

FY2017 Full-Year Earnings Ended March 31, 2018



April 26, 2018
OMRON Corporation

Good afternoon everyone. I am CEO Yamada.

Before commenting on our earnings results, I would like to share my thoughts on our business in FY2018. I have expanded this section slightly, with two slides this time.

I became President and CEO in 2011, the year that we initiated the long-term vision Value Generation 2020 (VG2020). I was in charge of group strategy when VG2020 was formulated. Our vision was ambitious: to dramatically restore OMRON's high growth capabilities by becoming a company that generates value for society. Seven years have elapsed since we formulated this vision. 2020 is only three years away. Our focus in the remaining three years will be to put the finishing touches on our achievements to date.

I believe we are now well positioned to achieve our goals. All that remains is to execute on our plan.

Let us look at what we have achieved over the last 7 years, starting with earnings performance.

VG2020: 7th Year Achievements

	FY2011 Actual		FY2017 Actual
Net Sales	¥619.5bn	×1.4	¥860.0bn
GP Margin	36.8%	+4.8%pt	41.6%
R&D	¥42.1bn	×1.4	¥59.1bn
Operating Income	¥40.1bn	×2.1	¥85.9bn
ROIC	4.8%	+7.9%pt	12.7%
EPS	¥74.5	×4.0	¥296.9
Dividend	¥28	×2.7	¥76
Stock Price	¥1,780	×3.5	¥6,260

N.B. Closing price as of the end of March

Copyright: 2018 OMRON Corporation. All Rights Reserved.

1

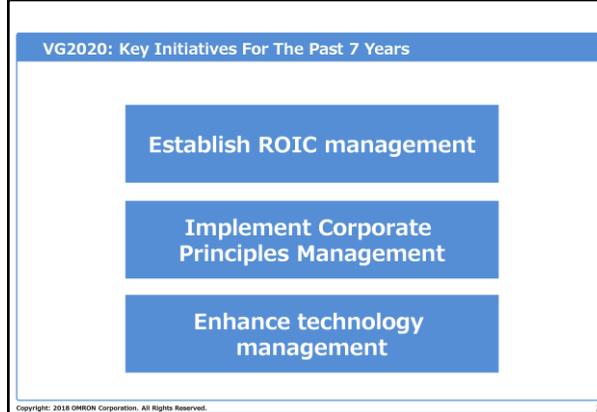
The left-hand column shows our results for FY2011. On the right, we show the same figures for FY2017, the fiscal year ended in March 2018. As you can see, OMRON has significantly improved earnings and enhanced corporate value over this period. Sales increased 1.4-fold, and operating income has more than doubled. ROIC has improved by approximately 8%-points, rising to 12.7%. As a result, EPS has quadrupled. The dividend and share price have increased 2.7x and 3.5x respectively.

For your information, during this 7-year period, we bought back 8.6 million shares worth ¥44.3 billion.

I would particularly like to highlight the gross profit margin (GP margin). This is the most important management metric for OMRON. We believe it demonstrates our profit-generating ability. Over the last 7 years, we were able to boost our GP margin by a very significant 4.8%-points.

We started our revitalization initiatives by focusing on improving our ability to generate profits. Organizationally, we enhanced the level of collaboration between the production, sales, R&D and planning functions. At the same time, we also focused on raising the quality of the solutions we provide to our customers. We have consistently focused on building a framework that ensured that our GP margin improved every year. This will continue to be a key initiative going forward. In FY2018, we aim to raise our GP margin further to 42.5%.

Next slide please.



Here we show the key initiatives for the past 7 years. We undertook many measures, but these are the three major initiatives.

First, firmly establishing ROIC management.
 Second, implementing Corporate Principles management.
 Third, enhancing technology-oriented management.

In order to firmly establish ROIC management, we set out management metrics, deconstructing ROIC into its component elements in order to create ROIC-linked objectives for each individual, from senior management on down. This allowed us to tie behaviors to achieving the ROIC targets. We specifically first broke ROIC down into return on sales and invested capital turnover. By then breaking these down further, we were able firmly instill awareness of ROIC throughout the organization. This has been a key ongoing initiative. We refer to this as the Down-Top ROIC Tree; we have been disciplined in applying this throughout the group.

However, the single largest contributor to our success in raising ROIC from 4.8% to 12.7% was the strong recovery in IAB. We developed a new concept, innovative-automation, and successfully made corporate acquisitions to support it. This is what allowed us to put IAB back on a growth trajectory.

Next, in implementing Corporate Principles management, we focused on 2 initiatives. The first was an effort to reduce the distance between senior management and line employees. We specifically created a role for those individuals that embodied the Corporate Principles, focusing on encouraging other employees to emulate their efforts. We continue to encourage such individuals to act as guiding lights in inspiring their peers.

The CEO Roundtables, where I engage with team leaders and the Chairman's Corporate Philosophy Dialogues are examples of activities to support this effort. In direct dialogues with line employees, senior management share personal experiences that led to deeper understanding of the Corporate Principles. We aim to encourage employees to then work to inspire those around them. Implementing Corporate Principles management is also an ongoing initiative that will remain a focus going forward.

