

FY2018 Full-Year Earnings Ended March 31, 2019

Results Briefing



**April 24, 2019
OMRON Corporation**

Summary

■ FY2018 Results

- Q4 operating environment tough as expected but earnings exceeded January revision

■ Optimizing Business Portfolio

- Completed agreement to transfer Automotive Business to Nidec

■ FY2019 Plan

- Project Y/Y declines in sales and profits. Assume tough Q4 environment will continue. Also factored in risk of volatility to overall earnings to reflect uncertainty
- Despite tough environment, did not ease up on necessary investments needed to enhance self-driven growth capability
- Full-year dividend guidance unchanged YoY at ¥84

■ Growth Driving Assets Acquired in First 2 Years of VG2.0

- Proactively undertook investments for IAB and HCB in first 2 years of VG2.0. Built up technology, products and infrastructure to support self-driven growth

There are four key points to today's presentation. Please turn to slide 1.

First, the FY2018 results. As expected, the operating environment in the March quarter (Q4) was very challenging. However, as a result of our internal efforts, our full-year sales and operating income exceeded the revised forecasts we announced in January. I will talk about this in more detail later.

Next, with regard to the optimization of our business portfolio, as announced recently, we have agreed to transfer our shares in the automotive business. I will talk about the backdrop to our decision, as well as our intentions going forward.

Third is our full-year FY2019 forecasts. We assume the challenging Q4 operating environment will continue for the full year of FY2019. In addition to this, we have also factored in the risk of a fluctuation in earnings. In spite of the tough conditions, we will continue to execute on measures necessary to enhance our capability for self-driven growth. Our full-year dividend guidance remains unchanged Y/Y at ¥84 per share.

Finally, I will discuss how the assets we have acquired under the VG2.0 Medium-term Management Plan will drive our growth going forward. We proactively invested in IAB and HCB in the first 2 years of the medium-term plan, building up assets, such as technologies, products and infrastructure, which will contribute to our capability for self-driven growth. I will talk about how we will focus on getting results from these growth-driving assets.

I will start with the FY2018 results. Please turn to slide 4.

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FY2018 Results

FY2018 Results

Tough December conditions continued into Q4 as expected but full-year results exceeded revised January forecast

(¥bn)

	(1) FY2018 Fcst (Jan)	(2) FY2018 Actual	(2) / (1)	FY2017 Actual	Y/Y
Net Sales	855.0	859.5	+0.5%	860.0	-0.1%
Gross Profit (%)	352.5 (41.2%)	354.1 (41.2%)	+0.5% (-0.0%pt)	357.8 (41.6%)	-1.0% (-0.4%pt)
Operating Income (%)	72.0 (8.4%)	76.6 (8.9%)	+6.4% (+0.5%pt)	86.3 (10.0%)	-11.2% (-1.1%pt)
Net Income Attributable to Shareholders	50.0	54.3	+8.6%	63.2	-14.0%
1USD (JPY)	110.1	110.7	+0.6	111.2	-0.5
1EUR (JPY)	128.2	128.8	+0.6	129.4	-0.6
1RMB (JPY)	16.4	16.5	+0.1	16.7	-0.2

* Figures presented reflect the application of FASB Accounting Standards Update 2017-17 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'

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FY2018 sales was ¥859.5 bn, gross profit ¥354.1 bn, operating income ¥76.6 bn and net profits ¥54.3 bn.

After a firm start to the fiscal year, the global business environment changed from Q2. In December, there was a further sharp slowdown. The tough conditions in December persisted through the March quarter.

Although conditions were tough, we were able to exceed the revised full-year forecasts for sales and operating income announced in January. Full-year sales were virtually unchanged Y/Y.

Sales by Business Segment

**IAB, EMC down Y/Y on deterioration in operating environment.
Sales up Y/Y at SSB, HCB and Environmental Solutions**

(¥bn)

	(1) FY2018 Fcst (Jan)	(2) FY2018 Actual	(2) / (1)	FY2017 Actual	Y/Y
IAB Industrial Automation	390.0	391.8	+0.5%	396.1	-1.1%
EMC Electronic and Mechanical Components	99.0	99.7	+0.7%	104.4	-4.5%
AEC Automotive Electronic Components	130.0	130.5	+0.4%	131.2	-0.5%
SSB Social Systems, Solutions & Service	76.0	75.0	-1.3%	70.3	+6.7%
HCB Healthcare	115.5	115.5	-0.0%	108.5	+6.5%
Other Business under Direct Control of HQ	40.0	41.7	+4.3%	44.4	-5.9%
Eliminations & Corporate	4.5	5.2	+16.1%	5.2	+1.1%
Total	855.0	859.5	+0.5%	860.0	-0.1%

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This is the segment breakdown for net sales.

Sales at IAB, EMC and AEC fell Y/Y, but these declines were offset by Y/Y gains at HCB, SSB and the Environmental Solutions Business. As a result, overall sales were flat Y/Y.

Within the Other segment, progress on restructuring for the Backlight and Micro Device businesses was in line with plan.

Operating Income by Business Segment

**IAB, EMC down Y/Y, partly due to increased growth investments.
SSB, HCB, Environmental Solutions business profits up Y/Y**

(¥bn, %: OPM)

	(1) FY2018 Fcst (Jan)	(2) FY2018 Actual	(2) / (1)	FY2017 Actual	Y/Y
IAB Industrial Automation	61.0 (15.6%)	62.9 (16.1%)	+1.9 (+0.4%pt)	74.0 (18.7%)	-11.1 (-2.6%pt)
EMC Electronic & Mechanical Components	8.5 (8.6%)	8.2 (8.2%)	-0.3 (-0.4%pt)	12.5 (12.0%)	-4.3 (-3.8%pt)
AEC Automotive Electronic Components	6.0 (4.6%)	6.3 (4.8%)	+0.3 (+0.2P)	5.8 (4.4%)	+0.5 (+0.4%pt)
SSB Social Systems, Solutions & Service	6.0 (7.9%)	5.8 (7.7%)	-0.2 (-0.2%pt)	4.8 (6.9%)	+0.9 (+0.8%pt)
HCB Healthcare	13.0 (11.3%)	13.0 (11.3%)	+0.0 (+0.0%pt)	11.2 (10.3%)	+1.8 (+1.0%pt)
Others Businesses under Direct Control of HQ	-1.0 (-)	-0.5 (-)	+0.5 (-)	-1.2 (-)	+0.7 (-)
Eliminations & Corporate	-21.5	-19.1	+2.4	-20.9	+1.8
Total	72.0 (8.4%)	76.6 (8.9%)	+4.6 (+0.5%pt)	86.3 (10.0%)	-9.6 (-1.1%pt)

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Next is the segment breakdown for operating income.

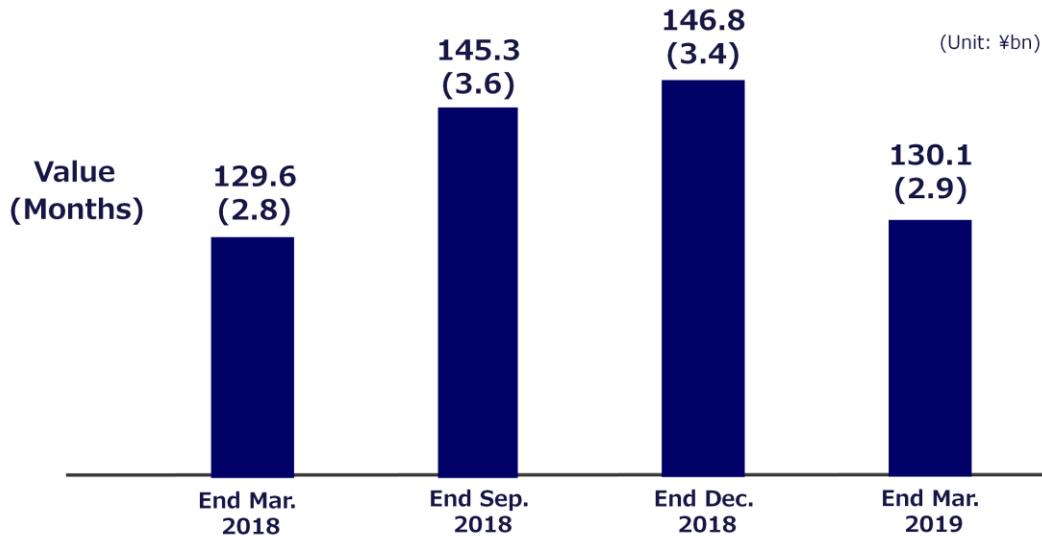
As shown here, profits fell at IAB. The fall at the operating profit level was larger than the sales decline because we continued to make investments to enhance the competitiveness of the IAB business, as well as investing in the necessary infrastructure for future growth and strengthening R&D. I will talk about the benefits we have reaped from these investments in more detail later.

