

# **FY2020 Q1 Earnings**

**Financial Results for the First Quarter  
Ended June 30, 2020**



**July 28, 2020  
OMRON Corporation**

# 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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# **Q1 FY2020 Results**



## Q1 FY2020 Results

**Demonstrate resilience under tough operating conditions,  
achieve strong profit growth**

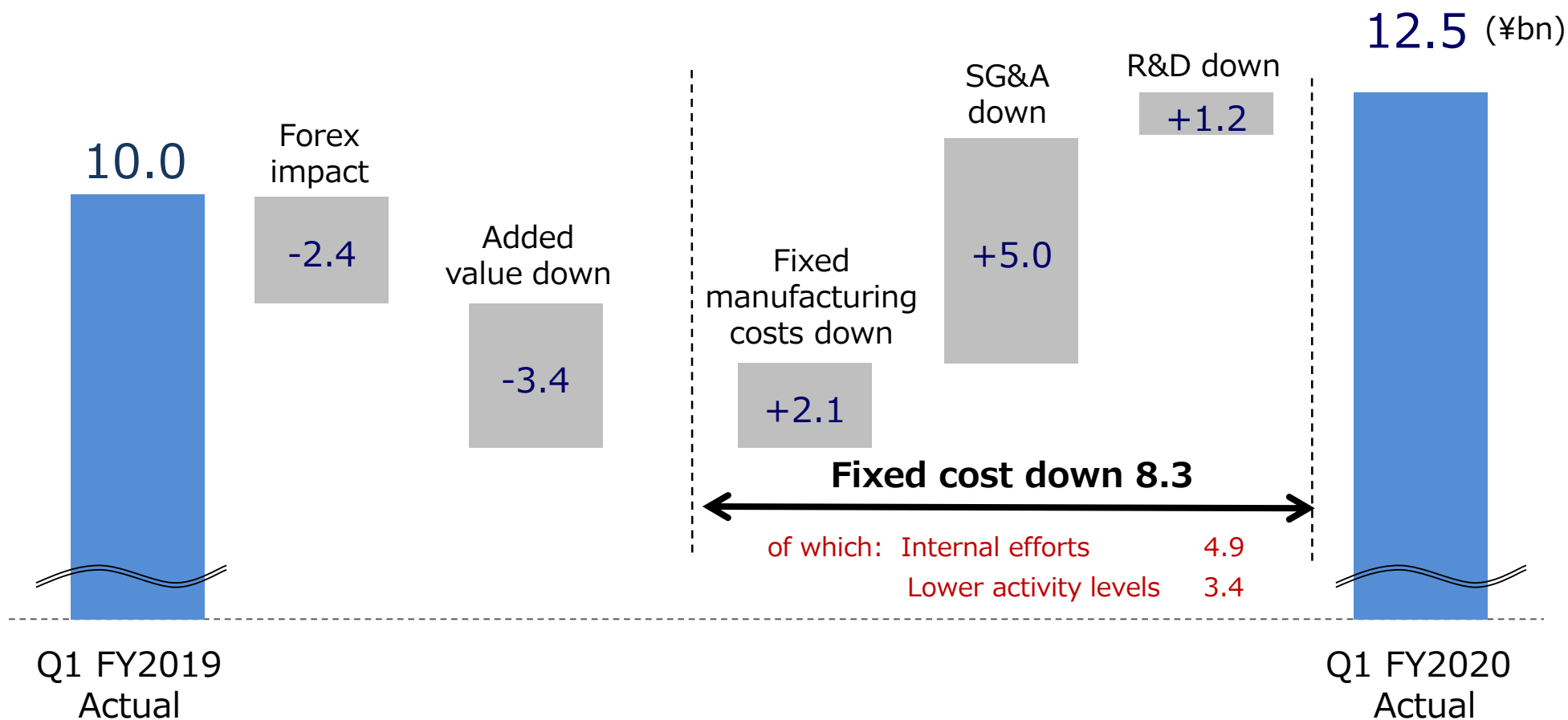
(¥bn)

	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%)	<b>+24.2%</b> (+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

## Operating Income Analysis (Y/Y)

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



## Sales by Business Segment

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

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

\* 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

## 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%)



## 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
<b>IAB</b> Industrial Automation	13.3 (14.9%)	13.8 (16.8%)	+0.5 (+1.9%pt)
<b>EMC</b> Electronic & Mechanical Components	0.0 (0.0%)	0.1 (0.5%)	+0.1 (+0.4%pt)
<b>SSB</b> Social Systems, Solutions & Service	-1.4 (-)	-0.9 (-)	+0.5 (-)
<b>HCB</b> Healthcare	3.4 (12.3%)	4.5 (16.9%)	+1.1 (+4.6%pt)
Eliminations & Corporate	-5.3	-5.1	+0.2
<b>Total</b>	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



