

FY2019 H1 Earnings Ended September 30, 2019



**Oct. 29, 2019
OMRON Corporation**

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

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

Contents

1. H1 Results P. 4

2. FY2019 Forecasts P. 9

3. Enhancing Corporate Value P. 20

Reference P. 28



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 ** to OMRON Shareholders	26.4	19.1	-27.8%
1USD (JPY)	109.5	109.2	-0.3
1EUR (JPY)	129.5	122.0	-7.5
1RMB (JPY)	16.7	15.9	-0.8

(¥bn)

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

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%

Operating Income by Segment

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

(¥bn, %: OPM)

	H1 FY2018	H1 FY2019	Y/Y
	Actual	Actual	
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)

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



Full-year Forecasts



Operating Environment by Segment: H2 Outlook

Challenging operating environment to continue for IAB, EMC

IAB Industrial Automation	<p>Japan: Weak auto sales continue to constrain investments</p> <p>Americas: Auto/Digital industries continue to limit investments</p> <p>Europe: Investments weak on impact of China slowdown; sluggish domestic demand on political uncertainty</p> <p>Greater China: Investments weak on slumping auto sales. Smart phone/semiconductor investments remain weak</p> <p>SE Asia/Other: Lackluster domestic demand owing to impact of weak exports to US/China</p>
EMC Electronic & Mechanical Components	<p>Consumer: Semiconductor investment sluggish on weak macro backdrop with knock-on effects on related industries. Expect demand to be weak</p> <p>Automotive: Expect weak demand on depressed auto sales, reduced China EV subsidies</p>
SSB Social Systems, Solutions & Services	<p>Station sys.: Solid replacement cycle, expect demand to increase</p> <p>Transport: Expect solid replacement demand</p> <p>Payment sys.: Demand for payment system terminals rising on increasing need for cashless pymt. systems</p>
HCB Healthcare	<p>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</p>
Other Businesses under Direct Control of HQ	<p>Environmental Solutions: PV inverters weak but storage systems continue to grow</p>

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

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

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%

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)

IAB: Creating Revolutionary Applications

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

Automation Centers

35 locations
(+ 27 vs end-FY2016)

**innovative-Automation
Human Resources**
(Sales/SE/R&D)

+ 700 hires
(vs end-FY2016)

Collaboration

*Product
Capability,
Technology,
Front Office
Capability
×
Customers*

No. of Revolutionary Applications

170

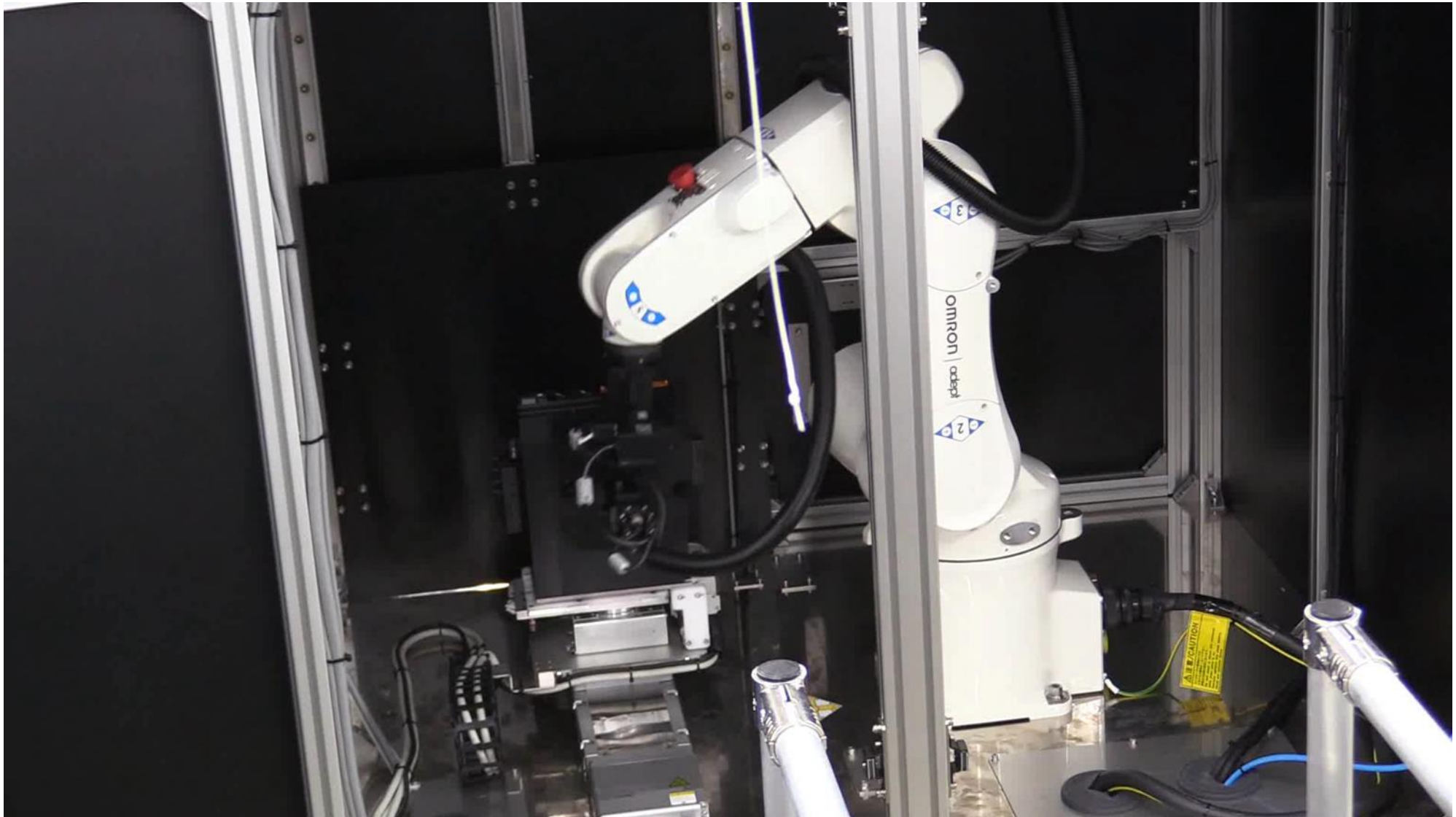
**TAM: Newly created
innovative-Automation
markets**

