

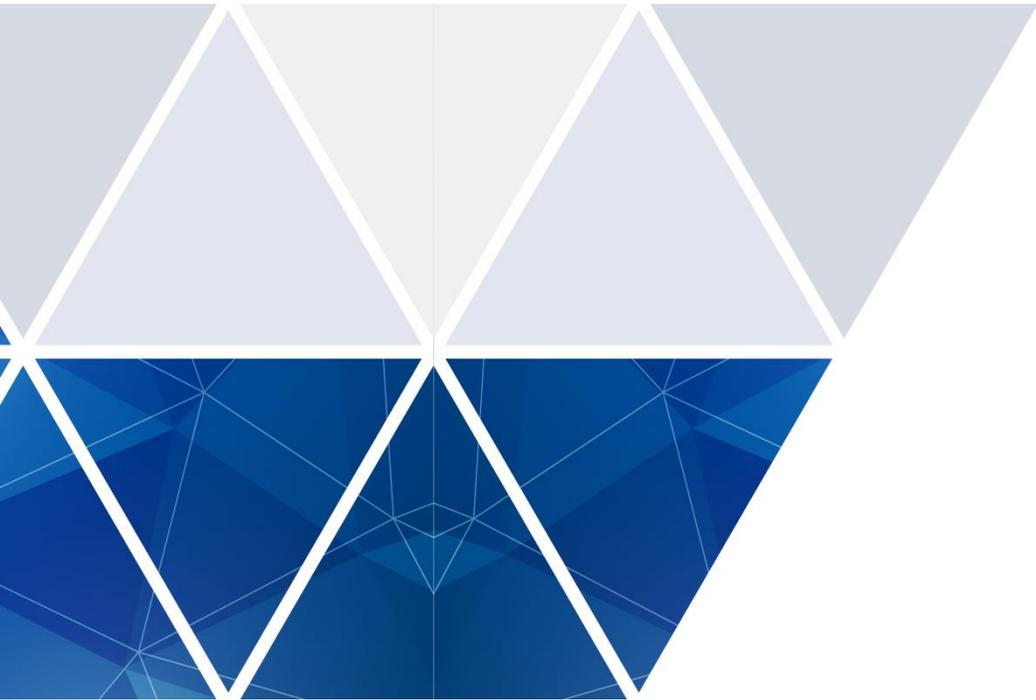
FY2016 Full-Year Earnings & New Medium-term Management Plan VG2.0



**April 27, 2017
OMRON Corporation**

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FY2016 Results

FY2016 Results

- Further strengthened the earnings structures and achieved profit growth
- Achieved sales growth and robust profit growth on a local currency basis

(¥bn)

	(1) FY2016 Jan. Fcst	(2)FY2016 Actual	(2) / (1)	Y/Y	Y/Y (excl. forex impacts)
Net Sales	780.0	794.2	+1.8%	-5%	+3%
Gross Profit (%)	306.5 (39.3%)	311.8 (39.3%)	+1.7% (±0%pt)	-3% (+0.8%pt)	+6% (+1.1%pt)
Operating Income (%)	64.0 (8.2%)	67.6 (8.5%)	+5.6% (+0.3%pt)	+8% (+1.0%pt)	+31% (+2.0%pt)
Net Income Attributable to Shareholders	44.0	46.0	+4.5%	-3%	-
1USD (JPY)	107.7	108.9	+1.2	-11.3	
1EUR (JPY)	119.1	119.4	+0.3	-12.8	

Sales by Business Segment

IAB drove the growth of the overall Group.

(¥bn)

	(1) FY2016 Jan. Fcst	(2) FY2016 Actual	(2) / (1)	Y/Y	Y/Y (excl. forex impacts)
IAB Industrial Automation	323.0	331.0	+2.5%	-1%	* +6%
EMC Electronic & Mechanical Components	92.0	93.9	+2.1%	-9%	±0%
AEC Automotive Electronic Components	129.0	132.1	+2.4%	-6%	+4%
SSB Social Systems, Solutions & Service	69.0	67.1	-2.7%	-13%	-13%
HCB Healthcare	100.0	101.3	+1.3%	-6%	* +3%
Other Businesses under the Direct Control of HQ	62.0	63.3	+2.0%	±0%	+6%
Eliminations & Corporate	5.0	5.5	+11.1%	+5%	+6%
Total	780.0	794.2	+1.8%	-5%	+3%

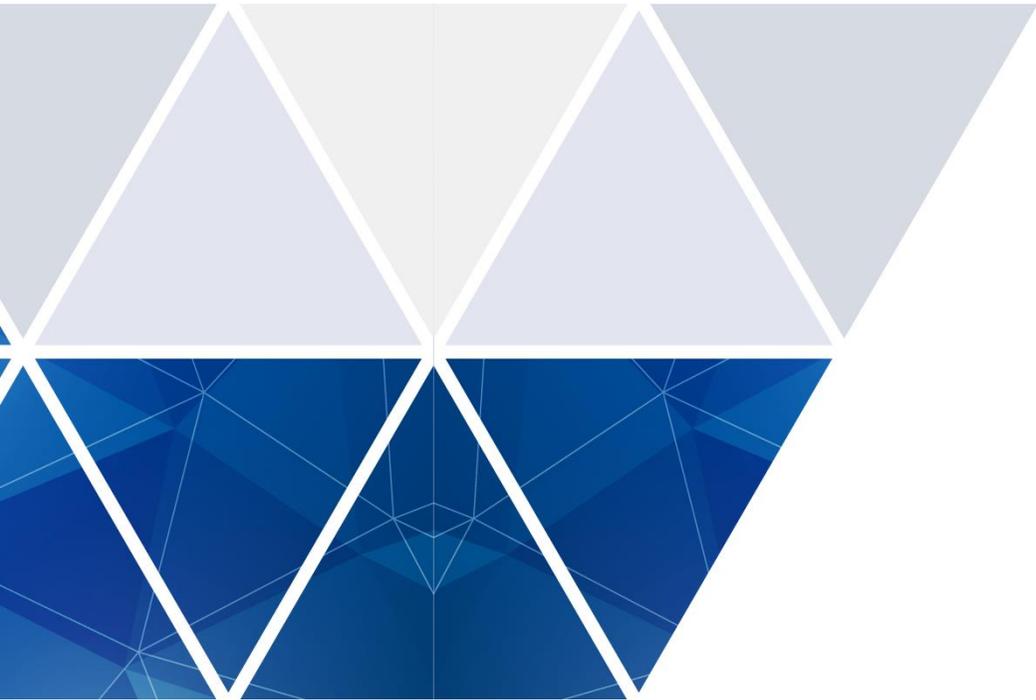
* Excl. Oil & Gas Business +9%
Excl. Medical Business (Hospital-use) +5%

Operating Income by Business Segment

Five main business segments sustained robust growth in profit on a local currency basis.

(¥bn / % of net sales)

	(1) FY2016 Jan. Fcst	(2) FY2016 Actual	(2)-(1)	Y/Y	Y/Y (excl. forex impacts)
IAB Industrial Automation	49.4 (15.3%)	52.0 (15.7%)	+2.6 (+0.4%pt)	+9%	+25%
EMC Electronic & Mechanical Components	8.9 (9.7%)	9.4 (10.0%)	+0.5 (+0.4%pt)	+11%	+45%
AEC Automotive Electronic Components	6.6 (5.1%)	7.1 (5.4%)	+0.5 (+0.3%pt)	-3%	+20%
SSB Social Systems, Solutions & Service	4.0 (5.8%)	4.0 (6.0%)	±0 (+0.2%pt)	+25%	+26%
HCB Healthcare	8.5 (8.5%)	8.5 (8.4%)	±0 (-0.1%pt)	+17%	+50%
Other Businesses under the Direct Control of HQ	-2.8 (-)	-2.1 (-)	+0.7 (-)	-	-
Eliminations & Corporate	-10.6	-11.3	-0.7	-	-
Total	64.0 (8.2%)	67.6 (8.5%)	+3.6 (+0.3%pt)	+8%	+31%



EARTH-1 STAGE Review (FY2014 – FY2016)



EARTH-1 STAGE Vision

Policy

Establishment of “self-driven” growth structure

Basic Strategies

① Existing Business Strategy

Maximize the Industrial Automation business

② Super-Global Growth Strategy

Build a foundation for remarkable growth in China and other Asian countries

③ New Business Strategy for the Optimization Society

Generate new businesses in fields related to the industry, society, and lifestyles, in addition to environment

Targets (FY2016)