# **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**

## Business Outlook by Segment: Q2 and beyond

**Visibility extremely limited. Expect operating environment to remain challenging**

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

## FY2020 Plan

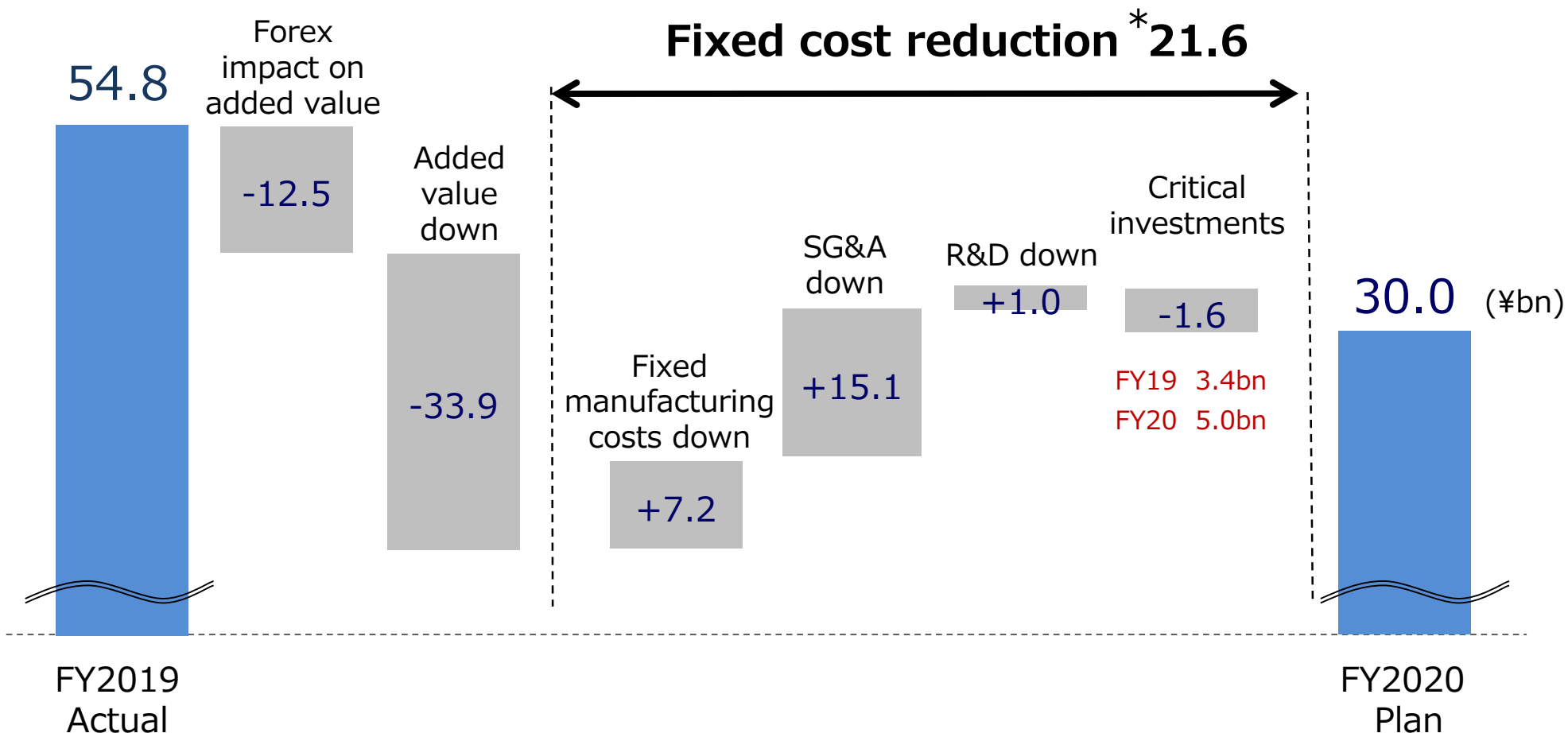
**Expect to maintain FY2019 GP margin level and achieve ¥30bn in operating income despite Y/Y sales and profit decline**

	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	

\*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

## FY2020 Plan: Operating Income Analysis (Y/Y)

**Continue to undertake investments deemed critical but maintain discipline in fixed cost reductions**



\*Includes impact of yen appreciation

## Sales Forecasts by Business Segment

**HCB sales to remain unchanged Y/Y**

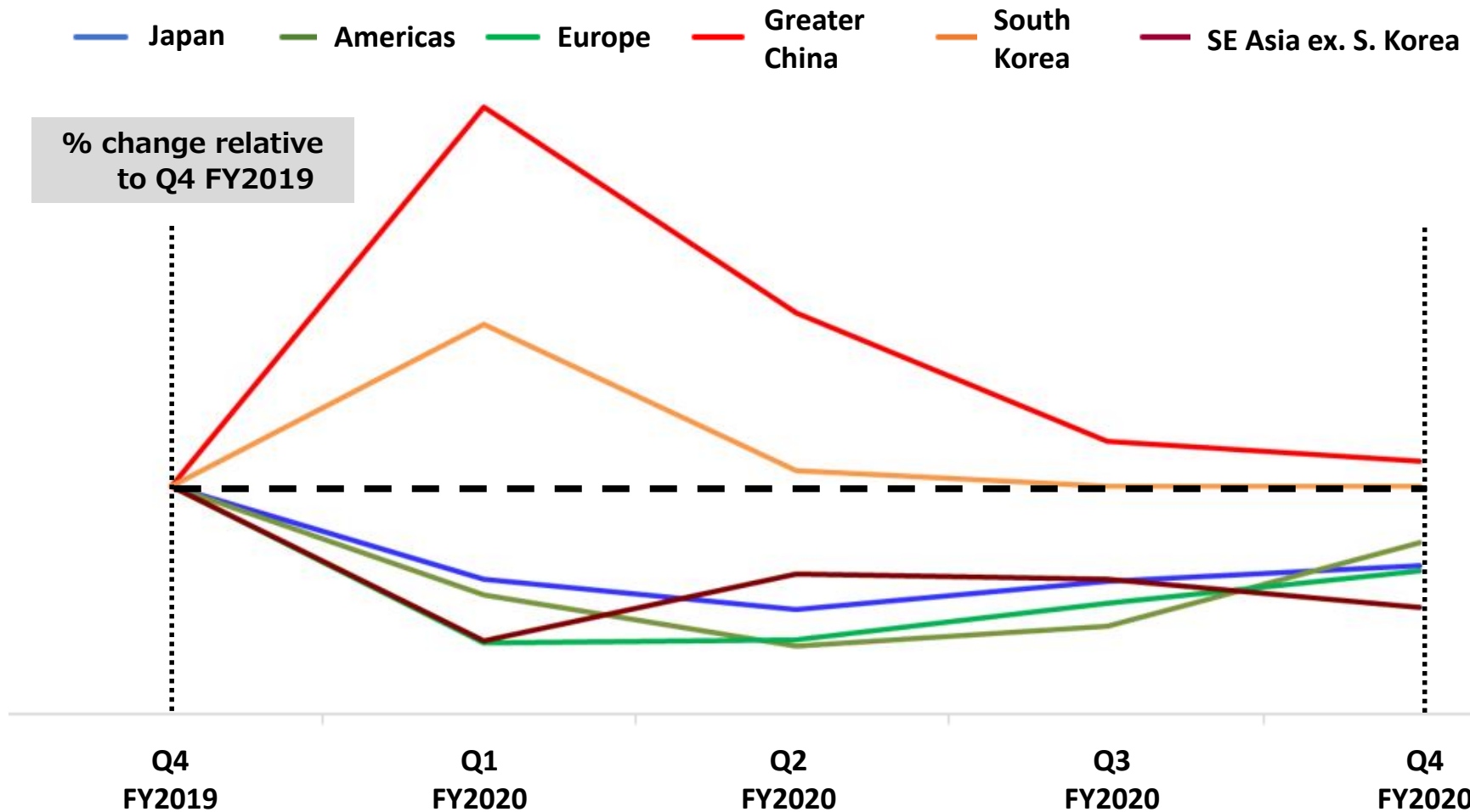
(¥bn)

