

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

Copyright: 2017 OMRON Corporation. All Rights Reserved.

1

There are three key takeaways.

First, our overall H1 results. Both sales and earnings grew significantly and we set a new record high in profits. On the back of this, we have also revised up our full-year forecasts. The IAB business, which is our top priority business, is doing very well and we expect it will drive our overall earnings going forward. We also raise our full-year dividend guidance from ¥68 to ¥76.

Second, our IAB strategies. IAB has been focused on growth domains since FY2014. By providing unique and innovative solutions, Omron has been able to build a robust structure capable of generating growth. Furthermore, **innovative**-Automation, a concept that will revolutionize manufacturing, will make it possible for Omron to continue to achieve dramatic growth going forward. As a part of **innovative**-Automation, we have started to provide a new service platform which applies AI and IoT to the manufacturing floor. We call this i-BELT. We will talk about this in more detail later.

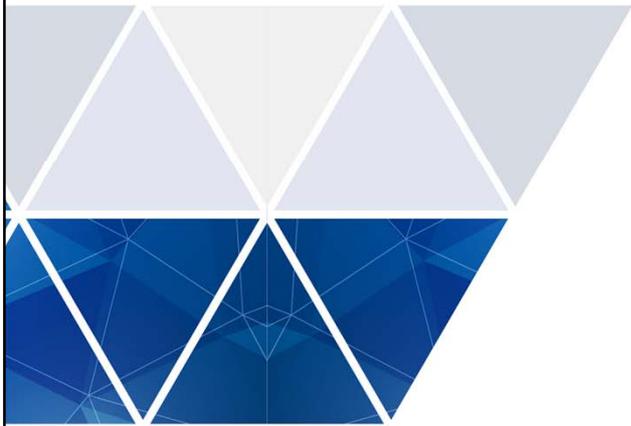
Finally, our sustainability initiatives. As you know, we have recently seen an increased focus on ESG investments. Omron is deepening its response to sustainability issues. Based on our corporate values, we have formulated and recently disclosed a Sustainability Policy, and have set targets that are linked to the Medium-term Management Plan. I would like to explain our sustainability initiatives today. I take this opportunity to highlight that Omron has been selected for DJSI World as well as all of the other major ESG indices.

Contents

- | | |
|---|-------|
| 1. H1 Results | P. 3 |
| <hr/> | |
| 2. Full-year Forecasts | P. 9 |
| <hr/> | |
| 3. IAB Strategy | P. 15 |
| <hr/> | |
| 4. Shareholder Returns (Dividends) | P. 32 |
| <hr/> | |
| 5. Sustainability Initiatives | P. 34 |

This is today's agenda.

I will start with the H1 results. Please turn to slide 4.



H1 Results

H1 Results

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

(¥bn)

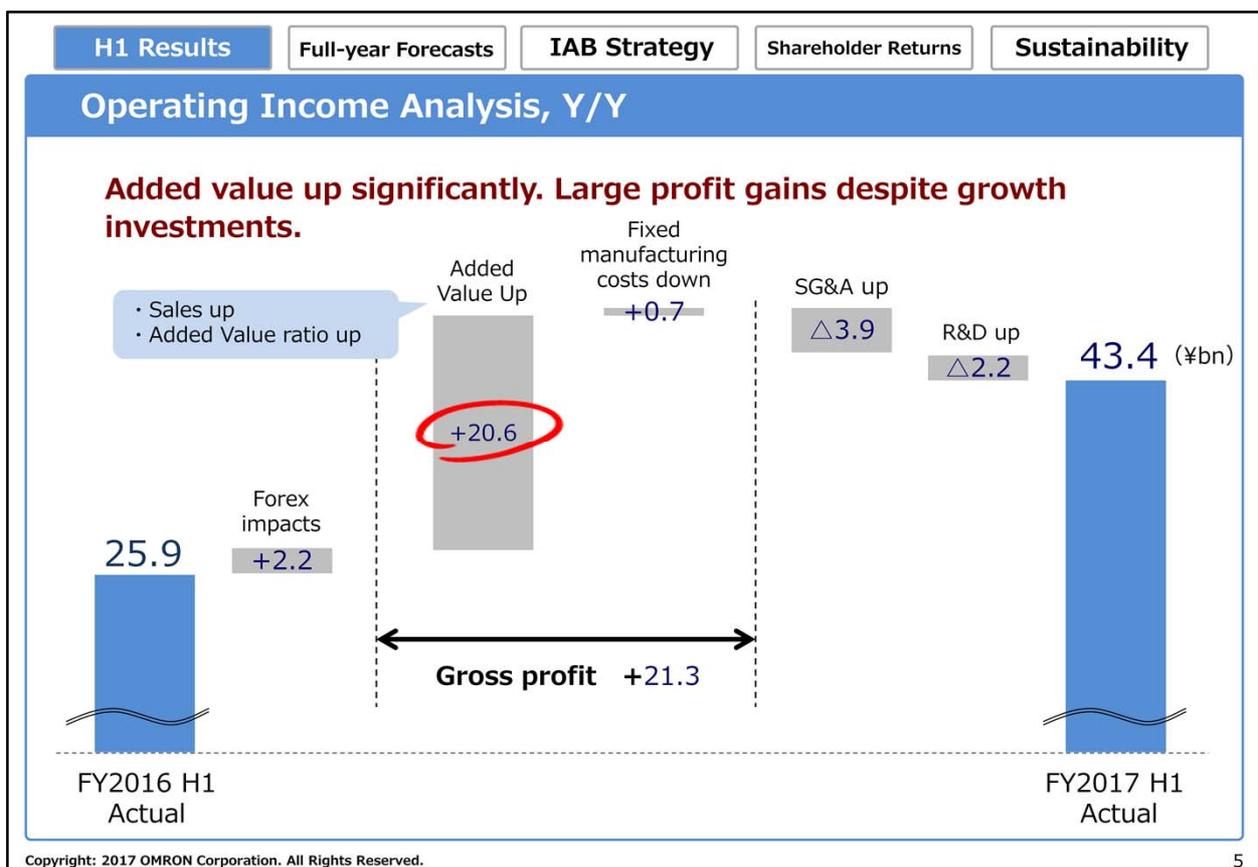
	FY2016 H1 Actual	FY2017 H1 Actual	Y/Y
Net Sales	371.6	410.5	+10.5%
Gross Profit (%)	144.8 (39.0%)	170.2 (41.5%)	+17.5% (+2.5%pt)
Operating Income (%)	25.9 (7.0%)	43.4 (10.6%)	+67.4% (+3.6%pt)
Net Income Attributable to Shareholders	15.8	30.3	+91.2%
1USD (JPY)	107.3	111.2	+3.9
1EUR (JPY)	120.1	125.6	+5.5

Copyright: 2017 OMRON Corporation. All Rights Reserved.

4

As you can see, we reported substantial growth in sales and earnings. Net sales were ¥410.5 billion, gross profit ¥170.2 billion, operating income ¥43.4 billion, and net income ¥30.3 billion. Topline grew 10.5%. Gross profit and operating income both hit new record highs for H1.

We were able to raise the GP margin, a key metric for Omron, to 41.5%. I believe this demonstrates a clear and continued improvement in our ability to generate profits. On the back of the improved GP margin, we achieved an OPM of 10.6%.



This waterfall chart shows the breakdown of YoY changes to the key elements of operating income.

On the far left, we show H1 FY2016 operating income of ¥25.9 billion; on the far right, the ¥43.4 billion for H1 FY2017.

As you can see, as the result of both an increase in sales and a higher added-value ratio, added value on an absolute basis rose significantly by ¥20.6 billion yen. In line with our initial plans for SG&A and R&D, we undertook investments to support future growth, adding human resources and enhancing our core technologies. Despite such investments, we were able to dramatically grow operating income.

H1 Results		Full-year Forecasts	IAB Strategy	Shareholder Returns	Sustainability
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%)		* Excl. Omron Colin
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%		
※Certain operations previously included in SSB have been reclassified to Other.					
Copyright: 2017 OMRON Corporation. All Rights Reserved.					

Here we show H1 sales broken out by segment.

There are three key takeaways from this slide.

The first is the hefty 22.5% YoY growth for IAB, our top priority business under VG2.0. The growth at IAB strongly underpinned our overall performance.

Second is the EMC business. We are currently implementing structural reforms in this segment. We are gradually enhancing our ability to respond dynamically to changing markets. We were able to successfully capture strong demand for consumer electronics, primarily in China, in H1, achieving 10% YoY growth.

Third, HCB, also a key focus for VG2.0, reported strong growth on expansion in the emerging markets. If the impact of the sale of the former Omron Colin in December 2016 is excluded, HCB grew 10% YoY, as shown in red on the slide.

