

FY2020 Q1 Earnings

Financial Results for the First Quarter Ended June 30, 2020



July 28, 2020
OMRON Corporation

Good afternoon, everyone. I am CEO Yamada.

Thank you for taking time out of your busy schedules to participate in OMRON's Q1 FY2020 results briefing.

Usually, CFO Nitto would present our Q1 results, but I will present this time since we are announcing our full-year forecasts.

In the interest of preventing the spread of COVID-19, we have chosen to do a remote briefing.

Similar to our usual results briefings, I will first make a presentation, which will be followed by a Q&A session. We aim to entertain as many questions as possible. Thank you again for your participation.

Please refer to the presentation materials. We start with a summary of today's key takeaways on page 1.

Summary

■ Q1 FY2020 Results

- Resilience in the face of unprecedented change: strong profit gains despite lower sales
- Captured COVID-19-driven demand: magnitude of sales decline smaller than expected
- Continued GP margin gains on efforts to strengthen products, structural reforms
- Fixed cost cuts progressing in line with plan

■ FY2020 Plan

- Forecast full-year sales and profits to fall Y/Y. Assume tough operating environment continues to the end of FY2020
- Aim to maximize sales and profits: pursue all opportunities
- Reiterate full-year DPS guidance of ¥84, unchanged Y/Y

■ Preparing for the Post-COVID-19 Challenge

- Position FY2020/2021 as period of transformation to prepare for a post-COVID-19 world
- Accelerate transformation to highly resilient business structure through business model evolution
- Capture emerging post-COVID-19 social needs to achieve profitable growth

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1

There are 3 key points.

The first agenda item is OMRON's Q1 FY2020 results. We generated operating income of ¥12.5 billion yen in Q1, up 24% Y/Y. Despite the unprecedented disruption resulting from the COVID-19 outbreak, OMRON was able to demonstrate its resilience. Operating income increased substantially Y/Y in spite of a decline in sales.

Three factors contributed to the strong profit growth.

First, we were able to capture new demand sparked by the COVID-19 outbreak, thus reducing the magnitude of the sales decline relative to our initial expectations.

Second, we made further improvements to our GP margin by enhancing product capabilities, reducing variable costs and ongoing structural reform initiatives.

Third, we executed on fixed cost reductions, in line with plan. I will elaborate in more detail later.

The next agenda item is our plan for the fiscal year ending March 2021.

We are guiding for Y/Y declines to full-year sales and profits, based on our assumption that the operating environment will remain extremely challenging throughout FY2020.

Our guidance is conservative and reflects only what we are sure of at this time. However, we do not intend to be complacent: we will focus on capturing every opportunity presented by the outbreak to maximize sales and profits.

Despite the challenging conditions, we reiterate our initial full-year DPS guidance of ¥84, which is unchanged Y/Y.

Finally, I will discuss the OMRON group's efforts to take on the challenge of addressing the post-COVID-19 world.

The COVID-19 outbreak has driven significant changes on a global basis. Reflecting this, OMRON positions FY2020 and FY2021 as a period of transformation in preparation for a post-COVID-19 world. During this period, OMRON will accelerate its efforts to drive an evolution in the business models of each business, transforming OMRON into a robust, resilient organization capable of successfully weathering changes in the operating environment.

Our aim is to achieve profitable growth by capturing the new social needs emerging in the post-COVID-19 period.

Today, I will showcase 3 specific examples from OMRON's Factory Automation, Healthcare and Social Solutions businesses.

Contents

1. Q1 FY2020 Results P. 3

2. FY2020 Plan P. 9

3. Post-COVID-19 P. 19

Reference P. 35



Q1 FY2020 Results

Q1 FY2020 Results

Demonstrate resilience under tough operating conditions, achieve strong profit growth

	Q1 FY2019 Actual	Q1 FY2020 Actual	Y/Y
Net Sales	160.0	146.5	-8.5%
Gross Profit (%)	71.5 (44.7%)	66.4 (45.3%)	-7.2% (+0.6%pt)
Operating Income (%)	10.0 (6.3%)	12.5 (8.5%)	+24.2% (+2.2%pt)
Net Income	7.8	9.7	+25.0%
1USD (JPY)	110.7	107.9	-2.8
1EUR (JPY)	123.6	118.3	-5.3
1RMB (JPY)	16.3	15.1	-1.2

*Q1 FY2019 Net Income excludes Net Income from Discontinued Operations (AEC profits and gains on sale of AEC business). If Net Income from Discontinued Operations are included, Q1 FY2019 Net Income is ¥8.5 bn

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4

Here are OMRON's Q1 FY2020 results.

Sales were ¥146.5 billion, gross profits were ¥66.4 billion, operating income was ¥12.5 billion and net income was ¥9.7 billion.

In spite of the unprecedented disruption caused by COVID-19, OMRON was able to grow operating income a substantial 24.2% YoY. This is despite a decline in sales, reflecting OMRON's resilience in the face of a changing environment.

We attribute this to 3 factors. The first was our determined efforts to minimize the magnitude of the sales decline despite the disruption. As of April, we had prepared ourselves for a Q1 topline decline of around 15% Y/Y. The actual sales decline was limited to 8.5%.

By tapping into OMRON's resilience, we were able to fully capture suddenly emerging opportunities, despite an overall backdrop of falling demand owing to COVID-19. For instance, in IAB, we were able to capture opportunities such as a surge in demand from the Digital industry or the wave of demand triggered by the need to expand production capacity for surgical masks. We were also able to capture the rise in demand for thermometers at HCB.

The second was the continued improvement in GP margin. We were able to reap the benefits of ongoing initiatives such as variable cost cuts and the winding down of the Backlight Business, offsetting the negatives from forex impact and lower sales. OMRON's GP margin rose 0.6% points Y/Y.

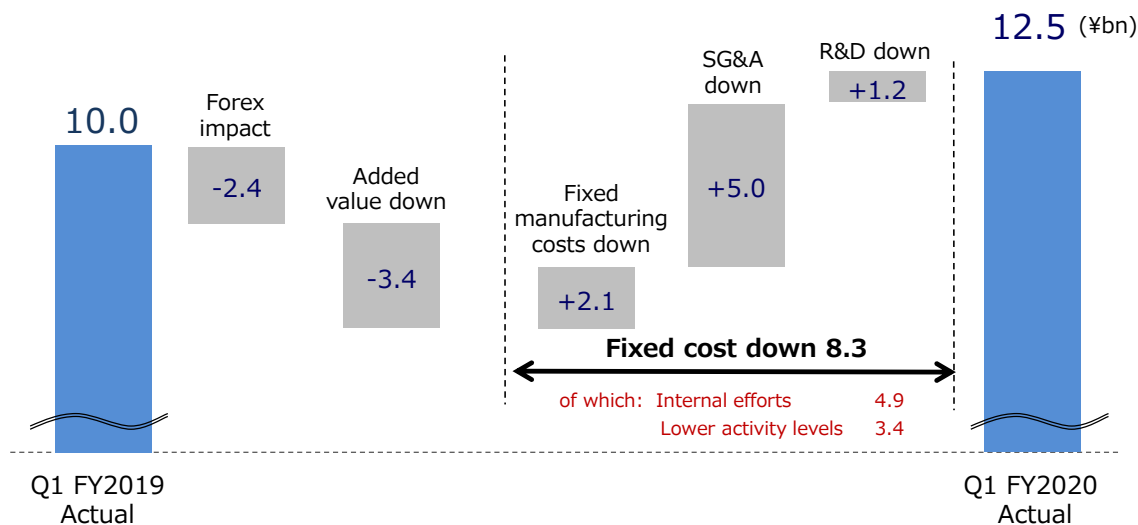
We continue to solidly improve our ability to generate profits.

The third factor was the reduction of fixed costs. We maintained the discipline of our initial objective to reduce full-year fixed costs by ¥20 billion, executing in line with plan. In addition to this, profits were also boosted by lower-than-expected expense levels, the result of lockdowns and other restrictions related to COVID-19.

We look at changes in operating income in more detail on the next slide. Please turn to slide 5.

