

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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This is the executive summary. There are three key highlights for today's presentation.

First, our overall Q1 - Q3 results. Following on from the strong results of H1, both sales and earnings grew significantly. We set new record highs for sales, gross profits and operating income. In particular, the IAB business was very robust, driving the overall performance. We believe IAB growth is accelerating on the back of the **innovative**-Automation concept. We also continue to execute on investments for future growth.

Second, our full-year forecasts. We expect the current strength to be maintained into Q4. Although we are accelerating the pace of investments, we believe we can achieve our current consolidated forecasts, which were revised up substantially in October. IAB will continue to drive our overall performance. We therefore reiterate our full-year consolidated forecasts.

By segment, we have revised up our forecast for IAB, on the back of the particularly positive results.

Third are our strategies for the HCB business. HCB is a key growth driver for OMRON, second only to IAB. President Ogino will discuss the HCB strategies in more detail later.

Next slide please.

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This is today's agenda.

I will start with the Q1 – Q3 results. Please turn to slide 4.



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

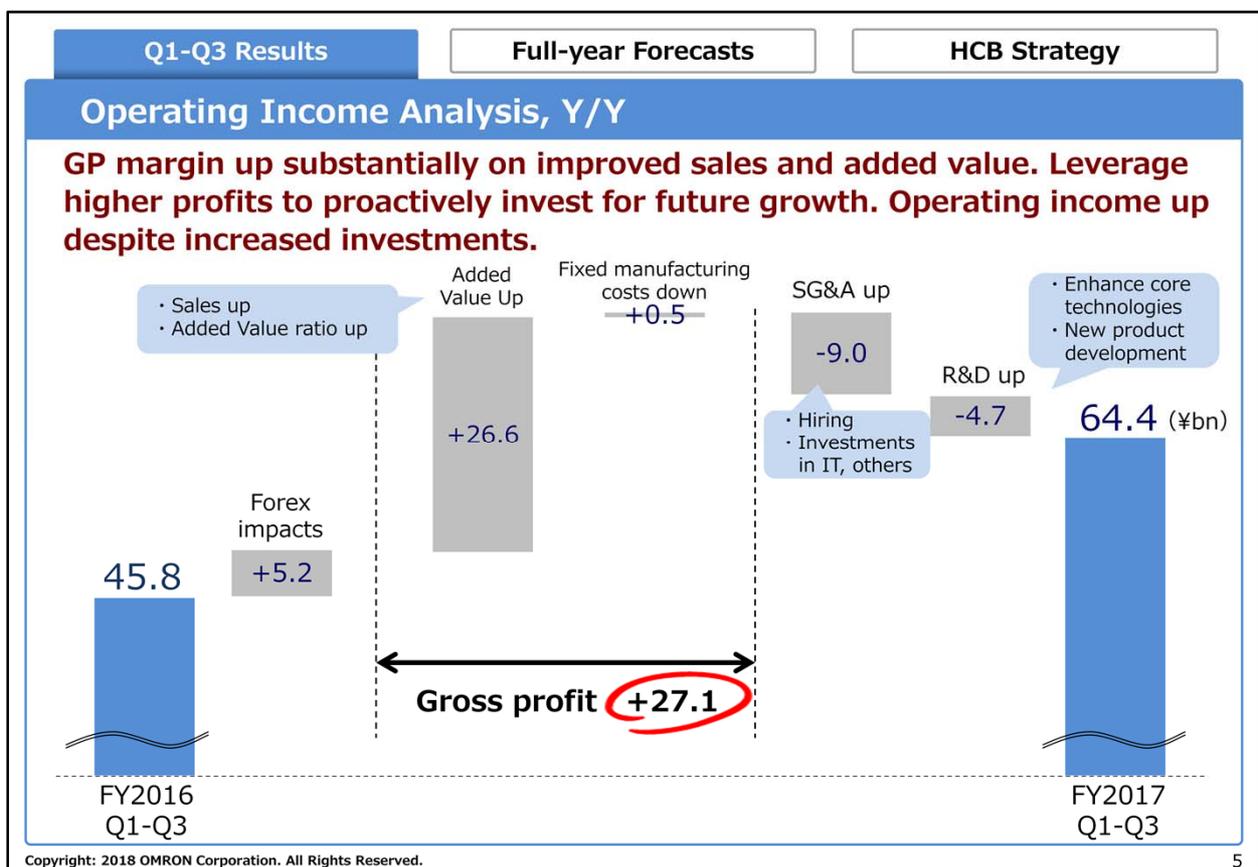
	FY2016 Q1-Q3	FY2017 Q1-Q3	(¥bn) Y/Y
Net Sales	568.7	624.9	+9.9%
Gross Profit	224.0	260.8	+16.4%
(%)	(39.4%)	(41.7%)	(+2.3%pt)
Operating Income	45.8	64.4	+40.5%
(%)	(8.1%)	(10.3%)	(+2.2%pt)
Net Income Attributable to Shareholders	30.6	46.7	+52.4%
1USD (JPY)	106.9	111.7	+4.8
1EUR (JPY)	118.7	127.9	+9.2

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As you can see, we reported substantial growth in sales and earnings. Net sales, gross profit and operating income for the first 9 months of FY2017 hit new record highs, in both absolute and percentage terms.

We were able to raise the GP margin, a key metric for Omron, to 41.7%. In my view, this demonstrates a clear and continued improvement in our ability to generate profits.



This waterfall chart shows the breakdown of YoY changes to the key elements of operating income, between Q3 YTD operating income for FY2016 and Q3 YTD operating income for FY2017.

As you can see, there was a significant increase in added value from the higher net sales and an improved added value ratio. As a result, gross profits rose by a hefty ¥27.1 billion. The gain in gross profits allowed us to proactively increase investments for future growth, such as hiring and investing to enhance core technologies. In spite of the more proactive investment stance, we were still able to grow profits substantially year on year.

We have entered a virtuous cycle, where the improvement to our ability to generate profits allows us to be more proactive in investing. I believe we have successfully enhanced OMRON's ability to achieve sustainable growth.

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.

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This shows the breakdown of sales by segment.

As you can see, the robust growth at IAB was a key driver of overall growth. In a continuation of the strong performance in H1, growth at IAB exceeded 20% as of Q3 as well. EMC was well positioned to capture consumer electronics' demand, posting YoY growth in excess of 10%. For HCB, we continued to see growth in the emerging markets. If we exclude the impact of OMRON Colin, which was divested in December 2016, topline growth exceeded 10% at HCB as well.

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)

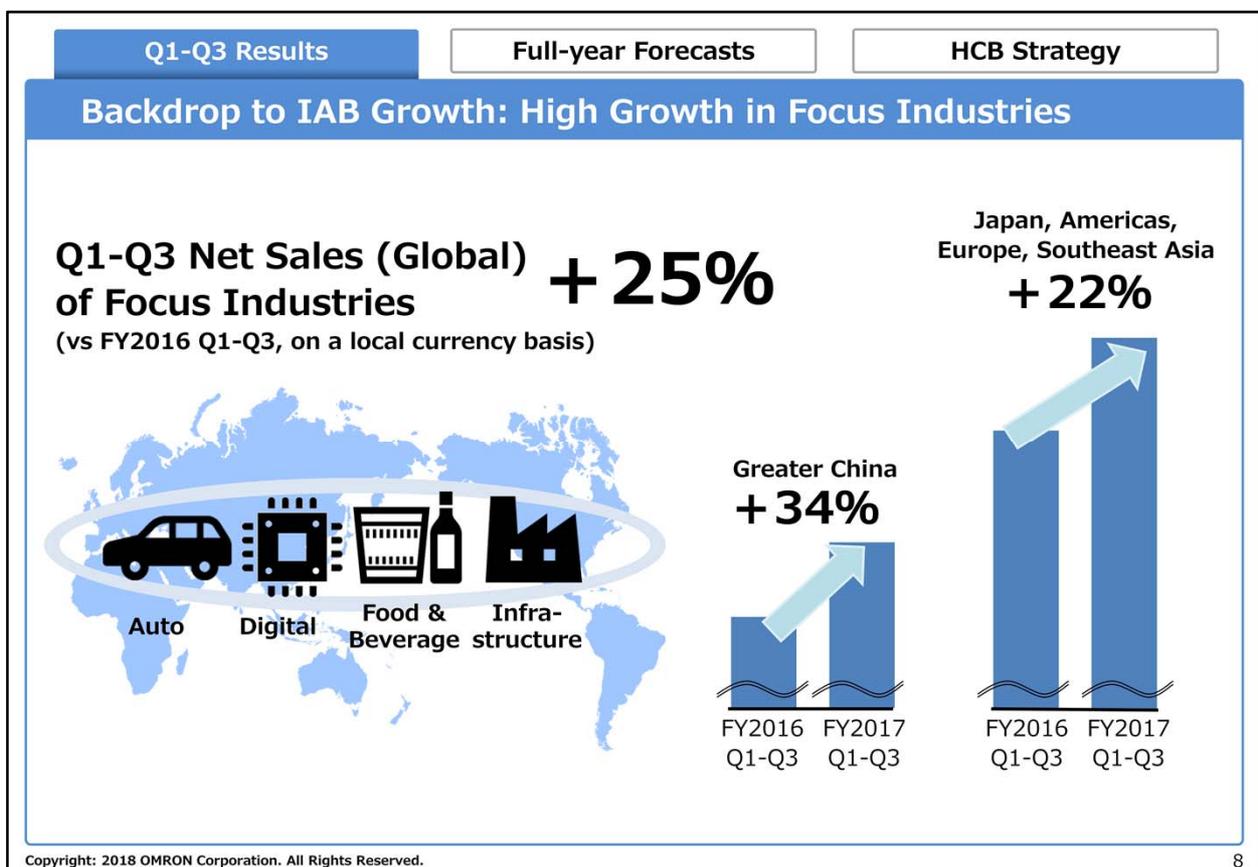
* Certain operations previously included in SSB have been reclassified to Other.