The second is to manage the business in a manner that resonates with employees. In 2012 we created The OMRON Global Awards (TOGA), which is designed to encourage employees to embrace the spirit of the OMRON Principles. Employees create teams that work together on a declared theme that aligns with the OMRON Principles throughout the year. The results of each team's efforts are presented regionally; the top 13 regional teams are then invited to the Kyoto HQ on Founder's Day, to present to the entire group. Every year, enthusiasm for this activity continues to grow. The number of declared themes now stands at 6,200; the cumulative aggregate number of participating employees to date is 51,000, exceeding the current employee count of 36,000. The reason why the number of participants exceeds the number of employees is because there are employees that participate in multiple teams. This is also another initiative that we will continue.

Third is enhancing technology-oriented management. We appointed a CTO in 2015 to ensure we managed our business in a manner that integrates the technological and business imperatives. OMRON's unique technology-oriented management seeks to solve the social issues facing humanity. We created Near Future Designs that are based on technological innovation. We then identified the strategies necessary to achieve the Near Future Designs and are now executing on those strategies. CTO Miyata will talk about enhancing technology-oriented management in more detail later.

Turning now to our FY2017 results. Please see slide 3.

Summary

■ FY2017 Results

- Sales and profits up Y/Y. Excellent start to new medium-term management plan VG2.0.
- Strong IAB, HCB drove overall growth.
- Executed on investments for future growth as planned.

■ FY2018 Plan

- Expect to achieve new record high profits on further growth in IAB and HCB, the priority focus businesses under VG2.0.
- Further improve GP margin to generate funds for investments while maintaining ROIC management discipline in continuing structural reforms.
- Guiding for a full-year dividend of ¥92, up ¥16.

■ Enhance Technology Management

- Build foundation for growth focused on IAB, leveraging technology management initiatives to date.
- Accelerate development of new platforms to support growth beyond 2020.

This is a summary of the key takeaways.

First, our FY2017 results. In FY2017, we were able to grow both sales and profits. Sales, gross profits and net income achieved new record highs. Strong results at IAB and HCB drove the overall results; we were able to exceed our previous forecasts.

Next, the FY2018 plan. We expect that further growth at IAB and HCB will make it possible to set new record highs for earnings. We guide for a full-year dividend of ¥92, up ¥16, also a new high.

CTO Miyata will discuss enhancing technology-oriented management.

Next slide please.

Contents

1. FY2017 Results	P. 5
<hr/>	
2. FY2018 Plan	P. 11
<hr/>	
3. Technology Management	P. 26
<hr/>	
4. VG2.0: Progress Update	P. 37
<hr/>	
Reference	P. 40

This is the agenda for today's briefing.

I will first present the FY2017 results in more detail.

Please turn to slide 6.



FY2017 Results

FY2017 Results

Sales and profits up Y/Y. New record highs for sales, gross profit and net income. GP margin was 41.6%, reflecting significant improvement in ability to generate profits

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) / (1)	FY2016	
				Actual	Y/Y
Net Sales	850.0	860.0	+1.2%	794.2	+8.3%
Gross Profit (%)	353.5 (41.6%)	357.7 (41.6%)	+1.2% (+0.0%pt)	311.8 (39.3%)	+14.7% (+2.3%pt)
Operating Income (%)	85.0 (10.0%)	85.9 (10.0%)	+1.1% (-0.0%pt)	67.6 (8.5%)	+27.1% (+1.5%pt)
Net Income Attributable to Shareholders	59.0	63.2	+7.0%	46.0	+37.3%
1USD (JPY)	111.3	111.2	-0.1	108.9	+2.3
1EUR (JPY)	127.9	129.4	+1.5	119.4	+10.0

(¥bn)

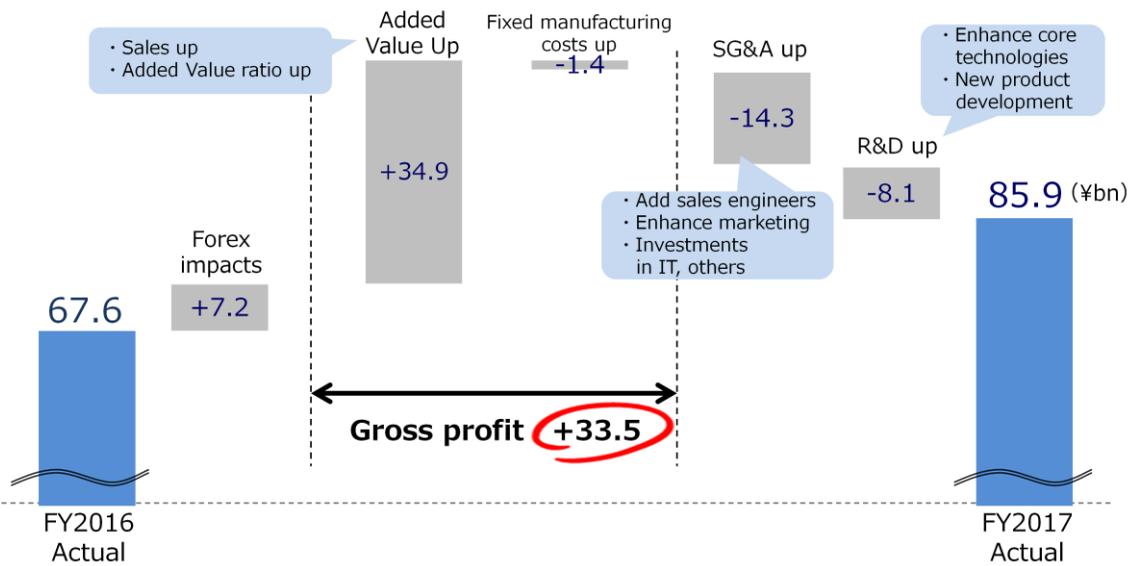
As you can see, we were able to finish the full year ahead of our January forecasts.

