

FY2018 Q3 Earnings Ended December 31, 2018



**January 30, 2019
OMRON Corporation**

Summary

■ Q1-Q3 results

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

■ Full-year forecasts

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

■ Looking forward

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

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3. Looking Forward P. 19



Q1-Q3 Results

Q1-Q3 Results

Sales, Gross Profit up Y/Y

(¥bn)

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

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

Q1-Q3 Sales by Segment

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

(¥bn)

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

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

IAB, EMC profits decline. Continued strength at HCB

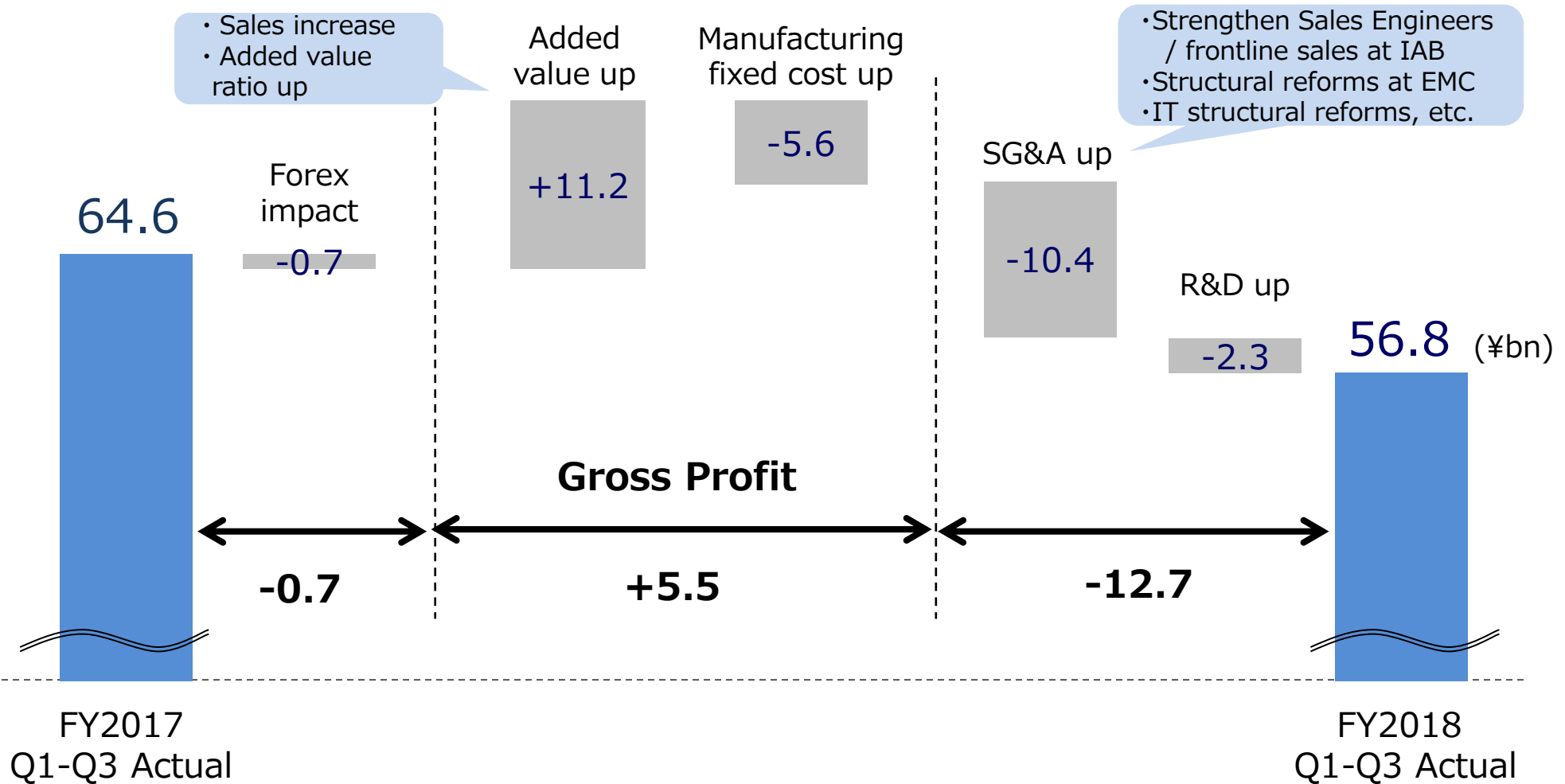
(¥bn, %; OPM)