Operating Income Analysis (Y/Y)

Operating income ahead of plan partly owing to temporary factors. Maintaining fixed cost discipline in line with plan



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5

This is the waterfall chart showing the major components of Y/Y change to operating income. I will explain from the left.

Q1 FY2019 operating income was ¥10 billion. There was a negative forex impact of ¥2.4 billion yen from yen appreciation. As a result of our success in minimizing the sales decline, we were able to limit the decline in added value to ¥3.4 billion.

Turning to fixed costs, we were able to achieve an overall reduction of ¥8.3 billion, primarily from manufacturing fixed costs and SG&A. Of this, cuts attributable to our own internal efforts as set out in the fixed cost reduction plan were ¥4.9 billion, excluding forex impact. The remaining ¥3.4 billion was a temporary decline resulting from lower levels of activity due to COVID-19 restrictions. Reflecting these factors, Q1 FY2020 operating income was ¥12.5 billion.

In my view, this level was slightly too high. As I noted on the previous page, we did benefit from special demand. We estimate the profit contribution from such demand was around ¥1.4 billion. I believe a more realistic profit level reflective of OMRON's current capabilities would be around ¥7.7 -8.0 billion, effectively ¥12.5 billion less a boost of ¥4.8 billion, the combination of special demand profits and the ¥3.4 billion in lower-than-expected fixed costs resulting from the impact of lockdowns.

Let's look at the segment breakdown next. Please turn to slide 6.

Sales by Business Segment

Magnitude of sales decline at IAB lower than expected, reflecting resilience

	Q1 FY2019 Actual	Q1 FY2020 Actual	(¥bn) Y/Y
IAB Industrial Automation	89.1	82.1	-7.9%
EMC Electronic & Mechanical Components	23.0	18.0	-21.9%
SSB Social Systems, Solutions & Service	17.3	18.1	+4.9%
HCB Healthcare	27.7	26.6	-4.1%
Eliminations & Corporate	3.0	1.8	-40.1%
Total	160.0	146.5	-8.5%

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

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6

This is the breakdown of sales by segment.

We had initially expected a significant drop in IAB sales but the actual decline was limited to 7.9%. I will discuss the key factors for IAB in more detail in the next page, where we look at sales broken out by region.

For EMC, on top of the substantial sales decline in automotive, conditions for consumer electronics remained challenging.

SSB sales increased on the back of some frontloading of investment themes in the railway business.

Owing to lockdowns in many countries around the world, HCB store sales were severely limited. However, through the online channel, we were able to capture increased demand for blood pressure management in the home as a result of COVID-19, offsetting the decline in store sales.

Please note that the Environmental Solutions business included in the Other segment up to the end of the previous fiscal year has been transferred to SSB and we have wound down the Backlight Business. As a result, we are eliminating the Other segment from this fiscal year. Figures for SSB on this slide have been restated to reflect this change.

I would now like to discuss IAB sales in more detail.

IAB Sales Growth by Region

Strong growth in China and South Korea, on back of rising demand in Digital

Q1 FY2020
IAB Sales Growth by Region
 (Y/Y, local currency basis)

Japan	Americas	Europe	Greater China	SE Asia/Other	
				Ex-S.Korea	S. Korea
-9%	-10%	-22%	+22%	-23%	+31%
		vs. Q4	(+64%)		(+27%)

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7

This table shows the Y/Y change in Q1 IAB sales by region on a local currency basis.

While overall manufacturing capex shrank globally as a result of COVID-19, Greater China and South Korea, which were the earliest regions to recover from the outbreak, reported strong sales growth, reflecting rising Digital industry demand.

Greater China sales increased 22% Y/Y, on the back of investments pushed out from Q4 into Q1 and the resumption of economic activity. On a sequential basis, Q1 sales grew a hefty 64% Q/Q.

South Korea sales increased 31% Y/Y, on the back of demand to frontload semiconductor capex related to 5G. Sequentially, Q1 sales grew 27% Q/Q. In Q1, these 2 regions were able to offset the declines in other regions, supporting overall IAB segment sales.

Next, let us look at operating income by segment. Please turn to slide 8.

Operating Income by Business Segment

Profits up Y/Y for all segments despite COVID-19 impact, reflecting resilience of OMRON's businesses

(¥bn, %:OPM)

	Q1 FY2019 Actual	Q1 FY2020 Actual	Y/Y
IAB Industrial Automation	13.3 (14.9%)	13.8 (16.8%)	+0.5 (+1.9%pt)
EMC Electronic & Mechanical Components	0.0 (0.0%)	0.1 (0.5%)	+0.1 (+0.4%pt)
SSB Social Systems, Solutions & Service	-1.4 (-)	-0.9 (-)	+0.5 (-)
HCB Healthcare	3.4 (12.3%)	4.5 (16.9%)	+1.1 (+4.6%pt)
Eliminations & Corporate	-5.3	-5.1	+0.2
Total	10.0 (6.3%)	12.5 (8.5%)	+2.4 (+2.2%pt)

NB. FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

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8

Here we show operating income by segment. Please look at the right-hand side of the table.

Despite the COVID-19 outbreak, all segments achieved Y/Y profit growth.

This is the result of our resilience, reflecting the impact of a higher GP margin and fixed cost cuts.

In particular, HCB's operating income reflects the benefit of our quick response to the surge in demand for thermometers in Japan.

This completes the section on Q1 results. Next, I will explain our plan for FY2020.

Please turn to slide 10.



FY2020 Plan

FY2020 Plan: Assumptions

- ✓ **Expect COVID-19 outbreak to have prolonged impact, both in Japan and overseas. Operating environment visibility to remain poor**
- ✓ **Forecasts for Q2 and beyond assume tough operating conditions remain in place at least until the end of FY2020**
- ✓ **Maintain cautious stance on fixed costs as planned, but will undertake investments deemed essential for post-COVID-19 growth**

First, I will start with an explanation of the assumptions underpinning our FY2020 plan.

Given that the COVID-19 outbreak now appears likely to continue for some time both domestically and overseas, we expect visibility for the operating environment to remain poor. Hence, our forecasts for Q2 and beyond assume that at a minimum, operating conditions will be challenging throughout the fiscal year.

We are maintaining our plan to reduce fixed costs by around ¥20 billion on a full-year basis.

However, within this framework, we will continue to make investments we consider to be essential for future growth, as we prepare for the post-COVID-19 period.

Next is our view of the operating environment by business segment. Please turn to slide 11.

Business Outlook by Segment: Q2 and beyond

Visibility extremely limited. Expect operating environment to remain challenging

IAB Industrial Automation	Automotive: Auto sales down on COVID-19; expect capex to remain weak Digital: Expect weaker China, S. Korea after strong Q1 but gradual recovery from Q4 Food & bev.: Expect flat Y/Y trend. Continued impact from weak economy but initiatives to control COVID-19 outbreak and maintain activity levels to be supportive Social infrastructure: Flat Y/Y overall on government stimulus measures despite COVID-19 impact
EMC Electronic & Mechanical Components	Consumer: China domestic market recovering but not back to last year's levels. Expect gradual recovery for US/Europe Automotive: Expect substantial decline in demand on falling auto sales
SSB Social Systems, Solutions & Service	Station sys.: Capex appetite increasingly declining; demand to be weak Transport: Expect firm replacement demand Energy: Restart of selling activity to support gradual recovery in sales of battery storage systems
HCB Healthcare	Domestic: Firm, primarily in thermometers. Expect gradual recovery in store sales on reopening Overseas: Online sales firm primarily in BPMs. Similar to domestic store sales, expect gradual recovery

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11

Reflecting the prolonged impact of a weaker macro environment on a global basis from Q2 onward, we expect operating conditions will be very tough.

For IAB, we expect our customers will continue to curtail capex spending. As noted earlier, we expect the strength in Digital in Q1, as reflected in strong sales growth for China and South Korea, will be followed by a weaker Q2, with a gradual recovery to kick in from Q4 or beyond. For the Automotive industry, while there is demand related to EV/ADAS, overall capex demand is likely to remain lackluster.

For EMC, similar to IAB, automotive is likely to be very challenging. In addition, the pace of recovery in consumer electronics will continue to vary by region.