Net sales were ¥860 billion, gross profit was ¥357.7 billion, operating income was ¥85.9 billion and net income ¥63.2 billion. Sales rose 8.3% Y/Y while profits were up substantially Y/Y. Net sales, gross profit and net income all set new record highs.

The GP margin, which is the key management metric for OMRON, improved 2.3%-points to a new record high of 41.6%. OMRON continues to consistently improve its ability to generate profits.

Operating Income Analysis, Y/Y

GP margin significantly higher. Able to proactively invest for the future while also growing profits substantially



Copyright: 2018 OMRON Corporation. All Rights Reserved.

7

This waterfall chart shows the changes in key elements contributing to operating income from the previous fiscal year to FY2017. The ¥67.6 billion on the left is FY2016 operating income; the ¥85.9 billion on the right is operating income for FY2017.

As you can see, gross profit improved by a hefty ¥33.5 billion yen, on the back of higher sales and an improved added value ratio. While net sales increased significantly, we were also able to manufacture more efficiently, with fixed costs rising only ¥1.4 billion. Manufacturing innovation is also contributing to a higher GP margin. Investments for future growth were executed in line with plan, with increased spending for sales engineers and marketing as well as investments to further enhance core technologies. As a function of this, SG&A and R&D expenses rose Y/Y.

Sales by Business Segment

**Substantial growth at IAB of approx. 20%.
HCB also posted solid growth**

(¥bn)

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) / (1)	FY2016 Actual	Y/Y
IAB Industrial Automation	393.0	396.1	+0.8%	331.0	+19.7%
EMC Electronic & Mechanical Components	99.5	102.8	+3.4%	93.9	+9.5%
AEC Automotive Electronic Components	129.5	131.2	+1.3%	132.1	-0.7%
SSB Social Systems, Solutions & Service	63.5	63.7	+0.3%	61.9	+3.0%
HCB Healthcare	108.5	108.5	-0.0%	101.3	+7.1% *(+11%)
Other Businesses under the Direct Control of HQ	52.0	54.8	+5.4%	68.5	-20.0%
Eliminations & Corporate	4.0	2.8	-29.5%	5.5	-49.2%
Total	850.0	860.0	+1.2%	794.2	+8.3%

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

* Excl. Omron Colin

We show the sales breakdown by segment on this slide.

There are 2 key takeaways from this slide.

The first is that IAB, which is our top priority business under VG2.0, was able to achieve substantial growth of close to 20%, strongly contributing to overall growth.

The second is that HCB, also a priority business, was able to deliver strong sales growth, primarily driven by rising sales in emerging markets. If we exclude the impact of the sale of the former Omron Colin in December 2017, then net sales growth was in excess of 10% Y/Y.

We note that the Other segment reported sales down 20%, but this is a reflection of the ongoing restructuring efforts at the backlight and Micro Devices businesses.

Operating Income by Business Segment

IAB up significantly. HCB also contributed to overall profit growth

(¥bn / % of net sales)

	(1) FY2017 Fcst (Jan)	(2) FY2017 Actual	(2) - (1)	(3) FY2016 Actual	(2) - (3)
IAB Industrial Automation	73.0 (18.6%)	74.0 (18.7%)	+1.0 (+0.1%pt)	52.0 (15.7%)	+22.0 (+3.0%pt)
EMC Electronic & Mechanical Components	12.0 (12.1%)	12.1 (11.8%)	+0.1 (-0.3%pt)	9.4 (10.0%)	+2.7 (+1.8%pt)
AEC Automotive Electronic Components	6.0 (4.6%)	5.8 (4.4%)	-0.2 (-0.2%pt)	7.1 (5.4%)	-1.3 (-1.0P%)
SSB Social Systems, Solutions & Service	4.0 (6.3%)	4.1 (6.5%)	+0.1 (+0.2%pt)	3.7 (6.0%)	+0.4 (+0.5%tp)
HCB Healthcare	10.5 (9.7%)	11.2 (10.3%)	+0.7 (+0.7%pt)	8.5 (8.4%)	+2.7 (+1.9%pt)
Other Businesses under the Direct Control of HQ	-2.5 (-)	-2.1 (-)	+0.4 (-)	-1.8 (-)	-0.3 (-)
Eliminations & Corporate	-18.0	-19.2	-1.2	-11.3	-7.9
Total	85.0 (10.0%)	85.9 (10.0%)	+0.9 (-0.0%pt)	67.6 (8.5%)	18.3 (+1.5%pt)

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

Next is the segment breakdown for operating income.

As you can see, as with net sales, IAB reported a substantial increase. HCB also contributed to overall profit growth. Both of these businesses reported new record high profits. However, AEC, where we are making changes to the product portfolio with an eye to the future, and the Other segment both reported lower profits Y/Y.

I would like to talk about IAB in more detail.