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)

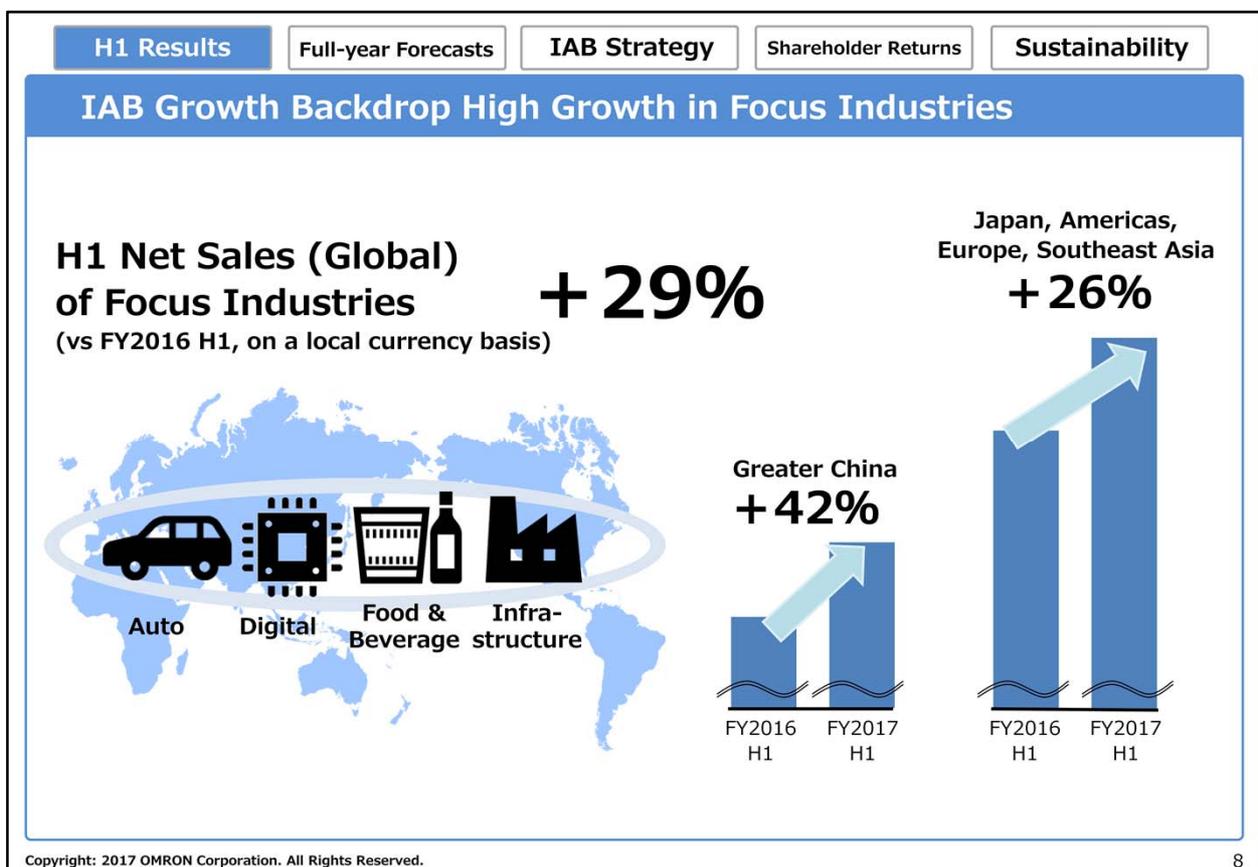
* Certain operations previously included in SSB have been reclassified to Other.

Copyright: 2017 OMRON Corporation. All Rights Reserved.

7

Slide 7 shows operating income broken out by segment.

The single biggest contributor to higher earnings in H1 was IAB, with operating income up a significant ¥15 billion. EMC and HCB also contributed to higher overall profits.



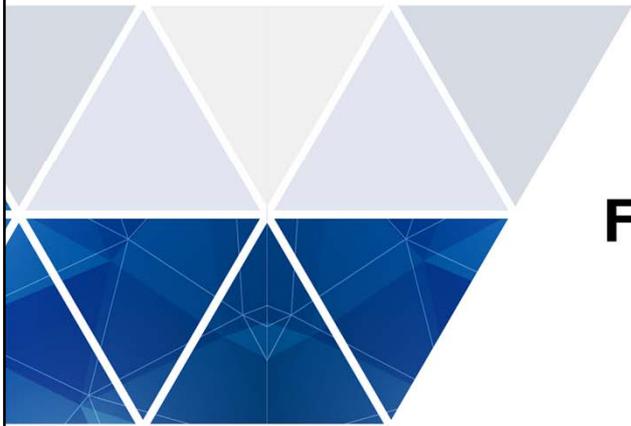
I would like to talk about IAB in more detail. Please see slide 8.

The higher sales is the result of strong growth in our four focus industries: Automotive, Digital, Food and Beverage, and Infrastructure.

On a global basis, revenues from the four focus industries grew 29% YoY. In particular, in Greater China, we were able to achieve very high growth of 42% YoY in the four focus industries. Even outside of China, combined revenues in the focus industries for Japan, the Americas, Europe and Asia grew a hefty 26% YoY.

We chose to implement our IAB growth strategies in China first, but we are now reaping the benefits from these initiatives globally. Earlier, I said the H1 results have given me greater confidence that we are on the right track: the basis for my confidence is the results we are getting from the four focus industries.

IAB President Mr. Miyanaga will go into more detail about the IAB strategies later.



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)
Net Sales	810.0	850.0	+4.9%	794.2	+7.0%
Gross Profit (%)	329.0 (40.6%)	353.5 (41.6%)	+7.4% (+1.0%pt)	311.8 (39.3%)	+13.4% (+2.3%pt)
Operating Income (%)	68.0 (8.4%)	85.0 (10.0%)	+25.0% (+1.6%pt)	67.6 (8.5%)	+25.8% (+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

Copyright: 2017 OMRON Corporation. All Rights Reserved.

10

On slide 10, we show our full-year forecasts.

Reflecting the strong earnings, we have revised up our full-year guidance. We now expect net sales of ¥850 billion, gross profit of ¥353.5 billion, operating income of ¥85 billion and profit attributable to shareholders of ¥59 billion.

We expect the GP margin to rise 2.3%-points YoY to 41.6%, further enhancing our significantly improved capability to generate profits to fund future growth investments. We project an OPM of 10%.

We believe the improved GP margin will be the driver for achieving new record high profits even as we continue to make necessary investments.

Note, our H2 forex assumptions are ¥110 to the USD and ¥128 to the EUR.

Sales by Business Segment

IAB, EMC, HCB to drive overall sales growth.

(¥bn)

	(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

Copyright: 2017 OMRON Corporation. All Rights Reserved.

11

This is our net sales forecast for the full year, broken out by segment.

Overall growth will be driven a strong IAB, supported by EMC and HCB.

Operating Income by Business Segment

IAB, EMC, HCB to drive overall performance.

	(1) FY2017 Initial Plan	(2) FY2017 Oct. Fcst	(2) - (1)	(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.

Copyright: 2017 OMRON Corporation. All Rights Reserved.

12

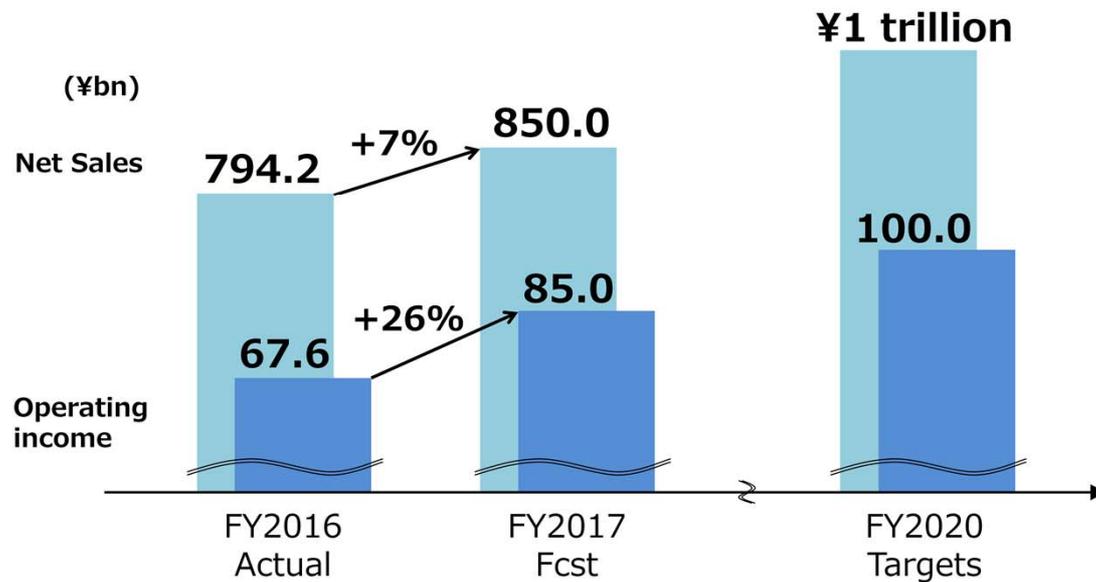
This is the segment breakdown for full-year operating income.

We will continue to invest for future growth, but expect to also see substantial YoY improvements in segment profits for IAB, EMC and HCB.

The strong gains in profits are the result of enhanced added value in absolute terms, including selling price discipline by each of the business companies, and progress on profit structure reforms. We are committed to further improving our ability to generate profits for the company as a whole.