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

\* 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

## 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**

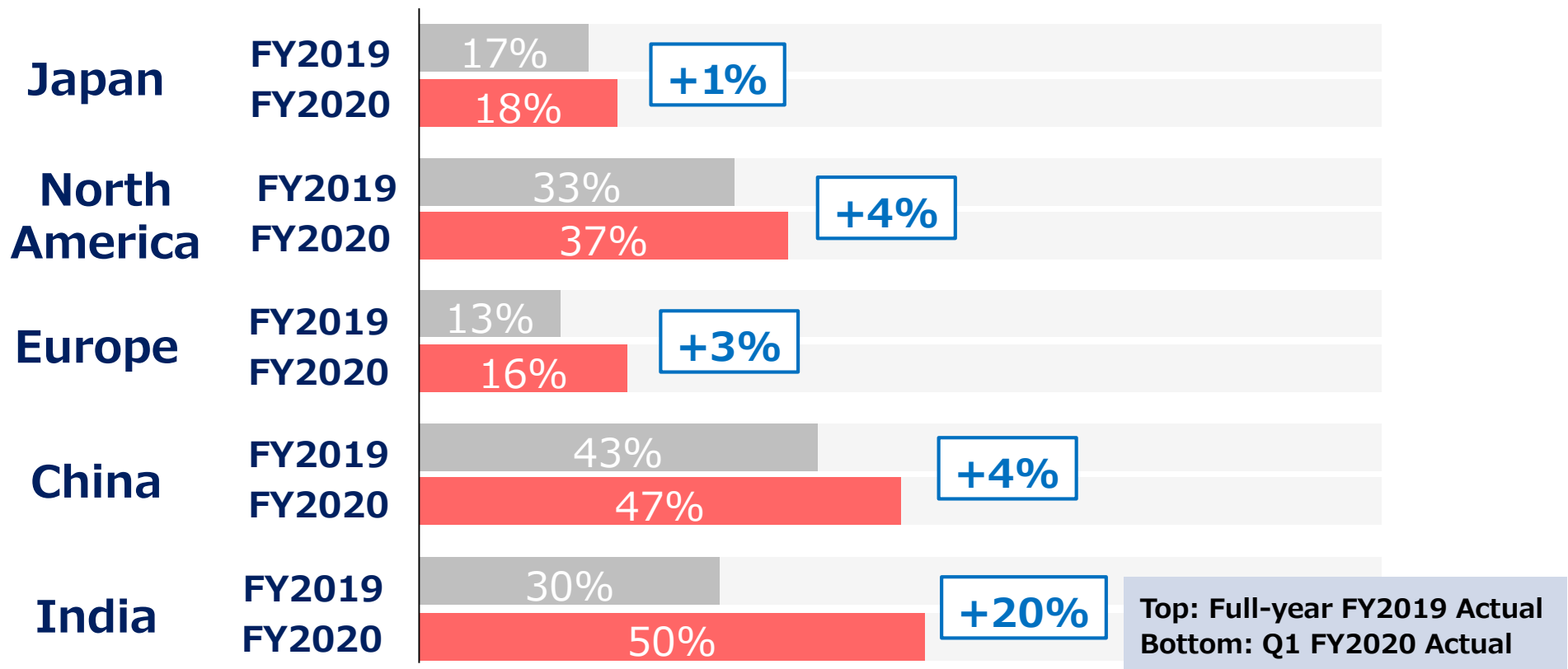




## HCB: Online Channel Sales Growth

**Solid progress in growing online channel. HCB increasingly less impacted by weak real store sales**

### HCB: Online Channel Share of Total Sales



## Operating Income by Business Segment

**Expect HCB profits to grow Y/Y**

(¥bn, %: OPM)

