

FY2017 Q3 Earnings

**Financial Results for the Third Quarter
Ended December 31, 2017**



**Jan 30, 2018
OMRON Corporation**

Summary

■ Q1-Q3 results

- Substantial Y/Y gains in both sales and profit. New record highs for sales, gross profit and operating income
- Strong IAB drove overall performance
- Also made solid progress on investments for future growth

■ Full-year forecasts

- Strong performance to continue in Q4
- Expect to achieve most recent consolidated forecast despite accelerating investments.
- IAB segment forecast revised up again on positive performance (although Other segment forecast revised down)

■ HCB strategy

- HCB is a key growth driver for OMRON, second only to IAB

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Q1-Q3 Results



Q1-Q3 Results

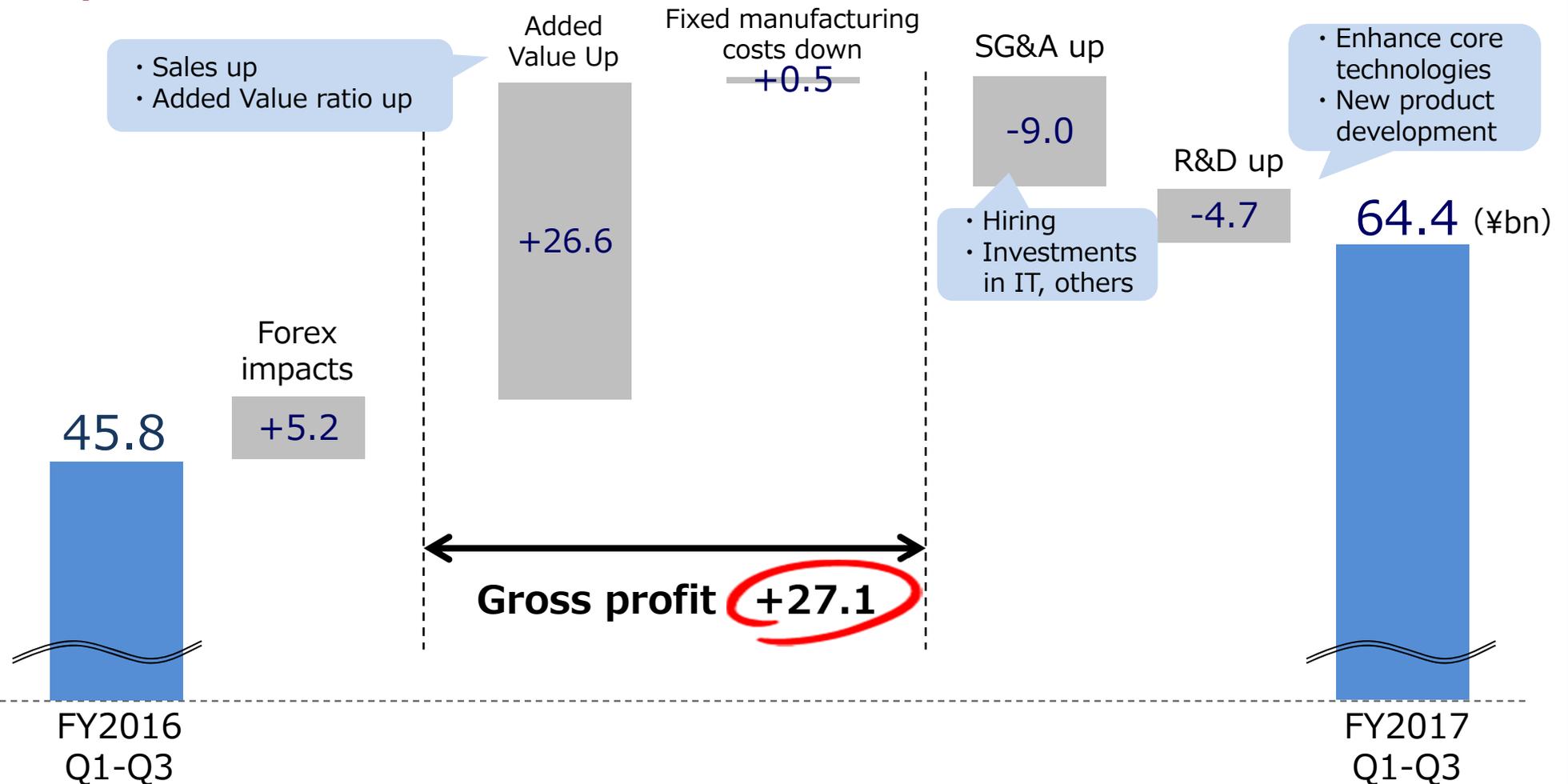
Significant sales and profit growth. Set new record highs in sales, gross profit and operating income. GP margin of 41.7%, reflecting enhanced profit-generating capabilities

(¥bn)

	FY2016 Q1-Q3	FY2017 Q1-Q3	Y/Y
Net Sales	568.7	624.9	+9.9%
Gross Profit (%)	224.0 (39.4%)	260.8 (41.7%)	+16.4% (+2.3%pt)
Operating Income (%)	45.8 (8.1%)	64.4 (10.3%)	+40.5% (+2.2%pt)
Net Income Attributable to Shareholders	30.6	46.7	+52.4%
1USD (JPY)	106.9	111.7	+4.8
1EUR (JPY)	118.7	127.9	+9.2

Operating Income Analysis, Y/Y

GP margin up substantially on improved sales and added value. Leverage higher profits to proactively invest for future growth. Operating income up despite increased investments.



Sales by Business Segment

IAB sales growth exceeds 20% Y/Y. EMC, HCB* also achieve growth of more than 10% Y/Y

(¥bn)

	FY2016 Q1-Q3	FY2017 Q1-Q3	Y/Y
IAB Industrial Automation	240.0	292.1	+21.7%
EMC Electronic & Mechanical Components	68.9	77.7	+12.8%
AEC Automotive Electronic Components	96.9	97.6	+0.7%
SSB Social Systems, Solutions & Service	30.9	31.0	+0.2%
HCB Healthcare	76.0	82.0	+8.0% *(+13%)
Other Businesses under the Direct Control of HQ	52.3	41.6	-20.3%
Eliminations & Corporate	3.8	2.9	-23.7%
Total	568.7	624.9	+9.9%

* Excl.
Omron Colin

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

Operating Income by Business Segment

Profit growth particularly substantial at IAB. EMC, HCB also reported strong Y/Y profit gains.

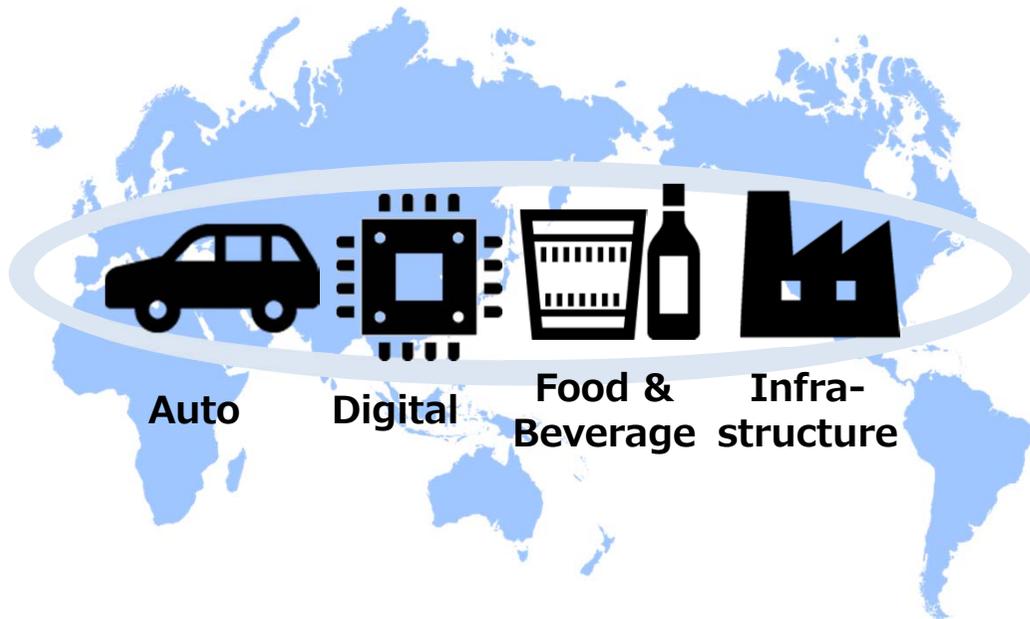
(¥bn / % of net sales)