Toward FY2020 Targets: (1) Sales, Operating Income

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



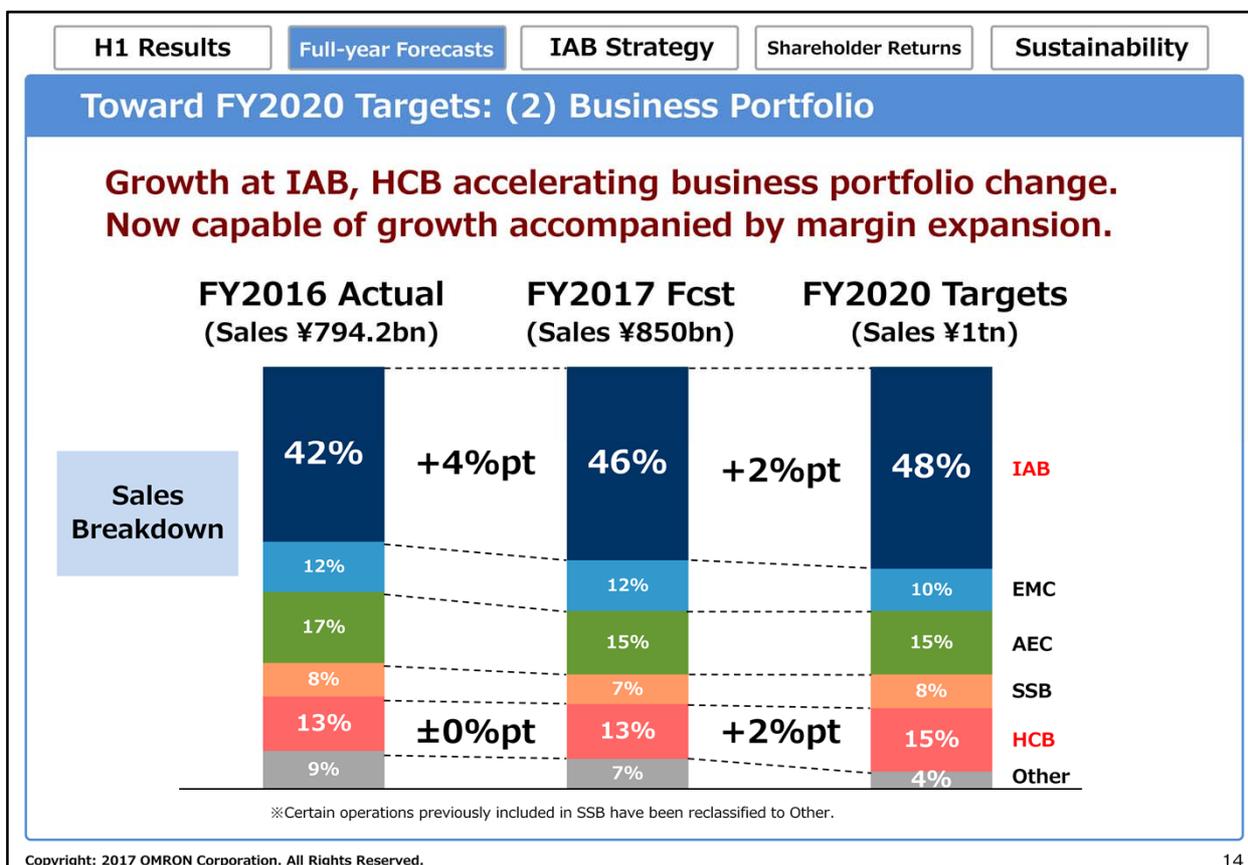
Copyright: 2017 OMRON Corporation. All Rights Reserved.

13

Under the current medium-term management plan VG2.0, we are targeting net sales of ¥1 trillion and operating income of ¥100 billion.

We have been able to get off to a very strong start in FY2017 and are making solid progress toward our targets. The VG2.0 targets reflect our intent to exceed sales of ¥1 trillion while maintaining high profitability.

We remain firmly focused on our goals of building a foundation for growth and improving profitability.



Slide 14 shows the trends in share of revenue by segment.

We start on the left with where we stood in FY2016. The middle bar is the forecast for FY2017 and on the right, our targets for FY2020.

Please look at the trend for IAB at the top of the bars. IAB accounted for 42% of total sales in FY2016. This year we expect it to rise to 46%, and to 48% in FY2020.

Looking at our other priority domain, HCB, we are executing on measures that will allow it to grow to become 15% of total sales by FY2020.

In contrast, with the Other businesses shown at the bottom of the bars, we are currently implementing optimizing measures. We are expecting this business to account for a smaller percentage of revenues over time.

As you can see from this bar chart, achieving the VG2.0 targets is predicated on solid and continued growth at IAB. We have already implemented many initiatives to put a foundation for growth in place.

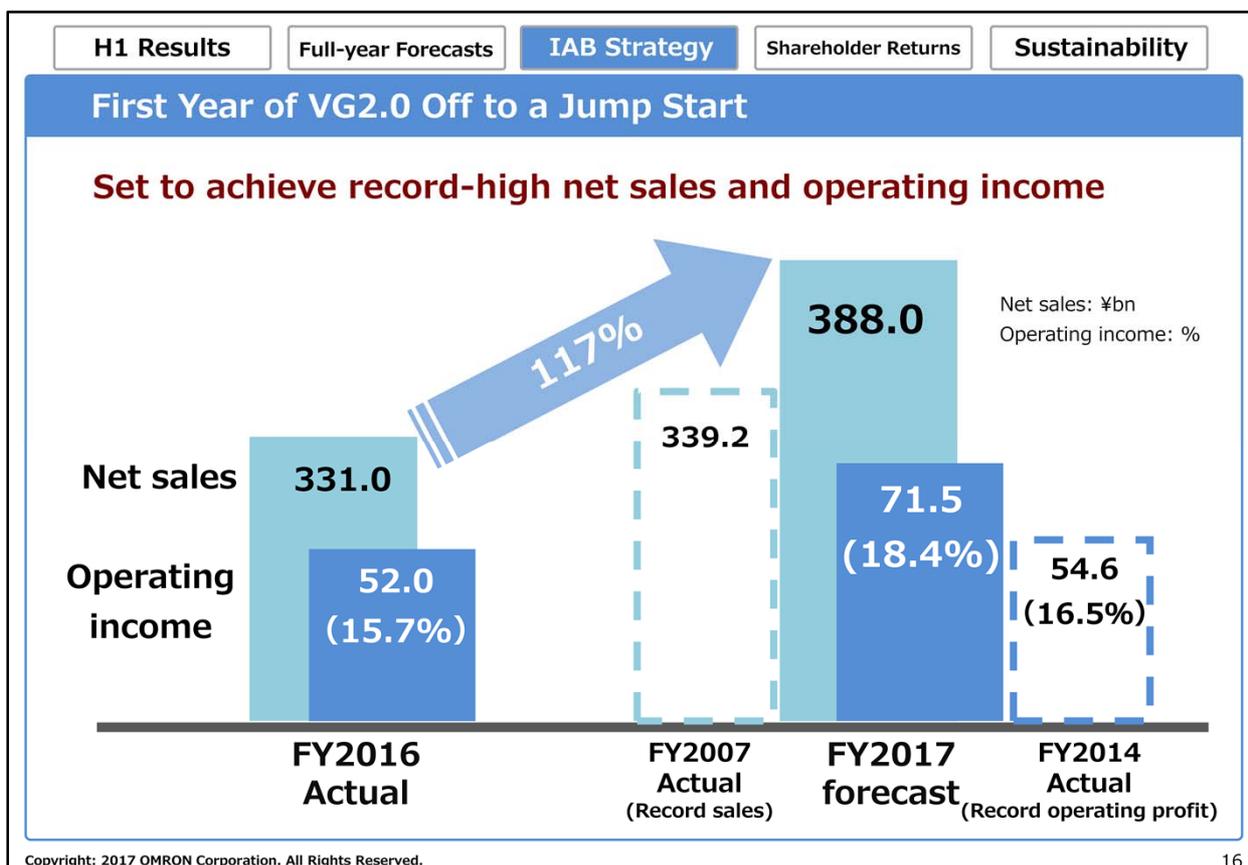
I would now like to hand over to IAB president, Mr. Miyanaga, to talk about our specific strategies for IAB.



Hello, everyone. I am Miyanaga, President of IAB. Thank you for your continued support.

The last time I had the pleasure of addressing you was three years ago, when I made a presentation at our FY2014 H1 results briefing.

Since I became the president of IAB in FY2014, there are three things that have changed and improved. Today I will briefly talk about what we have achieved and the progress we have made over the last three years with our initiatives. I will also talk about how we think about our business as we concentrate on achieving the VG2.0 targets for FY2020.



This slide shows our projections for FY2017. We have framed this by showing comparisons to some historical figures.

First, when comparing the outlook for FY2017 to FY2016, CEO Yamada commented earlier, we project 17% YoY topline growth.

The absolute level of ¥388 billion has a symbolic importance for us at IAB, in that this represents a new record high. As we show here, it is an approximately ¥50 billion increase over the previous peak of ¥339.2 billion, achieved in FY2007. In terms of operating income, the previous peak was the ¥54.6 billion we achieved three years

ago in FY2014. We now expect that we can set a new record high at ¥71.5 billion. The resulting OPM we project for FY2017 is 18.4%.

Although there have been a number of changes that make it challenging to compare OPMs on an apples-to-apples basis, this is likely to be the highest OPM level we have achieved in the last 20 years.

I have been president of IAB for about 3.5 years now. In my first year, net sales was ¥291.7 billion. We are projecting cumulative sales growth over the last four years of approximately ¥100 billion. As we look toward the FY2020 targets, I would hope to be able to add another ¥100 billion.



First, looking back, I will highlight the three key initiatives we implemented over the last three years.

The first was our market strategy. IAB focused intensively on expanding the business and concentrating on large-scale markets. I will go into more detail later.

Next, the key strength of Omron and, more specifically, IAB, is the unparalleled breadth of our product lineup. We chose to translate this broad product lineup into applications that have value for our customers. We combined these with services to provide total solutions. This has been a key focus over the last 3.5 years.

The third was our focus on enhancing our sales capability in order to deliver these solutions to our customers.

These are the three things we have particularly concentrated on in the last 3.5 years.

