

# **FY2017 Full-Year Earnings Ended March 31, 2018**



**April 26, 2018  
OMRON Corporation**

## VG2020: 7th Year Achievements

	FY2011 Actual		FY2017 Actual
Net Sales	¥619.5bn	×1.4	¥860.0bn
GP Margin	36.8%	+4.8%pt	41.6%
R&D	¥42.1bn	×1.4	¥59.1bn
Operating Income	¥40.1bn	×2.1	¥85.9bn
ROIC	4.8%	+7.9%pt	12.7%
EPS	¥74.5	×4.0	¥296.9
Dividend	¥28	×2.7	¥76
Stock Price	¥1,780	×3.5	¥6,260

N.B. Closing price as of the end of March

## VG2020: Key Initiatives For The Past 7 Years

**Establish ROIC management**

**Implement Corporate  
Principles Management**

**Enhance technology  
management**

# Summary

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## ■ FY2017 Results

- Sales and profits up Y/Y. Excellent start to new medium-term management plan VG2.0.
- Strong IAB, HCB drove overall growth.
- Executed on investments for future growth as planned.

## ■ FY2018 Plan

- Expect to achieve new record high profits on further growth in IAB and HCB, the priority focus businesses under VG2.0.
- Further improve GP margin to generate funds for investments while maintaining ROIC management discipline in continuing structural reforms.
- Guiding for a full-year dividend of ¥92, up ¥16.

## ■ Enhance Technology Management

- Build foundation for growth focused on IAB, leveraging technology management initiatives to date.
- Accelerate development of new platforms to support growth beyond 2020.

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# **FY2017 Results**

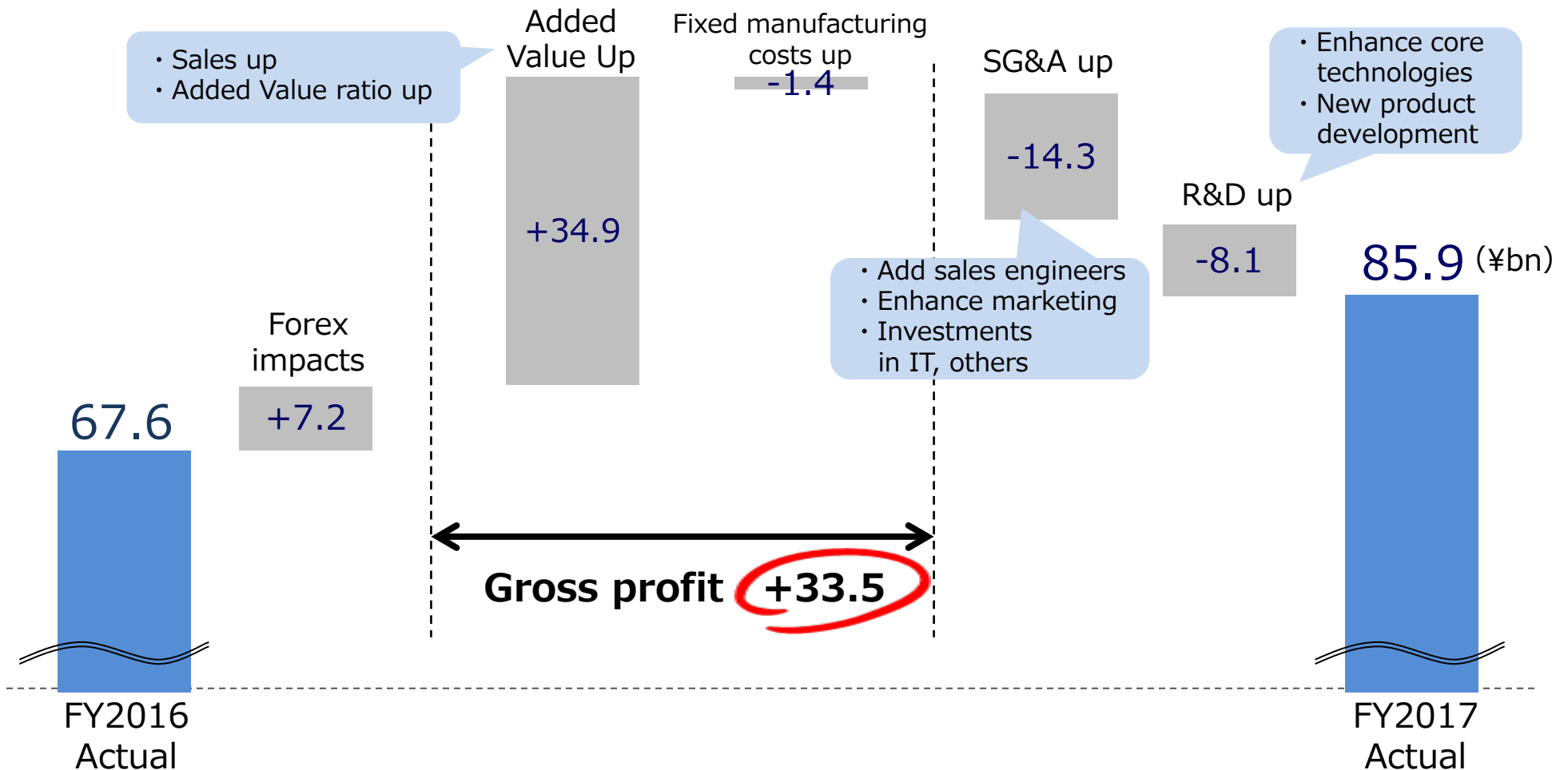
## FY2017 Results

**Sales and profits up Y/Y. New record highs for sales, gross profit and net income. GP margin was 41.6%, reflecting significant improvement in ability to generate profits**

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) / (1)		(¥bn)
				FY2016 Actual	Y/Y
Net Sales	850.0	860.0	+1.2%	794.2	+8.3%
Gross Profit (%)	353.5 (41.6%)	357.7 (41.6%)	+1.2% (+0.0%pt)	311.8 (39.3%)	+14.7% (+2.3%pt)
Operating Income (%)	85.0 (10.0%)	85.9 (10.0%)	+1.1% (-0.0%pt)	67.6 (8.5%)	+27.1% (+1.5%pt)
Net Income Attributable to Shareholders	59.0	63.2	+7.0%	46.0	+37.3%
1USD (JPY)	111.3	111.2	-0.1	108.9	+2.3
1EUR (JPY)	127.9	129.4	+1.5	119.4	+10.0

# Operating Income Analysis, Y/Y

**GP margin significantly higher. Able to proactively invest for the future while also growing profits substantially**



- Sales up
- Added Value ratio up

Fixed manufacturing costs up  
-1.4

SG&A up  
-14.3

- Enhance core technologies
- New product development

R&D up  
-8.1

- Add sales engineers
- Enhance marketing
- Investments in IT, others

Forex impacts  
+7.2

**Gross profit +33.5**



## Sales by Business Segment

**Substantial growth at IAB of approx. 20%.  
HCB also posted solid growth**

(¥bn)

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) / (1)	FY2016 Actual	Y/Y
<b>IAB</b> Industrial Automation	393.0	396.1	+0.8%	331.0	+19.7%
<b>EMC</b> Electronic & Mechanical Components	99.5	102.8	+3.4%	93.9	+9.5%
<b>AEC</b> Automotive Electronic Components	129.5	131.2	+1.3%	132.1	-0.7%
<b>SSB</b> Social Systems, Solutions & Service	63.5	63.7	+0.3%	61.9	+3.0%
<b>HCB</b> Healthcare	108.5	108.5	-0.0%	101.3	+7.1% *(+11%)
<b>Other</b> Businesses under the Direct Control of HQ	52.0	54.8	+5.4%	68.5	-20.0%
Eliminations & Corporate	4.0	2.8	-29.5%	5.5	-49.2%
<b>Total</b>	<b>850.0</b>	<b>860.0</b>	<b>+1.2%</b>	<b>794.2</b>	<b>+8.3%</b>

\* Certain operations previously included in SSB have been reclassified to Other.

\* Excl. Omron Colin

## Operating Income by Business Segment

**IAB up significantly. HCB also contributed to overall profit growth**

(¥bn / % of net sales)

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) - (1)	(3) FY2016 Actual	(2) - (3)
<b>IAB</b> Industrial Automation	73.0 (18.6%)	74.0 (18.7%)	+1.0 (+0.1%pt)	52.0 (15.7%)	+22.0 (+3.0%pt)
<b>EMC</b> Electronic & Mechanical Components	12.0 (12.1%)	12.1 (11.8%)	+0.1 (-0.3%pt)	9.4 (10.0%)	+2.7 (+1.8%pt)
<b>AEC</b> Automotive Electronic Components	6.0 (4.6%)	5.8 (4.4%)	-0.2 (-0.2%pt)	7.1 (5.4%)	-1.3 (-1.0P%)
<b>SSB</b> Social Systems, Solutions & Service	4.0 (6.3%)	4.1 (6.5%)	+0.1 (+0.2%pt)	3.7 (6.0%)	+0.4 (+0.5%tp)
<b>HCB</b> Healthcare	10.5 (9.7%)	11.2 (10.3%)	+0.7 (+0.7%pt)	8.5 (8.4%)	+2.7 (+1.9%pt)
<b>Other</b> Businesses under the Direct Control of HQ	-2.5 (-)	-2.1 (-)	+0.4 (-)	-1.8 (-)	-0.3 (-)
Eliminations & Corporate	-18.0	-19.2	-1.2	-11.3	-7.9
<b>Total</b>	85.0 (10.0%)	85.9 (10.0%)	+0.9 (-0.0%pt)	67.6 (8.5%)	18.3 (+1.5%pt)

\* Certain operations previously included in SSB have been reclassified to Other.