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

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

Q1-Q3 Operating Income Analysis (Y/Y)

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



IAB Quarterly Sales Growth by Region (Y/Y)

Dramatic change to operating environment in Q3

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



Full-year Forecasts



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

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

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

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

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

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

Full-year Forecasts

Full-year forecasts revised down

(¥bn)

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

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

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

Sales by Business Segment

Segment forecasts revised, primarily for IAB and EMC

(¥bn)

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

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

Operating Income by Segment

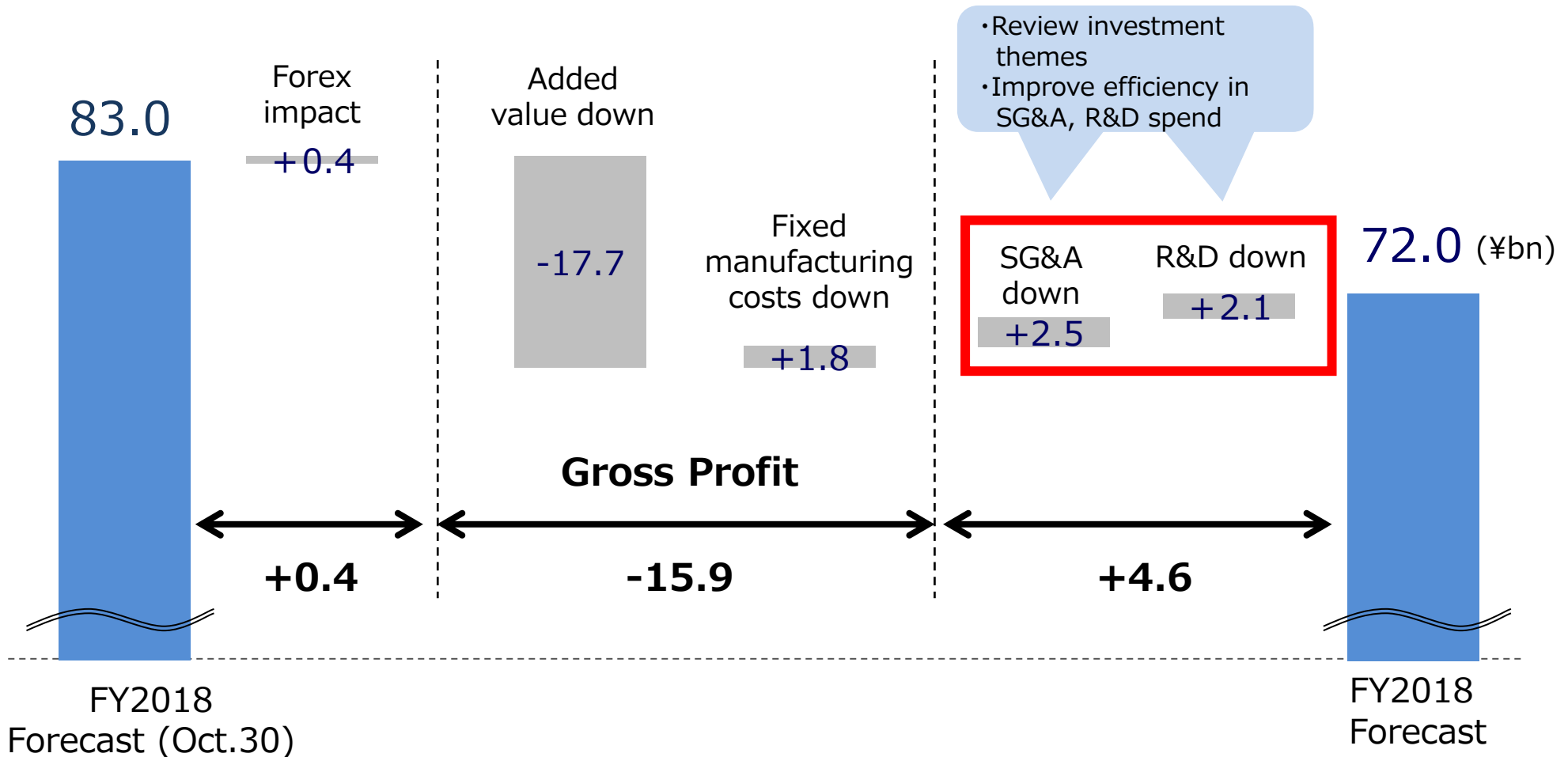
(¥bn, %, OPM)