	(1) FY2016 Q1-Q3	(2) FY2017 Q1-Q3	(2)-(1)
IAB Industrial Automation	37.1 (15.4%)	55.2 (18.9%)	+18.2 (+3.5%pt)
EMC Electronic & Mechanical Components	7.1 (10.4%)	10.8 (13.9%)	+3.7 (+3.6%pt)
AEC Automotive Electronic Components	4.9 (5.0%)	4.3 (4.4%)	-0.6 (-0.7%pt)
SSB Social Systems, Solutions & Service	-3.5 (-)	-3.3 (-)	+0.2 (-)
HCB Healthcare	7.6 (10.0%)	10.2 (12.4%)	+2.6 (+2.4%pt)
Other Businesses under the Direct Control of HQ	-1.3 (-)	-1.1 (-)	+0.2 (-)
Eliminations & Corporate	-6.0	-11.7	-5.6
Total	45.8 (8.1%)	64.4 (10.3%)	+18.6 (+2.2%pt)

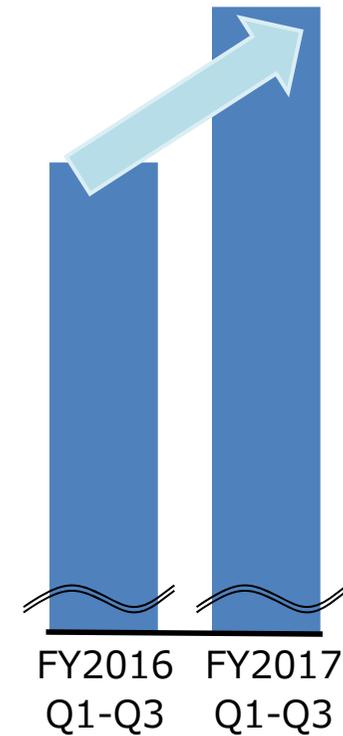
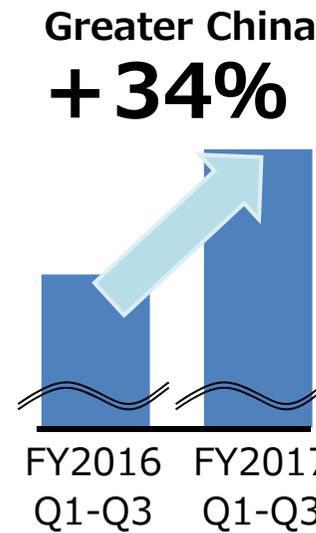
* Certain operations previously included in SSB have been reclassified to Other.

Backdrop to IAB Growth: High Growth in Focus Industries

Q1-Q3 Net Sales (Global) of Focus Industries + 25%
(vs FY2016 Q1-Q3, on a local currency basis)



Japan, Americas, Europe, Southeast Asia + 22%





Full-year Forecasts



Q4 Business Environment by Region

Global economy continues to recover gradually

Japan:

Solid environment continues on increased capex by the semiconductor and auto industries

Overseas:

Americas: Continued correction in US auto industry but overall economic recovery continues

Europe : Gradual recovery maintained on continued capex, capacity expansion

China : Growth rate continues to moderate on government-led capex restraint

Asia : Korea remains strong, recovery in Thailand and India continues

Q4 Business Environment by Segment

IAB Industrial Automation	Japan: Auto, semiconductors remain solid Overseas: China & Asia moderating relative to H1 but still strong overall Europe remains firm. Autos, semiconductors solid in Americas
EMC Electronic & Mechanical Components	Consumer: Semiconductor/industrial equipment demand remains strong. Consumer electronics strong in China Automotive: Europe remains firm, Asia motorcycle demand solid
AEC Automotive Electronic Components	Japan: Continued strength on recovering market conditions Overseas: China largely flat. US solid and stable at lower levels
SSB Social Systems, Solutions and Service	Public Transportation: Remain stagnant on completion of upgrade cycle Road Traffic: Solid replacement demand
HCB Healthcare	Japan: Remain solid, primarily in online channel Overseas: Remain strong on rising health consciousness in China, Asia and other EM
Other Businesses under the Direct Control of HQ	Environmental Solutions: Renewable energy markets remain weak Backlights: High-end backlight market flat

Full-year Forecasts

Current forecasts maintained. Expect to achieve most recent overall full-year forecast despite accelerating investments. Solid progress toward achieving VG2.0 targets.

	FY2016 Actual	FY2017 Fcst (Oct. /Jan)	Y/Y
			(¥bn)
Net Sales	794.2	850.0	+7.0%
Gross Profit (%)	311.8 (39.3%)	353.5 (41.6%)	+13.4% (+2.3%pt)
Operating Income (%)	67.6 (8.5%)	85.0 (10.0%)	+25.8% (+1.5%pt)
Net Income Attributable to Shareholders	46.0	59.0	+28.3%
1USD (JPY)	108.9	111.3	+2.4
1EUR (JPY)	119.4	127.9	+8.5

*Q4 forex assumptions: 1USD = ¥110, 1EUR = ¥128

Sales by Business Segment

**Revise up IAB segment forecast but revise down Other segment.
In addition to IAB, HCB showing solid growth, supporting overall growth.**

	(1) FY2017 Oct. Fcst	(2) FY2017 Jan. Fcst	(2)-(1)	(3) FY2016 Actual	(2)/(3)
IAB Industrial Automation	388.0	393.0	+5.0	331.0	+18.7%
EMC Electronic & Mechanical Components	99.5	99.5	±0	93.9	+5.9%
AEC Automotive Electronic Components	129.5	129.5	±0	132.1	-1.9%
SSB Social Systems, Solutions & Service	63.5	63.5	±0	61.9	+2.6%
HCB Healthcare	108.5	108.5	±0	101.3	+7.1% *(+11%)
Other Businesses under the Direct Control of HQ	57.0	52.0	-5.0	68.5	-24.1%
Eliminations & Corporate	4.0	4.0	±0	5.5	-28.0%
Total	850.0	850.0	±0	794.2	+7.0%

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

* Excl. Omron Colin

Operating Income by Business Segment

**Revise up IAB but revise down AEC/Other.
IAB, supported by EMC and HCB, to contribute to overall profit growth.**

	(1) FY2017	(2) FY2017	(2)-(1)	(¥bn / % of net sales)	
	Oct. Fcst	Jan. Fcst		(3) FY2016 Actual	(2)-(3)
IAB Industrial Automation	71.5 (18.4%)	73.0 (18.6%)	+1.5 (+0.1%pt)	52.0 (15.7%)	+21.0 (+2.9%pt)
EMC Electronic & Mechanical Components	12.0 (12.1%)	12.0 (12.1%)	±0 (±0%pt)	9.4 (10.0%)	+2.6 (+2.0%pt)
AEC Automotive Electronic Components	6.5 (5.0%)	6.0 (4.6%)	-0.5 (-0.4%pt)	7.1 (5.4%)	-1.1 (-0.8%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	10.5 (9.7%)	10.5 (9.7%)	±0 (±0%pt)	8.5 (8.4%)	+2.0 (+1.3%pt)
Other Businesses under the Direct Control of HQ	-1.5 (-)	-2.5 (-)	-1.0 (-)	-1.8 (-)	-0.6 (-)
Eliminations & Corporate	-18.0	-18.0	±0	-11.3	-6.6
Total	85.0 (10.0%)	85.0 (10.0%)	±0 (±0%pt)	67.6 (8.5%)	+17.4 (+1.5%pt)

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

Key Takeaways

IAB performance strong due to focus on growth industries and success of **innovative**-Automation

HCB, along with IAB, is driving overall growth

Improved profit-generating capability enhances our ability to proactively invest. Focus on accelerating development of growth structure and enhancing profitability.



Our Business Strategy Healthcare Business (HCB)

Positioning of HCB

Positioned as a key domain alongside FA, even within the 4 focus domains

Factory Automation



Healthcare



Mobility



Energy Management



Healthcare Business (HCB) Mission

**To Help Realize Healthy and
Comfortable Lives for
People around the World**

All for Healthcare

Social Issues Within Healthcare

Social changes in developed and developing countries have led to new challenges in healthcare, driving severe increases in medical expenditures

Social change



Middle class expanding in both developed and developing countries



Population aging in developed countries

New challenges



Increase in lifestyle diseases



Widening gap between life expectancy and healthy life expectancy

Social issues



Rising medical expenditures

Healthcare: 3 Focus Fields

Aim to resolve social challenges through personalized medical solutions in the 3 therapeutic areas with sufficient global market scale and where OMRON can fully leverage its strengths