# Backdrop to IAB Growth: High Growth in Focus

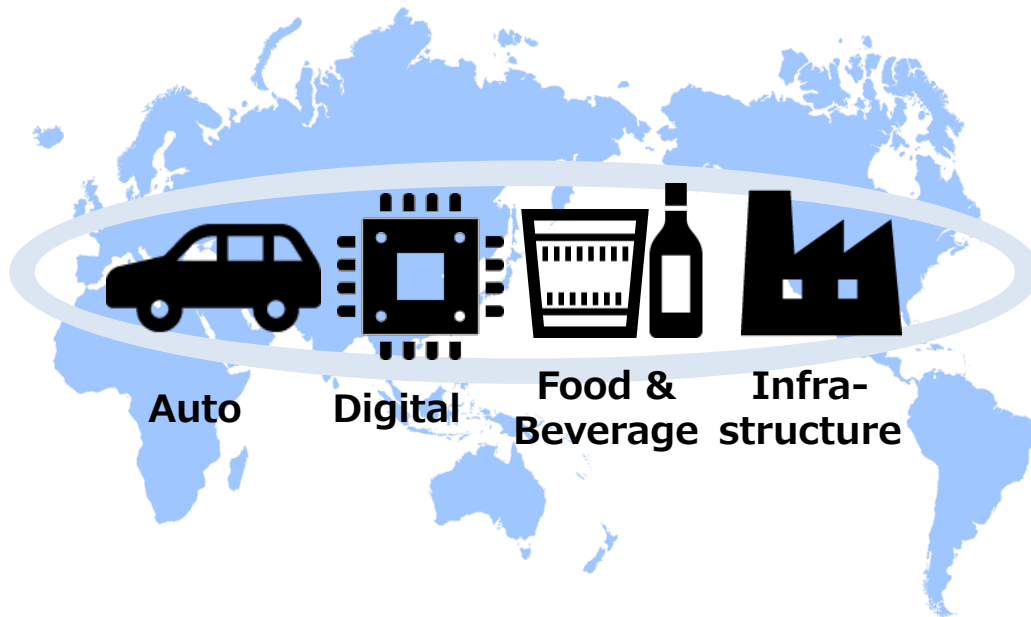
## Net Sales (Global) of Focus Industries

(vs FY2016, on a local currency basis)

# + 23%

Japan, Americas, Europe, Southeast Asia

# + 21%



Greater China  
**+ 28%**





# FY2018 Plan

# Key Initiatives for FY2018

**Continue to enhance growth cycle to achieve VG2.0 goals**



**IAB**

**HCB**

**Overall**

- Launch strong products
- Raise added value through integrated production, sales, development & planning activities

**Ongoing Restructuring**

Backlights

Micro devices

**IAB**

- Develop innovative products / applications
- Enhance total solution capabilities

**HCB**

- Develop innovative devices
- Enhance production / sales channels

**Enhance Technology Mgmt.**

- Improve ability to create innovation
- Cultivate and hire high-caliber engineering talent

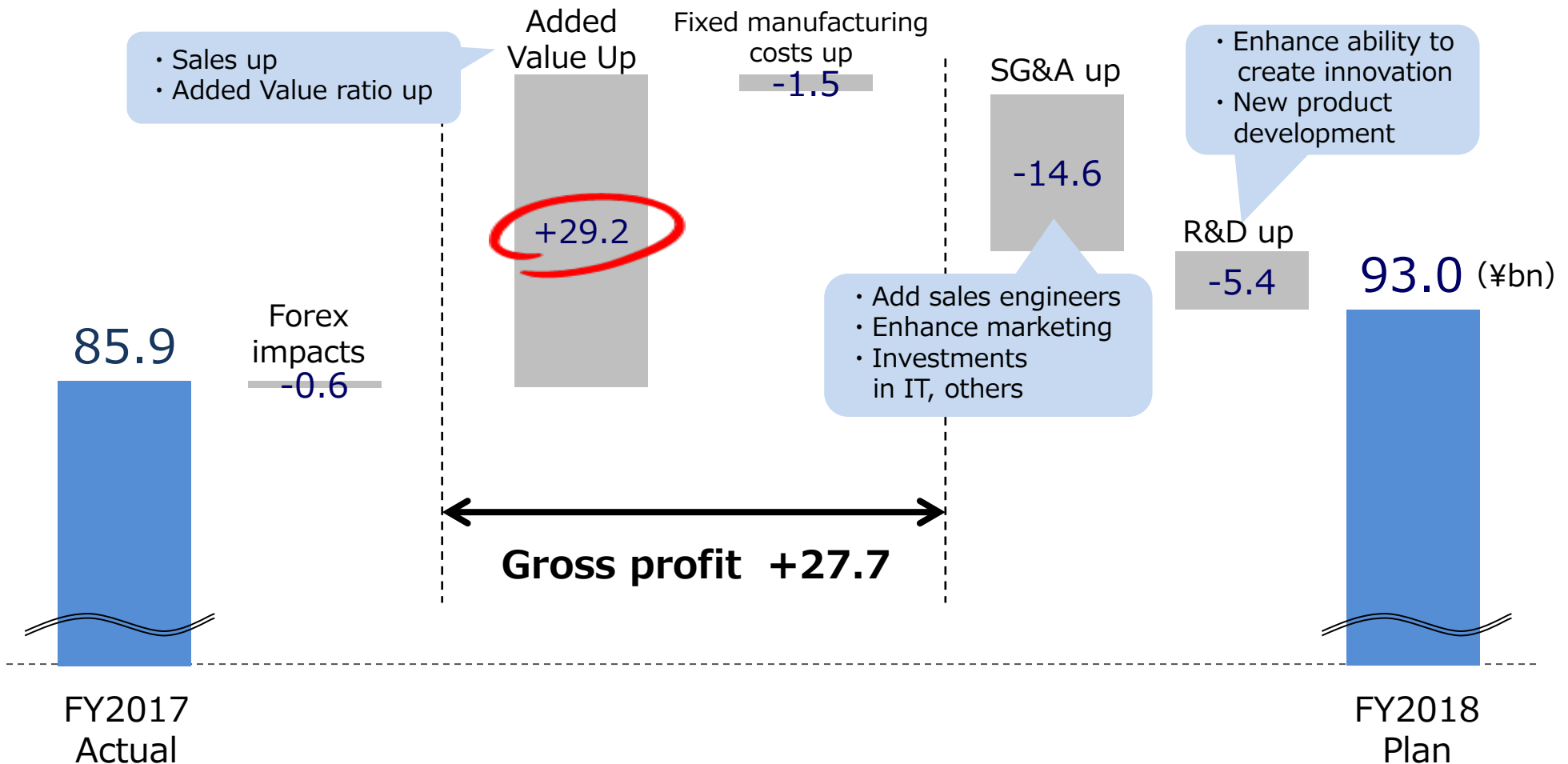
## FY2018 Plan

**Project new record high earnings. Key GP margin to rise to 42.5%**

	FY2017 Actual	FY2018 Plan	Y/Y
			(¥bn)
Net Sales	860.0	<b>900.0</b>	+4.7%
Gross Profit	357.7	<b>382.5</b>	+6.9%
(%)	(41.6%)	<b>(42.5%)</b>	(+0.9%pt)
Operating Income	85.9	<b>93.0</b>	+8.3%
(%)	(10.0%)	<b>(10.3%)</b>	(+0.3%pt)
Net Income Attributable to Shareholders	63.2	<b>64.5</b>	+2.1%
1USD (JPY)	111.2	107.0	-4.2
1EUR (JPY)	129.4	131.0	+1.6

# Operating Income Analysis, Y/Y

**Proactively invest for future growth, supported by higher added value generation. While investing, also achieve Y/Y profit growth**



## Sales by Business Segment

## Strong growth from IAB, HCB to drive overall growth

(¥bn)

	FY2017 Actual	FY2018 Plan	Y/Y
<b>IAB</b> Industrial Automation	396.1	428.0	+8.0%
<b>EMC</b> Electronic & Mechanical Components	104.4	102.0	-2.3%
<b>AEC</b> Automotive Electronic Components	131.2	128.0	-2.4%
<b>SSB</b> Social Systems, Solutions & Service	63.7	67.0	+5.2%
<b>HCB</b> Healthcare	108.5	119.0	+9.7%
<b>Other</b> Businesses under the Direct Control of HQ	51.0	50.5	-0.9%
Eliminations & Corporate	5.2	5.5	+6.3%
<b>Total</b>	<b>860.0</b>	<b>900.0</b>	<b>+4.7%</b>

N.B. Micro device business previously included in Other segment now included in EMC and Eliminations & Corporate



