FY2020 H1 Earnings
Ended September 30, 2020

Oct. 29, 2020
OMRON Corporation

Good afternoon, everyone.
I am CFO Koji Nitto.
Thank you for taking the time out of your busy schedules to participate in the Q2 FY2020 Results Briefing for OMRON Corporation. To prevent the spread of COVID-19, we have once again chosen to host a virtual briefing.

As usual, the briefing will begin with my presentation, to be followed by a Q&A session. We aim to take as many questions as possible.
Today’s presentation materials are available on our website. For those of you participating on Zoom, the materials will displayed on your screens.

I will start with a summary of the key highlights on slide 1.

Summary

■H1 FY2020 Results

- Sales, operating profit exceed Q1 forecasts despite tough environment
- GP margin continues to improve. Fixed cost discipline in line with plan. Excluding forex impact, profits up Y/Y
- Both IAB and HCB outperform expectations: IAB by capturing Digital demand in China and South Korea, HCB by successfully capturing COVID-19 demand

■Full-year Forecasts

- Revising up full-year sales and OP forecasts based on H1 results
- Expect overall H2 outlook to remain tough; prospects by region/industry mixed
- Fully committed to executing fixed cost cut plan; additional growth investments to be undertaken selectively

■HCB Growth Strategy: Preparing for Post-COVID-19

- Expanding BPM, Remote Medical Service initiatives to achieve Zero Events
- Progress on regional expansion of Remote Medical Service through partnerships

These are the 3 key highlights for today's presentation.

The first is the H1 FY2020 results. While the H1 operating environment was challenging throughout, we were able to beat the sales and operating profit forecasts announced as of Q1. We had expected Q2 to be the bottom for sales but Q2 sales exceeded our expectations.
In addition, the GP margin improved Y/Y and we were able to reduce fixed costs in line with our plan. As a result, if we exclude the forex impact, profits improved Y/Y.
By segment, both IAB and HCB were able to substantially exceed our assumptions, with IAB supported by Digital-related demand from China and South Korea, and HCB supported by COVID-related demand.

Next is our FY2020 full-year forecasts. Based on our H1 results, we are revising up our full-year forecasts for sales and operating profit. We have raised our operating profit forecast from the previous ¥30 bn to ¥40 bn.
While our view of the overall operating environment is cautious, the outlook for individual regions and industries is mixed. That said, we do expect capex conditions will continue to be tough. Elements of uncertainty remain given the resurgence of COVID-19 infections in Europe and increasingly fraught trade tensions between the US and China. However, conditions are improving in some regions and industries. This is the backdrop to our new forecasts.
We will concentrate on capturing demand to drive sales growth. We will undertake additional growth investments we consider necessary for sales growth going forward, but will be rigorously selective in evaluating investments. We remain committed to executing on our plan to reduce fixed costs by ¥20 billion.

Finally, I will discuss the progress we are making on our Zero Events initiative, HCB's growth strategy which looks toward a post-COVID-19 world.

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H1 Results

H1 Results | Full-year Forecast | HCB Growth Strategy

H1 Results

Exceed Q1 forecasts despite tough environment. Profits up if forex impact excluded. GP margin continues to improve

(¥bn)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
Net Sales	330.2	301.3	-8.8%
Gross Profit (%)	148.8 (45.0%)	136.4 (45.3%)	-8.3% (+0.2%pt)
Operating Income (%)	25.7 (7.8%)	24.7 (8.2%)	-3.9% (+0.4%pt)
Net Income	22.4*	19.2	-14.5%
1USD (JPY)	109.2	106.9	-2.3
1EUR (JPY)	122.0	120.9	-1.1
1RMB (JPY)	15.9	15.2	-0.7

Excluding forex impact +7.6%

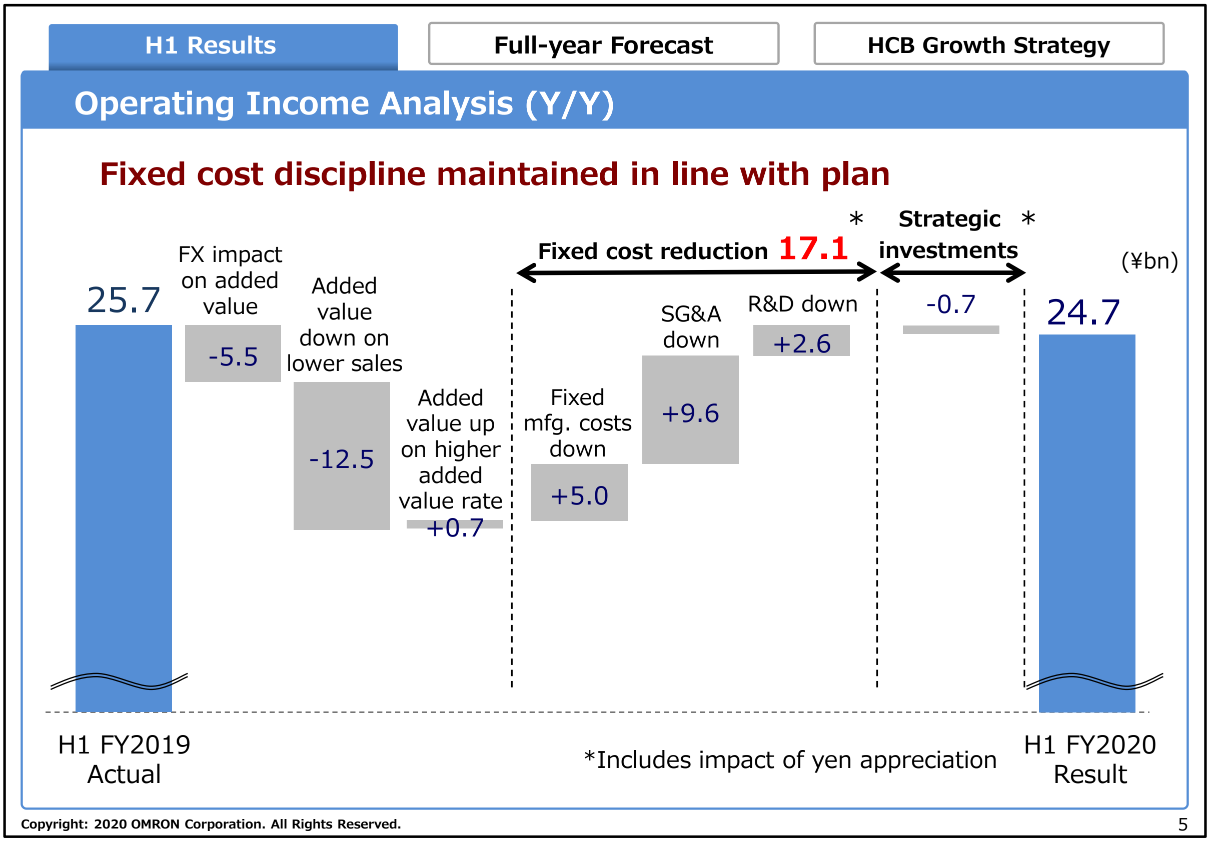
*H1 FY2019 Net Income excludes Quarterly Net Loss from Discontinued Operations. If Quarterly Net Loss from Discontinued Operations is included, Net Income would be ¥19.1bn

This slide shows the H1 results.

Sales were ¥301.3 bn, gross profit was ¥136.4 bn for a GP margin of 45.3%, operating profit was ¥24.7 bn and net income was ¥19.2 bn. While the operating environment remained challenging over the first half of the fiscal year, we were able to achieve sequential growth in sales, despite our previous expectation that Q2 would be the bottom. Sales came in ahead of our expectations on firm demand from the Digital industry and the benefits from the growth investments made to date.

Notably, we were also able to raise our GP margin by 0.2%-points Y/Y. The improvement reflects the impact of restructuring, such as the winding down of the Backlight Business, variable cost reductions, ongoing efforts to optimize the business portfolio, and a shift to solutions and services. We continue to make solid progress in improving our ability to generate profits.

As a result of all of the above, operating profit excluding the negative forex impact grew 7.6% Y/Y, supported by the higher GP margin and fixed cost cuts.



This is the waterfall chart for Y/Y changes in components of operating income.