Cardiovascular Disease

Cerebral and cardiovascular event patients ^{*1}

17.5 Million

Medical expenses for cardiovascular disease ^{*4}

¥120 Trillion

Respiratory Disease

Global respiratory disease patients ^{*2}

440 Million

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

¥19 Trillion

Pain Management

Chronic pain patients 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



Reinforcement of 3 Core Categories



Reinforcement of 3 Core Categories

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

<Cardiovascular>

Home-use Blood Pressure Monitor



<Respiratory>

Nebulizer

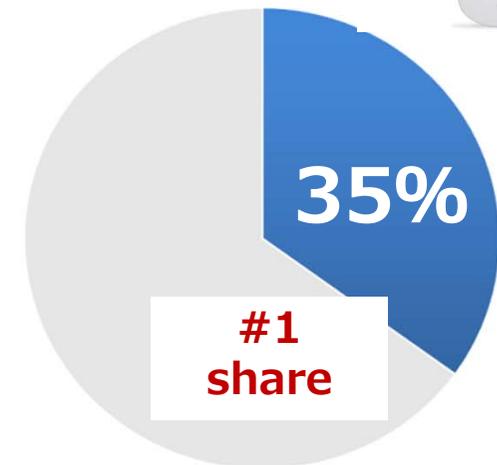
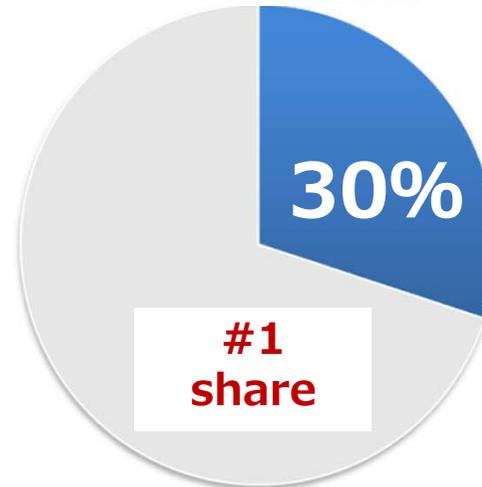
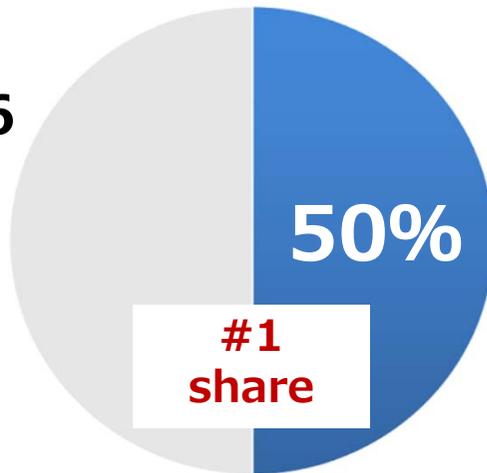


<Pain Management>

Low-frequency Therapy Equipment



FY2016 Actual



FY2020 Targets

> 55%

> 40%

> 45%

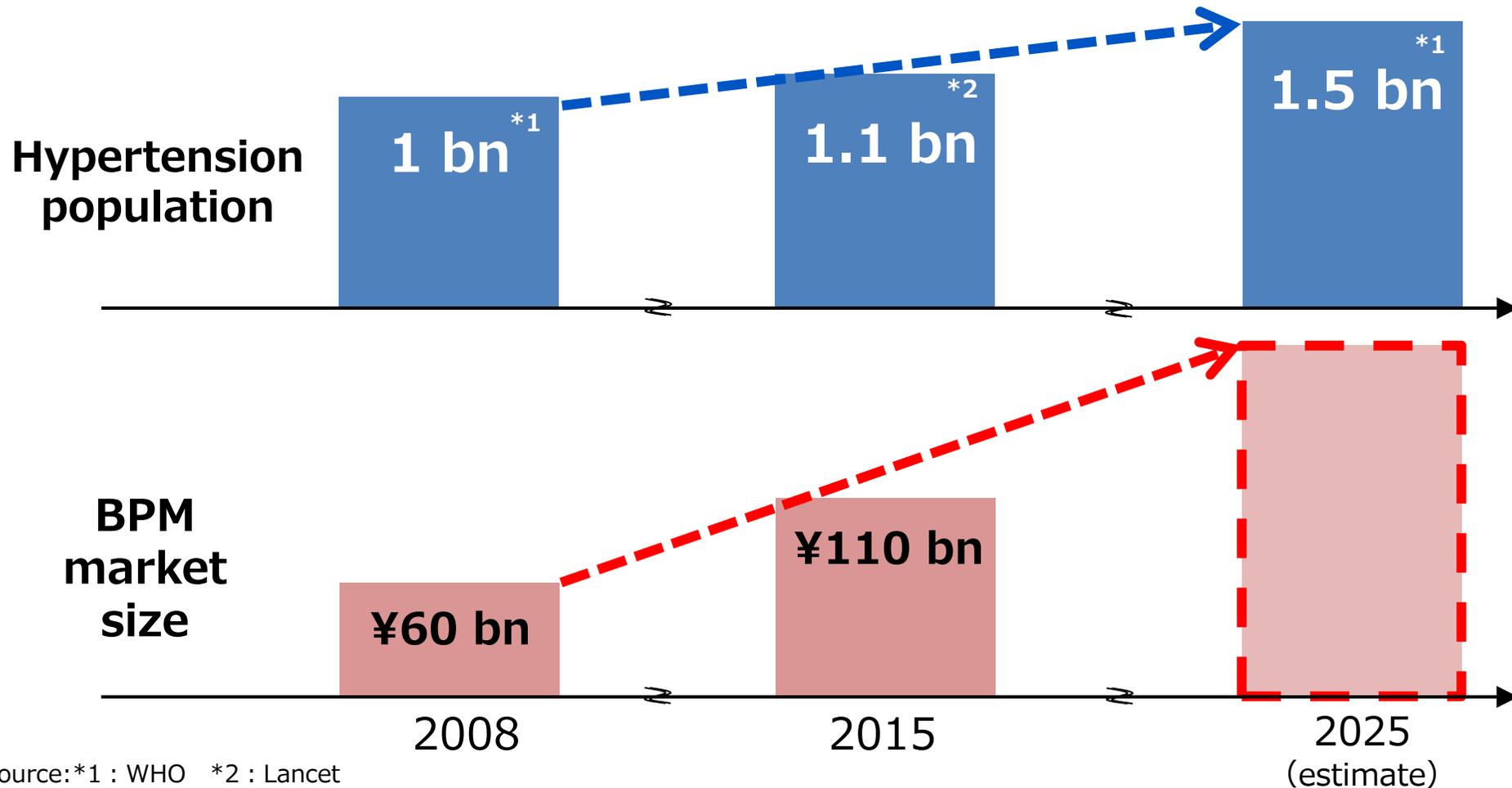
Source: Estimates by Omron based on GFK, Nielsen Data and other third-party research

* World market share for blood pressure monitor and nebulizer; Japan and US market share for low frequency therapy equipment

* Amount-based share

BPM Market Expected to Grow

Global hypertension population continues to rise, expected to hit 1.5 billion by 2025. Implied growth potential for the BPM market very strong.



Source: *1 : WHO *2 : Lancet

OMRON's Strengths

The medical device business requires the ability to meet rigorous standards. OMRON has 3 key strengths, as a result of a 40 year-plus track record in the BPM business.

- 1. Significant regulatory expertise, ability to secure approvals (barrier to entry for others)**
- 2. Well trusted by medical practitioners based on high degree of performance accuracy**
- 3. Established channel network**