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This next slide shows operating income broken out by segment.

IAB, in particular, posted a substantial ¥18.2 billion YoY increase, effectively boosting segment operating income approximately 1.5 fold YoY. We believe the profitability of IAB is improving. EMC and HCB also reported significant YoY profit growth, contributing to the higher overall profits.



I would like to talk about IAB in more detail.

We have previously talked about our strategy to concentrate on four focus industries: Automotive, Digital, Food & Beverage and Infrastructure.

On a global basis, revenues from the four focus industries grew 25% YoY. In particular, in Greater China, we were able to achieve very high growth of 34% 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 22% YoY.

These results have given us greater confidence that we are on the right track with our initiatives.

Next, our full-year forecasts. Please turn to slide 10.



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

This is our view of the business environment in Q4 by region.

Overall, we have not seen any major changes to the business environment over the last three months. We continue to expect a gradual recovery in the global economies.

Q1-Q3 Results	Full-year Forecasts	HCB Strategy
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	

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Next is our view of the business environment in Q4 by business segment.

For IAB in Japan, we expect to see continued firmness from the automotive and semiconductor industries. For overseas, while China and Asia are likely to moderate in comparison to H1, we expect overall trends to remain solid. Europe should remain firm, as should the automotive and semiconductor industries in the Americas.

The outlook for the other segments is as stated here.

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
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

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We show here our full-year forecasts.

We will continue to accelerate investments in Q4.

However, despite the continued proactive investments, IAB will continue to drive overall performance. At the consolidated level, we expect to be able to achieve the forecasts which we revised up at H1: we therefore reiterate our full-year forecasts.

We continue to make good progress toward achieving our VG2.0 FY2020 targets of ¥1 trillion and operating income of ¥100 billion.

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

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We have made some slight changes to our sales and operating income forecasts by segment.

Starting with net sales, based on the expectation for continued strength at IAB, we have revised up our full-year forecast. We believe that growth is accelerating at IAB. However, in the Other segment, the backlight business has been targeted for accelerated optimization; as such, we have revised down our full-year forecast.

On a YoY basis, as you can see here, overall growth will be driven by a strong IAB, supported by HCB.

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.

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

We have revised up our full-year forecast for IAB at the operating income level as well. However, for the AEC business, we will be increasing investments to enhance our R&D organization and have therefore revised down. For the Other segment, we have revised down our forecasts, in line with the downward revision to the topline.

On a YoY basis, we now project IAB operating income to rise ¥21 billion, a 40% increase in absolute terms. We expect IAB, EMC and HCB to contribute to overall YoY profit growth.

Q1-Q3 Results Full-year Forecasts HCB Strategy

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.

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These are the 3 key takeaways.

First, we attribute IAB's strong performance to the focus on growth industries, in combination with the success of **innovative**-Automation. As discussed earlier, we have been able to capture solid growth on a global basis in the four focus industries. Through the **innovative**-Automation concept, we have been able to leverage the unparalleled breadth of our product lineup to propose solutions to revolutionize manufacturing at the ground level for our customers. To further accelerate this initiative, we are investing in the development of the world's first controller enabled for AI, as well as enabling 100,000 of our devices for AI.

Second, alongside IAB, HCB is also driving overall growth.

Third, our improved profit-generating capability is enhancing our ability to proactively invest, through the establishment of a virtuous cycle. We are allocating resources to accelerate the development of a growth structure while also enhancing profitability.

Going forward, as the CFO, I am committed to investing appropriately by applying ROIC management with discipline, to ensure a proper balance between investments and profitability.

I would now like to hand off to President Ogino to discuss the HCB strategies.



I am President Ogino, of the Healthcare business at OMRON.

Today, I would like to present the strategies for HCB.

Our start in the healthcare business was in 1961. Our founder believed that if you looked at disease treatment as a process incorporating measurement, diagnosis and treatment, it would be possible to apply automation control technologies to support health management and treatment. He created the field of Health Engineering to develop a healthcare industry that applied control technologies.

Positioning of HCB

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

Factory Automation



Healthcare



Mobility



Energy Management



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It has been 56 years since the inception of this business. It has grown gradually over time to become one of the OMRON group's core focus domains.

Healthcare Business (HCB) Mission

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

All for Healthcare

Globally, we have approximately 4,400 employees, all of whom embrace the mission we show here: “To help realize healthy and comfortable lives for people around the world”. This mission is what underpins our activities.

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

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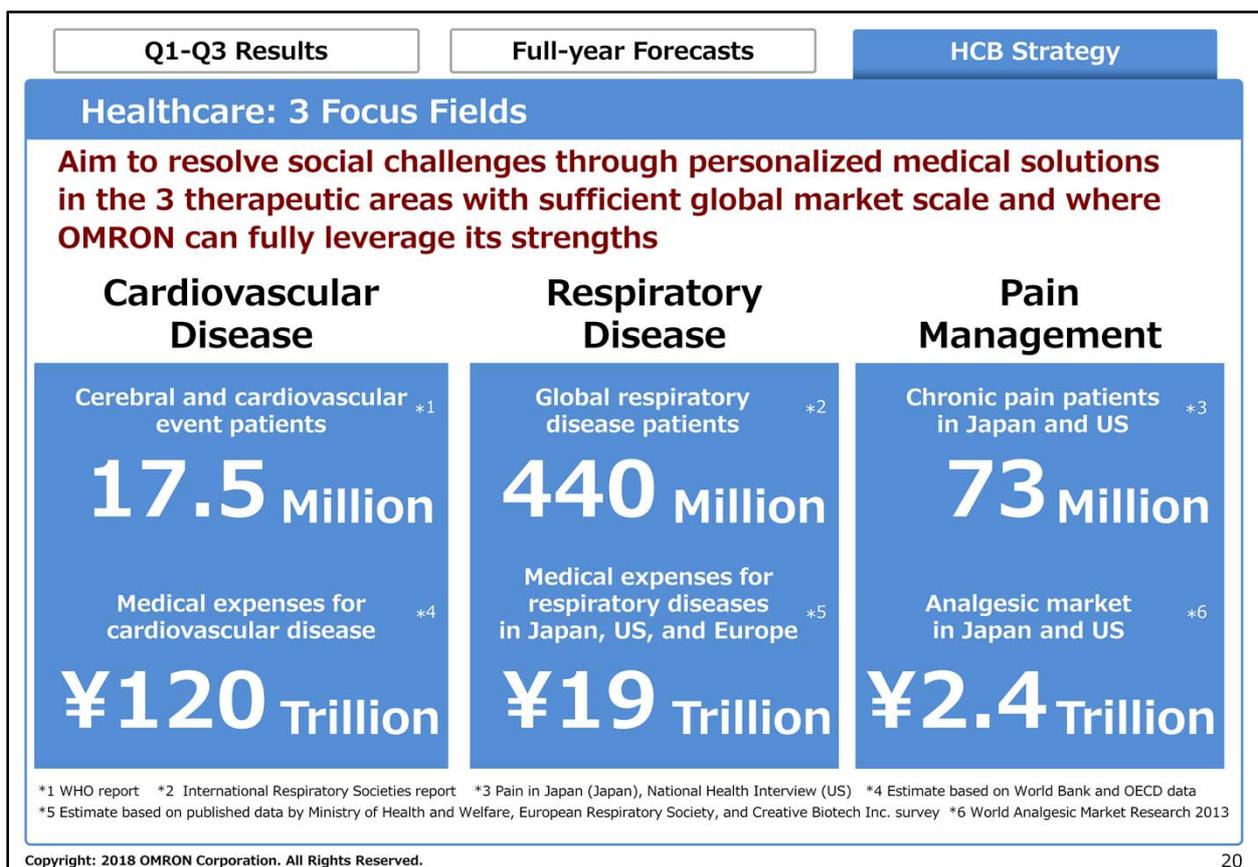
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Until recently, longevity was generally considered to be a personal aspiration. However, longer life expectancy is now considered to be more of a social issue. In developing countries, rising incomes and the emergence of a middle class has led to increased incidence of hypertension, diabetes, hyperlipidemia and other lifestyle diseases. Patient numbers are increasing.