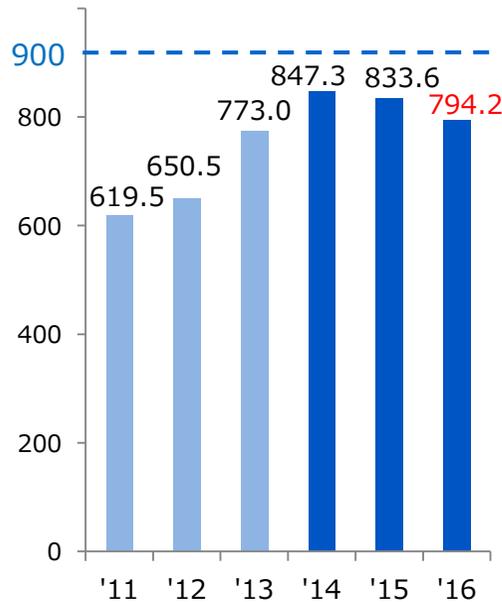
Net Sales	> ¥900.0bn
GP Margin	> 40%
OP Margin	> 10%
ROIC	approx. 13%
ROE	approx. 13%
EPS	approx. ¥290

* Announced in April 2014

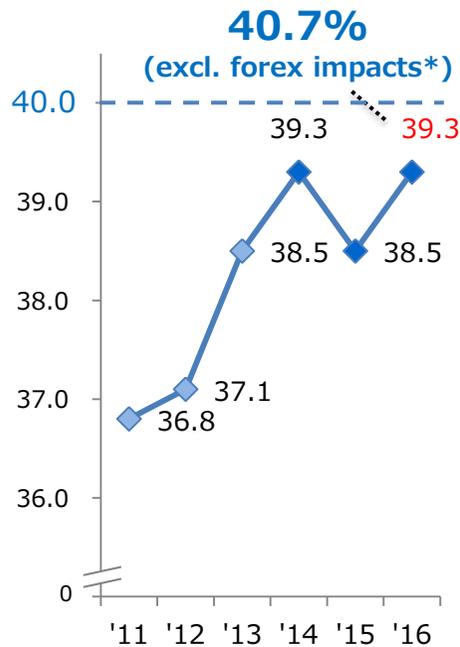
EARTH-1 STAGE Targets and Results

- Grew favorably until FY2014; started restructuring since FY2015, and got back on a recovery track in FY2016
- Enhanced earning ability steadily

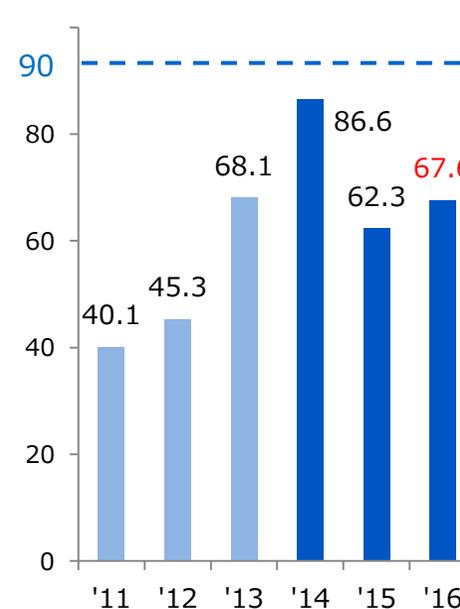
Net Sales (¥bn)



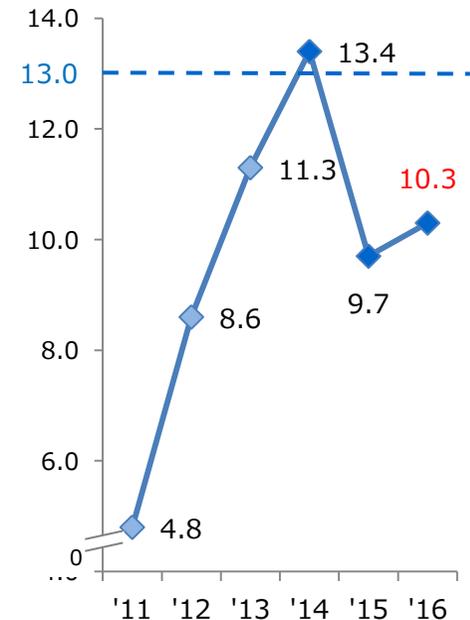
GP Margin (%)



Operating Income (¥bn)



ROIC (%)



----- : EARTH-1 STAGE Targets (Announced in April 2014)

* Calculated by applying FY2013 forex rate

Sales by Business Segment

- **IAB got back on a growth track and attained sales growth significantly**
- **HCB also drove the growth of the overall Group.**

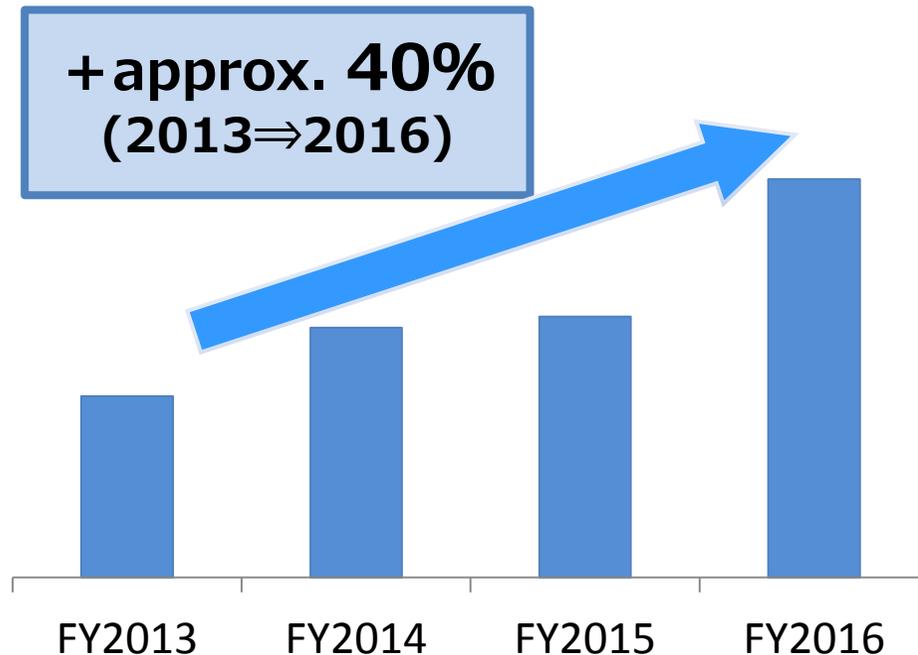
(¥bn)

	(1) FY2013 Actual	(2) FY2016 Actual	(2) - (1)
IAB Industrial Automation	291.7	331.0	+39.2
EMC Electronic & Mechanical Components	97.7	93.9	-3.8
AEC Automotive Electronic Components	126.6	132.1	+5.4
SSB Social Systems, Solutions & Service	82.7	67.1	-15.6
HCB Healthcare	89.3	101.3	+12.0
Other Businesses under the Direct Control of HQ	78.9	63.3	-15.7

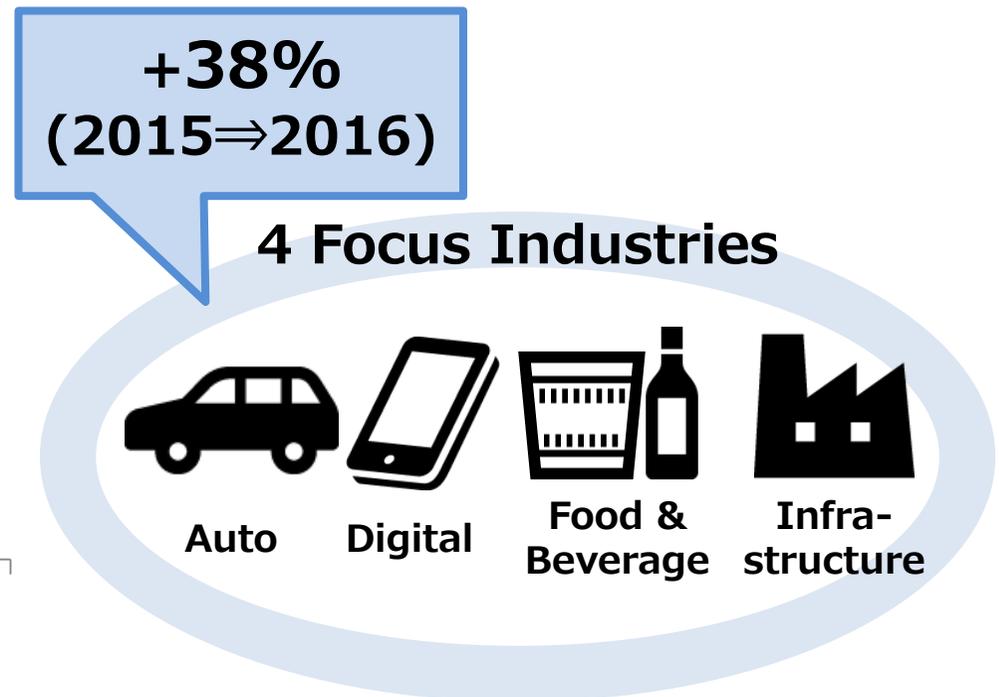
IAB Achievements in China

- **Approx. 40% sales growth was achieved in China in EARTH-1 STAGE.**
- **Particularly, solution proposals to the focus industries was highly evaluated, and the growth accelerated in FY2016.**

