

FY2019 H1 Earnings Ended September 30, 2019



Oct. 29, 2019
OMRON Corporation

Good afternoon, everyone. I am CEO Yamada.

I would like to take this opportunity to thank all of you for your participation in the Q2 FY2019 results briefing. I would also like to acknowledge and express our sincere appreciation for your ongoing support for OMRON, and in particular, our Investor Relations team. Thank you.

Before starting the presentation, I would also like to extend our deepest sympathies to all those recently affected by super Typhoon Hagibis and the torrential rains, which had a wide impact across Japan.

There was significant damage to social infrastructure, particularly to the railways and other transportation networks. In order to allow those in impacted areas to return to their normal lives as rapidly as possible, OMRON's SSB is focused on providing assistance in restoring damaged infrastructure, in response to customer requests. OMRON will continue to contribute to efforts to fully restore infrastructure as quickly as possible.

Let's get started.

Summary

This presentation refers to H1 FY2019 results and FY2019 full-year guidance for OMRON's continuing operations. (Discontinued operation AEC excluded)

■ H1 Results

- Revenues and earnings down Y/Y. Conditions remain challenging for IAB and EMC
- GP margin up in real terms, reflecting solid progress in improving profitability
- Achieved internal plan for operating income

■ Full-year Forecasts

- Full-year forecasts lowered, factoring in the continued tough operating environment and impact of foreign exchange rate moves
- Follow through on rigorously selected investments necessary for future growth
- Cancel treasury stock; establish new share buyback program

■ Initiatives to Enhance Corporate Value

- Optimizing business portfolio
- Strengthen Social Solutions domain by integrating SSB and Environmental Solutions
- Achieve growth with 3 Domains + 1 Business

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

The first is the H1 FY2019 results. Both sales and profits fell Y/Y, with sales down 6.4% Y/Y. The operating environment remained challenging for IAB and EMC. Despite this, OMRON was able to improve our GP margin by 0.5% pts. excluding the impact of foreign exchange. OMRON continues to make solid progress in improving its profit-generating capability. As a result, operating income was in line with our internal plan.

The second is our full-year forecasts. We revise down our full-year guidance. We assume that tough operating conditions for IAB and EMC will persist in H2. We have also factored in the impact of a stronger yen. However, we are committed to following through with rigorously selected investments we consider necessary for future growth. In terms of capital efficiency measures, we will cancel treasury stock and establish a new share buyback program.

Finally, I will share my thoughts on our ongoing initiatives to enhance corporate value.

AEC Business Share Transfer

Share transfer to be completed as planned on October 31

**Transaction
Value**

¥100bn*

**Profit on Share
Transfer**

Pre-tax: ¥52bn

After-tax: ¥39.5bn

Cash Inflow

¥84.5bn

NB. All figures are preliminary estimates
* Excludes adjustments to working capital
and cash on hand

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Before discussing the H1 results, I will update you on the transfer of the AEC business.

In line with our initial plan, the transfer of the AEC business announced in April will be completed on October 31, 2019.

The expected purchase amount is ¥100bn. Profits from the transfer of shares are expected to be ¥52bn on a pre-tax basis and ¥39.5bn after tax. The cash inflow is expected to be ¥84.5bn.

We have factored these figures into our revised full-year forecasts.

Let us begin. Please turn to slide 5.

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H1 Results

H1 Results

Sales and profits down Y/Y. GP margin up in real terms

	H1 FY2018	H1 FY2019	Y/Y
	Actual	Actual	
Net Sales	353.0	330.2	-6.4%
Gross Profit (%)	159.0 (45.0%)	148.8 45.0%	-6.4% (+0.0%pt)
Operating Income (%)	31.8 (9.0%)	25.7 (7.8%)	-19.2% (-1.2%pt)
Net Income (Continuing Ops.)	23.5	22.7	-3.6%
* Net income (Discontinued Ops.)	3.4	-3.4	(-)
Net Income Attributable	26.4	19.1	-27.8%
** to OMRON Shareholders			
1USD (JPY)	109.5	109.2	-0.3
1EUR (JPY)	129.5	122.0	-7.5
1RMB (JPY)	16.7	15.9	-0.8

Excluding
forex impact
+0.5%pt

* H1 FY2019 Net Income for Discontinued Operations includes tax liabilities for valuation gains on equity in subsidiaries for AEC on a standalone basis
** Net Income Attributable to OMRON Shareholders includes Profit (Loss) Attributable to Noncontrolling Interests

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H1 sales were ¥330.2bn, gross profit was ¥148.8bn, operating income was ¥25.7bn and net income was ¥19.1bn.

We did our utmost to leverage the strengths of OMRON's business portfolio in H1 but unfortunately, the operating environment remained extremely tough for IAB and EMC. As a result, we reported Y/Y declines to sales and earnings.

However, I highlight our GP margin. As noted at the outset, we were able to maintain our GP margin in line with last fiscal year's high level of 45%. If we exclude the impact of the higher yen, our GP margin improved by 0.5% pts Y/Y.

Next slide please.

Sales by Business Segment

IAB, EMC sales down Y/Y. Significant Y/Y sales increases at SSB and the Environmental Solutions business

(¥bn)

	H1 FY2018 Actual	H1 FY2019 Actual	Y/Y
IAB Industrial Automation	201.5	177.9	-11.7%
EMC Electronic & Mechanical Components	52.9	45.9	-13.3%
SSB Social Systems, Solutions & Service	23.7	31.3	+32.4%
HCB Healthcare	55.5	54.6	-1.6%
Other Businesses under Direct Control of HQ	16.9	19.0	+12.0%
Eliminations & Corporate	2.4	1.5	-37.8%
Total	353.0	330.2	-6.4%

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This is the breakdown of H1 FY2019 sales by segment.

IAB's performance was weaker as a result of a global slowdown in capex demand, primarily in automotive and digital. Notably, there was a further sequential slowing in capex demand in the automotive sector in Q2.

Sales at EMC declined on the impact of decelerating demand in the US, Europe and China.

In contrast, SSB and the Environmental Solutions business included in the Other segment delivered solid performances. Over the last few years, SSB has been able to grow as a result of successfully capturing strong social infrastructure demand. In FY2019, in addition to enhanced capabilities, SSB sales also benefited from system upgrade projects related to the consumption tax hike, hence the substantial Y/Y increase in sales.

The Environmental Solutions business achieved a solid increase in sales on growth in the storage systems market and improved market share.

HCB reported a modest decline in sales owing to the impact of foreign exchange moves, specifically the result of the weaker RMB and emerging market currencies. On a local currency basis, HCB sales grew 2% Y/Y.