Growth Structure (1): Growth Markets and Global Linkages

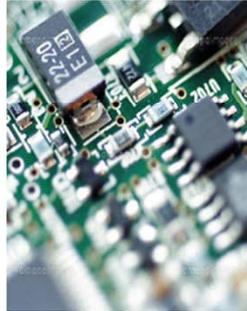
“Select and concentrate” on four industrial sectors globally

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

Copyright: 2017 OMRON Corporation. All Rights Reserved.

18

Going back to the first point, let's talk about the industries on which we chose to focus. As you know, the first is automotive. The second is what we refer to as the digital industries, which includes devices like smart phones or semiconductors. The third is a combination of food and beverage, household products and pharmaceuticals. The fourth is social infrastructure. These are the four focus industries.

All four represent significant markets in and of themselves, but there are slight differences in terms of growth rates and volatility. Recently, expectations for growth have been high for the digital industries. However, while the growth potential for semiconductors is high, it is also a highly volatile market. Automotive, on the other hand, falls more in the middle versus the extremes of the digital industries, with moderate levels of growth and volatility. This contrasts with the food & beverage/daily goods industries, which tend to show steady growth, but also see limited volatility. Finally, infrastructure tends to be defensive relative to the macro backdrop and can benefit from government programs.

At a high level, we aim to generate stable overall growth by capturing the mix of characteristics specific to these four focus industries.

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



Copyright: 2017 OMRON Corporation. All Rights Reserved.

19

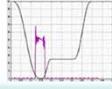
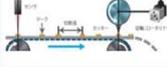
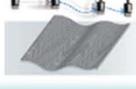
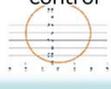
Next, looking at what we have in our arsenal and the value we provide to our customers. We have used the image of a jigsaw puzzle as a way of aptly describing what we see as our strength. Rather than simply selling discrete products, we are able to provide products from each of the interlocking categories we show here, fully harmonized with software applications. "I" stands for input, "L" for logic, "O" for output such as servo motors, "R" for robots and "S" for safety devices. The integration of these products under an application allows us to offer uniquely distinct solutions to our customers. This is what makes the value we provide to our customers unique.

The asterisks represent categories where we have made acquisitions to elevate the value we can provide to customers. We made four acquisitions over the last three years. We believe this has further bolstered our product lineup and consequently, increased the value we provide.

H1 Results Full-year Forecasts **IAB Strategy** Shareholder Returns Sustainability

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

Advanced control applications

<p>LO Vibration control</p> 	<p>LO "Soft" control</p> 	<p>LO High-speed synchronized control</p> 	<p>LO Packaging equip. control</p> 
<p>LO Winding control</p> 	<p>LO Servo press control</p> 	<p>IL Contouring control</p> 	<p>LO Model prediction control</p> 
<p>ILR Robot networking control</p> 		<p>Mobile traveling technology Multi-unit control technology</p> 	

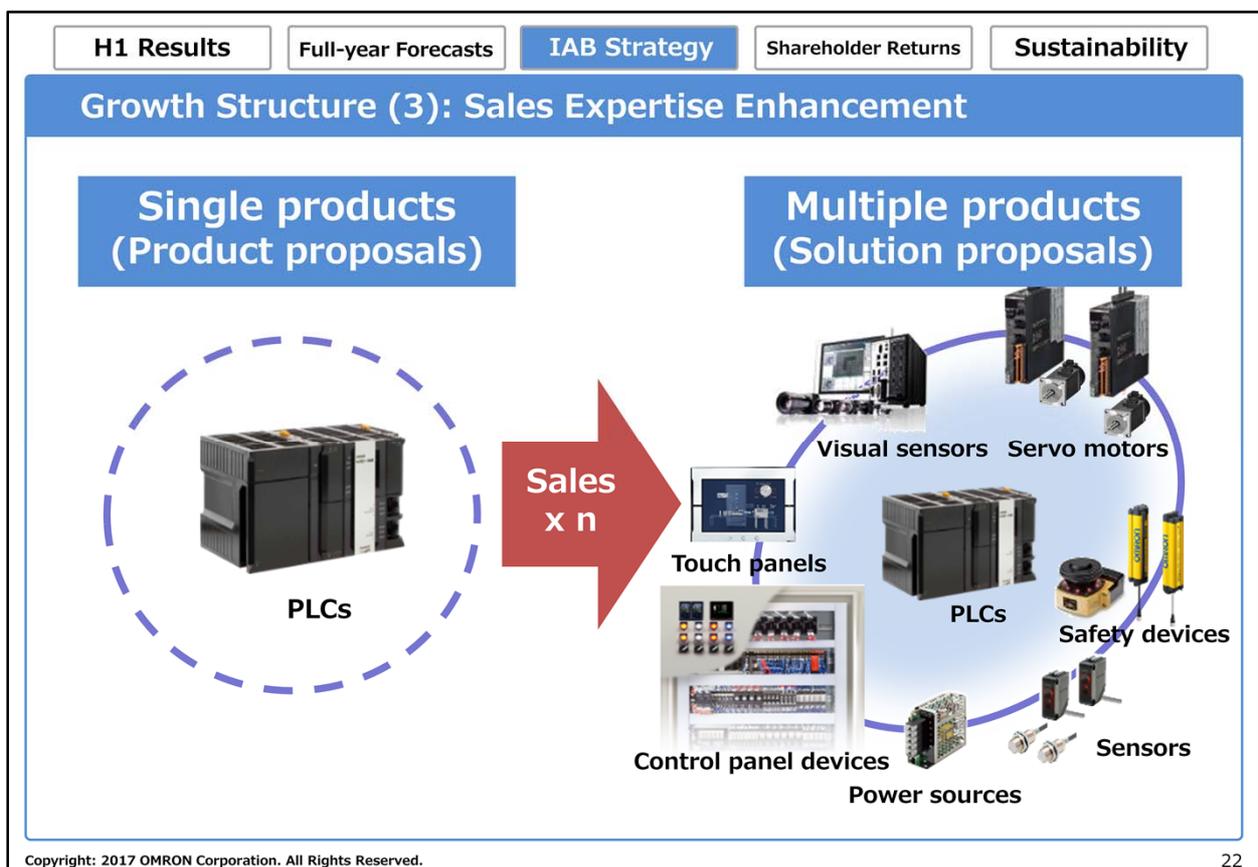
Copyright: 2017 OMRON Corporation. All Rights Reserved. 21

Running across the top of the interlocking puzzle pieces on slide 20 was a piece representing software.

In fact, the key to our strategy is that we are not simply providing hardware, but that we provide hardware combined with software to create unique applications that have value for our customers. This is the key to the success we are seeing now.

On this slide, we show examples of control solutions we can provide to our customers. All of these solutions are the result of combining hardware with value-generating application software, made possible by Omron's high level of engineering expertise in harmonization and integration. Having a broad product lineup is very important since the absence of even one device would make it impossible to complete a given solution. Only Omron is capable of providing these solutions, since only Omron has this broad product lineup.

Furthermore, to create these solutions requires extremely high levels of expertise in harmonizing a combination of devices. Omron has been able to do this with software applications. I will explain the significance of this later, using video to give you a better appreciation of what I mean.



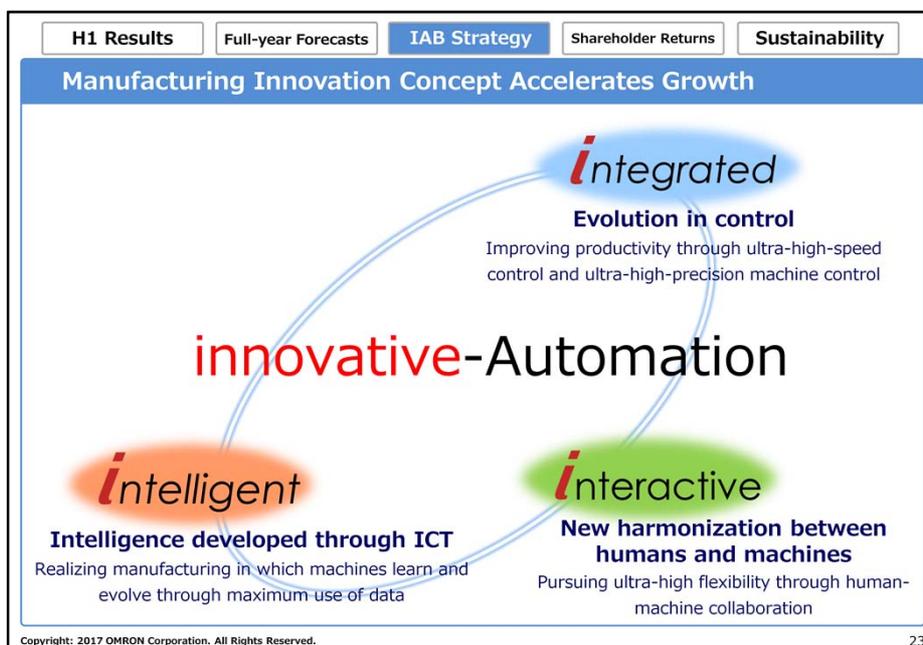
Next, I will touch upon how we approached the selling process and communications with our customers.

Prior to focusing on applications, it is probably true that we had tended to concentrate more on our hardware specs. For example, with PLCs (Programmable Logic Controllers), which require a high level of technological expertise, our sales process relied heavily on highlighting functionality.

We will continue to promote the high level of functionality of our products, but value is generated in two ways when creating solutions by combining hardware with software applications.