¥50bn

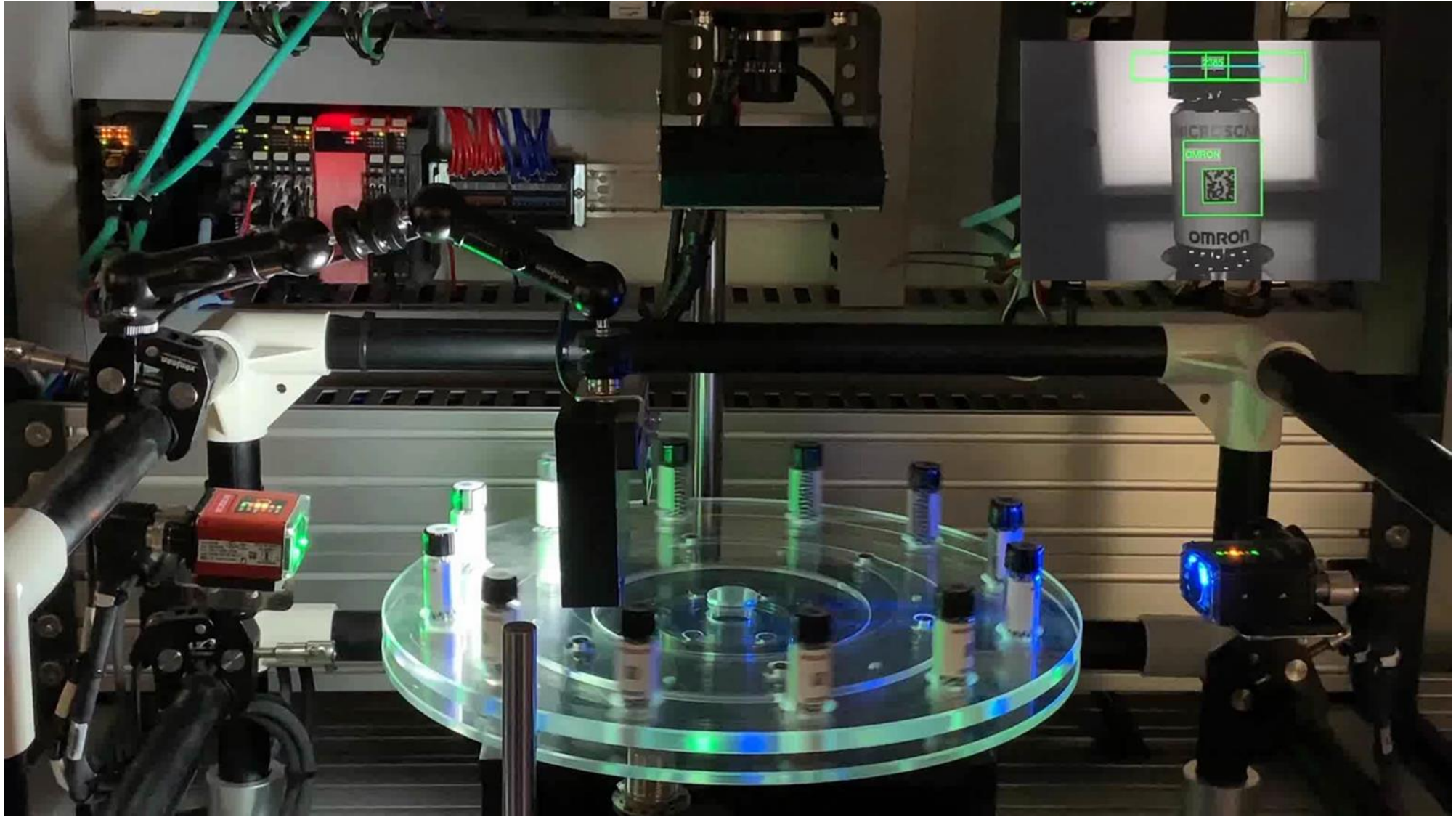
NB. As of end-FY2018

NB. End-FY2019 forecast
TAM: Total Addressable Market

IAB: Sensory Inspection Using Robotics and Image Sensing



IAB: Enhancing Traceability Using High-speed 2D Reader



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

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**