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

## 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



# **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**

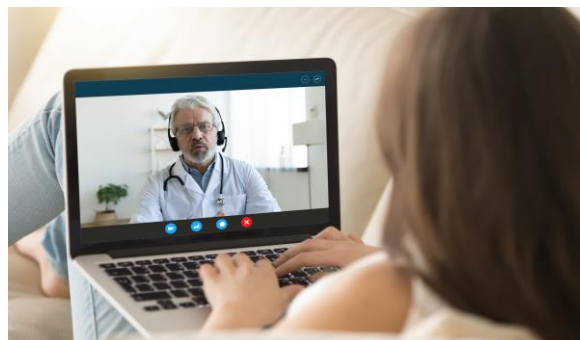
### Changes in Manufacturing

**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**



## Post-COVID-19: Emerging Social Issues

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





## New Labor-saving Needs

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

**Achieving integrated line and robotic control with a single controller:  
One Controller**

**Shipments start July 31!**

**World  
First**



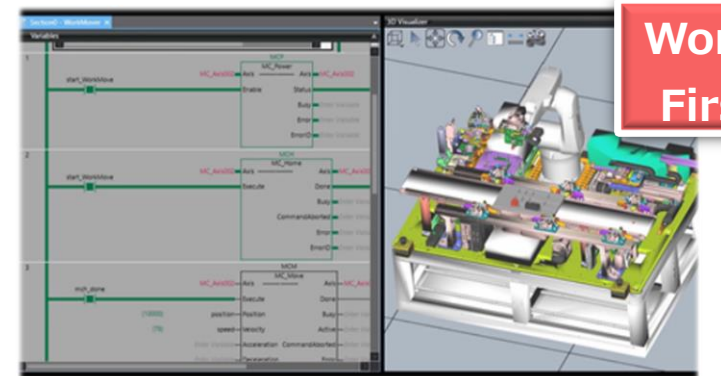
**Labor Saving**

**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**

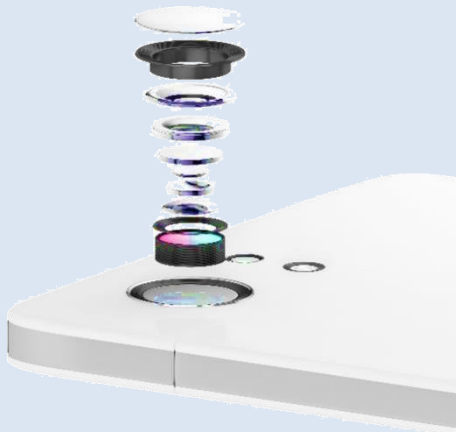


**World  
First**

\*Regarding "ILOR+S", please refer to P42

## Automating Delicate Processes Only Possible for Human Hands

**Creating solutions that leverage the revolutionary nature of One Controller**

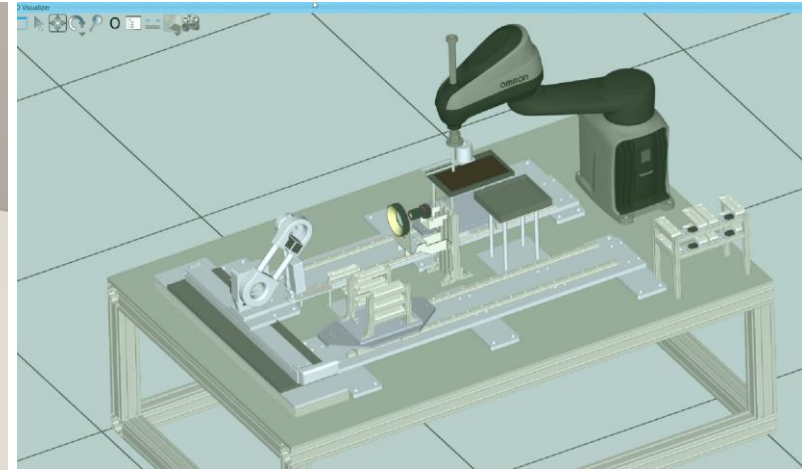
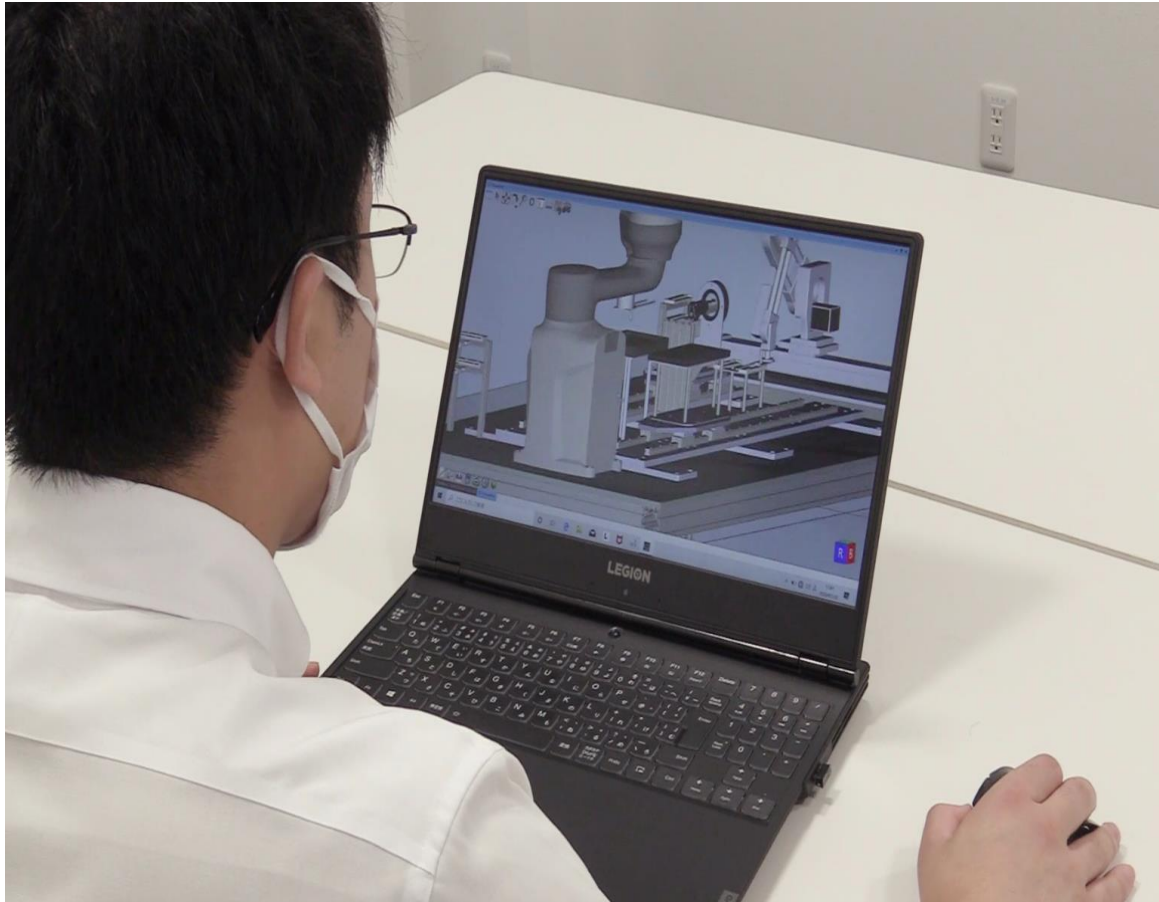


