FY2019 Full-Year Earnings
Ended March 31, 2020

Results Briefing

April 23, 2020
OMRON Corporation
Summary

**FY2019 Results**
- Full-year results exceeded revised forecasts as of Q3
- Substantial OP overshoot. New record high for GP margin
- IAB, SSB and Environmental Solutions beat sales and OP forecasts

**Regarding FY2020**
- No disclosure of full-year guidance at this time. Forecasts to be announced in a timely manner when situation improves
- OMRON now in crisis mode, executing on emergency fixed cost plan from April
- Full-year dividend guidance also TBD

**Improving Resilience and Preparing for Post-COVID-19**
- During VG Plan period, established a robust business foundation capable of weathering crises through a continued focus on improving resilience
- Reflecting changing values and industry structure, expect new social issues to emerge once outbreak subsides
- Focus on new needs for remote healthcare and further labor-saving solutions in FA
1. FY2019 Results

2. Regarding FY2020

3. Initiatives to Enhance Resilience

4. Preparing for Post-COVID-19

Reference
FY2019 Results
## FY2019 Results

Full-year results substantially higher than Q3 revised forecast. GP margin improved despite lower sales and profits Y/Y

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Forcast</th>
<th>FY2019 Actual</th>
<th>Vs. Forcast</th>
<th>FY2018 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>670.0</td>
<td>678.0</td>
<td>+1.2%</td>
<td>732.6</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>298.0 (44.5%)</td>
<td>303.7 (44.8%)</td>
<td>+1.9% (+0.3%pt)</td>
<td>325.5 (44.4%)</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>45.0 (6.7%)</td>
<td><strong>54.8 (8.1%)</strong></td>
<td>+21.7% (+1.4%pt)</td>
<td>67.3 (9.2%)</td>
<td>-18.6%</td>
</tr>
<tr>
<td>Net Income (Continuing Ops.)</td>
<td>30.0</td>
<td>39.6</td>
<td>+32.0%</td>
<td>47.3</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Net Income (Discontinued Ops.)</td>
<td>36.5</td>
<td>35.7</td>
<td>△2.1%</td>
<td>7.7</td>
<td>(-)</td>
</tr>
<tr>
<td>Net Income Attributable to OMRON shareholders</td>
<td>66.0</td>
<td>74.9</td>
<td>+13.5%</td>
<td>54.3</td>
<td>(-)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1USD (JPY)</th>
<th>1EUR (JPY)</th>
<th>1RMB (JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 Forcast</td>
<td>108.0</td>
<td>120.3</td>
<td>15.5</td>
</tr>
<tr>
<td>FY2019 Actual</td>
<td>109.1</td>
<td>121.2</td>
<td>15.7</td>
</tr>
<tr>
<td>Vs. Forcast</td>
<td>+1.1%</td>
<td>+0.9%</td>
<td>+0.2%</td>
</tr>
<tr>
<td>FY2018</td>
<td>110.7</td>
<td>128.8</td>
<td>16.5</td>
</tr>
<tr>
<td>Y/Y</td>
<td>-1.6%</td>
<td>-7.6%</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

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# FY2019 Results

Regarding FY2020

Resilience Initiatives

Post-COVID-19

## Sales by Business Segment

IAB and Environmental Solutions significantly exceed Q3 revised forecasts. SSB also up sharply Y/Y

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>FY2019 Forecast</th>
<th>FY2019 Actual</th>
<th>Vs. Forecast</th>
<th>FY2018 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB Industrial Automation</td>
<td>343.0</td>
<td>352.8</td>
<td>+2.8%</td>
<td>391.8</td>
<td>-10.0%</td>
</tr>
<tr>
<td>EMC Electronic &amp; Mechanical Components</td>
<td>90.0</td>
<td>88.4</td>
<td>-1.8%</td>
<td>103.1</td>
<td>-14.3%</td>
</tr>
<tr>
<td>SSB Social Systems, Solutions &amp; Service</td>
<td>84.0</td>
<td>84.5</td>
<td>+0.6%</td>
<td>75.0</td>
<td>+12.6%</td>
</tr>
<tr>
<td>HCB Healthcare</td>
<td>117.0</td>
<td>112.0</td>
<td>-4.3%</td>
<td>115.5</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Other Businesses under Direct Control of HQ</td>
<td>34.0</td>
<td>36.4</td>
<td>+7.1%</td>
<td>41.7</td>
<td>-12.7%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>2.0</td>
<td>3.9</td>
<td>+96.7%</td>
<td>5.4</td>
<td>-26.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>670.0</strong></td>
<td><strong>678.0</strong></td>
<td><strong>+1.2%</strong></td>
<td><strong>732.6</strong></td>
<td><strong>-7.5%</strong></td>
</tr>
</tbody>
</table>
## FY2019 Results