Backdrop to IAB Growth: High Growth in Focus

Net Sales (Global) of Focus Industries

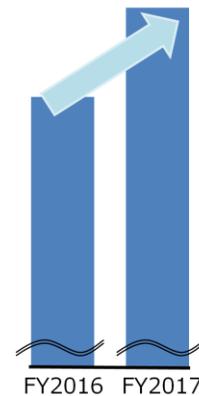
(vs FY2016, on a local currency basis)

+ 23%

Japan, Americas,
Europe, Southeast Asia
+ 21%



Greater China
+ 28%



OMRON's growth is a function of the strong growth in the 4 focus industries: Auto, Digital, Food & Beverage and Infrastructure. On a global basis, sales in the 4 focus industries grew 23% Y/Y. In particular, we saw sales for the 4 focus industries grow a substantial 28% in Greater China. However, even apart from China, aggregate sales for Japan, the Americas, Europe and Southeast Asia also grew a hefty 21% Y/Y. We are now reaping ever-larger rewards from our IAB growth strategy on a global basis.

Sales from the digital industry rose significantly on the back of higher smartphone-related demand in 1H FY2017. Demand related to FPDs, secondary batteries and semiconductors was strong, supporting digital industry sales in a well-balanced manner over the course of the fiscal year.

In addition, we saw double-digit growth for the auto and the other remaining focus industries; the balance between the industries is also improving. This completes my discussion of the FY2017 results.

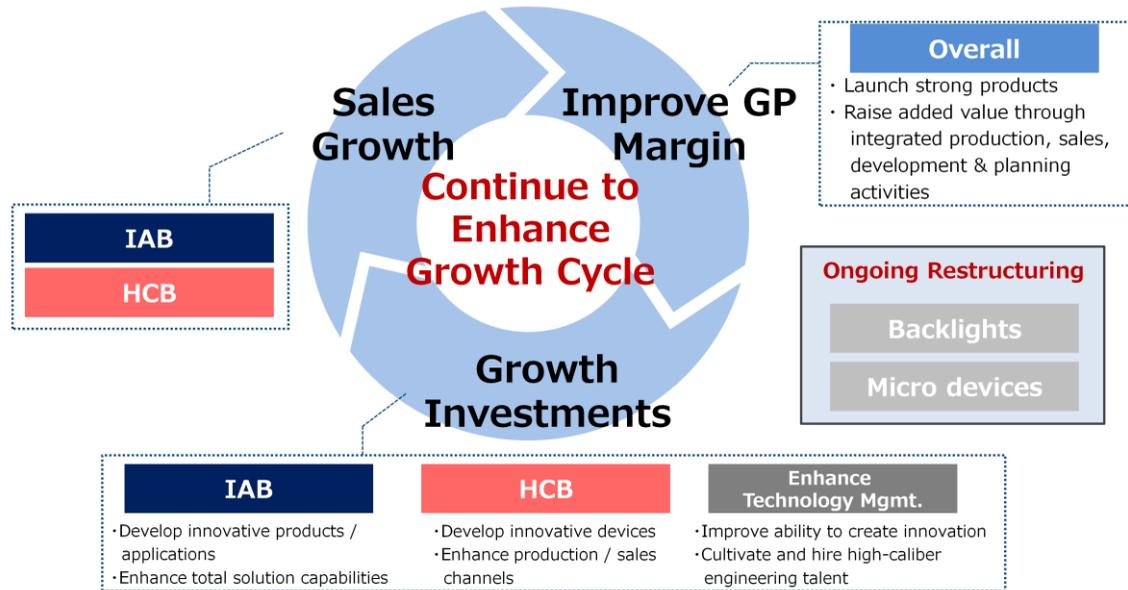
Next, I will talk about the FY2018 plan. Please turn to slide 12.



FY2018 Plan

Key Initiatives for FY2018

Continue to enhance growth cycle to achieve VG2.0 goals



I will start with a discussion of the key initiatives for FY2018.

OMRON's top priority is to continuously enhance the growth cycle. This starts with the launch of strong new products and project activities to integrate production, sales, development & planning in order to further raise the GP margin. We then allocate some of the increase in profits generated through higher added value to invest for future growth. We show here the areas we will target for growth investments. This will allow us to enjoy substantial sales growth for both IAB and HCB. This is the framework for continuously enhancing the growth cycle. The cycle worked extremely well in FY2017. In FY2018, we will focus on raising our game even more, accelerating the speed of the cycle.

However, we will also be disciplined in applying ROIC management, continuing to address businesses that require structural initiatives, specifically the Backlight and the Micro Devices businesses.

This continuous growth cycle will enable us to ensure that we achieve our VG2.0 targets for FY2020.