On the far left, we show H1 FY2019 OP of ¥25.7 bn.
The negative impact of forex on added value was ¥5.5 bn. The decline in sales depressed added value by ¥12.5 bn. Despite this, we were able to improve the added value ratio Y/Y, for a positive contribution of ¥0.7 bn.
We reduced fixed costs by ¥17.1 bn in H1, through cuts to manufacturing fixed costs as well as substantial reductions to SG&A. On R&D spending, we reassessed the content of our plans, making dynamic adjustments. As a result, in H1 we achieved roughly 80% of our initial full-year target to reduce fixed costs by ¥20 bn.
We note that as indicated at the results briefing in July, we increased strategic investments, primarily for IT, by ¥0.7 bn.

H1 Results | Full-year Forecast | HCB Growth Strategy

Sales by Business Segment

HCB sales up on higher BPM and thermometer sales

(¥bn)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
IAB Industrial Automation	177.9	164.9	-7.3%
EMC Electronic & Mechanical Components	45.9	38.8	-15.4%
SSB Social Systems, Solutions & Service	46.4	37.4	-19.4%
HCB Healthcare	54.6	57.5	+5.3%
Eliminations & Corporate	5.4	2.6	-51.3%
Total	330.2	301.3	-8.8%

*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.

This is the segment breakout for sales.

Reflecting the challenging environment, IAB sales fell 7.3% Y/Y. However, although the overall operating environment was tough, we were able to capture firm Digital industry demand. Sales growth in China and South Korea was significantly higher than we expected as of Q1. We were also able to capture opportunities that emerged globally during the COVID-19 outbreak. These contributed to an overshoot of our previous forecasts. I will explain in more detail on the next slide.

Tough market conditions for Automotive persisted at EMC and sales fell Y/Y.

SSB sales fell, reflecting the challenging environment for our customers as a result of COVID-19 which is now constraining their ability to undertake capex investments.

HCB benefited from efforts to date to expand our online channel. As a result of COVID-19 which drove a rising recognition of the importance of personal protective measures amongst individuals with primary conditions, BPM sales were strong on a global basis. Increased production capacity for thermometers also contributed to higher sales. I will go into more detail on this later as well.

IAB Sales Growth by Region

Greater China and South Korea sales up on continued success in capturing Digital demand

H1 FY2020
IAB Sales Growth by Region
(Y/Y, local currency basis)

Japan	Americas	Europe	Greater China	SE Asia/Other	
				Ex-S. Korea	S. Korea
-12%	-12%	-15%	+19%	-15%	+17%

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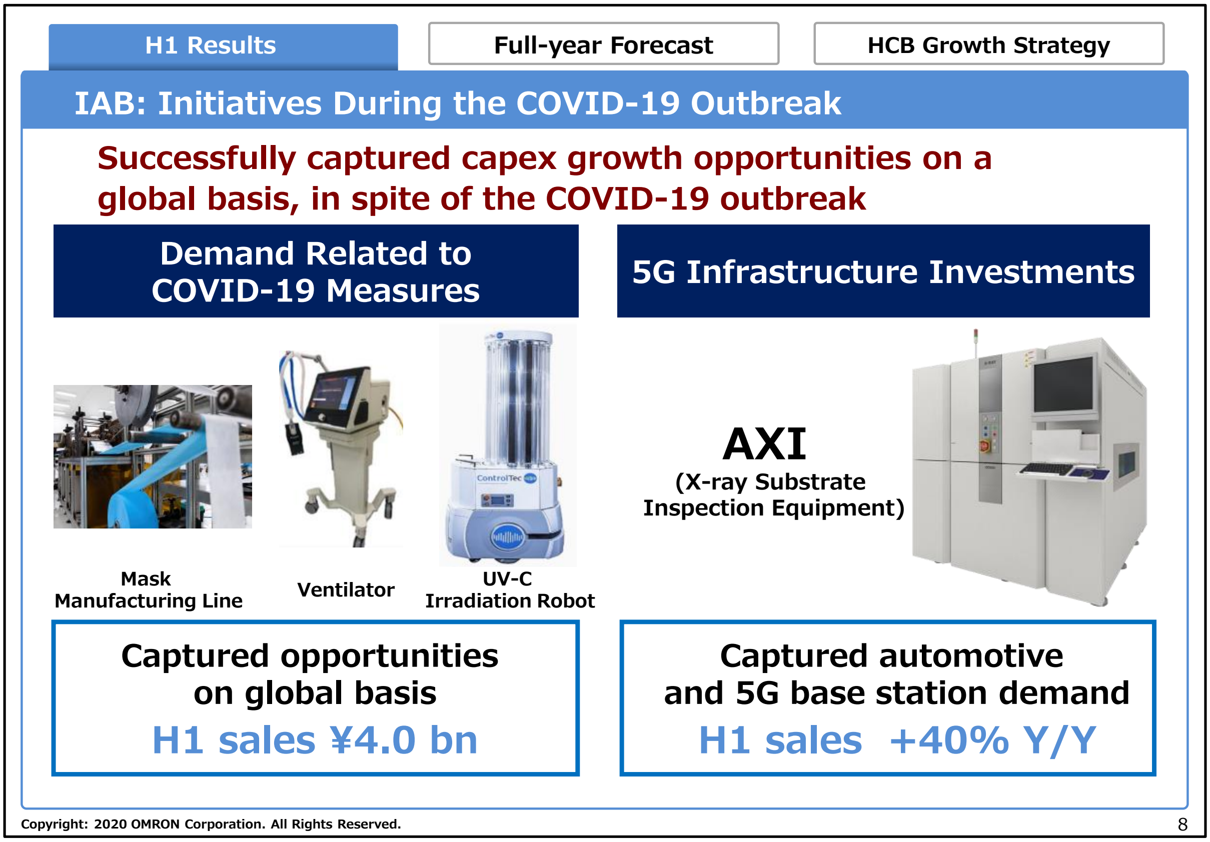
This table shows the Y/Y comparison for IAB sales by region on a local currency basis.

As you can see, while conditions were tough for Japan, the Americas, Europe and SE Asia, we achieved double-digit growth in China and South Korea.

In China, auto industry capex for conventional gasoline engine vehicles was weak. However, in contrast, OMRON was able to capture demand and grow sales in industries where activity is picking up, such as smart phones, rechargeable batteries, and 5G within the Digital domain, EV-related within the Automotive domain, photovoltaic panels, and air conditioning control within public infrastructure.

In South Korea, semiconductor-related capex remained firm.



IAB is capturing markets that are growing globally during COVID-19.

The first area relates to demand driven by COVID-19 measures. Throughout H1, OMRON was able to capture opportunities related to production lines for masks and PPE, ventilators and UV-C irradiation robots. We were able to apply our successes in China to Europe and other regions around the world, enabling us to generate roughly ¥4 bn in sales in H1.

The second area is 5G infrastructure investments. OMRON was able to capture 5G infrastructure investment with AXI, our X-ray substrate inspection equipment, achieving 40% growth. To date, AXI sales had come primarily from automotive-use electronic substrate inspections, which require an extremely high level of quality control. Social infrastructure-related demand from 5G base stations and data servers, which also require a similarly high level of quality control, is rapidly rising. OMRON has been able to successfully tap into this demand.

I will now discuss our COVID-19 initiatives in HCB.

HCB: Responding to Rising Demand for Thermometers

Rapid capacity expansion drove strong sales growth.
Preparations for further demand increases already in place

H1 FY2020 Thermometer Sales Growth (Y/Y)

Dalian Plant, China

Large-scale capacity expansion

Matsusaka Plant, Japan

Production started in October

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In HCB, there was a surge in demand for thermometers as a part of response measures for COVID-19. OMRON achieved a dramatic 80% YoY growth in H1 sales on a global basis. OMRON moved swiftly to expand capacity at its Dalian plant in China. The sales growth reflects the contribution from expanded capacity.

We have also started production at the Matsusaka plant in October and are prepared for further increases in demand. We have also expanded our product lineup in thermometers, as we aim to grow sales further.