### Regarding FY2020 Resilience Initiatives

### Post-COVID-19

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**Operating Income by Business Segment**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019 Forecast</th>
<th>FY2019 Actual</th>
<th>Vs. Forecast</th>
<th>FY2018 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>48.0 (14.0%)</td>
<td>53.6 (15.2%)</td>
<td>+5.6 (+1.2%pt)</td>
<td>62.9 (16.1%)</td>
<td>-9.3 (-0.9%pt)</td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td>2.0 (2.2%)</td>
<td>0.9 (1.0%)</td>
<td>-1.1 (-1.2%pt)</td>
<td>8.2 (7.9%)</td>
<td>-7.2 (-6.9%pt)</td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td>7.5 (8.9%)</td>
<td>8.2 (9.7%)</td>
<td>+0.7 (+0.8%pt)</td>
<td>5.8 (7.7%)</td>
<td>+2.4 (+2.0%pt)</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td>13.5 (11.5%)</td>
<td>13.5 (12.1%)</td>
<td>+0.0 (+0.5%pt)</td>
<td>13.0 (11.3%)</td>
<td>+0.5 (+0.8%pt)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>0.0 (-)</td>
<td>0.7 (1.8%)</td>
<td>+0.7 (-)</td>
<td>-0.5 (-)</td>
<td>+1.1 (+1.1%)</td>
</tr>
<tr>
<td><strong>Eliminations &amp; Corporate</strong></td>
<td>-26.0 (-)</td>
<td>-22.1 (-)</td>
<td>+3.9 (-)</td>
<td>-22.1 (-)</td>
<td>+0.0 (+0.0%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45.0 (6.7%)</td>
<td>54.8 (8.1%)</td>
<td>+9.8 (+1.4%pt)</td>
<td>67.3 (9.2%)</td>
<td>-12.5 (-1.1%pt)</td>
</tr>
</tbody>
</table>

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IAB significantly higher than recently revised forecasts. EMC down substantially Y/Y.
## Consolidated Balance Sheet

**Solid and stable financial foundation owing to sound operations and portfolio optimization**

<table>
<thead>
<tr>
<th></th>
<th>End-Mar 2019</th>
<th>End-Mar 2020</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>460.0</td>
<td>447.1</td>
<td>-12.8</td>
</tr>
<tr>
<td>(Cash and cash equivalents)</td>
<td>(103.9)</td>
<td>(185.5)</td>
<td>(+81.7)</td>
</tr>
<tr>
<td>(Inventory)</td>
<td>(120.4)</td>
<td>(104.3)</td>
<td>(-16.1)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>115.1</td>
<td>114.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>174.8</td>
<td>196.5</td>
<td>+21.6</td>
</tr>
<tr>
<td>Total assets</td>
<td>749.9</td>
<td>758.1</td>
<td>+8.2</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>175.6</td>
<td>151.3</td>
<td>-24.3</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>68.0</td>
<td>74.2</td>
<td>+6.2</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>243.6</td>
<td>225.5</td>
<td>-18.0</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>504.2</td>
<td>530.4</td>
<td>+26.2</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>2.1</td>
<td>2.2</td>
<td>+0.1</td>
</tr>
<tr>
<td>Total net assets</td>
<td>506.3</td>
<td>532.6</td>
<td>+26.3</td>
</tr>
<tr>
<td>Total Liabilities and net assets</td>
<td>749.9</td>
<td>758.1</td>
<td>+8.2</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>67.2%</td>
<td>70.0%</td>
<td>+2.8%pt</td>
</tr>
</tbody>
</table>

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## Consolidated Cash Flow Statement

### Free cash flow up sharply on income from transfer of AEC

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Actual</th>
<th>FY2019 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>71.2</td>
<td>89.8</td>
<td>+18.5</td>
</tr>
<tr>
<td>Investment cash flow</td>
<td>-35.0</td>
<td>28.6</td>
<td>+63.6</td>
</tr>
<tr>
<td>Free cash flow (FCF)</td>
<td>36.3</td>
<td>118.4</td>
<td>+82.1</td>
</tr>
<tr>
<td>Financing cash flow</td>
<td>-40.8</td>
<td>-29.4</td>
<td>+11.4</td>
</tr>
<tr>
<td>Cash and cash equivalents as of end of period</td>
<td>110.3</td>
<td>185.5</td>
<td>+75.3</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>35.7</td>
<td>33.1</td>
<td>-2.6</td>
</tr>
<tr>
<td>Depreciation</td>
<td>25.4</td>
<td>25.7</td>
<td>+0.4</td>
</tr>
</tbody>
</table>
Shareholder Returns