## Operating Income by Business Segment

### Targeting substantial growth at IAB and HCB

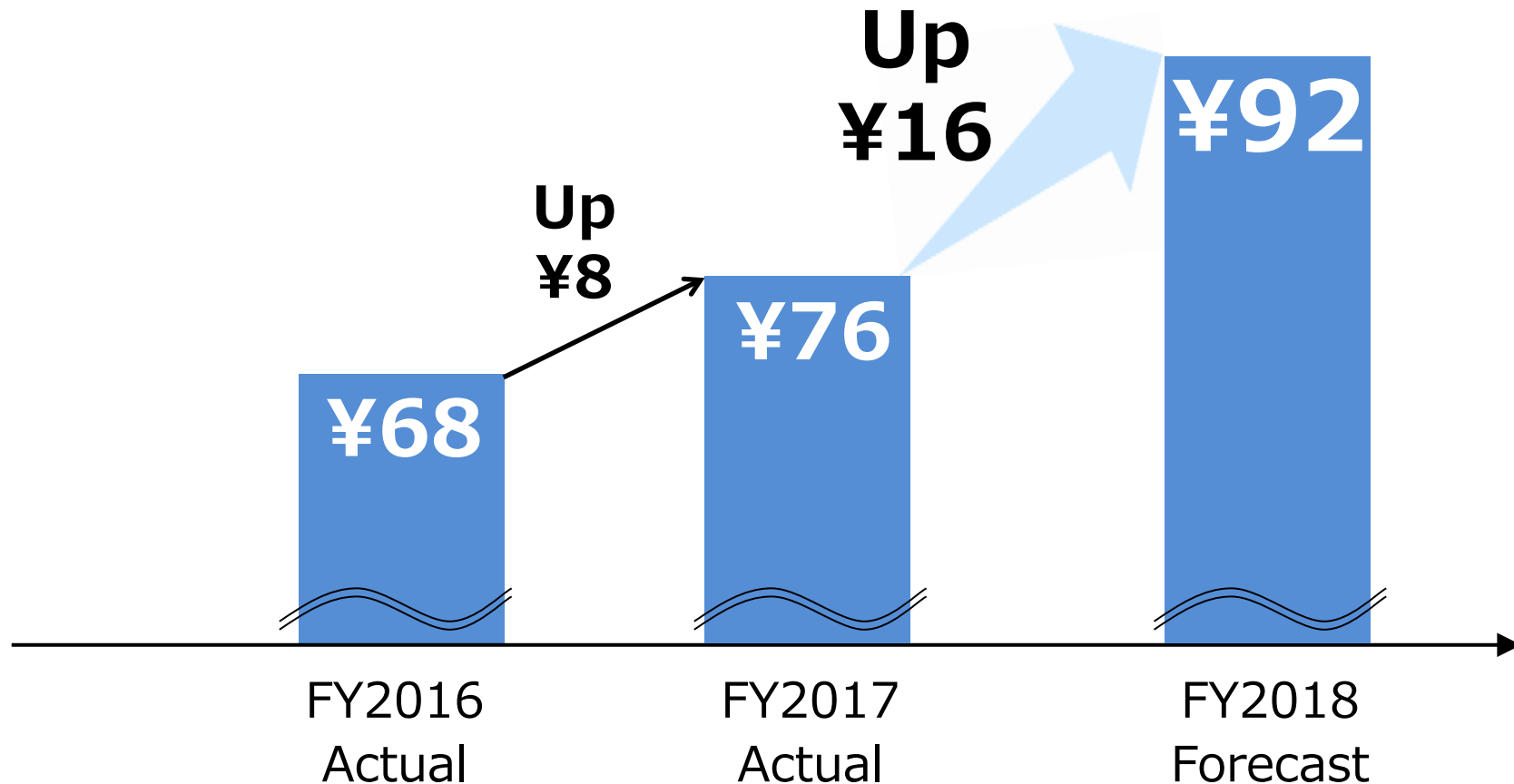
(¥bn / % of net sales)

	(1) FY2017 Actual	(2) FY2018 Plan	(2) - (1)
<b>IAB</b> Industrial Automation	74.0 (18.7%)	82.0 (19.2%)	+8.0 (+0.5%pt)
<b>EMC</b> Electronic & Mechanical Components	12.5 (12.0%)	12.5 (12.3%)	+0.0 (+0.3%pt)
<b>AEC</b> Automotive Electronic Components	5.8 (4.4%)	6.0 (4.7%)	+0.2 (+0.3%pt)
<b>SSB</b> Social Systems, Solutions & Service	4.1 (6.5%)	4.5 (6.7%)	+0.4 (+0.3%pt)
<b>HCB</b> Healthcare	11.2 (10.3%)	12.5 (10.5%)	+1.3 (+0.2%pt)
<b>Other</b> Businesses under the Direct Control of HQ	-0.5 (-)	0.0 (-)	+0.5 (-)
Eliminations & Corporate	-21.2	-24.5	-3.3
<b>Total</b>	85.9 (10.0%)	93.0 (10.3%)	+7.1 (+0.3%pt)

N.B. Micro device business previously included in Other segment now included in EMC and Eliminations & Corporate

## Full-year Dividend

**Guiding for ¥92 dividend in FY2018 (up ¥16)**



N.B. FY2017 full-year dividend to be approved at AGM; FY2018 interim and year-end dividend TBD.  
Aim for dividend payout ratio of approximately 30% and DOE of approximately 3%.

## Share Buybacks

**Buy back ¥14.3 billion in shares in FY2017,  
enhancing shareholder returns**

### Share Buybacks

**Buy back ¥14.3 billion in shares  
in FY2017 (2.35 million shares)**

N.B. The above does not include ¥4.7 billion yen in share buybacks for the BIP (Board Incentive Plan) trust. (If included, total buybacks were ¥19 billion.)

# Accelerate Growth with Innovative Concept for Manufacturing

## Accelerating growth with **innovative**-Automation

### Concept

## **innovative**-Automation

Bring innovation to manufacturing by OMRON

### Direction

Evolution in control

**i**ntegrated

Intelligence developed  
through ICT

**i**ntelligent

New harmonization between  
humans and machines

**i**nteractive

## Accelerating **innovative**-Automation

Enhance total solution capabilities to accelerate **innovative**-Automation. Apply to the 4 Global Focus Industries