For SSB, we expect railway companies to significantly rethink their investment plans, given declines in passenger revenue.

For HCB, we expect demand will continue to be supported by the elevated health consciousness sparked by the outbreak, and rising online demand.

I will now explain OMRON's FY2020 plan, based on these views of the operating environment.

FY2020 Plan

Expect to maintain FY2019 GP margin level and achieve ¥30bn in operating income despite Y/Y sales and profit decline

	FY2019 Actual	FY2020 Plan	Y/Y	(¥bn)
Net Sales	678.0	590.0	-13.0%	
Gross Profit (%)	303.7 (44.8%)	264.5 (44.8%)	-12.9% (+0.0%pt)	*excluding forex impact +0.7%pt
Operating Income (%)	54.8 (8.1%)	30.0 (5.1%)	-45.2% (-3.0%pt)	
Net Income	39.2	16.5	-57.9%	
1USD (JPY)	109.1	106.5	-2.6	
1EUR (JPY)	121.2	119.6	-1.6	
1RMB (JPY)	15.7	15.0	-0.7	

*FY2019 Net Income excludes Net Income from Discontinued Operations (AEC profits and gains on sale of AEC business). If Net Income from Discontinued Operations are included, FY2019 Net Income is ¥74.9 bn

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12

These are our FY2020 plan.

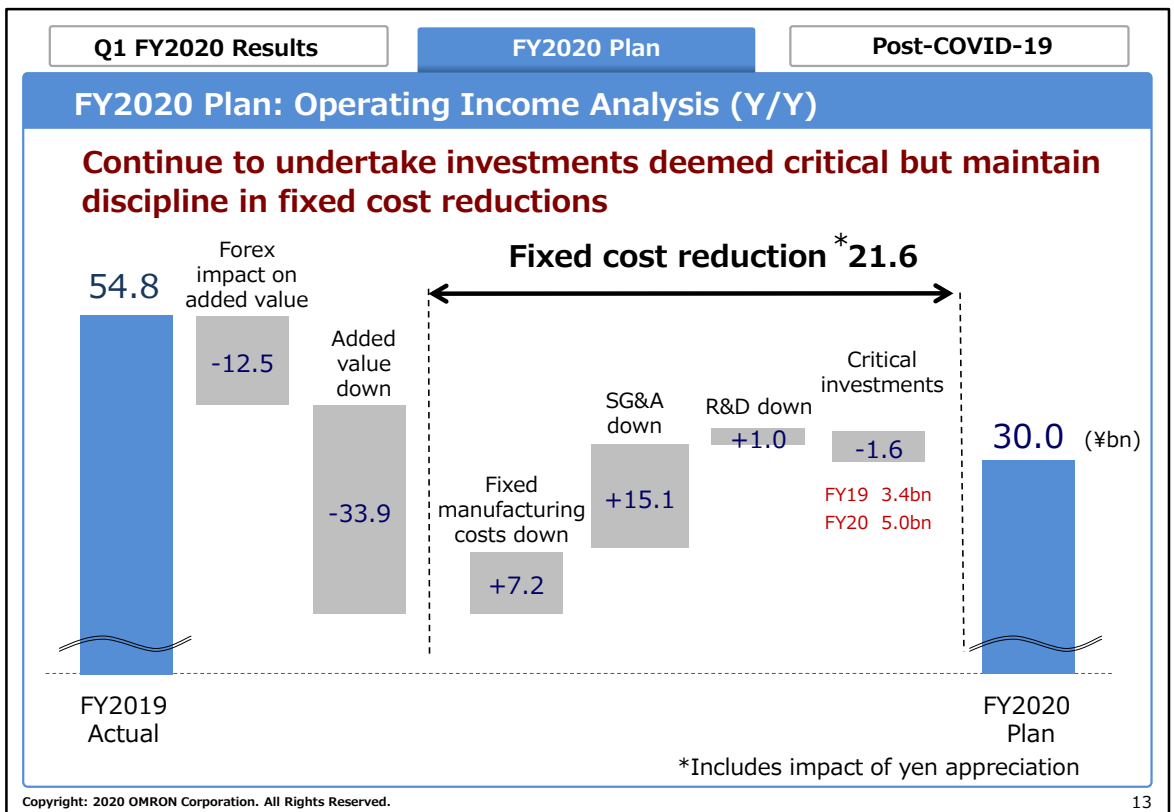
We project sales and profits to decline Y/Y, guiding for sales of ¥590 billion, gross profits of ¥264.5 billion, operating income of ¥30 billion and net income of ¥16.5 billion.

We expect the operating environment to remain very tough. Q1 sales fell 8.5% Y/Y but we expect the magnitude of sales declines to widen to 13% on a full-year basis.

Despite this, we expect the GP margin to remain unchanged Y/Y at 44.8%. In real terms, this represents a significant improvement: if the forex impact is excluded, the GP margin would be up 0.7% points Y/Y.

We aim to achieve an operating income of ¥30 billion, leveraging this high GP margin and our firm commitment to our fixed cost reduction plan.

Next, let us look at the key components of operating income. Please turn to slide 13.



We compare the FY2020 operating income plan to the FY2019 results.

On the far left, we have FY2019 operating income of ¥54.8 billion. The negative forex impact to added value is ¥12.5 billion. The decline in added value, excluding forex impact, is ¥33.9 billion.

We are committed to executing our plan to reduce fixed costs by approximately ¥20 billion. As shown on the slide, we specifically aim to reduce fixed costs by a total of ¥21.6 billion yen, including the forex impact. The reductions will be focused on manufacturing fixed costs and SG&A. However, we will increase critical investments essential for future growth, primarily IT investments, by ¥1.6 billion Y/Y to ¥5 billion.

The combination of these factors adds up to our guidance of ¥30 billion in operating income.

Next, I will talk about the sales forecasts by business segment. Please turn to slide 14.

Sales Forecasts by Business Segment

HCB sales to remain unchanged Y/Y

(¥bn)

	FY2019 Actual	FY2020 Plan	Y/Y
IAB Industrial Automation	352.8	307.0	-13.0%
EMC Electronic & Mechanical Components	88.4	76.0	-14.0%
SSB Social Systems, Solutions & Service	116.0	93.0	-19.8%
HCB Healthcare	112.0	112.0	+0.0%
Eliminations & Corporate	8.9	2.0	-77.5%
Total	678.0	590.0	-13.0%

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

In IAB, we expect the Digital demand seen in Q1 to slow down from Q2 onward; we also forecast Automotive to remain weak as well.

Similar to IAB, EMC sales are expected to decline on a slower recovery in automotive.

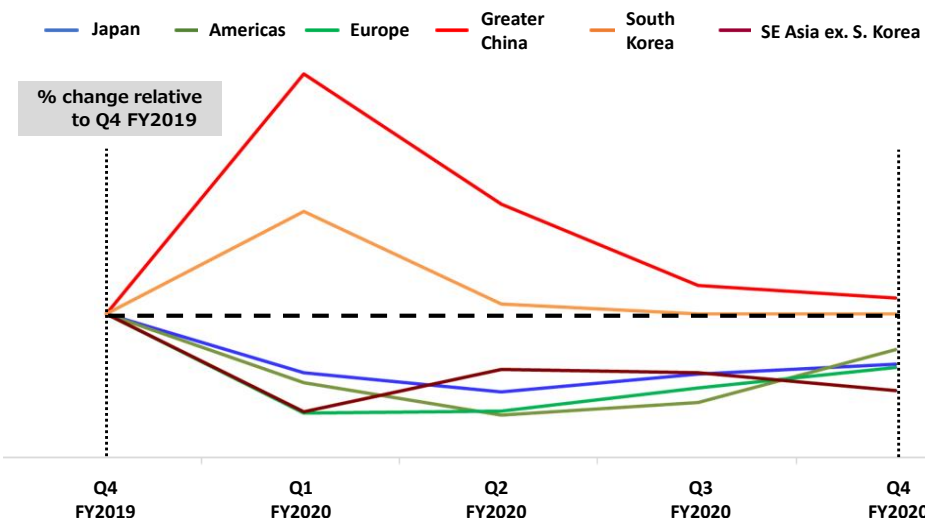
For SSB, we expect sales to decline as railway companies limit capex spending owing to lower passenger revenues.