First, we provide our customers with even more innovative solutions allowing them to revolutionize how they manufacture products. For Omron, average customer spend increases ten-fold relative to what it was when we were focused on selling PLCs. This style of sales is positive for Omron since it improves sales productivity as well.

The benefit to the customer and improved selling efficiency are the key features of our new sales approach.



Over the last 3.5 years, we have focused more on our sales capability to grow our business. We are forecasting 17% YoY topline growth this fiscal year.

However, from about 2 years ago, we have been working on the **innovative-Automation** concept, through which we seek to create new markets and new value for customers. This adds a new layer on top of our market strategies to date. It has been a key focus from last year. It is a concept unique to Omron.

It is centered around innovation. Conceptually, we aim to use innovation to dramatically accelerate our own growth by providing new value to our customers.

The concept can be broken down into three elements.

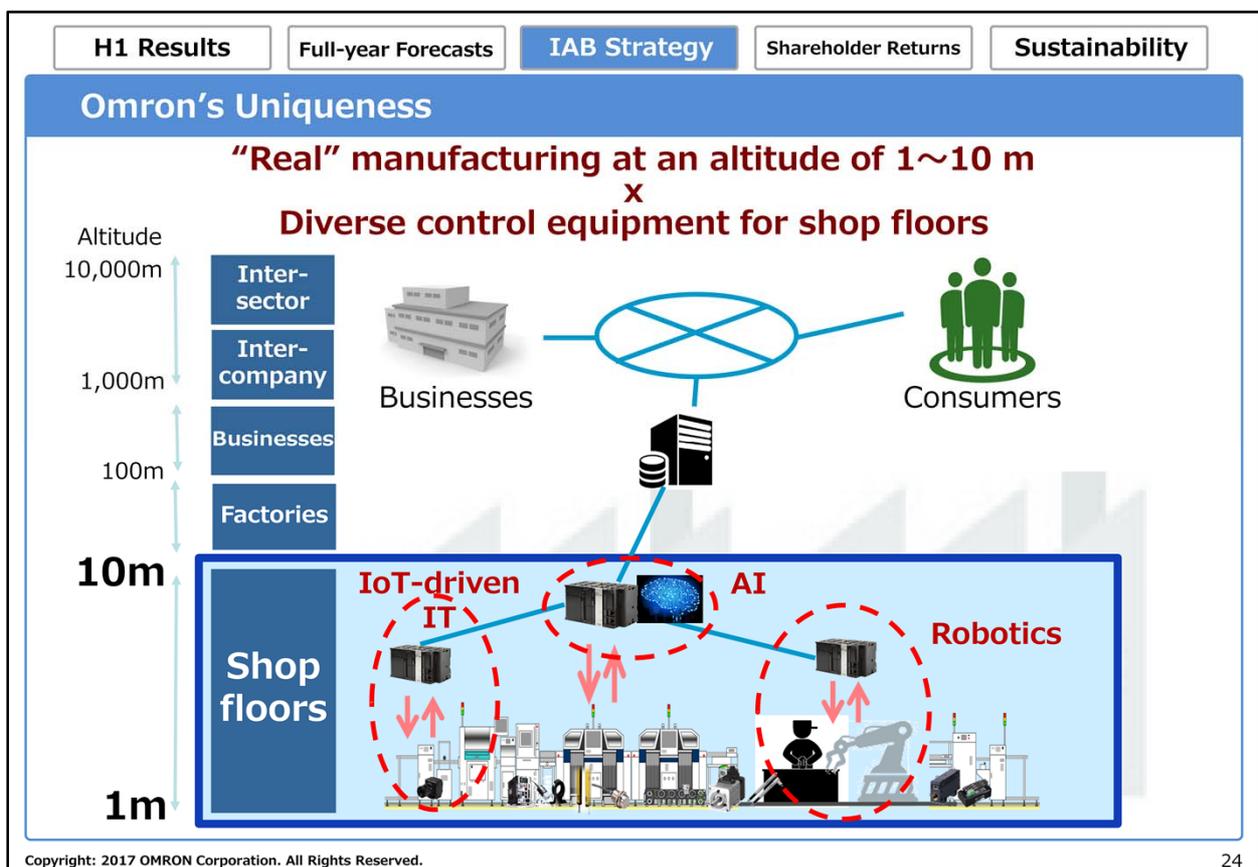
The first is 'integrated', as shown in the upper right. As we have already discussed, this is about high level control. I will use video to help show what I mean in a moment. Conceptually, we envisioned solutions centered around a single controller able to seamlessly control robots, manage graphic processing and/or control motors. This would make it possible for customers to enjoy productivity and manufacturing capabilities at levels not possible to date. This is what we mean by the evolution in control.

I think this is what most people imagine when they think about automation.

The second element is 'interactive', which is a new way of collaboration between humans and machines. We are now moving away from the idea that efficiency is about simply replacing humans with machines. Instead, manufacturing is now looking at ways to fully capitalize on the strengths of both, ensuring that the manufacturing process is highly efficient but also highly flexible. This is a new approach to manufacturing.

The third element is 'intelligent'. IoT is probably the most well-known example of applying intelligent techniques to manufacturing, where manufacturing evolves further by leveraging the use of data.

These are the three 'i's underpinning Omron's **innovative-automation** concept.



So, why is Omron talking about this? It is because it is an opportunity unique to Omron. In other words, on the slide we talk about an altitude of 1 to 10 meters above the shop floor. The altitude reference is purely an analogy to describe where Omron is strong, which is in proximity to the manufacturing shop floor. Omron is positioned very close to its customers' actual manufacturing operations, so close that it might be vulnerable to oil splatter. Omron has a diverse product lineup in ILOR+S that serves the manufacturing floor.

What you see at an altitude of 1 meter is sensors and the actual manufacturing equipment itself. Up 10 meters is where you find the control equipment. Omron has a very broad product lineup in this space. It also has the capability to supply these products globally. We believe the only player in the world that can do this in the control equipment and factory automation universe is Omron.

Conceptually, innovative-Automation seeks to leverage the uniqueness of Omron.

Now I would like to explain what we aim to do with this concept.

H1 Results Full-year Forecasts **IAB Strategy** Shareholder Returns Sustainability

Three "I"s: Integrated (Evolution in Control)

<p>Digital</p>  <p>Reduction of 50% in thickness and double-high definition</p>	<p>High-precision alignment Panel bonding</p>	
<p>Automotive</p>  <p>Reduction of 50% in battery cost and proliferation of EVs</p>	<p>High-speed, high-precision wire winding Winding process for lithium batteries</p>	
<p>Food and beverages</p>  <p>Overcoming severe labor shortages</p>	<p>High-speed picking Robot conveyance of food products</p>	

Copyright: 2017 OMRON Corporation. All Rights Reserved. 25

First, looking at 'integrated' or the evolution in control. This is very much at the heart of automation.

An example in digital would be smart phones, where an extremely high level of alignment is necessary in manufacturing display panels with its multiple layers. Moreover, processing or polishing steps must be done at high speed. To make this happen, you need to be able to ensure synchronization between the controller, robots, motors, conveyors and other equipment. Increasingly, this needs to be a seamless process.

Another example is in the auto industry, and particularly with EVs more recently. Batteries are a key device. Manufacturing involves a winding process. The process requires consistent winding tension throughout, but with high levels of precision and speed. Achieving this requires extremely high levels of control.

Another example is the picking process. Robotic picking looks easy at first glance. However, it must be synchronized at an optimal speed for the conveyor in order to successfully pick an item. Moving too quickly could damage the conveyor or merchandise. The robot must be synchronized to the speed of the conveyor but needs to also adjust down the speed of its own motion at the instant it approaches the item to be picked.

Achieving this makes high levels of productivity possible. This is what we mean when we talk about the evolution in control.

Three “i”s: interactive

Creating shop floors where humans and machines work harmoniously

Copyright: 2017 OMRON Corporation. All Rights Reserved.