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

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

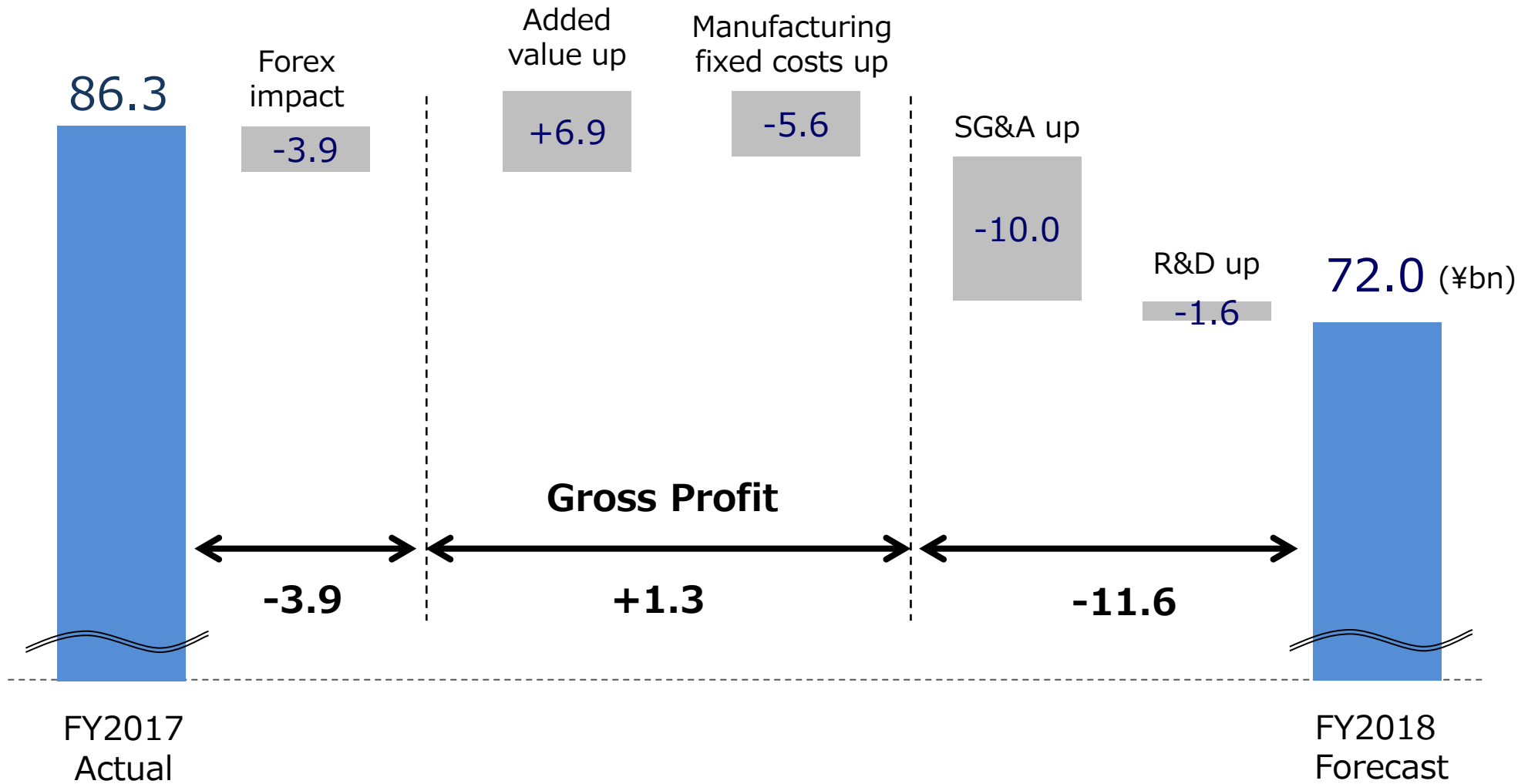
Operating Income Analysis (vs Oct. 2018 Forecast)

