more about IAB and HCB.

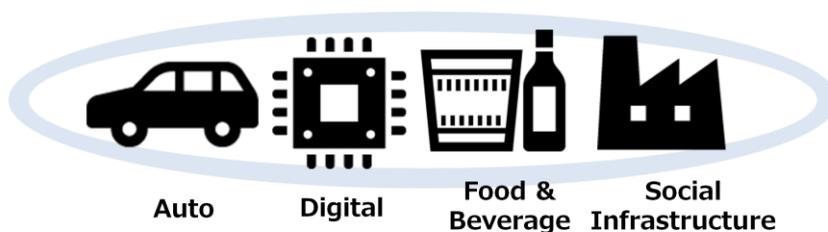
IAB in Greater China: Growth in 4 Focus Domains

Maintained growth in the 4 focus domains in Greater China, amidst notably volatile market conditions

FY2018 Q3 Greater China Net Sales

(Y/Y, Local currency)

TOTAL	-3%
4 Focus Domains	+3%
(Focus customers)	



Auto

Digital

Food &
BeverageSocial
Infrastructure

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We are already reaping the benefits of our investments in IAB. We continue to see growth in the notably volatile Greater China markets in the 4 focus domains and from focus customers.

In Q3, overall Greater China sales fell 3% Y/Y in local currency terms, but Greater China revenue from the 4 focus domains and focus customers rose 3% Y/Y.

This reflects the success of our continued investments to enhance our total solutions capability. This includes building on ILOR+S, where we concentrated on developing high-performance products and built out our product lineup through M&A, as well as bolstering frontline human resources such as sales engineers and sales, and expanding the number of Automation Centers.

We remain confident in this strategy and will continue to invest selectively to grow the IAB business going forward.

HCB Going for Zero

**Rising global trend toward prevention rather than treatment.
US hypertension treatment guidelines revised in FY2017**

Updated US Hypertension Treatment Guidelines

Definition of
hypertension

140/90mmHg
⇒ **130/80mmHg**

Category	Systolic BP		Diastolic BP
Normal BP	<120	&	<80
Elevated BP	120-129	&	<80
Hypertension Stage 1	130-139	or	80-89
Hypertension Stage 2	>140	or	>90
Hypertensive Urgency	>180	&/or	>120

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We also continue to selectively invest in HCB.

We are stepping up our initiatives to prevent the incidence of strokes and other cardiovascular events, under the 'Going for Zero' program, and are accelerating investments.

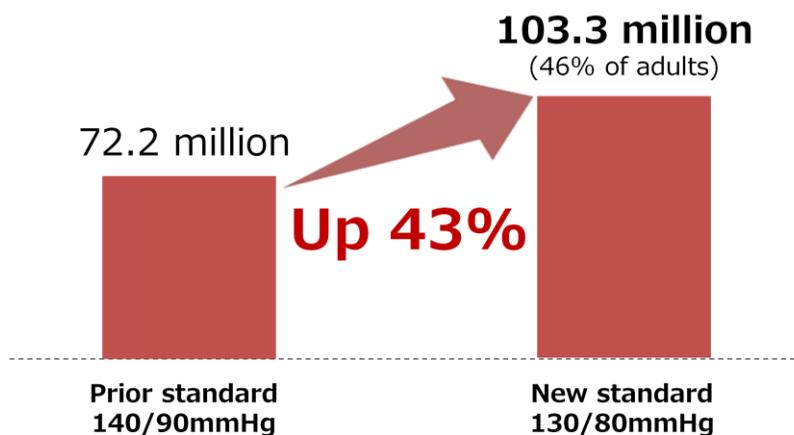
Rising medical expenditures are a major, global social challenge; increasingly we are seeing a shift away from treatment to prevention. There have been a number of large-scale epidemiological surveys around the world that show the importance of blood pressure measurements in the home. Demand to measure blood pressure in the home will only increase, given its effectiveness in reducing ever-rising medical expenditures.

A recent example is the autumn 2017 revision to hypertension treatment guidelines in the US. The US lowered the standard readings it uses to define hypertension. The shift from treatment to prevention is accelerating.

HCB Going for Zero

Tighter standards driving a dramatic increase in patients diagnosed with hypertension in the US

Adult hypertension patients in US



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As a result of the revised guidelines, the number of patients diagnosed with hypertension in the US rose from 72.2 million to 103.3 million, an increase of roughly 30 million patients in one fell swoop.

This is merely one example from the US. HCB continues to see its markets grow in both emerging countries as well as developed countries.

BPMs are medical devices that are approved by regulatory authorities, such as the FDA, in each country. Although demand is rising, barriers to entry are extremely high, making it very challenging for new entrants.

We will continue to invest selectively in order to ensure we capture growth opportunities.



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As I have noted in my presentation, the operating environment is challenging. However, such conditions also provide an opportunity for our businesses to step up.

As CFO, I am committed to managing our businesses dynamically and with discipline.