EMC profits also fell on lower sales and as a consequence of ongoing restructuring investments. Specifically, we are investing to transfer production and consolidate our manufacturing footprint.

This covers the major items on the P&L for FY2018. I will talk about the balance sheet next. Given the absence of major changes to the structure of the balance sheet, I will touch only on trends in inventory. Please turn to slide 7.

Inventory Trend

Consolidated inventory declined at fiscal year-end, largely unchanged Y/Y



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Consolidated inventory, which had risen earlier in the fiscal year, declined into the end of March from end-December levels as expected, finishing the fiscal year virtually unchanged Y/Y. OMRON was able to appropriately address the issue of elevated inventory levels.

This covers the FY2018 results.

I will now explain the optimization of our business portfolio. Please turn to slide 9.



Optimizing Business Portfolio

Transfer Shares in AEC Business

Completed agreement to transfer shares in AEC business to Nidec Corporation

AEC Overview

OMRON Automotive Electronics, other related companies.
FY2018 Sales ¥130.5 bn*, OP ¥6.3 bn.
Purchase Amount: ¥100 bn *Excludes internal sales

Schedule

Contract date: April 16, 2019
Completion: TBD (around end-Oct. 2019)

(Completion date TBD as the transaction is subject to securing the approval of anti-trust regulators in relevant jurisdictions.)

Objective

- **Further development of automotive business**
- **'Control technology x actuator' to create new value**
- **Stronger, more resilient business portfolio for OMRON**
- **Execute on long-term growth strategy**

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On April 16, we signed an agreement to transfer shares in OMRON Automotive Electronics, which represents the AEC business, and its affiliates, to Nidec Corporation.

The revenue scale of OMRON's automotive business was more than ¥130 bn, with solid profitability. It generated margins in line with the industry average. The division ROIC for FY2018 was in excess of 11%. The order book includes orders 5 years forward. More fundamentally, the market for automotive-use electronics continues to grow.

Why did OMRON choose to sell this business now? There are 3 reasons.

The first is the potential to further develop the AEC business. As you know, the auto industry is currently at a revolutionary once-in-a-century inflection point, known as CASE. There is a dramatic shift underway toward modularization and standardization in automotive components; no one is immune to the impact of this trend. Component makers are faced with increased commoditization; even if they survive commoditization, OEMs are increasingly splitting orders into hardware and software.

OMRON's strength is the control technology embedded in ECUs. For instance, OMRON's motor control ECU is widely used by many customers in electric power steering (EPS) systems. Unfortunately, it is not possible to build attractive modules with just ECUs. In the EPS field, a competitive module requires integration of the ECU with motors. We believe that new value can be created by combining control technologies with actuators. This is why we chose Nidec as a counterparty.

The second reason for divesting this business is because it allows us to make OMRON's business portfolio stronger and more resilient. The automotive business is very attractive but from the standpoint of profitability and competitive superiority, IAB and HCB deliver better performances. OMRON is building up a business structure centered on these 2 businesses which is able to survive and win in periods of dramatic change, is strong in the face of a changing operating environment and is capable of self-driven growth.

The third reason is our continued commitment to remaining focused on our long-term growth strategy. By concentrating management resources on fewer domains, OMRON will be more focused on its competitive and growth strategies. The cash generated from this transaction will be allocated toward growth investments.

This was not an easy decision by any means, given it means the full divestment of AEC, a business that OMRON has nurtured for close to 40 years. However, it is a decision we took after much consideration of the issue from the standpoint of building long-term competitive superiority.

Acquisitions and Divestments during VG2020

Executing on business acquisitions and divestments to optimize the business portfolio

Acquisitions

2014	S. America Nebulizers (HCB)
2015	Motion Controllers (IAB)
2015	Industrial Robots (IAB)
2017	Industrial Cameras (IAB)
2017	Industrial Code Readers (IAB)
2018	Europe Nebulizers (HCB)

Divestments

2012	Capacitors (EMC)
2012	Consignment Development of Embedded SW/HW (Other)
2013	Optical Communications (EMC)
2016	Oil & Gas (IAB)
2016	Hospital-use Med. Eq. (HCB)
2018	Laser Processing Eq. (IAB)
2019	EDMS*(Other)

*Development and manufacture of industrial-use electronic devices on consignment

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This slide lists the major acquisitions and divestments undertaken by OMRON since I became CEO and we launched the Long-term Management Plan VG2020 in 2011.

In order to optimize the business portfolio, OMRON has actively acquired and divested many businesses.

On the left-hand side of the slide, you can see the acquisitions have been concentrated on IAB and HCB; OMRON has focused on further strengthening the foundations of its business.

However, if you look on the right-hand side of the slide, you can see that even within IAB and HCB, businesses that were deemed non-core have been divested.

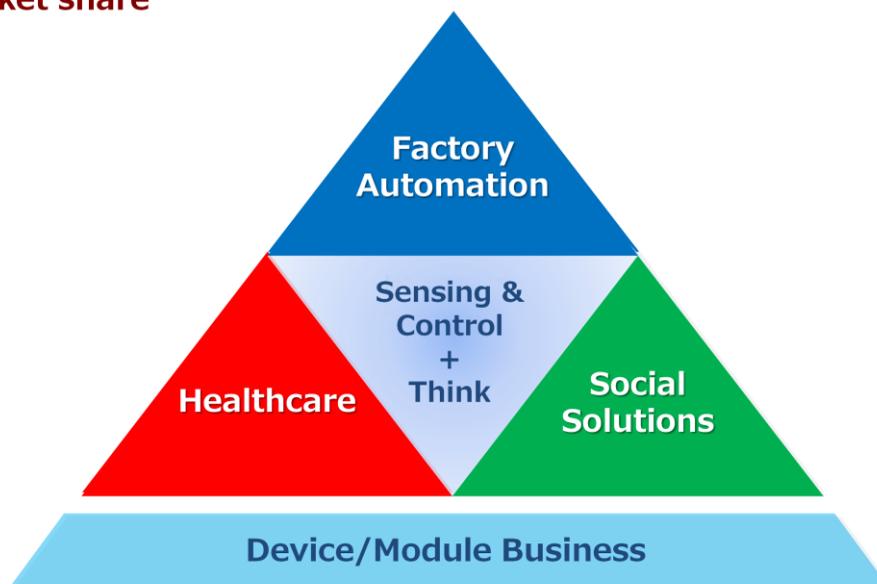
Going forward, we will continue to pursue an optimal business portfolio to further elevate corporate value.

As a result of the sale of AEC, we will need to realign our focus domains. Going forward, the focus domains will be the 3 domains of Factory Automation, Healthcare and Social Solutions.

Please turn to slide 11.

VG2.0 Direction of Focus Domains

Focus on 3 domains where OMRON is competitive and has high market share



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Social Solutions refers to social systems, primarily for roads and transportation, and energy management-related businesses that fall in the social infrastructure field. In this domain, OMRON is aiming to broadly create new value.

