

FY2017 H1 Earnings

Financial Results for the First Half Ended September 30, 2017



**Oct 31, 2017
OMRON Corporation**

Summary

■ H1 Results and Full-Year Forecasts

- H1 sales, profits up significantly. New record high for H1 profits.
- Full-year forecasts revised up. Strong performance from VG2.0 top priority business IAB. IAB to continue to drive overall earnings.
- Full-year dividend guidance raised from ¥68 to ¥76.

■ IAB Strategy

- Strong growth structure built on new initiatives from FY2014.
- **innovative**-Automation, which revolutionizes manufacturing, contributing to acceleration in growth
- Start **i-BELT** platform, bringing AI/IoT to the manufacturing floor

■ Sustainability Initiatives

- Promote sustainability initiatives, centered on our OMRON Principles.
- Included in DJSI World and all other major ESG indices

Contents

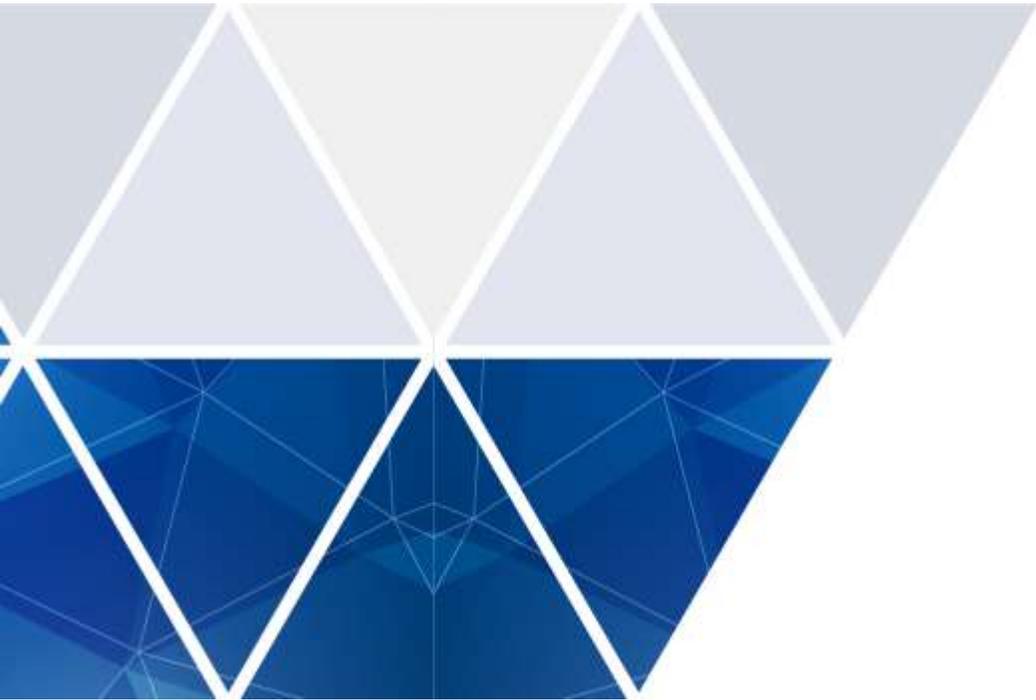
1. H1 Results P. 3

2. Full-year Forecasts P. 9

3. IAB Strategy P. 15

4. Shareholder Returns (Dividends) P. 32

5. Sustainability Initiatives P. 34



H1 Results

H1 Results

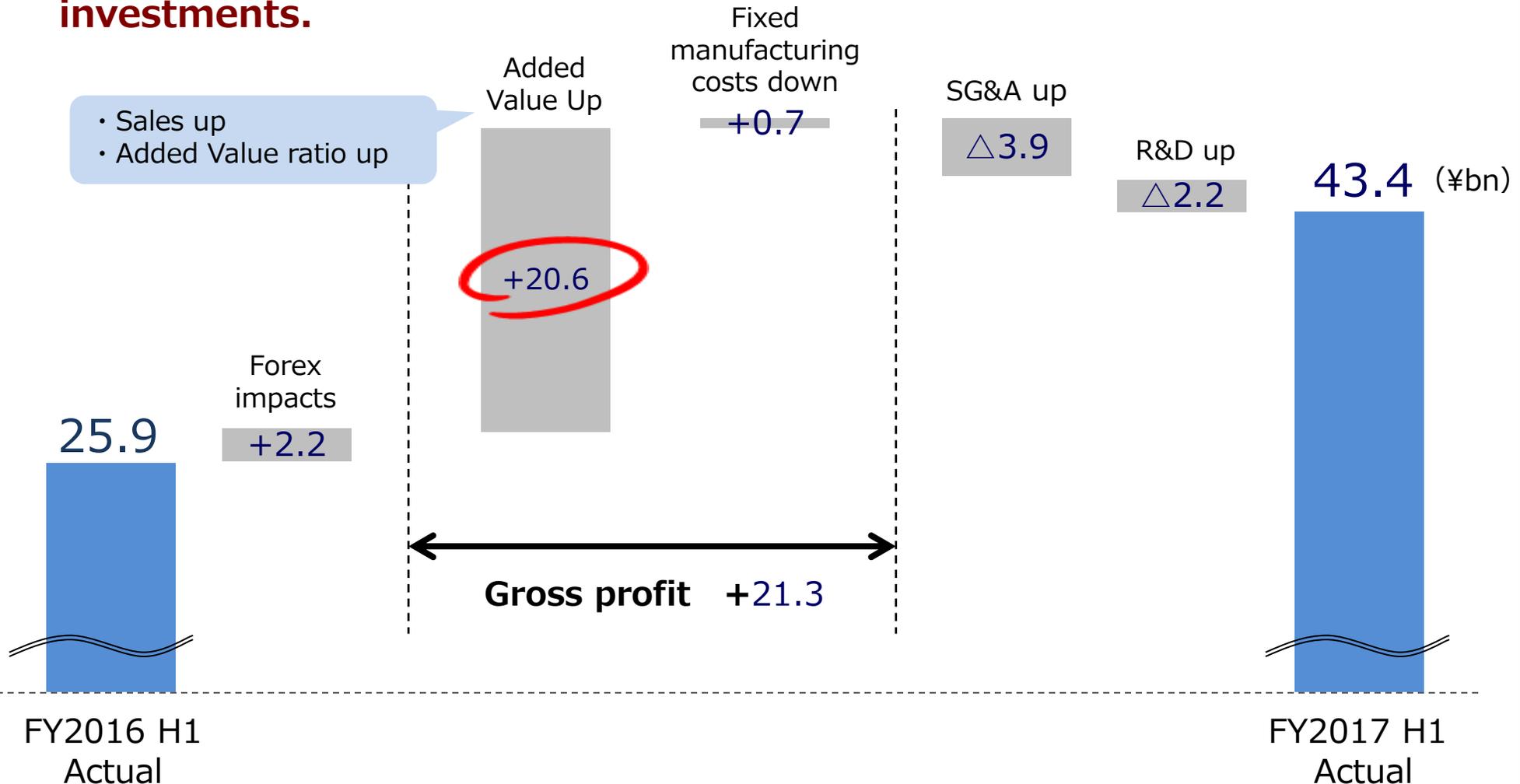
**Sales and profits up significantly. New record high for profits.
GPM 41.5%. Profit-generating capability substantially enhanced.**

(¥bn)

	FY2016 H1 Actual	FY2017 H1 Actual	Y/Y
Net Sales	371.6	410.5	+10.5%
Gross Profit (%)	144.8 (39.0%)	170.2 (41.5%)	+17.5% (+2.5%pt)
Operating Income (%)	25.9 (7.0%)	43.4 (10.6%)	+67.4% (+3.6%pt)
Net Income Attributable to Shareholders	15.8	30.3	+91.2%
1USD (JPY)	107.3	111.2	+3.9
1EUR (JPY)	120.1	125.6	+5.5

Operating Income Analysis, Y/Y

Added value up significantly. Large profit gains despite growth investments.



Sales by Business Segment

Sales at top priority IAB up substantially, driving overall growth. EMC, HCB* also strong, reporting 10% growth.

(¥bn)

	FY2016 H1 Actual	FY2017 H1 Actual	Y/Y
IAB Industrial Automation	158.0	193.5	+22.5%
EMC Electronic & Mechanical Components	47.3	52.0	+10.0%
AEC Automotive Electronic Components	63.4	64.1	+1.2%
SSB Social Systems, Solutions & Service	19.2	19.5	+1.7%
HCB Healthcare	48.8	51.1	+4.7% *(+10%)
Other Businesses under the Direct Control of HQ	32.5	28.4	-12.6%
Eliminations & Corporate	2.4	1.9	-24.0%
Total	371.6	410.5	+10.5%

* Excl. Omron Colin

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

Operating Income by Business Segment

IAB profits up significantly. EMC, HCB also contribute to overall profit growth.