Enhancing Corporate Value



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**

Optimizing the Business Portfolio: Restructuring

Plans to transfer AEC, wind down Backlight business

AEC

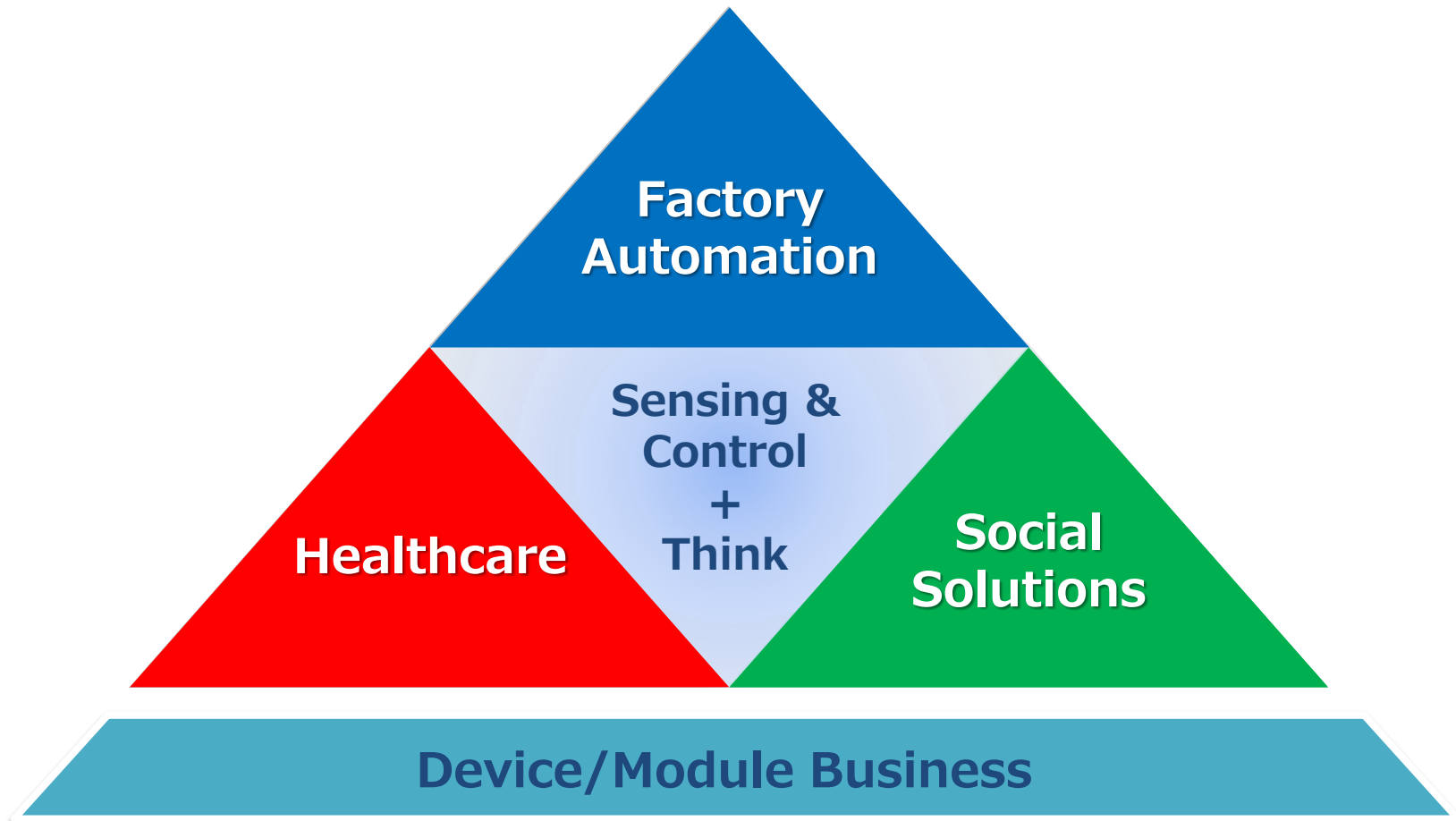
**Share transfer to Nidec Corporation
to be completed October 31, 2019**