Maintain strong management focus on rewarding shareholders

**Full-year Dividend**

Maintain initial guidance for DPS of ¥84*

* Fiscal year-end dividend subject to approval at AGM

**Share Buyback**

Completed maximum amount of ¥20 billion (Oct. 30, 2019 – Apr. 3, 2020)
Regarding FY2020
✓ In light of the ongoing spread of COVID-19, we have chosen not to disclose FY2020 forecasts at this time

✓ We are now in crisis mode and have been executing on an emergency fixed cost plan from April 2020

✓ For necessary investments, we will leverage our sound financial foundation to execute on investment decisions with speed
Our Thoughts on FY2020 Cash Allocation Priorities

Top priority is ensuring continued operations. Beyond this, our priorities are: 1. Growth investments; 2. Dividends; 3. Buybacks

**Future Growth Investments**
- M&A, with a focus on FA and Healthcare
- Investments in R&D and IT infrastructure

**Dividends**
- Guidance to be announced when earnings forecasts are disclosed
- Currently TBD

**Share Buybacks**
- No programs in place at this time
Enhancing Resilience
Initiatives to Enhance Resilience

Over the course of the VG Medium-term Plan, we have implemented many initiatives to enhance resilience

- BCP framework for the supply chain
- Business portfolio optimization
- Initiatives to boost GP margin
- Contingency preparation by enhancing financial soundness
Supply Chain BCP Structure (Key Manufacturing Bases)

Production locations split into 3 regions, each with the ability to provide backup cover for other regions:

- **China** 4 locations: Shanghai, Dalian, Shenzhen
- **Japan** 8 locations: Kusatsu, Ayabe, Matsuzaka, etc.
- **SE Asia** 3 locations: Indonesia, Malaysia, Vietnam
Optimized business portfolio (business transfers/exits) and sold idle assets, based on ROIC management

<table>
<thead>
<tr>
<th>FY</th>
<th>Target Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>'18</td>
<td>Laser Processing Eq. (IAB)</td>
</tr>
<tr>
<td>'19</td>
<td>EDMS (Other)</td>
</tr>
<tr>
<td>'19</td>
<td>AEC</td>
</tr>
<tr>
<td>'18</td>
<td>Micro Device (Other)</td>
</tr>
<tr>
<td>'19</td>
<td>Backlight (Other)</td>
</tr>
<tr>
<td>'19</td>
<td>Gotemba Recreational Facility (Real Estate)</td>
</tr>
<tr>
<td>'19</td>
<td>Mishima Site (Real Estate)</td>
</tr>
</tbody>
</table>
Continued focus on improving GP margin. GP margin achieved new record high in FY2019

VG2.0 Target ≥41%

36.8% 37.1% 38.5% 39.3% 38.5% 41.6% 39.3% 41.2% 44.8%


NB. Includes AEC until end of FY2018
Contingency Preparations: Improved Financial Soundness

Enhanced financial soundness in preparation for contingencies. Secured financing capability while reducing risk

Financing Capability

- Maintain high credit ratings: S&P A / R&I AA-*
- Secured ¥30 billion commitment line
- Group financing capabilities on global basis

Lowered Risk

- Reduced strategic equity holdings
- Pension reform (shift from defined benefits to defined contributions)

*Long-term rating as of April 2020
Well-recognized ESG Initiatives

Included in major ESG indices, in recognition of efforts to date

**DJSI – World**

- Member of Dow Jones Sustainability Indices
- In collaboration with RobecoSAM

**GPIF**

- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- FTSE Blossom Japan
- S&P/JPX Carbon Efficient Index

- Inclusion in 4 indices
- 3 consecutive years
Preparing for Post-COVID-19
New Social Issues

We believe the changing world will create new social issues which will generate expanded business opportunities

• New challenges in remote medical services
• Contributing to 5G adoption (X-ray substrate inspection equipment)
• Medical traceability solutions
• New needs to reduce labor intensity
New Challenges: Remote Medical Services

New remote service opportunity with BPM and EKG at the core. AliveCor stake increased by ¥2.6 bn to accelerate global expansion

Company Overview

<table>
<thead>
<tr>
<th>Name</th>
<th>AliveCor, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established</td>
<td>2011</td>
</tr>
<tr>
<td>HQ</td>
<td>California, USA</td>
</tr>
<tr>
<td>Employees</td>
<td>57 persons (as of Dec. 2019)</td>
</tr>
</tbody>
</table>