Reflecting its defensive nature, we expect HCB will be able to overcome the impact of yen appreciation to achieve sales unchanged Y/Y.

I will discuss IAB forecasts here in slightly more detail.
Please turn to slide 15.

IAB: Expected Quarterly Sales Trend by Region

Greater China, S. Korea strong in Q1 but expect tough conditions to prevail from Q2 onward, similar to other regions



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15

This chart shows sales trends by region for IAB.

We compare the change in quarterly sales results and forecasts relative to Q4 FY2019.

Let me discuss the changes by region from Q4 FY2019. I will explain what is behind the distinctive patterns for Greater China and South Korea.

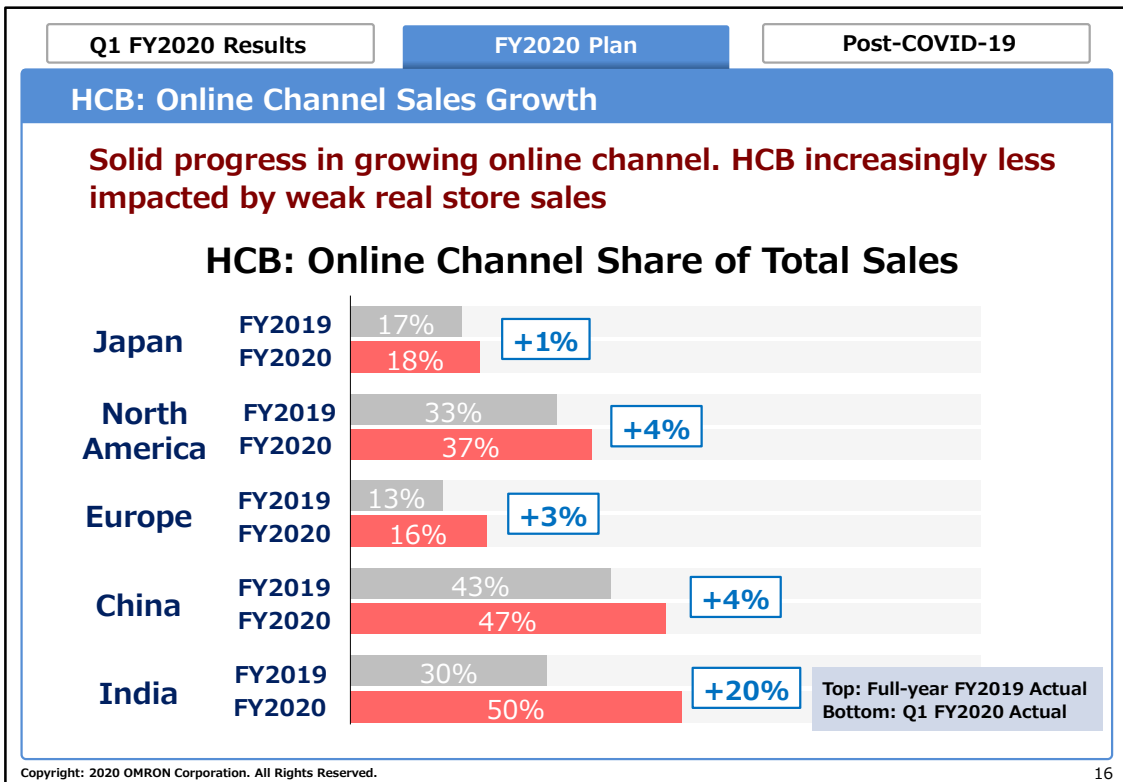
Please look at the red line for Greater China. Q4 FY2019 was very tough given the impact of COVID-19. However, in Q1 FY2020, sales recovered sharply on the back of demand related to increased production capacity for surgical masks, combined with smart phone investments initially slated for Q4 that were pushed into Q1.

That said, we expect to see a slowdown from Q2 onward reflecting global macro weakness. We expect the slowdown to continue to the end of Q4, although we expect the overall trend to be up on a Y/Y basis.

Next, the orange line for South Korea. As you can see, sales increased significantly in Q1 on the back of a pickup in demand, including some frontloading of semiconductor investments. However, we expect sales to normalize from Q2 onward.

We expect overall IAB sales to bottom in Q2 or Q3 but subsequently recover.

Next, I will discuss the strong HCB online sales, which supported segment results. Please turn to slide 16.



This table shows the proportion of online sales for HCB for each region. The upper bar shows FY2019 full-year results. The lower bar is Q1 FY2020 results.

HCB's biggest strength to date has been its global network of 600,000 retail outlets. OMRON products are available in drugstores not only in Japan and the Americas, but Europe, China and the Middle East.

However, rather than being complacent about this strength, over the last few years we have been consistently developing our online channels. In China, online already accounts for more than 40% of our sales. OMRON BPMs are a strong seller not only for Alibaba but for JD.com as well.

As a result, while lockdowns hurt real store sales, this was offset by online sales, which contributed to sales growth. The online channel has become, alongside our store network, a key strength for OMRON.

Next, let us look at operating income forecasts by business segment. Please turn to slide 17.

Operating Income by Business Segment

Expect HCB profits to grow Y/Y

(¥bn, %: OPM)

	FY2019 Actual	FY2020 Plan	Y/Y
IAB Industrial Automation	53.6 (15.2%)	35.0 (11.4%)	-18.6 (-3.8%pt)
EMC Electronic & Mechanical Components	0.9 (1.0%)	0.5 (0.7%)	-0.4 (-0.4%pt)
SSB Social Systems, Solutions & Service	10.9 (9.4%)	5.0 (5.4%)	-5.9 (-4.0%pt)
HCB Healthcare	13.5 (12.1%)	15.0 (13.4%)	+1.5 (+1.3%pt)
Eliminations & Corporate	-24.1	-25.5	-1.4
Total	54.8 (8.1%)	30.0 (5.1%)	-24.8 (-3.0%pt)

* FY2019 figures adjusted to reflect the transfer of the Environmental Solutions business from the Other segment to SSB and the winding down of the Backlight business

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17

Here we show operating income forecasts by segment.

Reflecting the tough sales outlook for each segment, we expect profits to decline, with the exception of HCB, as highlighted in red.

As discussed on the previous page, while many countries imposed lockdowns in response to the COVID-19 outbreak, overall sales benefited from increased online sales. We expect demand for our mainstay BPMs to increase this fiscal year.

This completes the discussion of segment OP.

I recognize that there may appear to be a disconnect between our Q1 operating income of ¥12.5 billion and the full-year forecast of ¥30 billion. The forecast is a reflection of just how tough we think conditions will be from Q2 onward. Our forecasts assume that the bottom for earnings will be either Q2 or Q3, after which profits will gradually recover. Of course, we are not just simply sitting back. As in Q1, if opportunities to grow revenue emerge, we will be proactive.

Currently OMRON generates a high GP margin. As such, topline growth has a significant impact on operating income. We aim to grow the bottom line by growing sales and maintaining our high GP margin.

The final page for the section on FY2020 plan covers our full-year DPS guidance. Please turn to slide 18.

Full-year Dividend Guidance

**Maintain full-year dividend guidance based on DOE target.
DPS guidance at ¥84, unchanged Y/Y**

	FY2019 (Actual)	FY2020 (Forecast)
Full-year Dividend	¥84	¥84

NB. Guidance for interim and year-end dividend TBD

This fiscal year's full-year DPS guidance is ¥84, unchanged Y/Y from FY2019.

As CEO, my objective in managing the business has been to concentrate on enhancing growth capability, profitability and resilience.

Near term, the outlook for the operating environment is unclear, with geopolitical risks like the escalation of tensions between the US and China, and the persistence of the COVID-19 outbreak. However, looking back over the last 9 years, I believe my initiatives have had an impact and have contributed to enhancing corporate value.