Going forward, we will focus on these three domains, where we have many mainstay products and services, which keeps the barriers to entry high, and where OMRON has high market shares.

The EMC business will continue to support these three domains. We position it as a device and module business and aim for sustainable growth.

However, our top focus will continue to be on the FA and healthcare businesses, supported by OMRON's core technologies of Sensing & Control + Think, as shown in the center of the diagram.

This covers the explanation of the AEC divestment and the optimization of the business portfolio.

Next, I will talk about the FY2019 plan. I will start with our view of the operating environment.

Please turn to slide 13.



FY2019 Plan



FY2019 Business Environment by Segment

Expect the operating environment to remain uncertain and challenging for the full year

IAB Industrial Automation	Auto: Uncertainty continues for auto investments but ADAS/EV, electrification-related investment still firm Digital: Semiconductor/smartphone-related investments remain weak, especially in Asia Food & Beverage: Flat trend continues. Labor-saving, quality control investments still firm Social Infrastructure: Solid on increase in investments to support economic growth
EMC Electronic & Mechanical Components	Consumer: China market weaker. Consumer electronics, semiconductors and smartphone capex to remain weak. Europe market also weak Automotive: Globally, expect gradual growth but consumer appetite in China continues to weaken
AEC Automotive Electronic Components	Expect China demand will keep weakening on cooling consumer sentiment, weak sales of US auto brands Japan, US to remain firm overall
SSB Social Systems, Solutions and Service	Station sys: Solid capex replacement cycle, expect demand to increase Transport: Expect solid replacement demand Payment sys: Demand for payment system terminals to rise on increasing need for cashless pymt systems
HCB Healthcare	Expect solid demand on increase in hypertension and asthma patients, although there is potential risk that global slowdown could depress consumption
Other Businesses under the Direct Control of HQ	Env. Soln: PV inverters weak but continued growth for storage systems Backlight: Smartphon market to remain weak

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We outline our view of the operating environment here.

Overall, we believe there is rising uncertainty in terms of macroeconomic factors in FY2019, on the back of US-China trade friction, Brexit and the risk of yen appreciation.

We expect the poor visibility and tough operating environment will continue throughout the fiscal year.

By segment, our forecast assumes the challenging Q4 FY2018 conditions will persist throughout FY2019, in particular for IAB, EMC and AEC.

Of course, it is possible that the operating environment could improve during FY2019 if we were to see an early resolution to US-China trade friction or if the Chinese economy recovers.

As such, we are prepared to be either proactive or defensive, depending on how the macro situation plays out.

FY2019 Plan

Assume tough environment but also factored in expected earnings fluctuation risk (Sales -¥10bn, OP -¥5bn). Aiming to improve GP margin

	FY2018 Actual	FY2019 Plan	Y/Y	(¥bn)
Net Sales	859.5	* 830.0	-3.4%	*Includes ¥10 bn in expected earnings fluctuation risk
Gross Profit (%)	354.1 (41.2%)	349.0 (42.0%)	-1.4% +0.8%pt	
Operating Income (%)	76.6 (8.9%)	* 65.0 (7.8%)	-15.2% -1.1%pt	*Includes ¥5 bn in expected earnings fluctuation risk
Net Income Attributable to Shareholders	54.3	42.5	-21.8%	
1USD (JPY)	110.7	108.0	-2.7	
1EUR (JPY)	128.8	123.0	-5.8	
1RMB (JPY)	16.5	16.2	-0.3	

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Here are our FY2019 forecasts.

We expect both sales and profits to fall Y/Y, on the assumption that we will see a continuation of the tough operating environment.

We expect the yen will appreciate. Please note that we disclose our RMB assumptions from this fiscal year.

Based on our best estimates for each of the businesses, we project aggregate segment sales of ¥840 bn and aggregate operating income of ¥70 bn.

However, in light of the overall global macro risk factors discussed earlier, at the corporate level we have also taken into account the risk of earnings fluctuations: ¥10 bn at the sales level and ¥5 bn at the OP level. As a result, our consolidated forecasts are for net sales of ¥830 bn and OP of ¥65 bn.

We expect our GP margin to improve by 0.8% pts Y/Y to 42%. We expect the margin to improve on the contribution of sales of high-margin products in IAB and the impact of restructuring at EMC.

We note that the expected closing for the sale of AEC is the end of October, so this year's forecasts include a contribution from AEC. From the July Q1 results announcements, we will modify disclosure to reclassify AEC as a discontinued business.

Sales by Business Segment

Expect sales decline at IAB, EMC and AEC but sales growth at SSB and HCB

	FY2018 Actual	FY2019 Plan	(¥bn) Y/Y
IAB Industrial Automation	391.8	378.0	-3.5%
EMC Electronic & Mechanical Components	99.7	98.0	-1.7%
AEC Automotive Electronic Components	130.5	124.0	-5.0%
SSB Social Systems, Solutions & Service	75.0	83.0	+10.6%
HCB Healthcare	115.5	123.0	+6.5%
Other Businesses under the Direct Control of HQ	41.7	32.0	-23.3%
Eliminations & Corporate	5.2	2.0	-61.7%
Earnings Fluctuation Risk		-10.0	-
Total	859.5	830.0	-3.4%

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Here are our full-year sales forecasts by segment.

As you can see, we expect sales to decline Y/Y at IAB, EMC and AEC.

In particular, IAB reported strong sales for the March 2018 and June 2018 quarters. Consequently, there will be a high base for comparison in 1H FY2019.

In contrast, we expect SSB and HCB to report positive sales growth in FY2019.

Operating Income by Segment

Assume tough operating environment but aim for slight increase Y/Y at IAB

(¥bn, %: OPM)

	FY2018 Actual	FY2019 Plan	Y/Y
IAB Industrial Automation	62.9 (16.1%)	63.0 (16.7%)	+0.1 (+0.6%pt)
EMC Electronic & Mechanical Components	8.2 (8.2%)	8.5 (8.7%)	+0.3 (+0.5%pt)
AEC Automotive Electronic Components	6.3 (4.8%)	4.0 (3.2%)	-2.3 (-1.6%pt)
SSB Social Systems, Solutions & Service	5.8 (7.7%)	6.5 (7.8%)	+0.7 (+0.2%pt)
HCB Healthcare	13.0 (11.3%)	14.0 (11.4%)	+1.0 (+0.1%pt)
Other Businesses under Direct Control of HQ	-0.5 (-)	-1.0 (-)	-0.5 (-)
Eliminations & Corporate	-19.1	-25.0	-5.9
Earnings Fluctuation Risk		-5.0	-
Total	76.6 (8.9%)	65.0 (7.8%)	-11.6 (-1.1%pt)

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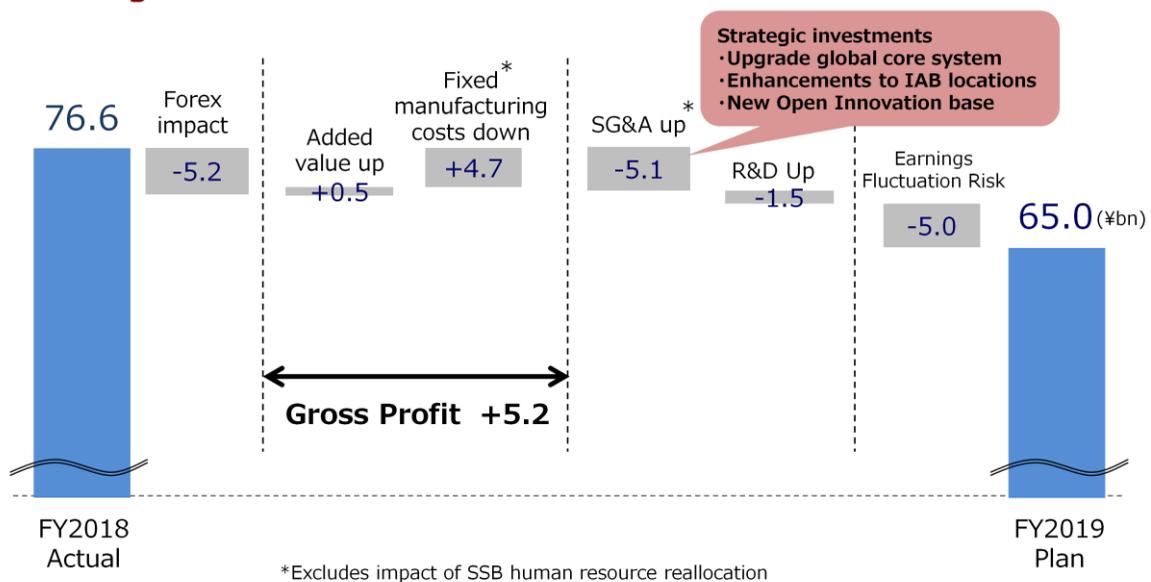
These are the full-year OP forecasts by segment.