H1 Results | Full-year Forecast | HCB Growth Strategy

Operating Income by Business Segment

HCB profits up significantly

(¥bn, %:OPM)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
IAB Industrial Automation	27.6 (15.5%)	26.4 (16.0%)	-1.2 (+0.5%pt)
EMC Electronic & Mechanical Components	0.7 (1.5%)	0.3 (0.8%)	-0.3 (-0.6%pt)
SSB Social Systems, Solutions & Service	1.9 (4.0%)	-1.2 (-)	-3.0 (-)
HCB Healthcare	6.9 (12.6%)	10.6 (18.5%)	+3.7 (+5.8%pt)
Eliminations & Corporate	-11.3	-11.4	-0.1
Total	25.7 (7.8%)	24.7 (8.2%)	-1.0 (+0.4%pt)

Y/Y +¥0.8bn (Local currency basis)

Y/Y +54%

*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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Operating income by segment is as shown here.

IAB reported a decline in profits, but if the forex impact is excluded, profits rose ¥0.8 bn Y/Y.

HCB achieved a substantial ¥3.7 bn Y/Y increase in profits. This represents a 54% Y/Y increase. It is the result of our efforts to date to expand our online channels and build up our production framework, which allowed us to respond rapidly to the increase in demand for BPMs and thermometers.

This completes the section on H1 results.

I will now discuss our full-year forecasts.

Full-year Forecasts

H1 Results | **Full-year Forecast** | HCB Growth Strategy

H2 Business Environment by Segment

Tough overall operating environment but outlook mixed depending upon region and industry

IAB Industrial Automation	Automotive: Auto sales down on COVID-19; expect capex to remain weak Digital: Investments paused primarily in China and S. Korea but underlying trend firm Food & bev.: Continued macro impact but COVID-19-related demand supportive. Gradually recovering Social infrastructure: Flat Y/Y overall on government stimulus measures despite COVID-19 impact
EMC Electronic & Mechanical Components	Consumer: Recovery continues in Americas and China, where recovery relatively early. Expect gradual recovery in Europe and Asia Automotive: Auto sales improving on global basis but weak trend likely to continue on full-year basis
SSB Social Systems, Solutions & Service	Station sys.: Capex appetite increasingly in decline; demand to be weak Transport: Expect firm replacement demand to continue Energy: Restart of sales 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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Our overall view of the H2 operating environment is that the situation will remain tough. However, conditions in some regions and industries have been improving, so the overall picture is mixed.
Against this backdrop, I will explain the outlook for each of our segments.

For IAB, we expect a prolonged impact from customers limiting capex spending. On the back of falling auto sales, the auto industry expects capex spending, particularly for gasoline engine vehicles, to remain weak. In Digital, there will be a pause in investments, primarily in China and South Korea, but we expect the underlying trend to remain firm. In China in particular, we are seeing increased signs of an overall recovery, reflecting increasing investments to support the development of a home-grown semiconductor industry, and government support for infrastructure investments.

For EMC, we assume a gradual recovery for Consumer but expect Automotive to remain weak.

For SSB, we expect railway-related capex will remain limited.

For HCB, we expect to see demand on the back of a rising global awareness of health management triggered by COVID-19, and a gradual recovery in domestic and overseas store sales.

We revised our forecasts based on these assumptions.

H1 Results | Full-year Forecast | HCB Growth Strategy

FY2020 Forecast

Revised full-year forecasts. Expect GP margin to improve Y/Y

(¥bn)

	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	Y/Y
Net Sales	590.0	620.0	+5.1%	678.0	-8.6%
Gross Profit	264.5	279.5	+5.7%	303.7	-8.0%
(%)	(44.8%)	(45.1%)	(+0.3%pt)	(44.8%)	(+0.3%pt)
Operating Income	30.0	40.0	+33.3%	54.8	-27.0%
(%)	(5.1%)	(6.5%)	(+1.4%pt)	(8.1%)	(-1.6%pt)
Net Income	16.5	24.0	+45.5%	39.2	-38.8%
1USD (JPY)	106.5	105.9	-0.6	109.1	-3.2
1EUR (JPY)	119.6	122.5	+2.9	121.2	+1.3
1RMB (JPY)	15.0	15.2	+0.2	15.7	-0.5

* FY2019 Net Income excludes Net Income from Discontinued Operations.
If Net Income from Discontinued Operations is included FY2019 Net Income would be ¥74.9bn

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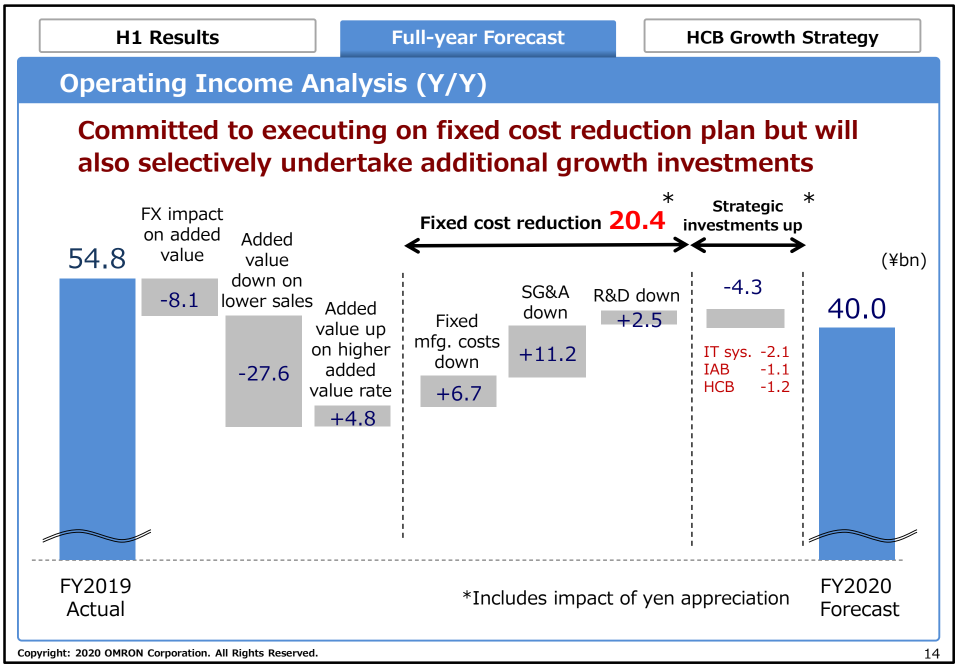
These are our FY2020 full-year forecasts.
Based on our H1 results, we have revised up our full-year forecasts.

Our new forecasts are: ¥620bn in sales, ¥279.5 bn in gross profit for a GP margin of 45.1%, operating profit of ¥40 bn and net income of ¥24 bn.

We expect the GP margin, the most important metric in assessing our ability to generate profits, to improve 0.3% points Y/Y.



This is a Y/Y comparison of our operating profit guidance. There are 3 key points I would like to make on this slide.

The first point is that despite a falling topline, we will increase added value through improvements to the added value ratio. The forex impact on added value is a negative ¥8.1 bn. The fall in sales will depress added value by ¥27.6 bn. However, we expect added value to increase by ¥4.8 bn on Y/Y improvements to the added value ratio.

The second point is our firm commitment to achieving ¥20 bn in fixed cost reductions, as initially planned. That said, the magnitude of cost reductions will be smaller relative to H1. This is because we will be stepping up the intensity of our activities in H2.

The third point is our decision to execute on ¥4 bn in additional, rigorously selected growth investments. Specifically, in addition to company-wide strategic investments, primarily for IT, we will also increase investments for IAB and HCB in anticipation of post-COVID-19 growth.
For IAB, the additional investments will be focused on improving the R&D environment and strengthening technology development. For HCB, we will make additional investments to grow sales in India and expand the Remote Medical Service business. OMRON's intention is to invest to grow sales not only in H2 but in FY2021 and beyond.