(¥bn / % of net sales)

	(1) FY2016 H1 Actual	(2) FY2017 H1 Actual	(2) - (1)
IAB Industrial Automation	23.0 (14.6%)	38.0 (19.7%)	+15.0 (+5.1%pt)
EMC Electronic & Mechanical Components	5.0 (10.5%)	7.2 (13.8%)	+2.2 (+3.3%pt)
AEC Automotive Electronic Components	2.5 (3.9%)	2.6 (4.1%)	+0.1 (+0.1%pt)
SSB Social Systems, Solutions & Service	-3.1 (-)	-2.8 (-)	+0.3 (-)
HCB Healthcare	4.7 (9.7%)	6.2 (12.1%)	+1.5 (+2.4%pt)
Other Businesses under the Direct Control of HQ	-2.2 (-)	-0.4 (-)	+1.8 (-)
Eliminations & Corporate	-3.9	-7.4	-3.5
Total	25.9 (7.0%)	43.4 (10.6%)	+17.5 (+3.6%pt)

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

IAB Growth Backdrop High Growth in Focus Industries

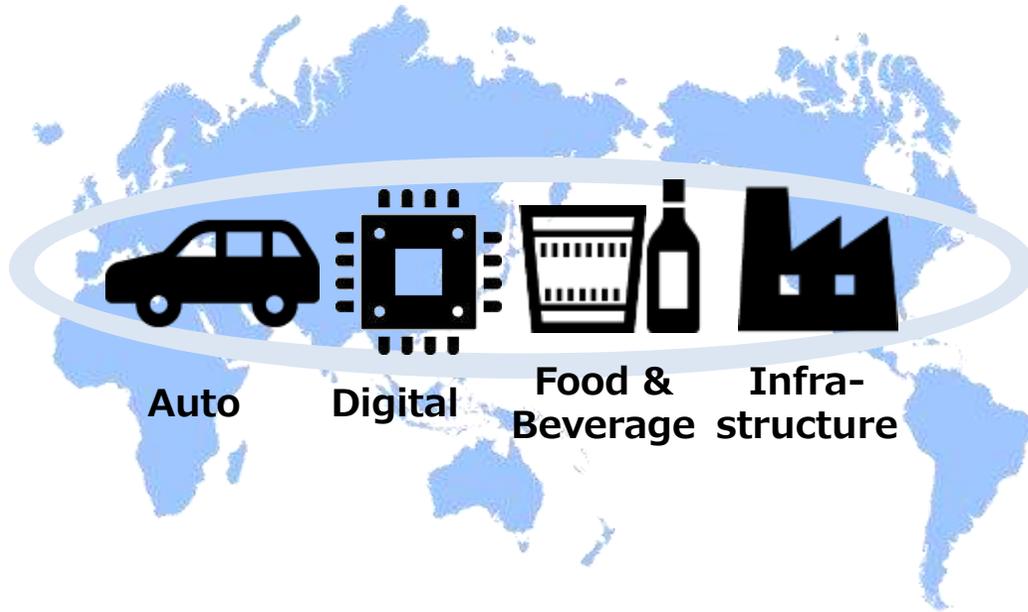
H1 Net Sales (Global) of Focus Industries

(vs FY2016 H1, on a local currency basis)

+ 29%

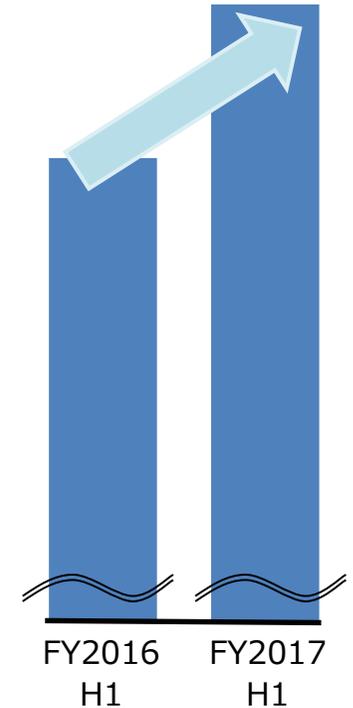
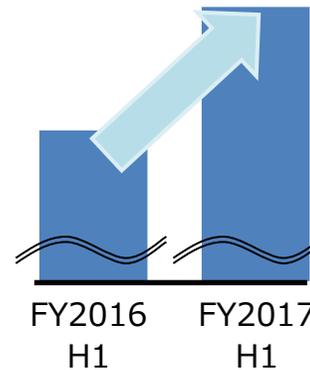
Japan, Americas,
Europe, Southeast Asia

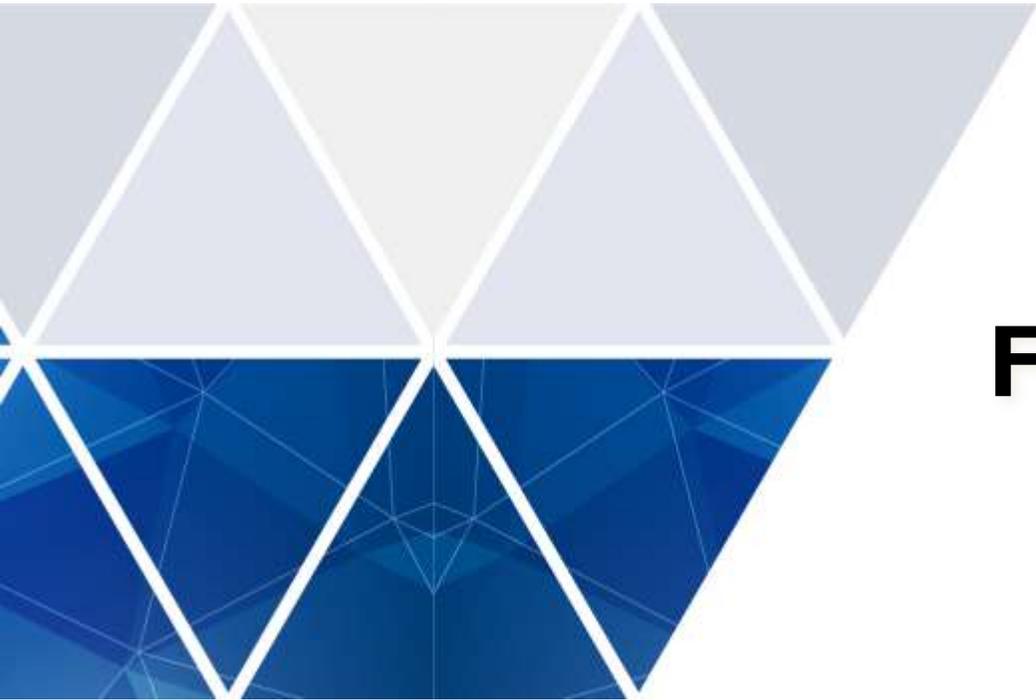
+ 26%



Greater China

+ 42%





Full-year Forecasts

Full-Year Forecasts

FY2017 plan revised up. Ability to generate profits to fund growth investments (GP margin) substantially enhanced. New record high profits projected on the back of improving GP margin.

	(1) FY2017 Initial Plan	(2) FY2017 Oct. Fcst	(2)/(1)	(3) FY2016 Actual	(2)/(3)
					(¥bn)
Net Sales	810.0	850.0	+4.9%	794.2	+7.0%
Gross Profit	329.0	353.5	+7.4%	311.8	+13.4%
(%)	(40.6%)	(41.6%)	(+1.0%pt)	(39.3%)	(+2.3%pt)
Operating Income	68.0	85.0	+25.0%	67.6	+25.8%
(%)	(8.4%)	(10.0%)	(+1.6%pt)	(8.5%)	(+1.5%pt)
Net Income					
Attributable to Shareholders	48.5	59.0	+21.6%	46.0	+28.3%
1USD (JPY)	110.0	110.6	+0.6	108.9	+1.7
1EUR (JPY)	118.0	126.8	+8.8	119.4	+7.4

Sales by Business Segment

IAB, EMC, HCB to drive overall sales growth.