Smartphone  
camera  
module





# One Software: Leveraging Aggregated Data to Enable Simulations



## Post-COVID-19: Emerging Social Issues

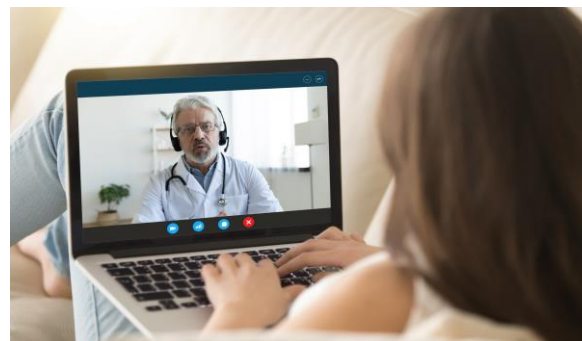
### Changes in Manufacturing

New reduced labor intensity



### Changes in Medicine

Need for remote medical treatment



### Changes in Society and Services

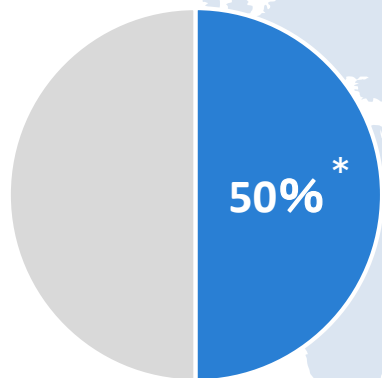
Needs for remote and labor-saving solutions for station services