H1 Results | **Full-year Forecast** | HCB Growth Strategy

Sales by Business Segment

Sales forecasts for IAB, EMC and HCB revised up

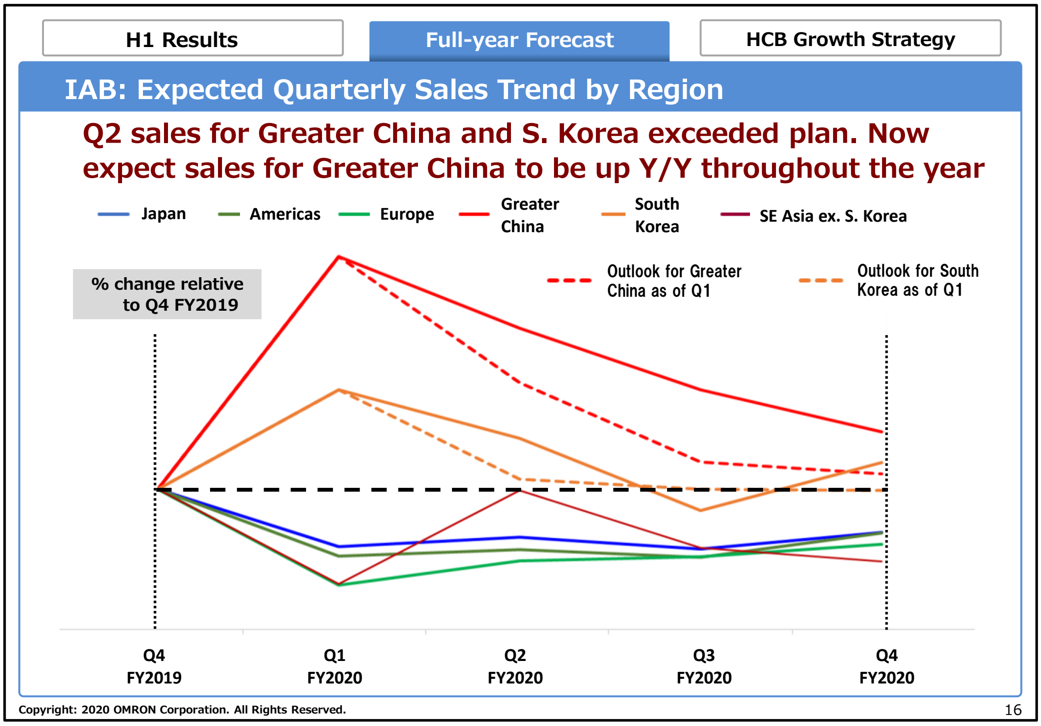
(¥bn)

	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	Y/Y
IAB Industrial Automation	307.0	322.0	+4.9%	352.8	-8.7%
EMC Electronic & Mechanical Components	76.0	81.0	+6.6%	88.4	-8.3%
SSB Social Systems, Solutions & Service	93.0	93.0	±0.0%	116.0	-19.8%
HCB Healthcare	112.0	119.0	+6.3%	112.0	+6.3%
Eliminations & Corporate	2.0	5.0	-	8.9	-43.5%
Total	590.0	620.0	+5.1%	678.0	-8.6%

*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

This is the segment breakout for the sales forecasts.

Based on H1 results, we have raised our full-year sales forecasts for IAB, EMC and HCB.



This is a chart depicting IAB sales trends by region.
We show the change in quarterly actuals and forecasts for FY2020, relative to Q4 FY2019 levels. There was a significant gap between Q2 results and our previous forecasts for China and Korea. I will explain each individually.

I will start with China, where the magnitude of the gap was largest. The red dotted line shows our forecast as of Q1. We had assumed there would be a substantial decline from Q2 onward, after the Q1 peak. In actual fact, the Q2 level was stronger than we had expected. In addition, we now expect a moderation in the magnitude of declines for Q3 onward. China has been the earliest to recover from COVID-19 and the market is now seeing rapid growth. Specifically, by firmly tapping into demand for rechargeable batteries in the Digital domain, EVs in the Automotive domain, and photovoltaic panels, we now expect China to report positive Y/Y sales growth for all 4 quarters. We expect to hit a new record high for China sales in FY2020.
We note that on a H/H comparison, optically H2 will look weaker than H1 but this is in line with typical seasonality as seen in the past.

The orange dotted line shows our outlook for South Korea as of Q1. Similar to China, we had expected declines from Q2 onward, after the peak in Q1. In fact Q2 was stronger than we expected, partly as a result of some pull-forwards from Q3. We expect H2 will be depressed as a result of the pull-forwards.

We expect negative Y/Y trends for all other regions.

H1 Results | **Full-year Forecast** | HCB Growth Strategy

Operating Income by Business Segment

Upward revisions primarily focused on IAB, HCB

(¥bn, %:OPM)

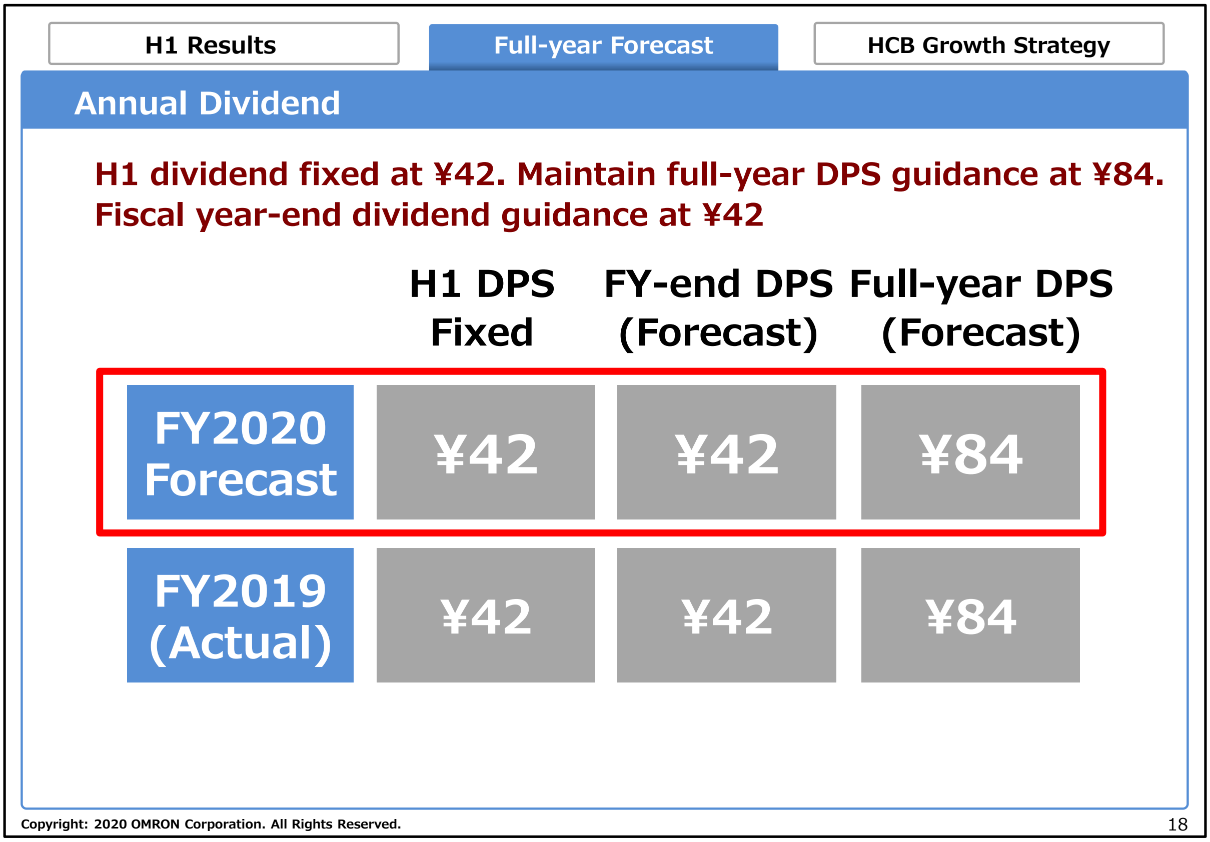
	FY2020 Previous Plan	FY2020 Forecast	Chg. Vs Plan	FY2019 Actual	Y/Y
IAB Industrial Automation	35.0 (11.4%)	44.0 (13.7%)	+9.0 (+2.3%pt)	53.6 (15.2%)	-9.6 (-1.5%pt)
EMC Electronic & Mechanical Components	0.5 (0.7%)	1.0 (1.2%)	+0.5 (+0.6%pt)	0.9 (1.0%)	+0.1 (+0.2%pt)
SSB Social Systems, Solutions & Service	5.0 (5.4%)	5.0 (5.4%)	±0.0 (-)	10.9 (9.4%)	-5.9 (-4.0%pt)
HCB Healthcare	15.0 (13.4%)	17.0 (14.3%)	+2.0 (+0.9%pt)	13.5 (12.1%)	+3.5 (+2.2%pt)
Eliminations & Corporate	-25.5	-27.0	-1.5	-24.1	-2.9
Total	30.0 (5.1%)	40.0 (6.5%)	+10.0 (+1.4%pt)	54.8 (8.1%)	-14.8 (-1.6%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

Operating income by segment is as shown here.

