

FY2019 Q1 Earnings

**Financial Results for the First Quarter
Ended June 30, 2019**



**July 25, 2019
OMRON Corporation**

Summary

AEC Business Transfer: Adjusted Disclosures for Continuing Operations

- In compliance with US GAAP, AEC has been reclassified as a discontinued operation
- Presentation refers to Q1 earnings and full-year guidance for continuing operations.
See Reference section for earnings of discontinued operations

■ **Q1 Results: Continuing Operations**

- Revenue and earnings down Y/Y
- Decreased visibility, particularly for IAB and EMC.
Revenues fell short of assumptions
- OP in line with assumptions as a result of disciplined control of fixed costs

■ **Full-year Forecasts: Continuing Operations**

- Possibility of a prolonged period of uncertainty for IAB and EMC.
Expect SSB, HCB and Environmental Solutions businesses to remain firm
- Aim to build framework for profitability by executing on short- and medium-term profit structure reforms
- Full-year forecasts left unchanged

■ **Spotlight on SSB**

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Before starting the presentation, I will explain the changes to our disclosures related to the transfer of the AEC business. In compliance with US GAAP, the AEC business has been reclassified as a discontinued operation and its earnings will be reported accordingly. Our earnings presentation today will focus on the results and forecasts for continuing operations.

The three key points for today's presentation are as follows.

The first is the Q1 FY2019 results for continuing operations. Both sales and profits fell Y/Y. Uncertainty in the operating environment increased, primarily for IAB and EMC, leading to a shortfall in sales versus the internal plan. However, reflecting strong discipline in controlling fixed costs, operating income was in line with plan.

The second is our full-year forecasts for continuing operations. We are facing an operating environment for IAB and EMC which is more challenging than initially expected. We believe there is a possibility that this period of uncertainty could be prolonged. However, we expect SSB, HCB and the Environmental Solutions business to remain firm. Given this environment, we will implement short- and medium-term profit structure reforms. Our aim is to develop a robust and resilient profit structure. We believe our profit targets are achievable and therefore maintain our full-year forecasts.

The third is SSB. The Social Systems Business, which is one of our focus domains, continues to show solid growth. Today, I will spend some time discussing the structure of the SSB business and highlighting its strengths.

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AEC Business Transfer: Adjusted Disclosures for Continuing Operations

Adjusted Disclosures

AEC reclassified as discontinued operation. Full-year plan split into continuing and discontinued operations but plan unchanged

Previous		Adjusted	
	FY2019 Forecast	FY2019 Fcst: Continuing Ops	FY2019 Fcst: Discontinued Ops
Net Sales	* 830.0	* 709.0	121.0
Gross Profit (%)	349.0 (42.0%)	322.5 (45.5%)	26.5 (21.9%)
Operating Income (%)	* 65.0 (7.8%)	* 57.5 (8.1%)	7.5 (6.2%)
Net Income Attributable to OMRON Shareholders	42.5	-NP: Continuing Ops. 37.5 -NP: Discontinued Ops. 5.5 ** 42.5	- 5.5 -

(¥bn)

* Includes impact of Earnings Fluctuation Risk of ¥10bn to Sales and ¥5bn to Operating Income

** Forecast for Net Income Attributable to OMRON Shareholders from Continuing Operations includes -¥0.5bn from Non-controlling Interests

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First, the adjustments to our disclosures for continuing operations, related to the transfer of the AEC business.

From this quarter, in compliance with US GAAP, the AEC business is classified as a discontinued operation. As a consequence, we have split the disclosure of our full-year forecasts into continuing operations and discontinued operations. However, as noted earlier, the reclassification notwithstanding, we have left our overall full-year forecasts unchanged.

Please note that net income attributable to shareholders does not include profits resulting from the transfer of the discontinued business. We are currently in the process of determining the profits. We will disclose the amount once this process has been completed.

In addition, in our FY2019 forecast for continuing operations we maintain the amounts for Risk of Earnings Fluctuation (¥10bn for sales, ¥5bn for operating income) which were incorporated into our initial forecasts.

Adjusted Disclosures (by Segment)

**Some segment adjustments resulting from reclassification
but no change to overall plan**

	Sales			Operating Income		
	FY2019 Initial (Cont. Ops.)	FY2019 Fcst. (Cont. Ops.)	Chg.	FY2019 Initial (Cont. Ops.)	FY2019 Fcst. (Cont. Ops.)	Chg.
IAB Industrial Automation	378.0	378.0	-	63.0	63.0	-
EMC Electronic & Mechanical Components	98.0	101.0	+3.0	8.5	8.5	-
SSB Social Systems, Solutions and Service	83.0	83.0	-	6.5	6.5	-
HCB Healthcare	123.0	123.0	-	14.0	14.0	-
Other Businesses under the Direct Control of HQ	32.0	32.0	-	-1.0	-1.0	-
Eliminations & Corporate	2.0	2.0	-	-25.0	-28.5	-3.5

(¥bn)

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Next, the adjustments to full-year segment disclosures for continuing operations.

In reclassifying our businesses into continuing operations and discontinued operations, there is a positive ¥3bn impact on EMC sales and a negative ¥3.5bn impact on Eliminations & Corporate operating income.