Operating Income by Segment

**Limited IAB Y/Y profit declines to a minimum.
Achieved internal plan for overall operating income**

(¥bn, %: OPM)

	H1 FY2018 Actual	H1 FY2019 Actual	Y/Y
IAB Industrial Automation	33.3 (16.6%)	27.6 (15.5%)	-5.8 (-1.0%pt)
EMC Electronic & Mechanical Components	4.6 (8.6%)	0.7 (1.5%)	-3.9 (-7.2%pt)
SSB Social Systems, Solutions & Service	-2.2 (-)	0.4 (-)	+2.6 (-)
HCB Healthcare	7.2 (13.0%)	6.9 (12.6%)	-0.3 (-0.3%pt)
Other Businesses under Direct Control of HQ	-1.6 (-)	1.0 (-)	+2.5 (-)
Eliminations & Corporate	-9.5	-10.8	-1.3
Total	31.8 (9.0%)	25.7 (7.8%)	-6.1 (-1.2%pt)

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Next we show the segment breakdown of H1 FY2019 operating income.

Please look at the column showing Y/Y change on the far right.

I will start with IAB. As indicated on the previous slide, sales fell ¥23.6bn but the decline at the profit level was only ¥5.8bn. While operating income did decline Y/Y, we focused on solutions which pushed up unit prices. We were also able to expand sales of new high value-added products. Continued efforts to improve GP margin made it possible for OMRON to limit IAB operating income declines to a minimum.

SSB, which focuses primarily on domestic demand, and the Environmental Solutions business reported substantial improvements in operating income. Consequently, although OMRON does not disclose its internal targets, we were able to achieve our overall internal H1 operating income target. We believe we have been able to leverage our diverse business portfolio, a key strength for OMRON.

Next, turning to the balance sheet. Please see slide 8.

Consolidated Balance Sheet

**Inventory controlled at appropriate level.
Financial soundness maintained**

(¥bn)

	End-Mar. 2019	End-Sep. 2019	Change
Current assets	460.0	447.9	-12.1
(Inventories)	(120.4)	(124.4)	(+4.1)
(Assets held for sale)	(73.3)	(75.1)	(+1.8)
Property, plant and equipment	115.1	114.2	-0.9
Investments and other assets	174.8	200.8	+26.0
Total assets	749.9	762.9	+13.0
Current liabilities	175.6	179.8	+4.2
(Liabilities held for sale)	(27.7)	(30.1)	(+2.4)
Long-term liabilities	68.0	64.4	-3.6
Total liabilities	243.6	244.2	+0.7
Shareholders' equity	504.2	516.6	+12.4
Noncontrolling interests	2.1	2.1	-0.0
Total net assets	506.3	518.7	+12.4
Total liabilities and net assets	749.9	762.9	+13.0
Equity ratio	67.2%	67.7%	+0.5%pt

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There were no significant changes to the structure of the balance sheet.

We have been able to maintain inventory at appropriate levels.

Compared to the end of March 2019, inventory is up slightly but on a Y/Y basis, we have reduced end-September inventory by ¥8.6bn.

Our equity ratio and financial soundness remains high.

This completes the section on H1 results.

Next, I will explain our full-year forecasts. Please turn to slide 10.



Full-year Forecasts



Operating Environment by Segment: H2 Outlook

Challenging operating environment to continue for IAB, EMC

IAB Industrial Automation	Japan: Weak auto sales continue to constrain investments Americas: Auto/Digital industries continue to limit investments Europe: Investments weak on impact of China slowdown; sluggish domestic demand on political uncertainty Greater China: Investments weak on slumping auto sales. Smart phone/semiconductor investments remain weak SE Asia/Other: Lackluster domestic demand owing to impact of weak exports to US/China
EMC Electronic & Mechanical Components	Consumer: Semiconductor investment sluggish on weak macro backdrop with knock-on effects on related industries. Expect demand to be weak Automotive: Expect weak demand on depressed auto sales, reduced China EV subsidies
SSB Social Systems, Solutions & Services	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 firm demand on increase in hypertension and asthma patients, although consumer appetite in the Americas and Greater China is softening on the back of a global economic slowing
Other Businesses under Direct Control of HQ	Environmental Solutions: PV inverters weak but storage systems continue to grow

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I will start with our view of the macro environment, broken down by segment. We show here the outlook for H2, reflecting the changes from our view at the time we announced our Q1 results. Please review at your leisure later.

Very simply, we expect the H2 operating environment for IAB and EMC to remain challenging.

I will discuss the outlook for IAB in more detail in the next slide. Please turn to slide 11.

IAB Operating Environment: H2 Outlook

Operating environment remains challenging, primarily for the Automotive and Digital domains

IAB Industrial Automation	Automotive	<ul style="list-style-type: none"> Gasoline vehicle investments remain depressed on weak new auto sales Continued investment in advanced technology such as ADAS/EV Weak auto sales continuing to limit maintenance investments
	Digital	<ul style="list-style-type: none"> No recovery in semiconductors/smart phones; investments remain weak Investments in rechargeable batteries in China resume but demand recovery limited
	Food & Beverage	<ul style="list-style-type: none"> Continue to see solid investment in labor-saving and quality control-related applications European machinery exports remain particularly weak. Deteriorating customer profitability constraining investments
	Social Infrastructure	<ul style="list-style-type: none"> Government stimulus measures in China supporting solid urban development and public infrastructure investments US energy-related investments remain firm

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On this slide, we show our outlook for the IAB business, broken out into the focus domains.

As you can see, we expect investment activity to remain lackluster, primarily for the Automotive and Digital domains.

In particular, for the Automotive domain, the impact of weak auto sales continues to limit capex at auto OEMs and auto component manufacturers.

While we expect this situation to continue in the near-term, over the longer term, the shortage of experienced workers, rising labor costs and the migration to higher density mounting will impact assembly and inspection processes. Given such social issues, the trend of rising demand for automation remains intact. As such, we will continue to make investments for further growth.

Next slide please.

Full-year Forecasts: Lowering Guidance

**Factor in tough operating environment and forex impact.
GP margin continues to improve**

	FY2019 Previous Plan	FY2019 Forecast	Chg. Vs Plan	FY2018 Actual	(¥bn) Y/Y
Net Sales	709.0	670.0	-5.5%	732.6	-8.5%
Gross Profit (%)	322.5 (45.5%)	298.0 (44.5%)	-7.6% (-1.0%pt)	325.5 (44.4%)	-8.4% (+0.1%pt)
Operating Income (%)	57.5 (8.1%)	45.0 (6.7%)	-21.7% (-1.4%pt)	67.3 (9.2%)	-33.1% (-2.5%pt)
Net Income (Continuing Ops)	37.5	30.0	-20.0%	47.3	-36.6%
*Net Income (Discontinued Ops)	5.5	36.5	(-)	7.7	(-)
**Net Income Attributable to OMRON Shareholders	42.5	66.0	+55.3%	54.3	+21.5%
1USD (JPY)	108.0	107.1	-0.9	110.7	-3.6
1EUR (JPY)	123.0	119.5	-3.5	128.8	-9.3
1RMB (JPY)	16.2	15.3	-0.9	16.5	-1.2

* Net income (Discontinued Ops.) includes ¥39.5bn profit from transfer of AEC
NB. H2 foreign exchange assumptions: USD ¥105, EUR ¥117, RMB ¥14.7

** Net Income Attributable to OMRON Shareholders includes Profit (Loss)
Attributable to Noncontrolling Interests

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We show here our full-year forecasts. We now project sales of ¥670bn, gross profit of ¥298bn, for a GP margin of 44.5%, and operating income of ¥45bn. We expect net profit to be ¥66bn. The net profit forecast includes the profits resulting from the transfer of the AEC business.