# OMRON Strengths: Focusing on Post-COVID-19 Opportunities

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

## BPM Share



**Global Share No. 1**



\*Value basis, OMRON estimate

## Global Coverage

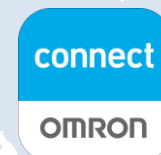


**Real Store Network  
Focused on Pharmacies**



**Online Channel**

## App Downloads



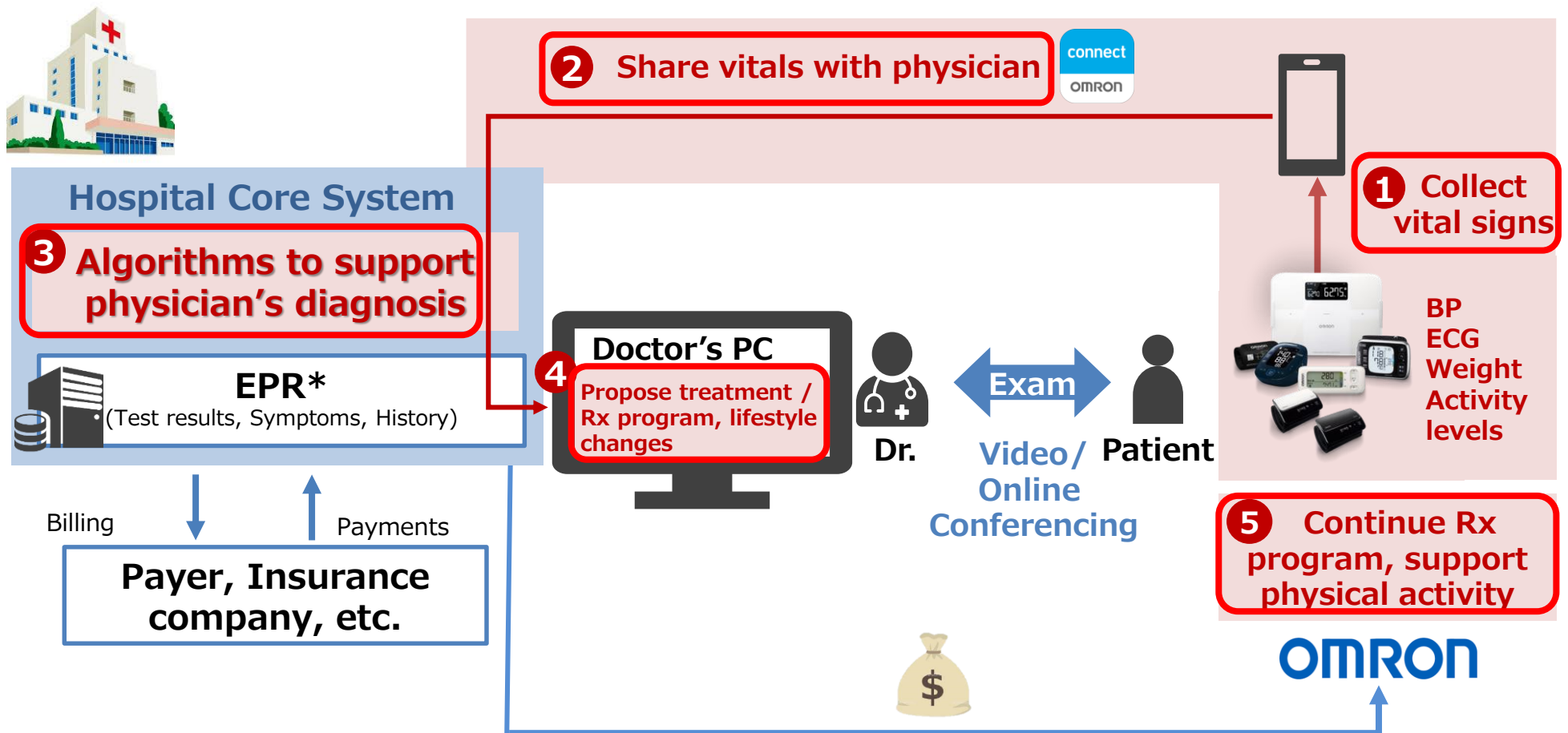
**1.9 mn**



FY16 FY17 FY18 FY19

## Remote Medicine Service Business Model

**Develop business model for remote medicine service. Already launched at US medical institutions**



## Global Expansion of ECG Devices: Accelerating Remote Medicine

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

FY2019

FY2020

FY2021

**BPM  
Enabled  
for ECG  
Readings**

▼ Launched May 2019  
in US



Enable OMRON connect  
app for ECG

▼ **European Launch February**

▼ **Japan Launch March**

**Other Asian launches  
to follow**

**Mobile  
ECG**

▼ Launched June 2017  
in US



▼ **European launch  
in September**

Enabled for  
OMRON connect  
app

▼ **Japan Launch May  
(China Launch  
May '22)**



## Post-COVID-19: Emerging Social Issues

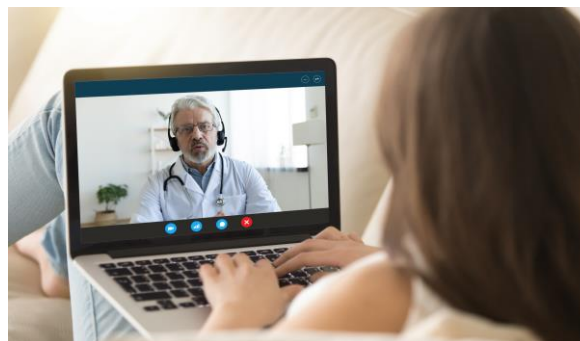
### Changes in Manufacturing

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



## Station Services: Migrate to Remote, Reduce Labor Intensity

Create safe, secure and pleasant railway stations through remote monitoring service, in addition to existing products, remote systems

### Conventional Systems

Provide station equipment,  
remote monitoring  
systems

OMRON

Provide station  
equipment & systems

Railway

Monitor/Operate A Rail



Eq. to be monitored



Station equipment  
/systems

### Targeted Operations Service

Solve operational issues for stations through  
remote monitoring operations service

OMRON

Provide station equipment & systems

Monitor/Operate

Remote Cust. Svc

Service Center



Focus Area  
Going Forward

A Rail

B Rail

...

Eq. to be monitored



Station equipment/systems



Manage station  
facilities



Security



Customer svc.

...