EMC is selling some products to customers via internal sales to AEC. Upon the business transfer, EMC will shift to selling these products directly to the customers. The reclassification reflects the impact of the change, increasing segment sales by ¥3bn.

The adjustment to the Eliminations and Corporate line reflects the absence of the management and brand usage fees that AEC has been paying to HQ.

Please refer to slide 31 for the profit and loss statement for discontinued operations.

Consolidated Balance Sheet

New line items for discontinued operations' assets and liabilities held for sale

(¥bn)

	End-March 2019	End-June 2019	Chg.
Current assets	460.0	443.6	-16.3
(Assets held for sale)	73.3	73.3	-0.0
Property, plant and equipment	115.1	112.4	-2.7
Investments and other assets	174.8	196.4	+21.6
Total assets	749.9	752.4	+2.5
Current liabilities	175.6	164.9	-10.7
(Liabilities held for sale)	27.7	25.4	-2.3
Long-term liabilities	68.0	64.3	-3.7
Total liabilities	243.6	229.2	-14.3
Shareholders' equity	504.2	521.2	+17.0
Noncontrolling interests	2.1	2.0	-0.1
Total net assets	506.3	523.2	+16.8
Total liabilities and shareholders' equity	749.9	752.4	+2.5

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Next, the balance sheets.

We have added new line items to the balance sheets as assets held for sale and liabilities held for sale to reflect the assets and liabilities of the discontinued operation.

I will now move on to our Q1 FY2019 results for continuing operations. Please turn to slide 8.



Q1 Results: Continuing Operations

Q1 Results: Continuing Operations

Sales and profits down Y/Y. Sales fell short of assumptions but operating income in line on disciplined fixed cost control

(¥bn)

	Q1 FY2018 Act. (Cont. Ops.)	Q1 FY2019 Act. (Cont. Ops.)	Y/Y
Net Sales	177.6	160.0	-9.9%
Gross Profit (%)	80.0 (45.1%)	71.5 (44.7%)	-10.6% (-0.4%pt)
Operating Income (%)	17.1 (9.6%)	10.0 (6.3%)	-41.2% (-3.3%pt)
Net income Attributable to OMRON Shareholders	14.7	8.5	-41.8%
1USD (JPY)	108.1	110.7	+2.6
1EUR (JPY)	129.9	123.6	-6.3
1RMB (JPY)	17.1	16.3	-0.8

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The Q1 FY2019 results for continuing operations are as shown here.

Sales and profits fell Y/Y.

Sales fell short of our internal target but operating income was in line with our internal plan, as a result of disciplined fixed cost controls.

Sales by Business Segment: Continuing Operations

Substantial Y/Y sales declines at IAB, EMC

	Q1 FY2018	Q1 FY2019	(¥bn) Y/Y
	Act. (Cont. Ops.)	Act. (Cont. Ops.)	
IAB Industrial Automation	102.8	89.1	-13.3%
EMC Electronic & Mechanical Components	27.0	23.0	-14.8%
SSB Social Systems, Solutions & Service	9.6	10.4	+8.1%
HCB Healthcare	27.9	27.7	-0.7%
Other Businesses under the Direct Control of HQ	9.2	9.2	+0.2%
Eliminations & Corporate	1.1	0.7	-41.4%
Total	177.6	160.0	-9.9%

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This is the breakdown of Q1 FY2019 sales for continued operations by segment.

In addition to the deterioration in the operating environment, IAB and EMC reported substantial Y/Y declines as a result of a high base for comparison on the strong performance in Q1 FY2018.

IAB's performance was weaker as a result of global slowdowns in capex demand, primarily in automotive and digital.

Sales at EMC also fell on declines in sales in China and lower automotive product sales.

We note that while the Y/Y sales declines at IAB and EMC were substantial, we believe these businesses held up relatively well given the tough operating environment. Excluding the impact of changes to foreign exchange rates, IAB and EMC were down 5% and 3% respectively versus internal plan. This is modestly weaker than our conservative initial internal plan.

Operating Income by Segment : Continuing Operations

Sharp Y/Y profit decline at IAB, EMC

(¥bn, %: OP Margin)

	Q1 FY2018	Q1 FY2019	Y/Y
	Act. (Cont. Ops.)	Act. (Cont. Ops.)	
IAB Industrial Automation	17.0 (16.6%)	13.3 (14.9%)	-3.8 (-1.7%pt)
EMC Electronic & Mechanical Components	2.9 (10.8%)	0.0 (0.0%)	-2.9 (-10.8%pt)
SSB Social Systems, Solutions & Service	-2.1 (-)	-1.8 (-)	+0.3 (-)
HCB Healthcare	3.9 (14.1%)	3.4 (12.3%)	-0.5 (-1.8%pt)
Other Businesses under the Direct Control of HQ	-0.3 (-)	0.4 (-)	+0.7 (-)
Eliminations & Corporate	-4.4	-5.2	-0.8
Total	17.1 (9.6%)	10.0 (6.3%)	-7.0 (-3.3%pt)

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Next is the segment breakdown of Q1 FY2019 operating profit.