China Net Sales (Total) (vs. FY2013, on RMB basis)



China Net Sales (Focus Industries) (vs. FY2015, on RMB basis)



Investment in Future Growth

Continued to invest in future growth

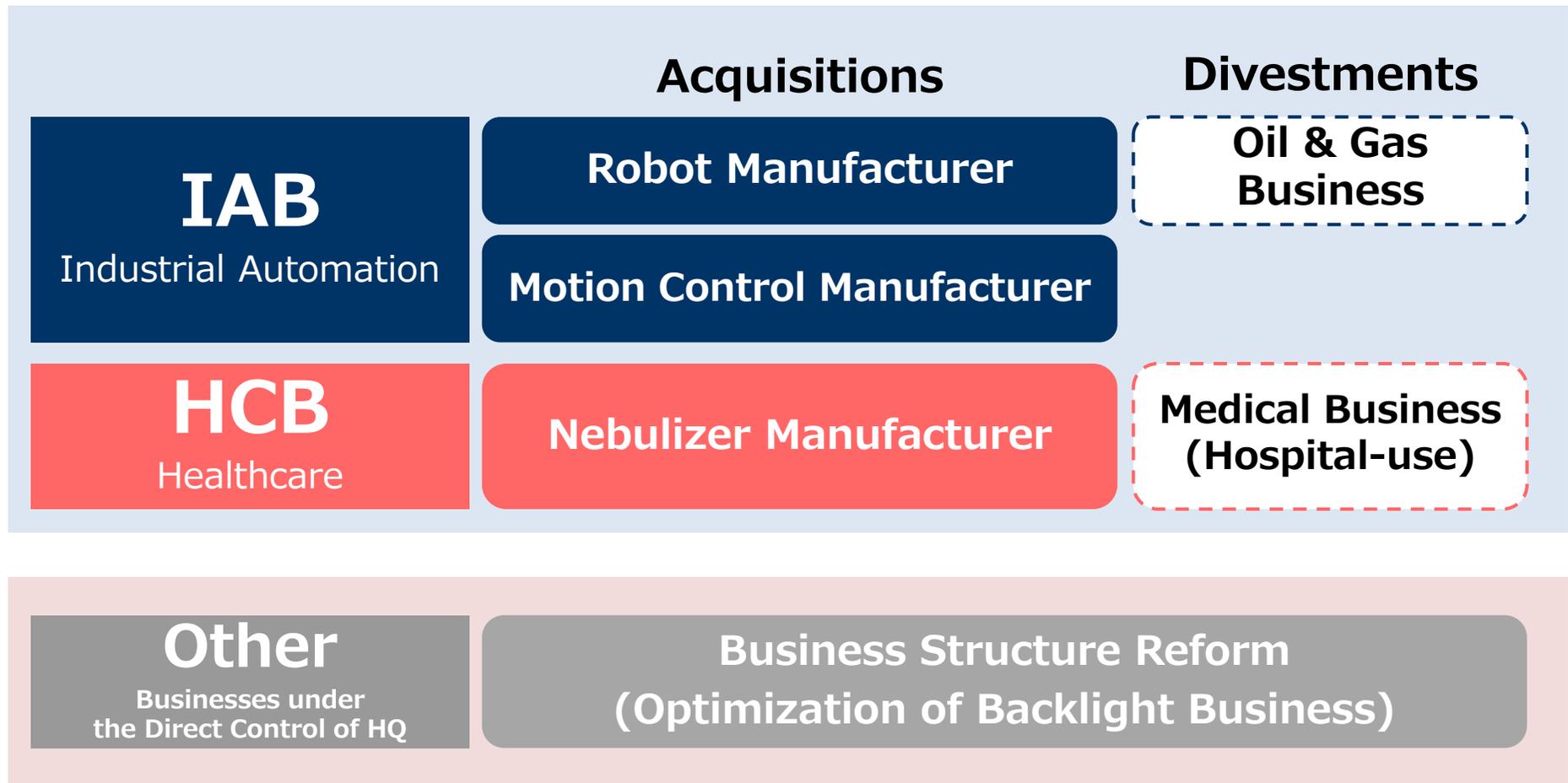
Total Investment in 3 Years (¥bn)

	Plan	Actual
Growth Investment (M&A&A*)	100.0	44.7
R&D	150.0	151.4
Capex	100.0	100.7

* M&A&A = M&A + Alliance

Business Structure Conversions through Portfolio Management

**Advanced portfolio management on an organization-wide basis,
converting to a business structure that sustains profitable growth**



Review

EARTH-1 STAGE Achievements

- 1. IAB has got back on a growth track.**
- 2. Earning ability has been enhanced steadily.**
- 3. Business structure has been converted to a structure that sustains profitable growth.**

Challenges for the Next Mid-term Strategy

Establishment of growth structure



New Medium-term Management Plan VG2.0 (FY2017 – FY2020)

VG2.0 Backdrop

Increasingly severe social problems and rapid technological innovation are big chances for OMRON.