Strength

Analytic algorithm for definitive diagnosis of atrial fibrillation

Rights Acquired

- Mobile EKG
- Global Rights to Subscription Service using EKG/BP
- BPM enabled for EKG

Global Sales Rights
AliveCor Device
Contribute to early detection/treatment of blood pressure fluctuations and atrial fibrillation, using home readings of BP/EKG

**Home**
- Reading
  - BP
  - EKG
- Detect electrocardiogram abnormalities

**Hospital**
- Database
- Analytic algorithm

**Diagnosis/Treatment**
3D Inspection Technology Contributes to 5G Adoption

Unique OMRON technology enables high-quality, high-density substrates necessary for 5G-related equipment requiring high levels of reliability.

5G Base Station

3D X-ray substrate solder joint inspection

- High-speed 3D testing using CT cross-sectional images for 100% in-line inspection
- Accurately detect cavities
- 3D imaging enables detection of solder fails

5G Smartphone
Medical Traceability: Providing Unique Value

100% data integrity and highly reliable test/ID solutions contribute to improved medical safety in an increasingly automated industry.

Increase in POC benchtop equipment

- Rising demand for portable, simplified test/analytical equipment

Acceleration of mandatory traceability

Global adoption of UDI

Traceability based on secure data reliability

- Simultaneous inspection and data tracing
- Embedded code reader 100% auto tracking
- UDI compliant code reading
- Direct marking for medical devices

UDI: Unique Device Identification; International standard
New Needs for Reducing Labor Intensity

New need emerging for reducing labor intensity from a risk management standpoint: 1. Address 3C’s on shop floor 2. Mitigate risk of worker absences
In Closing

• OMRON has the resilience to overcome the substantial impact of the COVID-19 outbreak

• OMRON’s businesses address markets which will see demand recover post-COVID-19

• OMRON is prepared and poised to capture the new business opportunities that will accelerate post-COVID-19
Reference
FY2019 Operating Income Analysis (Y/Y)

- Added value down: -23.2
- Fixed manufacturing costs down: +12.2
- SG&A down: +1.5
- R&D down: +3.1

Gross Profit: -11.0

FY2018 Actual: 67.3
FY2019 Actual: 54.8

 Forex impact: -6.0
OMRON Principles

Medium-term Management Plan: VG2.0

Business Strategies

1. Reinforce businesses by designating focus domains
2. Business model evolution
3. Enhance core technologies

Collaboration with partners

Human capital management, manufacturing, risk management...

Sustainability Issues

A value-generator for people and the Earth that is qualitatively and quantitatively superior

Collaboration with partners

FA

Healthcare

Social Solutions

×

×

+  

Human Capital Mgmt.

Manufacturing

Risk Management

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OMRON Included in Major ESG Indices (As of April 2020)

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

* 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 2020)

Domestic ESG awards, selection for inclusion

Japan Association of Corporate Directors
✓ Corporate Governance of the Year 2018
   METI Minister’s Award for Corporate Governance of the Year FY2018

Ministry of the Environment
✓ FY2018 Minister’s Award for Global Warming Prevention Activity
   ‘Implementation of Countermeasures and Dissemination Category’ FY2018

Sponsored by Nikkei Inc
✓ Nikkei SDGs Management Grand Prix SDGs Strategy/Economic Value Award December 2019

Selected by METI, TSE
✓ Nadeshiko Brand 3rd consecutive year from FY2017
✓ Health & Productivity Stock 2020 2nd consecutive year from FY2018
✓ Health & Productivity: White 500 4th consecutive year from FY2016

Selected by Nikkei Inc.
✓ Nikkei 225 March 2019, 1st time
**Down-Top ROIC Tree**

**KPI**
- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable cost reduction, value/%
- Defect cost %
- Per-head production # unit
- Automation % (headcount reduction)
- Labor costs–sales %
- Inventory turnover months
- Slow-moving inv. months
- Credits & debts months
- Facilities turnover (1/N automation ratio)

**Drivers**
- GP Margin
- Added-value %
- Fixed manuf. costs %
- SG&A %
- R&D %
- Working capital turnover
- Invested Capital Turnover
- Fixed assets turnover
- ROIC

**On-site**

**To-Dos Cycle**

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ROIC Definition

<Consol. B/S>

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

\[ \text{Invested capital}^* = \text{Net assets} + \text{Interest-bearing debt} \]

*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 Year Ended March 31, 2020 (U.S. GAAP)."
   Figures rounded to the nearest million JPY and percentage to one decimal place.

Contact:
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