IAB profits were sharply lower on sales declines. However, despite the fall in sales, the GP margin improved 1.8%-pts Y/Y, the result of solid sales of solutions packages leveraging the innovative-Automation concept, as well as internal efforts, such as selling price measures and reductions to variable costs. We believe that our ability to generate profits is improving.

EMC profits fell substantially on a decline in external sales and the impact of inventory adjustments in the highly profitable IAB business (internal sales). Structurally, the ratio of fixed manufacturing costs at EMC is high, so a decline at the topline tends to depress operating income. This is why we were reorganizing the production footprint and implementing structural reforms at EMC last year. We hope to reap the benefits of these initiatives in the near future.

IAB Products Capable of Self-sustaining Growth

Strong products that embody the innovative-Automation concept delivering solid growth

AXI
(X-ray substrate inspection)



Mobile & Collaborative Robots



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Despite the challenging operating environment, we have seen strong sales with some products, which I would like to highlight.

In IAB, we have seen strong sales performances from products capable of self-sustaining growth which embody the concept of innovative-automation. These are the leading-edge X-ray substrate inspection machine, mobility robots and co-bots or collaborative robots.

We are seeing strong adoptions of AXI by European automakers and auto components makers, on the back of rising needs for high-density substrate mounting for ADAS applications. AXI has also been effective as a door-opener with new clients.

Adoption of mobile robots and co-bots has been rising at food and beverage manufacturers struggling with labor shortages.

As a result, AXI sales growth exceeded 10% Y/Y, while combined sales growth of mobile robots and co-bots was up more than 80% Y/Y.

In spite of the tough operating environment, these products have shown themselves to be competitive, driving solid self-sustaining growth.

Although revenue scale at this time is small and the contribution to overall IAB sales is limited, we hold high expectations for these products going forward given the strong growth rates.



Full-year Forecasts: Continuing Operations

Macro Operating Environment

**Significant change in operating environment.
Factoring in the possibility of a prolonged period of uncertainty**

- ✓ **US-China trade friction**
- ✓ **Expansion of protectionist trade policies**
- ✓ **Weak capex appetite to persist**

First, this is our view of the macro environment.

With regard to the operating environment from Q2 onward, we are not optimistic. The market has deteriorated relative to our assumptions in March and April, when we formulated our full-year plan. Changes to the operating environment have exceeded our assumptions for earnings fluctuation risk built into our initial plan.

US-China trade friction has not only led to a deterioration of the global economy but is forcing changes to economic spheres and the trade framework. The impact is increasingly clear. We are already seeing its impact in the form of slowing capex investments in automotive and digital, and falling demand on a global basis.

As you know, the downward trend in PMI continues, with the index below 50 for all areas except the US in June. At this point, we see no signs that the downtrend is moderating.

Given this, we have factored in the possibility that the uncertain operating environment may persist for some time.

Operating Environment by Segment: Outlook for Q2 Onward

IAB, EMC operating environment possibly tougher than initially expected. Domestic-focused SSB, B-to-C HCB to remain solid

IAB Industrial Automation	Auto: Overall capex weak on soft auto sales, despite ongoing ADAS/EV, electrification-related investment Digital: No recovery in semiconductor/smartphone-related investment due to weak demand Food & Beverage: Flat trend continues. Labor-saving, quality control investment still firm Social Infrastructure: China solid on government measures. Modest capex increases in Americas/Asia
EMC Electronic & Mechanical Components	Consumer: Semiconductor capex remains weak, with knock-on effects on other industries. Demand weak Automotive: China demand weak on environmental restrictions and weak consumer appetite
SSB Social Systems, Solutions and Service	Station sys: Solid replacement cycle, expect demand to increase Transport: Expect solid replacement demand Payment sys: Demand for payment system terminals rising 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 a global slowdown could depress consumption
Other Businesses under Direct Control of HQ	Env. Soln: PV inverters weak but continued growth for storage systems Backlight: Smartphone market to remain weak

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We outline our view of the operating environment by segment here.

We have updated this slide to reflect how our view of the operating environment in Q2 and beyond has changed since April, when we announced our full-year forecasts.

As you can see, we expect the operating environment for IAB and EMC to be worse than we had initially expected. Our customers are maintaining their cautious stance on investments and prospects for a recovery are increasingly unclear.

That said, we expect the primarily domestic SSB and the B-to-C HCB business to remain solid.

I will talk more about IAB on the next slide.

IAB Operating Environment: Outlook for Q2 Onward

Slowdown in China having knock-on effects on other regions

IAB Industrial Automation	Japan	<ul style="list-style-type: none"> • Customers reducing and delaying capex on slowing overseas markets • In auto, ADAS/EV and advanced investments maintained but further cuts to maintenance capex on weak auto sales • Digital remains weak on delayed recovery in semiconductors
	Americas	<ul style="list-style-type: none"> • Customers remain cautious on capex, primarily auto/digital • Digital slowing on semiconductor capex pushouts • Infrastructure solid on energy-related capex
	Europe	<ul style="list-style-type: none"> • On top of China slowdown, uncertainty increasing on political instability. Weak machinery exports combined with uncertain outlook leading to gradual slowing in domestic demand
	Greater China	<ul style="list-style-type: none"> • Economy sluggish on additional tariffs and export restrictions by the US. Auto/digital-related investments being delayed or suspended • Government measures supporting urban development and public infrastructure investments
	SE Asia, Other	<ul style="list-style-type: none"> • S. Korea: Weak semiconductor/smartphone demand depressing capex • Others: General elections in India/Thailand/Indonesia completed, gradually recovering

This slide specifically looks at our view of the operating environment for IAB by area.