Despite the tough conditions, my focus is on managing the business in a well-balanced, lean and nimble manner. Given current conditions, I have chosen to set our full-year DPS guidance at ¥84 in line with our DOE target and unchanged YoY, to demonstrate OMRON's confidence, particularly in its profitability and resilience. I recognize that this implies a dividend payout ratio of roughly 100%. OMRON will continue to focus on maintaining a stable dividend and improving shareholder returns sustainably over time.

This completes the section on our FY2020 plan.

The following pages cover our initiatives as we prepare to take on the challenge of a post-COVID-19 world.



Preparing for Post-COVID-19

Post-COVID-19: Emerging Social Issues

COVID-19 is accelerating the pace of social change. Social issues, business opportunities expected in the future materializing now

Changes in Manufacturing

New reduced labor intensity



Changes in Medicine

Need for remote medical treatment



Changes in Society and Services

Needs for remote and labor-saving solutions for station services



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20

COVID-19 is having a huge impact on human life and the economy, but is also accelerating the pace of social change.

For example, progress to date in new labor-saving efforts through the use of collaborative robots, remote medicine and the emergence of demand for remote and labor-saving solutions for railway stations has been held back by an array of regulations and cost issues. However, driven by the need to prevent the spread of COVID-19, serious consideration is now being given to the immediate implementation of such solutions.

OMRON had expected to see such opportunities emerge in the future but what we are seeing is that these opportunities are materializing now.

Today, I will showcase OMRON's efforts to capture such new opportunities from three perspectives: changes in manufacturing, changes in medicine and changes in society and services.

I will start with changes in manufacturing.

Post-COVID-19: Emerging Social Issues

New, emerging labor-saving needs: Averting 3 C's on the shop floor

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21

COVID-19 has led to restrictions for shop floors. It is not possible to have large numbers of people in the same space. If people are gathered in a contained space, measures to avoid the 3 C's must be implemented. Unlike the automation investments undertaken up to now, which were aimed at reducing costs, we are now seeing new automation needs emerge for the purpose of reducing manufacturing's reliance on a workforce, in order to protect employees' health. Specifically, this new demand for automation is coming from back-end processes that have remained labor-intensive to date, such as assembly, inspection and handling.

To date, there had been significant barriers to the automation of such processes. Separate controllers were required for production lines and robots; moreover, these controllers used completely different programming languages.

Integration to a level that replicates the delicate skill of human workers requires a high level of technological skill and substantial investments. As a result, relative to other parts of the manufacturing process, back-end processes have been the slowest to automate.

OMRON has developed the world's first controller that integrates robot control to provide a solution to such issues.

New Labor-saving Needs

Creating new market with a controller which integrates robotic control to achieve ILOR+S



Labor Saving

Automating delicate processes only possible by human hand through seamless ILOR+S control



World First

Now possible to conduct remote simulations from design and operations to maintenance, using aggregated data



World First

*Regarding "ILOR+S", please refer to P45

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22

On July 31, OMRON is launching the world's first "Robotic Integrated Controller" which delivers a high level of automation by integrating robot control under a single controller. This controller integrates control of both the production line and robots and can replicate delicate and complex tasks heretofore only possible by human resources.

There are 2 major advantages to "Robotic Integrated Controller".

First, it enables the automation of delicate assembly processes only possible by human resources to date. This controller which integrates robot control brings together separate controller processes. It makes it possible to seamlessly control the broad array of equipment necessary for automation, using a single programming language and a single software program.

The second advantage is the integration of the simulation environment for production lines and robots, as the controller aggregates all of the production facility data under one software program. The aggregation of data makes it possible to do all of the simulation work for production line design and advance validation, line operation and maintenance work using a single simulation software program. This means a single engineer will be able to simultaneously ramp up multiple production lines or handle multiple maintenance projects.

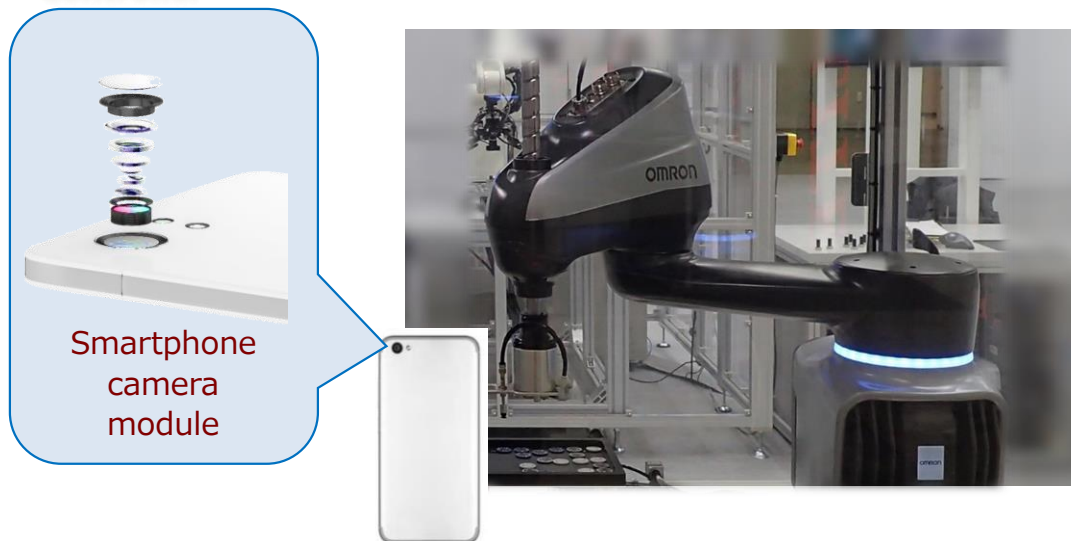
As an example, when a company needs to ramp multiple production lines around the world as a result of the acceleration of local production for local consumption, a highly skilled engineer based at the mother plant would be able to be remotely involved in the development of production lines in other locations.

I will use specific examples to elaborate on these advantages.

I will start with the automation of delicate assembly tasks using one controller.

Automating Delicate Processes Only Possible for Human Hands

Creating solutions that leverage the revolutionary nature of One Controller



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23

This is an example of the assembly of a camera module for a smart phone.

A camera module consists of miniature lenses and unit components. Assembly requires micron-level precision and alignment, only achievable through a subtle balance of force. The continued migration to ever higher performance levels for cameras has necessitated the use of multiple lenses, significantly raising the degree of difficulty associated with assembly. Only the most experienced operators were capable of this task.

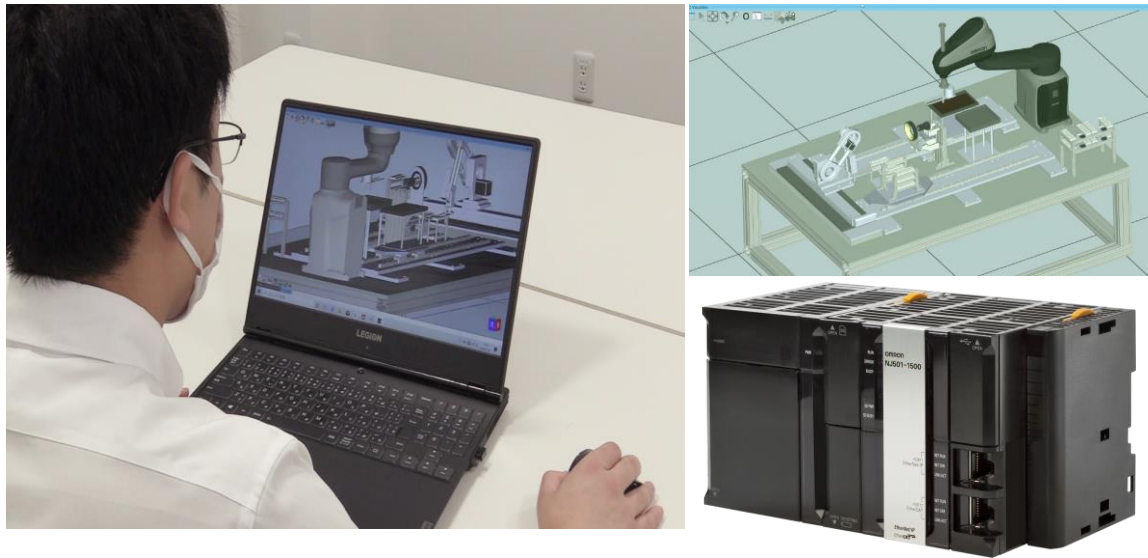
Our world first Robotic Integrated Controller integrates control for various sensors, servomotors and robots under a single controller. OMRON is the first in the world to achieve automated assembly of miniature components only possible by hand until now.