We hope you will hold high expectations for OMRON going forward.

This completes my remarks. Thank you.



Reference

Q3 Results

	(¥bn)		
	FY2017 Q3 Actual	FY2018 Q3 Actual	Y/Y
Net Sales	214.3	219.4	+2.4%
Gross Profit (%)	90.6 (42.3%)	91.0 (41.5%)	+0.5% (-0.8%pt)
Operating Income (%)	21.1 (9.8%)	20.3 (9.2%)	-3.9% (-0.6%pt)
Net Income Attributable to Shareholders	16.4	12.3	-24.6%
1USD (JPY)	112.6	113.4	+0.8
1EUR (JPY)	132.5	129.9	-2.6

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

Q3 Sales by Business Segment

(¥bn)

	FY2017 Q3 Actual	FY2018 Q3 Actual	Y/Y
IAB Industrial Automation	98.6	97.1	-1.5%
EMC Electronic & Mechanical Components	26.1	25.0	-4.4%
AEC Automotive Electronic Components	33.4	34.2	+2.3%
SSB Social Systems, Solutions & Service	13.2	16.2	+23.0%
HCB Healthcare	30.9	31.2	+1.0%
Other Business under the Direct Control of HQ	10.5	14.1	+34.6%
Eliminations & Corporate	1.7	1.7	+0.8%
Total	214.3	219.4	+2.4%

Q3 Operating Income by Business Segment

(¥bn, %; OPM)

	FY2017 Q3 Actual	FY2018 Q3 Actual	Y/Y
IAB Industrial Automation	17.2 (17.5%)	15.6 (16.0%)	-1.7 (-1.4%pt)
EMC Electronic & Mechanical Components	3.7 (14.3%)	2.5 (9.9%)	-1.3 (-4.4%pt)
AEC Automotive Electronic Components	1.7 (5.0%)	1.7 (5.1%)	+0.1 (+0.2%pt)
SSB Social Systems, Solutions & Service	△ 0.3 (-)	0.8 (4.8%)	+1.0 (-)
HCB Healthcare	4.0 (12.9%)	4.1 (13.0%)	+0.1 (+0.1%pt)
Other Business under the Direct Control of HQ	△ 0.7 (-)	1.1 (7.5%)	+1.8 (-)
Eliminations & Corporate	△ 4.5	△ 5.4	△ 0.9
Total	21.1 (9.8%)	20.3 (9.2%)	△ 0.8 (-0.6%pt)

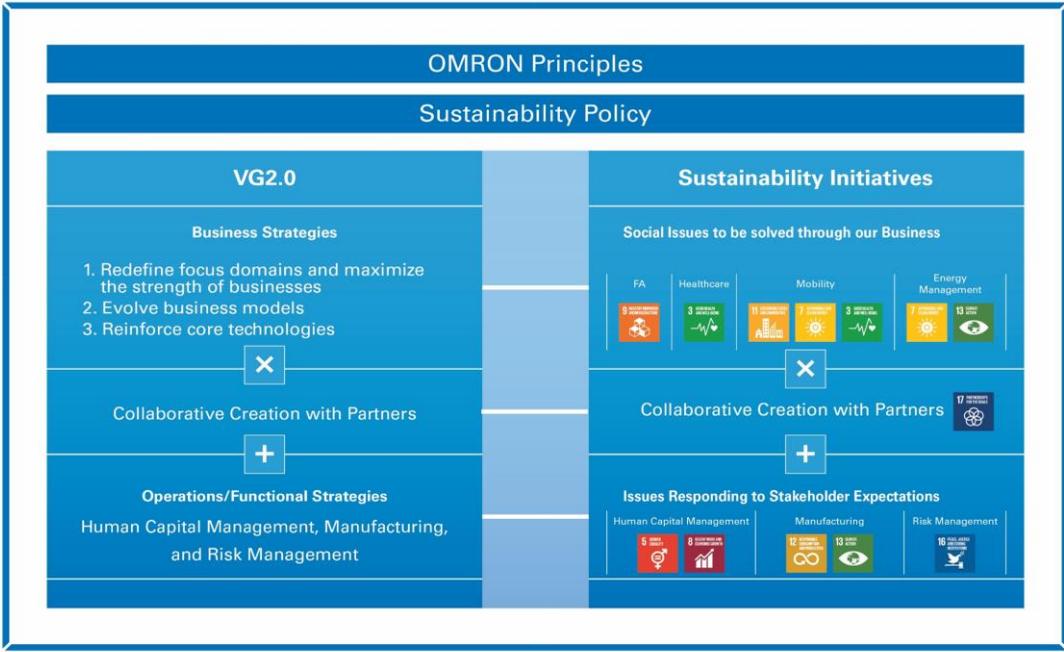
Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

Q4 Forex Assumptions

	Assumptions	Impact of ¥1 fluctuation (Full-year, approx.)	
		Sales	OP
USD	¥108	¥3.9bn	¥0.6bn
EUR	¥124	¥1.0bn	¥0.5bn

*If emerging-market currency trends diverge from USD and/or EUR contrary to our expectations, there will be an impact on the sensitivities stated here.