We have revised our segment forecasts, focusing primarily on IAB and HCB.

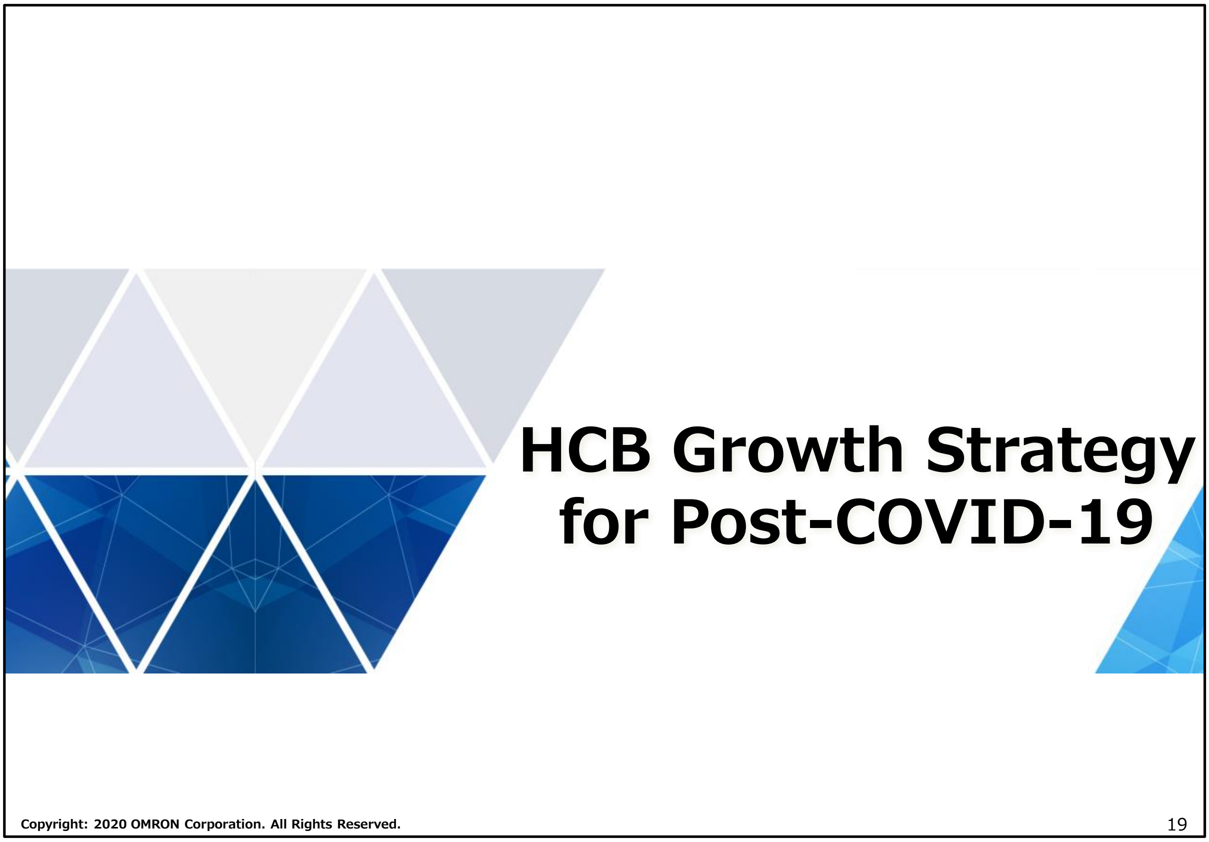
We expect SSB sales to fall 20% Y/Y but still expect to be able to achieve ¥5 bn in operating income.



The final topic for the section on the full-year forecasts is our dividend guidance.

We have set the H1 dividend at ¥42 per share.
We maintain our initial full-year forecast of ¥84, guiding for a ¥42 per share fiscal year-end dividend.

This completes the section on OMRON's full-year forecasts.



Next, I would like to highlight our post-COVID-19 HCB growth strategy.

HCB has performed well during the COVID-19 outbreak. We believe it is a business that will grow further post-COVID-19.

Today I would like to elaborate on this growth strategy.

H1 Results | Full-year Forecast | HCB Growth Strategy

Going For Zero Events

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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OMRON is accelerating its Going for Zero initiatives, where we aim to eliminate life-threatening conditions such as strokes and heart attacks.

I will showcase 2 initiatives under Going for Zero, through which we aim to achieve Zero Events.

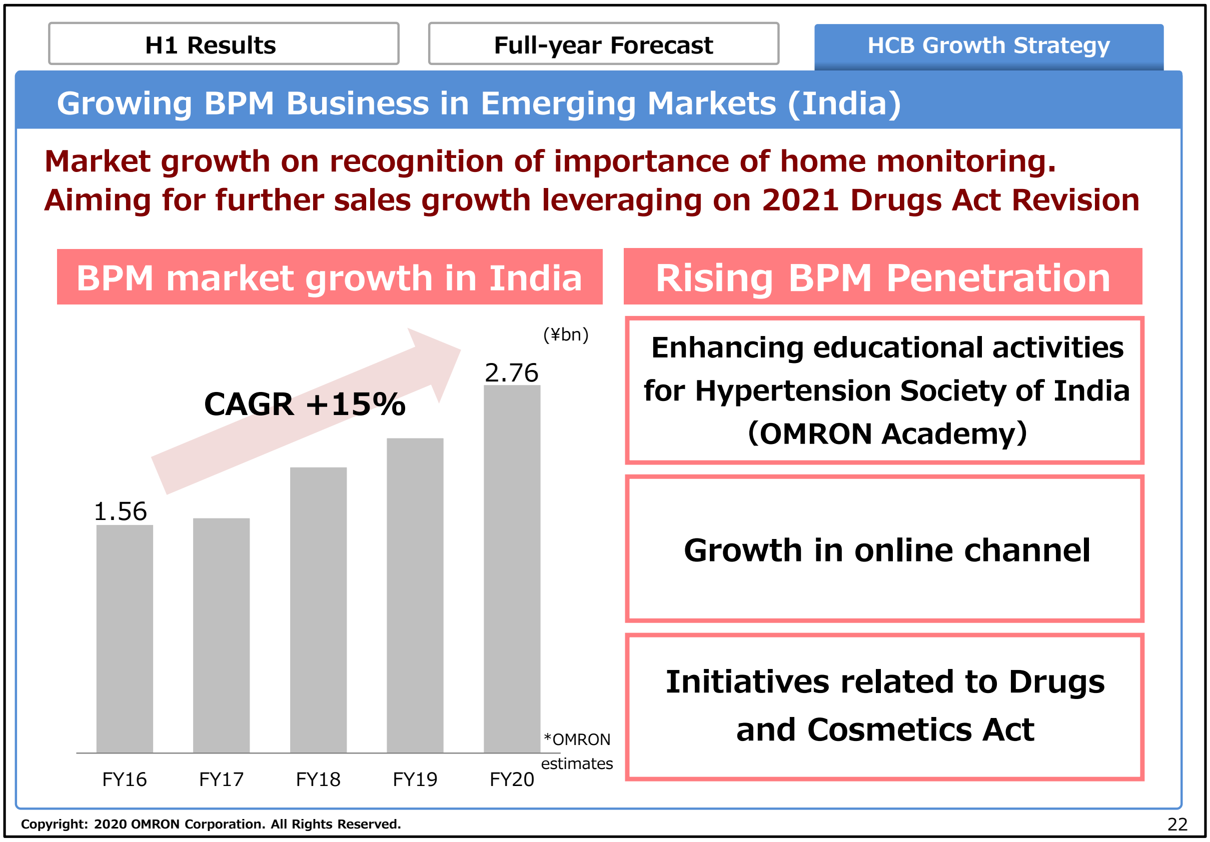
The first is the expansion of the BPM business in the growing emerging markets.

The second is the acceleration of efforts to expand the new Remote Medicine Service business.

I will start with the expansion of the BPM business in the emerging markets.