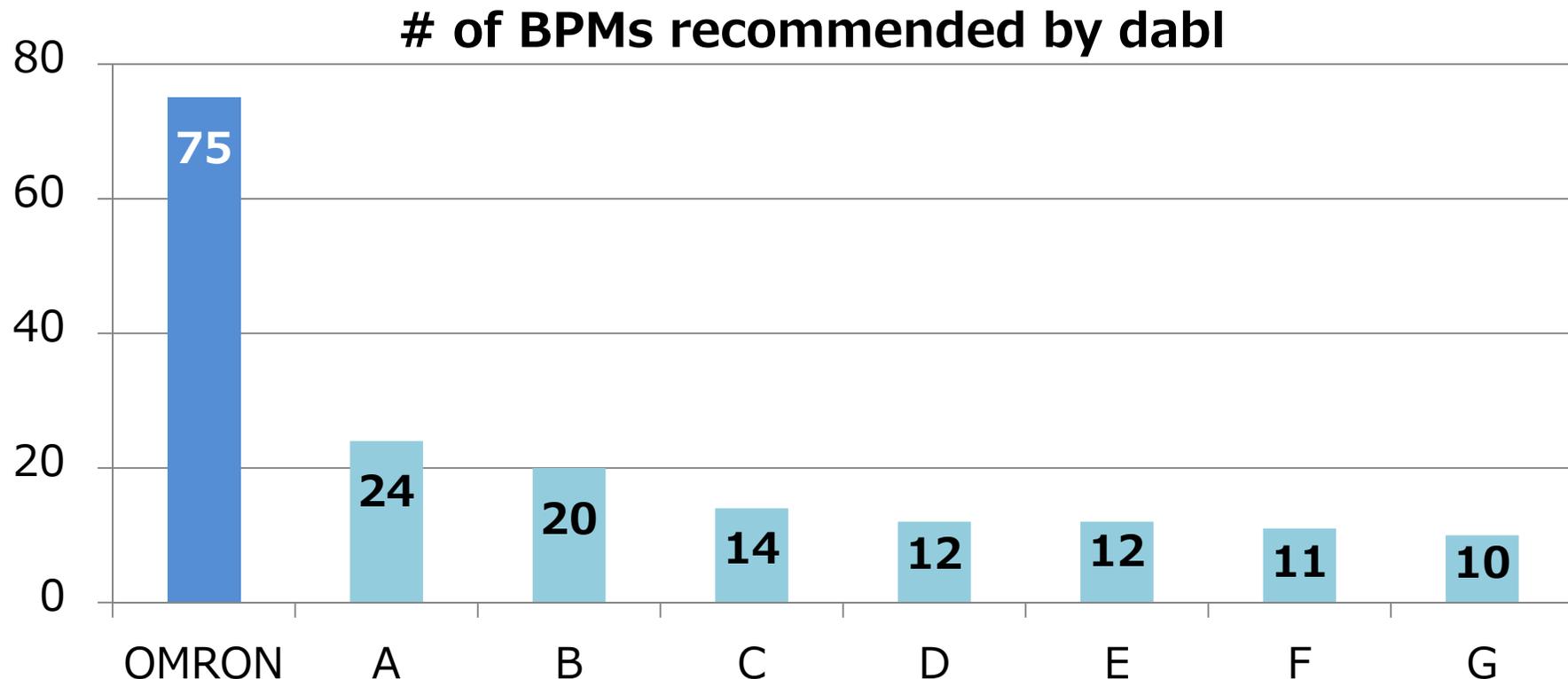
Strength 1. Regulatory Expertise (Barrier to Entry)

OMRON products sold in 117 countries, 90 of which have a product approval process. OMRON has met the safety and efficacy requirements of regulators in each country.



Strength 2. Trusted by Medical Practitioners

Many papers have been written assessing the accuracy of OMRON BPMs. OMRON has the highest number of recommendations from dabl, a third-party resource used by doctors in evaluating BPMs.



Based on database search by Omron.

Search preconditions: Upper Arm Devices & Wrist Devices for Self-measurement of Blood Pressure, from dabl Educational Trust

Searched on March 2016

Note: Only showing results for manufacturers with more than 5 registered devices

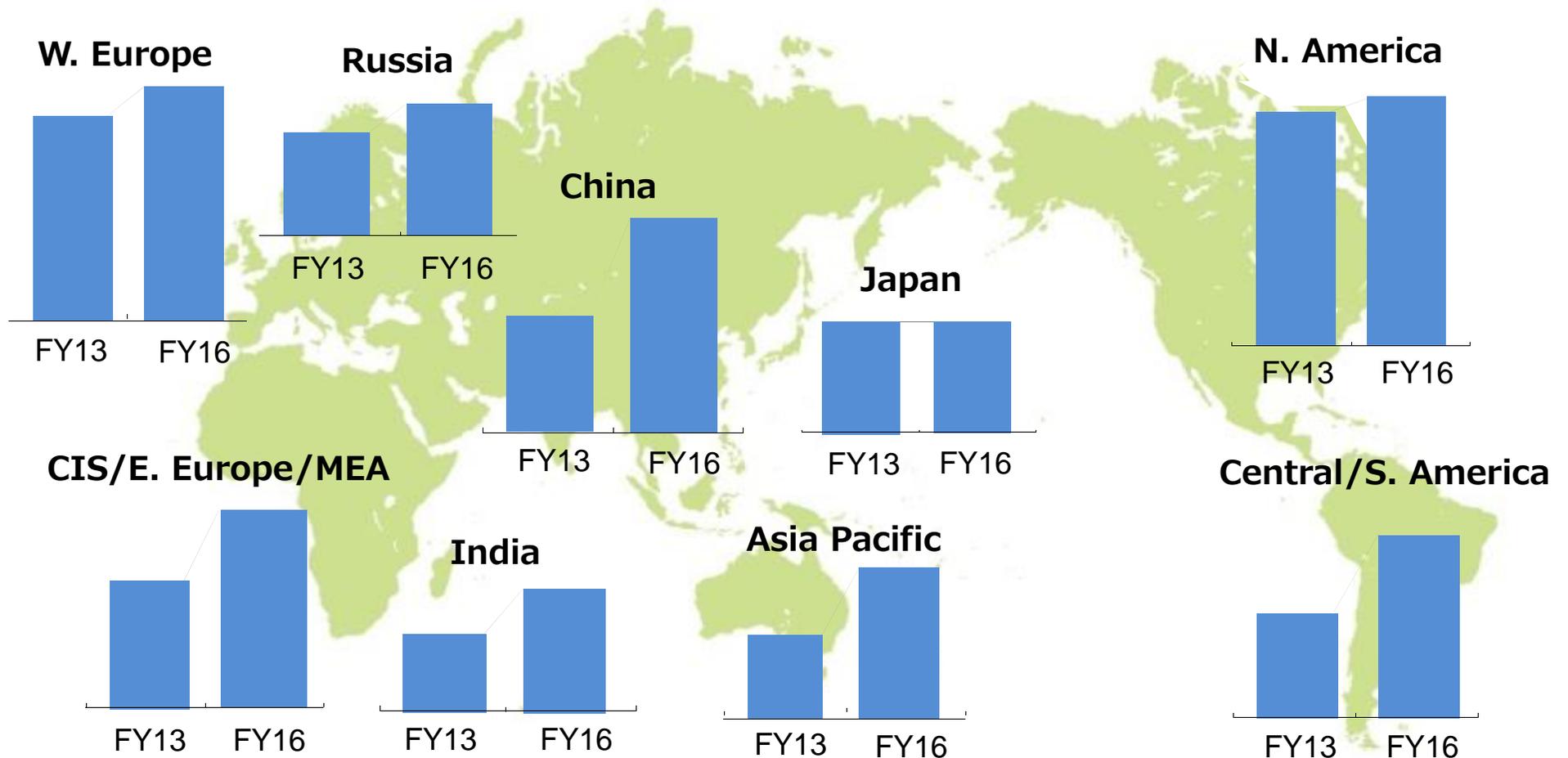
Strength 2. Trusted by Medical Practitioners

OMRON BPMs widely used in large-scale clinical trials on a global basis, starting with the Ohasama Longitudinal Study, which is considered to be the basis for WHO's home blood pressure measurement standards



Strength 3. Established Channels (Expanding retail footprint)

**Increasing the number of retailers, primarily in emerging markets
(FY13 360,000 -> FY16 460,000)**



Strength 3. Established Channels (Expanding Online Channel)

OMRON dominates rankings for BPMs on Amazon

(As of 19 January 2018)

Amazon.co.jp

Amazon.com

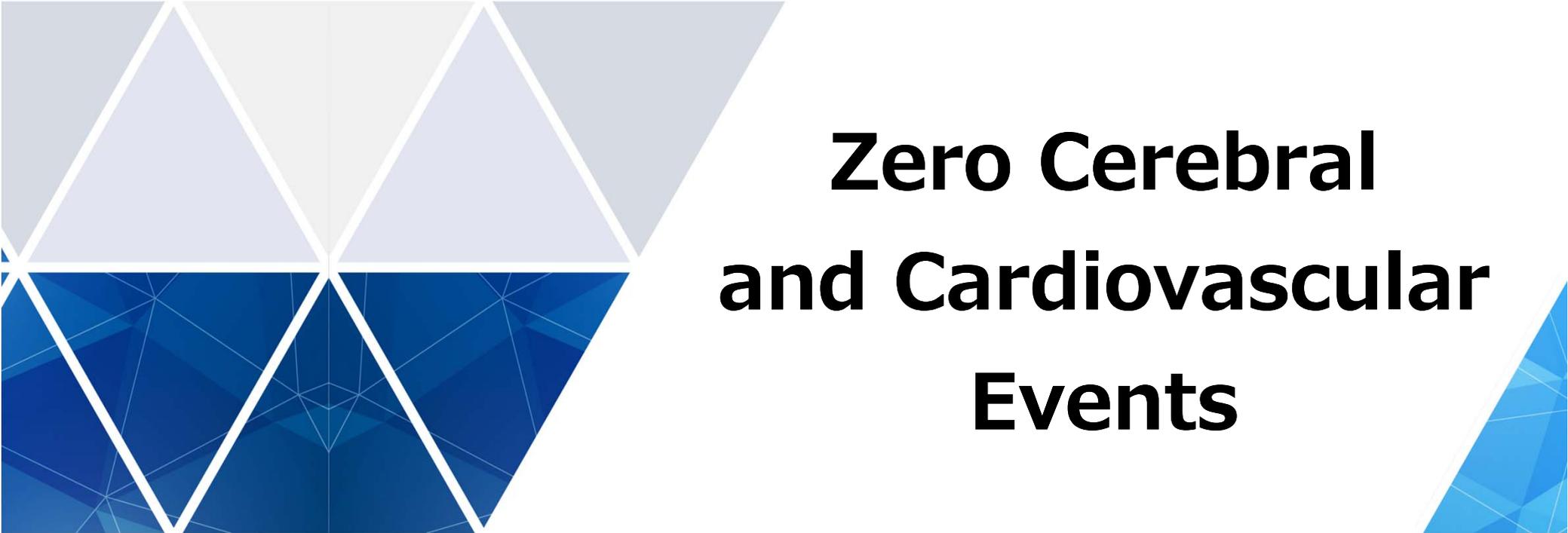
上腕式血圧計の売れ筋ランキング
Amazon.co.jpの売れ筋ランキング。ランキングは1時間ごとに更新されます。