The slowdown in China is having knock-on effects on other regions. As shown here, the operating environment in each region is deteriorating. In particular, the outlook for the timing of a recovery in automotive and digital is unclear across the regions.

Full-year Forecasts: Continuing Operations

No change to plan. Focus on assessing the changing operating environment

(¥bn)

	FY2018	FY2019	Y/Y
	Act. (Cont. Ops.)	Fcst. (Cont. Ops.)	
Net Sales	732.6	709.0	-3.2%
Gross Profit	325.5	322.5	-0.9%
(%)	(44.4%)	(45.5%)	(+1.1%pt)
Operating Income	67.3	57.5	-14.5%
(%)	(9.2%)	(8.1%)	(-1.1%pt)
Net Income Attributable to OMRON Shareholders	54.3	42.5	-21.8%
1USD (JPY)	110.7	108.7	-2.0
1EUR (JPY)	128.8	123.1	-5.7
1RMB (JPY)	16.5	16.2	-0.3

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Here are our FY2019 forecasts for continuing operations.

The outlook for the operating environment is highly uncertain. Prospects for sales are very challenging. However, we believe our operating income forecast is achievable. Our focus will be on achieving the operating income target. Our forecasts are unchanged.

That said, given the dramatic changes in the operating environment, we will review our earnings progress going forward and will provide an update at the end of Q2.

As CFO, my focus will be on selectively executing on necessary initiatives for medium-term growth while simultaneously implementing profit structure reforms.

From a short-term perspective, we will be stepping up inventory management and expense controls as well as reviewing our hiring plans.

From a longer-term perspective, we will continue executing on our initiatives for structural reform for EMC, the optimization of the backlight business and the transfer of AEC, in line with plan.

Even in this uncertain environment, we remain committed to fostering a strong profit-generating structure by pursuing both short- and medium-term measures.

Sales by Business Segment: Continuing Operations

EMC adjusted to reflect reclassification of discontinued business

(¥bn)

	FY2018 Act. (Cont. Ops.)	FY2019 Fcst. (Cont. Ops.)	Y/Y
IAB Industrial Automation	391.8	378.0	-3.5%
EMC Electronic & Mechanical Components	103.1	101.0	-2.1%
SSB Social Systems, Solutions and 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	5.4	2.0	-62.8%
Earnings Fluctuation Risk		-10.0	-
Total	732.6	709.0	-3.2%

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Here are our full-year sales forecasts by segment for continuing operations.

Apart from the adjustment to EMC, reflecting the impact of reclassifying discontinued operations, our segment sales forecasts are unchanged.

Operating Income by Business Segment: Continuing Operations

Eliminations & Corporate adjusted to reflect reclassification of discontinued business

(¥bn, %: OPM)

	FY2018	FY2019	Y/Y
	Act. (Cont. Ops.)	Fcst. (Cont. Ops.)	
IAB Industrial Automation	62.9 (16.1%)	63.0 (16.7%)	+0.1 (+0.6%pt)
EMC Electronic & Mechanical Components	8.2 (7.9%)	8.5 (8.5%)	+0.3 (+0.6%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	-22.1	-28.5	-6.4
Earnings Fluctuation Risk		-5.0	-
Total	67.3 (9.2%)	57.5 (8.1%)	-9.8 (-1.1%pt)

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These are the full-year OP forecasts by segment.

We have made no changes with the exception of the adjustment to Eliminations and Corporate related to the reclassification of discontinued operations.



Spotlight: SSB

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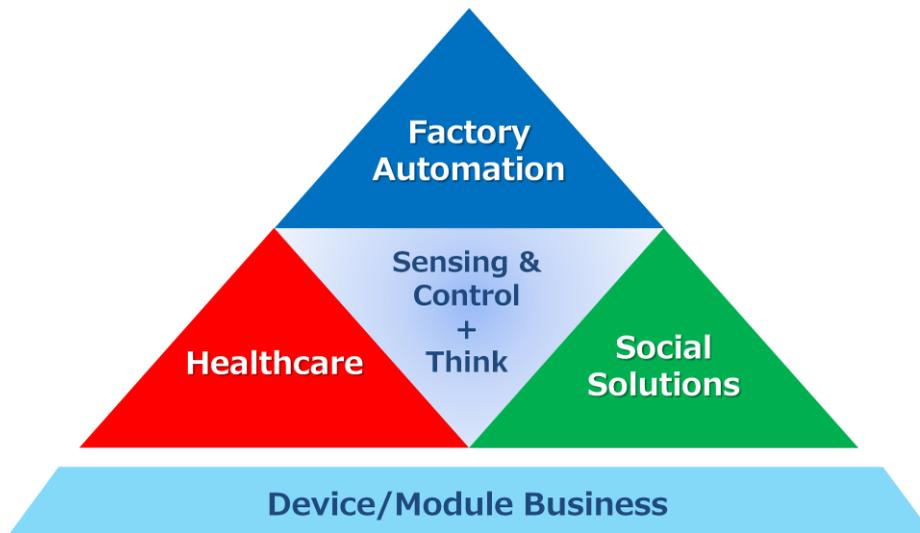
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In meetings with investors since the announcement of our full-year results for FY2018 in April, we have seen an increase in the number of questions about Social Solutions, a new focus domain for continuing operations following the sale of AEC, and about SSB, which will be the key driver for this domain.