**Backlight
Business**

**Plan to wind down business by end
of March 2020**

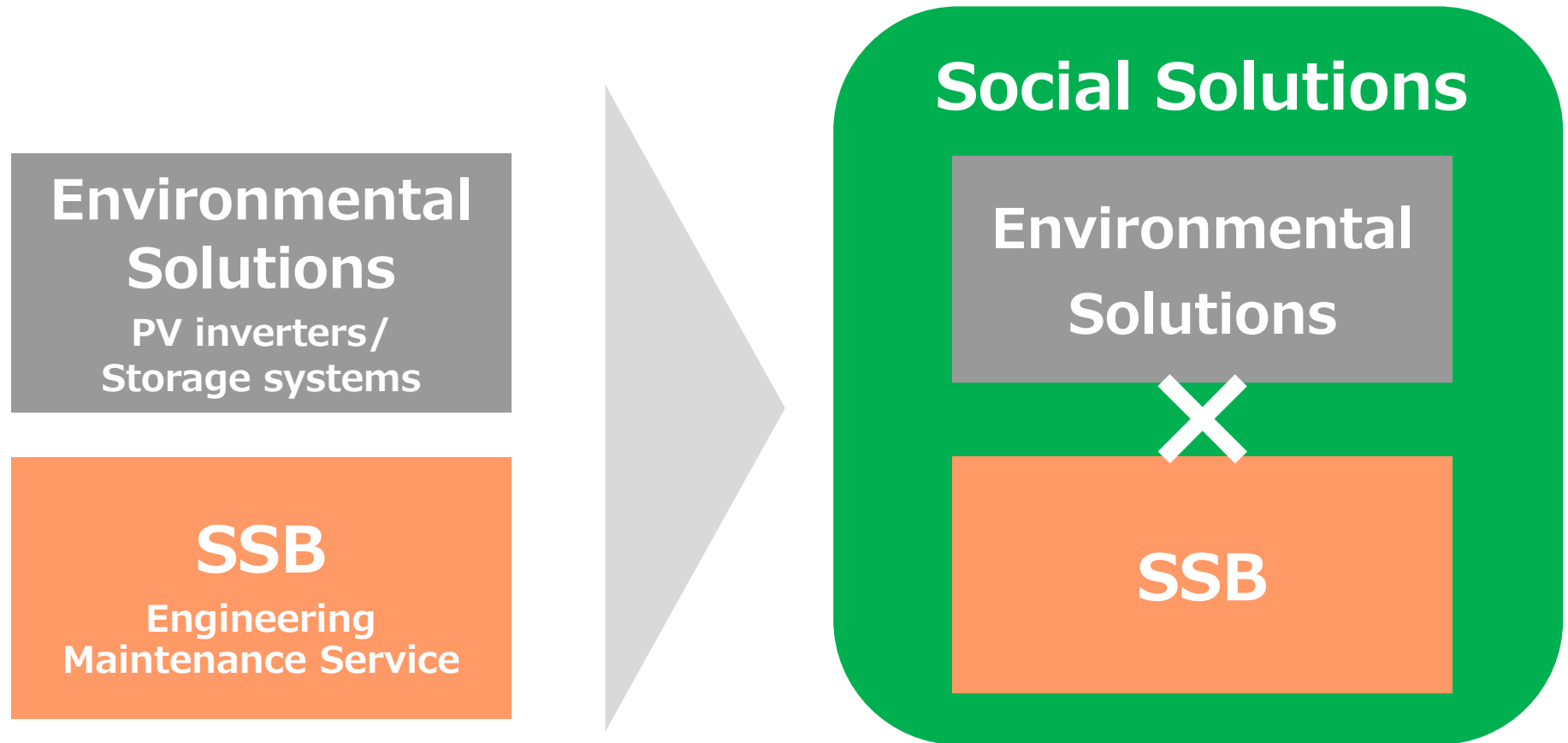
Optimizing the Business Portfolio: 3 Focus Domains