**OMRON**





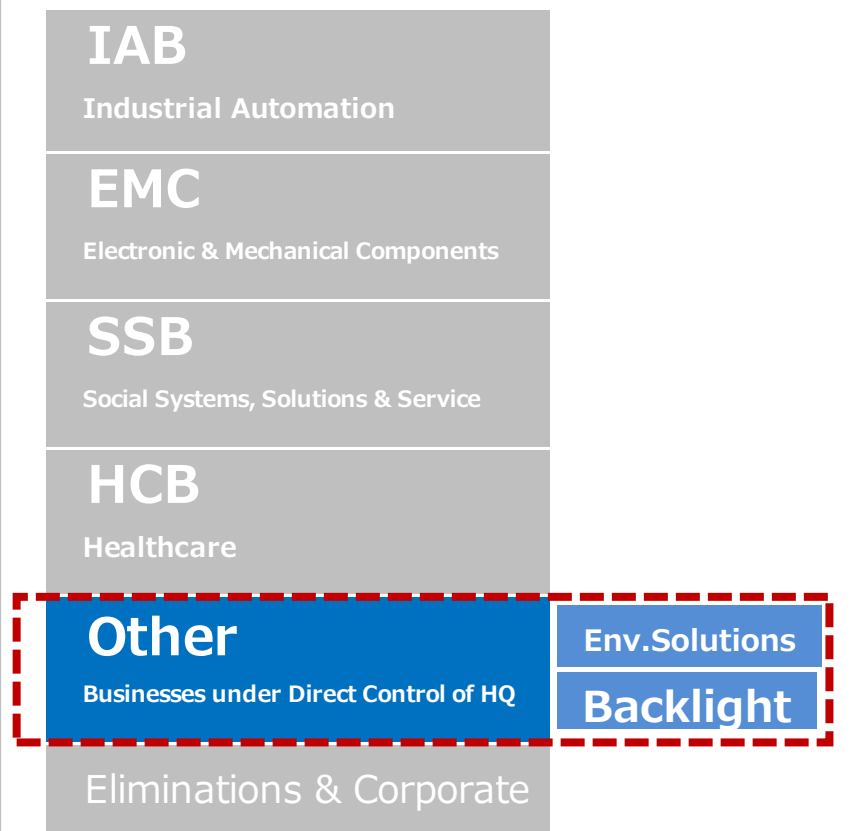
# Reference



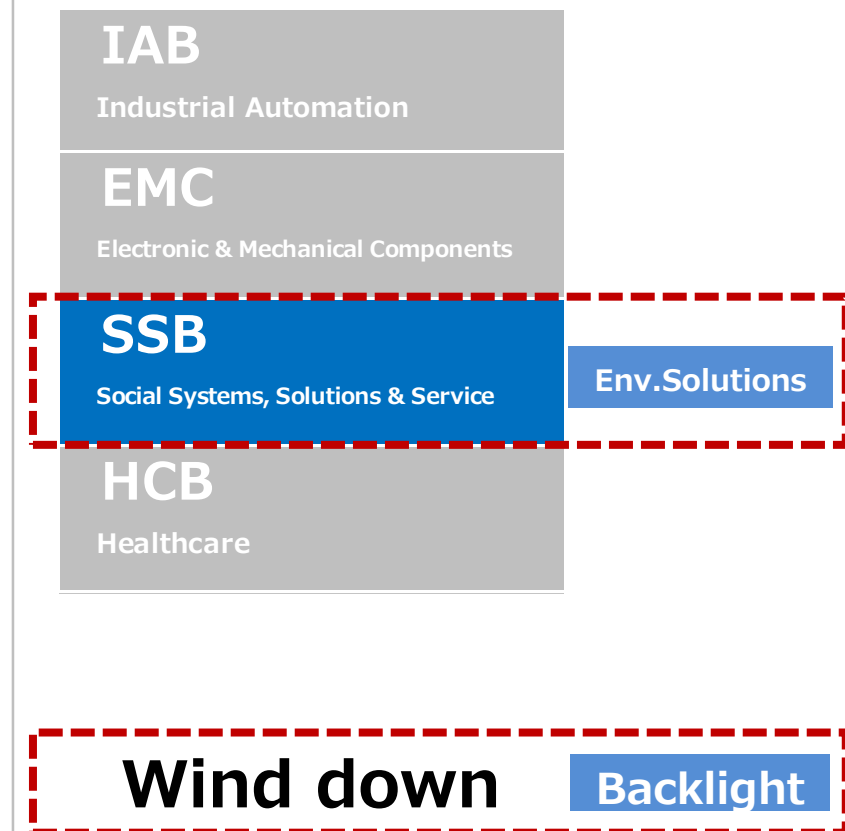
## Segment Changes

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

### Up to FY2019



### From FY2020



# Consolidated Balance Sheet

	(¥bn)		
	End-March 2020	End-June 2020	Q/Q
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	<b>106円</b>	¥1.3bn	¥0.1bn
EUR	<b>120円</b>	¥0.8bn	¥0.4bn
RMB	<b>15.0円</b>	¥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 **3<sup>rd</sup> consecutive year**
- ✓ FTSE4Good Index Series **3<sup>rd</sup> consecutive year**
- ✓ MSCI ESG Leaders Indexes **4<sup>th</sup> consecutive year**
- ✓ MSCI SRI Indexes **3<sup>rd</sup> consecutive year**
- ✓ STOXX Global ESG Leaders indices **4<sup>th</sup> consecutive year**
- ✓ FTSE Blossom Japan Index **4<sup>th</sup> consecutive year**
- ✓ MSCI Japan ESG Select Leaders Index **4<sup>th</sup> consecutive year**
- ✓ MSCI Japan Empowering Women Index **4<sup>th</sup> consecutive year**
- ✓ S&P/JPX Carbon Efficient Index **2<sup>nd</sup> consecutive year**

\* 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'

MEMBER OF  
**Dow Jones  
Sustainability Indices**

In collaboration with  a RobecoSAM brand



FTSE4Good

**MSCI** 

2019 Constituent  
MSCI ESG  
Leaders Indexes



FTSE Blossom  
Japan

**MSCI** 

MSCI Japan ESG  
Select Leaders Index

**MSCI** 

MSCI Japan Empowering  
Women Index (WIN)