As discussed earlier, we have revised down our forecasts, on the assumption that tough operating conditions will continue in H2. We have also factored in a negative forex impact. Our forex assumptions for H2 are: USD ¥105, EUR ¥117, and RMB ¥14.7. We have made adjustments from our initial plan to reflect the impact of yen appreciation.

Despite these challenging conditions, we expect the GP margin to improve 0.1% pts Y/Y. If we exclude the forex impact, we project a Y/Y improvement of 0.6% pts.

Next, turning to the forecasts for segment sales.

Sales by Business Segment

Business segment forecasts revised

(¥bn)

	FY2019 Previous Plan	FY2019 Forecast	Chg. Vs Plan	FY2018 Actual	Y/Y
IAB Industrial Automation	378.0	343.0	-9.3%	391.8	-12.5%
EMC Electronic & Mechanical Components	101.0	90.0	-10.9%	103.1	-12.7%
SSB Social Systems, Solutions & Service	83.0	84.0	+1.2%	75.0	+12.0%
HCB Healthcare	123.0	117.0	-4.9%	115.5	+1.3%
Other Businesses under Direct Control of HQ	32.0	34.0	+6.3%	41.7	-18.5%
Eliminations & Corporate	2.0	2.0	-	5.4	-62.8%
Earnings Fluctuation Risk	-10.0	-			
Total	709.0	670.0	-5.5%	732.6	-8.5%

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Relative to our previous forecast, we have lowered our sales guidance for IAB and EMC. We have also factored in the impact of negative foreign exchange moves and slowing economic trends in Brazil, Russia and other emerging market countries to our HCB forecast.

However, reflecting the strong conditions at SSB and the Environmental Solutions business within the Other segment, we have revised up our segment sales forecasts relative to our previous guidance.

The projected Y/Y decline in overall Other segment sales reflects the impact of the winding down the Backlight business.

Next slide please.

Operating Income by Segment

(¥bn, %: OPM)

	FY2019 Previous Plan	FY2019 Forecast	Chg. vs Plan	FY2018 Actual	Y/Y
IAB Industrial Automation	63.0 (16.7%)	48.0 (14.0%)	- 15.0 (-2.7%pt)	62.9 (16.1%)	-14.9 (-2.1%pt)
EMC Electronic & Mechanical Components	8.5 (8.4%)	2.0 (2.2%)	-6.5 (-6.2%pt)	8.2 (7.9%)	-6.2 (-5.7%pt)
SSB Social Systems, Solutions and Service	6.5 (7.8%)	7.5 (8.9%)	+1.0 (+1.1%pt)	5.8 (7.7%)	+1.7 (+1.2%pt)
HCB Healthcare	14.0 (11.4%)	13.5 (11.5%)	-0.5 (+0.2%pt)	13.0 (11.3%)	+0.5 (+0.3%pt)
Other Businesses under Direct Control of HQ	-1.0 (-)	0.0 (-)	+1.0 (-)	-0.5 (-)	+0.5 (-)
Eliminations & Corporate	-28.5	-26.0	+2.5	-22.1	-3.9
Earnings Fluctuation Risk	-5.0	-			
Total	57.5 (8.1%)	45.0 (6.7%)	-12.5 (-1.4%pt)	67.3 (9.2%)	-22.3 (-2.5%pt)

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These are our full-year OP forecasts by segment.

Please look at the column on the far right.

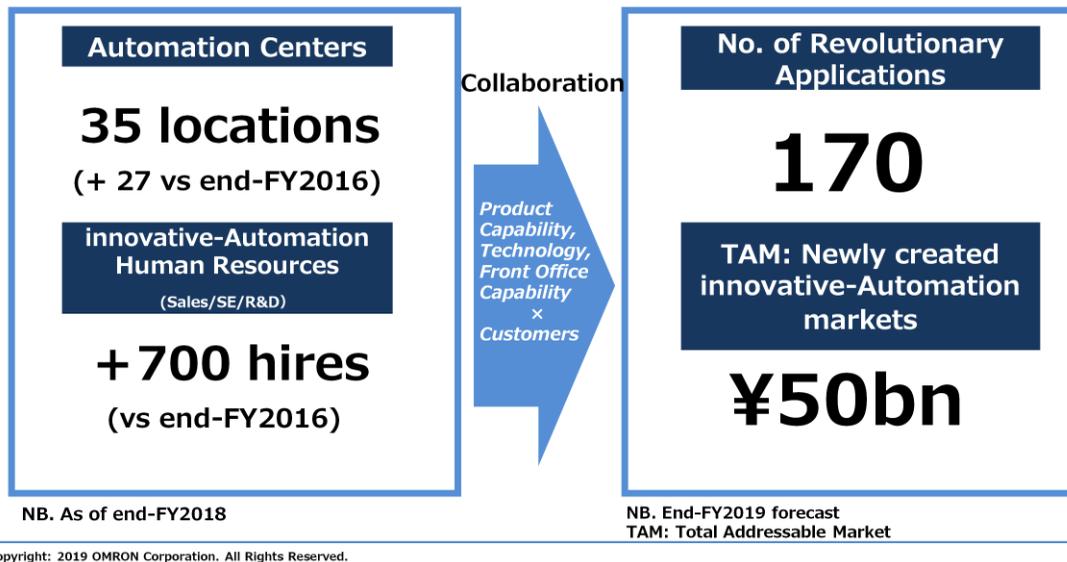
Similar to the segment sales' forecasts, we expect profit declines at IAB and EMC. At the same time, we expect profits to improve at SSB, HCB and the Other segment.

As noted at the outset, while we are guiding for overall sales and profits to fall, we expect the GP margin to improve. This reflects the improvement in our capability to deliver solutions. I would like to highlight some specific examples from IAB to show how we have been able to improve our solutions capabilities.

Please turn to the next slide.