Create new Social Solutions Domain through business portfolio optimization



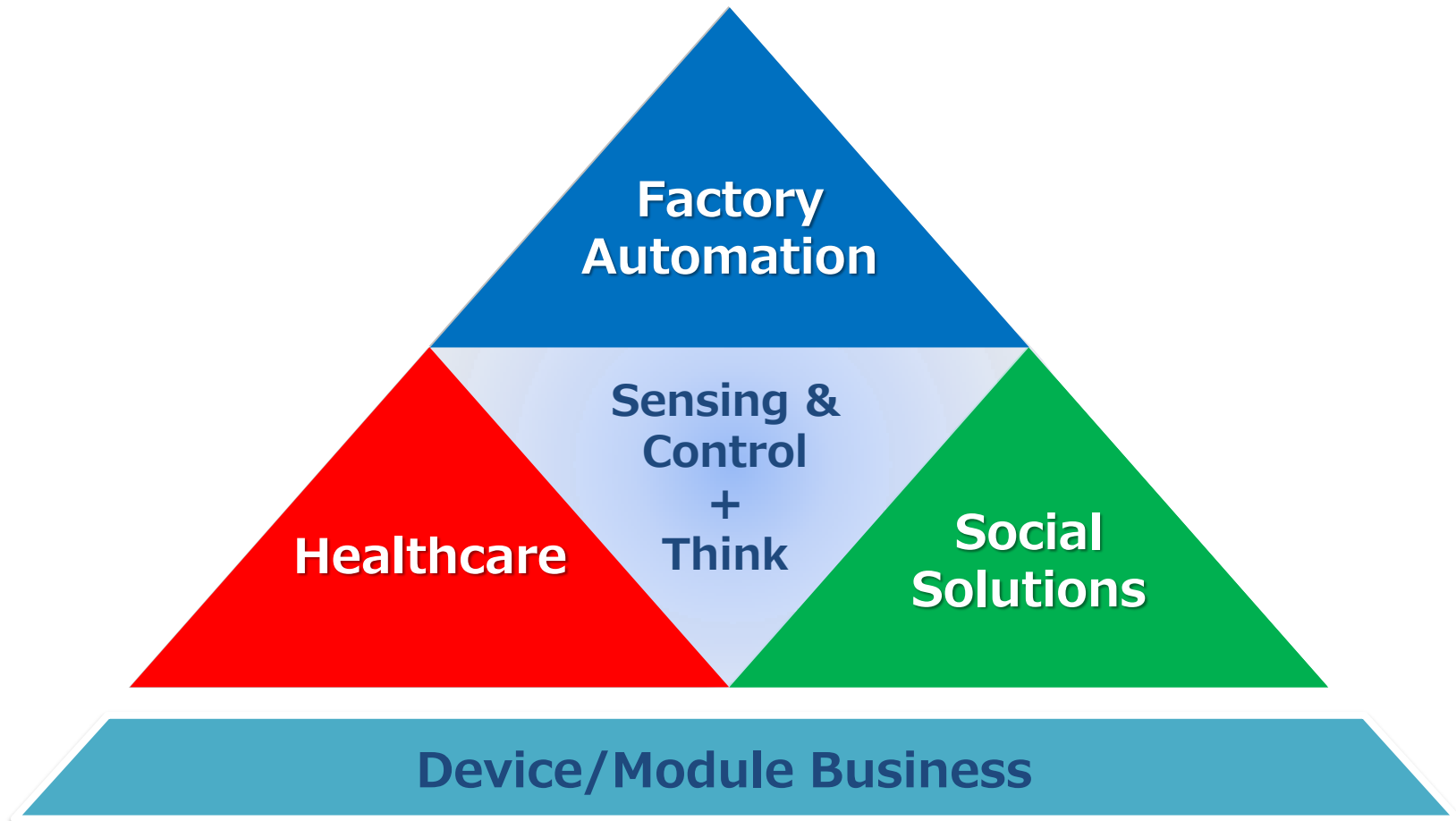
Initiatives to Strengthen Social Solutions Domain

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



Optimizing the Business Portfolio: 3 Focus Domains

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



Management Priorities

- **Disciplined implementation of ROIC Management**
- **Focus on capital efficiency**
- **Invest for growth**
- **Promote ESG management**