FY2018 Plan

Project new record high earnings. Key GP margin to rise to 42.5%

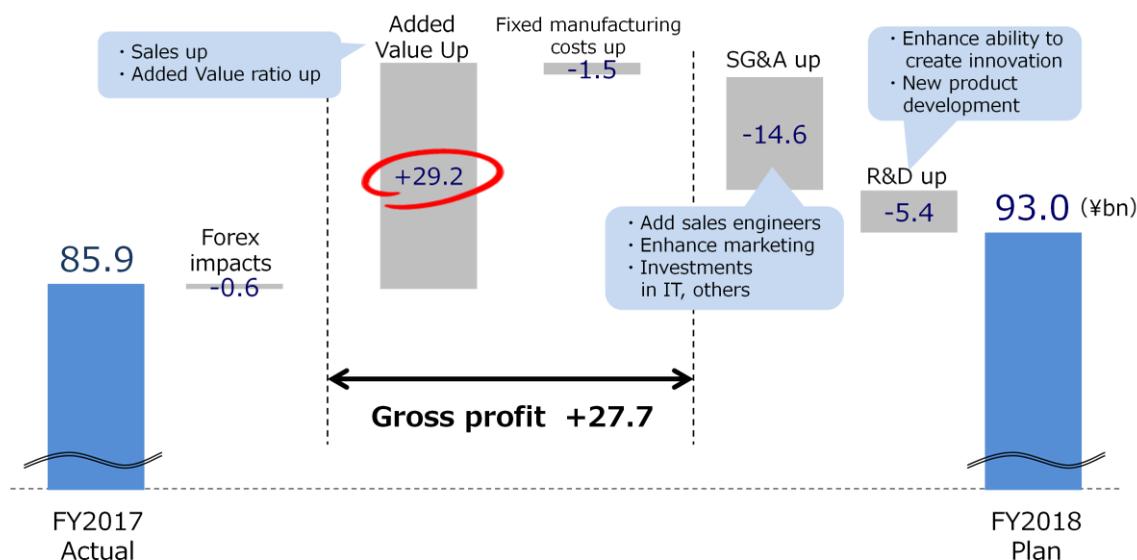
	FY2017 Actual	FY2018 Plan	Y/Y
			(¥bn)
Net Sales	860.0	900.0	+4.7%
Gross Profit (%)	357.7 (41.6%)	382.5 (42.5%)	+6.9% (+0.9%pt)
Operating Income (%)	85.9 (10.0%)	93.0 (10.3%)	+8.3% (+0.3%pt)
Net Income Attributable to Shareholders	63.2	64.5	+2.1%
1USD (JPY)	111.2	107.0	-4.2
1EUR (JPY)	129.4	131.0	+1.6

On slide 13, we show our FY2018 targets.

We project net sales of ¥900 billion, gross profit of ¥382.5 billion, operating income of ¥93 billion and net income of ¥64.5 billion. We expect to achieve new record highs in sales and profits. We will also further bolster our ability to generate profits, aiming to raise our GP margin to 42.5%.

Operating Income Analysis, Y/Y

Proactively invest for future growth, supported by higher added value generation. While investing, also achieve Y/Y profit growth



This is the waterfall chart for changes in key elements contributing to operating income from FY2017 to our FY2018 target, using the same structure we applied previously to analyzing operating income changes in FY2017.

FY2018 is the second year of VG2.0. We believe our continued focus on improving our profit-generating capability will allow us to further grow added value. We will promote and accelerate the virtuous cycle using the increase in profits to boost the pace of growth through proactive investments in FY2018. I believe firmly that our ability to generate profits continues to improve, so I expect we will be able to continue to grow profits despite a proactive investment plan.

Sales by Business Segment

Strong growth from IAB, HCB to drive overall growth

(¥bn)

	FY2017 Actual	FY2018 Plan	Y/Y
IAB Industrial Automation	396.1	428.0	+8.0%
EMC Electronic & Mechanical Components	104.4	102.0	-2.3%
AEC Automotive Electronic Components	131.2	128.0	-2.4%
SSB Social Systems, Solutions & Service	63.7	67.0	+5.2%
HCB Healthcare	108.5	119.0	+9.7%
Other Businesses under the Direct Control of HQ	51.0	50.5	-0.9%
Eliminations & Corporate	5.2	5.5	+6.3%
Total	860.0	900.0	+4.7%

N.B. Micro device business previously included in Other segment now included in EMC and Eliminations & Corporate

We show here the breakdown of our sales forecast by segment. As you can see, IAB and HCB, the priority focus businesses, will continue to strongly drive overall growth.

We expect EMC sales to decline on weakness in the Amusement Equipment business but consumer-related sales should remain firm. EMC supplies both IAB and HCB with competitive key devices. We have clearly positioned EMC as a component business and aim to increase internal sales going forward.

Operating Income by Business Segment

Targeting substantial growth at IAB and HCB

(¥bn / % of net sales)

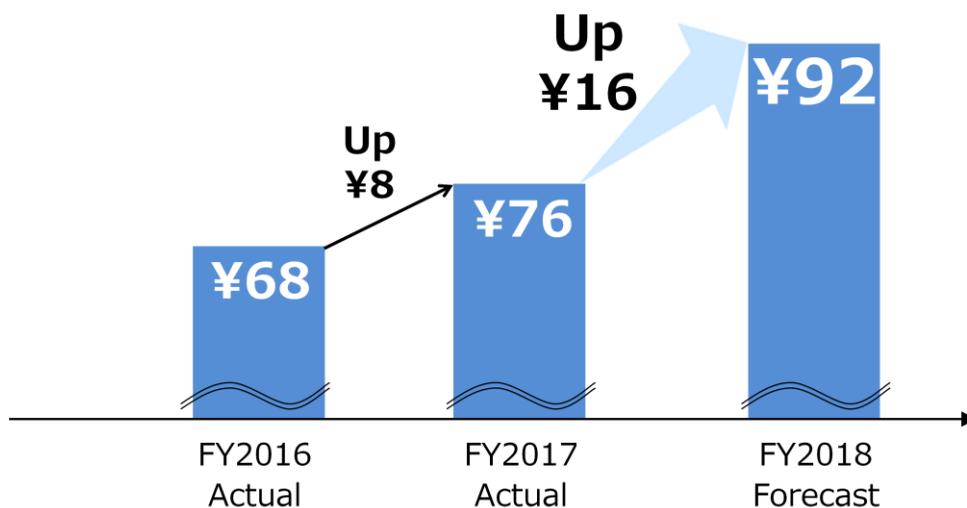
	(1) FY2017 Actual	(2) FY2018 Plan	(2) - (1)
IAB Industrial Automation	74.0 (18.7%)	82.0 (19.2%)	+8.0 (+0.5%pt)
EMC Electronic & Mechanical Components	12.5 (12.0%)	12.5 (12.3%)	+0.0 (+0.3%pt)
AEC Automotive Electronic Components	5.8 (4.4%)	6.0 (4.7%)	+0.2 (+0.3%pt)
SSB Social Systems, Solutions & Service	4.1 (6.5%)	4.5 (6.7%)	+0.4 (+0.3%pt)
HCB Healthcare	11.2 (10.3%)	12.5 (10.5%)	+1.3 (+0.2%pt)
Other Businesses under the Direct Control of HQ	-0.5 (-)	0.0 (-)	+0.5 (-)
Eliminations & Corporate	-21.2	-24.5	-3.3
Total	85.9 (10.0%)	93.0 (10.3%)	+7.1 (+0.3%pt)