VG2.0 and Sustainability Policy are Linked



OMRON Included in Major ESG Indices (As of January 2019)

ESG Indices which include OMRON

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

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM   FTSE4Good

MSCI  2018 Constituent
MSCI ESG
Leaders Indexes

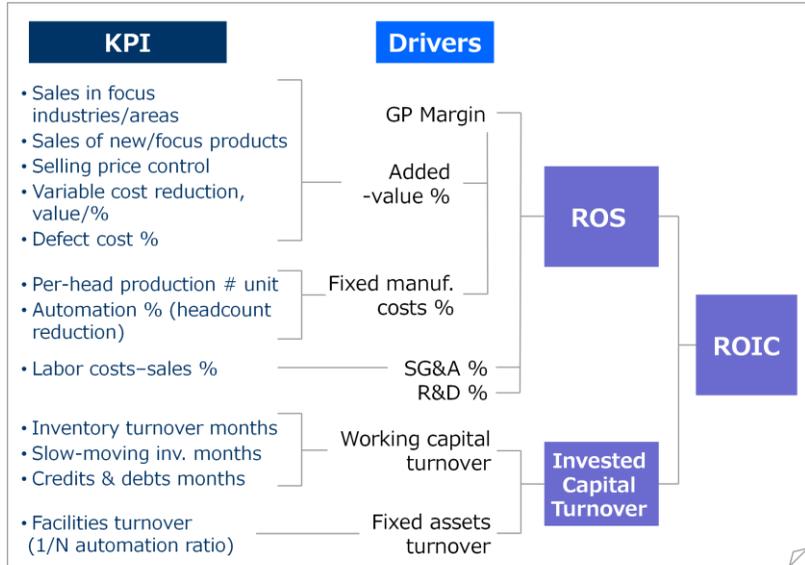
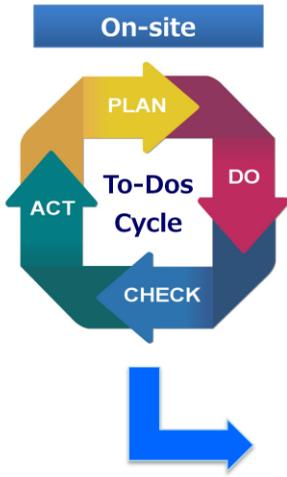
STOXX  **CDP**
ESG LEADERS INDICES DRIVING SUSTAINABLE ECONOMIES

MS-SRI | モーニングスター社会的責任投資株優指数
Morningstar Socially Responsible Investment Index

 **MSCI**  2018 Constituent
MSCI Japan ESG
Select Leaders Index

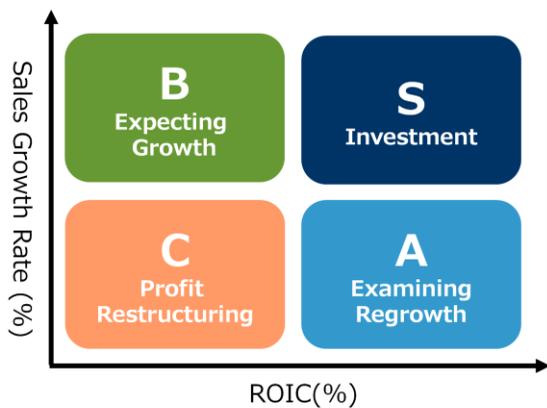
FTSE Blossom Japan **MSCI**  2018 Constituent
MSCI Japan Empowering
Women Index (WIN)

Down-Top ROIC Tree

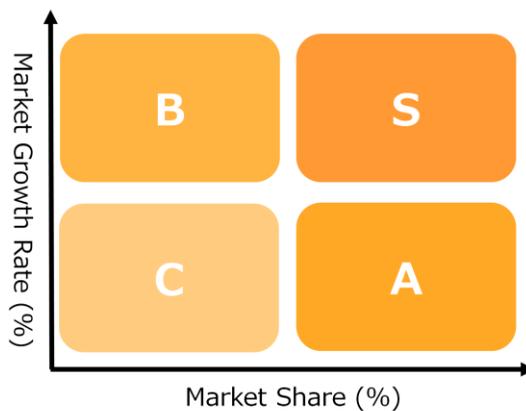


Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC Definition

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	[Red dashed box highlights this section]
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	[Red dashed box highlights this section]
Capital surplus	
Legal reserve	
Retained earnings	
Accumulated other comprehensive income (loss)	
Foreign currency translation adjustments	
Minimum pension liability adjustments	
Net unrealized gains on available-for-sale securities	
Net losses on derivative instruments	
Treasury stock	
Noncontrolling interests	
Total net assets	
Total liabilities and net assets	

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

Invested capital*

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

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

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