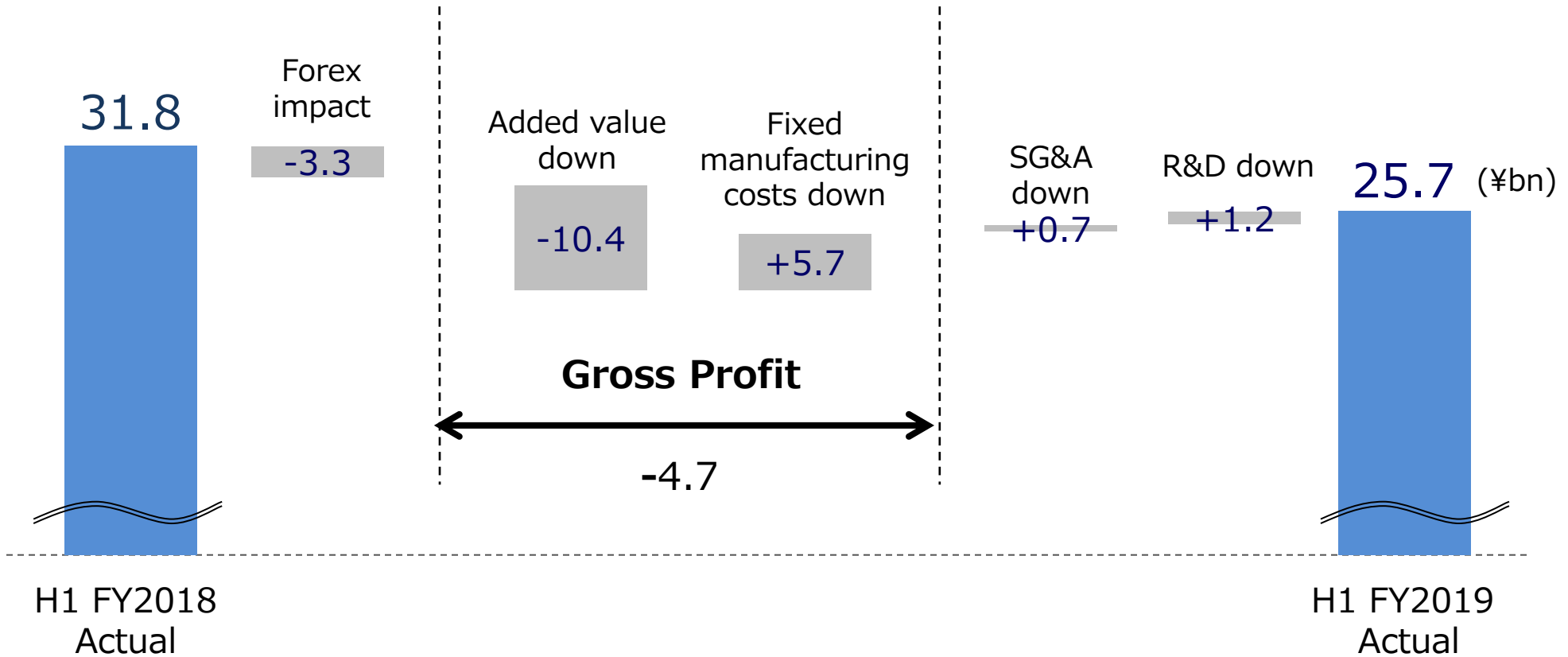
OMRON



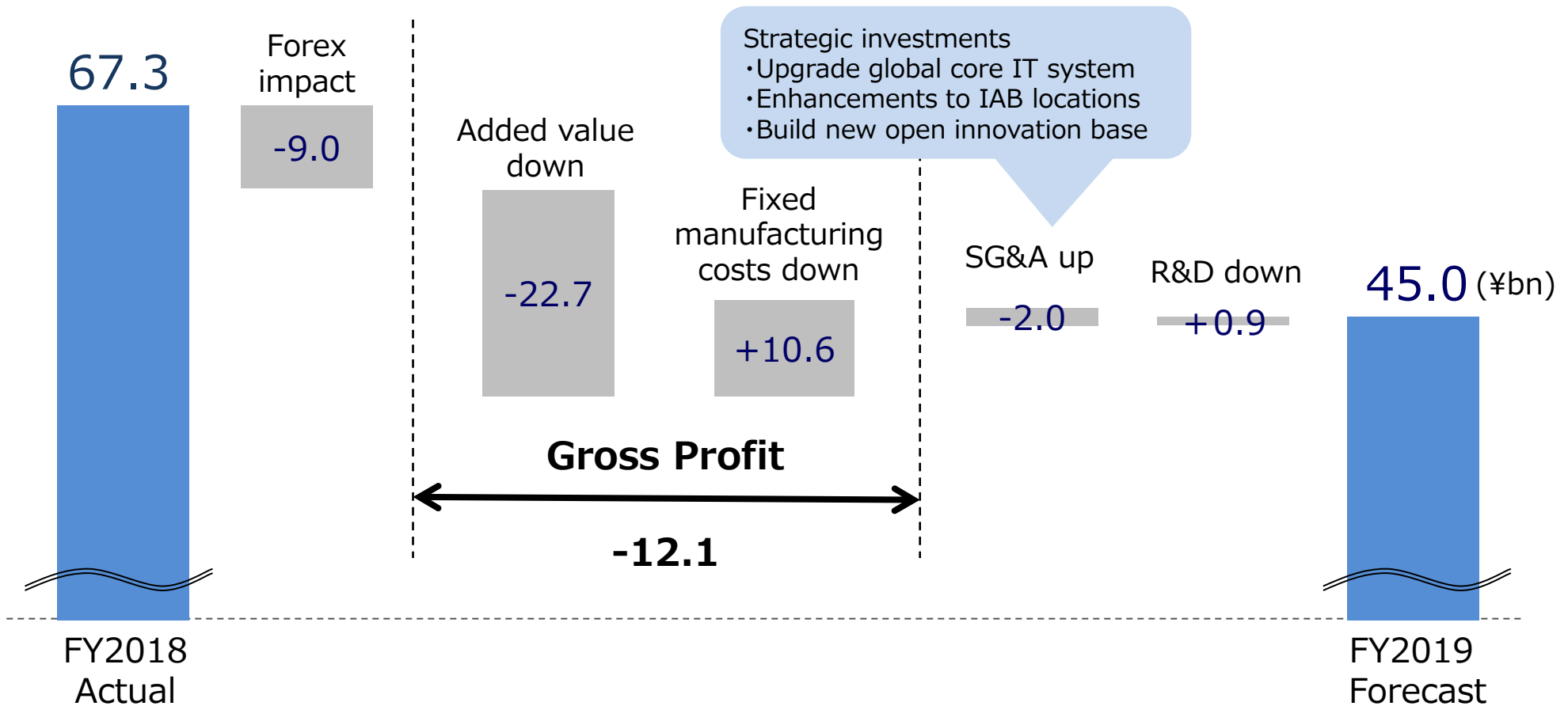
Reference



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

	H1 FY2018 Actual	H1 FY2019 Actual	(¥bn) 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 Principles

VG2.0

Business Strategies

Sustainability Issues

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

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

×