IAB: Creating Revolutionary Applications

Customer collaborations accelerating on investments of past 2 years. 170 competitive applications creating new ¥50bn market



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Please look at slide 15. IAB's enhanced solution capability is the result of OMRON's proactive investments to date, which has led to the creation of 170 revolutionary applications, and a new target market worth ¥50bn.

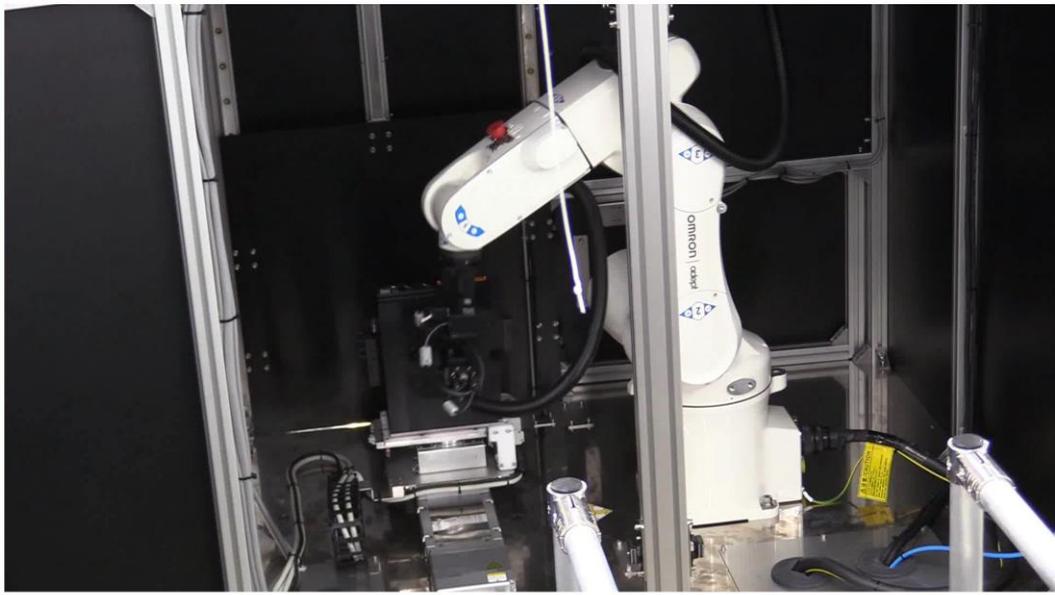
Over the last 2 years, IAB has undertaken necessary investments to enhance product capability, technological expertise and front-office capability under the innovative-Automation strategy.

Specifically, we have expanded the number of Automation Centers (ATCs) to 35 locations globally and increased innovative-Automation human resources, primarily in sales, sales engineering and development roles, by 700 people.

These new locations and human resources have accelerated our collaborative efforts with customers in the focus domains, leading to the creation of a hefty 170 revolutionary applications. These revolutionary applications provide solutions to manufacturing challenges which our customers had long believed to be unresolvable, and allow us to address new markets worth ¥50bn.

We have already put into place the groundwork for growth in the event of a recovery in the macro backdrop. We present videos of 2 such revolutionary applications in the next slides.

IAB: Sensory Inspection Using Robotics and Image Sensing



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The video on slide 16 is an example of a sensory inspection solution for IAB components, using robotics and image sensing technology. There is a camera attached the robot arm which is conducting an external visual inspection. This is a video of equipment which is already deployed in an external visual inspection line at our Kusatsu plant.

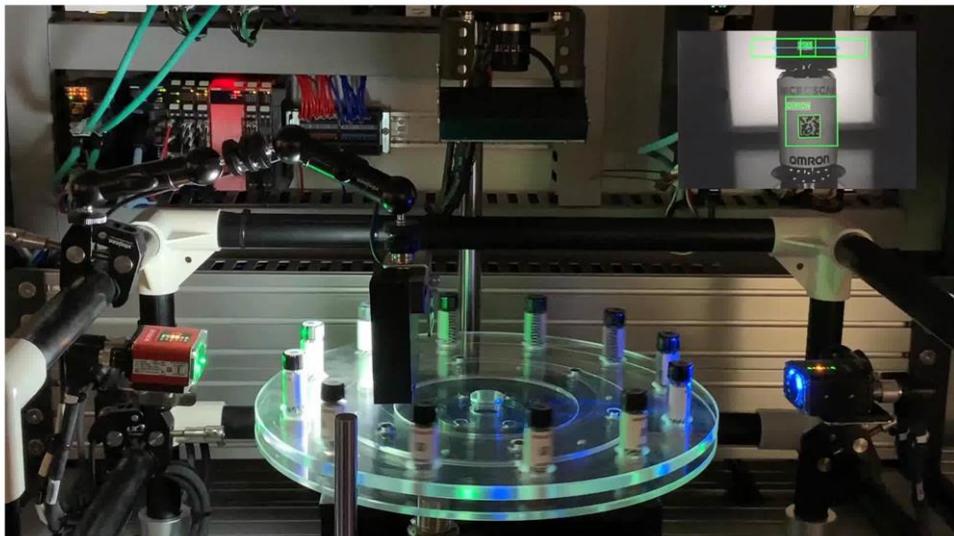
To date, external visual inspections could only be done using the human eye. An inspector would need to handle the product to be inspected, manipulating it to check 120 different items. Inspection staff would spend hours repeating this burdensome process.

By using control technology to coordinate the robot arm to replicate the handling of the test item, and image sensing to replicate the visual process, we have been able to automate this process and eliminate what was an onerous task for inspection staff. The introduction of this automated inspection process reduces tact time by one-third; errors of omission in the inspection process have been virtually eliminated.

Going forward, we will roll out this solution to the 50 inspection processes at our Kusatsu plant.

An automated solution for external visual inspections represents the advent of a new market. Our aim is to have this solution adopted for all visual inspection or pre-shipping inspection processes for all industries.

IAB: Enhancing Traceability Using High-speed 2D Reader



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Next is a traceability solution using a high-speed 2D code reader. The video shows a high-speed 2D code-reading solution, in which a camera is reading the 2D barcode affixed to the swiftly rotating bottles.

Please look at the right-hand side of the screen. As you can see, the camera is reading each individual item without missing any of the items. This is a high-speed 2D code-reading solution installed in our ATC in South Korea.

To date, it had been extremely difficult to capture small, fast-moving 2D codes using cameras with enough accuracy to read the data content. This had been a barrier to improving traceability for the beverage or pharmaceutical industries where items are being transported at high speed on the manufacturing lines.

The flying trigger application we developed incorporates a predictive positioning function in the controller which makes it possible to accurately capture images of the 2D code.

This application contributes to improved safety and security in product distribution by enhancing product traceability information for products that impact human health, such as beverages and drugs.

As these 2 examples show, adoption of the revolutionary applications we have developed is increasing. These applications support the evolution of our customers' manufacturing lines.