### 4 Global Focus Industries

Enhance Total  
Solution  
Capabilities



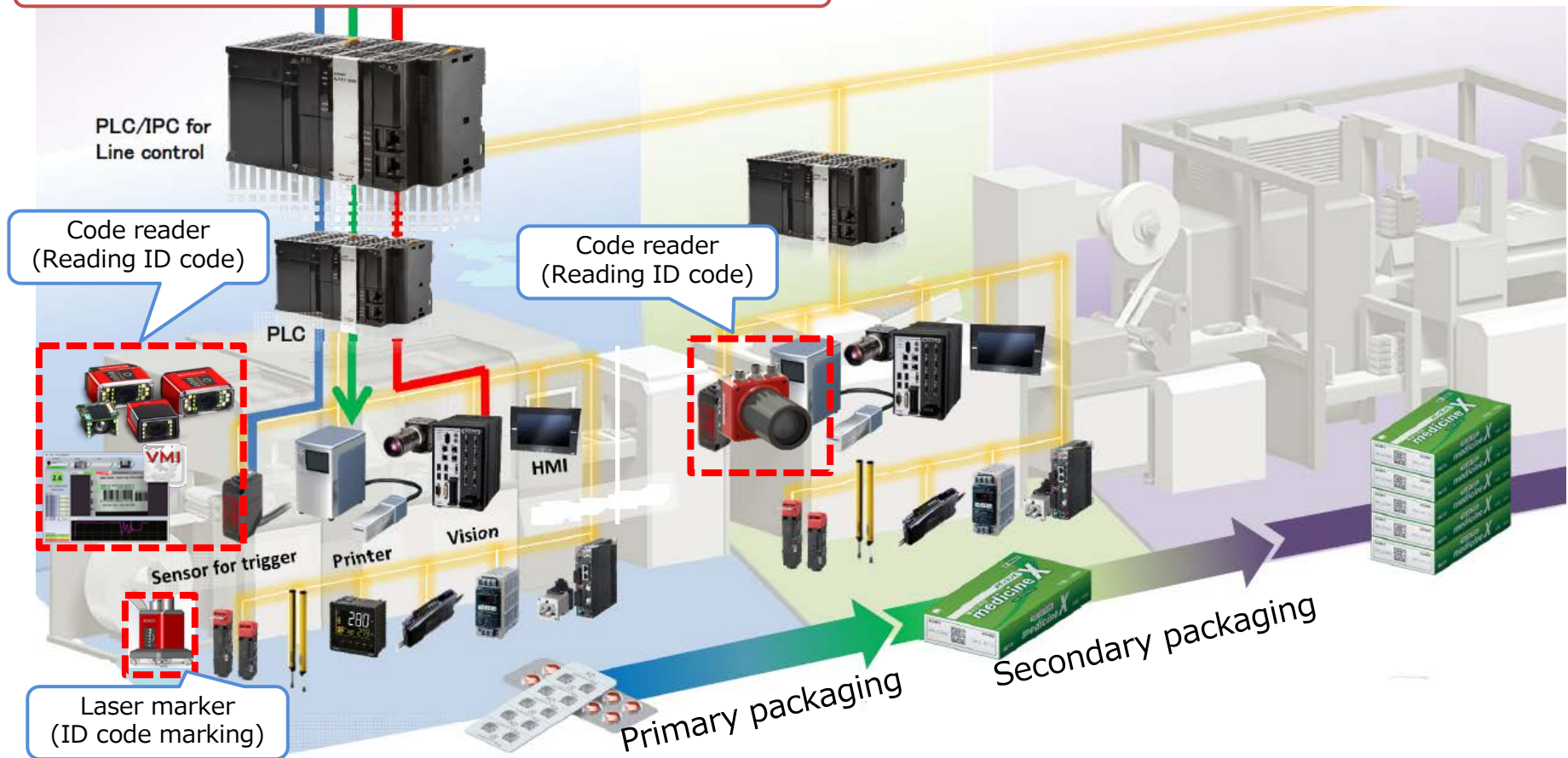
# Enhance Total Solution Capabilities



# Enhance Total Solution Capabilities (Code Readers)

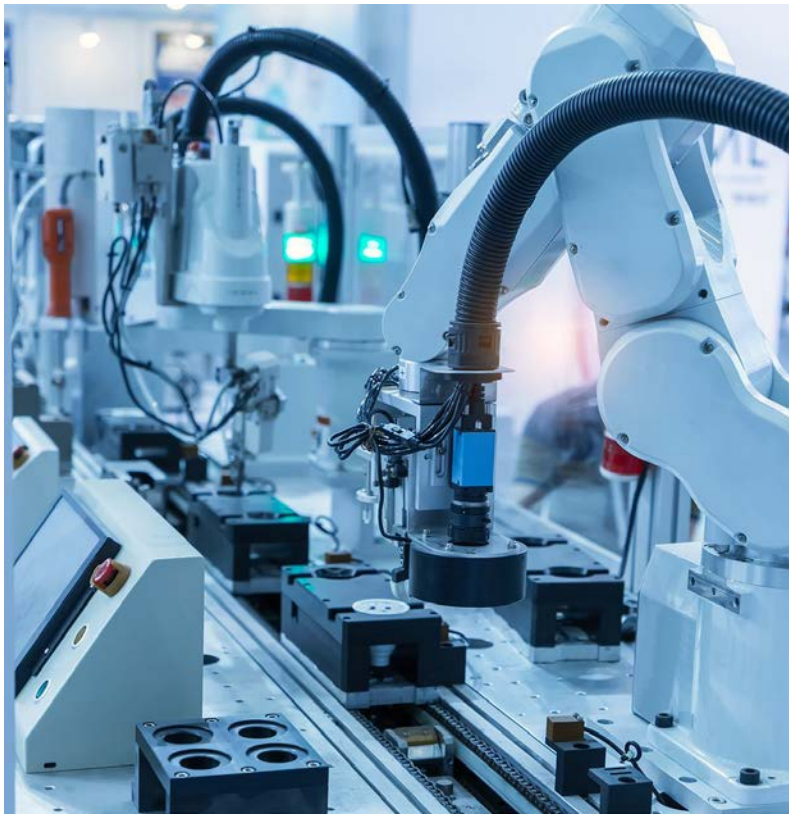
**Expanding opportunity in traceability with the combination of code readers and our broad product lineup (ILOR+S)**

Server (Easily save traceability data)

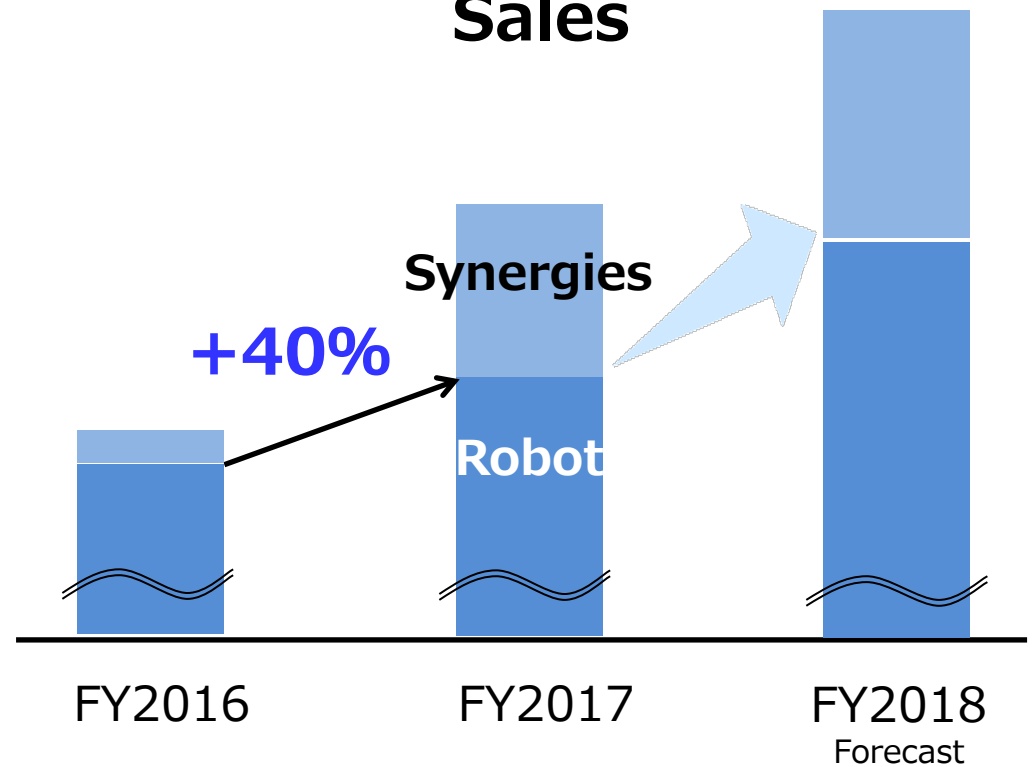


## Enhancing Total Solution Capabilities (Robotics)

**Improve productivity, address labor shortages with total solutions using robotics. Sales to continue accelerating beyond FY2018**



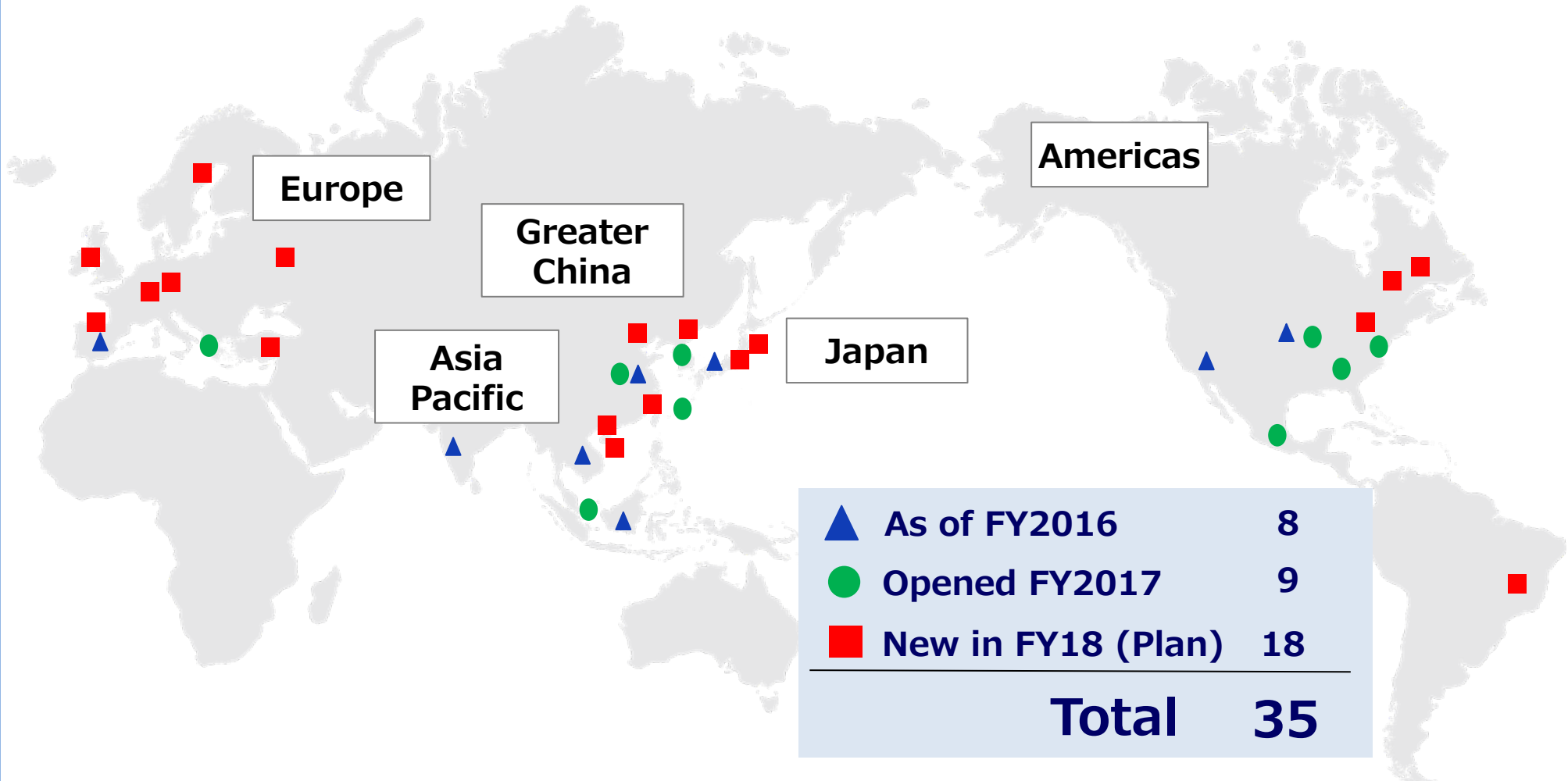
### Robotics Business Sales





# Enhancing Total Solution Capabilities (ATCs)

We use our Automation Technology Centers to help customers address their challenges. Expanding our global network to 35