Increasingly Severe Social Problems

Labor shortage

Rapid aging

Changes in manufacturing

Soaring medical expenses



Increased accidents and congestion

Deterioration of urban environment



Global warming



Rapid Technological Innovation

AI



IoT



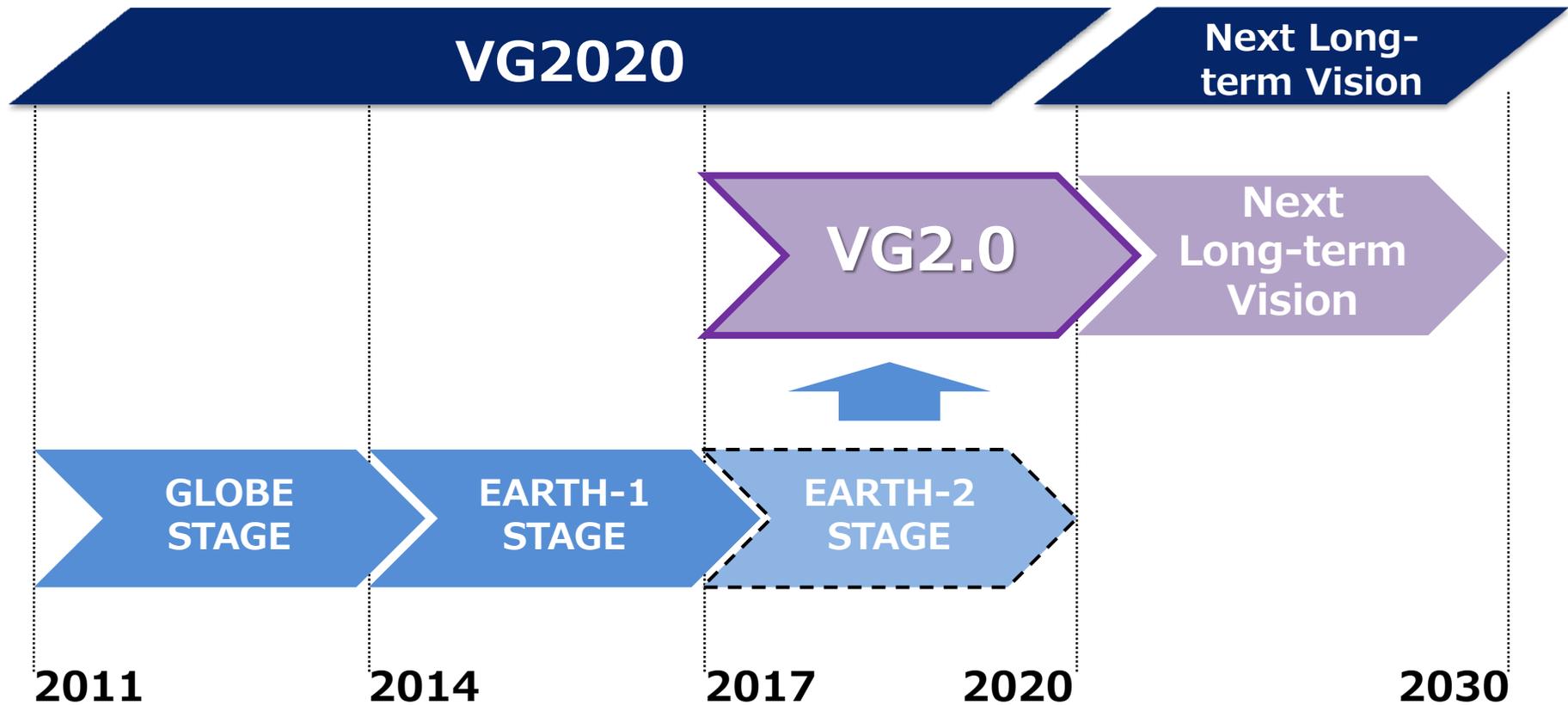
Robotics



Sensing & Control + Think

Positioning of VG2.0

Take VG2.0 as the last stage of VG2020, to achieve discontinuous growth



VG2.0 Goals & Group Policy

VG2.0 Goals

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

¥1 trillion in Net Sales

¥100 billion in OP

OMRON Group Policy

Achieve self-driven growth by creating innovation originated by technological evolution

VG2.0 Pivotal Strategies

VG2.0 Pivotal Strategies

- 1) Redefine focus domains and maximize the strengths of businesses
- 2) Evolve business model
- 3) Reinforce core technologies



Strengthen collaborative creations with partners

Focus Domains

- **Select 4 focus domains to solve the social needs with overall Group**
- **Particularly focus on Factory Automation (FA) and Healthcare**



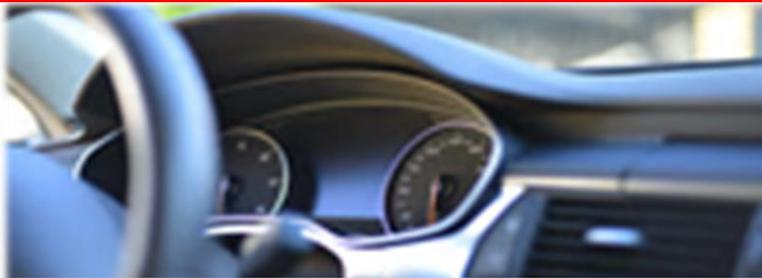
Factory Automation

Make innovations in manufacturing



Healthcare

Help realize healthy and comfortable lives
for people around the world



Mobility

Contribute to building a society which can
provide safety, security, comfort, and cleanness



Energy Management

Contribute to building a sustainable society
by the spread of renewable energy

FA Changes in the Environment Surrounding the Manufacturing

Significant changes are occurring throughout the world at manufacturing floor.

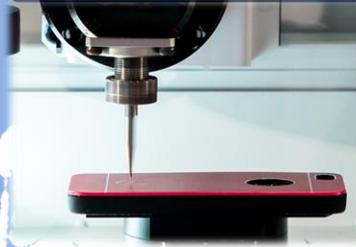
Shortages of skilled workers



Soaring labor costs



High-precision assembly



Equivalent quality worldwide



Local production



Simultaneous large supply



Simultaneous line setup



FA Manufacturing Innovation Driven by innovative-Automation

Bring technological innovations to production floor, to realize manufacturing innovation

Concept

innovative-Automation

Bring innovation to manufacturing by OMRON

Direction

Evolution in control

integrated

Intelligence developed through ICT

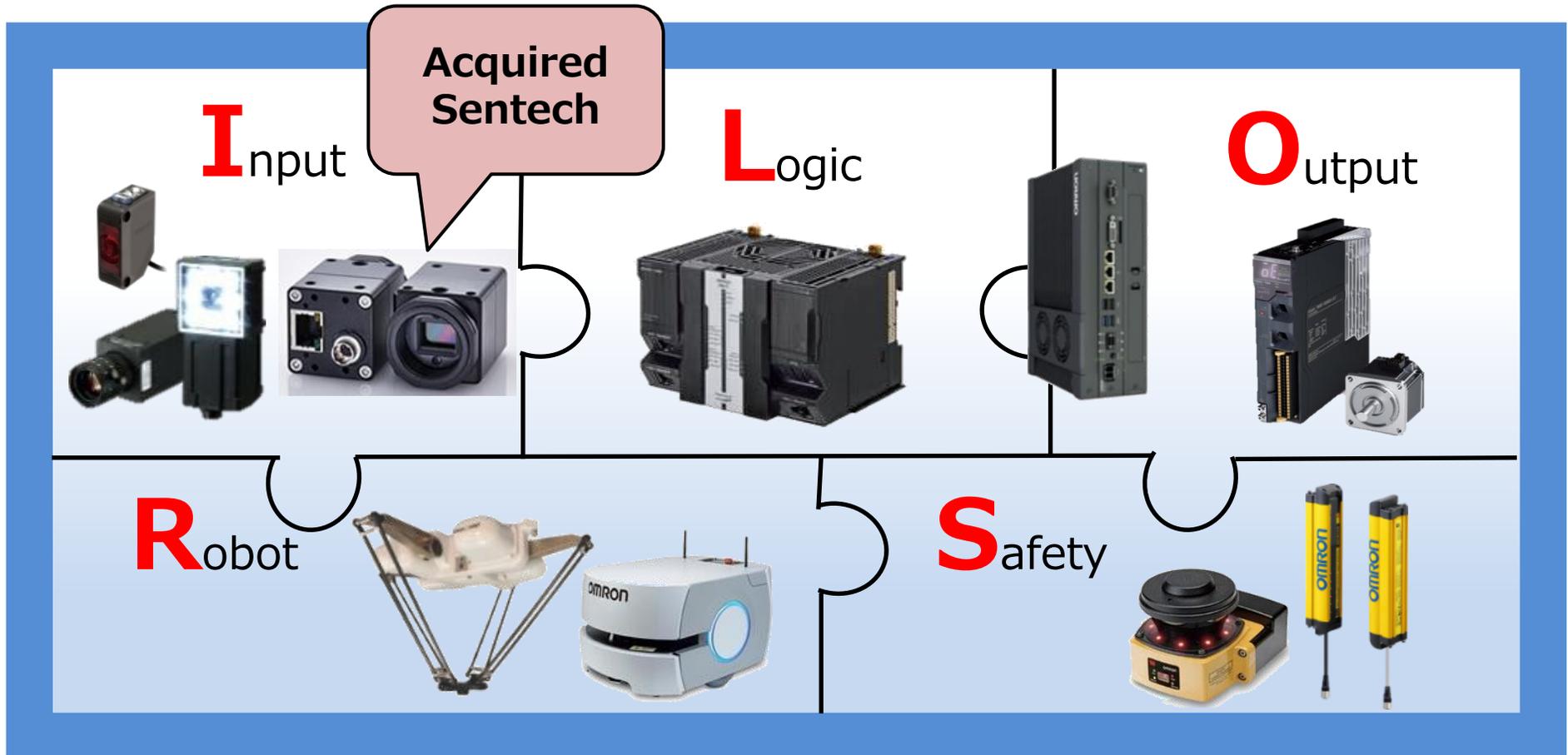
intelligent

New harmonization between humans and machines

interactive

FA Accelerating Evolution in Control ILOR+S

Further strengthen the industry's only product lineup of ILOR+S



FA Accelerating Evolution in Control Acquisition of Sentech

Strengthen "I" of ILOR+S by integrating Sentech's industrial cameras

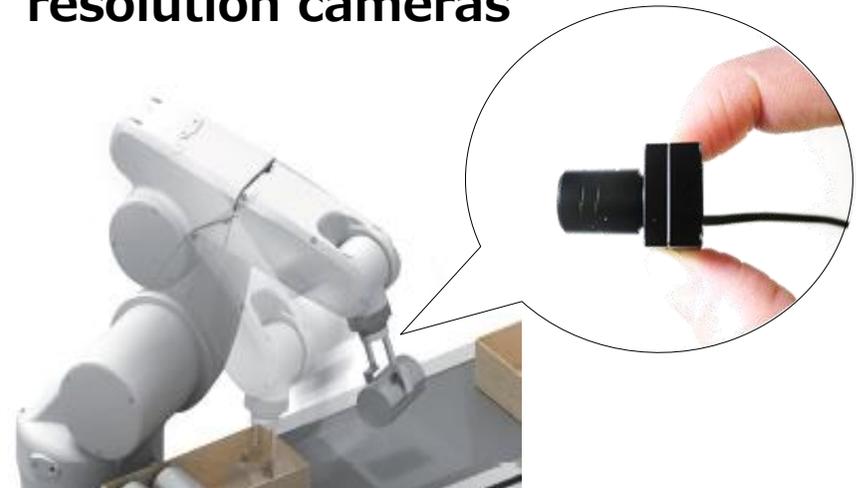
Sentech's Strength

- A comprehensive range of industrial cameras, including more than 200 models
- Technology of ultra-compact high-resolution cameras for manufacturing