We hope you will hold high expectations for our IAB business going forward.

Now, returning to the discussion of our full-year forecasts.

Dividend

**Dividend guidance unchanged at ¥84 per share.
Interim dividend set at ¥42**

	Interim Dividend (Actual)	H2 Dividend (Forecast)	Full-year Dividend (Forecast)
FY2019	¥42	¥42	¥84
FY2018 (Act.)	¥42	¥42	¥84

To complete our discussion of our full-year forecasts, I will talk about management initiatives to improve shareholder returns and capital efficiency.

I will start with our dividends. Our full-year dividend guidance is unchanged from our initial guidance of ¥84 per share. We have fixed the interim dividend at ¥42, which is unchanged Y/Y. We will continue to focus on paying stable and sustainable dividends.

Next, I will discuss initiatives to enhance capital efficiency. Please turn to slide 19.

Cancellation of Treasury Stock and Share Buyback

**Cancelling treasury stock. Establishing new share buyback program.
Capital efficiency continues to be a key management priority**

Cancellation of Treasury Stock

Type: Common shares
No. of shares: 7,713,300 shares
Effective date: Nov. 29, 2019

Share Buyback

No. of shares: 5 million shares (max.)
Amount: ¥20bn (max.)
Period: October 30, 2019 to
October 29, 2020

First, we will cancel the approximately 7.71 million treasury shares we currently hold. In addition, we will establish a new ¥20bn share buyback program.

We will continue to focus on capital efficiency in managing our business.



Enhancing Corporate Value

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Next, I will share my thoughts on our efforts to enhance corporate value.

Since becoming CEO, I have focused on optimizing OMRON's business portfolio. I believe it is important to be disciplined in continuously concentrating on the optimization of the business portfolio because OMRON does not limit its business domains, and chooses to take on the challenge of broadly seeking to resolve social issues. Under the OMRON Principles, our Mission is to contribute to society by resolving social issues through our business.

Business Portfolio Criteria**Focus on businesses that:**

- **Address social issues, such as aging population and global warming**
- **Leverage core technologies**
(i.e., businesses where high barriers to entry can be established)
- **Sustainably generate returns in excess of the cost of capital**

OMRON has 3 criteria for the businesses included in its business portfolio, as shown here.

We focus on businesses that:

- 1) Address social issues such as the aging population and global warming
- 2) Leverage the core technologies of Sensing & Control + Think. Stated differently, we focus on businesses that leverage OMRON's strengths and are capable of maintaining high barriers to entry
- 3) Sustainably generate returns in excess of the cost of capital

I would like to talk about the business portfolio optimization initiatives taken to date, from this perspective.

Optimizing the Business Portfolio: Restructuring**Plans to transfer AEC, wind down Backlight business****AEC****Share transfer to Nidec Corporation
to be completed October 31, 2019****Backlight
Business****Plan to wind down business by end
of March 2020**

As noted earlier, we will complete the transfer of the AEC business on October 31, 2019, as planned. We have also decided to wind down the Backlight business included in the Other segment at the end of March 2020.

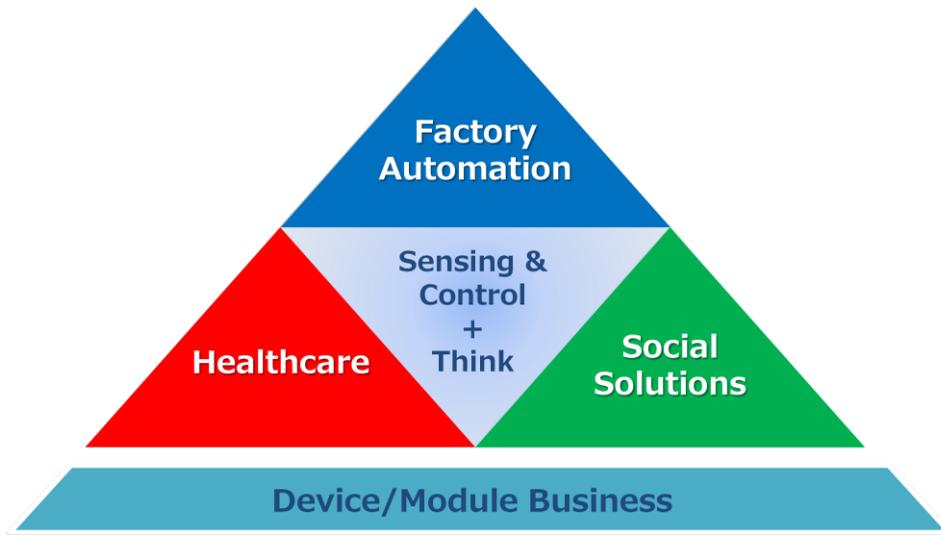
In the interests of making our business portfolio stronger and more resilient as we execute on our medium- and long-term growth strategy, we will continue to review and adjust the portfolio, including the use of M&A and alliances, to maintain an optimal business structure.

By optimizing our business portfolio, OMRON will be able to focus on domains where many of the mainstay products and services can command high market shares and benefit from high barriers to entry.

Please turn to the next slide.

Optimizing the Business Portfolio: 3 Focus Domains

Create new Social Solutions Domain through business portfolio optimization



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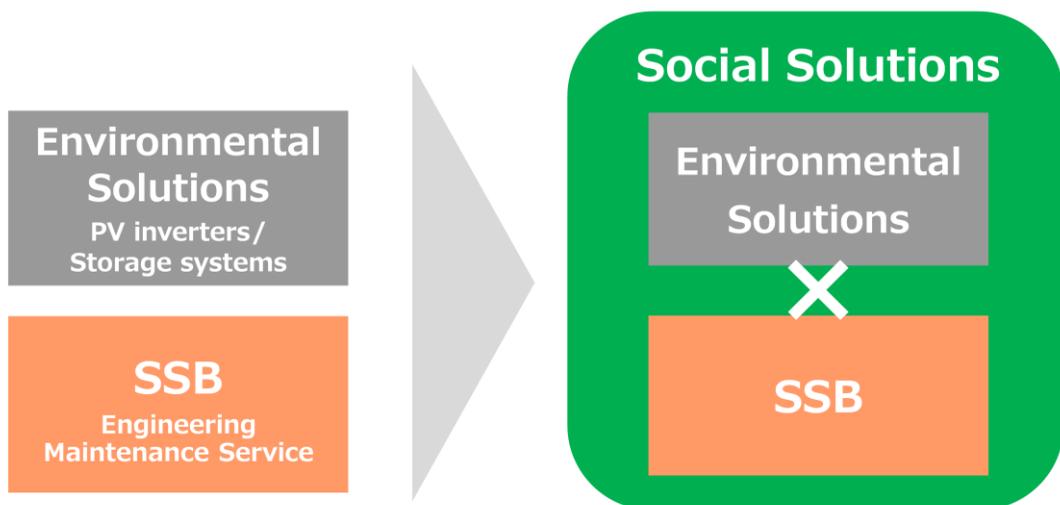
Centered around OMRON's core technology of Sensing & Control + Think, we will focus on the 3 domains of Factory Automation, Healthcare and Social Solutions. EMC will continue to support these 3 domains as a device and module business.