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



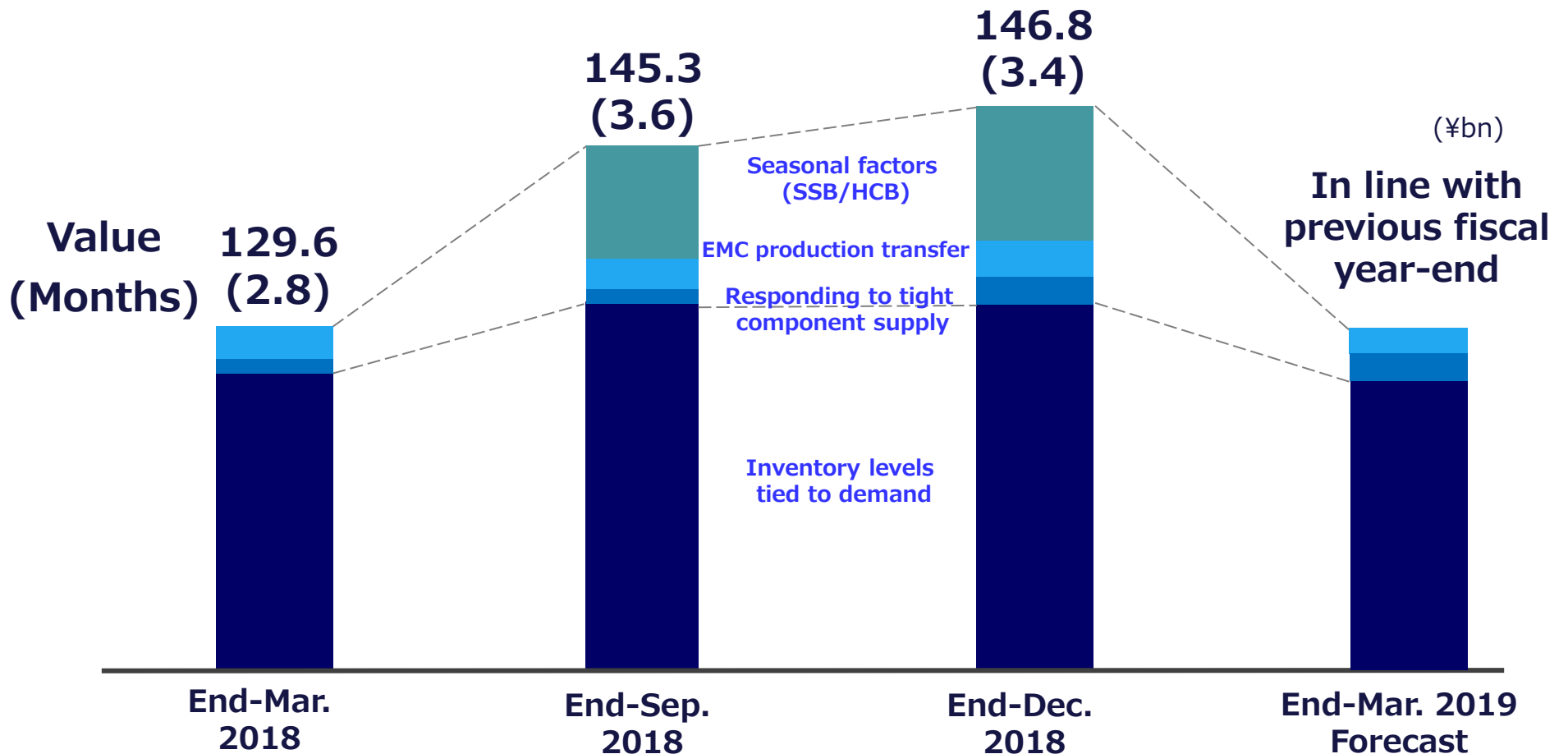
Full-year Forecasts: Operating Income Analysis (Y/Y)