Today, I would like to highlight the business structure and strengths of SSB.

VG2.0 Direction of Focus Domains

Focus on 3 domains where OMRON is competitive and has high market share. SSB is core of Social Solutions



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As discussed in April at our results briefing, OMRON will focus on the 3 domains shown here, where we have many core products and services with high barriers to entry and high market shares. EMC is positioned as the device/module business which will continue to support our efforts in these three domains.

The new focus domain, Social Solutions, aims to broadly create new value in the area of social infrastructure, mainly of social systems, such as station or traffic systems, or the energy management businesses. SSB, alongside the Environmental Solutions business, will be the centerpiece for our initiatives in this field. Today, I will focus on SSB.

SSB Vision



Creating a society that allows people to enjoy safe, secure and comfortable lives

Achieving Smart Society



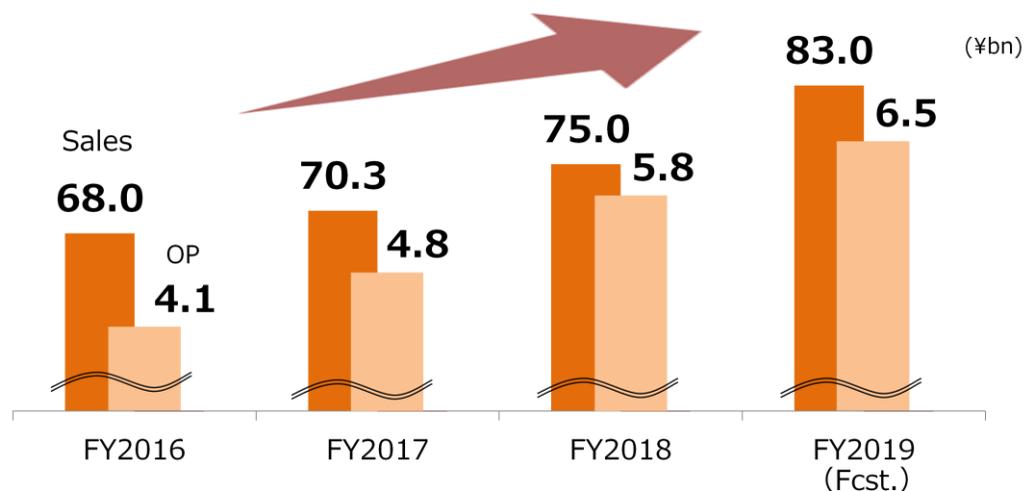
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SSB's vision is to 'Create a society that allows people around the world to enjoy safe, secure and comfortable lives'. SSB concentrates on social infrastructure as it seeks to resolve social issues.

SSB Sales and Operating Income Trends

Solid growth supported by domestic social infrastructure investments

SSB Sales and Operating Income

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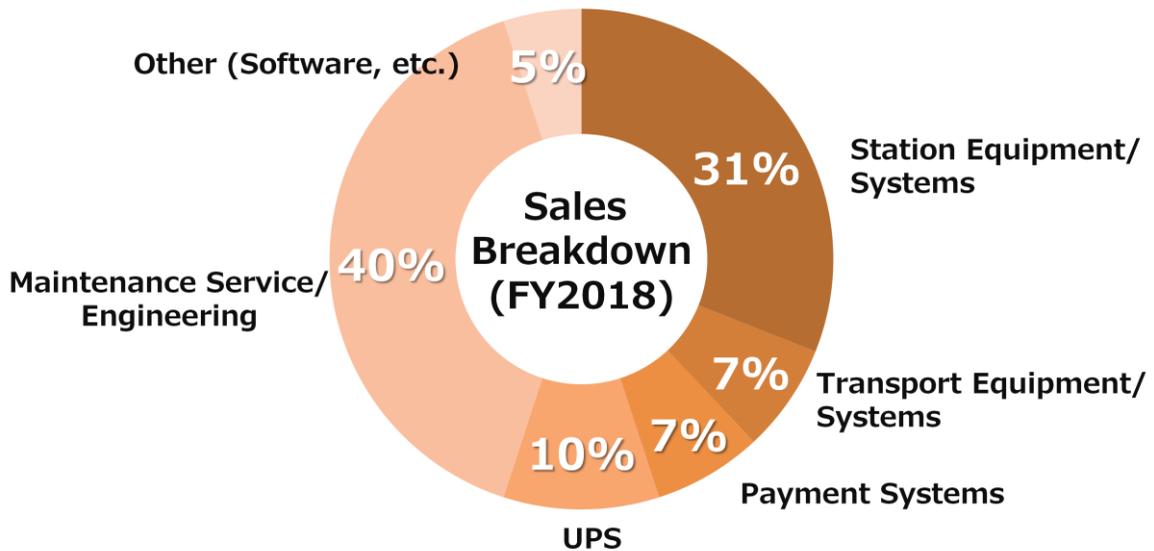
This slide shows SSB sales and operating income for the last 3 years and the FY2019 forecast.