## **VG2020: Key Initiatives For The Past 7 Years**

**Establish ROIC management**

**Implement Corporate  
Principles Management**

**Enhance technology  
management**

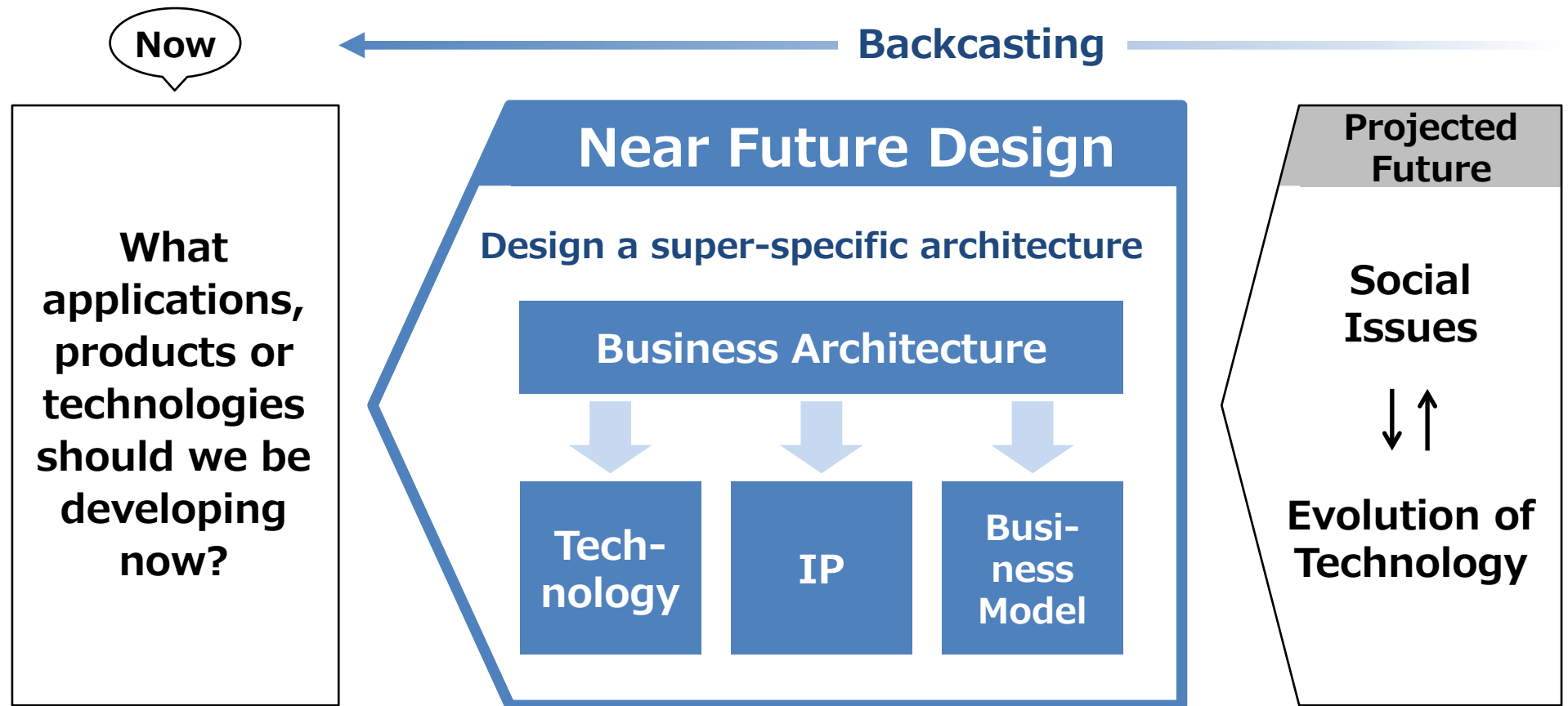


# Enhancing Technology Management



# OMRON's Unique Technology Management

**Aim to solve social issues with our innovation-based Near Future Design. Based on our NFD, develop and execute on clear strategies**