In developed countries, there is more of a focus on healthy life expectancy and the gap between healthy life expectancy and overall life expectancy. This gap coming at the end of peoples' lives is associated with many health challenges.

As a result of all of this, medical expenditures have been rising globally, a major social issue.

OMRON Healthcare is focused on finding solutions to such social issues.



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Of the major social issues in healthcare, we have chosen to focus on 3 key fields: Cardiovascular disease, Respiratory disease and Pain management.

Hypertension is a leading cause of cardiovascular disease, particularly strokes and heart attacks. On an annual basis, 17.5 million patients suffer cerebral and cardiac events. Estimated global expenditure in this field totals ¥120 trillion.

The primary form of respiratory disease is asthma. An estimated 440 million people suffer from asthma globally. This is also a condition that is exacerbated by economic development as industrialization leads to a deterioration in air quality. The number of patients is increasing globally.

Longer life expectancies have led to a greater need for pain management. Many elderly people with orthopedic conditions are living with chronic pain as a part of their daily lives. Total expenditures for pain management, including oral and topical analgesics for Japan and the US alone total ¥2.4 trillion. Treatments in this area range from oral compounds to the use of devices like those provided by OMRON.

Against the backdrop of rising medical expenditures, OMRON is focusing on contributing to these three fields: cardiovascular disease, respiratory disease and pain management.

Q1-Q3 Results Full-year Forecasts **HCB Strategy**

Healthcare: Basic Strategies

Reinforcement of 3 Core Categories

- Blood Pressure Monitor**
- Nebulizer**
- Pain Management**

Initiatives to Promote
Zero Cerebral and Cardiovascular Events

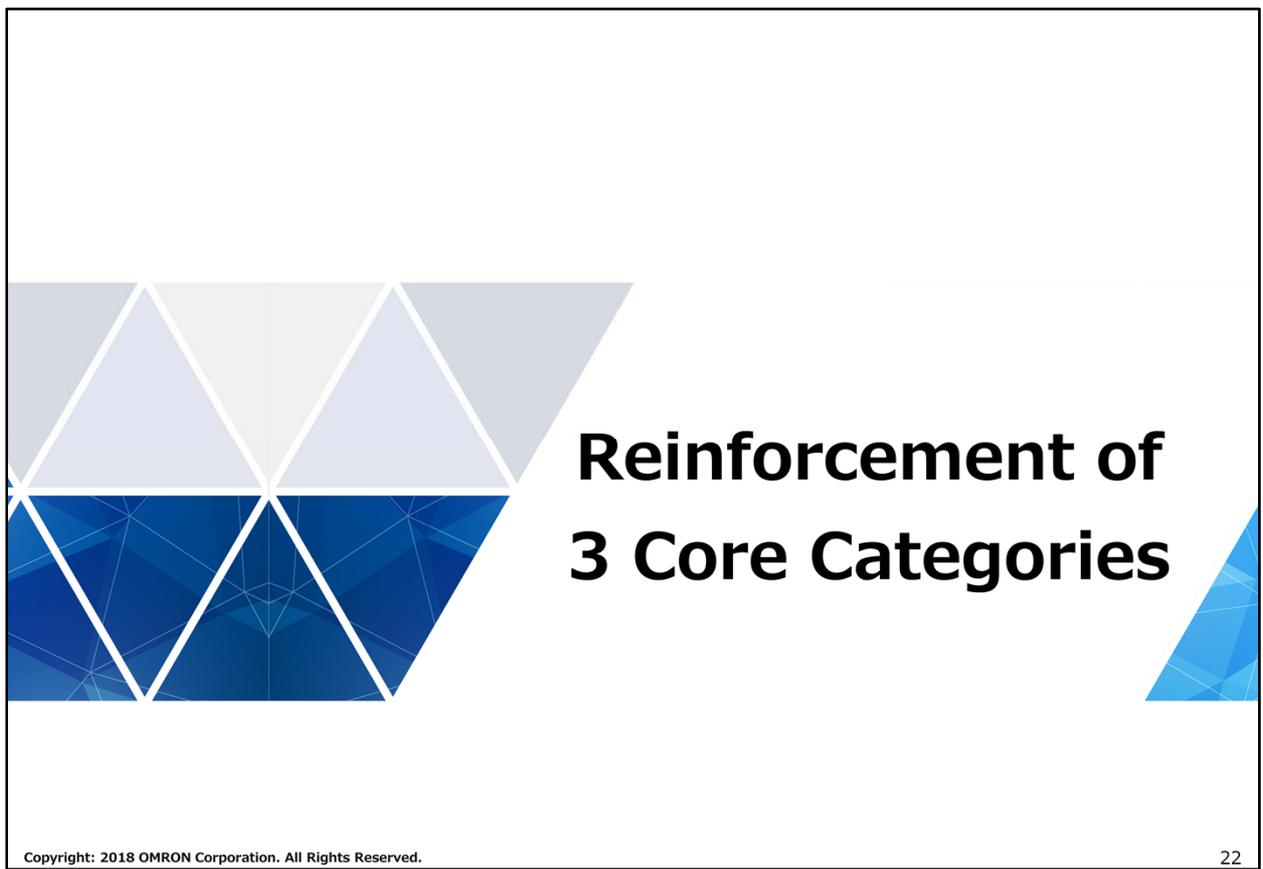
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I will start with our basic strategies: to enhance the 3 core categories and, going forward, to develop service businesses.

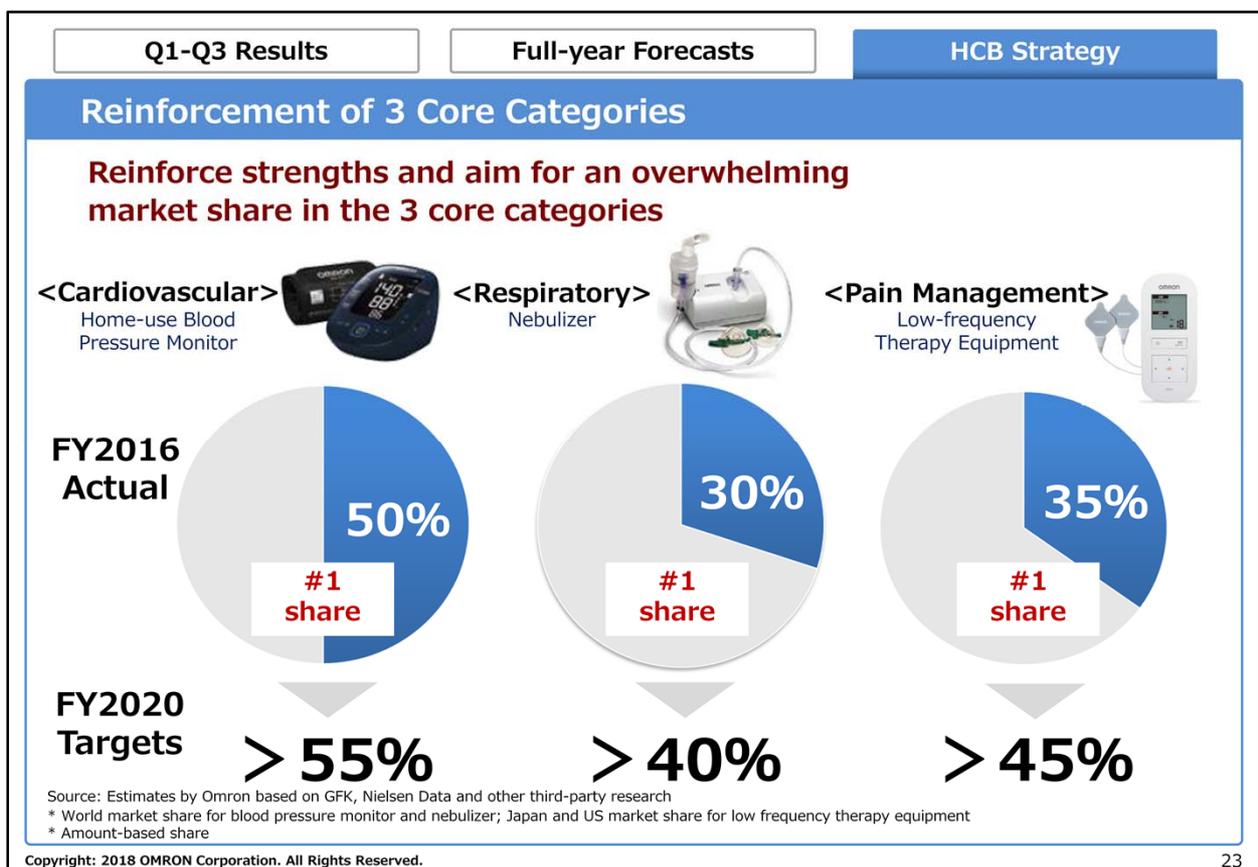
First, the 3 core categories. I will start with the cardiovascular field. In this field, blood pressure is a key indicator. The BPM business is a core category for OMRON. In asthma treatments, nebulizers are a key device that deliver drugs to the lungs of patients suffering asthma attacks. For pain management, OMRON provides low frequency therapy devices that ease chronic pain. These are the core devices for the 3 focus fields. Our strategy here is to reinforce the core categories to continue to grow revenues.