In order to strengthen the core Energy business within the Social Solutions domain, we will combine SSB and the Environmental Solutions business from FY2020.

Please turn to the next slide.

Initiatives to Strengthen Social Solutions Domain

Integrating Environmental Solutions and SSB from FY2020 to strengthen the Energy business, core to the Social Solutions domain



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Both the Environmental Solutions business and SSB operate businesses in the renewable energy field.

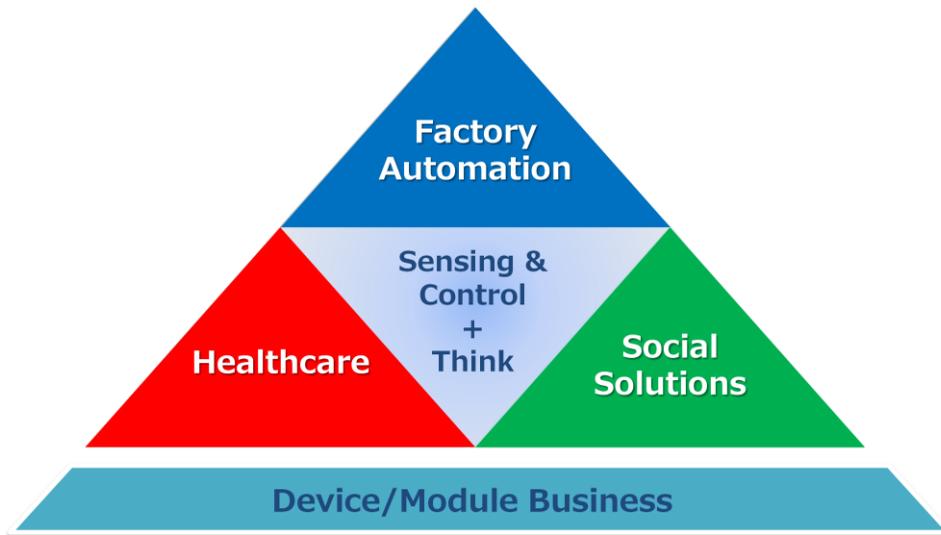
By combining the Environmental Solutions' product capabilities, primarily PV inverters and storage systems, and SSB's engineering and its 24/7 maintenance service capabilities, OMRON will be able to provide total solutions in the energy management field.

Continued global warming will only increase the importance of raising the penetration of renewable energy and energy management. The combination of these two businesses will allow OMRON to integrate strategy and operational capabilities to better capture demand in the nascent energy management field.

We will discuss our strategy for this business in more detail in April, when we present our full-year results. We hope you will look forward to it.

Optimizing the Business Portfolio: 3 Focus Domains

Achieve growth through the 3 Focus Domains and the device/module business



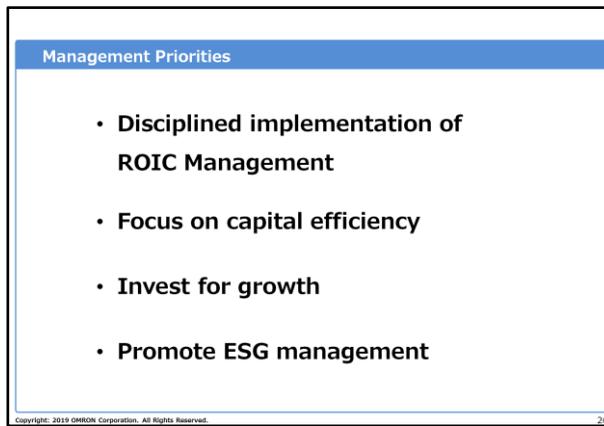
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The consolidation of our businesses into 3 domains will further enhance OMRON's profitability.

Please see the overlay projected on the screen. Last fiscal year, OMRON's GP margin including AEC and the Backlight business was 41.2%. This fiscal year, we expect it to rise 3.3%pts to 44.5%.

Going forward, we will focus on these 3 domains. We aim to continue to improve profitability while growing our business.



Finally, I would like to end my presentation by sharing some of my views.

As we have indicated to date, the level of uncertainty in the operating environment for OMRON continues to increase. At a minimum, we expect current conditions will continue through to the end of the current fiscal year, hence the revisions to our full-year forecasts.

That said, we believe that a challenging environment can create opportunities for OMRON to enhance its competitiveness. We will continue to follow through with rigorously selected investments that need to be made now. I am even more committed to putting OMRON back on a growth trajectory.

As an example, OMRON has increased the number of Automation Centers (ATCs), the root source of IAB's competitiveness, from 8 to 35 over the last 2 years. Customer response to the ATCs has been very positive. There is a 1-month waiting list for bookings for the ATCs. In December of this year, we will open the world's largest ATC in Shinagawa, Tokyo.

You might ask 'What is the significance of opening ATC Tokyo in Shinagawa at this juncture?' It creates a forum for engaging with our customers' top management. By inviting top corporate management together with their heads of manufacturing, we can accelerate our customers' decision-making process, even for large-scale investments. IAB aims to speedily create and deliver high value-added solutions to our customers, and to revolutionize manufacturing through innovative-Automation. This allows OMRON to raise its GP margin while continuing to grow.

This is also a good opportunity to revisit the key management themes I believe to be important.

First, I have focused on the disciplined implementation of ROIC management. We have exited several businesses such as the backlight business, where returns were below the cost of capital. At the same time, we took the decision to sell the AEC business, which generated annual sales of around ¥130bn and a return in excess of the cost of capital.

As a result of these actions, the businesses that remain at OMRON are businesses that can leverage the strength of business models unique to OMRON, supported by OMRON's core competence of Sensing & Control + Think. These businesses address global social issues and also have the potential to achieve sustainable growth while generating high margins and commanding strong market shares. I believe that these actions have strengthened OMRON's business portfolio.



Second, I have focused on capital efficiency in running our businesses. I have concentrated on maximizing corporate value by focusing on ROIC and the GP margin. At the same time, we also enhanced shareholder value through improved shareholder returns, including proactive share buybacks and the cancellation of treasury stock.

We announced a new share buyback program and the cancellation of treasury stock. These measures are completely unrelated to the profits generated on the sale of the AEC business. The cash generated by the sale of the AEC business will be allocated to growth investments. OMRON has aimed to both secure the funds for growth investments in order to execute on its growth strategy, while managing its business with a focus on capital efficiency and shareholder returns.