	(1) FY2017 Initial Plan	(2) FY2017 Oct. Fcst	(2)/(1)	(3) FY2016 Actual	(2)/(3)
IAB Industrial Automation	350.0	388.0	+10.9%	331.0	+17.2%
EMC Electronic & Mechanical Components	94.0	99.5	+5.9%	93.9	+5.9%
AEC Automotive Electronic Components	131.0	129.5	-1.1%	132.1	-1.9%
SSB Social Systems, Solutions & Service	63.5	63.5	±0%	61.9	+2.6%
HCB Healthcare	105.0	108.5	+3.3%	101.3	+7.1% *(+11%)
Other Businesses under the Direct Control of HQ	60.0	57.0	-5.0%	68.5	-16.8%
Eliminations & Corporate	6.5	4.0	-38.5%	5.5	-28.0%
Total	810.0	850.0	+4.9%	794.2	+7.0%

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

* Excl. Omron Colin

Operating Income by Business Segment

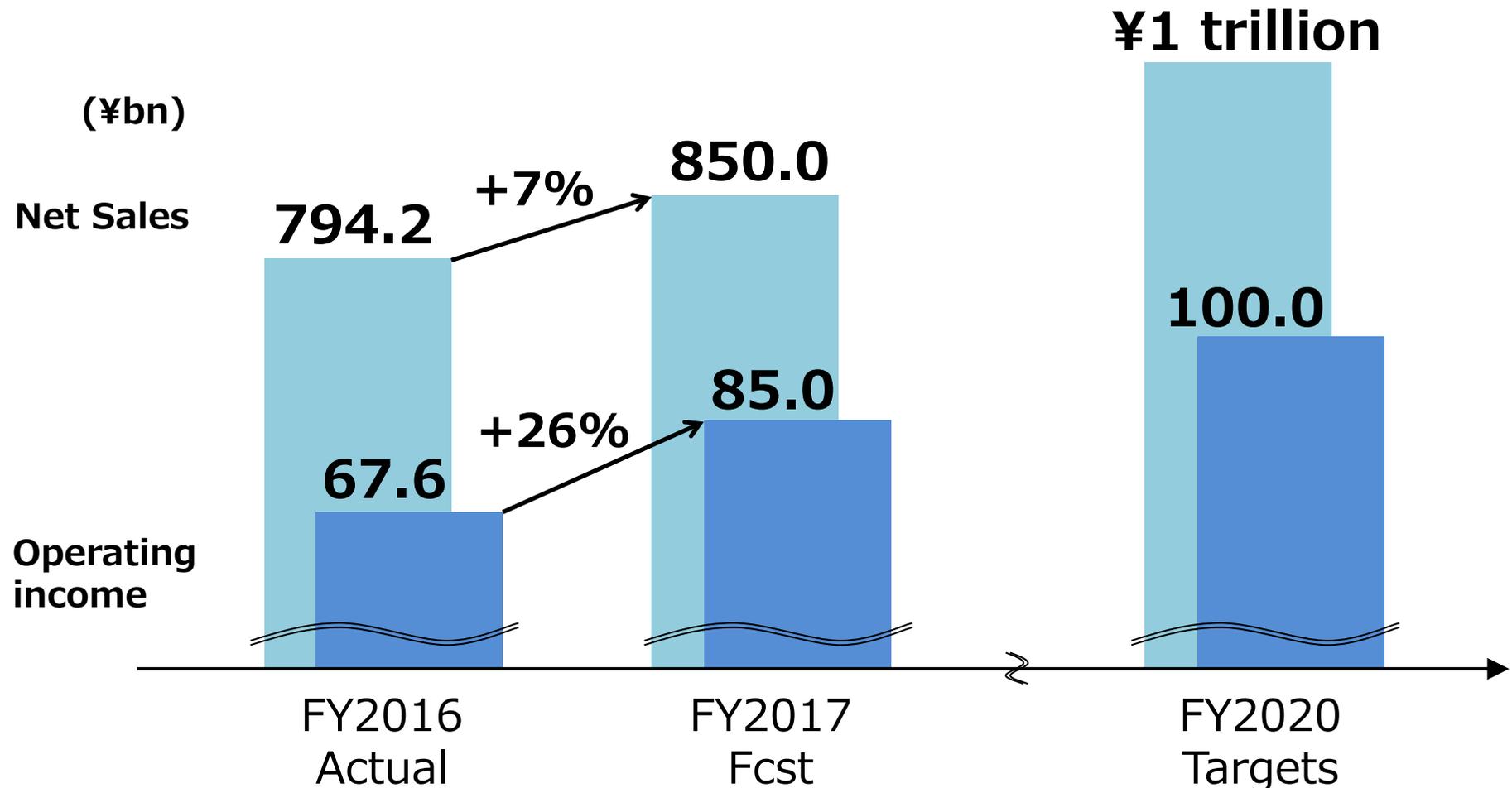
IAB, EMC, HCB to drive overall performance.

	(1) FY2017 Initial Plan	(2) FY2017 Oct. Fcst	(2) - (1)	(¥bn / % of net sales)	
				(3) FY2016 Actual	(2) - (3)
IAB Industrial Automation	56.0 (16.0%)	71.5 (18.4%)	+15.5 (+2.4%pt)	52.0 (15.7%)	+19.5 (+2.7%pt)
EMC Electronic & Mechanical Components	9.0 (9.6%)	12.0 (12.1%)	+3.0 (+2.5%pt)	9.4 (10.0%)	+2.6 (+2.0%pt)
AEC Automotive Electronic Components	6.5 (5.0%)	6.5 (5.0%)	±0 (+0.1%pt)	7.1 (5.4%)	-0.6 (-0.4%pt)
SSB Social Systems, Solutions & Service	4.0 (6.3%)	4.0 (6.3%)	±0 (±0%pt)	3.7 (6.0%)	+0.3 (+0.3%pt)
HCB Healthcare	9.5 (9.0%)	10.5 (9.7%)	+1.0 (+0.6%pt)	8.5 (8.4%)	+2.0 (+1.3%pt)
Other Businesses under the Direct Control of HQ	-1.0 (-)	-1.5 (-)	-0.5 (-)	-1.8 (-)	+0.4 (-)
Eliminations & Corporate	-16.0	-18.0	-2.0	-11.3	-6.6
Total	68.0 (8.4%)	85.0 (10.0%)	+17.0 (+1.6%pt)	67.6 (8.5%)	+17.4 (+1.5%pt)

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

Toward FY2020 Targets: (1) Sales, Operating Income

FY2017 off to a good start to achieving FY2020 VG2.0 targets.



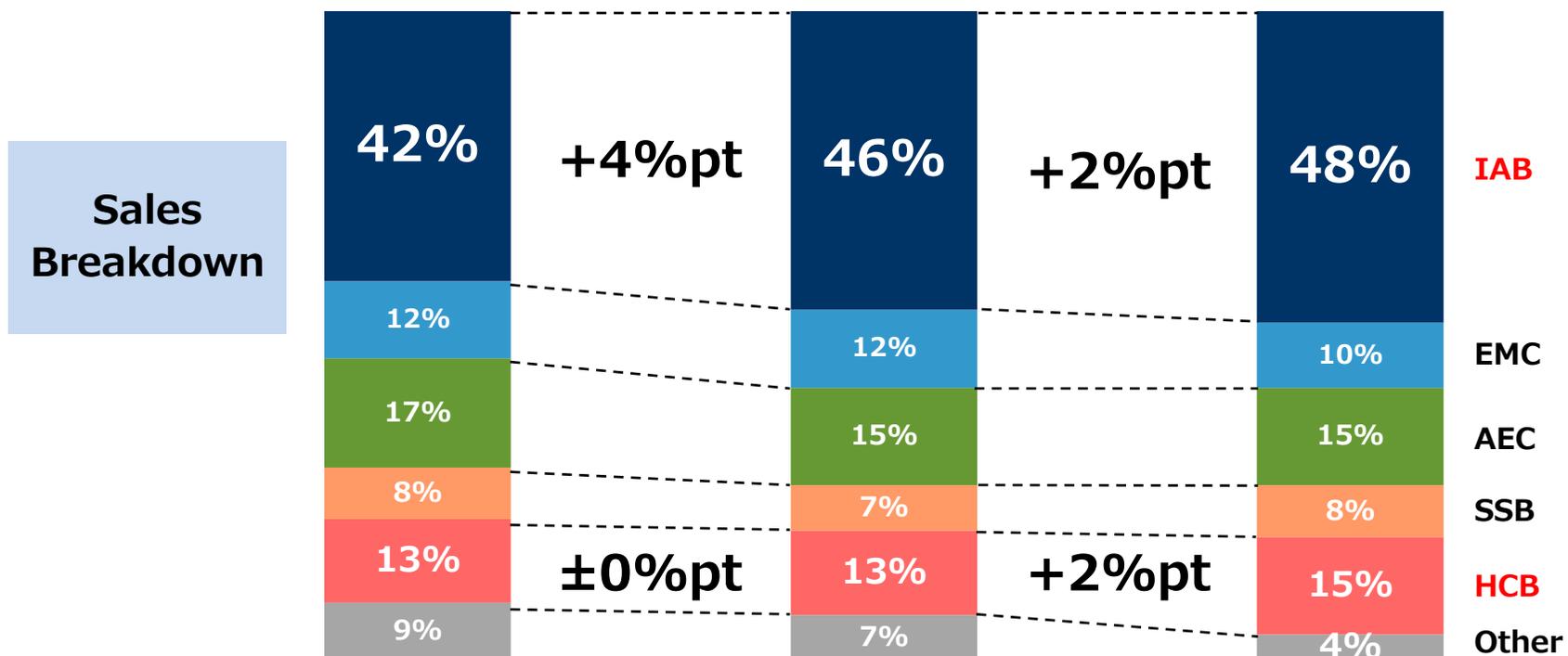
Toward FY2020 Targets: (2) Business Portfolio