OMRON's focus on elevating its integrated control technology is now finding applications in new social needs sparked by post-COVID-19 demand.

Next, I will discuss the innovation in production technology engineering that will be made possible by the integrated controller and the aggregation of production equipment data.

I have a 1 minute video I would like to share with you.

One Software: Leveraging Aggregated Data to Enable Simulations



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24

The video you are seeing is of a production engineer designing a new production line using the Robotic Integrated Controller's simulator.

By aggregating the data for all of the equipment in the Robotic Integrated Controller, it is possible for the engineer to design a production line without having to be on site, a revolutionary innovation.

Furthermore, as you can see, the integrated controller makes it possible for the production engineer to conduct utilization level checks and kaizen work on a line in a different location by allowing the engineer to collect the relevant data remotely.

It is also possible to replicate the actions of all of the equipment on a production line in a single simulator. This makes it possible for the production technology engineer to work with engineers on site around the world, communicating through the simulator without leaving the mother plant. This makes it possible to significantly reduce the time required to resolve an issue.

For the manufacturing industry, the shortage of not just operators but production technology engineers is a serious issue. Through the launch of the integrated controller solution, OMRON aims to address this social issue.

This completes the discussion of the factory automation example.

Post-COVID-19: Emerging Social Issues

**Changes in
Manufacturing****New reduced labor
intensity****Changes in
Medicine****Need for remote
medical treatment****Changes in
Society and
Services****Needs for remote
and labor-saving
solutions for
station services**

Next, I will address Changes in Medicine.

I will discuss the need for remote medicine and diagnostic services but will start with a review of the strengths of OMRON's HCB business as we prepare for the post-COVID-19 period.

Please turn to slide 26.

OMRON Strengths: Focusing on Post-COVID-19 Opportunities

Leveraging OMRON's dominant strengths to create new businesses aligned for a post-COVID-19 world



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26

OMRON has a global share of 50% in home-use BPMs. Annual sales volume is 21.5 million units. This is OMRON's greatest strength in HCB. This dominant share is supported by the 600,000 retailers in 120 countries around the world. HCB is also seeing an increase in online sales, and is expanding its global online coverage.

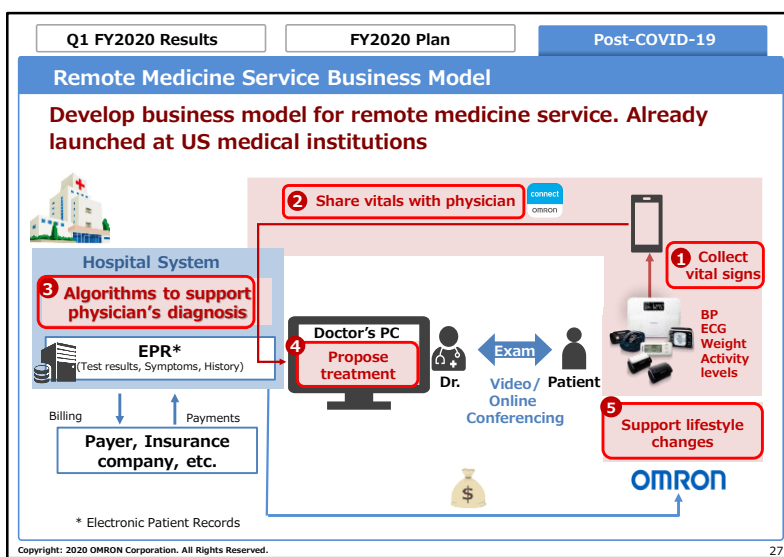
In FY2016 we launched OMRON connect, an app that records BP readings and supports visualization. Total downloads exceed 1.9 million. This data is being leveraged in many apps around the world, through collaborations with service providers.

This activity is rated highly by medical practitioners around the world and has contributed significantly to improved brand recognition.

Leveraging this strong brand recognition and customer base, OMRON has been developing a business model over the last few years to support remote medicine, in collaboration with its partners.

The COVID-19 outbreak is accelerating the adoption of remote medicine in response to the rising risk of hospital infections amongst medical practitioners and patients.

I will now explain the remote diagnostic service business model designed to tap into this demand.



This slide shows the overall framework for the remote diagnostic service, depicting the interactions between patients and their physician.

I will explain the five steps of the process in order, as shown on the slide.

We start on the right with step 1, in which patients use BPMs, ECGs and other devices to capture vital sign readings which are automatically transmitted to the patient's smart phone.

In step 2, the OMRON connect app makes it possible to directly transmit the collected vital sign data to the patient's electronic patient records.

In step 3, the collected data is analyzed using OMRON's algorithms and the results presented to the doctor in a format that facilitates the diagnostic process.

In step 4, the results of the analysis in step 3 are displayed on the physician's PC, indicating the available treatment options.

The vertical integration of steps 1 through 4 as a single service is a key strength for OMRON.

In step 5, the service also provides support to patients based on the analysis to ensure they continue with the treatment plan and to encourage beneficial lifestyle changes.

The service is already in use, using this model. In June, we launched a trial of the remote diagnostic service targeting hypertension patients at Mount Sinai Hospital, a top-class hospital based in New York.

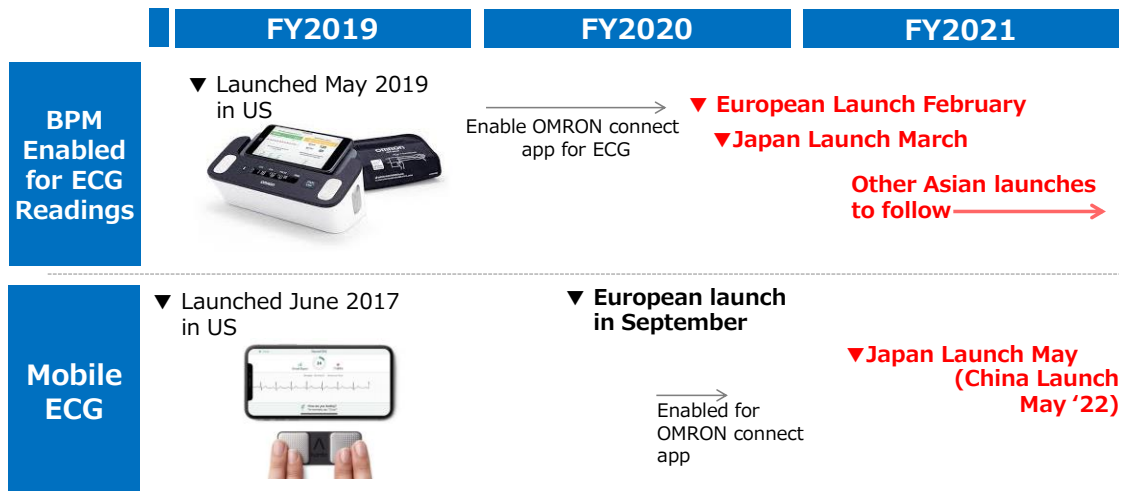
The service has already been approved for Medicare. Medical institutions using this model where physicians remotely monitor hypertension patients' blood pressure home readings will receive \$64 per month per patient. OMRON will receive a share of this revenue.

The service will be officially launched in the US in August.

We will accelerate the rollout of this remote diagnostic service based on this business model going forward, to not only other locations in the US but Europe and Japan as well.

Global Expansion of ECG Devices: Accelerating Remote Medicine

**Expand BPM enabled for ECG and mobile ECG businesses.
Establish concept of home readings for ECG**



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28

This slide shows the launch schedule for new products that will be key to accelerating take-up of the remote diagnostic service.