We expect IAB sales to fall but profits to be flat to up very slightly Y/Y, for 2 reasons. The first is the progress we have made on enhancing product capabilities, which we expect will boost the GP margin. The second is the completion of investments in Automation Centers and other large-scale marketing investments in FY2018.

We expect profits to continue to improve at SSB and HCB. I will talk in more detail later about initiatives at IAB, which is a key focus under the VG2.0 plan, and HCB.

Operating Income Analysis (Y/Y)

Make strategic investments necessary for medium- and long-term growth and to enhance business foundation



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This waterfall chart shows the major components of change to our operating income forecast for the full year relative to the March 2019 results, with FY2018 OP on the far left and the FY2019 forecast on the far right.

As you can see, manufacturing fixed costs in the middle of the chart will be reduced by ¥4.7 billion but SG&A will rise by ¥5.1 bn. This is because we are intentionally increasing strategic investments to strengthen our business base which is essential for medium- to long-term growth.

I will explain in more detail. Please see slide 18.

Strategic Investments to Enhance Business Foundation

Execute with intent on investments needed to support the business in 10 years' time

Upgrade global core system

Enhance IAB production and development bases

Create new base for Open Innovation

There are 3 major strategic investments.

The first is the roll-out of a new global core IT system. In order to further improve our competitiveness as the market continues to evolve, we are upgrading our core IT system on a global basis. This will allow us to standardize our operational processes and improve productivity. We also aim to further accelerate our decision-making speed. This will require investments over several years, but we recognize it represents an important component of the infrastructure needed to support sustainable growth; we are committed to completing these investments.

The second is further enhancements to the production and R&D facilities for IAB. We are expanding production and development space in anticipation of medium- to long-term growth. As an example, we will be converting the Kusatsu Plant, which currently manufactures products for multiple businesses, to a dedicated IAB development and production facility. This will increase the current space allocated to IAB by 1.5-fold.

The third is the creation of a base to promote open innovation. We will add an open innovation center at Katsuragawa, Kyoto, where HCB has facilities.

Additions to domestic facilities and increases to IAB headcount will be fully completed by the end of this year.

Full-year Dividend Guidance

**Reflecting DOE standard, aim to maintain stable returns.
Full-year dividend guidance unchanged Y/Y at ¥84**

	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Forecast)
Full-year Dividend	¥76	¥84	¥84

* FY2018 full-year dividend to be approved at Annual General Shareholders' Meeting.
FY2019 split between interim and 2H dividend guidance TBD.

I will explain our full-year dividend guidance on this slide.

We are guiding for a full-year dividend per share of ¥84, unchanged from last fiscal year.

Given the uncertain business environment and the transfer of the AEC business, we have made an exception this fiscal year to base our initial dividend guidance on our DOE standard.

We are committed to continuing to manage our business while also rewarding shareholders.



Assets Acquired in First Half of VG2.0

1. IAB
2. HCB

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I will now talk about the assets that will drive our growth going forward. These are assets we acquired in the first 2 years of the 4-year Medium-term Management Plan VG2.0, which started in FY2017. I will also discuss the benefits we are already reaping from these acquisitions.

OMRON had positioned the first 2 years of VG2.0 as an investment phase. We prioritized the allocation of management resources to improve the competitiveness of our FA and Healthcare businesses.

We have made solid improvements to IAB and HCB, and are already reaping the benefits of the investments we have made.

Going forward, we will leverage these assets further to achieve self-driven growth.

I would like to talk specifics, from the next slide. I will start with IAB.

IAB: FY2018 Sales Growth by Area

Despite tough operating environment, IAB able to achieve sales growth on a global basis

FY2018 Sales Growth by Area

(Y/Y, local currency basis)

Japan	Americas	Europe	Greater China	SE Asia, Other	
				Ex-Korea	Including Korea
+2%	+1%	+6%	+2%	+6%	-17%

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Before talking about the benefits we have already enjoyed as a result of innovative-automation, I would like to revisit the FY2018 results for IAB by region. As we show on the slide, while total IAB segment revenue was down Y/Y, the only country where revenue fell was South Korea.

Although the operating environment in FY2018 was very challenging, all regions with the exception of South Korea were able to grow sales Y/Y. The reasons for the decline in South Korea was the significant deterioration in the semiconductor industry.

Please look at the center of the slide. OMRON's sales in Europe, where competition is fierce, actually rose 6% Y/Y. Germany, home to major auto OEMs and auto parts players, was the driver of sales growth.

By providing new innovative-automation solutions, primarily related to ADAS and EVs, OMRON has been able to significantly expand the business it does in Europe and, in particular, with German automakers and auto parts makers.

Earlier this month, the world's largest industrial machinery trade fair, Hannover Messe, was held in Germany. On the next slide, I will talk about some of the key highlights of the trade show.

IAB: Hannover Messe

**World's largest trade show held every year in Hannover in April.
Showcase for German industrial machinery and global players**



Dates April 1(Mon)-5(Fri), 2019

Visitors 210,000 visitors

Exhibitors 5,000 cos./

75 countries and regions

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This is a photo of the OMRON booth. Our booth was inundated with visitors. Using the innovative-automation concept discussed earlier, our display presented what a real flexible and highly productive manufacturing site optimized for human-machine collaboration might look like in the near future.

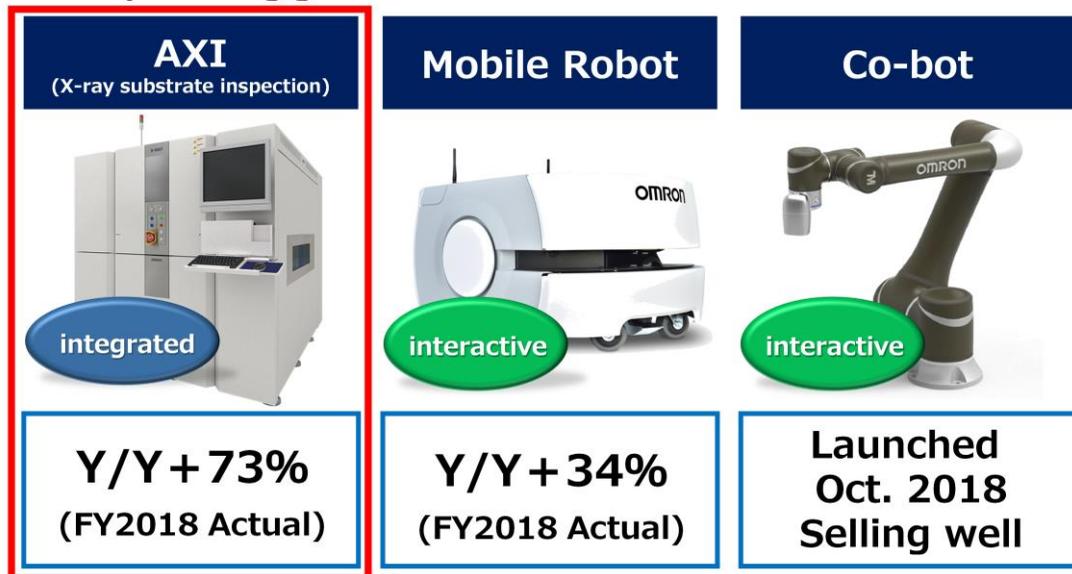
On the first day of the trade fair, we were honored by the visits by German Chancellor Angela Merkel and Swedish Prime Minister Löfven. The two heads of state visited only 4 companies in the automation field: Siemens, Sick, Beckhoff and OMRON. OMRON was the only Japanese company that was selected for visits by heads of state.