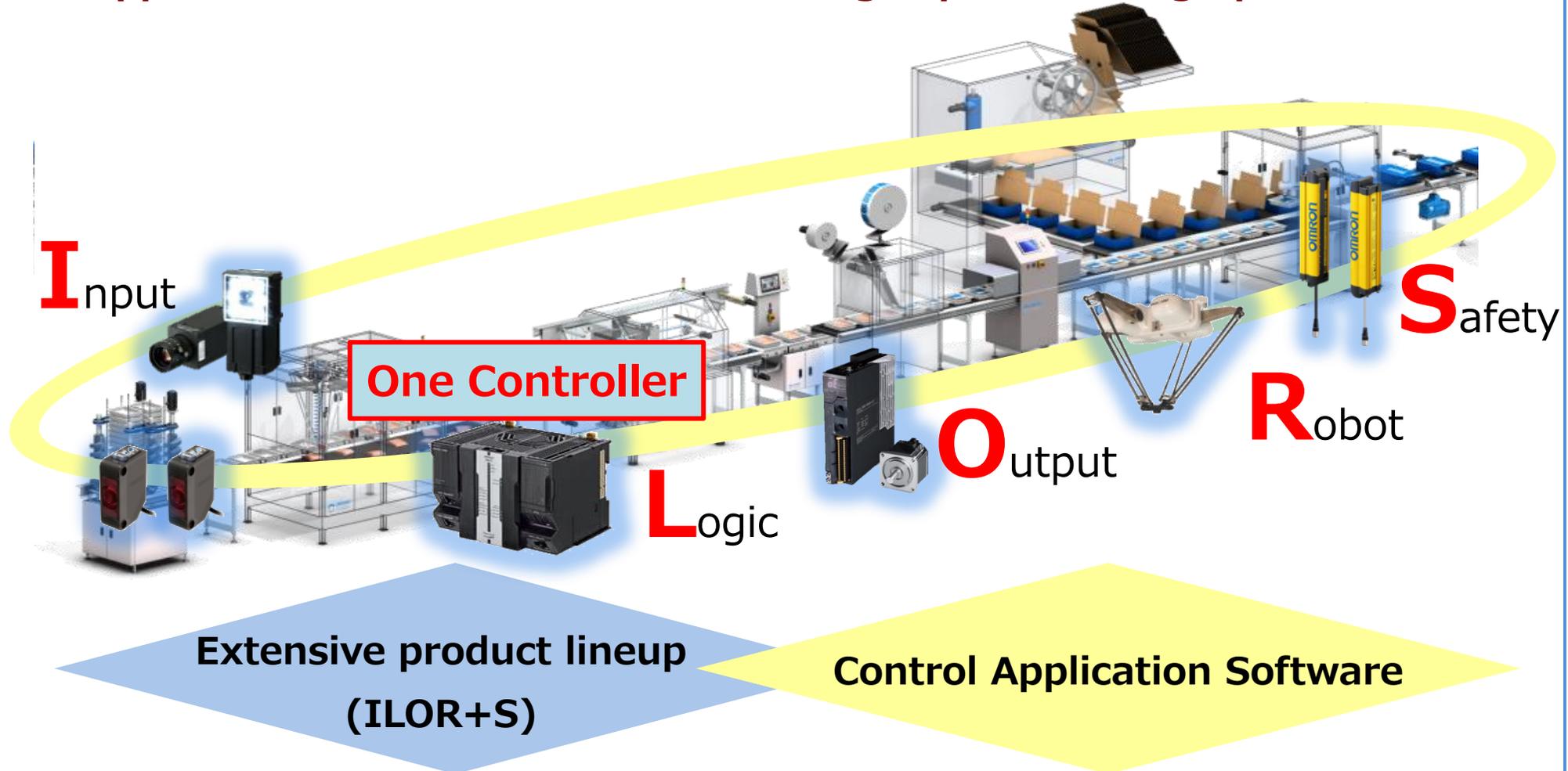
Vision

Realize high-precision assembly process and automated inspection by combining robots with ultra-compact high-resolution cameras



FA Accelerating Evolution in Control Control Application Software

Realize innovation in production lines by integrating control application software into ILOR+S at high speed and high precision



FA Accelerating Intelligence Developed through ICT

Collect data by 100,000 IoT Models, and make manufacturing learn and evolve with the industry-first AI-equipped controller

Industry First

AI-equipped Controller



- AI-backed data analysis:**
- Accumulate data
 - Predict the status of machine

Visualization of production floor

Data from production floor

- Prediction of defects
- Prediction of equipment failure

100,000 IoT Models



FA Manufacturing in the Near Future

Lead the innovation and realize future manufacturing through three "i"s

High-mix assembly



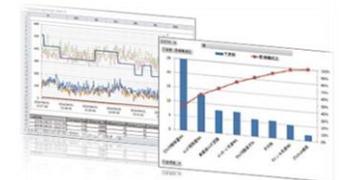
Incomparable productivity



Mechanization of craftsman-quality inspection



Data-based predictive maintenance



integrated

intelligent

Incomparable high-precision processing



Fully-automated quality control



Intelligentized machine



Comprehensive remote mobile robot



interactive

Healthcare Focus Fields

Develop businesses with focus on three fields with major social issues

Cardiovascular Disease

Cerebral and cardiovascular event patients ^{*1}

17.5 Million

Medical expenses for cardiovascular disease ^{*4}

¥120 Trillion

Respiratory Disease

World's respiratory disease patients ^{*2}

440 Million

Medical expenses for respiratory diseases in Japan, US, and Europe ^{*5}

¥19 Trillion

Pain Management

Chronic pain patient in Japan and US ^{*3}

73 Million

Analgesic market in Japan and US ^{*6}

¥2.4 Trillion

*1 WHO report *2 International Respiratory Societies report *3 Pain in Japan (Japan), National Health Interview (US)

*4 Estimate based on World Bank and OECD data

*5 Estimate based on published data by Ministry of Health and Welfare, European Respiratory Society, and Creative Biotech Inc survey