We featured the BPM enabled for ECG at the results briefing in April of this year. The product was first launched in the US in 2019. We are now preparing to expand to other countries. Cumulative unit sales have already exceeded 10,000 units.

We will launch in Europe in February 2021, to be followed with the Japan launch in March 2021. From April 2021 onward, we are also looking at launches for China and other parts of Asia. In all cases, we will secure regulatory approval to sell the product as a medical grade device that can be used in a hospital setting.

With regard to the mobile ECG, we will launch in Europe in September 2020, with Japan to follow in FY2021 and China in FY2022. We continue to make good progress with both of these products around the world.

We will continue to focus on accelerating the take-up of the remote diagnostic service by boosting global penetration of home-use BPMs enabled for ECG and mobile ECGs and through partnerships in countries around the world.

Post-COVID-19: Emerging Social Issues

Changes in
ManufacturingNew reduced labor
intensityChanges in
MedicineNeed for remote
medical treatmentChanges in
Society and
ServicesNeeds for remote
and labor-saving
solutions for
station services

I have touched upon our initiatives for a post-COVID-19 world for FA and HCB.

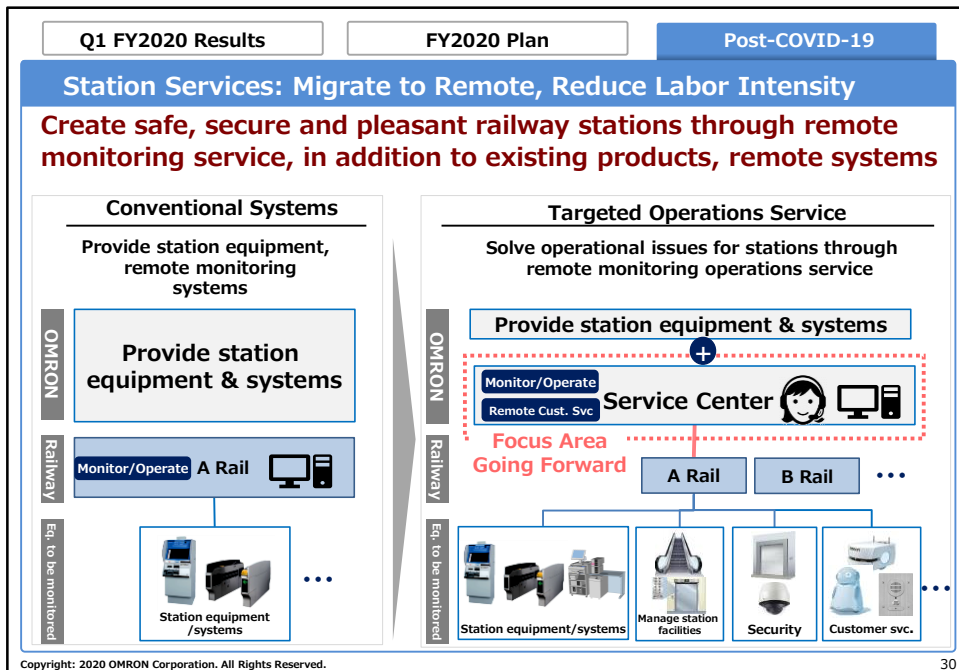
I will now highlight our initiatives in SSB. Please turn to slide 29.

This domain, one of OMRON's 3 focus domains, is also seeing significant change as a result of the COVID-19 outbreak.

These are changes in society and services.

I feel this is a good opportunity to discuss an example of a solution for a new social issue: the shift to remote solutions for station services and initiatives to reduce labor intensity.

Please turn to slide 30.



We describe the evolution of railway station remote monitoring services on this slide.

Currently, OMRON offers railway station-use remote monitoring systems as a part of its social solutions business and commands a high market share.

As shown on the left hand side of the slide, the current remote monitoring system business consists of OMRON selling station service equipment and systems to railway companies. The railway companies operate the equipment and monitoring systems themselves. However, the current remote monitoring service only covers a subset of station operations, limiting the contribution to reducing labor.

Going forward, OMRON will focus on tapping into the outsourcing needs of the railway companies. As shown on the right hand side of the slide, OMRON proposes to not only offer station service equipment but also offer a station operation service in which an OMRON service center takes on station operations including onsite customer service and security. Through this service, we aim to both aid our customers in reducing labor and contribute to safe, secure and pleasant station experiences.

We have already started to offer this service to some railway operators. In future, we aim to provide remote station operation services to all of our railway customers. We aim to transform our business structure. Our objective is to achieve sales growth by moving away from simply selling products outright to accelerating our focus on service businesses.

This completes my discussion of the 3 specific post-COVID-19 initiatives for OMRON.

In Conclusion

OMRON's Fundamental Purpose

**Continue to contribute to
society through the
creation of social value**

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31

Finally, I would like to share my thoughts on our management stance for FY2020 and beyond.

The prolonged, global outbreak of COVID-19 has served to highlight society's pressure points such as climate change, unequal access to medical treatment and geopolitical risks.

Amidst a situation where society's need to transition to a more sustainable system is increasingly acute, I feel keenly the importance of returning to OMRON's fundamental purpose and role.

OMRON's fundamental purpose is to continue to contribute to society through the creation of social value.

This is exactly aligned with our commitment to living the OMRON Principles.

At a time when COVID-19 is exposing society's weak points, I believe it is important to accelerate the transformation of our business to create new social value, without being bound by the existing business framework and by fearlessly challenging ourselves to transform our business models.

The business model transformation highlighted earlier, the HCB remote diagnostic service, is a true example of how we propose to transform our business.

OMRON has sold BPMs on a global basis, and has succeeded in establishing home blood pressure measurement as a key standard.

Despite this, we have continued to see an increase in fatalities and severe complications as a result of strokes and myocardial infarctions owing to hypertension.

The single biggest cause of this trend is the aging of the world's population. As a consequence, national medical expenses continue to rise.

In other words, selling BPMs is not enough to eliminate cerebral and cardiac events or optimize medical expenditures.

In Conclusion



OMRON Healthcare is Going for Zero.
We aim to eliminate cerebral and cardiac events,
such as stroke or heart attacks,
that can lead to fatalities or being bedridden.

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32

This is why HCB is focused on its goal of Going for Zero. OMRON is transforming its healthcare business by moving beyond simply selling BPMs, to focusing on remote diagnostic services in alignment with the evolution of medical systems around the world.

OMRON is seriously committed to fully eliminating cerebral and cardiac events.

The Robotic Integrated Controller and remote station management services highlighted today are examples of solutions to the social issue of a shortage of workers in either manufacturing or railway stations.

These are also examples of OMRON creating new social value and taking on the challenge of solving social issues highlighted by COVID-19 by transforming its businesses.

In Conclusion**OMRON's Fundamental Purpose**

**Continue to contribute to society through
the creation of social value**

Management Stance for FY2020 - 2021

**Accelerate business transformation in
preparation for a post-COVID-19 world**

Under conditions where society increasingly needs to transition to a more sustainable system, it behooves companies to take up the challenge of transforming themselves. I believe this requires immediate action.

To ensure that OMRON will come out on top in the new normal of the post-COVID-19 world, my focus in FY2020 and FY2021 will be to accelerate the transformation of our business by returning to our fundamental longer-term purpose.

I am confident that OMRON can successfully establish itself as a company necessary to society in the post-COVID-19 new normal. OMRON is poised to capture new opportunities for growth.

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

This completes my presentation. Thank you.