SSB has been able to solidly grow sales and profits, based on strong domestic social infrastructure investments, and supported by robust relationships with customers. We are expecting a third consecutive fiscal year of positive Y/Y sales and profit growth.

ROIC exceeds 15%.

SSB Sales Breakdown

Well-balanced between equipment/system sales and maintenance service (including engineering)



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This shows a breakdown of segment sales for SSB. This segment has many unique products, such as station equipment/systems, and UPS, which is indispensable to systems recovery in the event of disasters.

System sales account for the majority of the station and transport businesses. These are stable businesses that do not rely on outright sales of hardware.

In addition, services, such as operations & maintenance services for products and systems, and engineering, account for 40% of segment sales. 98% of SSB's revenue is domestic.

SSB Strengths: Robust Customer Bases

Market shares for station and traffic systems rising on robust customer bases

Station Systems



Automated ticket gates,
ticket machines

**FY2018
Actual**

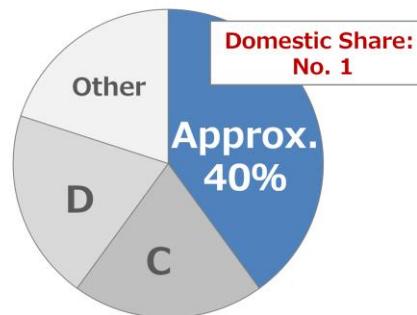


Source: OMRON

Traffic Systems



Road traffic
management systems



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The mainstay station and transportation system businesses are based on longstanding relationships of trust built up with customers over time. This robust customer base is a key strength which has supported SSB's gains in market share.

As an example, OMRON has an approximately 50% market share of station equipment, such as station ticket gates and ticket machines. In the traffic control center system business, which provides controls for traffic lights and traffic information, OMRON has a market share of around 40%. OMRON is No. 1 in the domestic market.

SSB Strengths: Ability to Create Solutions

Trusted partner to customers for one-stop solutions. Leverage expertise in consulting, manufacturing and maintenance services

Value Chain



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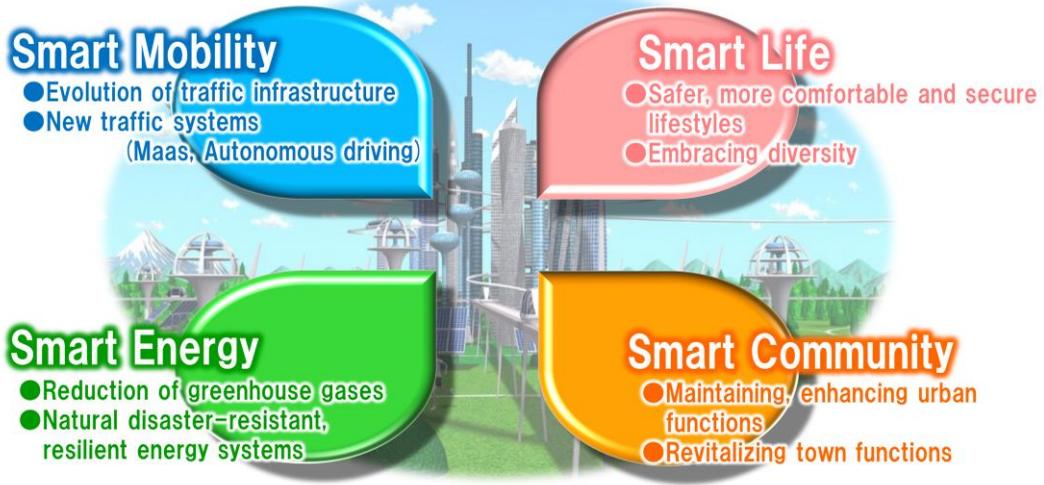
SSB's strong customer base derives from its capability to produce solutions that are highly rated by clients. SSB provides one-stop solutions, starting from the development of systems incorporating both hardware and software, through to operations and maintenance services, including engineering. The one-stop approach also creates opportunities to identify and resolve new issues and thus allows OMRON to continue to further build trust.

Increasingly, our customers are faced with ever-higher levels of demands for safety, security and comfort. OMRON is responding to this change by leveraging our strengths: our track record and experience, our expertise in sensing technologies, our capability in software and system development, and maintenance service capabilities.

OMRON's strengths give it significant superiority over peers. We expect to enjoy continued stable growth by providing social infrastructure that is indispensable to people's lives.

SSB Growth Outlook

Aim for growth by addressing social issues which will lead to the realization of Smart Society



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The social infrastructure which supports our lifestyles is facing increasingly serious social challenges. Society is now moving inevitably toward Smart solutions.

We believe we can continue to grow our business and contribute to the realization of Smart Society by addressing social issues. We hope you will hold high expectations for this business.



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As touched upon earlier, we believe the operating environment is extremely challenging, given the rising level of uncertainty. We believe this period of uncertainty could persist for some time.

Following a further examination of the impact of a deteriorating operating environment, we will update you at our next results briefing in October.