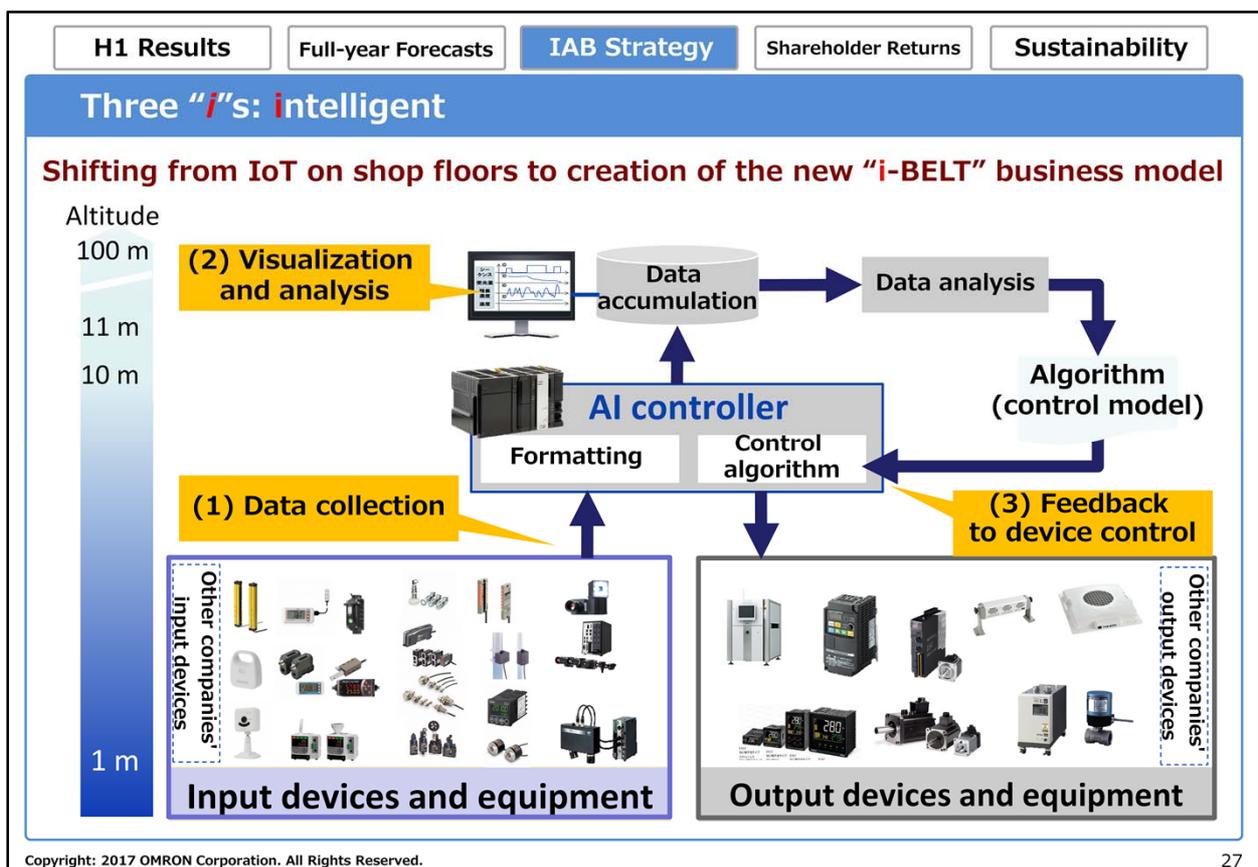
26

Second “i” is ‘interactive’ or human-machine interface.

I don’t have a video for this but you see on the left the mobile robot which we launched last year. This product leverages AI to autonomously determine the optimal route for its tasks and ensures that it maintains a suitable distance from humans in its vicinity. AI allows it to move freely around the manufacturing floor, creating a workspace where both humans and machines can work together flexibly.

The photo on the right shows a robot and humans working together. At first glance the proximity might appear dangerous. However, what makes this possible is Omron’s sensor technology, which detects the presence of humans and ensures safety, and its robotic technology. This is a new type of interactive technology, where humans and machines can collaborate in new ways.

This is what we mean when we say ‘interactive’.



The third 'i' is 'intelligent' or IoT. As shown on the slide, we show the altitude from the shop floor, going from 1 to 10 meters and then 11 to 100 meters.

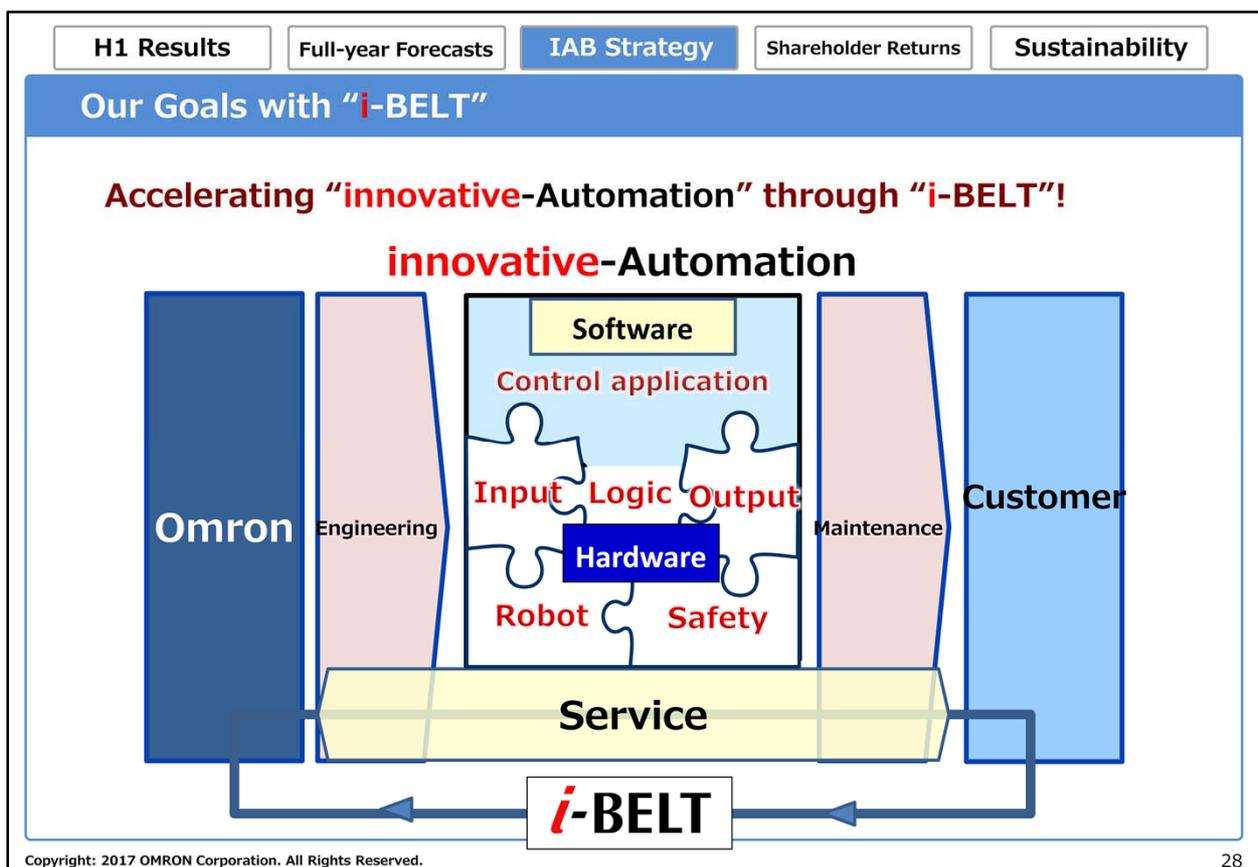
In the lower left, we show input devices, or sensors. On the right, we show output devices, which are items like motors. Data collection by the input products on the shop floor is the first functionality.

Above, you see a controller which incorporates AI capability. We launched the world's first AI-enabled controller this fiscal year. This controller processes the data, allowing for visualization, which is the second functionality.

This data can then be analyzed. The results of the analysis can then be fed back into the controller algorithm in order to enhance the control of the output devices.

The iterative learning process has the potential to make new forms of control possible. We think this epitomizes the value Omron can provide to customers in the IoT era: intelligent automation.

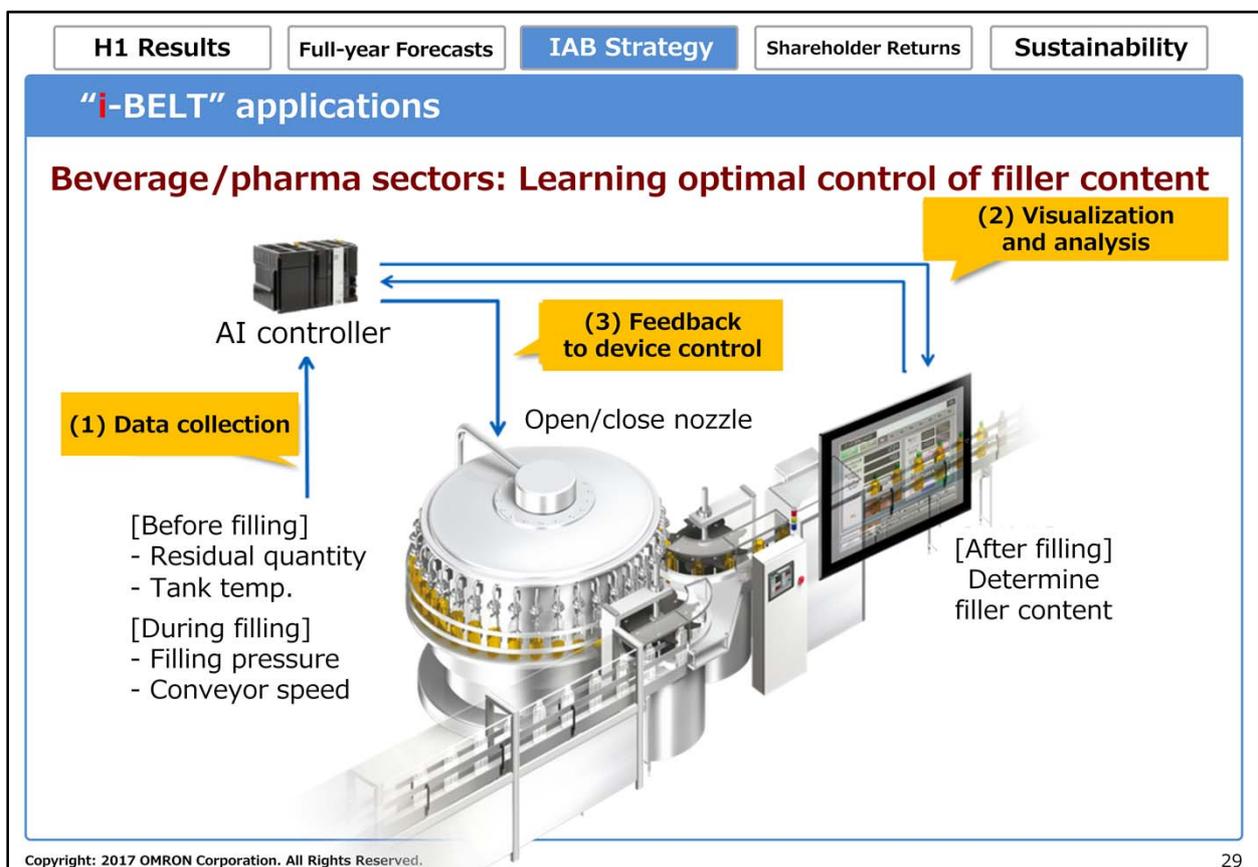
I want to develop this into a business model.