*6 World Analgesic Market Research 2013

Healthcare Basic Strategies

Reinforcement of 3 Core Categories

Blood Pressure Monitor

Nebulizer

Pain Management

Initiatives to Promote
Zero Cerebral and Cardiovascular Events

Healthcare Reinforcement of 3 Core Categories

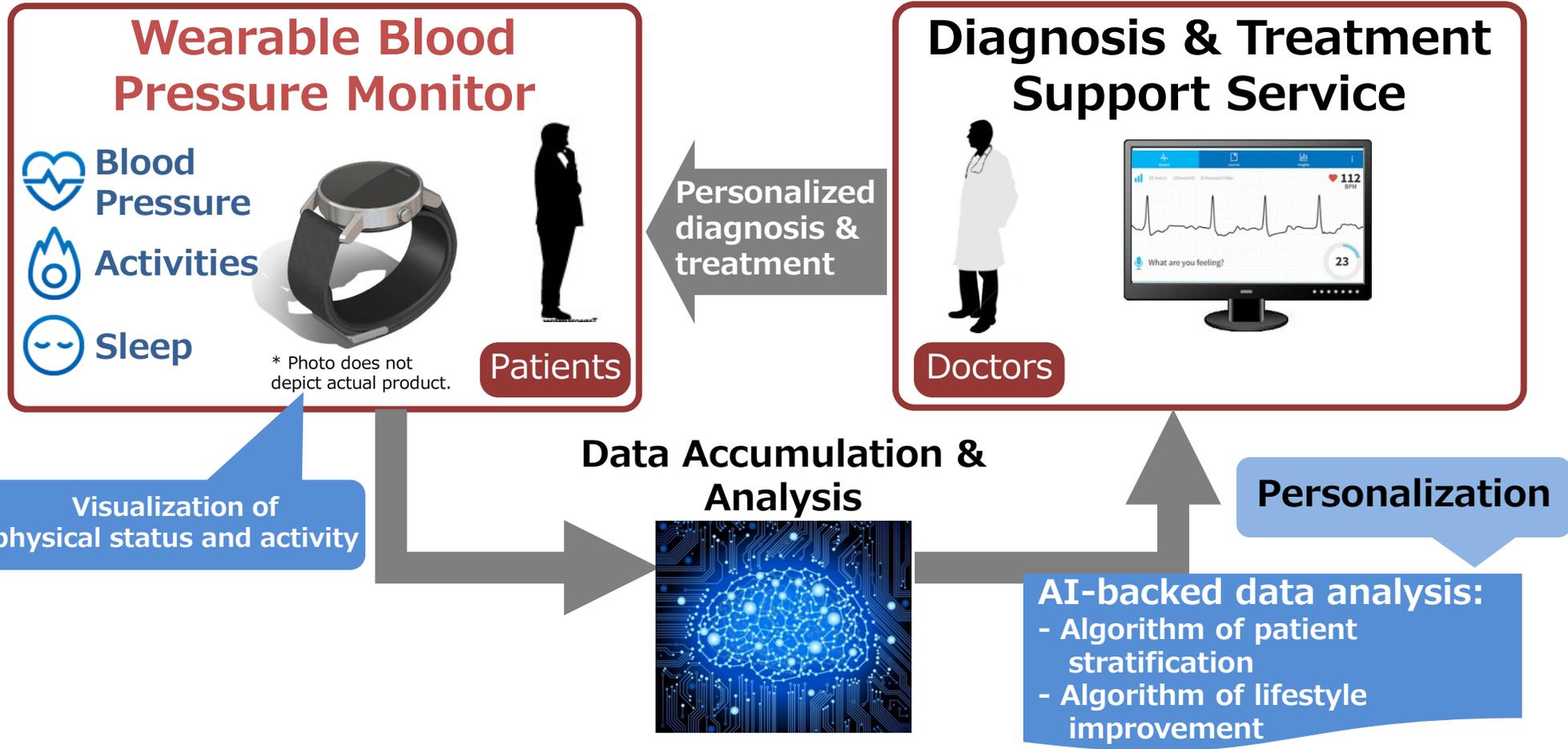
Reinforce strengths and aim for an overwhelming market share for 3 core categories

	FY2016 Actual	FY2020 Targets
Home-use Blood Pressure Monitor	50%	> 55%
Nebulizer	30%	> 40%
Low-frequency Therapy Equipment (Pain Management)	35%	> 45%

- * World market share for blood pressure monitor and nebulizer; Japan and US market share for low frequency therapy equipment
- * Amount-based share
- * Internal Survey

Healthcare Zero Cerebral and Cardiovascular Events

Provide personalized prevention, diagnostic, and treatment support services by AI-backed data analysis



Healthcare Collaborative Creations with AliveCor

- **Jointly develop new devices and services through integrating the strengths of two companies**
- **Accelerate the business building of prevention of cerebral and cardiovascular events**

AliveCor's Strengths

- **Mobile cardiograph unit (FDA-cleared) to detect atrial fibrillation**

World First



- **Remote monitoring platform for cardiologists and patients**



Omron's Strengths

- **Wearable blood pressure measurement technology**



* Photo does not depict actual product.

- **Algorithm**
 - **Diagnostic algorithm**
 - **Optimal dosing algorithm**

Business Partnership

- **Development of wearable cardiographs and blood pressure monitors**



* Photo does not depict actual product.

- **Development of remote monitoring platform by leveraging electrocardiography and blood pressure data**



Core Technologies Fields to be Further Strengthened

Leverage AI technologies to strengthen three technical fields of OMRON's core technology *Sensing & Control + Think*

Sensing & Control + Think

Deep Sensing Technology

Extract and understand phenomena hidden inside people/things, and convert to valuable information

Sensing-based Control Technology

Flexible real-time control based on sensing data

AI Technology

Component Technology

Provide the optimum component for value creation under various restrictive conditions

Core Technologies New Research and Development Centers

- Establish new technology centers in Tokyo and US
- Enhance AI technologies by actively using external resources and cooperating with existing bases, in order to further strengthen three technical fields

Tokyo:

Advanced AI Technology Hub

AI center linked internal research bases and external research partners

Keihanna Technology Innovation Center

R&D core center for three technical fields

Kusatsu Office

Technology implementation;
FA data collection and verification experiment
at production floor

West Coast of US:

Algorithm development center powered by AI Technologies

- Robotics control
- Health risk prediction
- Automated driving support

Investment in Future Growth

Actively invest in FA, healthcare, and core technologies from a mid- to long-term perspective, to build a strong growth structure

	EARTH-1 STAGE 3 Years Actual (¥bn)		VG2.0 4 Years Plan (¥bn)
Growth Investment (M&A&A*)	44.7	➔	100.0 ~200.0
R&D	151.4	➔	270.0
Capex	100.7	➔	160.0

Management Targets

VG 2.0 also sets six management targets, to achieve profitable growth.

	Actual (FY2016)	Targets (FY2020)
Net Sales	¥794.2bn	¥1 Trillion
GP Margin	39.3%	> 41%
Operating Income	¥67.6bn	¥100bn
ROIC	10.3%	> 10%
ROE	10.1%	> 10%
EPS	¥215.1	> ¥300

* Forex preconditions: 1USD = ¥110, 1EUR = ¥118

Sales Targets by Business Segment

Aim to achieve remarkable growth for IAB and HCB

	(1) FY2016 Actual	(2) FY2020 Targets	(¥bn) CAGR
IAB Industrial Automation	331.0	480.0	+10%
EMC Electronic & Mechanical Components	93.9	100.0	+2%
AEC Automotive Electronic Components	132.1	150.0	+3%
SSB Social Systems, Solutions & Service	61.9	80.0	+7%
HCB Healthcare	101.3	150.0	+10%
Other Businesses under the Direct Control of HQ	68.5	40.0	-13%

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

Profits Distribution

**The priority order of profits distribution is as follows:
(1) investment in future growth, (2) dividends, (3) share repurchase**

Investment in Future Growth

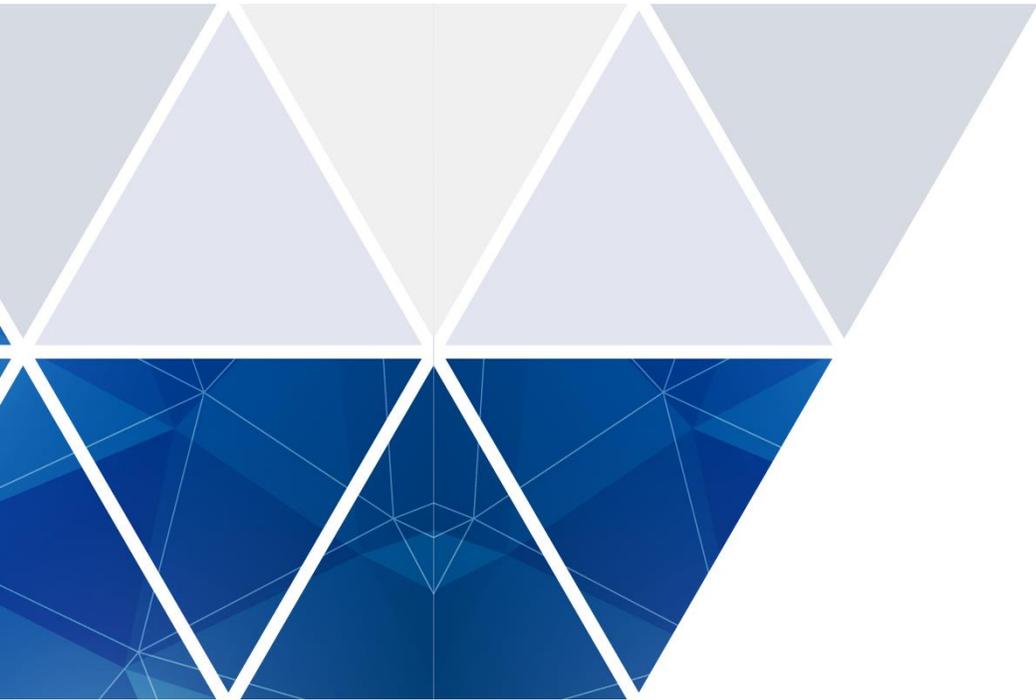
Spend on investment in future growth (M&A), R&D, and capex, in particular for FA and healthcare

Dividends

Decide annual dividend on the basis of a payout ratio of approx. 30% and a DOE of approx. 3%

Share Repurchase

Conduct share repurchase strategically to distribute accumulated retained earnings over a long period of time