OMRON has historically focused on raising penetration of BPMs in emerging market countries where the medical infrastructure is suboptimal.
I will talk about our initiatives in Brazil and India today.

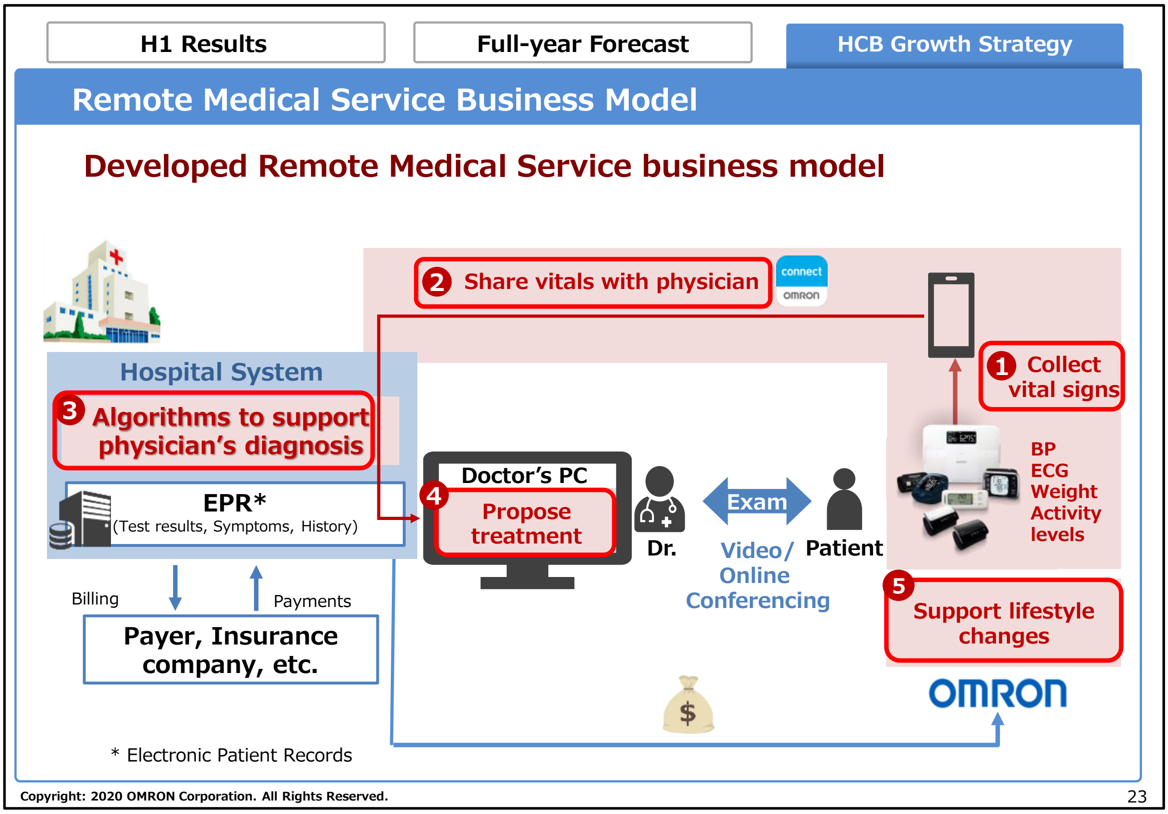
Brazil imposes high tariffs on imports. The ability to manufacture in Brazil is therefore a significant advantage. OMRON started manufacturing BPMs in Brazil earlier than its peers. As a result of its early efforts to expand the BPM market, OMRON has a market share of around 50% in Brazil.
In addition, we started operations at a new plant in August. By transferring production from the old plant, we have been able to improve our cost competitiveness and our supply capability.
Going forward, we aim for further growth by supplying products to the growing Central and South American markets on a timely basis.



In India, thanks to educational efforts to encourage home BP monitoring, OMRON's brand recognition has improved and the BPM market is growing. Against this backdrop, BPMs are to be designated as medical devices covered by India's Drugs and Cosmetics Act through a revision to the Act from January 2021. OMRON will capitalize on its extensive expertise in securing device approvals around the world to respond swiftly to this change. This will allow OMRON to expand sales and market share ahead of our competitors.

OMRON has long focused on educational activities to encourage home BP monitoring in India, where the increase in hypertension patients has become a social issue.
OMRON has enhanced its education activities targeted at the Hypertension Society of India. Specifically, we have held OMRON Academy events, an educational program on home BP monitoring for doctors in 12 locations in 2019. We also held BP measurement events for the general public in 10 cities. In addition, we have expanded our online channel and advised the government in its efforts to include BPMs as designated medical devices.

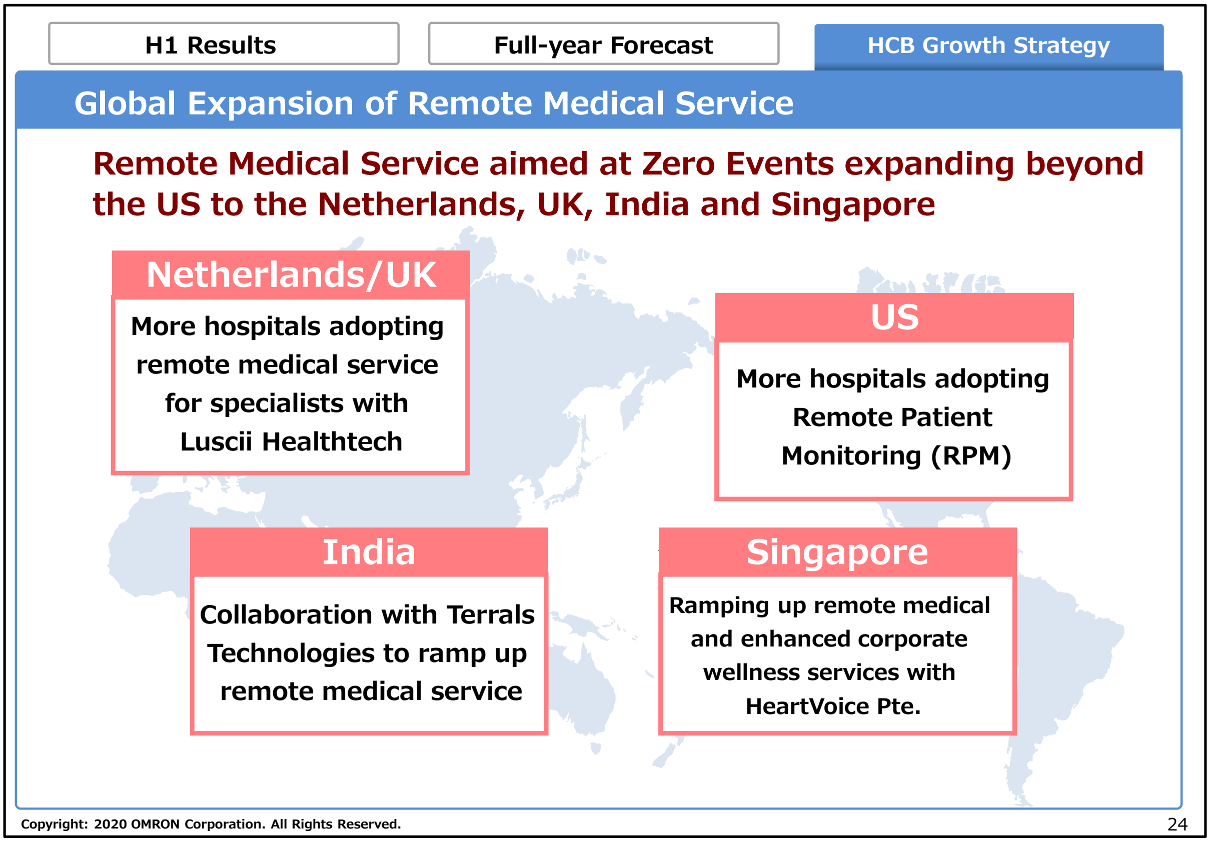
Through such initiatives, OMRON's sales have grown steadily. We aim to accelerate the growth of the BPM business in India by continuing with proactive initiatives.



Next is the growth of our Remote Medical Service.
This is one of the important initiatives aimed at making Going for Zero a reality. We are making steady progress with our Remote Medical Service. We included this slide in our July results briefing materials. It depicts the Remote Medical Service business model.