# Technology Mgmt: A Core Tenet Since OMRON's Founding Days

**1933**

Tateisi Electric Manufacturing founded



**1953**

Inspecting the US FA market



**1960**

Central R&D Laboratory established



1930

1940

1950

1960

1970

**1943**

Successfully develop micro switch



**1955**

Enter FA market. Focus on a fully domestically developed micro switch



**Tackling the Cybernation Challenge**

**1964**

Automated traffic signal



**1967**

Unmanned train station



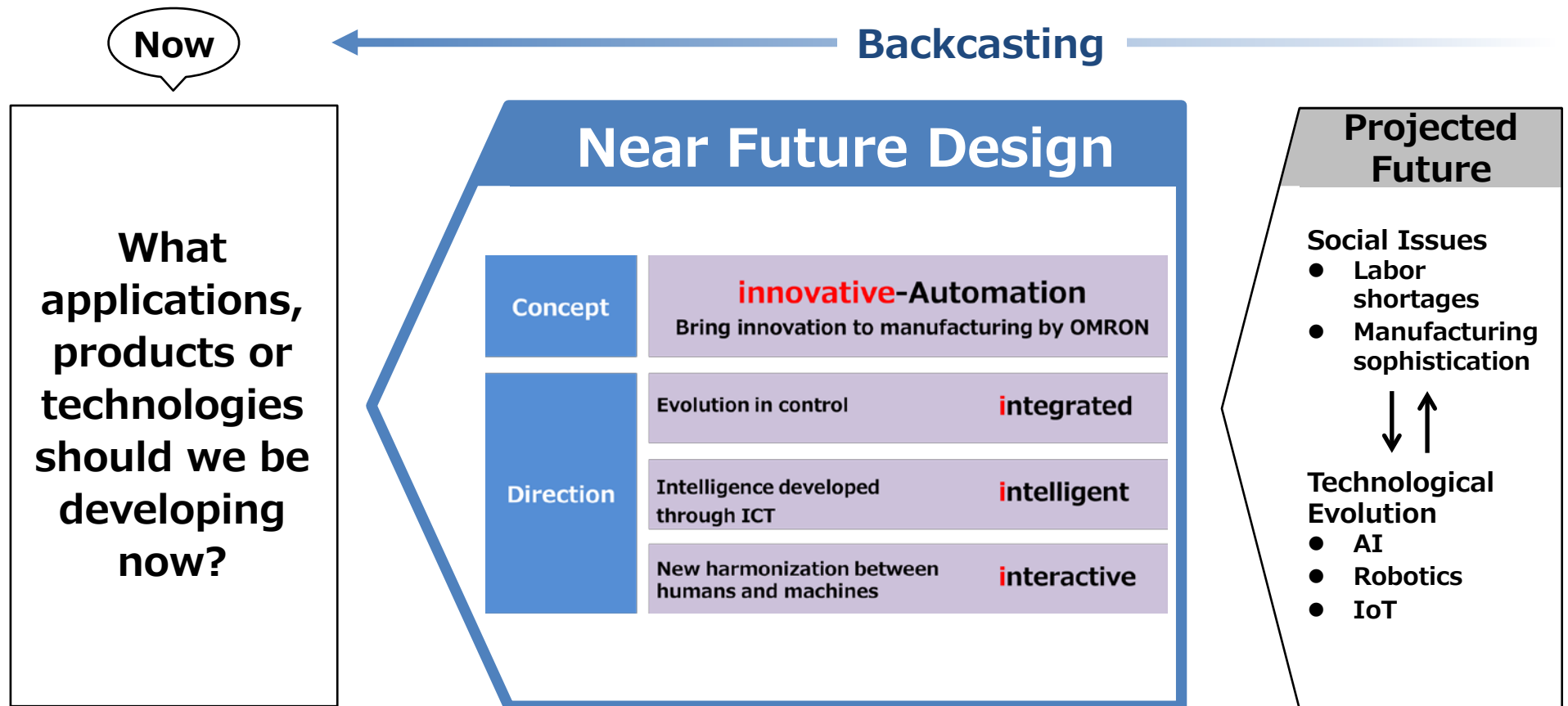
**1971**

Automated cash dispenser



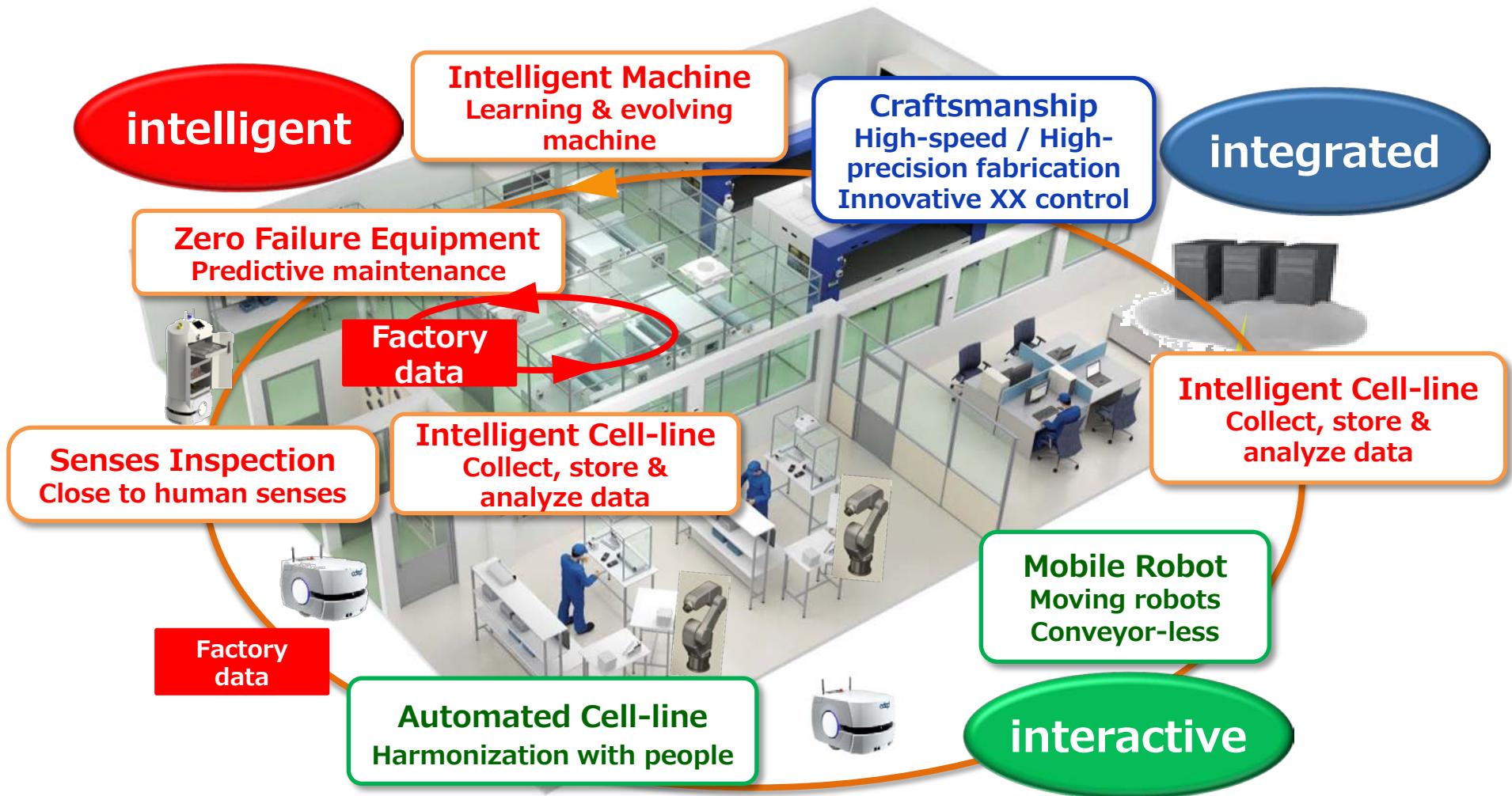
## Backcasting Approach: Applications for FA

**Innovation in manufacturing underpins the FA Near Future Design. We identify the applications required for NFD and backcast to develop the appropriate products and technology**



# Near Future Design for Manufacturing

## innovative-Automation: 3 "i"s drive innovation in manufacturing



# Innovative Applications Based on our Near Future Design

**intelligent**

**integrated**

「知能  
学習、進

**Craftsmanship  
High-speed / High-  
precision fabrication  
Innovative XX control**

「融合」  
設備技術と  
管理技術の融合



Predictive Maintenance  
Metal Mold Equipment

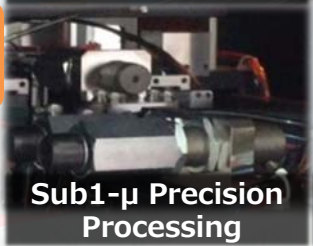
**Zero Failure Equipment  
Predictive maintenance**