We are also aiming to develop service businesses. To date, we had contributed to cardiovascular health by selling BPMs, which led to a reduction in hypertension patients. We are now reaching the stage where the accumulated data can be leveraged to do more. Rather than simply measuring blood pressure, the data can be used to prevent major cardiac events. We are developing service businesses in this area.

These are the two basic strategies for HCB.

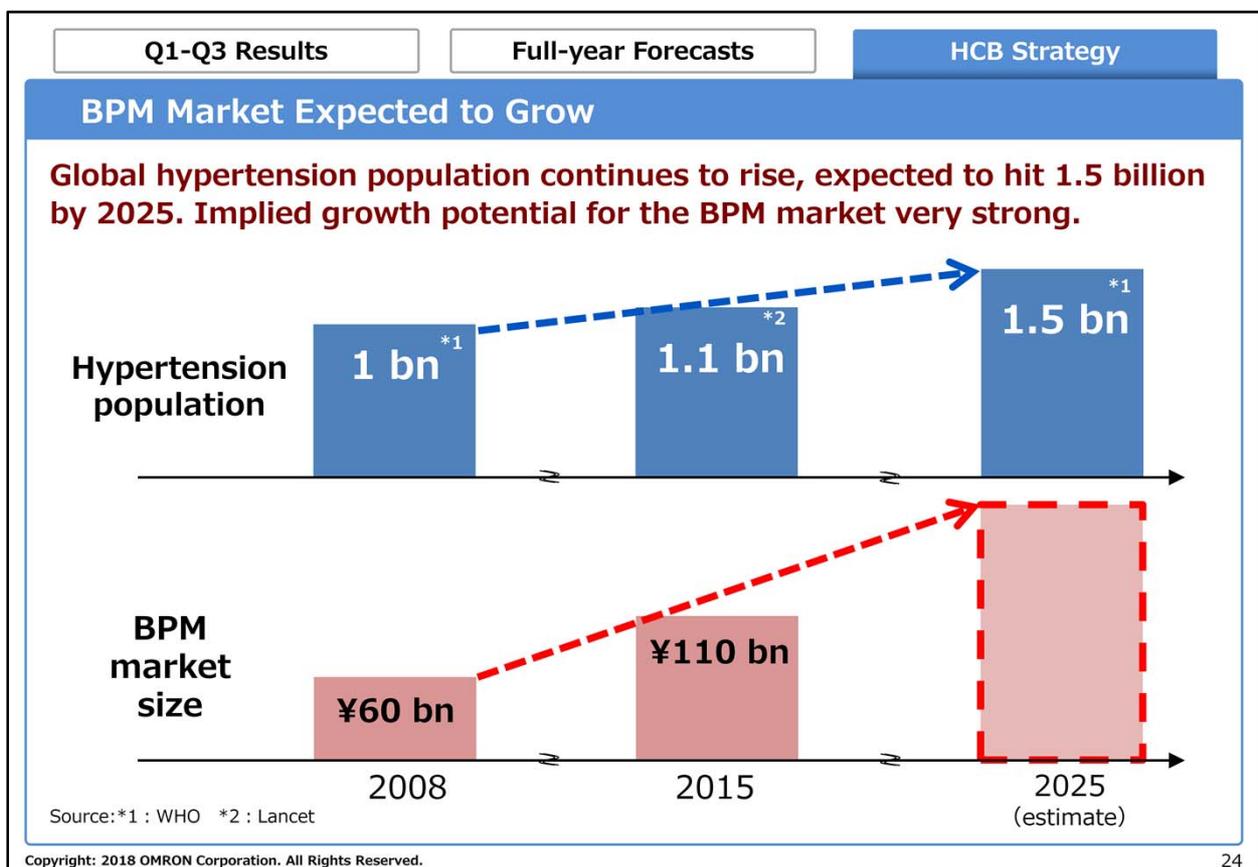


I will first discuss the reinforcement of the 3 core categories.



The three core categories are: home-use BPMs for cardiovascular, nebulizers for respiratory and low-frequency treatment equipment for pain management. For the first two product categories, we hold very high market shares on a global basis. In pain management, we hold major shares in markets such as Japan and the US.

We aim to further raise our market shares to further solidify our dominant position.



Using BPMs as an example, we show the backdrop to our expectation for further share growth.

As noted earlier, hypertension patient numbers continue to increase, on the back of economic development in emerging economies and the aging of the population in developed countries. Although it is not a positive development, it is likely that we will continue to see the number of hypertension patients increase. Some suggest that hypertension patients could hit 1.5 billion by the year 2025. Given that hypertension patients need BPMs, there is plenty of room for further growth in the BPM market.

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**

In addition to growth in the underlying market, let us look at our competitive strengths, given the emergence of new entrants, particularly from emerging markets. We highlight 3 strengths.

The BPMs, nebulizers and low frequency therapy equipment we develop and sell are medical devices. As such, they are subject to a regulatory approvals process as set out in the first strength. For BPMs in particular, as set out in the second strength, doctors use blood pressure data as the basis for making decisions about a patient's condition such as adjusting prescriptions. As such, being well trusted for accuracy is very important.

The third strength is our established retail presence. Our long history of operations from 1961 has allowed us to develop a robust global retail network over time, which we consider to be yet another strength.

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.



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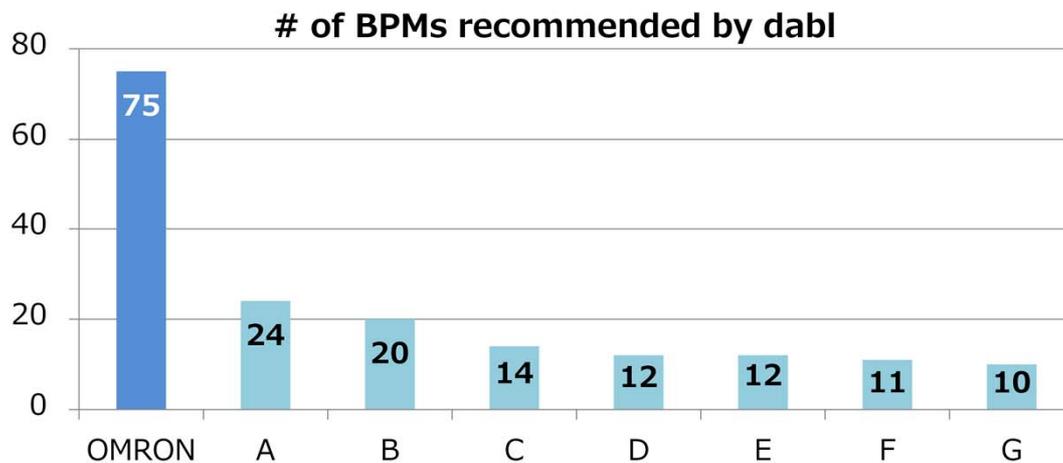
With regard to regulatory approvals, our BPMs are medical devices. As such, they are subject to regulatory approval, under the auspices of the Pharmaceutical Affairs Law in Japan, or the FDA in the US. We must seek approval in each country. We already sell our BPMs in 117 countries, of which 90 require specific approval. In each of the 90 countries where we sought approval, we have built up significant regulatory expertise necessary to do so. This is a significant strategic advantage.

For the developing countries, which currently do not have their own approvals process, we would expect to the gradual development of local regulatory approvals processes. Given this, we believe our substantial expertise is a major strength as we strive for further growth. We believe it would be very challenging for new players to try to catch up in this area.

Next slide please.