<p>1. OMRON オムロン 上腕式血圧計 腕巻きつけタイプ HEM-7120 ★★★★☆ 157</p>	<p>6. オムロン 上腕式血圧計 HEM-9713 ★★★★☆ 40</p>
<p>2. オムロン デジタル自動血圧計 HEM-7111 ★★★★☆ 162</p>	<p>7. オムロン 電子血圧計 上腕式 OMRON connect対応 HEM-7282T ★★★★☆ 55</p>
<p>3. オムロン 電子血圧計 上腕式 腕巻きつけタイプ HEM-7123 ★★★★☆ 49</p>	<p>8. Others</p>
<p>4. オムロン デジタル自動血圧計 HEM-1021 ★★★★☆ 60</p>	<p>9. Others</p>
<p>5. オムロン 電子血圧計 上腕式 腕巻きつけタイプ HEM-7200 ★★★★☆ 322</p>	<p>10. オムロン 上腕式血圧計 HEM-7131 ★★★★☆ 151</p>

<p>Best Sellers in Blood Pressure Monitors</p> <p>1. Omron BP742N 5 Series Upper Arm... ★★★★☆ 5,157</p>	<p>2. Others</p>	<p>3. Omron 10 Series Wireless Bluetooth... ★★★★☆ 7,056</p>
<p>4. Others</p>	<p>5. Others</p>	<p>6. Omron 3 Series Upper Arm Blood Pressure... ★★★★☆ 1,900</p>
<p>7. Omron 10 Series Upper Arm Blood... ★★★★☆ 1,995</p>	<p>8. Omron 7 Series Wrist Blood Pressure... ★★★★☆ 10,882</p>	<p>9. Others</p>
<p>10. Others</p>		

8 of Top 10 are OMRON products

5 of Top 10 are OMRON products



Zero Cerebral and Cardiovascular Events

Our Vision for the Cardiovascular Domain

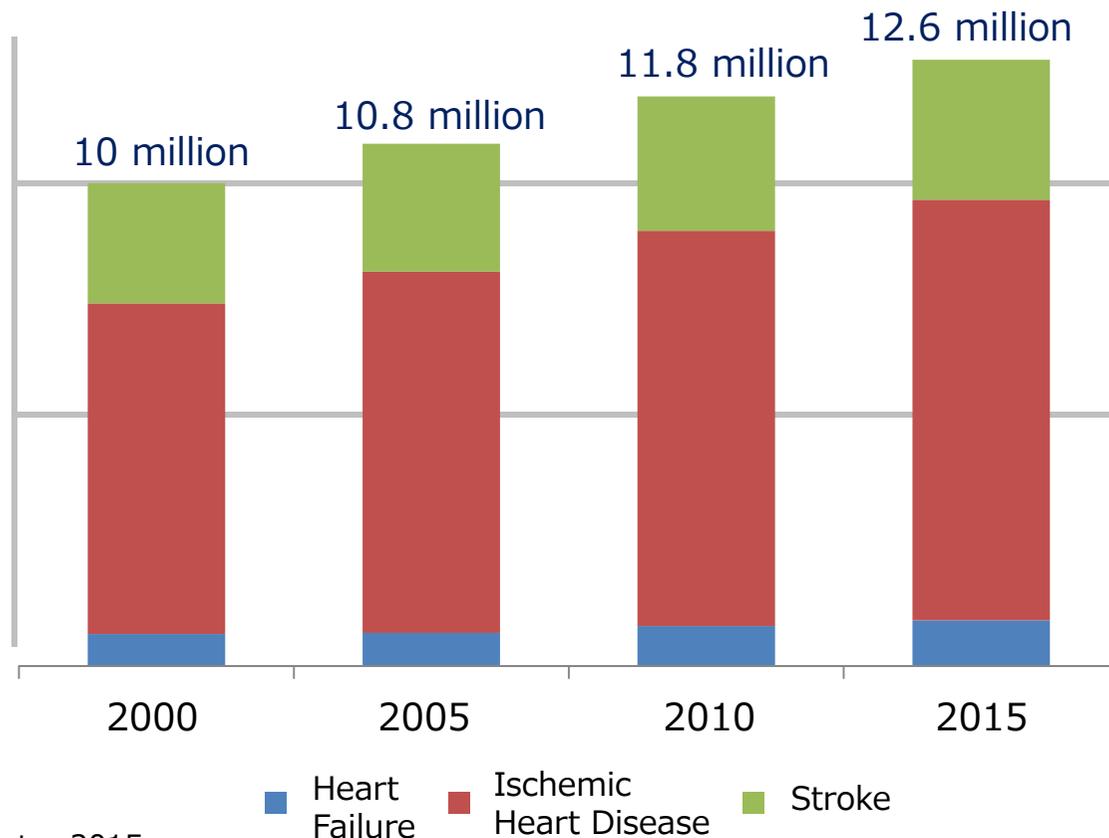


OMRON Healthcare is Going for Zero.
We aim to eliminate cerebral and cardiac events,
such as stroke or heart attacks,
that can lead to fatalities or being bedridden.

Cerebral and Cardiac Event Fatalities

Number of deaths from cerebral and cardiac events continues to rise

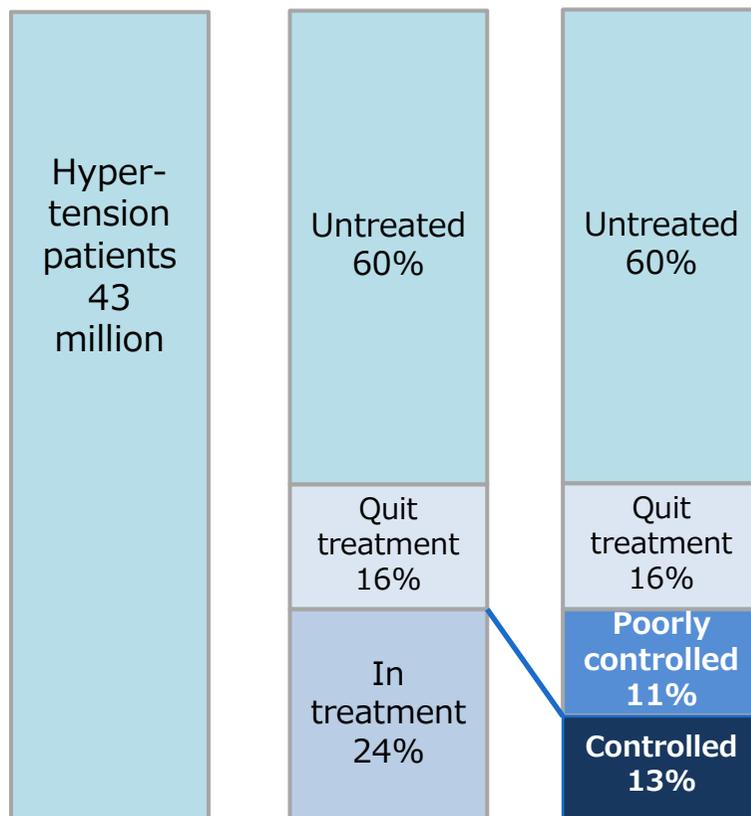
Cerebral/Cardiac Event Fatalities (Global)*₁



*1:WHO Global Health Estimates 2015

Challenges in Treating Hypertension (Japan)

Leading cause of cerebral and cardiac events. Only 13% of patients successfully lower blood pressure. Better outcomes require changes to patient behavior and personalized diagnosis and treatment.