**Growth at IAB, HCB accelerating business portfolio change.
Now capable of growth accompanied by margin expansion.**

FY2016 Actual
(Sales ¥794.2bn)

FY2017 Fcst
(Sales ¥850bn)

FY2020 Targets
(Sales ¥1tn)



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

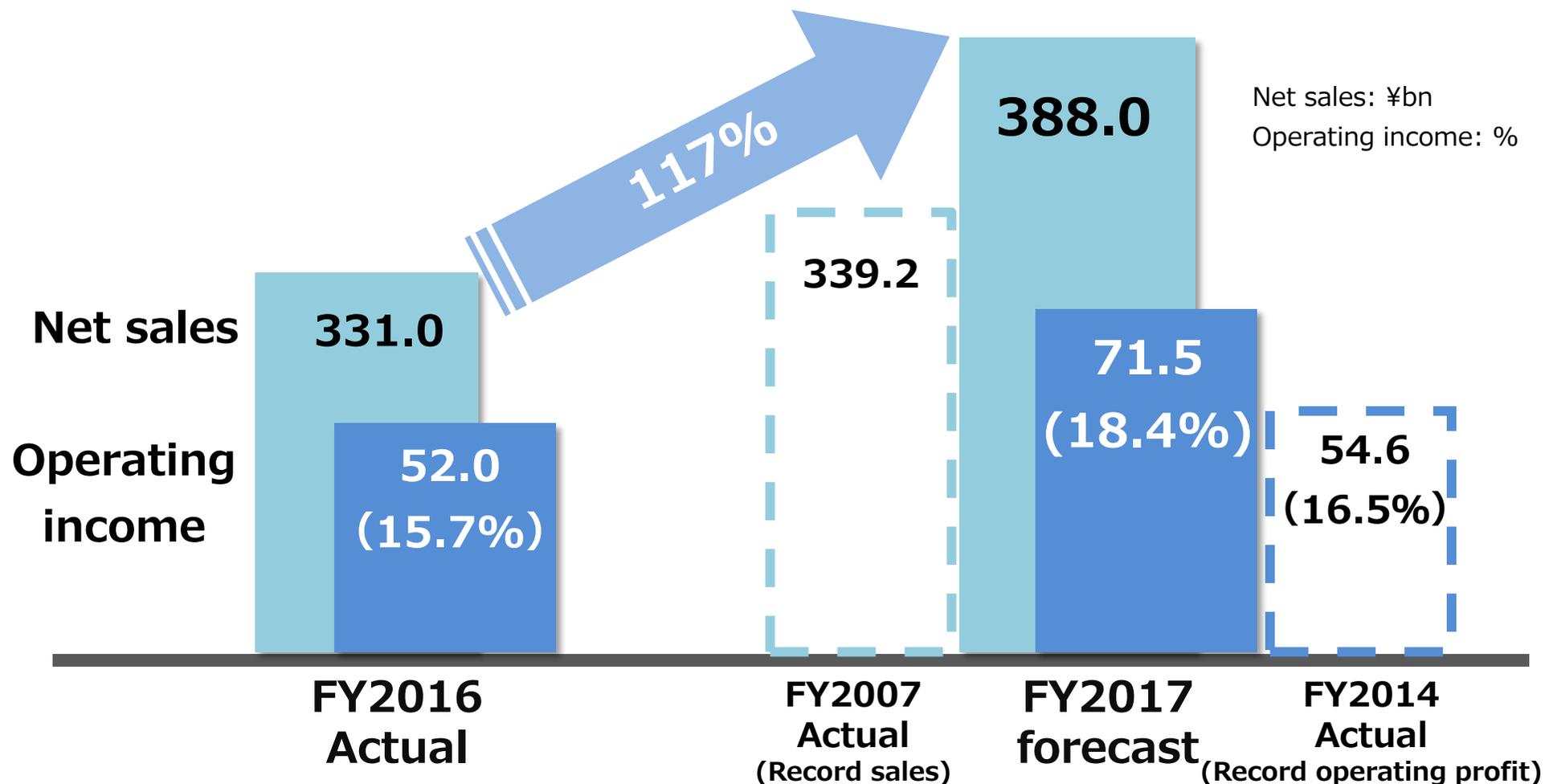


Our Business Strategy

Industrial Automation Business (IAB)

First Year of VG2.0 Off to a Jump Start

Set to achieve record-high net sales and operating income



Three Factors Underpinning Growth

Growth Markets and Global Linkages

Diverse Product Lines x Services x Solutions

Sales Expertise Enhancement

Growth Structure (1): Growth Markets and Global Linkages

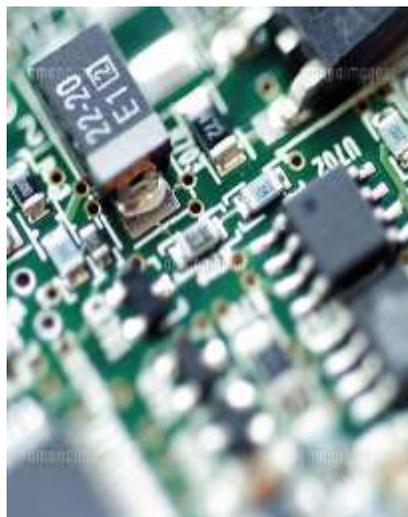
“Select and concentrate” on four industrial sectors globally

Automotive



Automotive components

Digital



**Electronic/mechanical components for smartphones
Semiconductors/FPDs
Rechargeable batteries**

Food and beverages



**Food and beverages
Daily necessities
Drugs**

Social infrastructure



**Urban development
Water treatment
Traffic/Buildings**

Growth Structure (2): Diverse Product Lines x Services x Solutions



Growth Structure (2): Diverse Product Lines x Services x Solutions

Motion Controller

Delta Tau Data Systems, Inc. (U.S.)
(acquired in 2015)



Industrial Robot

Adept Technology, Inc. (U.S.)
(acquired in 2015)



Industrial Camera
Sentech Co., Ltd. (Japan)
(acquired in 2017)



Industrial Code Reader
Microscan Systems, Inc. (U.S.)
(acquired in 2017)



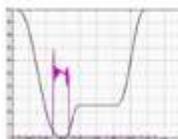
Growth Structure (2): Diverse Product Lines x Services x Solutions