Increased investments for future growth. Profits down as a result



Inventory Forecast

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



Full-year Dividend

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

Interim
dividend
(Paid)

Year-end
dividend
(Forecast)

Full-year
dividend
(Forecast)

Forecast

¥42

¥42

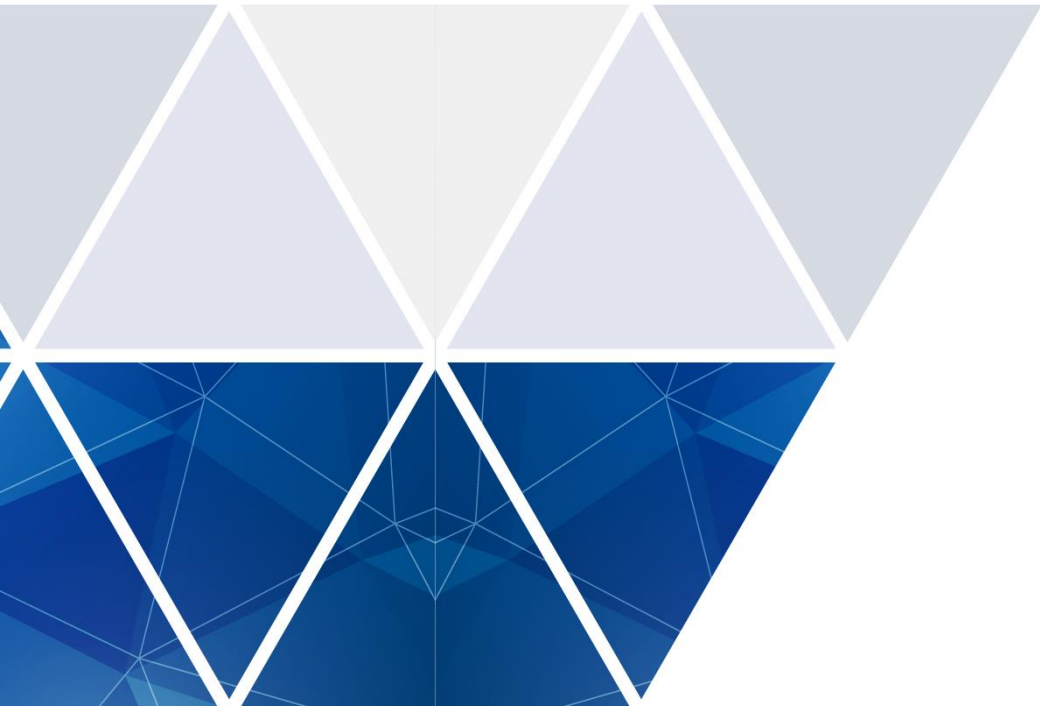
¥84

**Previous
Forecast
(as of Oct.30)**

¥42

¥42

¥84



Looking Forward



Continue to Execute on Structural Reforms

Profit Structure Reforms

- Improve GP Margin
- Optimize EMC production

Fixed Cost Structure Reforms

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

Business Structure Reforms

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

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

Investing for Growth in Core Businesses

IAB Industrial Automation

- Strengthen concentration on 4 focus domains
- Enhance total solution capability