AI Breakdown  
prediction



P&P Pack Expert



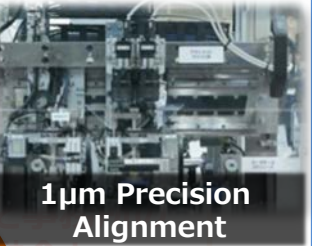
Sub1- $\mu$  Precision  
Processing



Robot Vision  
Hi-speed Inspection



Hi-speed Synchronized  
Assembly



1 $\mu$ m Precision  
Alignment

**Senses Inspection  
Close to human senses**



Senses Inspection

**Intelligent Cell-line  
Collect, store &  
analyze data**



Task Management  
Analysis/Instruction

「ロボットとの協調・人理解



Conveyer-less

**Mobile Robot  
Moving robots  
Conveyer-less**



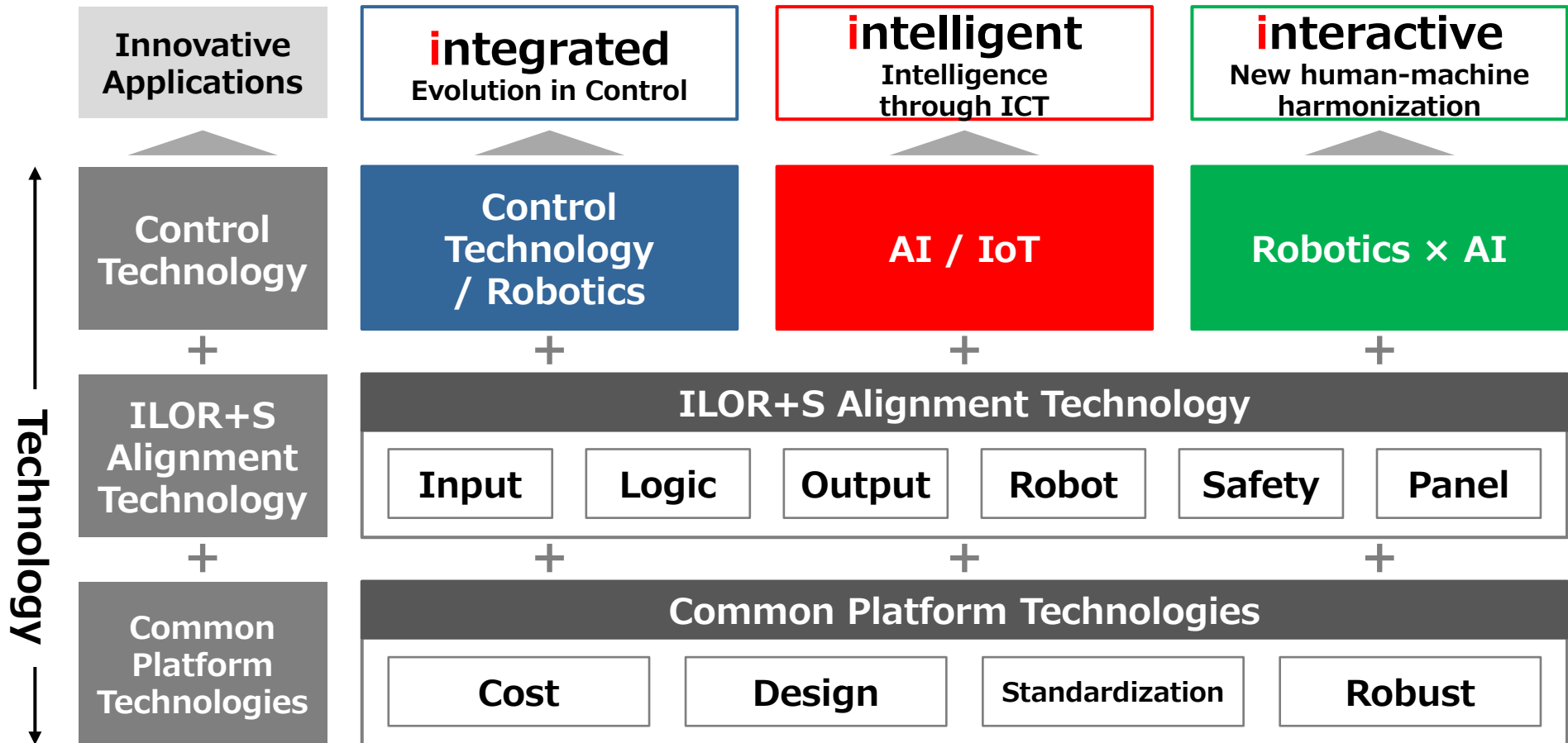
Automated  
Picking/Handling

**interactive**



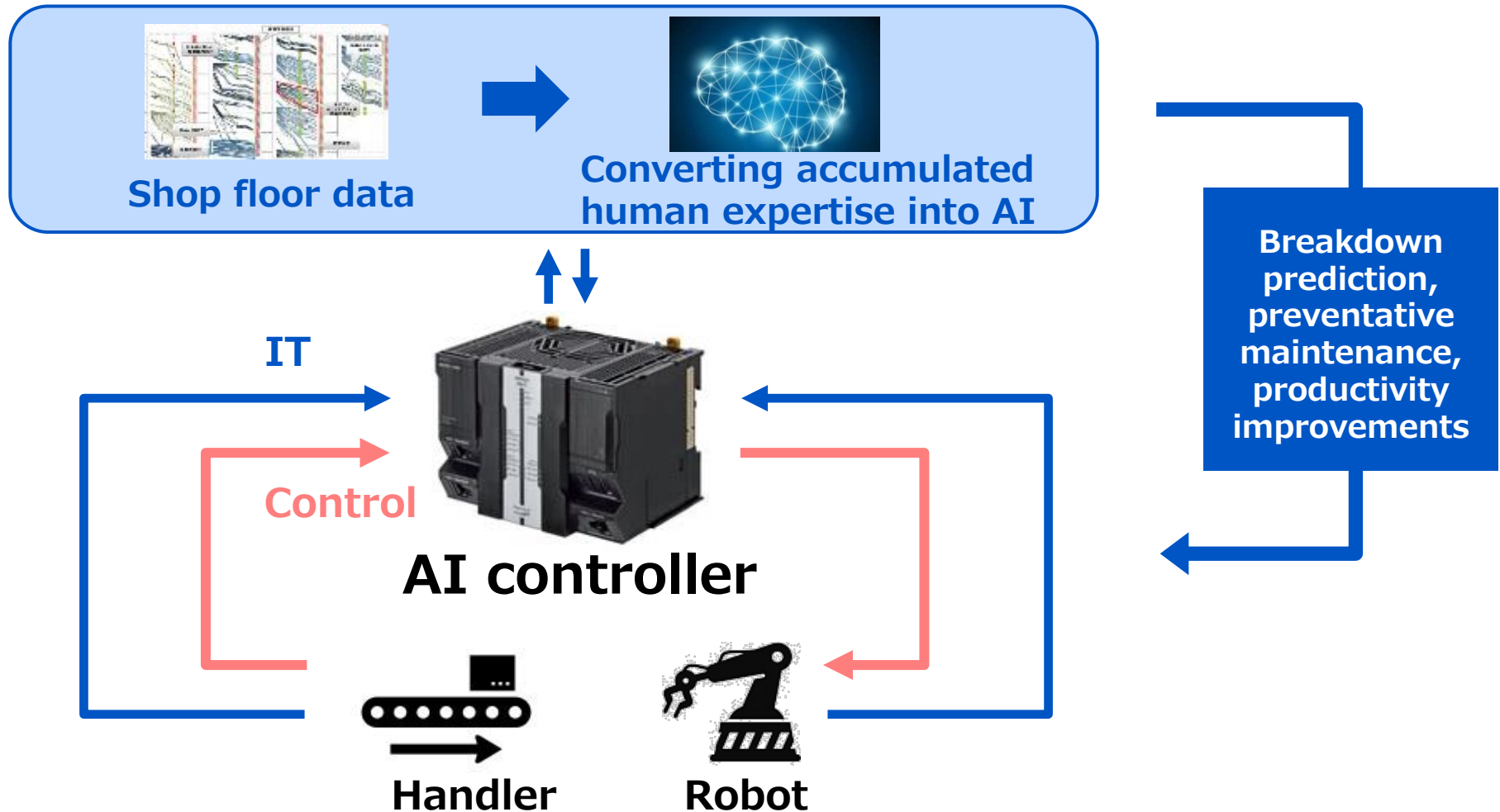
# Technology Architecture for Creating Innovative Applications

## innovative-Automation



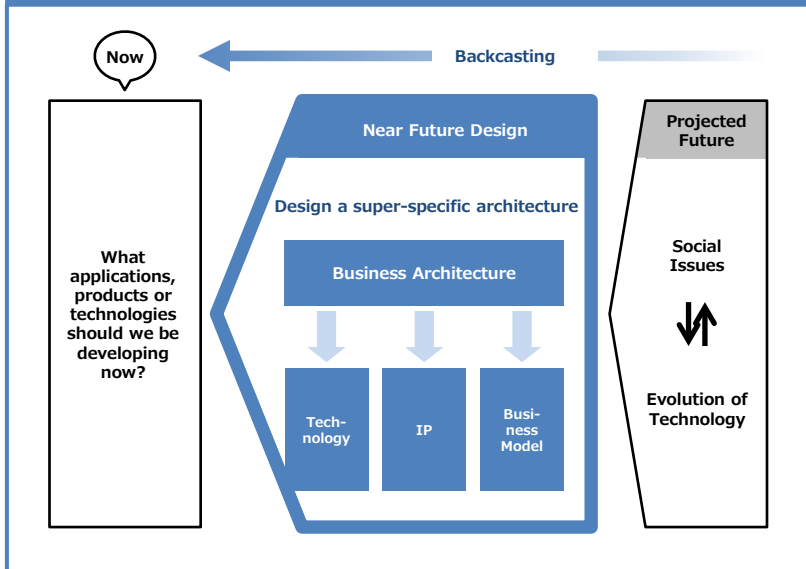
# Value of AI Technology in FA

**Incorporating know-how of highly experienced engineers into devices and production lines**



# Beyond VG: Investing in Technology Management

## Technology Management Concept



## What We Aim to Achieve in FY2018 - 2020

**Serial creation of new value across the organization in the run-up to the next decade beyond VG**

**Invest in initiatives to further enhance technology management**

## Technology Mgmt: Improving Innovation-creating Capability

**Substantially enhance technology management by building out the organization, R&D bases and human capital**

### Organization

## Establish the **Innovation Promotion HQ**

Firm-wide innovation platform. Responsible for innovation initiatives from developing NFD strategy through to evaluating businesses

### R&D Bases

## Establish **R&D bases**

To promote R&D for AI / Robotics, proactively leveraging open innovation

Near Future Design R&D Company OSX (Tokyo)

Edge AI Development Center (Tokyo)

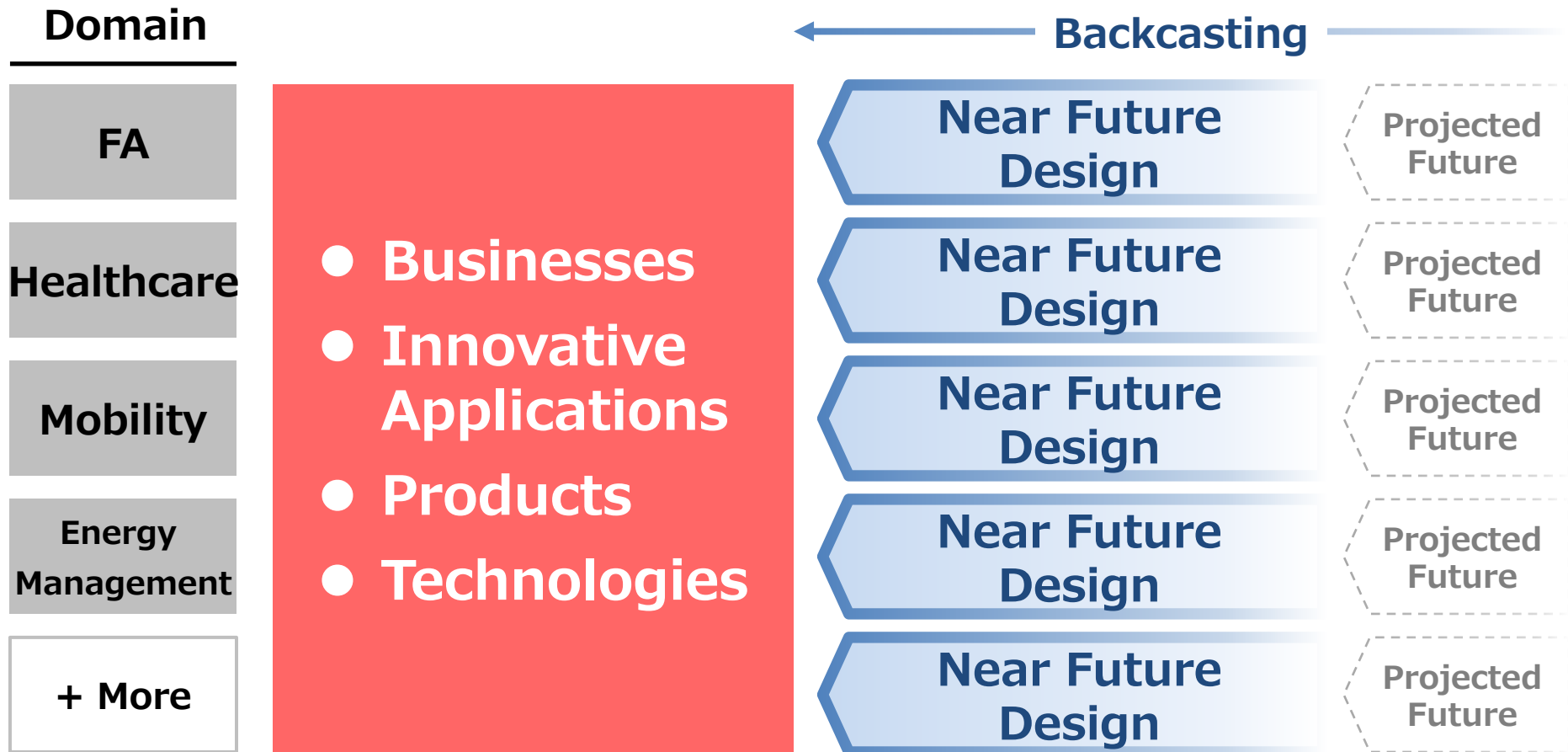
Robotics Development Center (West Coast, U.S. )