In the short-term, IAB and EMC in particular are being impacted by the strong headwinds. At the same time, social issues such as labor shortages and the acceleration of population aging are only becoming more acute. These are universal issues. Demand for solutions to these issues is only increasing. OMRON's key domains continue to be growth areas.

We view the dramatic market changes we are experiencing as opportunities to raise our game and develop our capability to rise to challenges. We are committed to focusing on initiatives that will position us for strong growth where we will significantly outpace our peers when the economy returns to growth.

Finally, we have been chosen for the first time for inclusion in the ESG index established jointly by Euronext and Vigeo Eiris. We are honored by the recognition of our ESG and sustainability initiatives. We will continue to fulfill our corporate governance responsibilities, balancing integrity and sustainable growth.

This completes my remarks. Thank you.

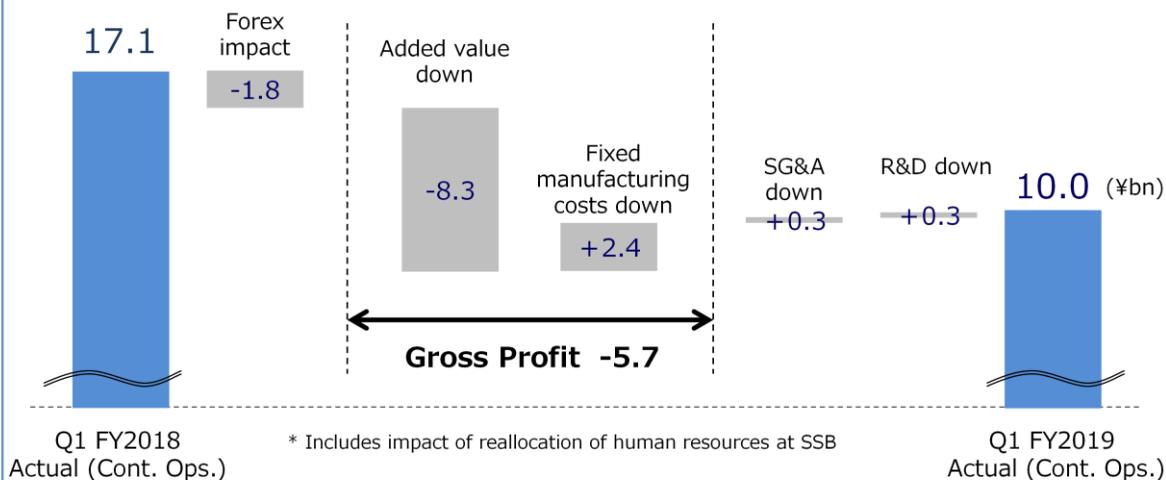


Reference



Operating Income Analysis (Y/Y): Continuing Operations

Added value declined, primarily on falling sales



Transfer Shares in AEC Business (As announced April 2019)

Completed agreement to transfer shares in AEC business to Nidec Corporation

AEC Overview

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

Schedule

Contract Date: April 16, 2019
Completion: TBD (around end-October 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

Q1 results: Discontinued Operations

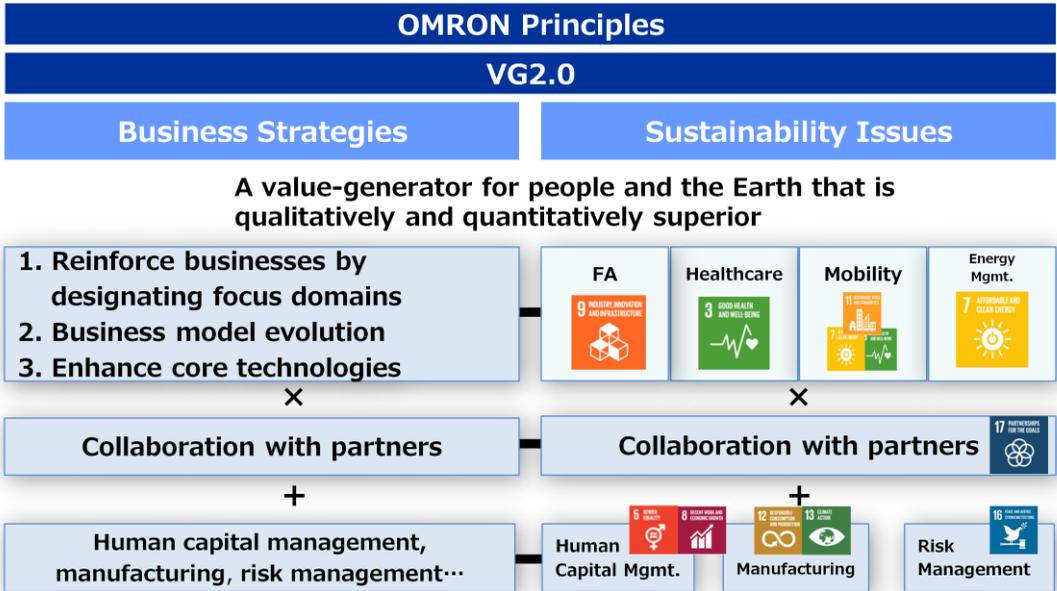
	Q1 FY2018	Q1 FY2019	(¥bn)
	Act. (Discont. Ops)	Act. (Discont. Ops)	Y/Y
Net Sales	32.6	28.2	-13.5%
Gross Profit (%)	7.7 (23.7%)	6.0 (21.4%)	-21.7% (-2.2%pt)
Operating Income (%)	2.5 (7.8%)	1.0 (3.5%)	-61.0% (-4.3%pt)
NP for Discontinued Ops.	1.9	0.8	-58.0%
1USD (JPY)	108.1	110.7	+2.6
1EUR (JPY)	129.9	123.6	-6.3
1RMB (JPY)	17.1	16.3	-0.8