HCB Healthcare

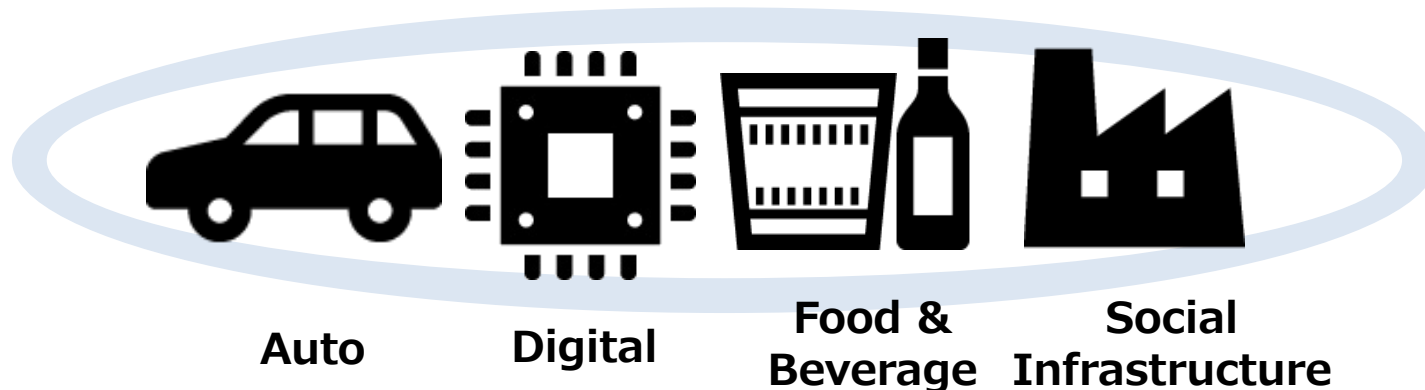
- Going for Zero

IAB in Greater China: Growth in 4 Focus Domains

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

FY2018 Q3 Greater China Net Sales (Y/Y, Local currency)