OMRON was selected is because it is recognized as a brand that, through its pursuit of solutions underpinned by innovative automation and human-machine collaboration and harmony, is giving form to the concepts of Industry 4.0 and the AI Strategy as promoted by the German government.

This reflects OMRON's position as an innovation leader in the FA field, of which we are very proud.

IAB: 3 Products Showing Strong Growth

Strong growing products which embody innovative-Automation concept driving growth



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These are the 3 products that have acted as door openers for OMRON in doing business with European auto and auto parts makers. All three are selling very well and contributing to overall sales growth. From the left, we have the AXI, a leading-edge X-ray substrate inspection machine; in the middle is a mobile robot; and on the right, a cobot or collaborative robot.

We are seeing particularly dramatic growth in sales of the AXI, the X-ray substrate inspection equipment. Sales rose a hefty 73% Y/Y.

Today, I will talk about the AXI as a product that epitomizes our efforts to give form to the innovative-automation concept, and is thus driving strong growth as a product capable of self-driven growth.

The highly competitive auto industry is now facing a 1-in-a-100 year revolution. This has led to active investments in ADAS and EV technologies. Within the manufacturing processes for EVs, the most important from the standpoint of product quality is the inspection process for electronic substrates.

Electronic substrates are a key element of control. We are seeing a continued trend toward ever-smaller form factors and higher density mounting. In addition, the number of substrates per vehicle continues to increase rapidly. Currently, the number of substrates per vehicle is said to be over 300.

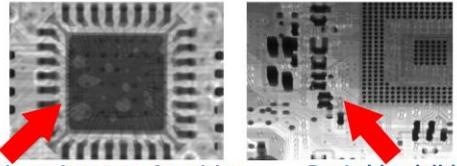
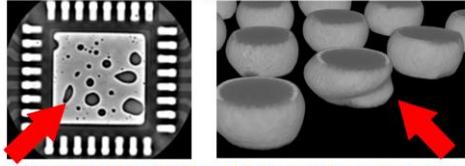
What this means is that a defect in an electronic substrate can directly lead to a loss of control for a vehicle, with the potential risk of a loss of life.

Given this, ensuring the quality of electronic substrates has fast become a priority.

OMRON's AXI is rated very highly by its customers for the important function of inspecting electronic substrates. On the next slide, I will talk about the specific technological features that are highly rated by our customers.

IAB: X-ray Substrate Inspection Equipment

Enabling internal visualization

	Radiography (2D)	Computed Tomography (3D)
Description	<ul style="list-style-type: none"> • Image from projected beam • High-speed image capture (seconds) 	<ul style="list-style-type: none"> • Multi-angle cross-sectional images • Time-consuming (minutes)
Medical	Simple testing: Radiography 	Precision testing: CT Scan 
Industrial (substrate inspection)	2D testing using radiographic images > All players have models  Blurry images of cavities Backside visible	3D testing using CT cross sectional images > Focus on analytical applications Only OMRON has testing equipment  Clear cavity image 3D, backside not visible

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As quality assurance for electronic substrates has become increasingly important, we have seen inspections migrate away from simple external visual checks to the use of X-rays to inspect the interior of substrates.

We are also seeing an evolution in X-ray inspections. Look at the left-hand side of the slide. To date, the mainstay inspections have been 2D inspections using radiographic technologies. However, in response demand for more sophisticated testing capabilities, increasingly the mainstay for inspections is 3D technologies, such as Computed Tomography (CT), as shown on the right-hand side.

To understand the difference between 2D and 3D inspections, we will use a medical analogy. The 2D inspection is the equivalent of an X-ray. It captures a 2-dimensional image from a static fixed angle. In contrast, the 3D inspection is the equivalent of a CT scan. A CT scan captures the target object from 360°, taking multiple X-ray images, which can then be reconstituted into a 3D image. This makes it possible to conduct a more precise inspection.

The images with arrows at the bottom of the page are actual images of substrates. We compare the 2D and 3D images of the soldering on the circuit board. In the image on the left, you can see the image of the cavities is blurred and the backside of the circuit board is showing through. In contrast, the 3D image clearly shows the soldering defect. In the heavy-duty environment of an engine room, this type of excess solder residue can lead to electrical shorts. This is a major defect which can only be identified through a 3D scanning inspection.

3D inspection has many merits but the technology had its challenges as well. 3D inspections require the acquisition of a large volume of images, which makes the tact time for a single inspection very long and highly inefficient. For this reason, it had not been possible to inspect each individual substrate using 3D; instead 3D inspections to date were done on a sampling basis. Using revolutionary technology, OMRON'S AXI makes high-speed, high-resolution inspections possible, resolving these issues. This is the reason why OMRON's AXI is so strongly supported by the German auto and auto parts makers.

I will discuss this in more detail in the next slide.

IAB: X-ray Substrate Inspection Equipment

Achieve high speed 3D image inspection through proprietary innovative-Automation technology

Conventional Technology

Stop at each point to capture images
Sampling inspection

Unique OMRON Technology

Continuous image capture
In-line inspection

MOVIE

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We have a video to show you.

OMRON's AXI is a unique OMRON inspection product that combines hardware, such as the industry's fastest controller, servo motors and image sensors, with proprietary software. It epitomizes the advances to control technology that are possible through innovative-automation.

Seeing is believing. Please watch the video. First, on the left you will see conventional 3D technology.

An X-ray beam is emitted from below. You can then see that images are being captured as it moves. However, conventional 3D testing technology to date stopped at each individual inspection point to take images, prolonging tact time. It was also only able to take a limited number of images. This is why conventional technology did not meet the customers' speed or accuracy requirements. Inspections were done on a sampling basis.

Next, on the right is OMRON's AXI. As you can see, the circular movement is continuous. You can only see the front sensor in the video, but on the lower side, there is an X-ray beam source controlled by the controller. OMRON's high level fine-tuning and alignment of hardware and software made it possible to eliminate the need to stop at each inspection point. Instead, we developed a unique and rapid continuous technology for capturing images. This technology made it possible to speed up inspection times 2.3-fold relative to conventional 3D testing.

You may think that a 2.3-fold improvement is not much of a change. However, this 2.3-fold speed is significant, because it makes it possible to inspect all of the individual units in the production line. Look once more at the video on the right. You should be able to see 2 rails. In this video, the devices on the rails are not moving, but in real use, the devices would move and it would be possible to inspect all of the devices in line.

This is a revolutionary application that has made possible a process that was considered impossible to date.

Today, we highlighted AXI as an example of the highly competitive assets we have built up as a result of the proactive investments to enhance innovative-automation. This is merely one example. We have developed many more application packages. Going forward, we will continue to leverage these assets to achieve sustainable growth for the IAB business.

HCB: 3 Domains

Resolve social issues with personalized medical solutions in 3 domains where OMRON can maximize strengths globally

Cardiovascular

Global Hypertension*¹
Patients

1.13bn

BPM



Respiratory

Global Patients with
Respiratory Conditions*²

440 mil

Nebulizer



Pain Management

Patients with Chronic
Pain Japan & US*³

73 mil

Low Frequency
Therapy Device



*1 From Lancet 2017; 389: 37-55 *2 From International Respiratory Societies *3 From Pain in Japan (Japan), National Health Interview (US)

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Now, turning to HCB.

In Healthcare, OMRON is focused on three domains, Cardiovascular Conditions, Respiratory Conditions and Pain Management, and aims to make personalized medicine a reality.