### Human Capital

Hire/cultivate  
**High-caliber Engineering Human Resources**  
To tackle AI, Robotics and Near Future Design

## Toward Achieving VG2.0, Further Growth Post-VG2.0

**Developing new businesses, innovative applications, products and technologies based on NFD to drive VG2.0, post-VG2.0 growth**





# **VG2.0: Progress Update**

## VG2.0: Progress Update

**Achieved 4 of the 6 management metrics set out under VG2.0**

	FY2018 Plan	FY2020 Targets
<b>Net Sales</b>	¥900.0bn	¥1 Trillion
<b>GP Margin</b>	<b>42.5%</b>	> 41%
<b>Operating Income</b>	¥93.0bn	¥100bn
<b>ROIC</b>	<b>Approx. 12%</b>	> 10%
<b>ROE</b>	<b>Approx. 12%</b>	> 10%
<b>EPS</b>	<b>¥306</b>	> ¥300

**OMRON**





# Reference

## FY2018 Business Environment by Region

### Global economy to remain firm

#### Japan

Solid conditions to continue, on capex growth in the semiconductor and auto industries

#### Overseas

Americas: Major tax cuts and other policy measures to support continued macro recovery

Europe: Gradual recovery to continue on increased capex and higher production levels

China: Growth rate to continue to moderate but demand for automation from manufacturers to remain firm

Asia: Korea to remain strong. Economies of Thailand, India, Indonesia to continue to recover

# FY2018 Business Environment by Segment

## IAB Industrial Automation

Japan: Strength in autos, semiconductors to continue  
 Overseas: Smartphone-related visibility in China/Asia poor but semiconductors remain strong. Firm demand from food industry in Europe. U.S. remains solid but some uncertainty

## EMC Electronic & Mechanical Components

Consumer: Markets in Europe/Americas firm. Demand for consumer and commercial products in China/Asia to remain solid  
 Automotive: Domestic market expected to be flat Y/Y global outlook solid

## AEC Automotive Electronic Components

Japan: Weaker as customers increase overseas production  
 Overseas: Global outlook remains firm. Expect growth rates for China to moderate

## SSB Social Systems, Solutions and Service

Station sys: Fallow period for replacement cycle ending; demand expected to pick up  
 Transport: Solid replacement demand expected

## HCB Healthcare

Japan: Expect solid conditions, primarily online channel  
 Overseas: Strong conditions expected for China and Asia

## Other Businesses under the Direct Control of HQ

Env. Soln: PV inverters weak but continued growth for storage systems  
 Backlight: Smartphone market to remain weak

## FY2018 Assumptions: Exchange Rates

	FY2018	Impact of ¥1 fluctuation (full-year, approx.)	
		Sales	OP
USD	<b>¥107</b>	¥3.9bn	¥0.6bn
EUR	<b>¥131</b>	¥1.0bn	¥0.5bn

\*If emerging-market currency trends diverge from USD and/or EUR contrary to our expectations, sensitivities will be impacted.

# VG2.0 and Sustainability Strategies

## OMRON Principles

### Management Philosophy & Sustainability Policy

#### VG2.0

##### Business Strategies

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

×

Collaboration with partners

+

##### Operational & Functional Strategies

Human capital management, manufacturing, risk management...

#### Sustainability Issues

Solving social issues through our businesses:  
Responding to social needs

FA



Health-care



Mobility



Energy Mgmt.



×

Collaboration with Partners



+

Responding to stakeholder expectations

Human Capital Mgmt.



Manufacturing



Risk Management



# OMRON Included in Major ESG Indices (As of April, 2018)

## ESG Indices which include OMRON

- ✓ DJSI – World
- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders indices
- ✓ CDP
- ✓ MS-SRI
- ✓ FTSE Blossom Japan Index
- ✓ MSCI Japan ESG Select Leaders Index
- ✓ MSCI Japan Empowering Women Index

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



FTSE4Good

MSCI



2017 Constituent  
MSCI ESG  
Leaders Indexes

MSCI



2017 Constituent  
MSCI SRI Indexes



モーニングスター社会的責任投資株価指数  
Morningstar Socially Responsible Investment Index



FTSE Blossom  
Japan

MSCI



2017 Constituent  
MSCI Japan ESG  
Select Leaders Index

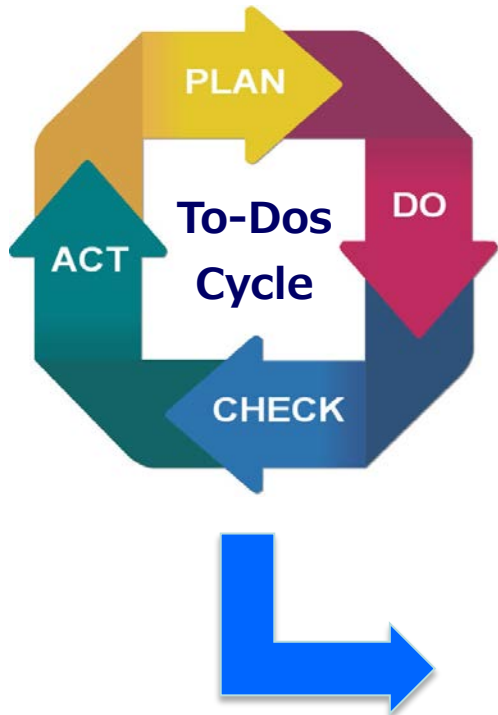
MSCI



2017 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

# Down-Top ROIC Tree

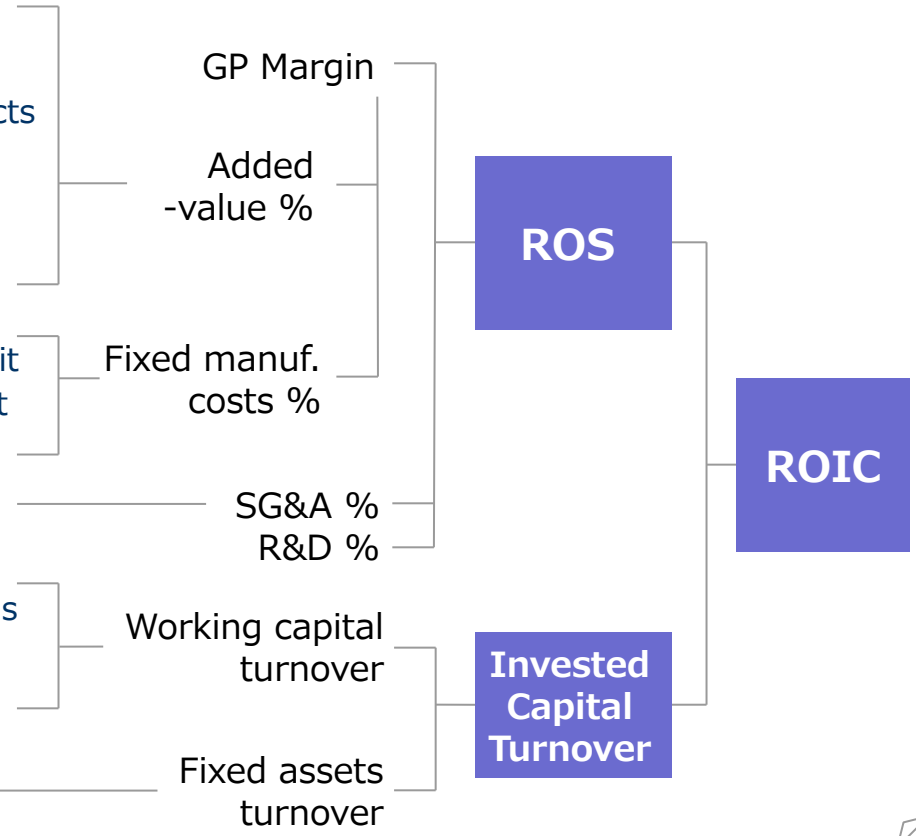
## On-site



## KPI

- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable cost reduction, value/%
- Defect cost %
- Per-head production # unit
- Automation % (headcount reduction)
- Labor costs-sales %
- Inventory turnover months
- Slow-moving inv. months
- Credits & debts months
- Facilities turnover (1/N automation ratio)

## Drivers



# ROIC Definition

<Consol. B/S>

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

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

**Invested capital\***

= Net assets + Interest-bearing debt

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

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



## Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Ended March 31, 2018 (U.S. GAAP)."

Figures rounded to the nearest million JPY and percentage to one decimal place.

Contact:

**Investor Relations Department  
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