Advanced control applications

LO
Vibration control



LO
"Soft" control



LO
High-speed synchronized control



LO
Packaging equip. control



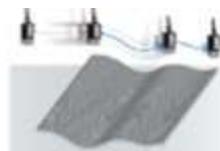
LO
Winding control



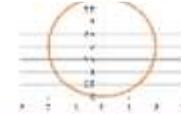
LO
Servo press control



IL
Contouring control



LO
Model prediction control



ILR
Robot networking control



Mobile traveling technology
Multi-unit control technology

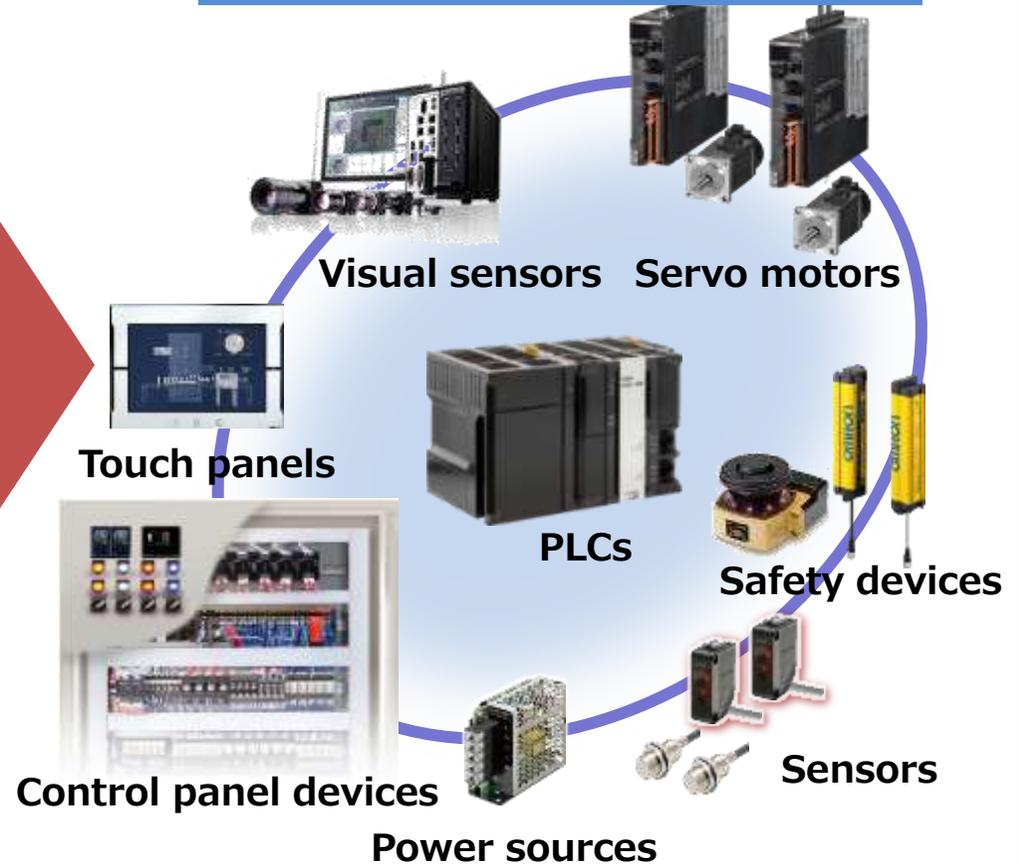


Growth Structure (3): Sales Expertise Enhancement

Single products
(Product proposals)



Multiple products
(Solution proposals)



Manufacturing Innovation Concept Accelerates Growth

innovative-Automation

*i*ntegrated

Evolution in control

Improving productivity through ultra-high-speed control and ultra-high-precision machine control

*i*ntelligent

Intelligence developed through ICT

Realizing manufacturing in which machines learn and evolve through maximum use of data

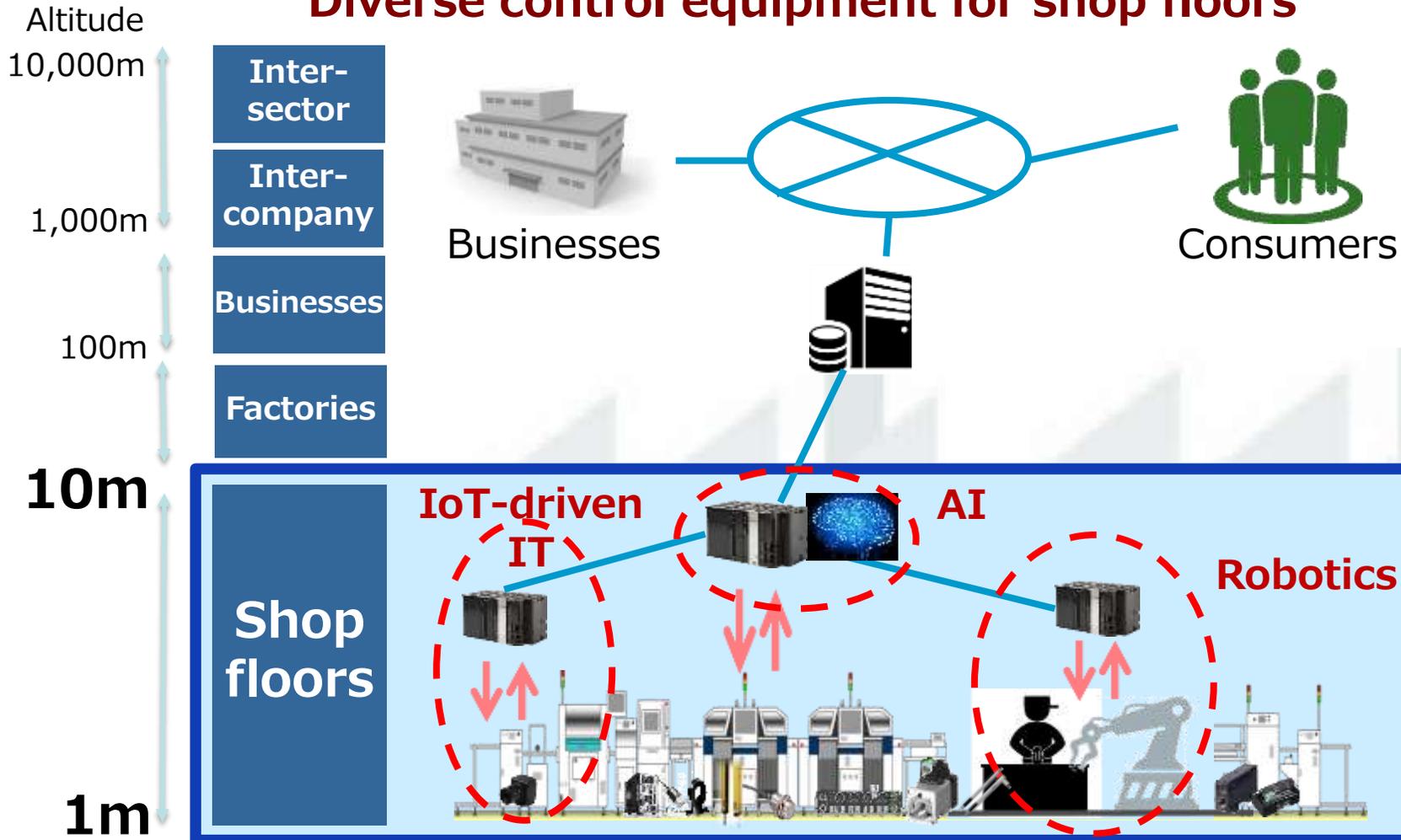
*i*nteractive

New harmonization between humans and machines

Pursuing ultra-high flexibility through human-machine collaboration

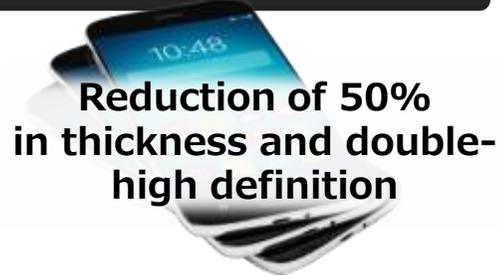
Omron's Uniqueness

"Real" manufacturing at an altitude of 1~10 m
X
Diverse control equipment for shop floors



Three “i”s: i ntegrated (Evolution in Control)