This is the model that we are proposing.

Omron and the customer confer and collaborate at the outset on engineering and maintenance. The products to be provided are the ILOR+S hardware and control application software components, as discussed previously. However, the solution is not a combination of standard elements but instead is something that Omron and the customer create together.

By providing full coverage of the process from advance consultation to maintenance, Omron ensures that it is fully rewarded for the value it provides. This also allows Omron to enjoy high levels of efficiency. This is the new business model we would like to launch.

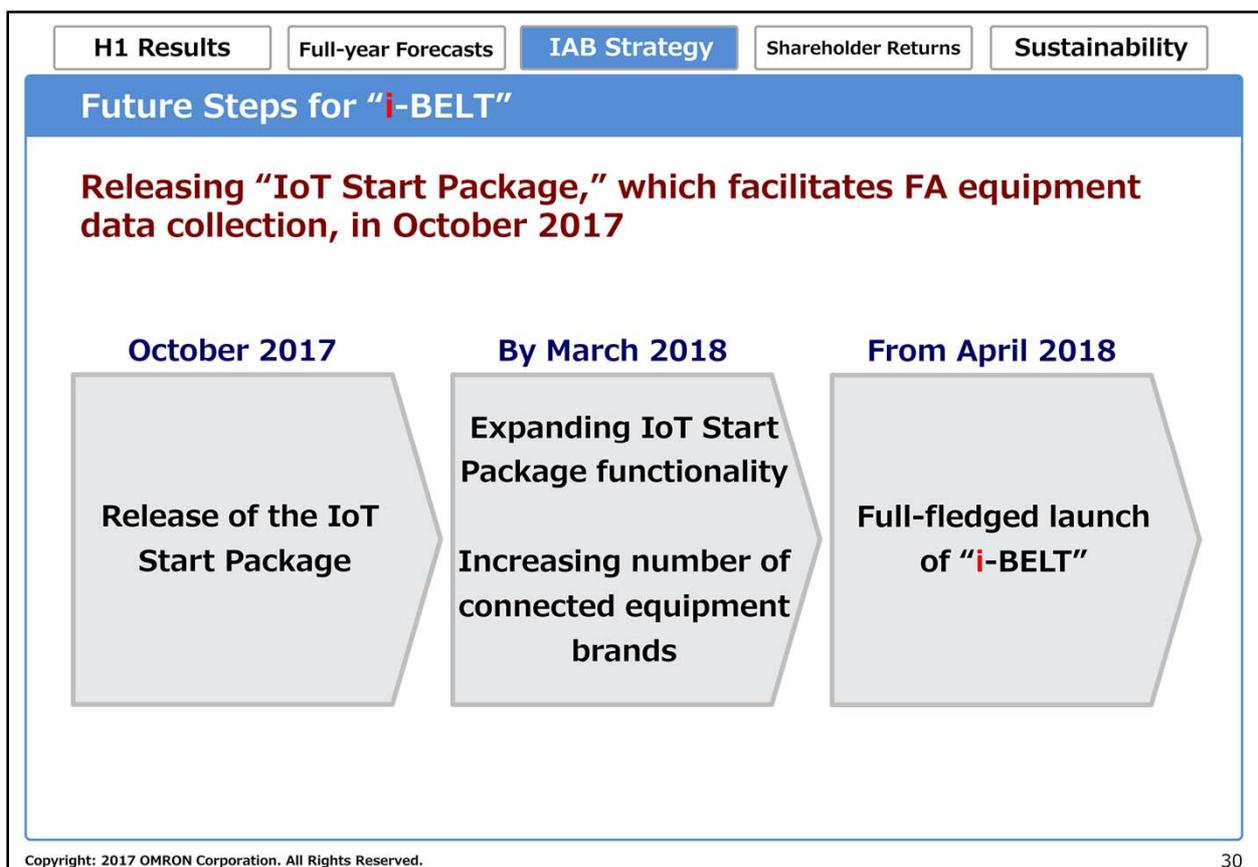


This is an example.

This is a process where bottles are being filled from a tank. We will collect all of the data points generated through the process, to visualize and analyze the process, as shown in the upper right. The learning process made possible by analysis will be used to determine the optimal pace of nozzle openings and closings, and the optimal aperture.

The bottles flow through the process at very high speeds. The only thing we are controlling is the opening and closing of the nozzle. The speed of the conveyor will be controlled by simply controlling the pace of the opening and closing of the nozzle. The speed of the conveyor and the pressure in the tank as a result of amount of liquid left in the tank, is adjusted by the pace of the opening and closing of the nozzle.

Using the AI controller, we will be able to work with our customers to create a feedback loop that constantly focuses on optimizing efficiency. We believe this represents a new wave in manufacturing, where the process will be continuously optimized.



We call this new business model 'i-BELT'.

It will deepen our relationships with our customers while allowing us to build a new business model focused primarily on AI controllers. Beta versions have already been rolled out from October, in the form of visualization software packages. Over the next 6 months, we will refine the product, before formally launching the business in April 2018.

Although we are still in the assessment phase, in the IoT era, we aim to create a uniquely Omron-like iterative model that allows for continuous optimization. We believe this will be extremely effective in allowing us to maintain strong relationships with our customers.

We are already in the preparation phase. Our plan is to launch this business in April 2018.



Finally, this is the IAB vision. Adoption of automation is now a major social issue on the back of rising labor cost globally and, in developed countries like Japan, a severe shortage of workers.

Simple automation is no longer enough to resolve this issue. It may well be that what we are aiming to do in automation can address broader social needs and could contribute significantly to society.

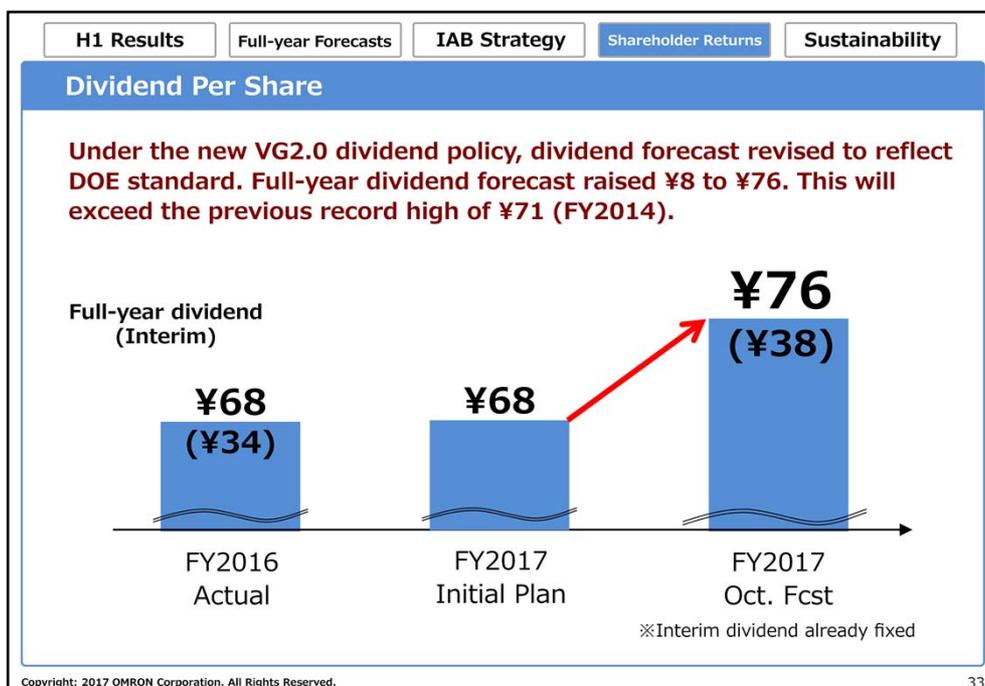
It is imperative that society finds ways to resolve this issue now. Against the backdrop of this far-reaching social issue, IAB is committed to accelerating its growth and surpassing the VG2.0 FY2020 sales target of ¥480 billion.

I will now hand over to CEO Yamada again. Thank you.



Thank you, Mr. Miyanaga.

I would now like to talk about shareholder returns.



On our dividends, please see slide 33. As I noted at the outset, we have raised our full-year dividend guidance to ¥76. We changed our dividend policy from this fiscal year, so I would like to take some time to explain the process in more detail.

Up until last fiscal year, our dividends under the Earth-Stage 1 medium-term management plan were linked to earnings, where we committed to a payout ratio of 30%. Specifically, we announced our guidance for the full year at the beginning of each fiscal year. The dividend guidance would then change if we revised our projections during the fiscal year, either rising or falling in line with guidance.

Under VG2.0, we changed our dividend policy in order to avoid having to adjust our dividend forecast multiple times during the course of a fiscal year. Specifically, we announce the full-year guidance at the beginning of the year based on the payout ratio, but in the event of forecast revisions, we adjust our dividend forecast using the DOE standard. Our target payout ratio is approximately 30% and our DOE target level is approximately 3%.