This service allows patients to share vital signs measured in the home with their doctors in a timely manner through the internet, making remote examinations and treatment possible. In the US, this service has been recognized as supporting better treatment for patients with chronic conditions. Medical institutions are paid approximately $64 per patient for this service. A part of this fee is revenue for OMRON.

The service has already been launched at Mount Sinai Hospital in the US and more hospitals in the US are adopting the service. Furthermore, the service is not limited to the US. We are also expanding into other regions.



On the back of the COVID-19 outbreak, we have seen an acceleration in take-up of remote medical services on a global basis.
However, medical systems are different for each country. It will be important to develop business models that are aligned with the framework in each country.
OMRON is accelerating take-up of this service by collaborating with the best partners in each region. We are partnering with the companies we highlight on this page.
Combining our partners' know-how and systems and OMRON's diagnostic technology and hypertension know-how is what makes remote hypertension treatment possible.

On the next slide, we will discuss our initiatives with our partners in Europe and Singapore in detail.

H1 Results | Full-year Forecast | HCB Growth Strategy

Remote Medical Service: The Netherlands/UK

Remote medical services increasingly covered by insurance.
Luscii making solid progress in expanding remote monitoring service

Outlook: Insurance Coverage

Europe: Coverage of online treatment and remote monitoring expected to accelerate

UK: Penetration of remote treatment to accelerate on expected changes to insurance system

Partner: Luscii Healthtech B.V.

Based	The Netherlands
Est.	November 2018
Sales	1.4M EUR (FY2019)

Key service features

・Enables remote monitoring of high-risk patients for cardiovascular specialists

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In the Netherlands and the UK, we are partnered with Luscii Healthtech, a remote medical service venture with a significant track record in Europe.

In Europe, we are seeing a shift toward covering remote medical services under insurance programs. We expect the COVID-19 outbreak will only accelerate the shift to insurance coverage.
For example, in the UK, the NHS is targeting adoption of remote medical services in 2023 or 2024. COVID-19 will further support this move.
To ensure we were positioned to respond swiftly to this opportunity, OMRON began working with Luscii from February 2019. Luscii's services are already rapidly expanding across the Netherlands.

Through our collaboration with Luscii, we have seen an increase in the number of dedicated cardiovascular hospitals and wards treating hypertension that have adopted the remote medical service.

Next, I will discuss our initiatives in Singapore.

H1 Results | Full-year Forecast | HCB Growth Strategy

Remote Medical Service: Singapore

Government support for remote medical services to further boost penetration. Accelerating OMRON's growth through HeartVoice

Government, Corporate Initiatives in Remote Medicine

Government: Providing support to medical institutions which adopt remote medical services from 2020

Corporates: Proactively invest in preventative medicine for employees (subsidizing employee wellness management and periodic medical checkup fees)

Partner: iAPPS Pte.

Based Singapore
Est. August 2012
Sales 2.1M SGD (FY2019)

Rationale for partnership

- Strong relationship with Singaporean government
- Technology and know-how developed by providing wellness management to 1.6 million people

Joint Venture: HeartVoice Pte.

Based Singapore
Est. January 2019
Sales 6.6M SGD (FY2019)

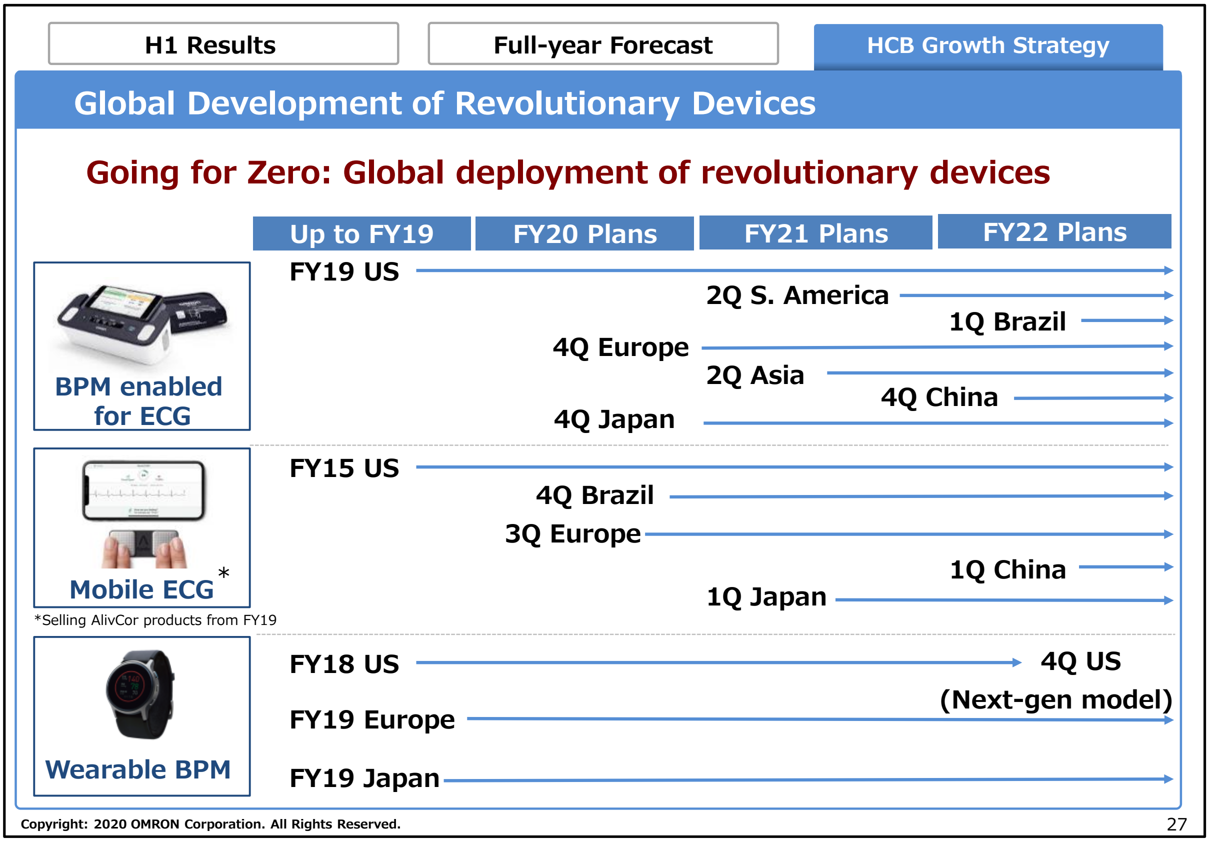
Key service features

- Linked to employee wellness management service
- Remote medical service for patients with chronic conditions

In Singapore, we are accelerating the growth of our Remote Medical Service business through the jointly established HeartVoice. From 2020, the Singaporean government has been providing support for the adoption of remote medical services by medical institutions. Additionally, corporates are proactively investing in preventative health management for employees, further supporting take-up of remote medical services.

Originally, the government had been promoting preventative medicine to its citizens, encouraging citizens to use gyms and providing subsidies for health-improving activities.
iAPPS develops and operates the booking and payment systems for sports centers promoted by the government. The system boasts 1.6 million users, which is more than half of Singapore's citizens. iAPPS is considered an iconic company in Singapore.

We established a joint venture with iAPPS to accelerate and expand the adoption of remote medical services for hypertension in Asia. We are combining the strengths of iAPPS, which is its strong relationship with the Singaporean government and its know-how in developing systems and apps, with OMRON's device development capabilities, expertise in securing regulatory approvals and know-how in remote treatment of hypertension using home blood pressure monitoring.



As shown here, we plan serial launches of revolutionary devices indispensable in achieving Zero Events on a global basis.

Particularly important are the ECG devices and the wearable BPM. Through our collaboration with AliveCor, we will offer BPMs enabled for ECG and mobile ECGs globally. We are also planning to launch an even more compact next-generation wearable BPM. To sell these revolutionary devices requires medical device approval in each individual country. OMRON has significant accumulated expertise in regulatory affairs, having launched BPMs in more than 100 countries around the world. We will leverage this strength in launching new devices.

We will continue to focus on raising the penetration of such revolutionary devices on a global basis and accelerate the development of the Remote Medical Service business through tie-ups with local partners.