Third, I have focused on investing for growth, both to strengthen IAB as well as supporting growth by engaging in M&A, further deepening alliances, and investing in start-ups. We will accelerate our initiatives in this area. With regard to M&A, we have set up a permanent team within our Global Strategy Department, which is currently engaged in creating long and short lists and exploring potential opportunities.

Obviously, I am not only proactively focused on these themes as CEO but also engaging with the board and building an overall consensus within the organization.

I have also delegated significant responsibility for the promotion and acceleration of innovation initiatives to our CTO, to enhance technology management underpinned by near-future design.

Finally, I have focused on ESG management. I believe corporates must embrace a proactive role in building not only economic value but social value which contributes to the creation of a sustainable society. We are proactively engaged in material sustainability issues. Reflecting our stance and activities, we have been selected for inclusion in DJSI World for 3 consecutive years. We are included in many other ESG indices as well.

The areas where OMRON can make a contribution continue to expand. We will continue to improve our growth capability, profitability and our resilience in the face of change, in order to achieve sustainable growth in corporate value.

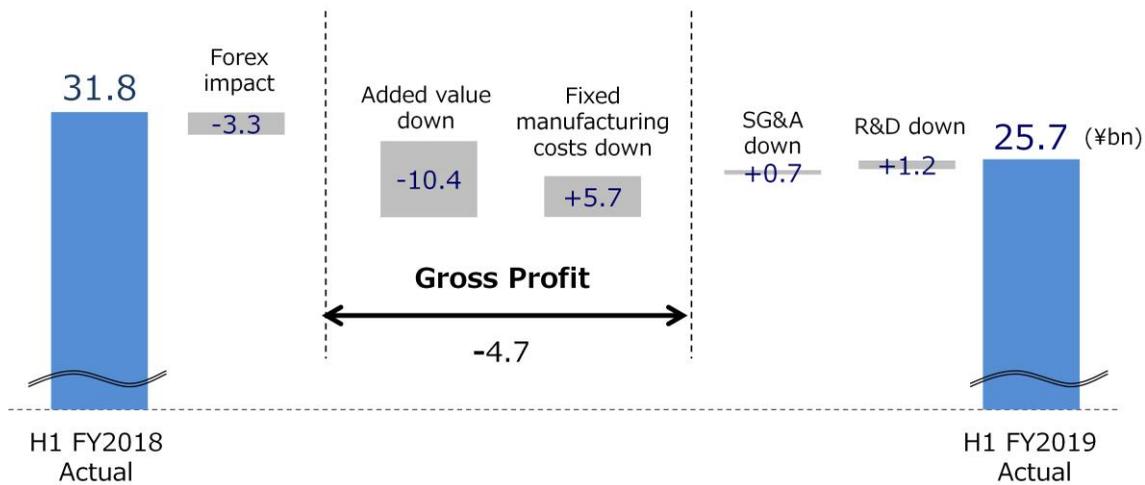
We humbly ask for the continued support of our shareholders and investors.

This completes my remarks. Thank you.

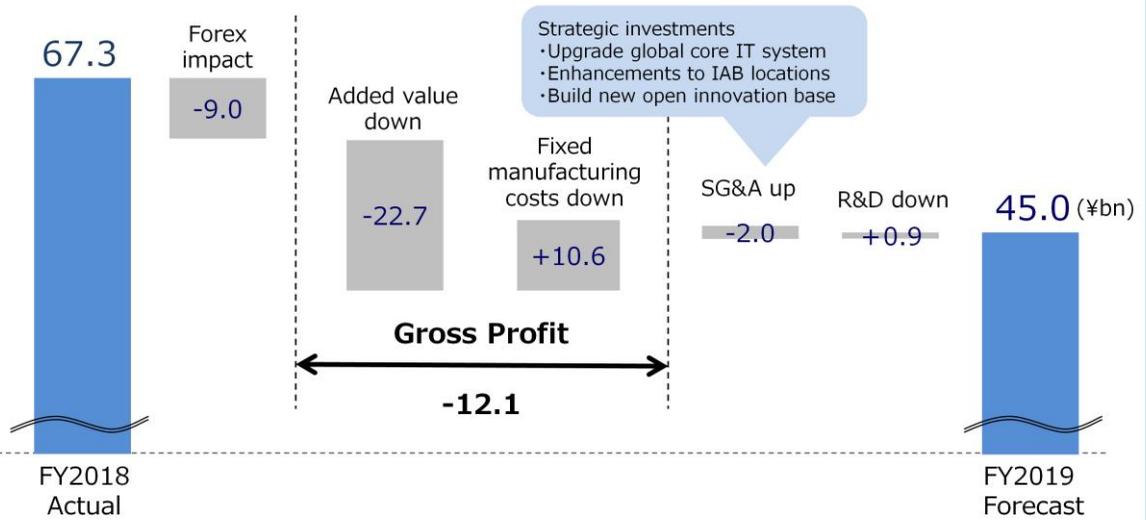


Reference

H1 Results: Operating Income Analysis (Y/Y)



Full-year Forecasts: Operating Income Analysis (Y/Y)



AEC Share Transfer (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: October 31, 2019

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

H1 Results: Discontinued Operations

	(¥bn)		
	H1 FY2018 Actual	H1 FY2019 Actual	Y/Y
Net Sales	63.9	56.3	-11.9%
Gross Profit (%)	14.8 (23.2%)	11.7 (20.7%)	-21.3% (-2.5%pt)
Operating Income (%)	4.7 (7.4%)	1.4 (2.6%)	-69.4% (-4.8%pt)
* NP Discontinued Ops.	3.4	-3.4	(-)
1USD (JPY)	109.5	109.2	-0.3
1EUR (JPY)	129.5	122.0	-7.5
1RMB (JPY)	16.7	15.9	-0.8

* H1 FY2019 Net Income for Discontinued Operations includes tax liabilities for valuation gains on equity in subsidiaries for AEC on a standalone basis

IAB Opening World's Largest Automation Center in Tokyo

Forum for customer collaborations to drive development of revolutionary solutions and create overwhelming competitive superiority