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



HCB Going for Zero

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

Updated US Hypertension Treatment Guidelines

Definition of
hypertension

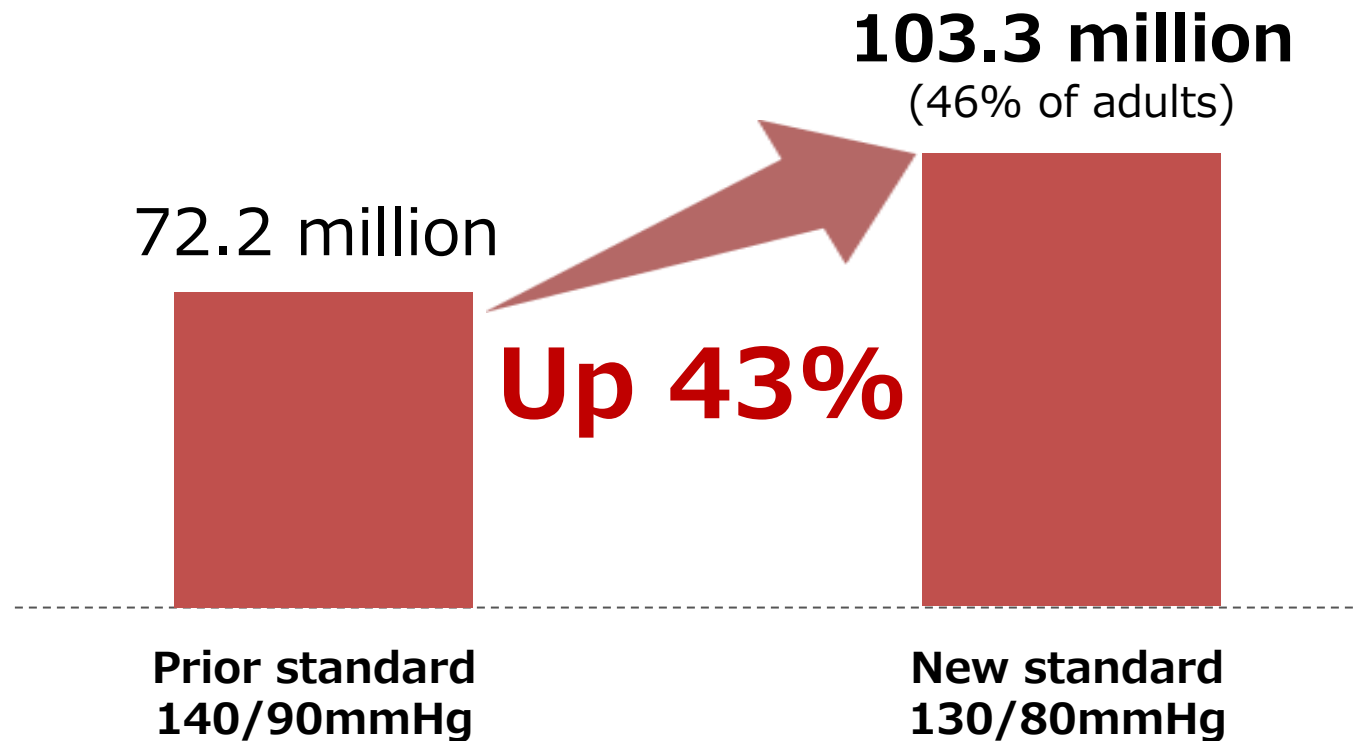
140/90mmHg
⇒ **130/80mmHg**

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

HCB Going for Zero

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

Adult hypertension patients in US



OMRON



Reference

Q3 Results

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

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

Q3 Sales by Business Segment

(¥bn)

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

Q3 Operating Income by Business Segment

(¥bn, %; OPM)

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

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

Q4 Forex Assumptions

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

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

VG2.0 and Sustainability Policy are Linked

OMRON Principles

Sustainability Policy

VG2.0

Business Strategies

1. Redefine focus domains and maximize the strength of businesses
2. Evolve business models
3. Reinforce core technologies