N.B. Micro device business previously included in Other segment now included in EMC and Eliminations & Corporate

Slide 16 shows the breakdown of our operating income forecast by segment. While we will continue to increase our growth investments, we project substantial profit gains for IAB and HCB.

Full-year Dividend

Guiding for ¥92 dividend in FY2018 (up ¥16)



N.B. FY2017 full-year dividend to be approved at AGM; FY2018 interim and year-end dividend TBD.
Aim for dividend payout ratio of approximately 30% and DOE of approximately 3%.

Turning now to shareholder returns, I will first talk about dividends. We have set our full-year dividend for FY2017 at ¥76, up ¥8 Y/Y. Our guidance for the full-year dividend in FY2018 is ¥92, up ¥16. Going forward, we will continue to focus on making stable and sustainable dividend payments.

Next is share buybacks.

Share Buybacks

**Buy back ¥14.3 billion in shares in FY2017,
enhancing shareholder returns**

**Share
Buybacks**

**Buy back ¥14.3 billion in shares
in FY2017 (2.35 million shares)**

N.B. The above does not include ¥4.7 billion yen in share buybacks for the BIP (Board Incentive Plan) trust. (If included, total buybacks were ¥19 billion.)

At our Q1 FY2017 results briefing, we announced we had earmarked ¥20 billion for the repurchase of shares to be completed by the end of March 2018. As of the end of March, we had bought back ¥14.3 billion or 2.35 million shares.

While we will continue to proactively invest for future growth, we are committed to maintaining stable shareholder returns as well.

This covers our FY2018 plan.

I will now comment in more detail on the evolution of our IAB business, which is the primary driver of our growth, highlighting specific examples.

Accelerate Growth with Innovative Concept for Manufacturing

Accelerating growth with **innovative-Automation**

Concept	innovative-Automation Bring innovation to manufacturing by OMRON	
Direction	Evolution in control	i ntegrated
	Intelligence developed through ICT	i ntelligent
	New harmonization between humans and machines	i nteractive

Please turn to slide 19.

The strategic concept we are applying to IAB to accelerate growth is innovative-Automation.

Through innovative-Automation, we aim to bring innovation to manufacturing along 3 axes or 'i's.

The three 'i's are:

'integrated': The evolution of control technologies to support ultrahigh speed, and ultrahigh precision manufacturing.

'intelligent': The application of ICT technologies to enable manufacturing facilities to leverage data relevant to the manufacturing process.

'interactive': The achievement of a new level of human-machine harmonization.

Through innovative-Automation, we aim to develop innovative solutions that will address the increasingly pressing social issues faced by our customers, such as labor shortages or maintaining product quality. This will drive topline growth for OMRON.

Accelerating **innovative**-Automation

Enhance total solution capabilities to accelerate **innovative**-Automation. Apply to the 4 Global Focus Industries

4 Global Focus Industries

Enhance Total
Solution
Capabilities



To accelerate innovative-Automation, we will enhance our ability to provide total solutions and apply it to the 4 global focus industries. I would like to discuss this in greater detail.

Enhance Total Solution Capabilities



Copyright: 2018 OMRON Corporation. All Rights Reserved.

21

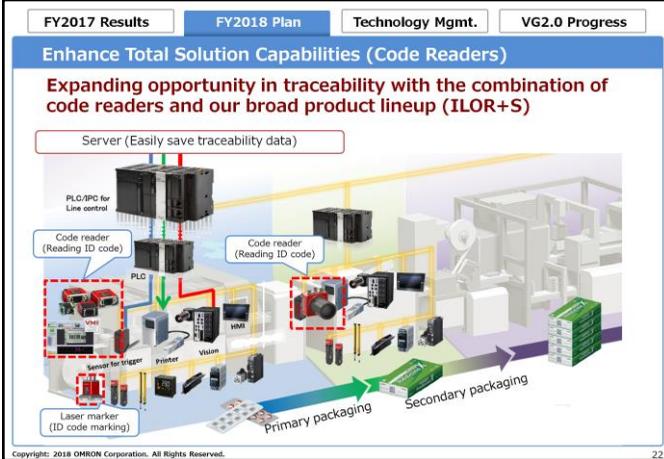
As you know, the breadth of our product offering is unmatched in the industry. Additionally, OMRON can offer not only seamless integration of all products covered under ILOR + S, but can also apply high-level engineering expertise to harmonize across all of its products used in a production line. Omron is now building out its portfolio of programmable software applications that can be implemented very easily by customers.