Each of these domains has sufficient market scale on a global basis. In particular, in the area of Cardiovascular Conditions, the number of patients suffering from strokes, cardiac infarctions and other neuro- and cardiovascular events is increasing on the back of aging and the rising prevalence of lifestyle-related diseases.

Our objective in the cardiovascular area is to achieve a concept we refer to as Zero Events.

Our aim in Zero Events is to reduce to zero the number of sufferers of severe cardiac or neurovascular conditions that are brought on by hypertension, such as strokes and cardiac infarction, which can be life-threatening or result in becoming permanently bedridden.

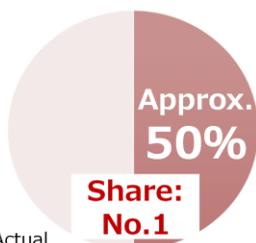
HCB: Strengths and BPM Business

Dominant global No. 1 market share. Market continues to expand on increase in patients. Maintaining stable sales growth

HCB Strengths

1. Highly trusted by medical professionals for superior accuracy (strong medical brand recognition)
2. Know-how in securing medical device approvals
3. Global sales channels in place

**BPM
Global
Share**



FY2018 Actual

**BPM Sales Growth
(Value)**

+ 10% / Year

In order to achieve Zero Events, it is first necessary to provide the market with high quality equipment. One such device is our BPMs.

Our BPM business boasts a dominant global market share of 50%, positioning ourselves well ahead of our competitors. Many OMRON BPMs are being used in medical facilities. OMRON equipment is also often used to provide clinical data to medical professionals.

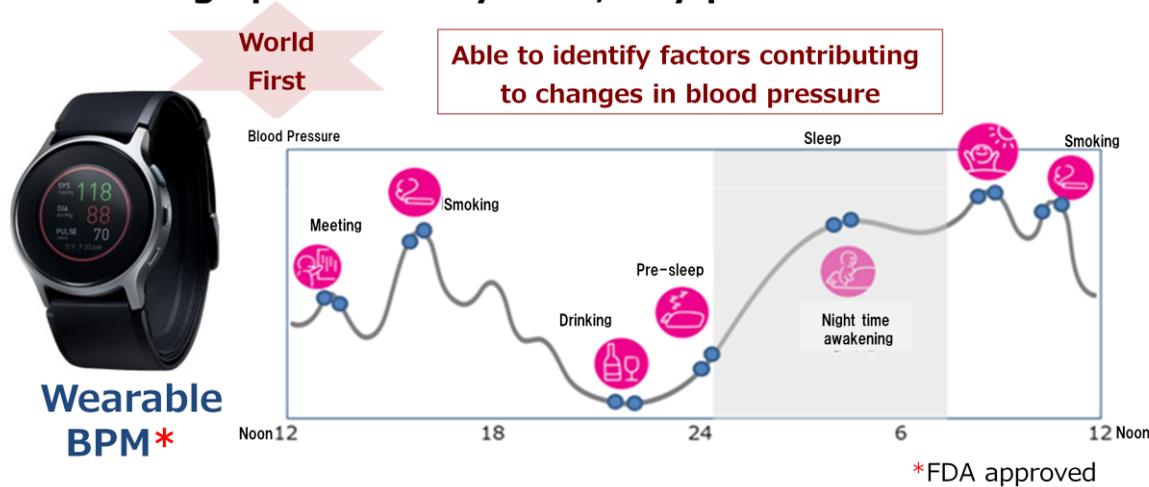
We have 3 strengths that we have developed through our own efforts over many years. The first is the superior accuracy which has made our product highly trusted by the medical industry. In other words, we have strong medical brand recognition. The second is our know-how in securing device approvals under the Japanese Pharmaceutical Affairs Law or the FDA in the US. The third is a solid base of global sales channels. On the back of these strengths, our BPM sales are growing 10% annually, contributing significantly to HCB growth.

However, measuring blood pressure is merely a first step. We believe that we can contribute to Zero Events by sharing blood pressure data with doctors and having the doctors leverage this data to provide treatments that are optimized for individual patients.

HCB: Evolution in Blood Pressure Data

New device enables capture of data heretofore impossible to collect

■ Readings possible any time, any place



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There is still significantly more that we can do to achieve Zero Events. Recent rapid advances in IT and sensor technology have broadened the range of solutions OMRON can provide.

With the launch in the US in December of a wearable BPM as shown here, OMRON has made it possible to capture accurate BP data 24 hours a day, any time, any place. What is impressive about this product is that because it is FDA approved, it is the world's first wearable BPM that is capable of capturing data that meets medical-grade requirements for accuracy.

In addition to measuring blood pressure, it can also simultaneously capture data on multiple factors that contribute to fluctuations in blood pressure, such as activity states like whether an individual is awake or asleep, or the ambient temperature. For instance, blood pressure rises on a sudden drop in temperature. If you are exercising, your heart rate is elevated. This device makes it possible to capture new data which can point what might be behind fluctuations in blood pressure. In future, we aim to develop functionalities that could provide an alert in the event of early signs of a heart attack, allowing patients to take preventative measures such as raising room temperature.

HCB: Evolution in Blood Pressure Data

**Collaborating with service providers around the world.
Data being leveraged in multiple apps**

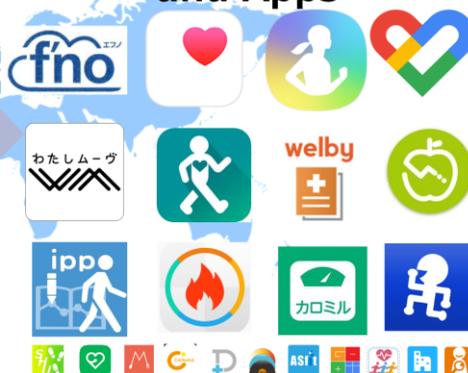
■ Collaborations with Service Providers

Connectivity App
OMRON connect



Leveraging BP data

Service Providers
and Apps



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By using the OMRON connect communications app, the captured blood pressure and other health-related data can be used in many apps offered by service providers around the world.

OMRON data is widely used by many service providers because of the high market share held by our BPMs in each country and the strong recognition of OMRON as a trusted brand. Currently, there are multiple apps in 117 countries around the world that are using OMRON connect and that number is expected to continue to grow.

Increasingly it is necessary to choose an OMRON BPM to manage BP data at home. Going forward, we aim to enable all new models for connectivity. At a minimum, we plan to enable all our BPMs with communications functionality by 2025. Having connectivity to major apps such as Samsung Health or Apple Health as shown on this slide, now enhances the competitiveness of a BPM; it is also leading to an increase in the use of data.

This is what we are aiming for.

HCB: Developing a Data Business

Develop personalized/preventative medicine business by use of blood pressure and ECG data. Contribute to personalized treatment

World First

BPM enabled for ECG readings*
(Simultaneous readings)



*FDA approved

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In addition to the wearable BPM we have just described, we have also been able to secure FDA approval for a BPM that is enabled for EKG readings as well, which was jointly developed with AliveCor. We have started selling the product in the North America this year. This device is able to simultaneously measure blood pressure and EKG, a world's first.

Going forward, we aim to use IT technologies to manage multiple vital sign data on an integrated basis, to capture early warning signs of acute medical events for use by doctors in making treatment decisions. By expanding beyond blood pressure data to EKG data, we see our business evolving into a personalized and preventative medicine business. Through this, we aim to support the development of individualized treatment.

OMRON has continued to invest in developing revolutionary new devices, building out our sales network, and educational activities. We will continue our efforts to further build on our strengths. This is because these investments support further growth.

We are committed to achieving strong growth in our HCB business going forward. We hope you will hold high expectations for OMRON.



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This completes the presentation, but in closing, I would like to reiterate our management policy for this fiscal year. We expect the operating environment for this fiscal year to remain challenging. We have looked at scenarios that call for a further deterioration of the environment or downturn in the markets. Obviously, it is also possible that we could see the market turn positive. We have formulated a plan that we believe will allow us to respond appropriately, regardless of how the environment changes.