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

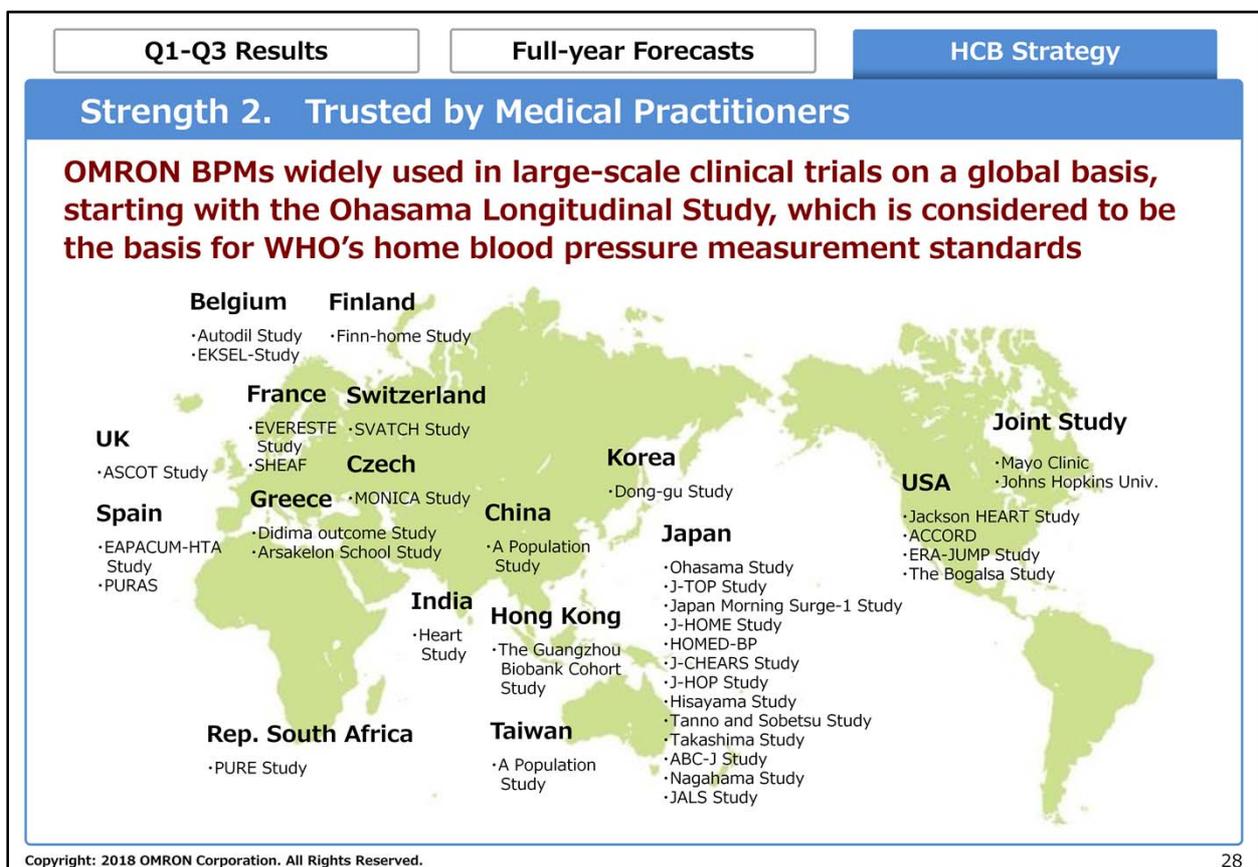
Searched on March 2016

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

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This looks at the number of recommendations by dabl Educational Trust, a third-party reference resource created by doctors to evaluate BPMs. dabl seeks to identify products that have the ability to operate with a high degree of operational accuracy. Of those players evaluated by dabl, as we show in the chart on the far left, OMRON has a very high number of 75 recommendations, significantly higher than our peers. This reflects our position of being well trusted for accuracy on a global basis.



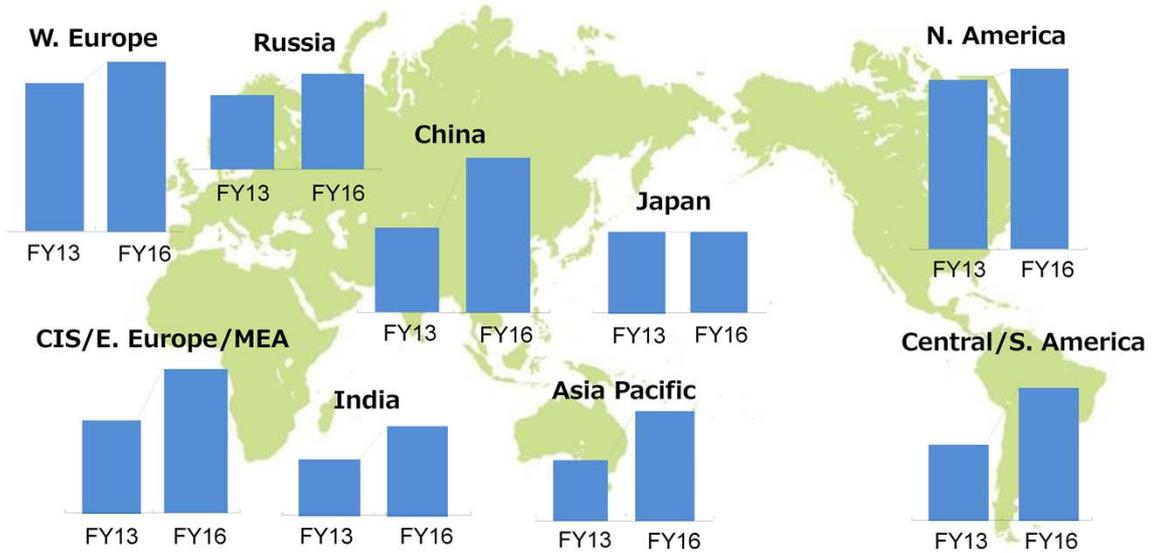
Because of this, there are many cohort studies that highlight the accuracy of OMRON's BPMs in many geographies. Perhaps the most rigorous is the Ohasama longitudinal study conducted in the Tohoku region of Japan, which used OMRON's BPMs. As a result of being used for this large-scale study, our BPM's were used to determine the WHO standards for blood pressure. Many global studies now use OMRON BPMs. In other words, our data readings have become the de facto standard for medical practitioners.

With regard to the first two strengths highlighted in the previous slide, this kind of superiority is not something that can be developed overnight, but is rather the result of many years of sustained development.

We aim to further improve our market shares by leveraging these strengths.

Strength 3. Established Channels (Expanding retail footprint)

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



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With regard to our retail presence, we currently sell product in 117 countries around the world, through 460,000 stores. We have expanded our sales network in order to provide easy access to our products for consumers.

Next please.

Strength 3. Established Channels (Expanding Online Channel)

OMRON dominates rankings for BPMs on Amazon

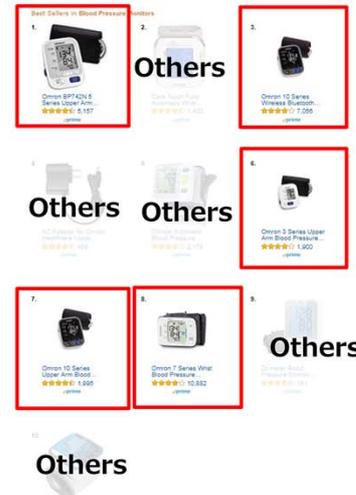
(As of 19 January 2018)

Amazon.co.jp



8 of Top 10 are OMRON products

Amazon.com



5 of Top 10 are OMRON products

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More recently, we have seen the emergence of a significant online market which is growing rapidly.

We are very well positioned in online, including Amazon Japan and Amazon.com. We have been able to leverage the strength of our brand, developed over a significant period of time to be the number 1 supplier in the online channels, with many of our products cited as highly recommended.

Although we are seeing changes in retail channels, we continue to be the choice of consumers based on the superiority we have in regulatory expertise and the high degree of trust doctors have in our readings.

These strengths should allow us to continue to raise share in growing markets, as we roll out new products and grow our business.



Zero Cerebral and Cardiovascular Events

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Next, Zero 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.