As a result, on the back of our earnings revision, we have adjusted our full-year dividend guidance from ¥68 to ¥76, and also set the interim dividend at ¥38. The dividend to be paid at the end of the fiscal year is a forecast at this stage, but even if we were to make further revisions to our earnings guidance, our policy is to not adjust our dividend forecast at that time.

The ¥76 dividend for FY2017 is a new record high, exceeding the ¥71 paid in FY2014. It is also an ¥8 increase both on a YoY basis as well as versus the initial forecast.

We note that we have already announced a share buyback program of ¥20 billion yen at the end of Q1. We will continue to focus on shareholder returns along with a stable dividend. As of today, we have already bought back ¥3.7 billion worth of shares.



Finally, I would like to discuss Omron’s sustainability or ESG initiatives.

Since its inception, Omron has conducted its business based on its corporate values. We have now incorporated our corporate values into our sustainability initiatives. The key highlights are the following 5 items.

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

Copyright: 2017 OMRON Corporation. All Rights Reserved.

35

First, to begin, we formulated our overall sustainability policy. We integrated our medium-term management plan and our sustainability strategies, with reference to the SDGs framework. We have set sustainability targets and KPIs.

The second point is that in determining sustainability issues, we considered 'social issues that can be solved by our businesses' and 'issues to which our stakeholders expect a response'.

Third, we declared that the board will have monitoring and oversight for issues considered to be material, under the Sustainability Policy.

Fourth, in determining medium- to long-term performance-linked compensation for internal directors and all non-executive directors, we have adopted a KPI which reflects an evaluation of Omron by a third-party sustainability assessment body.

Fifth, we disclose our Sustainability Policy, targets and KPI, in our 2017 Integrated Report, as a way of deepening engagement with stakeholders.

You will find more information about the above in our 2017 Integrated Report. Also, we plan to hold a briefing on our ESG initiatives on December 27 to talk about this subject in more detail. We hope you can participate.

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

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM FTSE4Good

MSCI 2017 Constituent
MSCI ESG Leaders Indexes

MSCI 2017 Constituent
MSCI SRI Indexes

Member 2016/2017
STOXX ESG LEADERS INDICES
CDP DRIVING SUSTAINABLE ECONOMIES

MS-SRI モーニングスター社会的責任投資株優指数
Morningstar Socially Responsible Investment Index

MSCI 2017 Constituent
MSCI Japan ESG Select Leaders Index
MSCI 2017 Constituent
MSCI Japan Empowering Women Index (WIN)

Copyright: 2017 OMRON Corporation. All Rights Reserved.

36

Reflecting our longstanding focus on sustainability issues, we are pleased to tell you that Omron has been included in all of the major ESG indices.

This fiscal year, for the first time, we were added to DJSI World, the key benchmark for sustainability investments.

Globally, DJSI World consists of 319 companies, of which only 32 are Japanese.

Additionally, we are pleased to announce that we were added to the three Japanese equity ESG indices selected by GPIF in July. There are only 11 Japanese companies that are included in DJSI World and the 3 indices selected by GPIF. We are honored to be included amongst this select group.

We are proud that our longstanding sustainability efforts have been recognized in this way. We remain firmly committed to addressing society's issues and sustainably contributing to the development of society through our businesses and hope that our efforts will continue to be recognized.



37

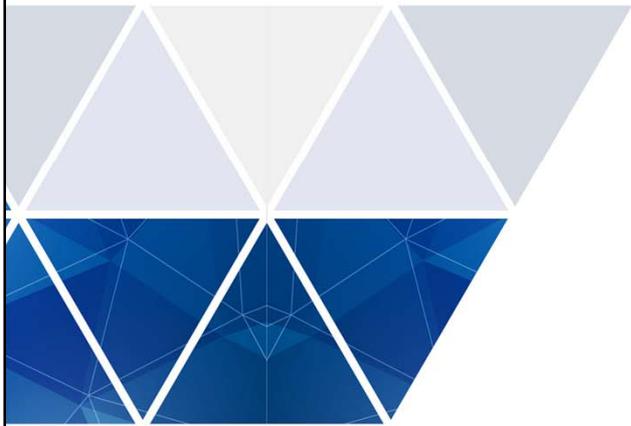
This completes my presentation but I would like to make one more comment.

Today, I have presented our strong H1 results and the upward revisions to our full-year forecasts. Although only 6 months have elapsed since the start of our new medium-term management plan, VG2.0, I believe that we have been able to get off to a very good start.

I am confident that we are on the right track with our VG2.0 aim to grow Omron's business, centered on IAB. The company as a whole is firmly focused on ensuring that we achieve the growth we are targeting in FY2020, the final year of VG2.0, and beyond.

I humbly ask for your continued support going forward.

Thank you.



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)

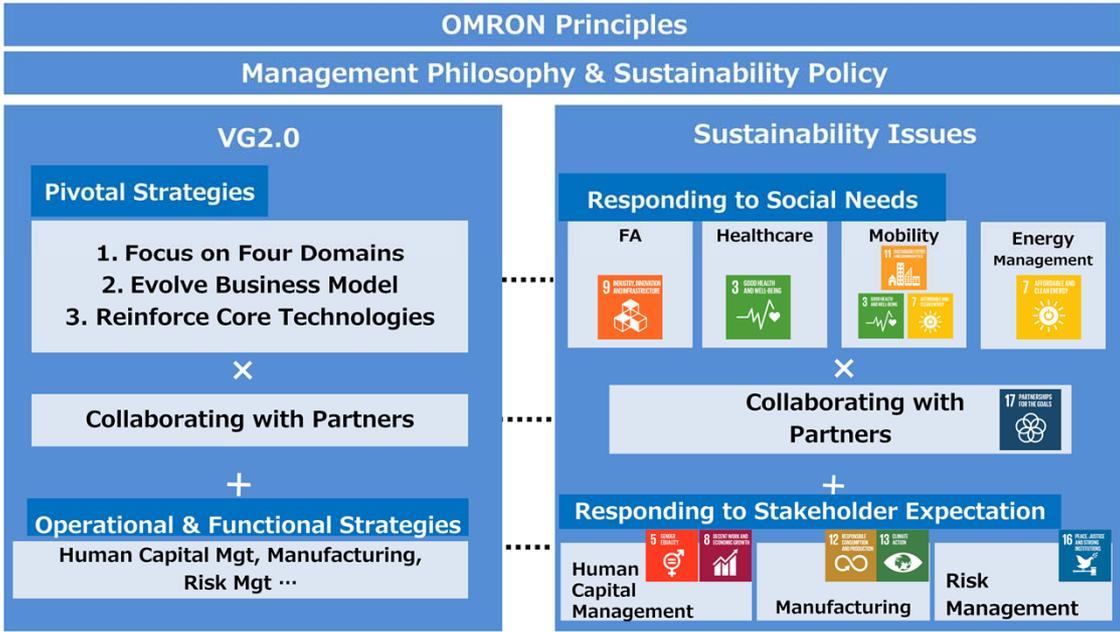
IAB Industrial Automation	Japan: Lull in smart phone-related investments. Expect auto investments to pick up. Overseas: China/Asia to moderate vs. H1 as current round of smart phone investments largely done. Europe to remain solid. Continued uncertainty on auto investments in Americas.
EMC Electronic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

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



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%

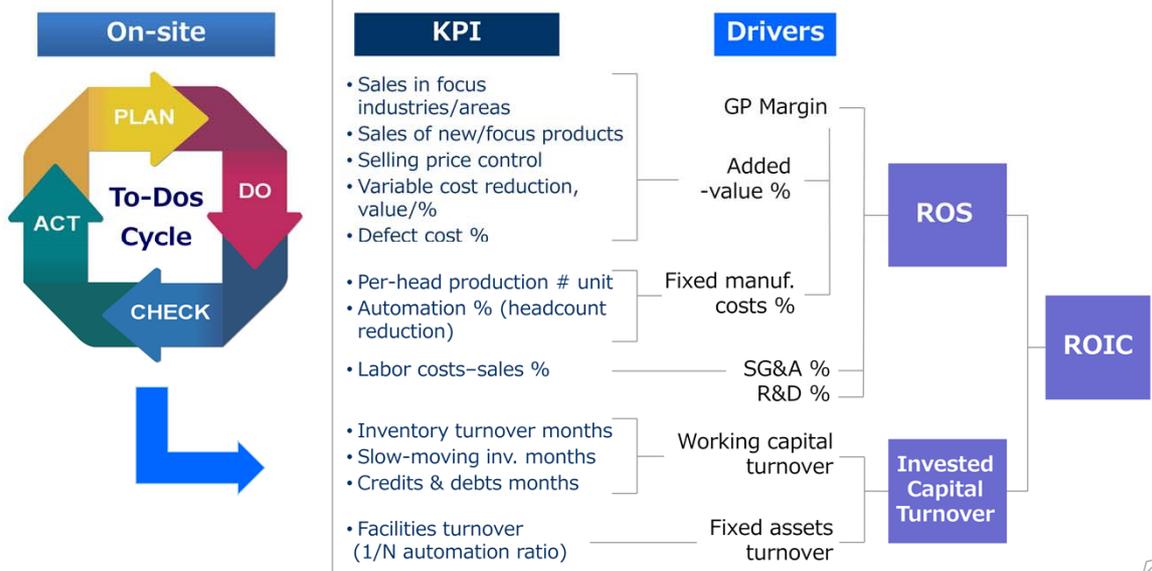
Manufacturing

- 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



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.

Contact:
Investor Relations Department
Global Investor Relations & Corporate Communications Headquarters
OMRON Corporation
Phone: +81-(0)3-6718-3421
Email: omron_ir@omron.co.jp
Website: www.omron.com