However, a tough operating environment can also be a great opportunity to capture a competitive advantage. We will not miss any signs of change and will implement measures that will allow us to return to a growth trajectory. The development of assets that support enhanced competitiveness in IAB and HCB, as highlighted today, is an example of our commitment to remaining focused. We are significantly expanding development capacity at the Kusatsu facility, where the HQ for IAB's R&D is located.

Another key topic is ESG management. Companies generate not only economic value but create social value as well. We believe companies have a responsibility to play a proactive role in contributing to the development of a sustainable society.

Under Medium-term Management Plan VG2.0, we are proactively focused on addressing material sustainability issues.

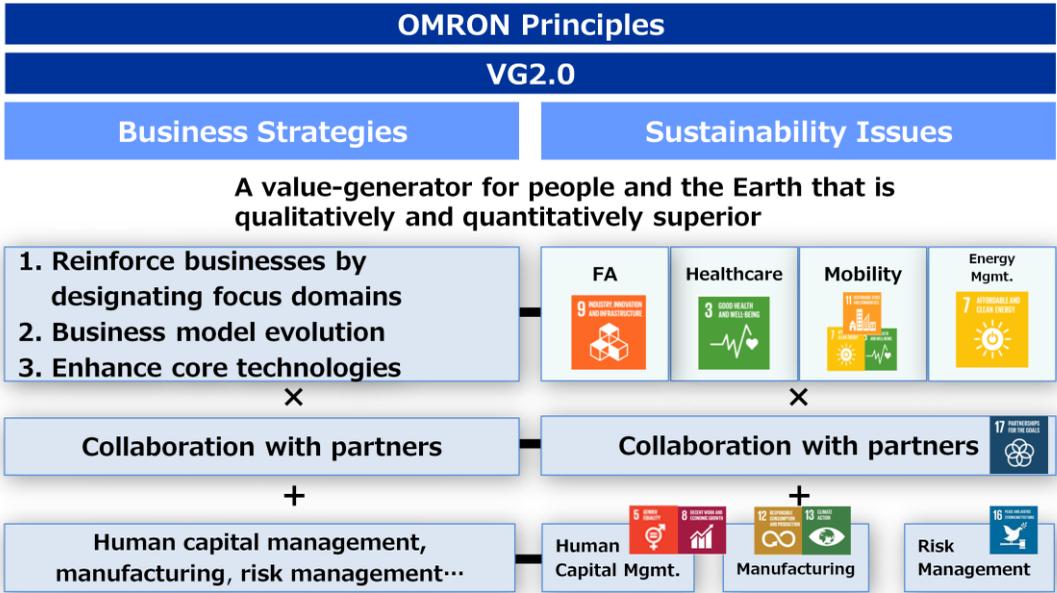
Our efforts in this area to date have been recognized, with OMRON being included in many ESG indices, including DJSI World.

Additionally, as you know, OMRON was added to the Nikkei 225 in March. We remain committed to addressing social issues through our business going forward.

This time, the market has focused on the divestment of the AEC business and the reorganization of the business portfolio. However, it is not our intent to simply shrink our business. The cash raised through the divestment will be used for growth investments. We aim to enhance corporate value over the medium- and long-term, focusing primarily on IAB and HCB.

We humbly ask our shareholders and investors for their continued support. This completes my remarks. Thank you.

VG2.0 and Sustainability Policy are Linked



OMRON Included in Major ESG Indices (As of April, 2019)

ESG Indices which include OMRON

- ✓ DJSI – World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders indices
- ✓ MS-SRI
- ✓ 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, 2019)

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**



Selected by METI, TSE

- ✓ Nadeshiko Brand **2nd consecutive year from FY2017**
- ✓ 2019 Health & Productivity Stock **From FY2018, 1st time**
- ✓ 2019 Health & Productivity:White 500 **3rd consecutive year from FY2016**



Selected by Nikkei Inc.

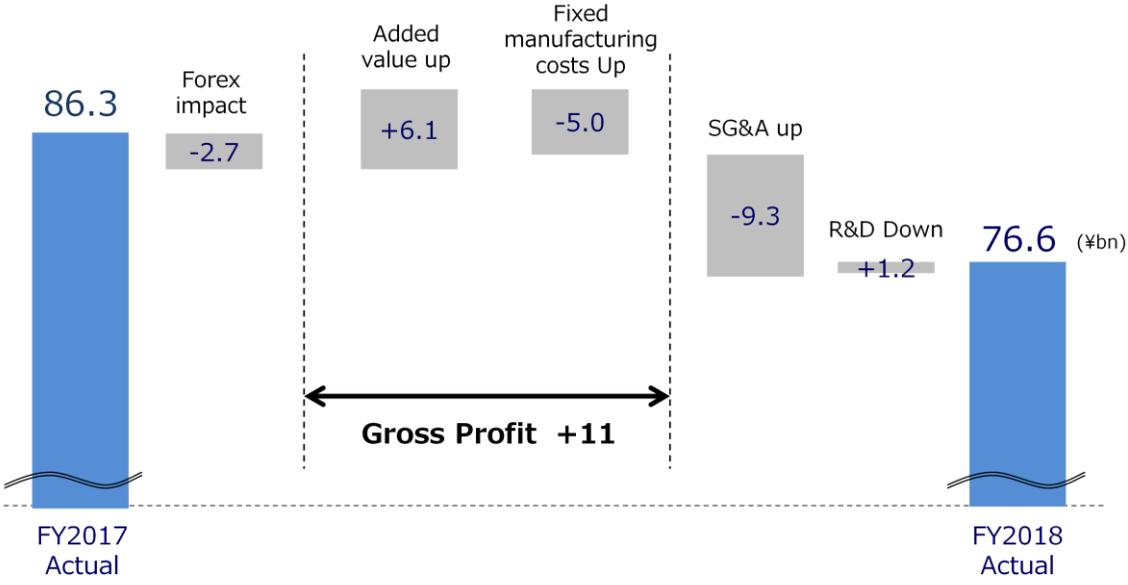
- ✓ Nikkei 225 **March 2019, 1st time**

OMRON



Reference

Operating Income Analysis (Y/Y)

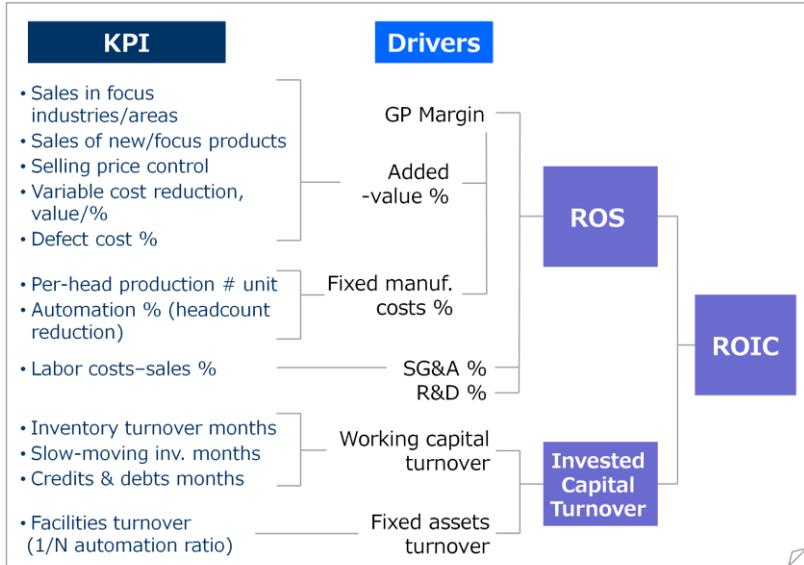
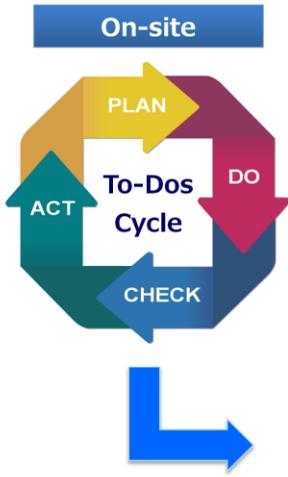