FY2017 Plan

FY2017 Plan

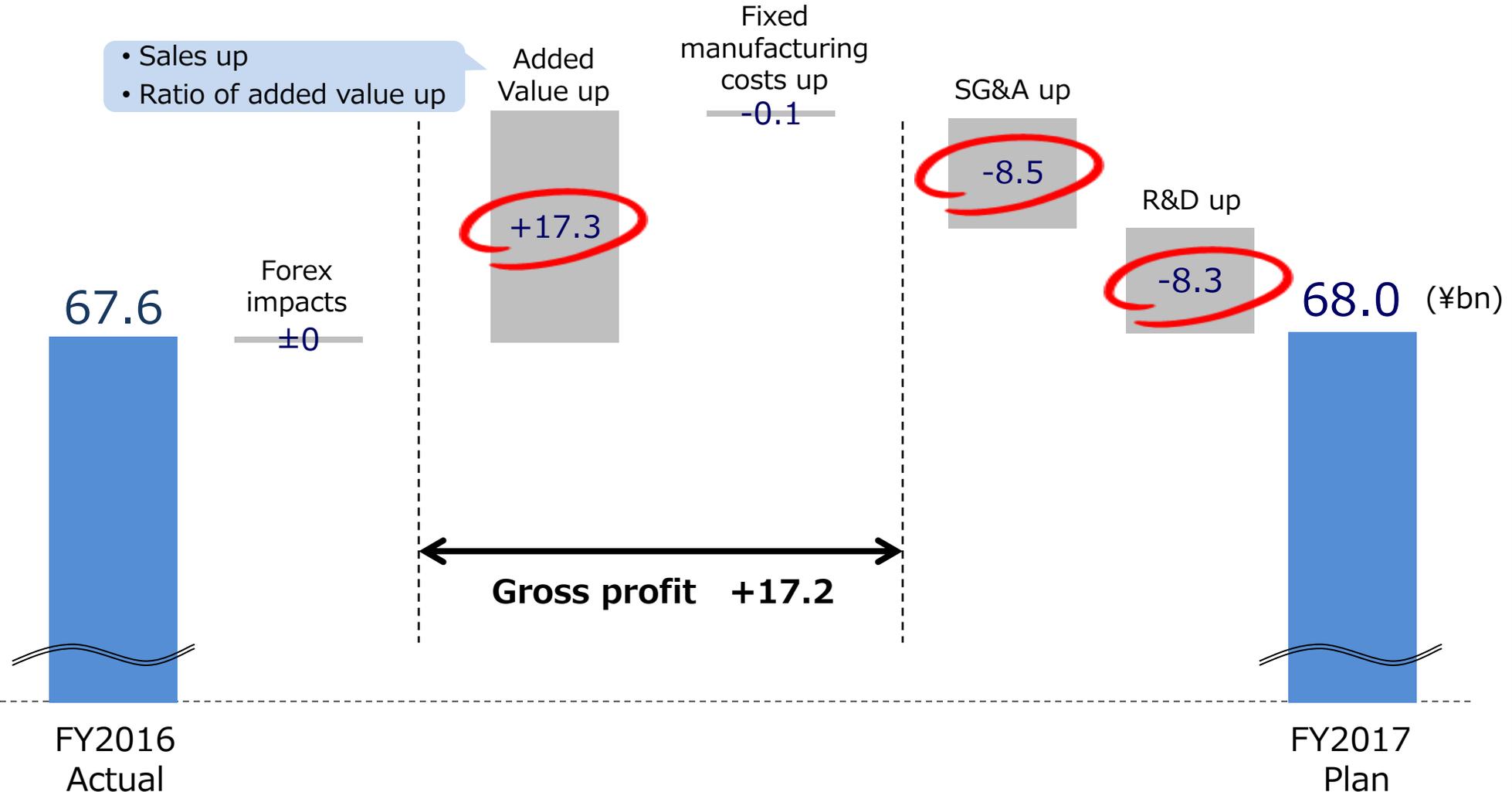
**Estimate a significant improvement in earning ability (GP margin),
the source of investment in future growth**

(¥bn)

	FY2016 Actual	FY2017 Plan	Y/Y
Net Sales	794.2	810.0	+2.0%
Gross Profit (%)	311.8 (39.3%)	329.0 (40.6%)	+5.5% +1.4%pt
Operating Income (%)	67.6 (8.5%)	68.0 (8.4%)	+0.6% (-0.1%pt)
Net Income Attributable to Shareholders	46.0	48.5	+5.5%
1USD (JPY)	108.9	110.0	+1.1
1EUR (JPY)	119.4	118.0	-1.4

Operating Income Analysis, Y/Y

Actively invest in future growth, sourcing from increased added value



Sales by Business Segment

IAB and HCB are projected to drive the overall Group.

(¥bn)

	FY2016 Actual	FY2017 Plan	Y/Y
IAB Industrial Automation	331.0	350.0	+5.8%
EMC Electronic & Mechanical Components	93.9	94.0	+0.1%
AEC Automotive Electronic Components	132.1	131.0	-0.8%
SSB Social Systems, Solutions & Service	61.9	63.5	+2.6%
HCB Healthcare	101.3	105.0	+3.7%
Other Businesses under the Direct Control of HQ	68.5	60.0	-12.4%
Eliminations & Corporate	5.5	6.5	+18.2%
Total	794.2	810.0	+2.0%

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

Operating Income by Business Segment

IAB and HCB aim to further strengthen earnings ability while expanding investment in future growth.

(¥bn / % of net sales)

	(1) FY2016 Actual	(2) FY2017 Plan	(2) - (1)
IAB Industrial Automation	52.0 (15.7%)	56.0 (16.0%)	+4.0 (+0.3%pt)
EMC Electronic & Mechanical Components	9.4 (10.0%)	9.0 (9.6%)	-0.4 (-0.5%pt)
AEC Automotive Electronic Components	7.1 (5.4%)	6.5 (5.0%)	-0.6 (-0.4%pt)
SSB Social Systems, Solutions & Service	3.7 (6.0%)	4.0 (6.3%)	+0.3 (+0.3%pt)
HCB Healthcare	8.5 (8.4%)	9.5 (9.0%)	+1.0 (+0.6%pt)
Other Businesses under the Direct Control of HQ	-1.8 (-)	-1.0 (-)	+0.8 (-)
Eliminations & Corporate	-11.3	-16.0	-4.7
Total	67.6 (8.5%)	68.0 (8.4%)	+0.4 (-0.1%pt)

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

Management Targets

Aim for a GP Margin of 40.6%, ROIC and ROE of more than 10%

	FY2016 Actual	FY2017 Plan
Net Sales (¥bn)	794.2	810.0
GP Margin	39.3%	40.6%
Operating Income (¥bn)	67.6	68.0
ROIC	10.3%	> 10%
ROE	10.1%	> 10%
EPS (¥)	215.1	226.8

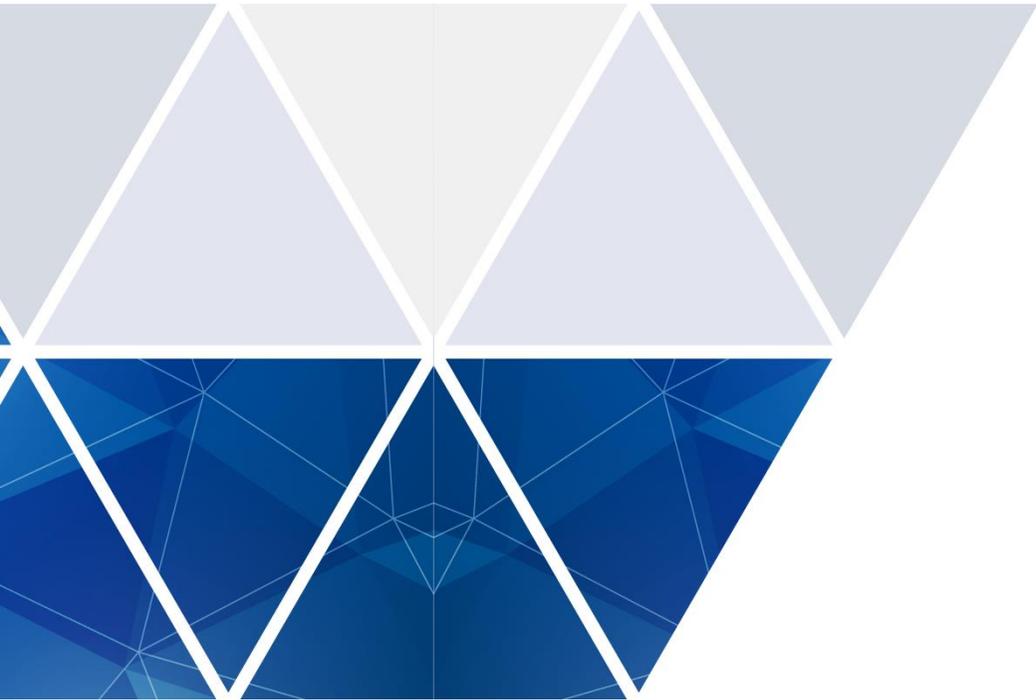
Dividend Per Share

Full-year dividend forecast is 68 yen.
(Estimate: approx. 30% payout ratio, approx. 3% DOE)

	FY2016 Actual	FY2017 Forecasts
Full-Year Dividend	¥68	¥68
Payout Ratio	31.6%	30.0%

*FY2017 interim and year-end dividends have not been decided yet.