Digital



Reduction of 50%
in thickness and double-
high definition

High-precision alignment
Panel bonding



Automotive



Reduction of 50%
in battery cost and
proliferation of EVs

High-speed,
high-precision wire winding
Winding process for lithium batteries



Food and beverages



Overcoming severe labor
shortages

High-speed picking
Robot conveyance of food products



Three “i”s: interactive

Creating shop floors where humans and machines work harmoniously



Three "i"s: intelligent

Shifting from IoT on shop floors to creation of the new "i-BELT" business model

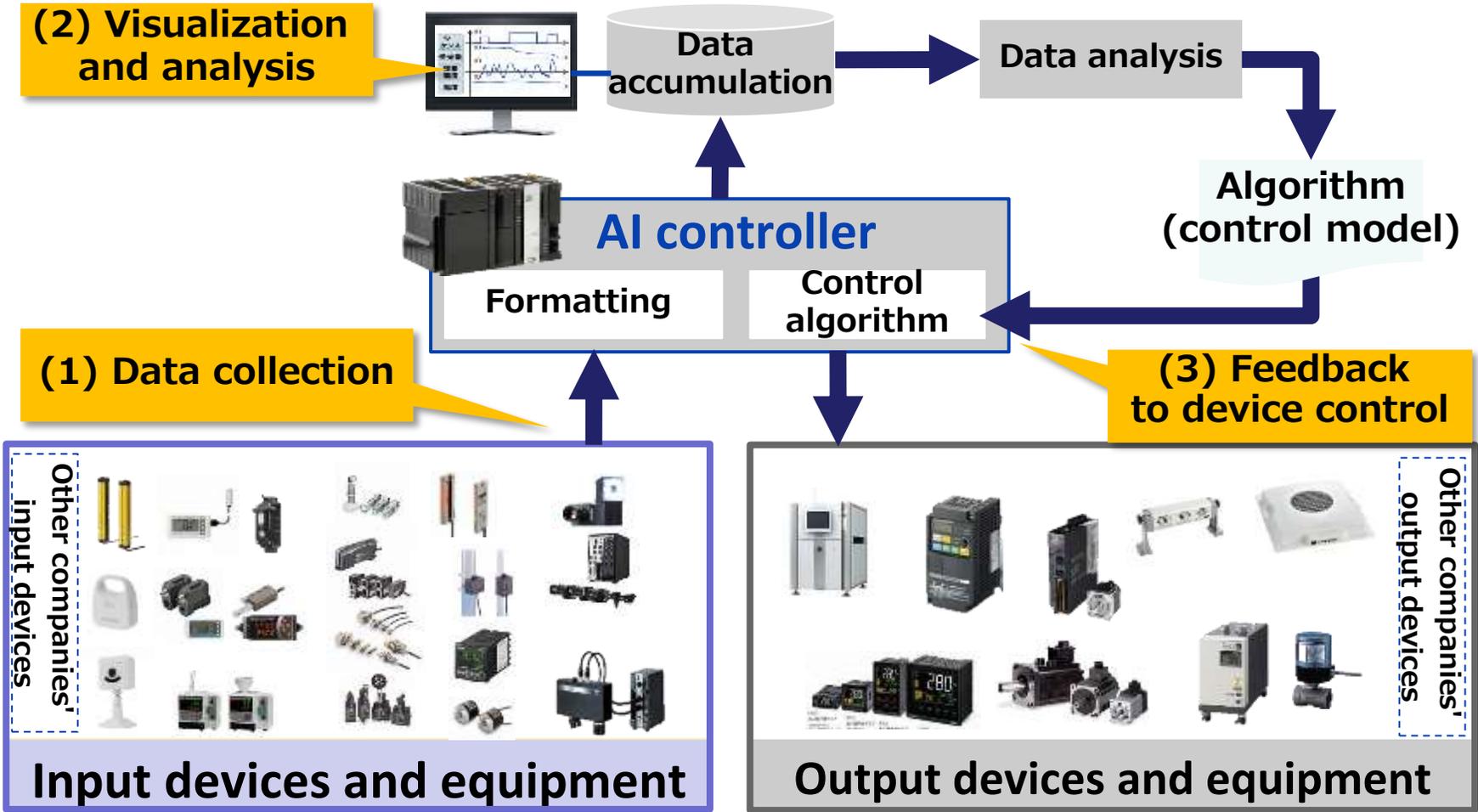
Altitude

100 m

11 m

10 m

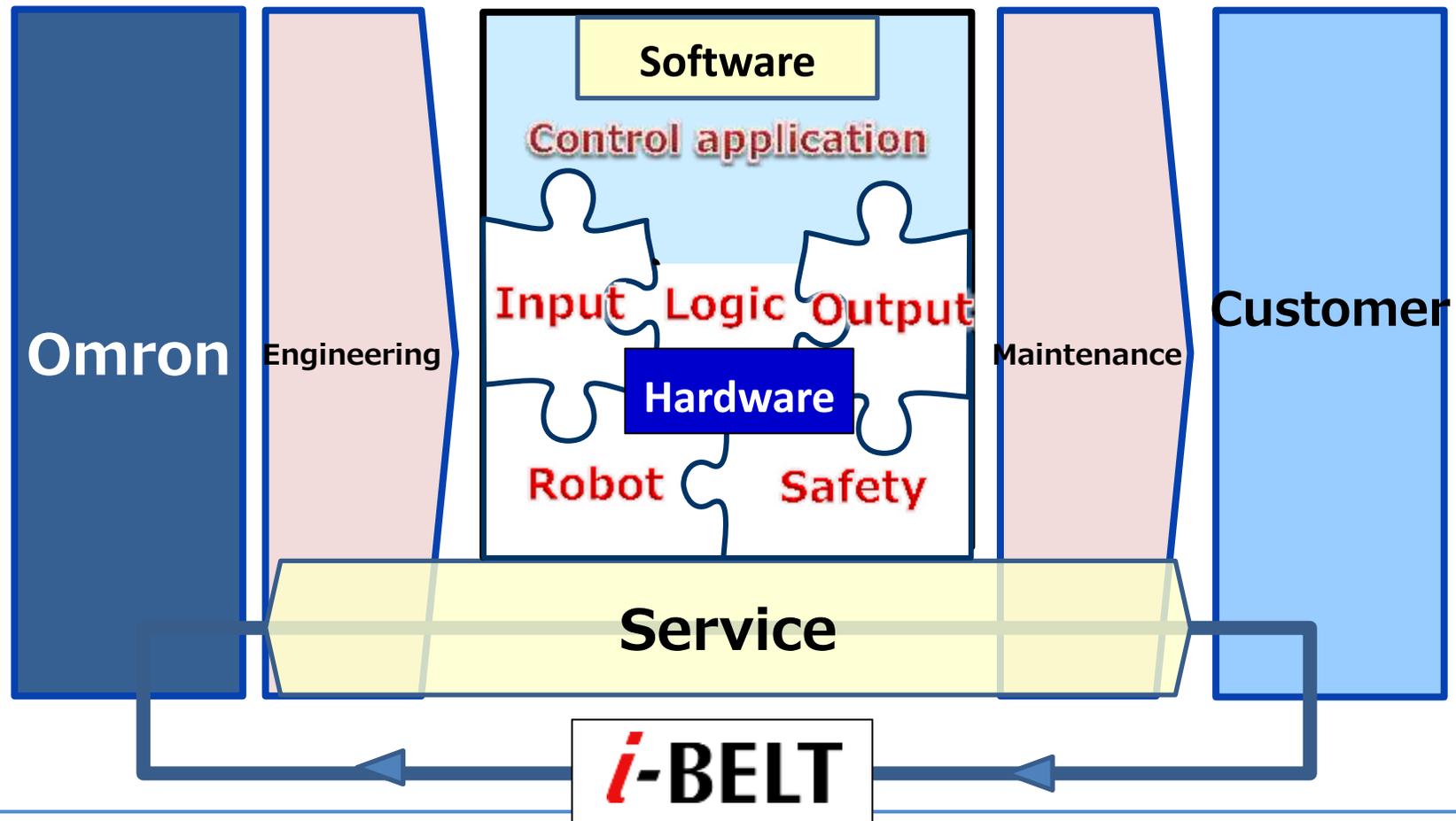
1 m



Our Goals with “i-BELT”