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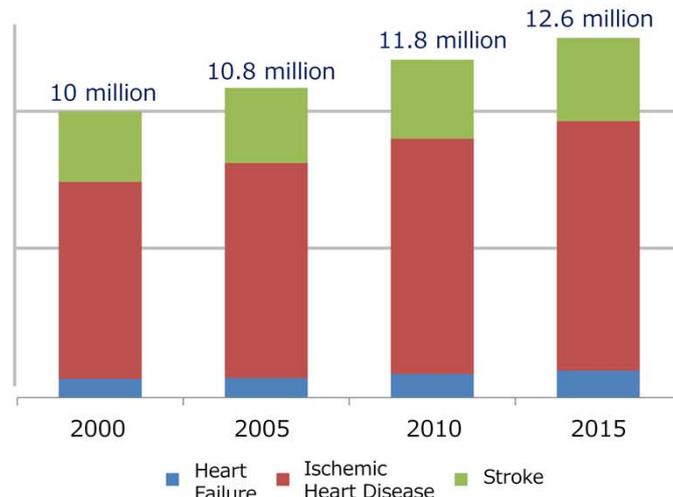
As noted earlier, we have historically contributed to the treatment of hypertension by selling BPMs and developing products appropriate for home use. More recently, we have developed a new goal, going beyond simply selling BPMs to provide services that aim to minimize the incidence of cerebral and cardiac events.

We are now focused on developing new businesses under the goal of Zero Events.

Cerebral and Cardiac Event Fatalities

Number of deaths from cerebral and cardiac events continues to rise

Cerebral/Cardiac Event Fatalities (Global)*1

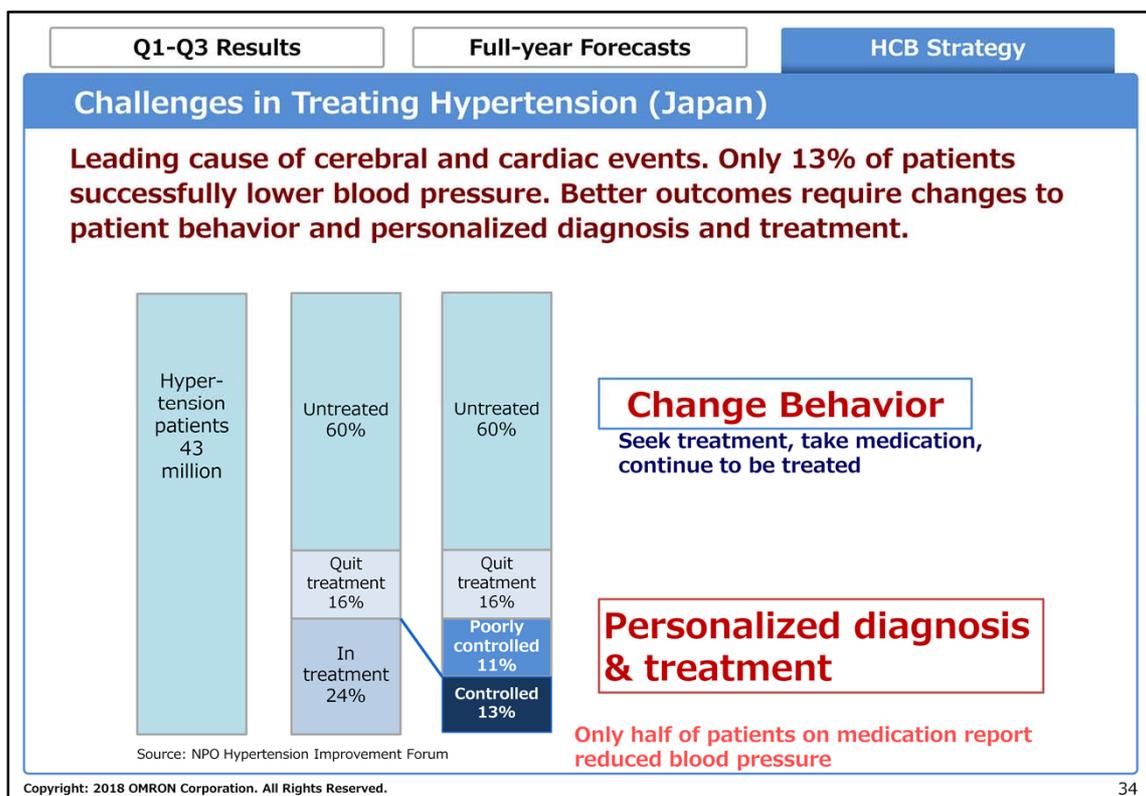


*1:WHO Global Health Estimates 2015

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Earlier, I touched upon how the BPM market has been growing on the back of an increase in patient numbers. Unfortunately, the number of fatalities from strokes or cardiac events has continued to rise. So far, it has not been possible to halt the rising fatalities.



We look at the reasons why this is the case, using Japan as an example. The hypertension population in Japan is estimated at 43 million but only 13% are being successfully treated with medications to control blood pressure. Achieving Zero Events is impossible unless we can address this fact.

What we are trying to do is to offer services that can change patient behaviors. The first is to ensure that patients that become aware that they have high blood pressure seek proper treatment. Other behavioral changes are to have such patients regularly take blood pressure readings and to ensure compliance in taking medications.

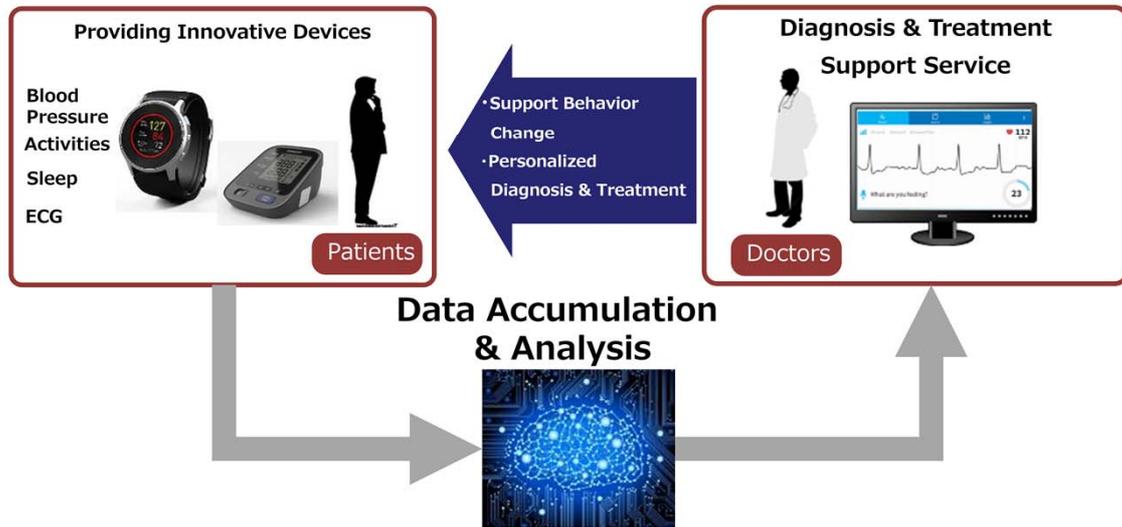
By providing services that support changes in behavior, we hope to increase the number of hypertension patients that are successfully able to control their blood pressure.

We also hope to contribute by providing personalized diagnosis and treatment. Hypertension itself is not a disease but a syndrome, in which the high blood pressure is a symptom of other conditions. There are many potential causes of high blood pressure, such as high blood viscosity, hardened arteries or heart problems. Therefore, in order to lower blood pressure, you must first identify the cause of the high blood pressure. Lower blood pressure is contingent on prescribing the correct medication

to address the root cause. Some of you may believe that controlling blood pressure is simply a matter of taking medication, but in fact, proper treatment requires personalized treatment.

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.



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OMRON is able to capture a broad array of vital signs using a variety of wearable devices, not just conventional blood pressure readings but readings of blood pressure post-activity or during sleep, or upon waking. We are also able to factor in new types of vital signs such as ECG. By analyzing such new data for a given individual, we believe it should be possible to tailor a treatment program, including identifying the correct medication, so that it best suits the individual's needs. We are currently developing this type of service.

We believe the analytical process is an ongoing and iterative process, so that even after lowering blood pressure using medication, we could subsequently modify a treatment program, where the next step might be to aim for a change in behavior that incorporates more exercise or a reduction of salt in the diet. We aim to develop this type of service as well.