Collaboration with partners

+

Human capital management, manufacturing, risk management...

FA



Healthcare



Social Solutions



×

Collaboration with partners



+

Human Capital Mgmt.



Manufacturing



Risk Management



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



Corporate Governance
of The Year

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



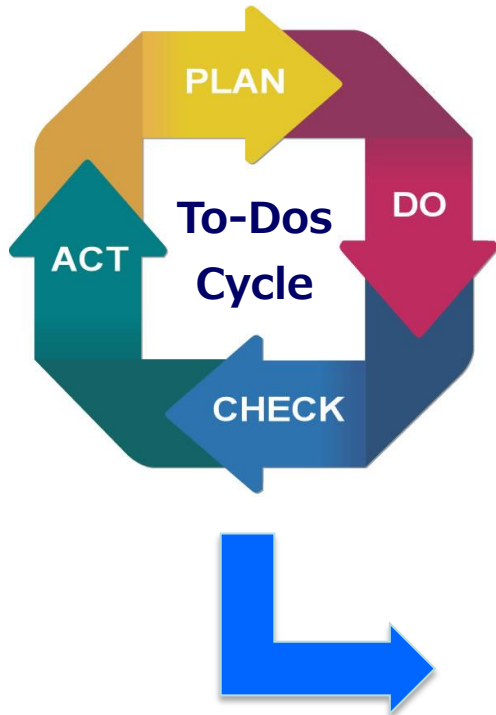
Selected by Nikkei Inc.