FY2019 Forex Assumptions: Continuing Operations

	FY2019 Assumption	Impact of ¥1 move (full-year, approx.) * RMB impact of ¥0.1 move	
		Sales	OP
USD	¥108	¥1.7bn	¥0.3bn
EUR	¥123	¥1.0bn	¥0.5bn
RMB	¥16.2	¥0.7bn	¥0.05bn

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

VG2.0 and Sustainability Policy are Linked



OMRON Included in Major ESG Indices (As of July, 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
- ✓ Euronext Vigeo Eiris World Index 120 **2019, 1st time**

* 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 July, 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

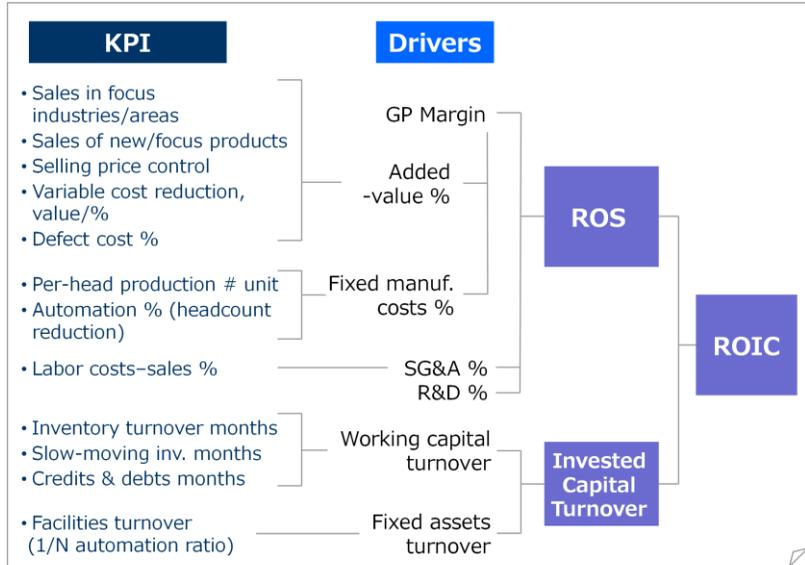
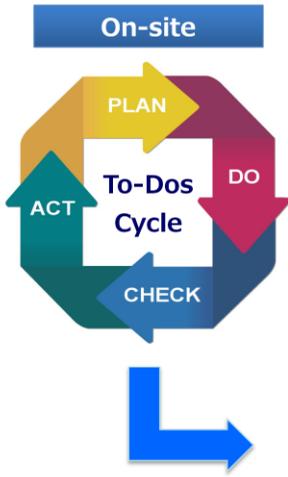
- ✓ Nadeshiko Brand **2nd consecutive year from FY2017**
- ✓ 2019 Health & Productivity Stock **From FY2018, 1st time**
- ✓ 2019 Health & Productivity:White 500 **3rd consecutive year from FY2016**



Selected by Nikkei Inc.

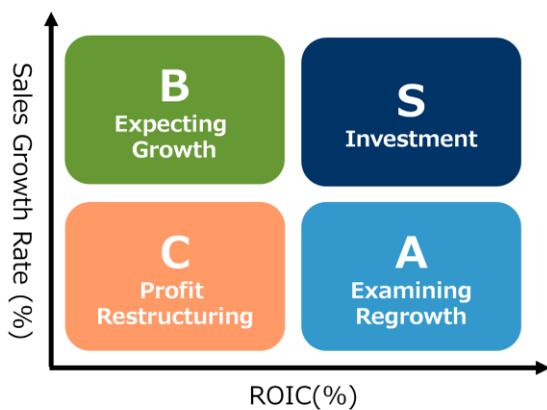
- ✓ Nikkei 225 **March 2019, 1st time**

Down-Top ROIC Tree

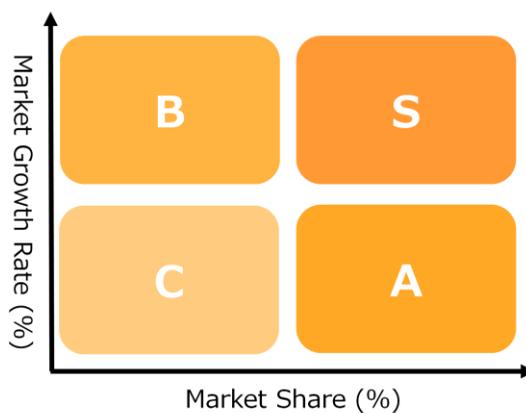


Portfolio Management

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 First Quarter of the Fiscal Year Ending March 31, 2020 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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