Conceptual image for ATC Tokyo above. Lower image is photo of an existing ATC



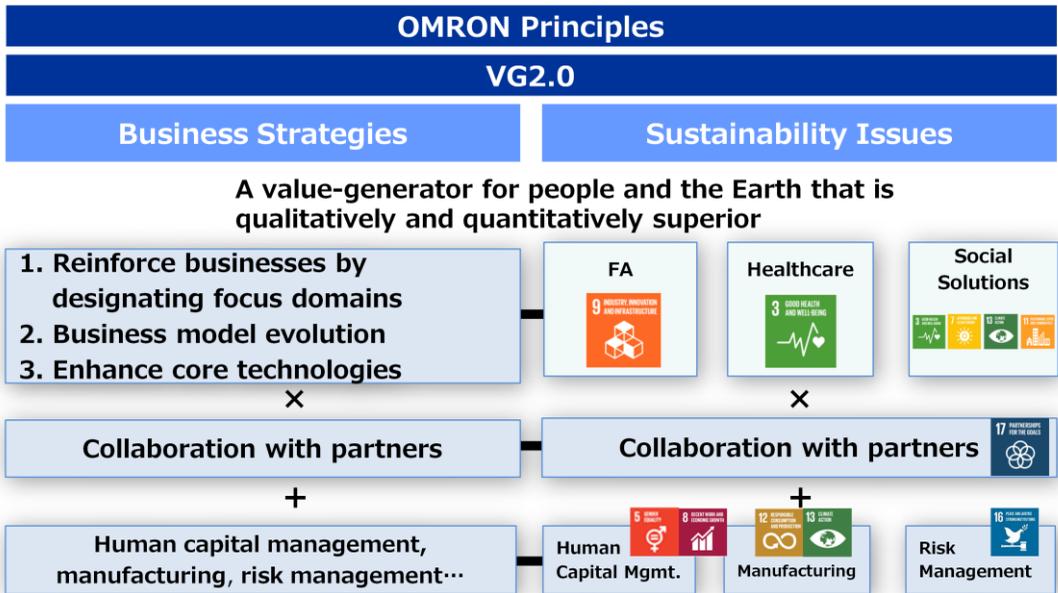
- 25 minutes by car from Haneda Airport
- 10 minutes by train from Tokyo Station
- 5-minute walk from Shinagawa Station

H2 FY2019 Forex Assumptions (Continuing Operations)

	H2 FY2019 Assumptions	Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	¥105	¥1.7bn	¥0.3bn
EUR	¥117	¥1.0bn	¥0.5bn
RMB	¥14.7	¥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 October 2019)

ESG Indices which include OMRON

- ✓ DJSI – World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders indices
- ✓ 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 October 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



Ministry of the Environment

- ✓ FY2018 Minister's Award for Global Warming Prevention Activity

'Implementation of Countermeasures and Dissemination Category' **FY2018**

Selected by METI, TSE

- ✓ Nadeshiko Brand
- ✓ 2019 Health & Productivity Stock
- ✓ 2019 Health & Productivity:White 500

2nd consecutive year from FY2017

From FY2018, 1st time

3rd consecutive year from FY2016

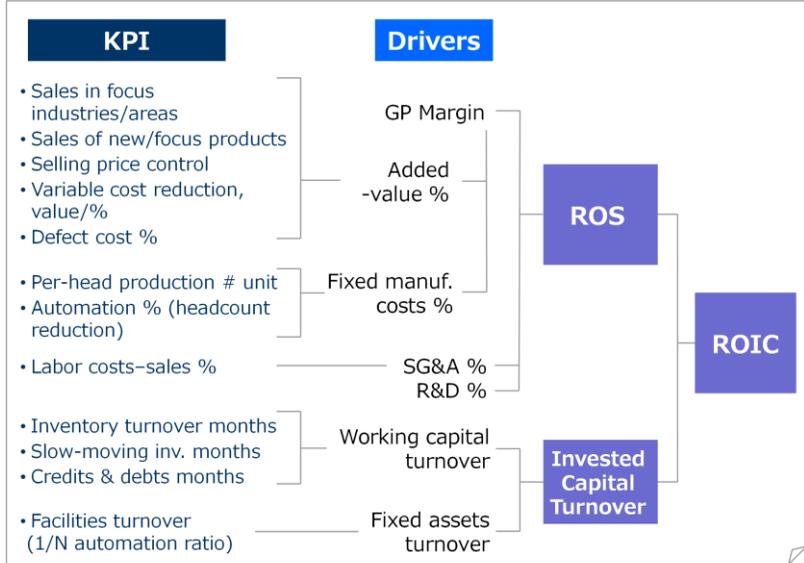
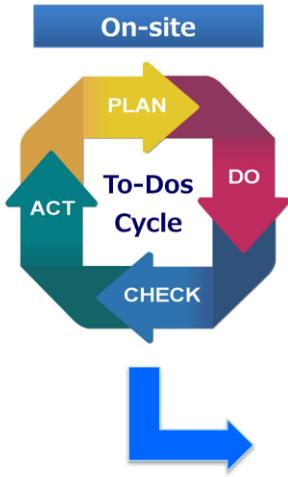


Selected by Nikkei Inc.

- ✓ Nikkei 225

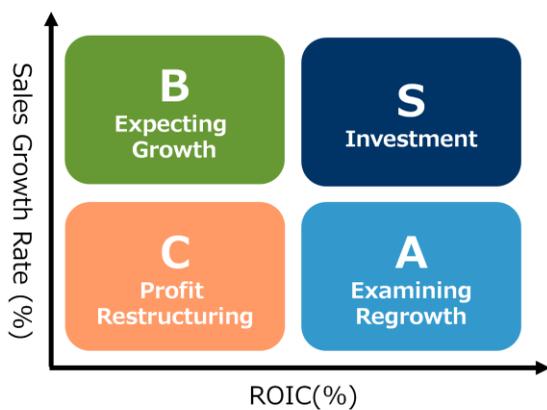
March 2019, 1st time

Down-Top ROIC Tree

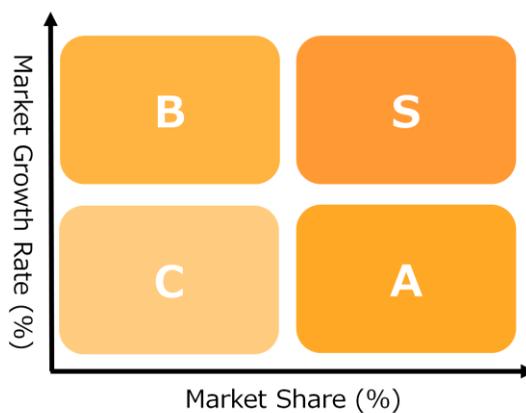


Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC計算式

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	-
Notes and accounts payable — trade	
Accrued expenses	
Income taxes payable	
Other current liabilities	
Deferred income taxes	
Termination and retirement benefits	
Other long-term liabilities	
Total liabilities	
NET ASSETS	
Shareholders' equity	
Common stock	+
Capital surplus	
Legal reserve	
Retained earnings	
Accumulated other comprehensive income (loss)	
Foreign currency translation adjustments	
Minimum pension liability adjustments	
Net unrealized gains on available-for-sale securities	
Net losses on derivative instruments	
Treasury stock	
Noncontrolling interests	
Total net assets	
Total liabilities and net assets	

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

Invested capital*

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

*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 Second 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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