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

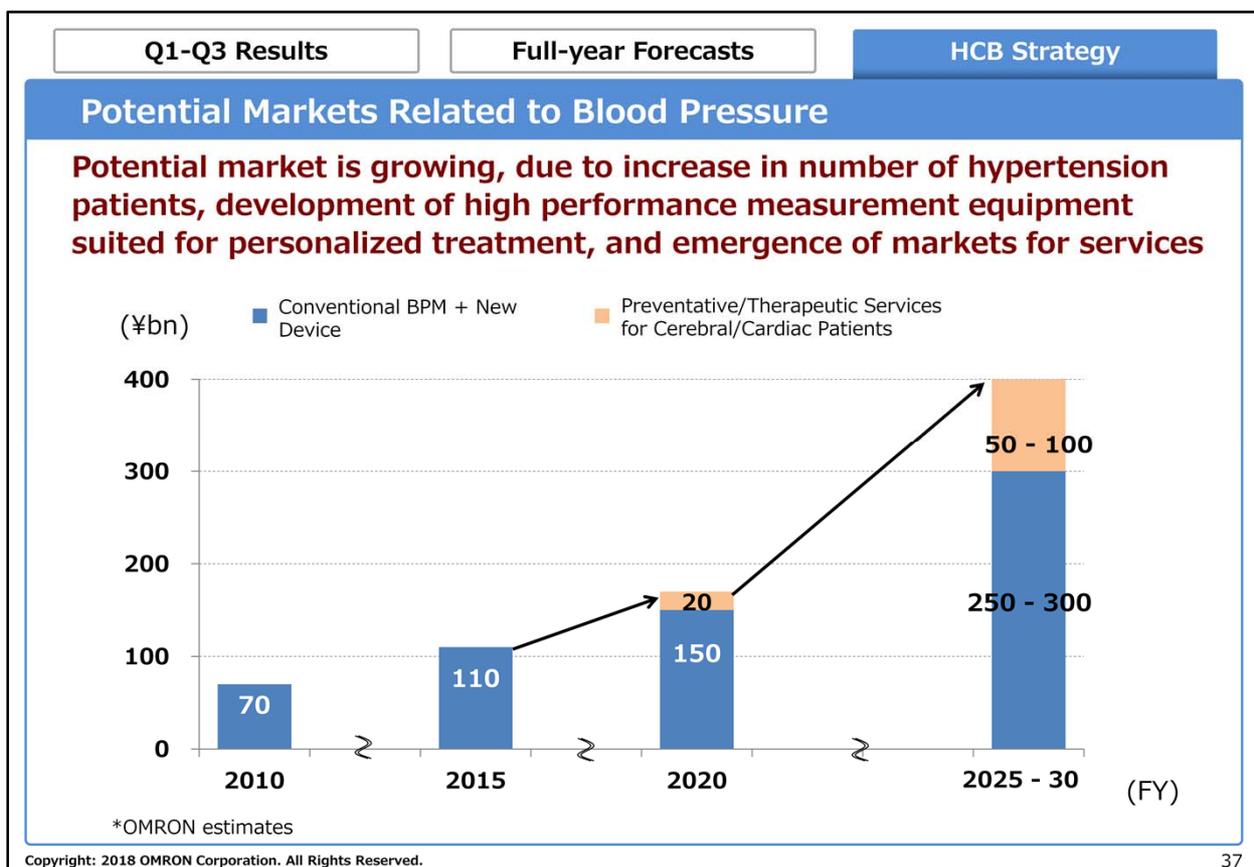


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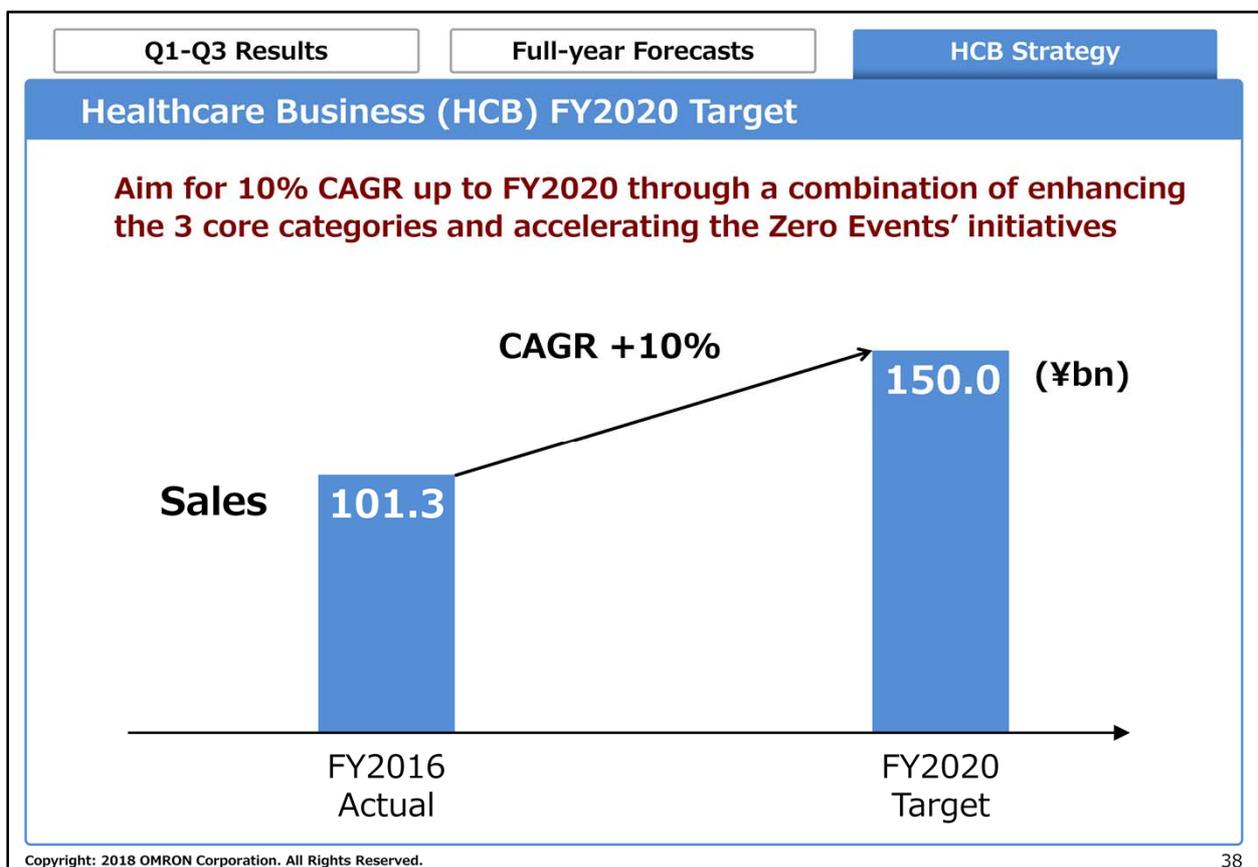
In order to enhance the value of such services, we entered into an alliance with AliveCor. AliveCor has strengths in home ECG measurement and analytics, designed to reduce the incidence of cardiac events. They provide a number of services, based on home ECG readings.

OMRON is focused on reducing events through the use of BPMs. We believe AliveCor is the only player globally to have this scale of home ECG data. Going forward, we aim to incorporate ECG measurement into our BPMs. By simultaneously capturing blood pressure and ECG readings, we aim to provide enhanced treatment with better outcomes for patients. We believe this will get us close to Zero Events.



Doing so will allow us to grow our business. As noted earlier, BPM equipment sales volumes will grow in line with patient population growth. If we see increased adoption of home ECG equipment, that will also contribute to higher revenues. For BPMs, there is still room for growth as we see continued improvements in penetration for home measurement equipment, and also a move to have each individual patient have their own home-use measurement equipment. Therefore, growth potential on a volume basis for BPMs is still very high. On top of growth in the patient population, the migration from hospital-only readings to home readings and a shift to each individual having their own equipment should support significant market growth.

As I noted earlier, new services using data analytics of vital signs, will also contribute to a larger market, as it shortens the lead time necessary to identify the appropriate medication or treatment program for a given individual. We believe such services will also support revenue growth for OMRON.



As discussed, the 3 core categories of BPMs, nebulizers and low-frequency therapy equipment, are the basis for the current business. We are focused on reinforcing these businesses. Also, as we enhance these businesses, we aim to also develop new service businesses. We are targeting net sales of ¥150 billion by FY2020.

Thank you.