Source: NPO Hypertension Improvement Forum

Change Behavior

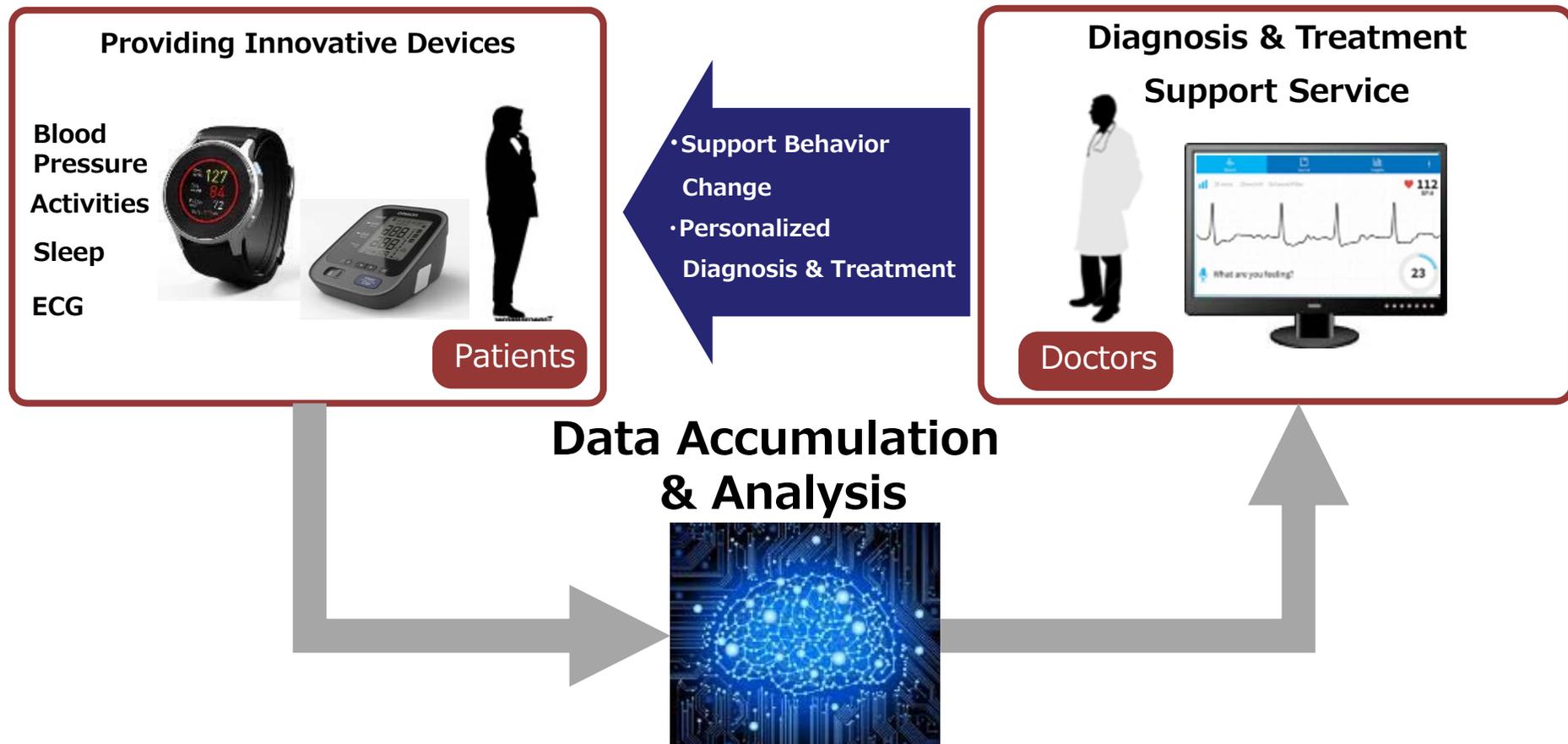
Seek treatment, take medication, continue to be treated

Personalized diagnosis & treatment

Only half of patients on medication report reduced blood pressure

HCB Targets Innovation in Hypertension Treatment

Innovative devices make it possible to capture a wide array of vital signs. Analytics can then be applied to create innovative diagnostic and therapeutic services for the treatment of hypertension. This can contribute to Zero Events.



First Steps for New Hypertension Treatment (with AliveCor)

Achieve Zero Events with new devices that capture a wider variety of vital sign and behavioral data to enhance diagnosis and provide more sophisticated treatment

AliveCor's Strengths

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



- Remote monitoring platform for cardiologists and patients



OMRON's Strengths

- Development capability

Integrated tubeless cuff-type BPM (Launched Mar. 2017)



Example of a New Device

Wearable BPM (In development for US launch in 2018)



- Algorithm
 - Diagnostic algorithm
 - Optimal dosing algorithm



Collaboration

- Developing **ECG + BPM** (Plan to seek FDA approval)

Example of a New Device



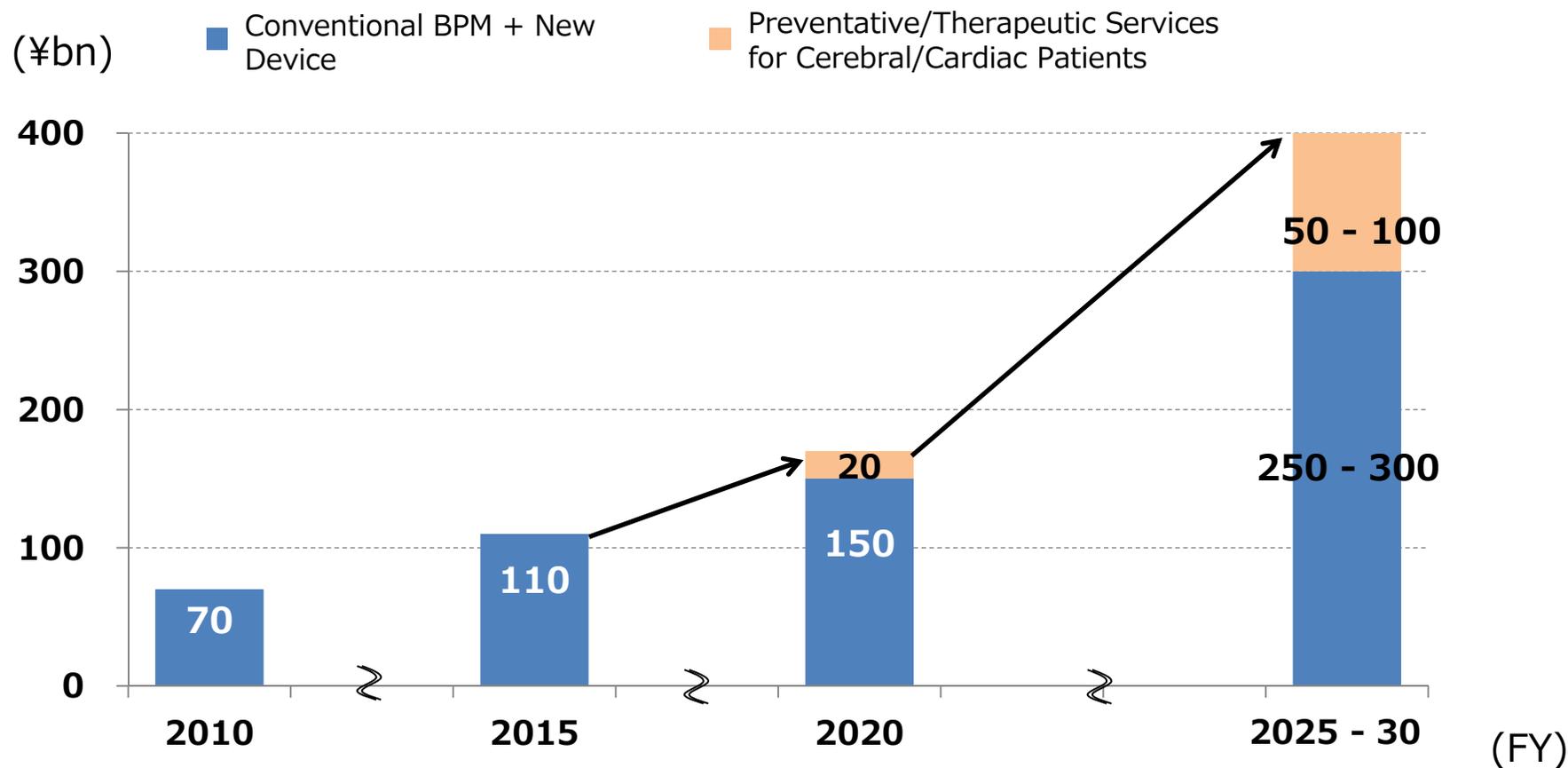
- Develop service platform that uses **ECG + BP Data** (Plan to seek FDA approval)