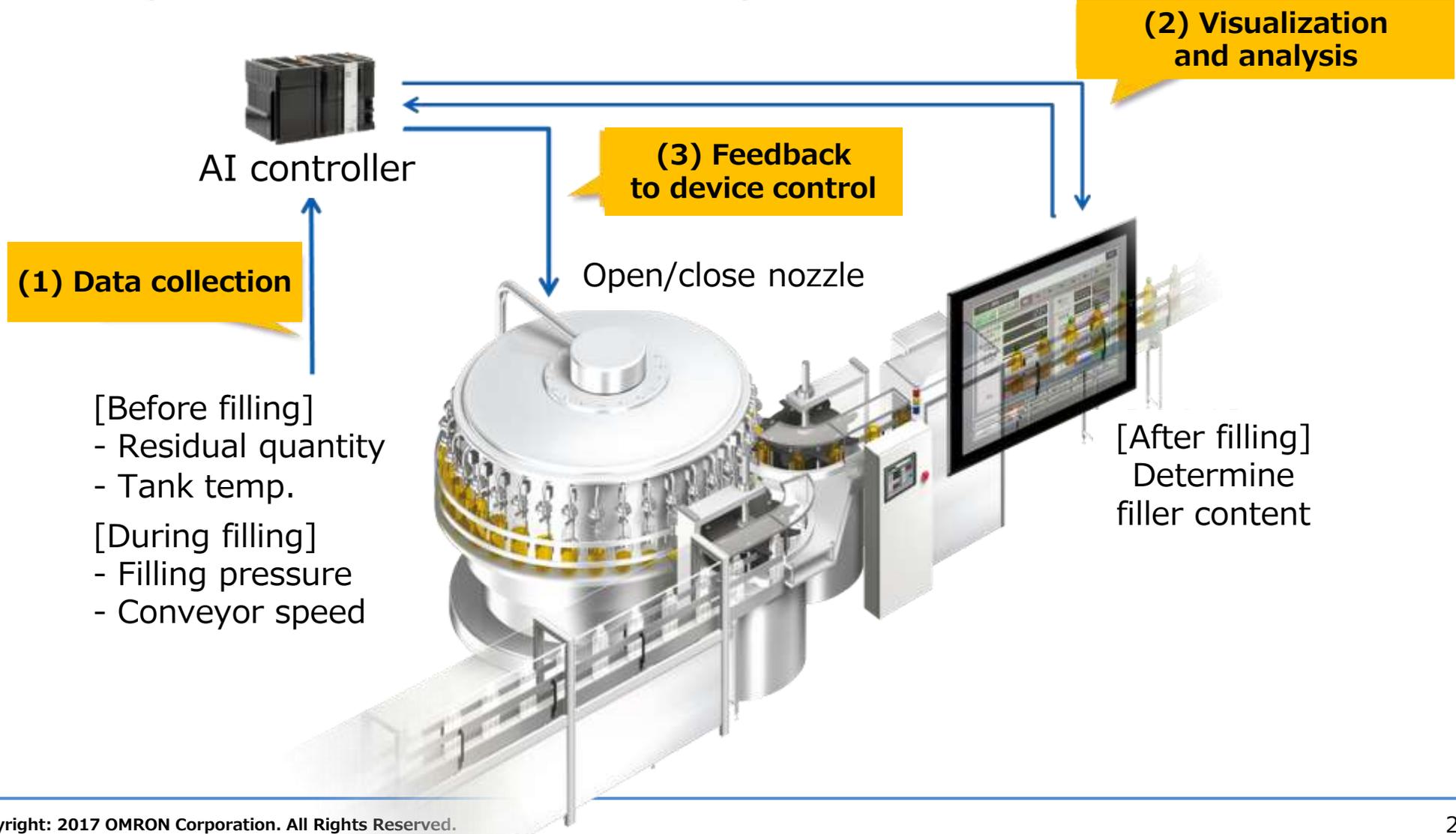
Accelerating “innovative-Automation” through “i-BELT”!

innovative-Automation



“i-BELT” applications

Beverage/pharma sectors: Learning optimal control of filler content



Future Steps for “i-BELT”

Releasing “IoT Start Package,” which facilitates FA equipment data collection, in October 2017

October 2017

**Release of the IoT
Start Package**

By March 2018

**Expanding IoT Start
Package functionality
Increasing number of
connected equipment
brands**

From April 2018

**Full-fledged launch
of “i-BELT”**



Bring innovation to manufacturing by automation to enrich lives of people all over the world.

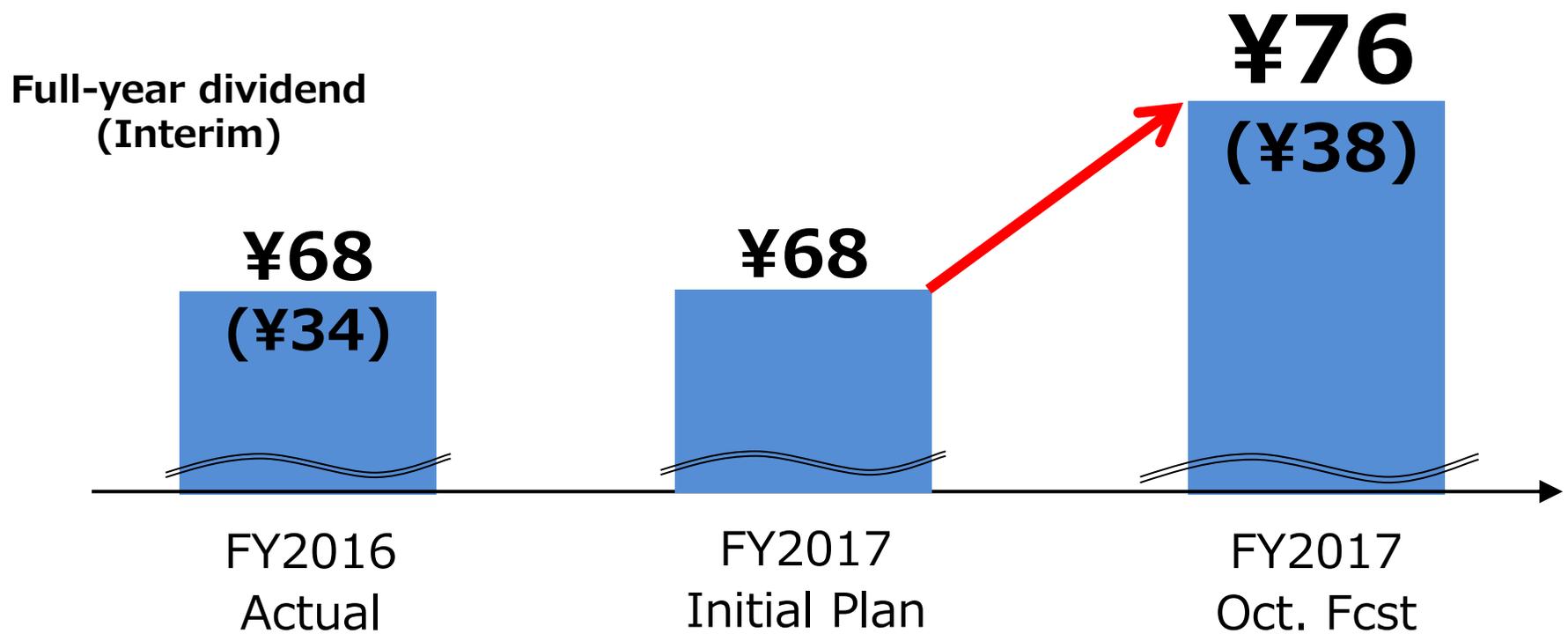




Shareholder Returns (Dividends)

Dividend Per Share

Under the new VG2.0 dividend policy, dividend forecast revised to reflect DOE standard. Full-year dividend forecast raised ¥8 to ¥76. This will exceed the previous record high of ¥71 (FY2014).



※Interim dividend already fixed



Sustainability Initiatives



Key Highlights: Sustainability (ESG) Initiatives

- 1.** Formulated Sustainability Policy. Integrated medium-term management plan and sustainability strategies. Set sustainability targets and KPIs linked to SDGs.
- 2.** Identified sustainability issues, based on Omron's policies of 'Solving social issues through our businesses' and 'Responding to expectations of our stakeholders'.
- 3.** Board of directors to have monitoring and oversight role for sustainability issues considered to be material.
- 4.** Adopt third-party sustainability evaluation as a KPI in determining medium- to long-term performance-based compensation for senior management.
- 5.** Sustainability policy, targets and KPI disclosed in Integrated Report 2017, deepening engagement.

※Relevant pages in Integrated Report 2017

- | | | |
|--|-------|-----------|
| 1. Message from the Chairman | • • • | pp. 56~57 |
| 2. Message from the CEO | • • • | pp. 6~13 |
| 3. VG2.0: New Medium-term Mgmt. Plan | • • • | pp. 14~17 |
| 4. A Step Forward in Compensation Governance | • • • | pp. 62~67 |

Omron Included in Major ESG Indices

Selected for all major sustainability indices. Continue to focus on contributing to society through our business.