- ✓ Nikkei 225

March 2019, 1st time

Down-Top ROIC Tree

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

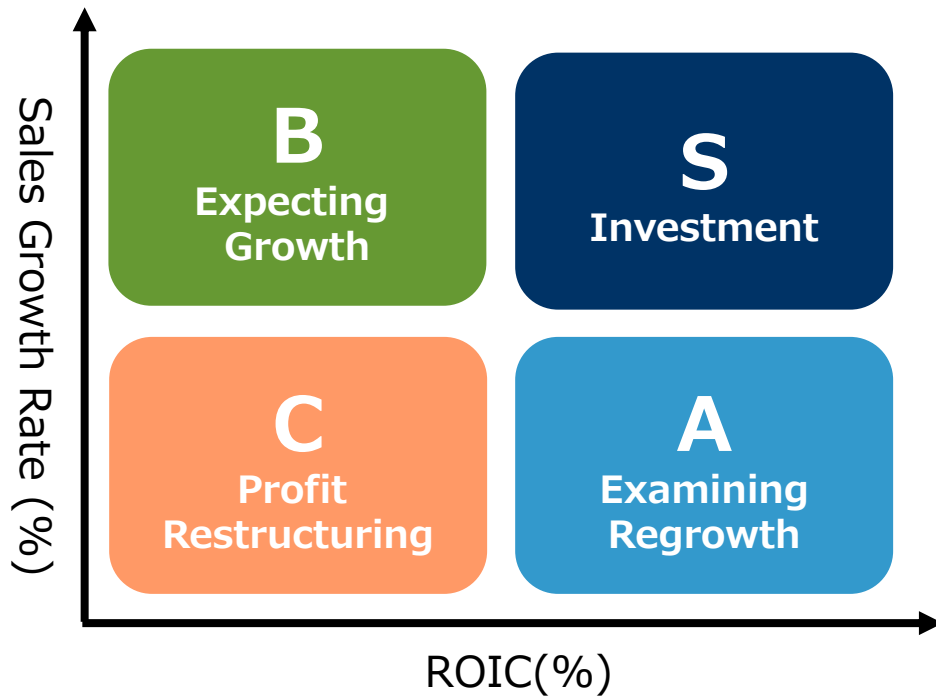
ROS

Invested Capital Turnover

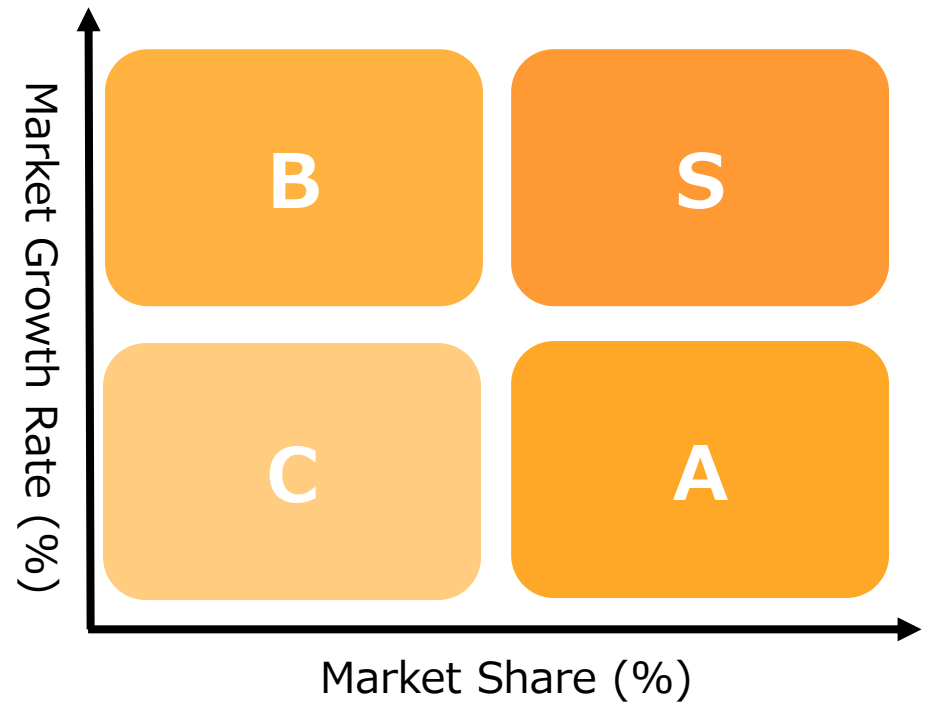
ROIC

Portfolio Management

Assessing Economic Value



Assessing Competitiveness



ROIC計算式

<Consol. B/S>

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

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

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 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.

Contact:

**Investor Relations Department
Global Investor & Brand Communications
OMRON Corporation**

Phone: +81-(0)3-6718-3421

Email: omron-ir@omron.com

Website: www.omron.com