This completes my explanation of the HCB growth strategy looking toward the post-COVID-19 era.

Finally, I would like to make some closing remarks in my role as CFO.

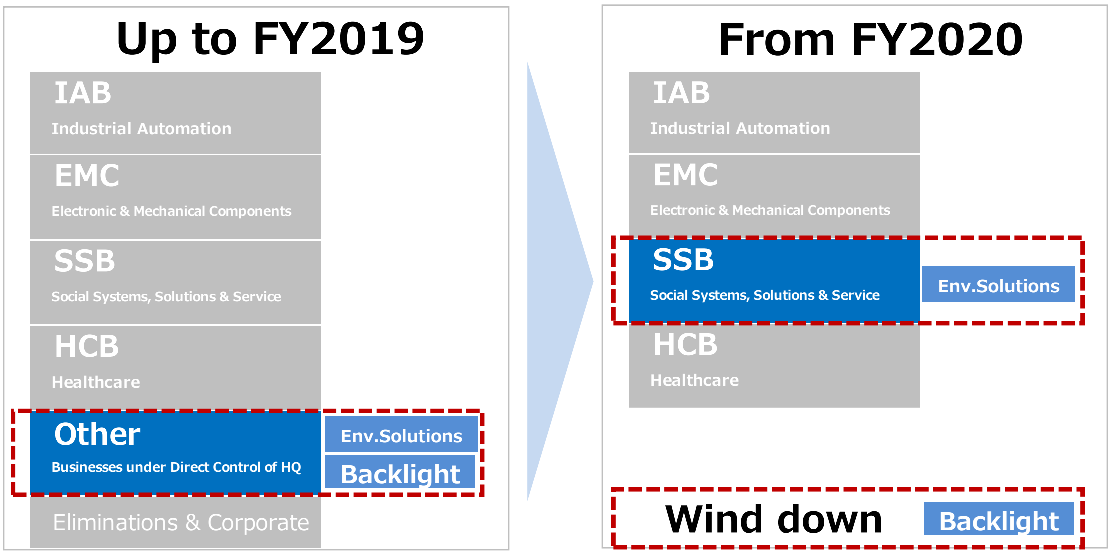
As explained today, we are taking a cautious outlook on the operating environment in H2. Based on this view, we expect sales to decline 9% Y/Y.
Of course we are not simply sitting back complacently in the face of this forecast. While the operating environment is very volatile, we are aggressively pursuing opportunities as they arise in order to further grow the topline. We believe these efforts will lead to growth in FY2021 and beyond.
At the same time, it is important to maintain a good balance in investing for future growth and earnings. We have decided to increase our H2 investments to match FY2019 levels, although we will be very selective in choosing our investments. As CFO, I will remain disciplined in controlling fixed costs and investments.
By maintaining our commitment to ROIC management, we aim to sustainably enhance corporate value over time.

This completes my remarks.
Thank you.

Reference

Segment Changes

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



Consolidated Balance Sheet

(¥bn)

	End-March 2020	End-Sept 2020	Y/Y
Current assets	447.1	444.5	-2.7
(Cash and cash equivalents)	(185.5)	(209.1)	(+23.6)
(Inventory)	(104.3)	(109.6)	(+5.3)
Property, plant and equipment	114.5	111.5	-3.0
Investments and other assets	196.5	196.4	-0.1
Total assets	758.1	752.4	-5.8
Current liabilities	151.3	136.7	-14.6
Long-term liabilities	74.2	70.9	-3.3
Total Liabilities	225.5	207.6	-17.9
Shareholders' equity	530.4	542.7	+12.2
Noncontrolling interests	2.2	2.1	-0.1
Total net assets	532.6	544.8	+12.2
Total Liabilities and net assets	758.1	752.4	-5.8
Equity ratio	70.0%	72.1%	+2.1%pt

Consolidated Statement of Cash Flow

(¥bn)

	H1 FY2019 Actual	H1 FY2020 Actual	Y/Y
Operating cash flow	36.5	45.7	+9.3
Investment cash flow	-14.9	-10.0	+4.9
Free cash flow (FCF)	21.5	35.7	+14.2
Financing cash flow	-9.0	-12.0	-3.0
Cash and cash equivalents as of end of period	109.9	209.1	+99.3

Capital expenditure	16.9	8.3	-8.6
Depreciation	12.2	11.5	-0.7

FY2020 Forex Assumptions

	FY2020 H2 Assumptions	Impact of ¥1 move(full-year, approx.) *RMB impact of ¥0.1 move	
		Sales	OP
USD	**¥105**	¥1.3bn	¥0.1bn
EUR	**¥124**	¥0.8bn	¥0.4bn
RMB	**¥15.2**	¥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 October 2020)

ESG Indices which include OMRON

✓ DJSI – World	3rd consecutive year
✓ FTSE4Good Index Series	5th consecutive year
✓ MSCI ESG Leaders Indexes	6th consecutive year
✓ MSCI SRI Indexes	4th consecutive year
✓ STOXX Global ESG Leaders indices	5th 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	3rd consecutive year

MEMBER OF Dow Jones Sustainability Indices In collaboration with SAM

FTSE4Good

2020 MSCI ESG Leaders Indexes Constituent

STOXX Member 2020/2021 ESG Leaders Indices

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

FTSE Blossom Japan

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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.
FY2019 Assessment: Climate Change 'A-', Water Security 'B'

CDP DRIVING SUSTAINABLE ECONOMIES

External Recognition (As of October 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

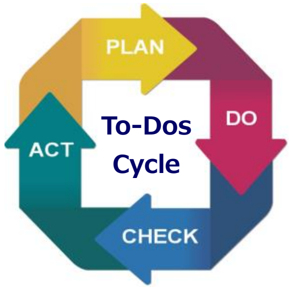
✓ TSE 2014 Corporate Value Improvement Award, Grand Prix. **FY2014**
✓ Nadeshiko Brand **3rd consecutive year from FY2017**
✓ Health & Productivity Stock **2nd consecutive year from FY2018**
✓ Health & Productivity: White 500 **4th consecutive year from FY2016**

Selected by Nikkei Inc.

✓ Nikkei 225 **March 2019, 1st time**

Down-Top ROIC Tree

On-site



KPI | **Drivers**

- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable cost reduction, value/%
- Defect cost %

→ GP Margin; Added -value %

- Per-head production # unit
- Automation % (headcount reduction)

→ Fixed manuf. costs %

- Labor costs–sales %

→ SG&A %

R&D %

→ **ROS**

- Inventory turnover months
- Slow-moving inv. months
- Credits & debts months

→ Working capital turnover

- Facilities turnover (1/N automation ratio)

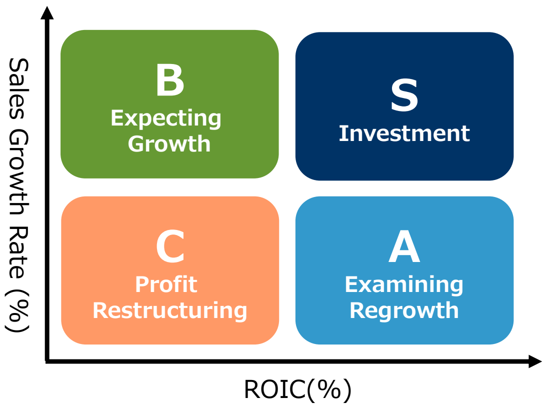
→ Fixed assets turnover

→ **Invested Capital Turnover**

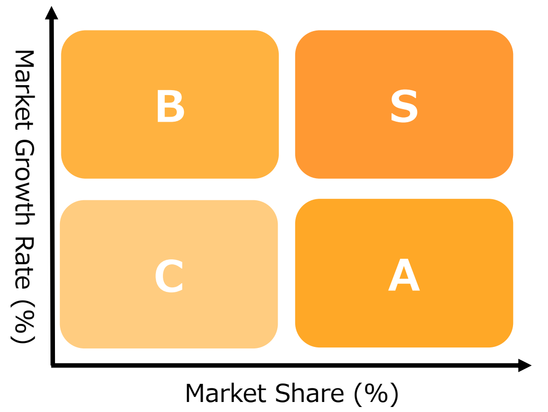
ROS + **Invested Capital Turnover** → **ROIC**

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

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

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, 2021 (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