# 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

**3<sup>rd</sup> consecutive year from FY2017**



- ✓ Health & Productivity Stock

**2<sup>nd</sup> consecutive year from FY2018**



- ✓ Health & Productivity: White 500

**4<sup>th</sup> consecutive year from FY2016**

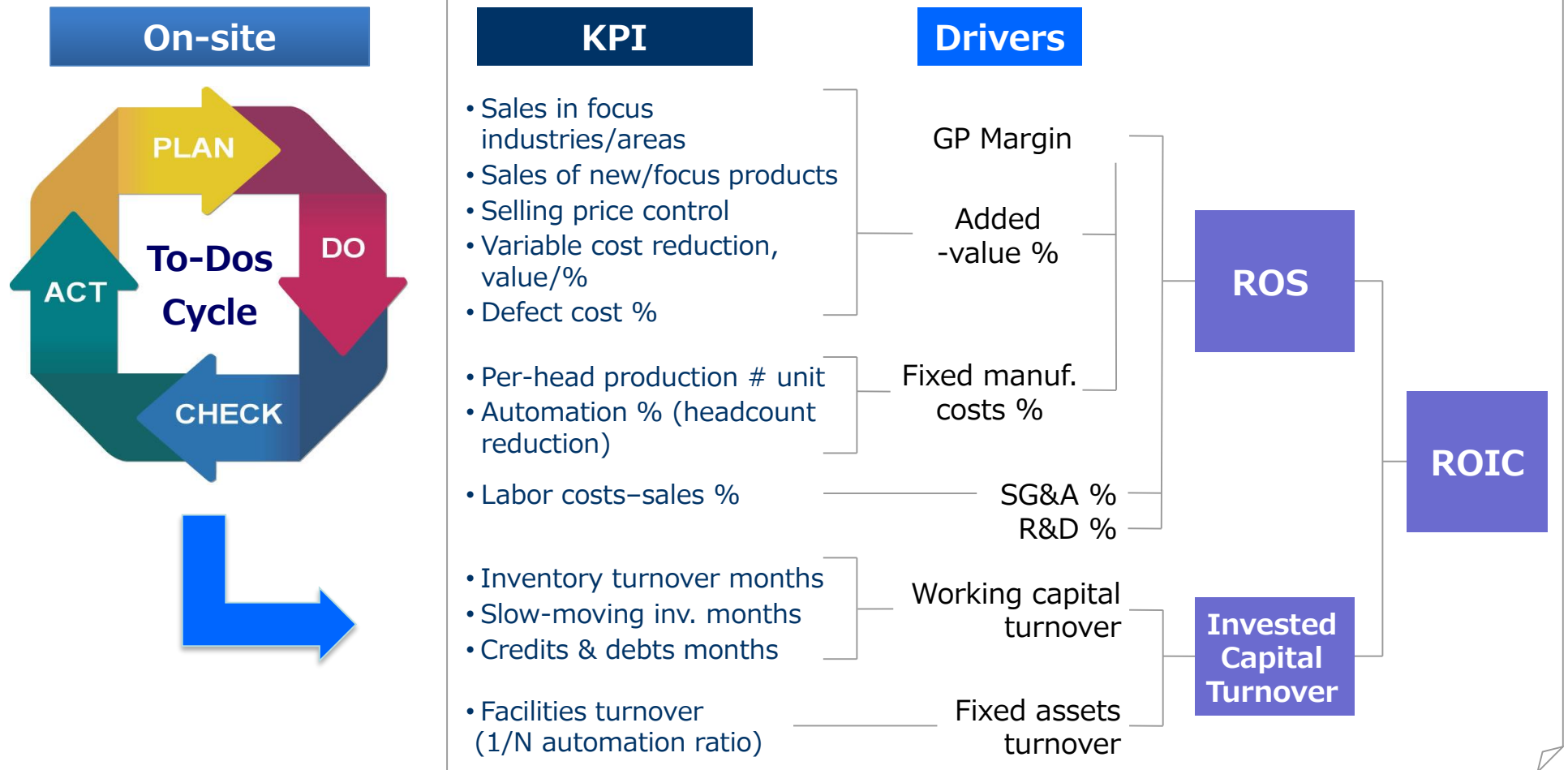


### Selected by Nikkei Inc.

- ✓ Nikkei 225

**March 2019, 1<sup>st</sup> time**

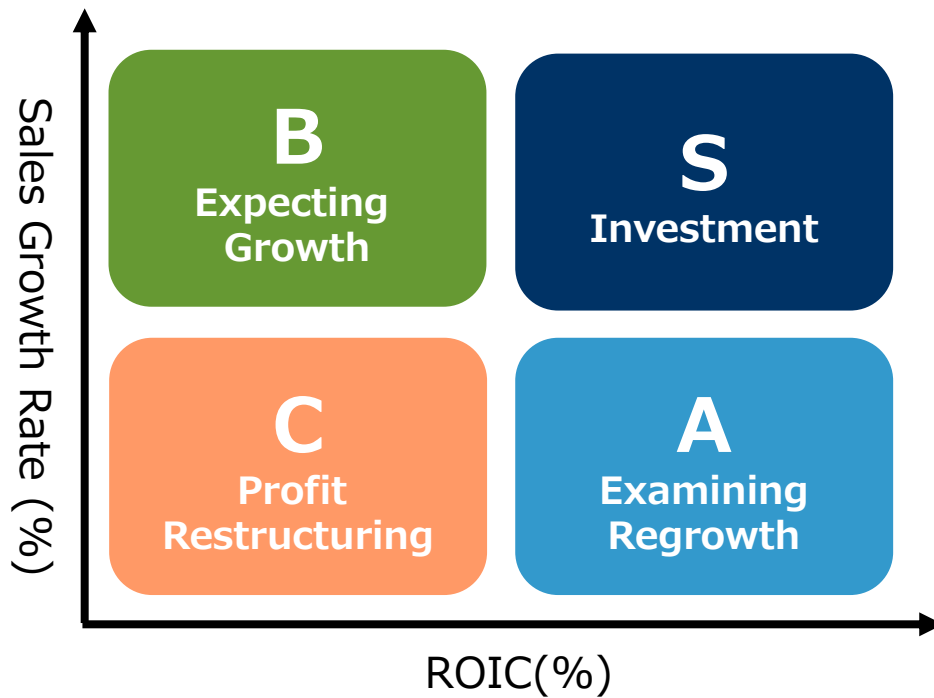
# Down-Top ROIC Tree



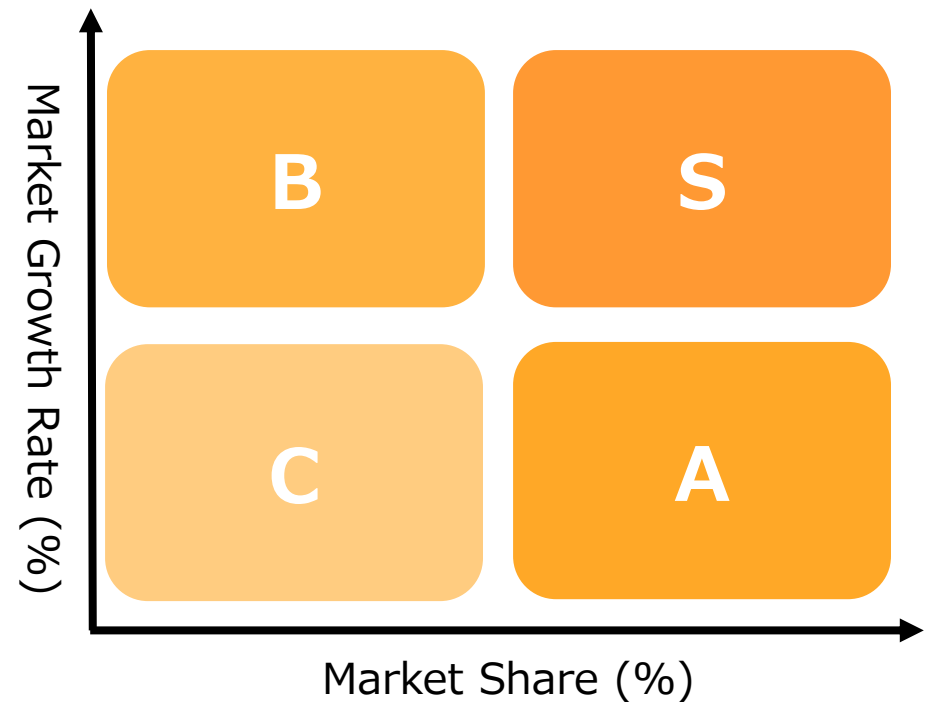


# Portfolio Management

## 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**

# ILOR+S

**Broad lineup of over 200,000 products**  
**× as many as 300 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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