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'



総合レポート2017
omron

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

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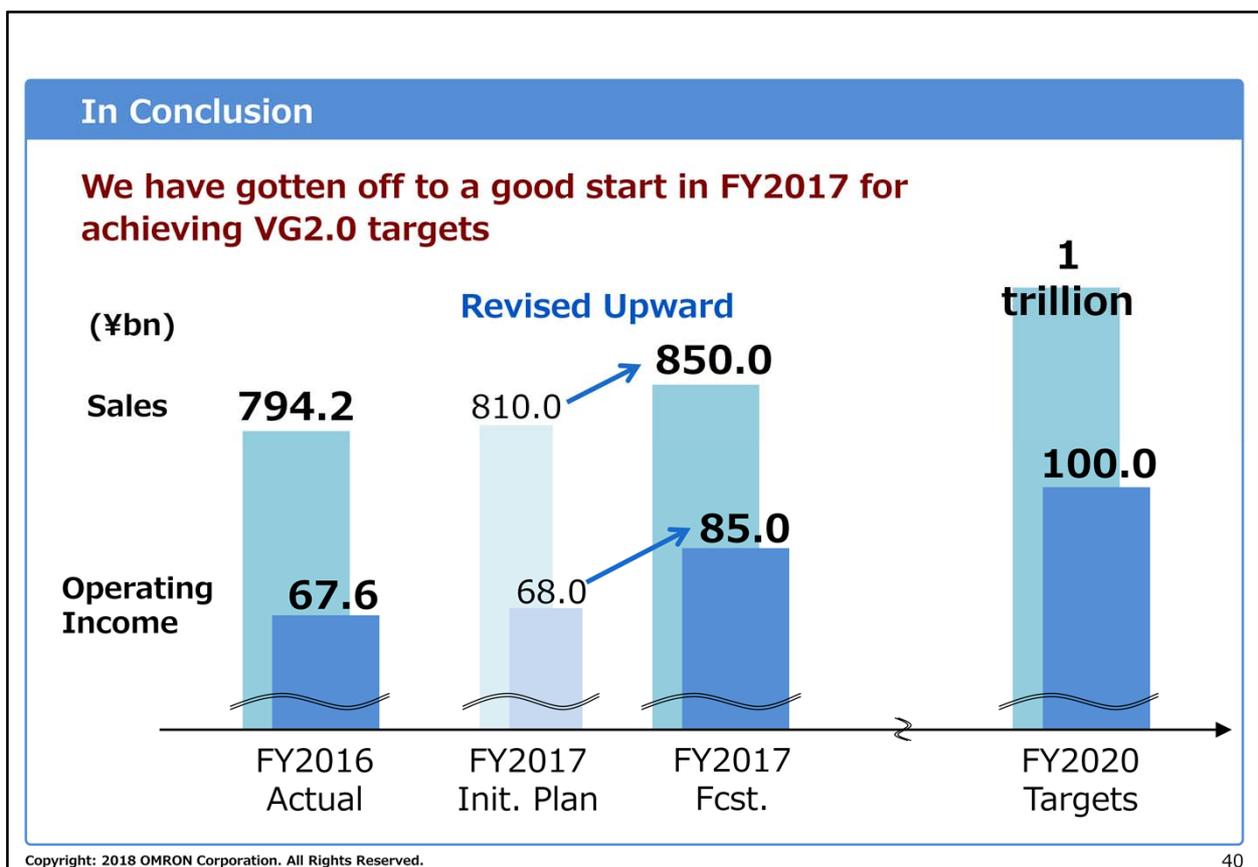
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This completes the presentation on HCB. There are a few topics I would like to highlight before we move to Q&A.

OMRON's integrated report 2017 has been recognized for multiple awards as we showcase here.

The awards recognize the quality of our disclosures related to our businesses and our ESG initiatives, primarily related to the scenario we lay out for achieving sustainable growth.

We are very proud of our achievements. Going forward, we aim to contribute to the continued development of society through our businesses and will continue to present our initiatives in our integrated reporting.



Finally, in closing, we have gotten off to a good start in FY2017 for achieving the FY2020 targets we have set out under our new Medium-term Management Plan VG2.0, of revenue of ¥1 trillion, and operating income of ¥100 billion. We were able to significantly revise up our FY2017 forecasts at the end of H1. Our businesses continue to do very well and we expect to achieve our current full-year forecasts. It has only been 9 months since the start of VG2.0, but so far we believe we have gained good traction toward achieving our targets.

We will continue to proactively invest the profits generated through our enhanced profit-generating capability, as a part of establishing a virtuous cycle. We will accelerate the development of a profit-generation structure while also improving profitability. On the back of this, we believe we will be well positioned to achieve our Medium-term Management Plan targets.

We humbly ask for the continued support of our shareholders and investors. This completes our presentation. Thank you.

OMRON



Reference

Q4 Assumptions: Exchange Rates

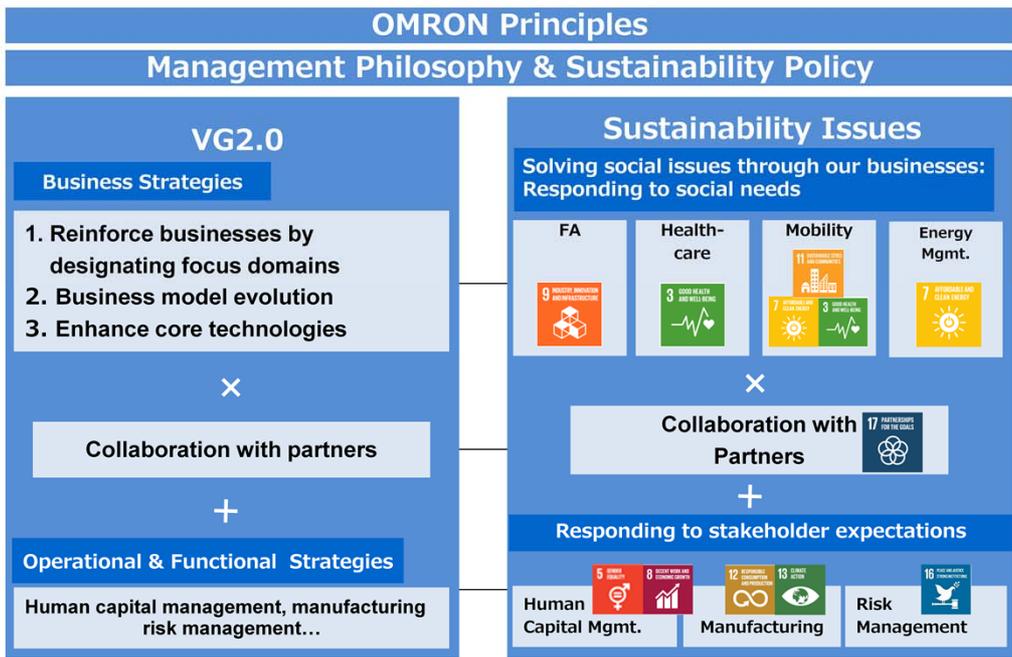
	Q4 Assumptions	¥1 fluctuation impact (full-year, approx.)	
		Sales	OP
USD	¥110	¥3.5bn	¥0.5bn
EUR	¥128	¥0.9bn	¥0.5bn

*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

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

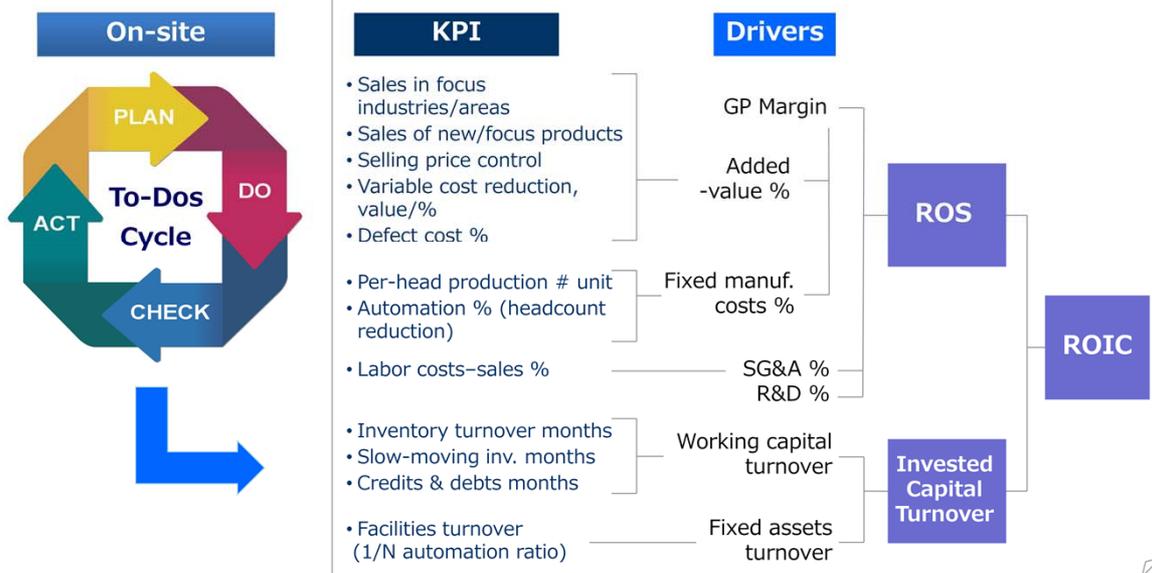
MS-SRI | モーニングスター社会的責任投資株優指数
Morningstar Socially Responsible Investment Index

 FTSE Blossom Japan

MSCI  2017 Constituent
MSCI Japan ESG Select Leaders Index

MSCI  2017 Constituent
MSCI Japan Empowering Women Index (WIN)

Down-Top ROIC Tree



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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