In order to provide even more sophisticated solutions, we have already made four acquisitions over the last three years:

Sentech, a dedicated FA-use industrial camera manufacturer;
 Microscan, which has leading-edge 2D barcode technology;
 Delta Tau, which boasts world-class motion controllers; and Delta Tau, which boasts world-class motion controllers; and Adept, which offers a diverse array of industrial robots.

All four are considered technological leaders in their respective fields. For customers in the fast-growing 4 focus industries, OMRON offers total solutions consisting of combinations of high spec devices and easily programmable control application software. This has enabled us to contribute to helping our customers resolve major challenges. Going forward, we will continue to enhance our total solution capabilities.

I will showcase 2 specific examples, highlighting code readers and robotics.



Our first example is FA-use code readers.

Over the last few years, product quality has become a major social issue. We have seen an increase in health damage as a result of fraud in the food, beverages and drug industries. There have been serious issues related to product quality in smartphone handsets and a rising number of vehicle recalls. OMRON seeks to resolve such social issues and to create a society where consumers can feel safe and secure.

We specifically propose to mark ID codes on everything down to the level of individual components, no matter how small or what shape. 2D code markings can be reduced to several tenths the size of conventional barcodes while still being capable of containing up to a maximum of 7,000 characters. This makes it possible to have an automated process with full traceability down to each individual component. This is why we made the acquisition of the leading code reader company, Microscan, last year. With this acquisition, we have been able to enter the traceability market in a timely manner as the market opportunity expands.

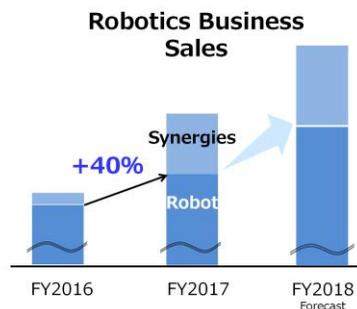
We chose Microscan because we were very keen to have its sophisticated technological expertise, given strong global superiority in key features. We were specifically interested in Microscan's capability in reading super-fine codes and reading codes on rough or curved surfaces.

By packaging the fully harmonized combination of this superior reading technology with OMRON's strengths of ILOR+S, supported by dedicated control application software, our customers are able to easily adopt OMRON's traceability systems in their manufacturing lines. We have already initiated field testing of this new technology in several applications with a number of our major customers. These new systems make it possible to have full traceability down to individual components, something our customers had believed to be impossible.

We believe the traceability opportunity will expand significantly going forward. We aim to capture this demand to grow our business as well as contribute to solving this important social issue.

Enhancing Total Solution Capabilities (Robotics)

Improve productivity, address labor shortages with total solutions using robotics. Sales to continue accelerating beyond FY2018



Copyright © 2018 OMRON Corporation. All Rights Reserved.

23

*Through the acquisition of industrial robotics player Adept, OMRON not only acquired a strong new customer base, but is now able to offer new value to its customers.

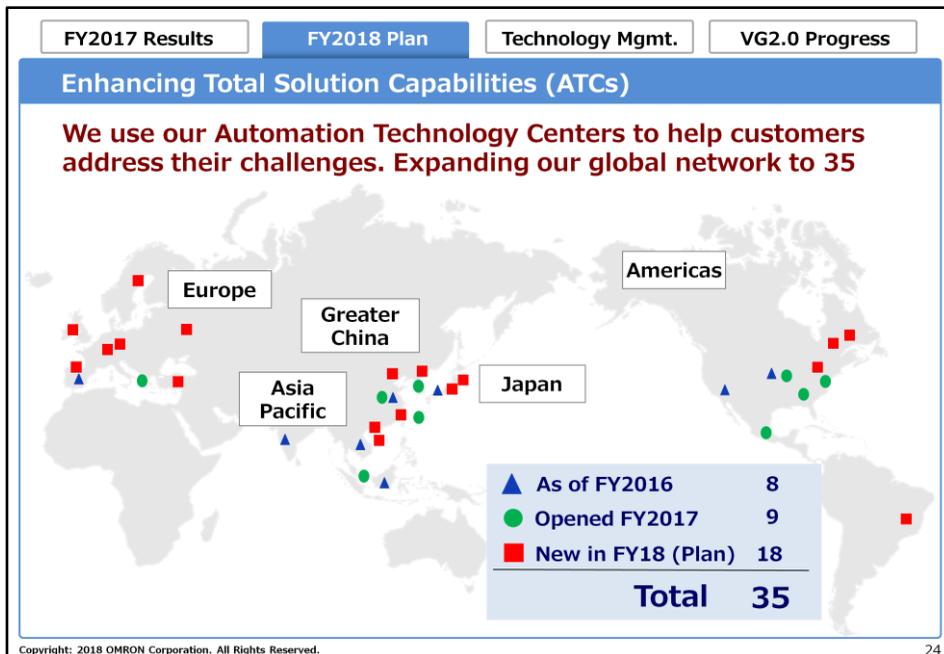
OMRON's target in the robotics field is not in the area of large-scale industrial robots, such as those that are being used in welding and painting applications for the auto industry. Instead OMRON is focused on the parts of the manufacturing process that had relied on human workers to date. We aim to use robotics to make it easy to automate such processes, as well as to develop new fields for robot use, with robots working to assist humans in production lines.

Labor shortages have become increasingly acute and a major social issue. This is particularly the case for manufacturing processes that have historically been labor intensive and where automation has lagged. OMRON aims to solve this issue.