Collaborative Creation with Partners



Operations/Functional Strategies

Human Capital Management, Manufacturing, and Risk Management

Sustainability Initiatives

Social Issues to be solved through our Business



Collaborative Creation with Partners



Issues Responding to Stakeholder Expectations



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

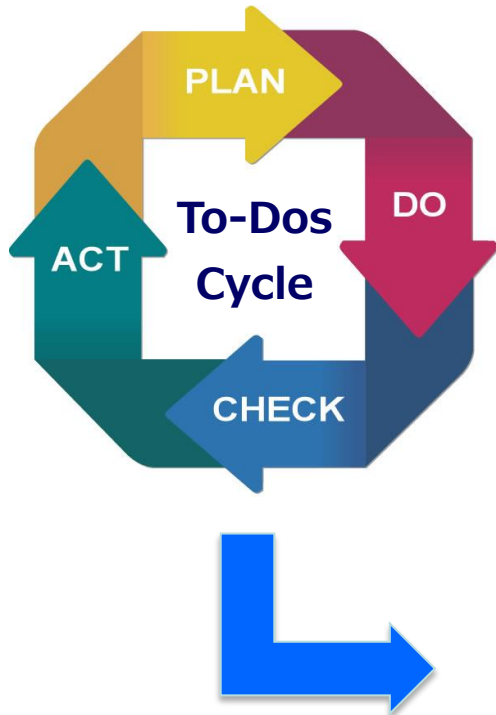
ESG Indices which include OMRON

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



Down-Top ROIC Tree

On-site



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
- Fixed assets turnover

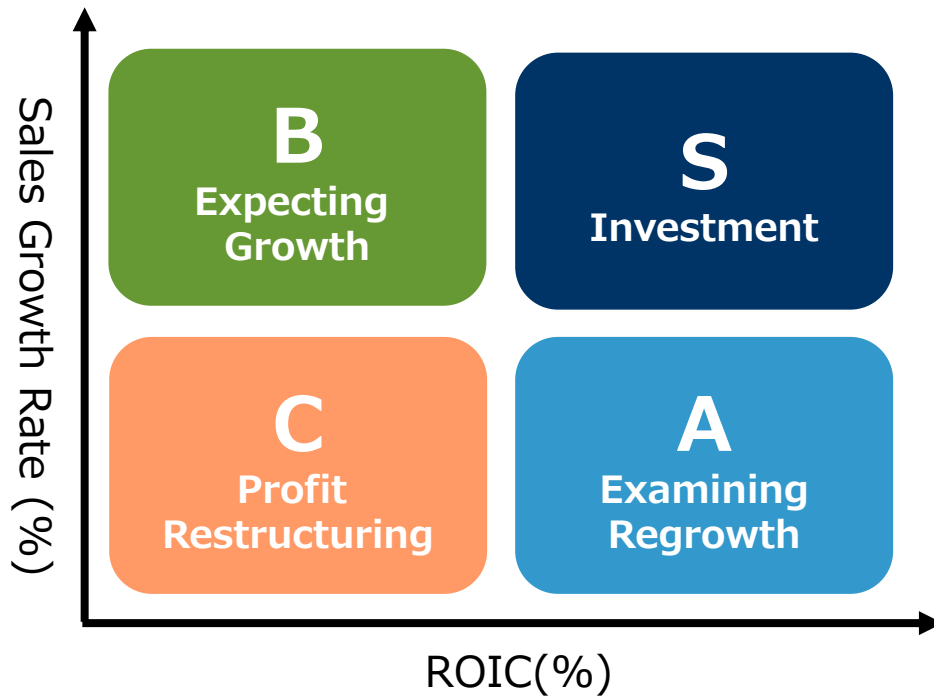
ROS

Invested Capital Turnover

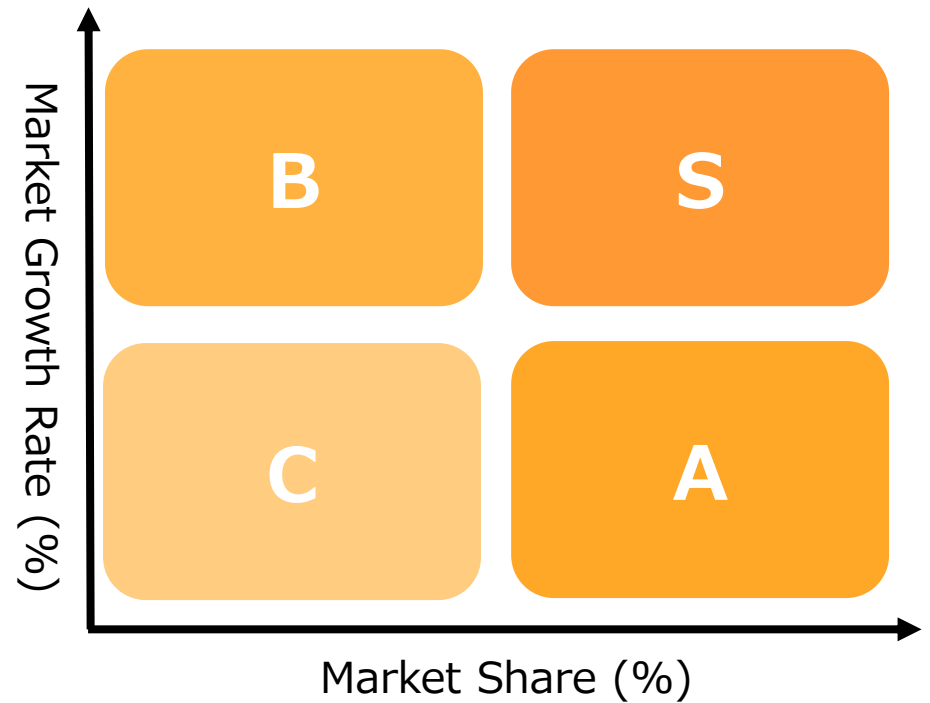
ROIC

Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC Definition

<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	

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

Invested capital*

= Net assets + Interest-bearing debt

*The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year.

**Capital cost forecast at 6%
for FY2017 - 2020**

Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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