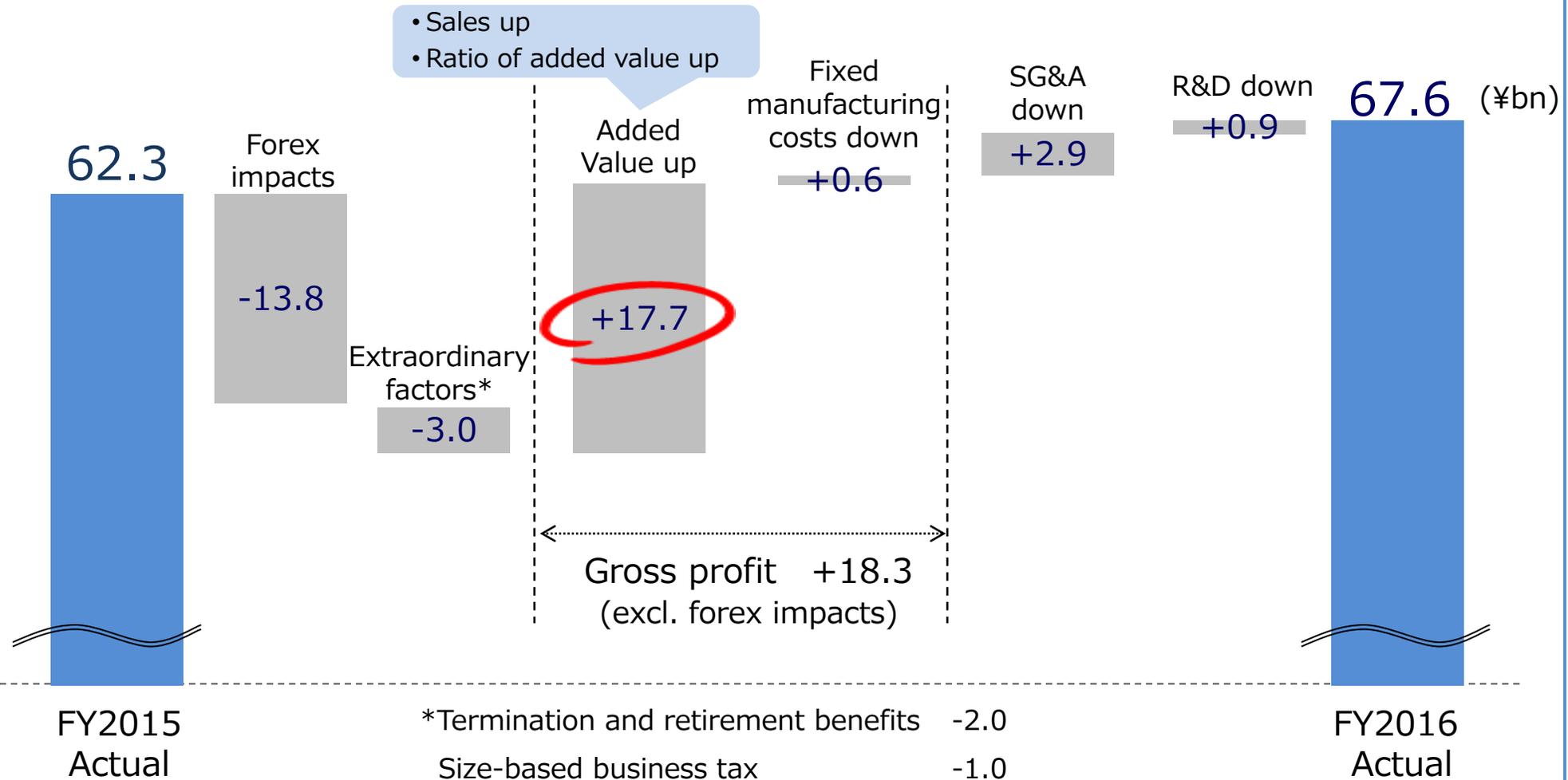
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References

FY2016 Results Operating Income Analysis, Y/Y

Achieved profit increase due to significant increase in added value



EARTH-1 STAGE Review Management Targets

	FY2016 Targets (Announced in April 2014)	Actual
Net Sales	> ¥900.0bn	¥794.2bn
GP Margin	> 40%	39.3%
OP Margin	> 10%	8.5%
ROIC	approx. 13%	10.3%
ROE	approx. 13%	10.1%
EPS	approx. ¥290	¥215.1

EARTH-1 STAGE Review Basic Strategies

FY2016 Targets (Announced in April 2014)

Actual

	FY2016 Targets (Announced in April 2014)	Actual
<u>Existing Business</u> Net Sales of IA Businesses	¥440.0bn	¥424.9bn
<u>Super-Global Growth</u> Net Sales of Emerging Markets	¥320.0bn	¥274.3bn
<u>New Business</u> Net Sales of New Businesses	¥90.0bn	¥52.6bn

FY2017 Plan Business Environment by Region

Global economy is expected to continue its moderate recovery trend, though uncertainty in the outlook of US and Europe economy will remain.

Japan

- Steady demand for capex is expected, mainly in the auto and digital industries.

Overseas

- Americas: Consumer spending and capex will stay strong in the U.S. while concerns about the future direction remains.
- Europe: A moderate recovery is expected to continue. Consumer spending and machinery export will drive the economy, though prospects remain uncertain.
- China: Chinese economy will stay solid, resulting from the effect of recovery in external demand and infrastructure investment by the government.
- Southeast Asia: Economy is expected to pick up due to the recovery in external demand.

FY2017 Plan Business Environment by Segment

IAB

Industrial Automation

Japan: Auto will continue its recovery trend. Semiconductor will be firm.
Overseas: China is expected to be robust. Capex in digital industry in Southeast Asia will stay solid. European economic recovery will continue. The U.S. will stay firm though uncertainty in the outlook will remain.

EMC

Electronic & Mechanical Components

Electronics: The electricity-related business in Southeast Asia will grow. China will be solid due to increase in capex.
Auto: Demand of environment-friendly vehicles in China will increase, and the worldwide demand will also be strong.

AEC

Automotive Electronic Components

Japan: Market will remain flat although standards for eco-car tax breaks are lifted.
Overseas: North America will remain solid whereas the prospects remain uncertain. China and Southeast Asia will stay firm.

SSB

Social Systems, Solutions & Service

Public Transportation: Demand for upgraded station equipment is expected to be stagnant.
Road Traffic: Demand for traffic-related terminal upgrades is anticipated to increase.

HCB

Healthcare

Japan: Online market will continue to be solid.
Overseas: China and Southeast Asia will be robust.

Other

Businesses under the Direct Control of HQ

Environmental Solutions: Market of power storage system will expand despite weak demand for PV inverters.
Backlight: Smartphone market will remain weak.

FY2017 Plan Preconditions: Exchange Rates

	FY2017 Preconditions	¥1 fluctuation impact (full-year, approx.)	
		Sales	OP
USD	¥110	¥3.5bn	¥0.5bn
EUR	¥118	¥0.9bn	¥0.5bn

*If the emerging-market currencies do not link with USD and EUR as expected, the sensitivity will be affected.

Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results and future developments 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.
For the preconditions of projections and matters, etc. to be aware of when using the projections, please refer to "1. Analysis of Results of Operations and Financial Condition, (5) Outlook for the Year Ending March 31, 2018" in "Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (U.S. GAAP)."
For the preconditions of projections and matters, etc. to be aware of when using the projections, please refer to "1. Analysis of Results of Operations and Financial Condition, (5) Outlook for the Year Ending March 31, 2018" in "Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (U.S. GAAP)."
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (U.S. GAAP)." Figures rounded to the nearest JPY million and percentage to one decimal place.

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