New Service



Potential Markets Related to Blood Pressure

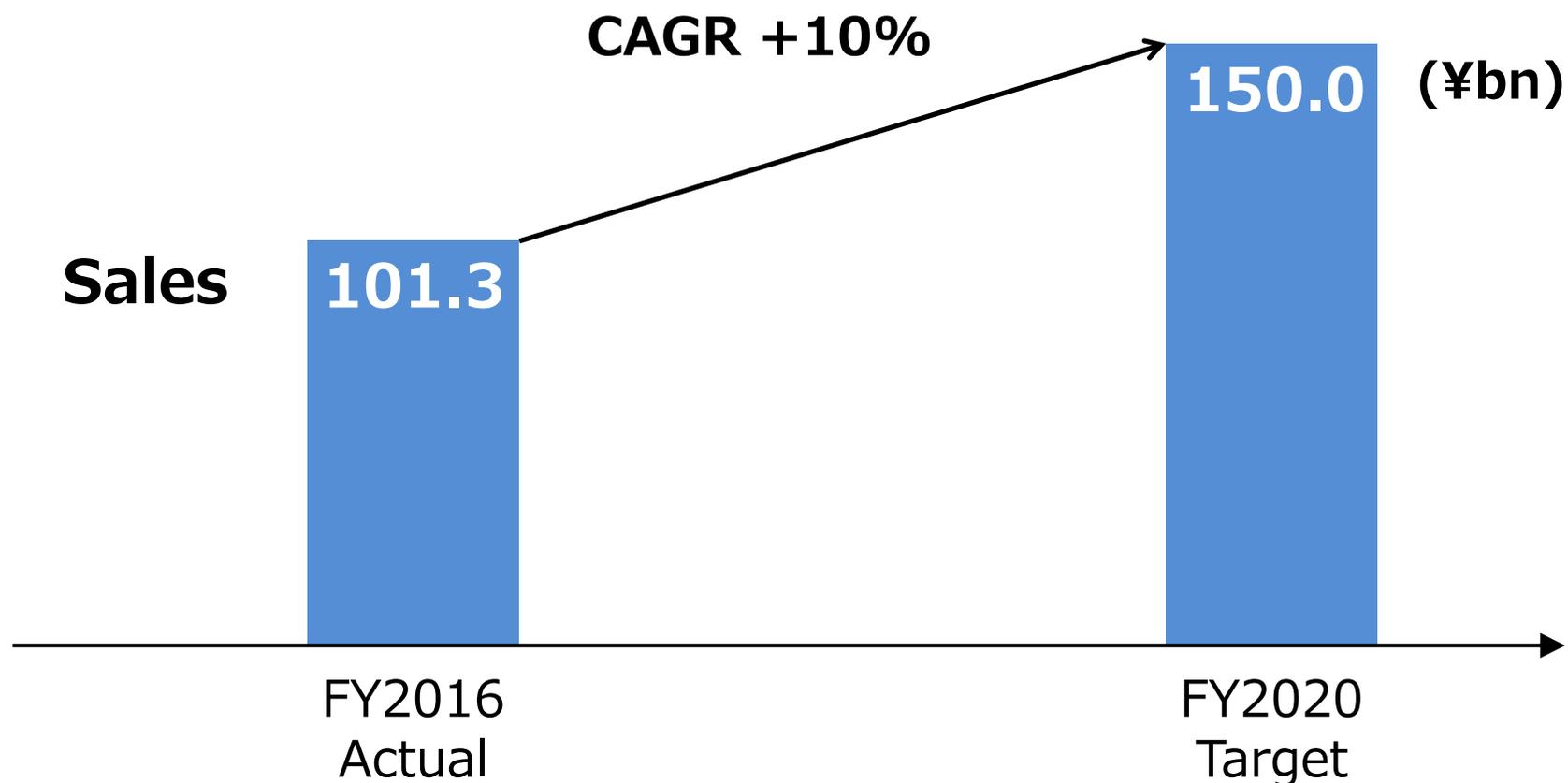
Potential market is growing, due to increase in number of hypertension patients, development of high performance measurement equipment suited for personalized treatment, and emergence of markets for services



*OMRON estimates

Healthcare Business (HCB) FY2020 Target

Aim for 10% CAGR up to FY2020 through a combination of enhancing the 3 core categories and accelerating the Zero Events' initiatives



Highlights: Integrated Report 2017

OMRON's Integrated Report 2017 recognized for multiple awards

**WICI Japan
Excellence in
Integrated Reporting**



Grand Prize

**Nikkei Annual Report
Award**

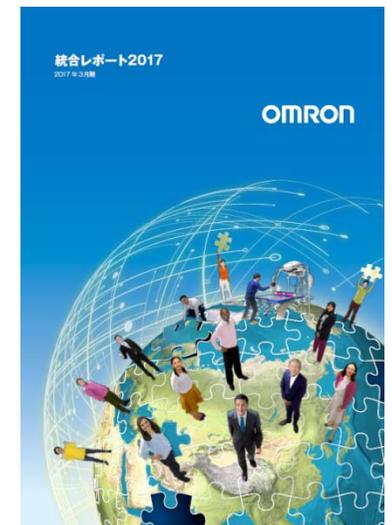


Grand Prix

**Excellence in
Integrated Reporting
by GPIF's Managers**



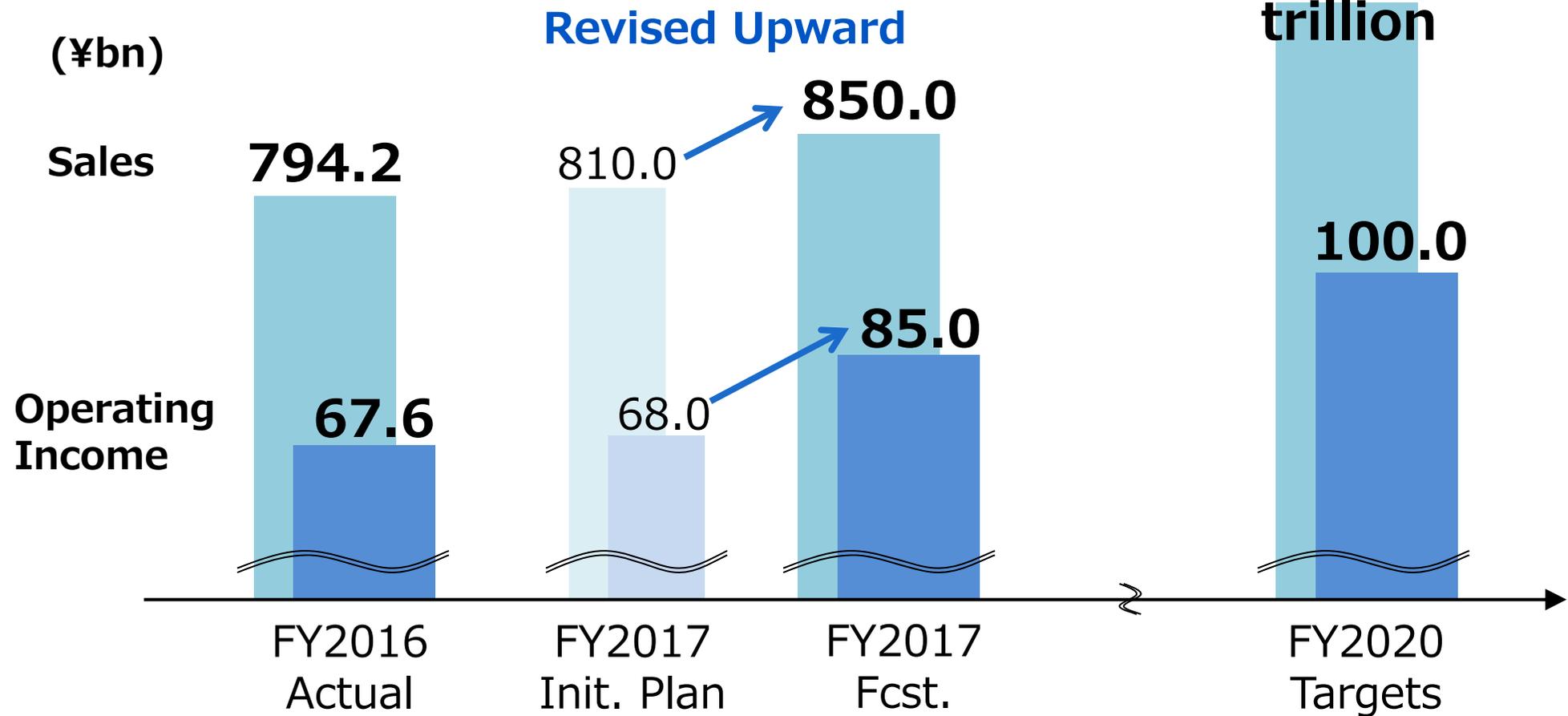
**'Excellence in Integrated
Reporting', 'Significant
Improvement in Integrated
Reporting'**