OMRON

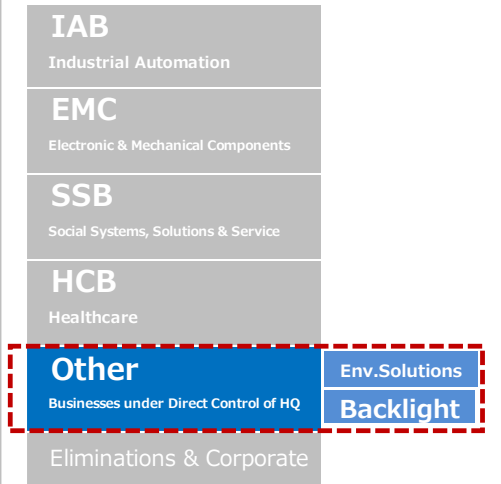


Reference

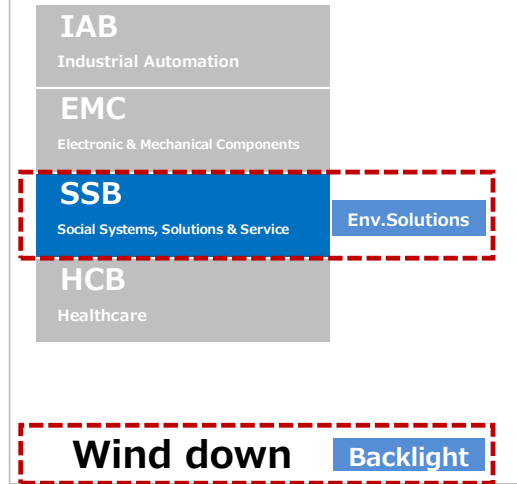
Segment Changes

Eliminating Other segment: Environmental Solutions business transferred to SSB, winding down Backlight business

Up to FY2019



From FY2020



Consolidated Balance Sheet

	End-March 2020	End-June 2020	Q/Q
			(¥bn)
Current assets	447.1	434.6	-12.6
(Cash and cash equivalents)	(185.5)	(195.9)	(+10.4)
(Inventory)	(104.3)	(109.7)	(+5.4)
Property, plant and equipment	114.5	111.8	-2.7
Investments and other assets	196.5	196.2	-0.3
Total assets	758.1	742.6	-15.5
Current liabilities	151.3	129.0	-22.3
Long-term liabilities	74.2	73.1	-1.2
Total Liabilities	225.5	202.0	-23.5
Shareholders' equity	530.4	538.6	+8.2
Noncontrolling interests	2.2	2.0	-0.2
Total net assets	532.6	540.6	+8.0
Total Liabilities and net assets	758.1	742.6	-15.5
Equity ratio	70.0%	72.5%	+2.5%pt

Consolidated Statement of Cash Flow

(¥bn)

	Q1 FY2019 Actual	Q1 FY2020 Actual	Y/Y
Operating cash flow	17.2	27.5	+10.3
Investment cash flow	-6.3	-4.6	+1.6
Free cash flow (FCF)	10.9	22.9	+12.0
Financing cash flow	-8.8	-11.3	-2.6
Cash and cash equivalents as of end of period	110.3	195.9	+85.5
Capital expenditure	5.6	3.9	-1.6
Depreciation	6.0	6.0	-0.0

FY2020 Forex Assumptions

	FY2020 Assumptions for 2Q and beyond	Impact of ¥1 move (full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	106円	¥1.3bn	¥0.1bn
EUR	120円	¥0.8bn	¥0.4bn
RMB	15.0円	¥0.7bn	¥0.1bn

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

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

ESG Indices which include OMRON

- ✓ DJSI – World **3rd consecutive year**
- ✓ FTSE4Good Index Series **3rd consecutive year**
- ✓ MSCI ESG Leaders Indexes **4th consecutive year**
- ✓ MSCI SRI Indexes **3rd consecutive year**
- ✓ STOXX Global ESG Leaders indices **4th consecutive year**
- ✓ FTSE Blossom Japan Index **4th consecutive year**
- ✓ MSCI Japan ESG Select Leaders Index **4th consecutive year**
- ✓ MSCI Japan Empowering Women Index **4th consecutive year**
- ✓ S&P/JPX Carbon Efficient Index **2nd consecutive year**

MEMBER OF
**Dow Jones
Sustainability Indices**

In collaboration with



FTSE4Good



2019 Constituent
MSCI ESG
Leaders Indexes



FTSE Blossom
Japan



MSCI Japan ESG
Select Leaders Index



MSCI Japan Empowering
Women Index (WIN)



* OMRON discloses information and contributes to numerous external surveys for ESG assessment organizations, including the CDP Climate Change & Water Security questionnaires.
FY2019 Assessment: Climate Change 'A-', Water Security 'B'



External Recognition (As of July 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

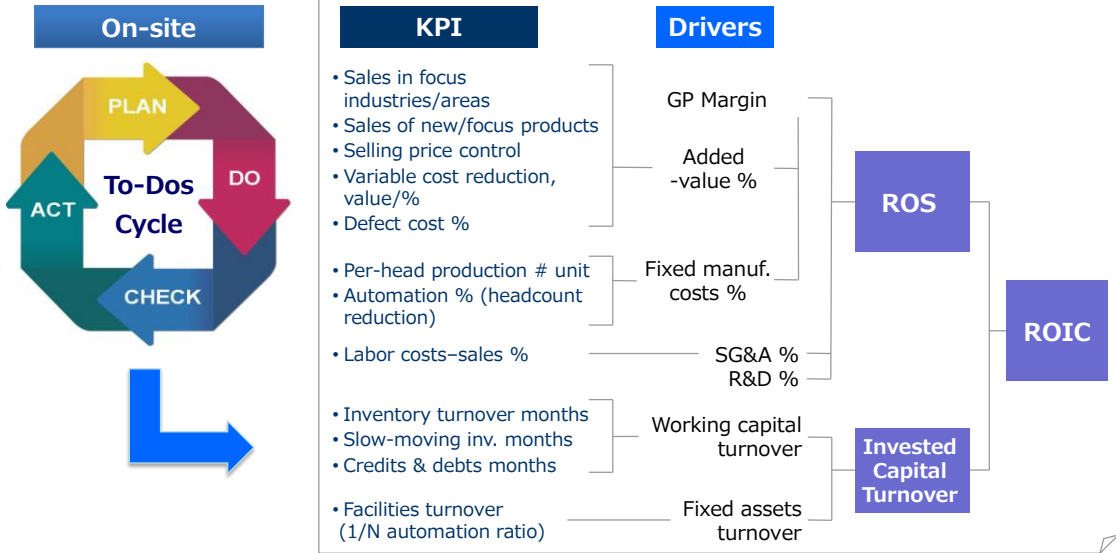
- ✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**
- ✓ Nadeshiko Brand **3rd consecutive year from FY2017**
- ✓ Health & Productivity Stock **2nd consecutive year from FY2018**
- ✓ Health & Productivity: White 500 **4th consecutive year from FY2016**



Selected by Nikkei Inc.

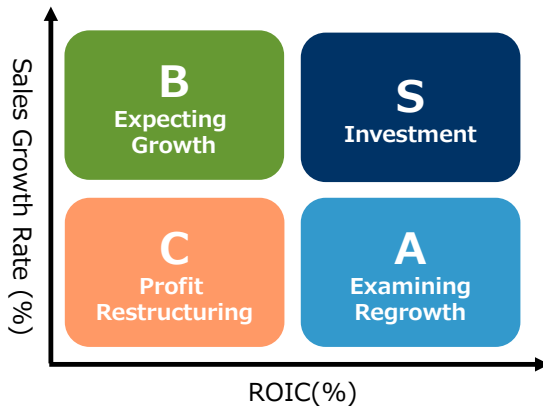
- ✓ Nikkei 225 **March 2019, 1st time**

Down-Top ROIC Tree

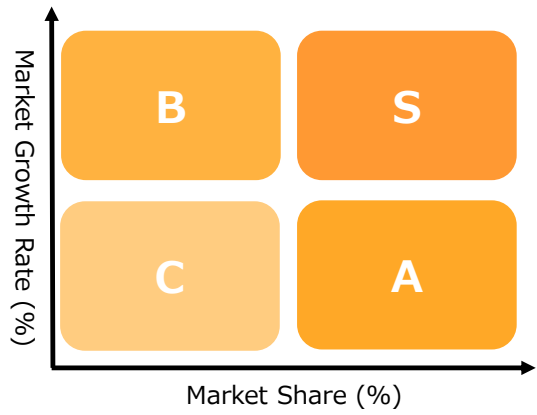


Portfolio Management

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	

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

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**

Broad lineup of over 200,000 products
x as many as 170 control applications software generation





Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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