ESG Indices which include Omron

✓ **DJSI – World** <new>

- ✓ FTSE4Good Index Series
- ✓ MSCI ESG Leaders Indexes
- ✓ MSCI SRI Indexes
- ✓ STOXX Global ESG Leaders indices
- ✓ CDP
- ✓ MS-SRI

✓ **FTSE Blossom Japan Index** <new>

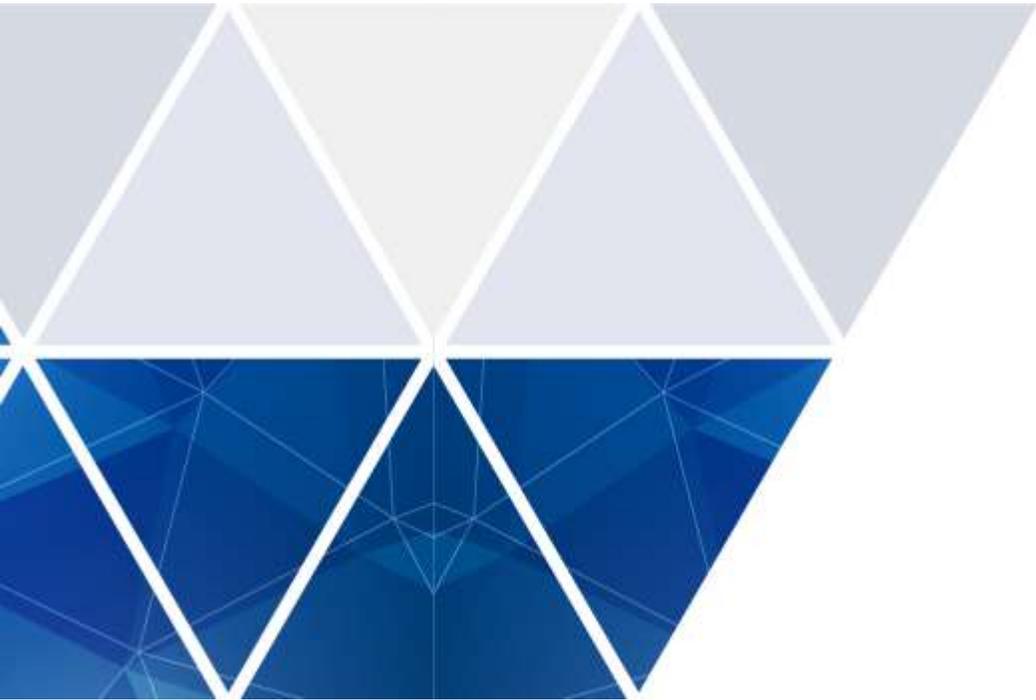
✓ **MSCI Japan ESG Select Leaders Index**

✓ **MSCI Japan Empowering Women Index**

Selected by GPIF



OMRON



Reference

VG2.0 Management Targets

	FY2016 Actual	FY2017 Fcst	FY2020 Targets
Net Sales	¥794.2bn	¥850.0bn	¥1 Trillion
GP Margin	39.3%	41.6%	> 41%
Operating Income	¥67.6bn	¥85.0bn	¥100bn
ROIC	10.3%	Approx. 12%	> 10%
ROE	10.1%	Approx. 12%	> 10%
EPS	¥215.1	¥277.0	> ¥300
USD / EUR	¥108.9 / ¥119.4	¥110.6 / ¥126.8	¥110 / ¥118

H2 Business Environment by Region (vs. H1)

Global economy gradually recovering.

Japan:

- Despite respite in smart phone-related investment demand, automotive capex demand to remain solid.

Overseas:

- Americas: US auto industry adjustment to continue but overall economy still recovering.
- Europe: Capex and capacity expansion to support gradual economic recovery.
- China: Growth rate to moderate on government-led investment constraints.
- Asia: Geopolitical risks persist but recovery in Thailand, India to continue.

H2 Business Environment by Segment (vs. H1)

IAB Industrial Automation	<p>Japan: Lull in smart phone-related investments. Expect auto investments to pick up.</p> <p>Overseas: China/Asia to moderate vs. H1 as current round of smart phone investments largely done. Europe to remain solid. Continued uncertainty on auto investments in Americas.</p>
EMC Electronic & Mechanical Components	<p>Electronics: Semi/industrial machinery demand strong. Consumer electronics demand in China to remain solid.</p> <p>Automotive: Europe to remain solid. Motorcycle-related demand in Asia firm.</p>
AEC Automotive Electronic Components	<p>Japan: Remain firm on back of recovery in operating environment.</p> <p>Overseas: China remains firm despite moderating growth. Despite demand peakout, US downside firm, flat trend.</p>
SSB Social Systems, Solutions & Service	<p>Transportation: Continue to be weak on completion of replacement cycle.</p> <p>Traffic systems: Replacement demand to remain firm.</p>
HCB Healthcare	<p>Japan: Remain robust on solid online market.</p> <p>Overseas: Continue to see strong growth on rising health consciousness in China, Asia and other EM.</p>
Other Businesses under the Direct Control of HQ	<p>Environmental Solutions: PV inverters demand weak. Power storage systems continue to be strong.</p> <p>Backlights: High-end market capped as adoption of OLED continues.</p>

FY2017 H2 Assumptions: Exchange Rates

	FY2017 H2 Assumptions (vs. the initial assumptions)	¥1 fluctuation impact (full-year, approx.)	
		Sales	OP
USD	¥110 (±0)	¥3.5bn	¥0.5bn
EUR	¥128 (+10)	¥0.9bn	¥0.5bn

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

Sustainability Targets and VG2.0

OMRON Principles

Management Philosophy & Sustainability Policy

VG2.0

Pivotal Strategies

1. Focus on Four Domains
2. Evolve Business Model
3. Reinforce Core Technologies

×

Collaborating with Partners

+

Operational & Functional Strategies

Human Capital Mgt, Manufacturing,
Risk Mgt ...

Sustainability Issues

Responding to Social Needs

FA



Healthcare



Mobility



Energy Management



×

Collaborating with
Partners



+

Responding to Stakeholder Expectation

Human
Capital
Management



Manufacturing



Risk
Management



Sustainability Targets (Business)

Set FY2020 sustainability targets for 4 Focus Domains.

FA

New products leading to innovative-Automation in four focus industries

~Create Control Technologies for Manufacturing Innovation~

Healthcare

Blood pressure monitor unit sales: 25 million / year

**Nebulizer + Asthma wheeze monitor unit sales:
7.65 million / year**

Mobility

Create safe driving support systems and technologies

Create advanced driving support / 360° driver assistance technologies

**Automobiles with environmentally friendly components:
10 million units / year**

Energy Management

Cumulative output volume for solar power (PV) / storage systems: 11.2GW

Sustainability Targets (Operational/Functional)

Also set operational sustainability targets for FY2020.

Human Capital Management

- Evolve and advance TOGA to act in the spirit of the OMRON Principles
- Ratio of non-Japanese in managerial positions overseas: 66%
- Accelerate PDCA cycle via employee engagement surveys
- Ratio of women in managerial roles (OMRON Group in Japan): 8%

Manufacturing

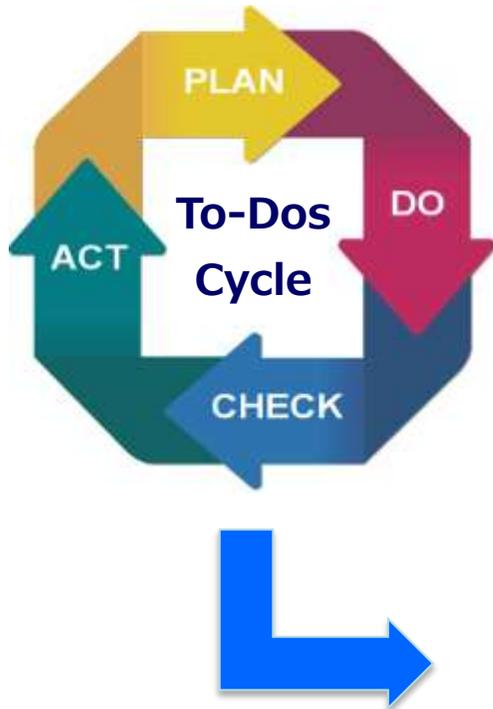
- Ratio of product safety assessments for newly developed products: 100%
- Environmental contribution > CO2 emissions of production sites
- Reduction of mercury through the prevalence of electronic digital thermometers and electronic blood pressure monitors: 69 tons / year
- Sustainability self-assessments by vendors:
 - Implementation ratio (critical vendors): 100%
 - Score of 85 or higher

Risk Management

- Continuous evolution in group governance
 - Consistent promotion of OMRON Group Rules at all global bases
 - Global training in ethics rules
 - Build a new information security system, etc.

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

GP Margin

Added -value %

Fixed manuf. costs %

SG&A %
R&D %

Working capital turnover

Fixed assets turnover

ROS

Invested Capital Turnover

ROIC

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 First Half of the Fiscal Year Ending March 31, 2018 (U.S. GAAP)."
Figures rounded to the nearest million JPY and percentage to one decimal place.

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