<https://www.omron.com/about/annual/>

In Conclusion

We have gotten off to a good start in FY2017 for achieving VG2.0 targets



OMRON



Reference



Q4 Assumptions: Exchange Rates

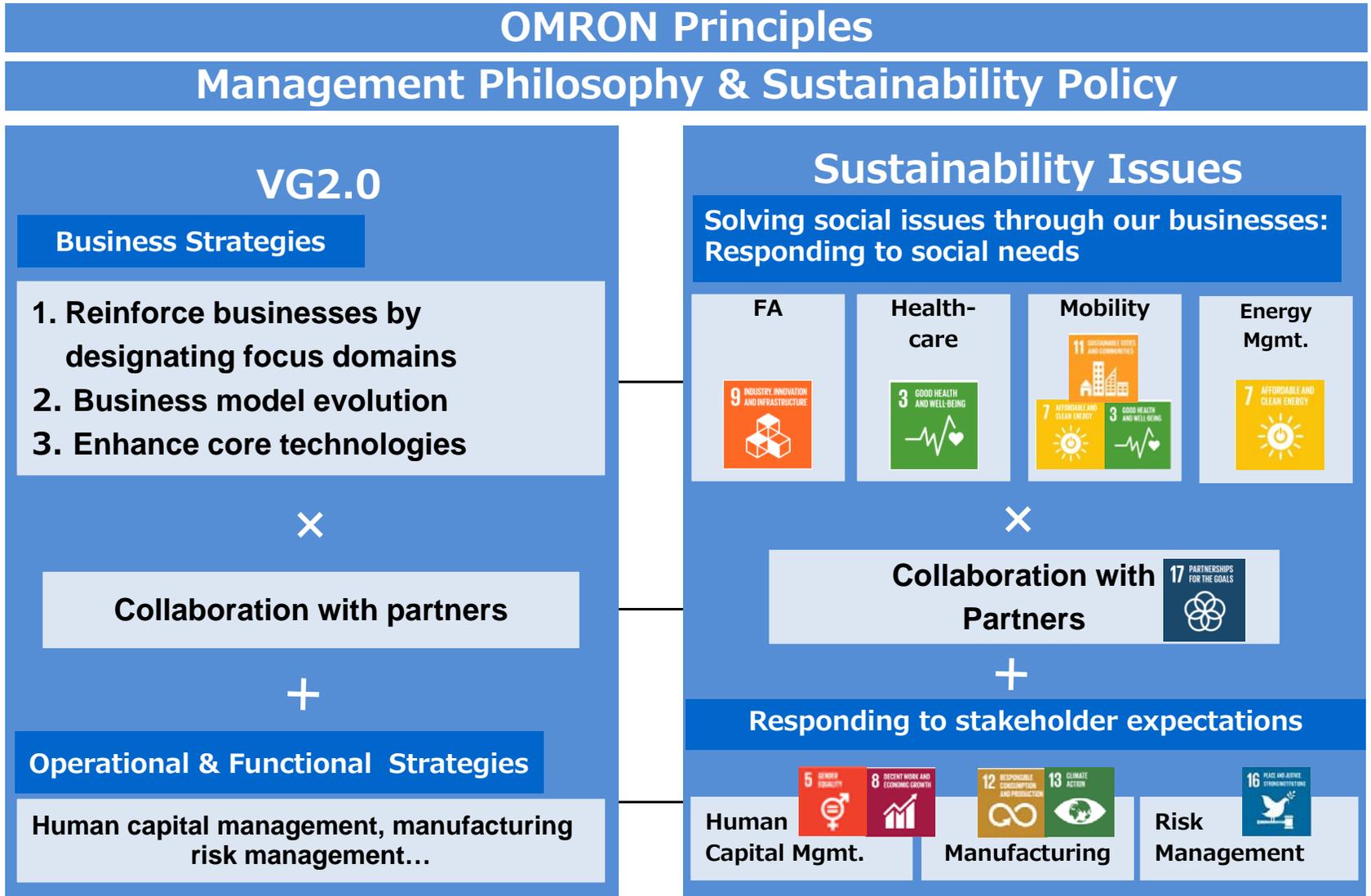
	Q4 Assumptions	¥1 fluctuation impact (full-year, approx.)	
		Sales	OP
USD	¥110	¥3.5bn	¥0.5bn
EUR	¥128	¥0.9bn	¥0.5bn

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

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	¥111.3 / ¥127.9	¥110 / ¥118

VG2.0 and Sustainability Strategies



Healthcare Sustainability Targets (a/o start of VG2.0)

Aim to allow people around the world to live healthy and rewarding lives by extending healthy life expectancy and contributing to a reduction in medical spending. We will achieve this by realizing zero cerebral and cardiac events through the use of self-monitoring of blood pressure in the home, and zero incidence of severe asthma.

Healthcare



Social Issues	Goals for Fiscal 2020
Increasing frequency of brain and cardiovascular diseases caused by hypertension	Blood pressure monitor sales : 25 million units / year
Worldwide increase in respiratory disease	Nebulizer/Asthma Wheeze Monitors : 7.65 million units / year

Non-HCB sustainability targets here:

Related to VG2.0 <https://www.omron.com/vg2020/>

List of targets http://www.omron.com/about/sustainability/omron_csr/tasks_goals/

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

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

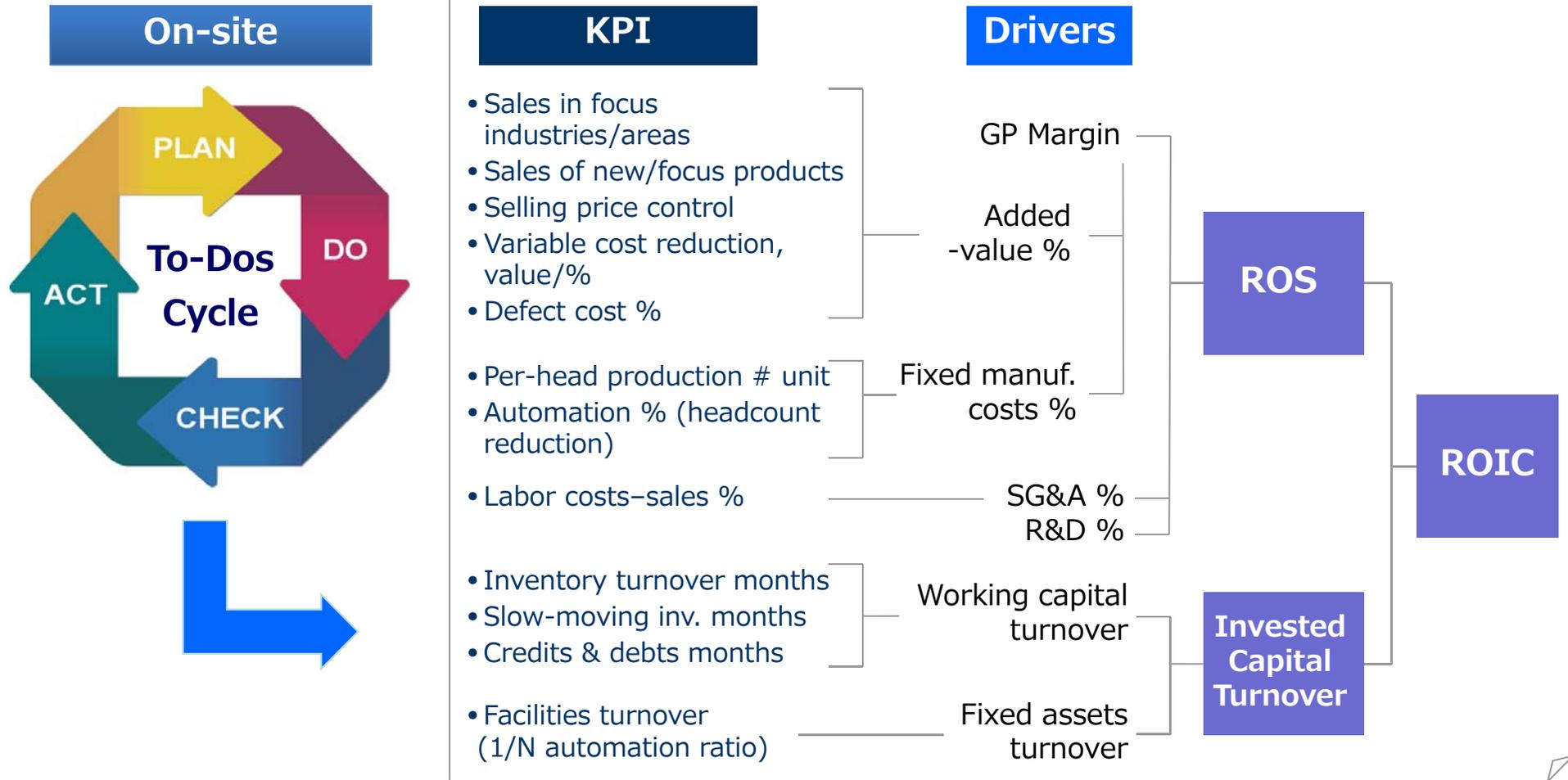
ESG Indices which include OMRON

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

Selected by GPIF



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 Third Quarter 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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