FY2019 Assumptions: Exchange Rates

	FY2019 Assumption	Impact of ¥1 move (full-year, approx.) * RMB impact of ¥0.1 move	
		Sales	OP
USD	¥108	¥2.5bn	¥0.4bn
EUR	¥123	¥1.0bn	¥0.5bn
RMB	¥16.2	¥0.8bn	¥0.1bn

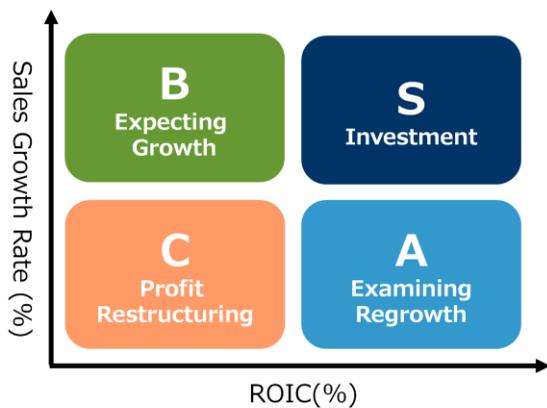
* If emerging-market currency trends diverge from trends in major currencies contrary to our expectations, it will impact sensitivities.

Down-Top ROIC Tree

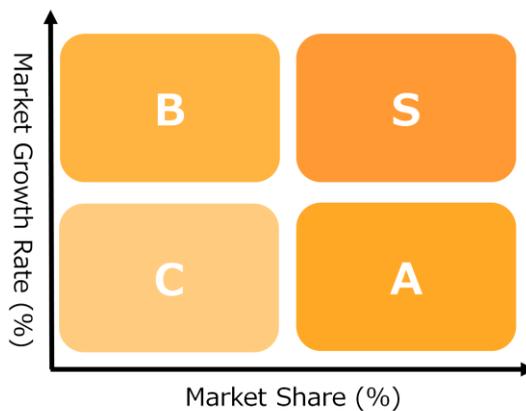


Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC Definition

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	[Red dashed box]
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]
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**



Reference Attracting Talent

Securing Superior Human Resources

OMRON considered an attractive employer for both new graduates and mid-career hires

■ Survey of Most Attractive Employers: 10th for overall STEM graduates Top for Kansai region

Rank	Overall STEM	Kansai
1	Sony	OMRON
2	Ajinomoto	Sky
3	Meiji Group	Sekisui House
4	Kagome	Nippon Life
5	Fujitsu	Nintendo
6	Toyota Motor	Daiwa House
7	Suntory Group	JR West
8	Asahi Beer	Ezaki Glico
9	Morinaga Milk	Wacoal
10	OMRON	Asics

Source: Ranking of Most Attractive Employers for undergraduate/graduate school students completing degrees in spring 2020 as announced by the Nihon Keizai Shimbun and MyNavi on April 9, 2019

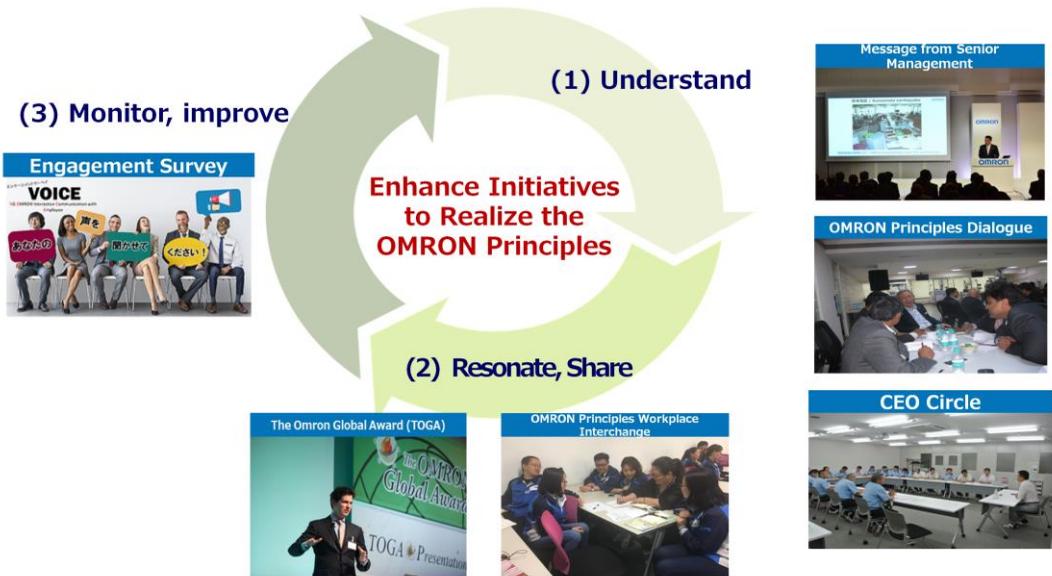
■ Successful hires of top AI experts reported in Nihon Keizai Shimbun

- Successfully hiring cutting-edge young AI engineers
- Top AI developer Yoshitaka Ushiku joined OMRON SINICX as head of R&D from teaching post at Tokyo University

Source: April 8, 2019 Nihon Keizai Shimbun morning edition

Enhancing Initiatives to Realize OMRON's Principles

Many activities to deepen understanding of link between OMRON Principles to improved management throughout the organization



Engagement Survey VOICE

Survey results used by management to understand and identify issues. Objective is to prompt actions to address issues

Goal

To support OMRON's continuous development, VOICE allows the management team to:

- 1 Measure the attractiveness of the workplace
- 2 Understand and identify issues
- 3 Create a framework for actions to resolve issues

Target

Global Employees 23,920

* Excludes overseas production workers

Results

No. of Respondents: 20,161

Response Rate: 84.3%

Additional Comments: 8,496

*VOICE : **V**G **O**MRON **I**nteractive **C**ommunication with **E**mployees

Engagement Survey VOICE

Healthy embrace of OMRON Principles; a strength for OMRON

15 categories of questions	Subject of assessment	Positives
Principles/VG2.0 Targets	Understand, embrace, act on principles, strategies, targets	75%
Customer-centric/quality focus	Customer-centric, quality focus in operational processes, actions	70%
Workplace, team atmosphere	Delegation of work, participation in decisions, work attitude	70%
Response to change, challenges	Atmosphere conducive to embracing change and challenges	66%
Team work, collaboration	Collaboration within units/with other units, team work	67%
Talent/career development	Opportunities for skill/career development in the workplace	61%
Diversity, mutual respect	Status of diversity, atmosphere accepting of diversity	64%
Management	Employees' view of management actions and leadership	65%
Operational efficiency	Work environment, operational efficiency, decision process	49%
Sincerity, Ethical Conduct	Ethical conduct, compliance culture in managing operations	77%
Direct superior	Actions and words of direct superior	73%
Communication	Communication in the workplace	63%
Performance management	Evaluations, compensation	54%
Work-life balance	Status of work-life balance	73%
Engagement	Attractiveness, pride in company	70%

Towers Watson assessment scale for % of positive responses: 70-80%: Healthy, 50-70%: Seek to maintain/improve, sub-50%: Requires improvement

Hiring and Developing Future Management

**OMRON Principles are a touchstone for hiring superior resources.
Focus on both external hires and nurturing internal candidates**

Human Resources for Management

Hiring superior external resources

- Proactive hiring of superior human resources
- Enhance diversity

Develop superior internal candidates

- Early identification of promising candidates (Revise HR system)
- Program to nurture superior human resources

OMRON Principles as the touchstone (Corporate Culture)



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

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