OMRON can provide total solutions that incorporate not only robots, but leverage its broad array of products such as PLCs and sensors. OMRON solutions are easy to adopt and provide superior productivity while also granting high degree of flexibility in manufacturing.

For example, a pick-and-place process requires proper positioning of target objects at high speeds. In the food processing industry, gripping objects that are different shapes or colors and have different degrees of hardness requires a high level of expertise in control technologies. OMRON is providing its customers with total solutions that combine a wide variety of sensors with a sophisticated PLC and proprietary software, to simultaneously control both robots and production lines.

As a result of such activities, we were able to grow sales in our robotic business by 40% Y/Y in FY2017. The increase in solutions package sales has also allowed us to increase sales of sensors, controllers and other devices around the sales of robots. Such synergies have contributed to sales growth in a broad range of products. For FY2018, we expect to outpace the sales growth we saw in FY2017.



Next, I would like to talk about our Automation Technology Centers (ATCs).

We are investing to enhance our capability to provide value to our customers. We are specifically increasing and upgrading our sales and sales engineering resources as well as expanding our investments in ATCs globally. We believe the ATCs provide a forum for us to help our customers address major challenges. OMRON's ATCs are equipped with our latest equipment to demonstrate how we can improve our customers' productivity.

We focus on first helping our customers visualize and identify specific issues, before making kaizen proposals. Virtually every day, OMRON engineers at each of the ATCs are conducting consultations for customers. As of FY2016, we had 8 ATCs. We added 9 in FY2017, mainly in North America. We plan to add another 18 in FY2018, bringing the total to 35.

We are selecting locations that will maximize access to the 4 focus industries. The ATCs are an indispensable function for OMRON given our focus on making solutions-based proposals. We believe our ATCs have proven to be highly effective; as such, we have decided to dramatically grow the network over this 2-year period.

We hope to further promote collaborative activities with our customers going forward and will work to enhance our ability to provide customers with attractive solutions and support.

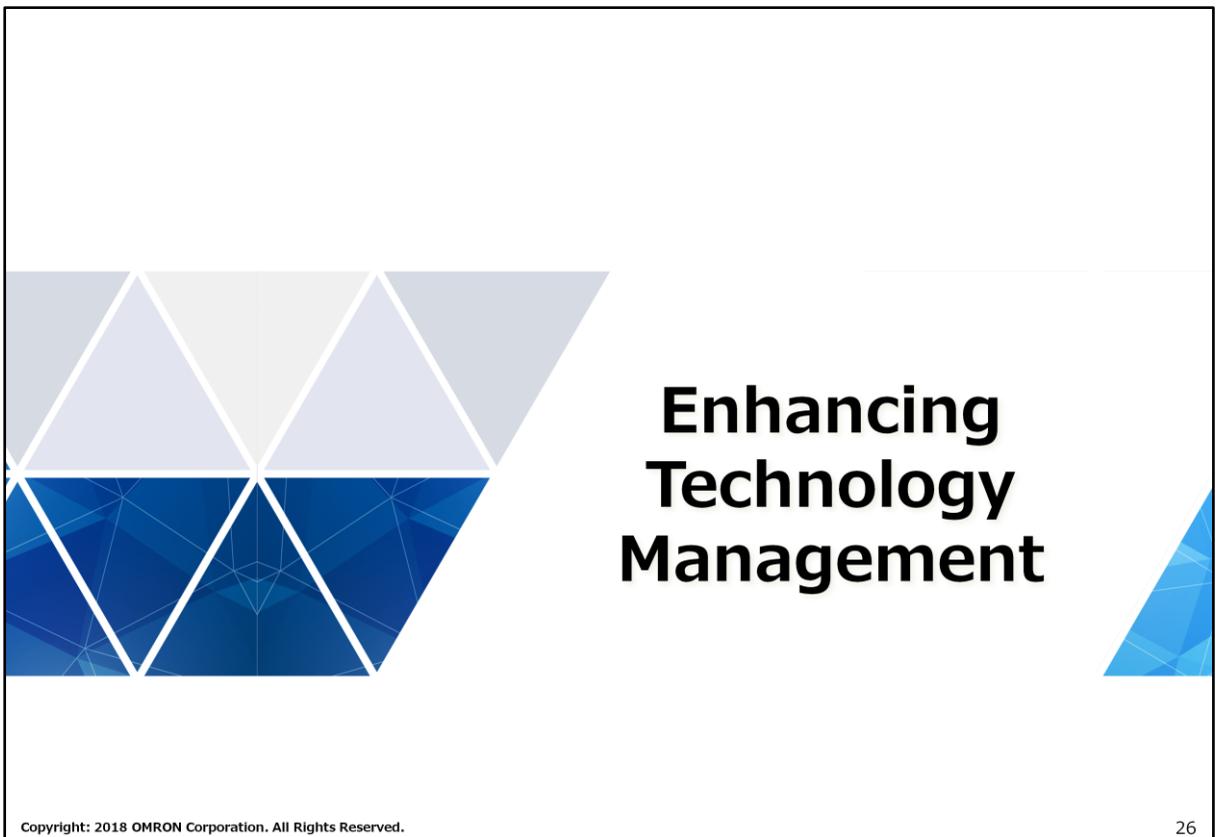
VG2020: Key Initiatives For The Past 7 Years

Establish ROIC management

Implement Corporate
Principles Management

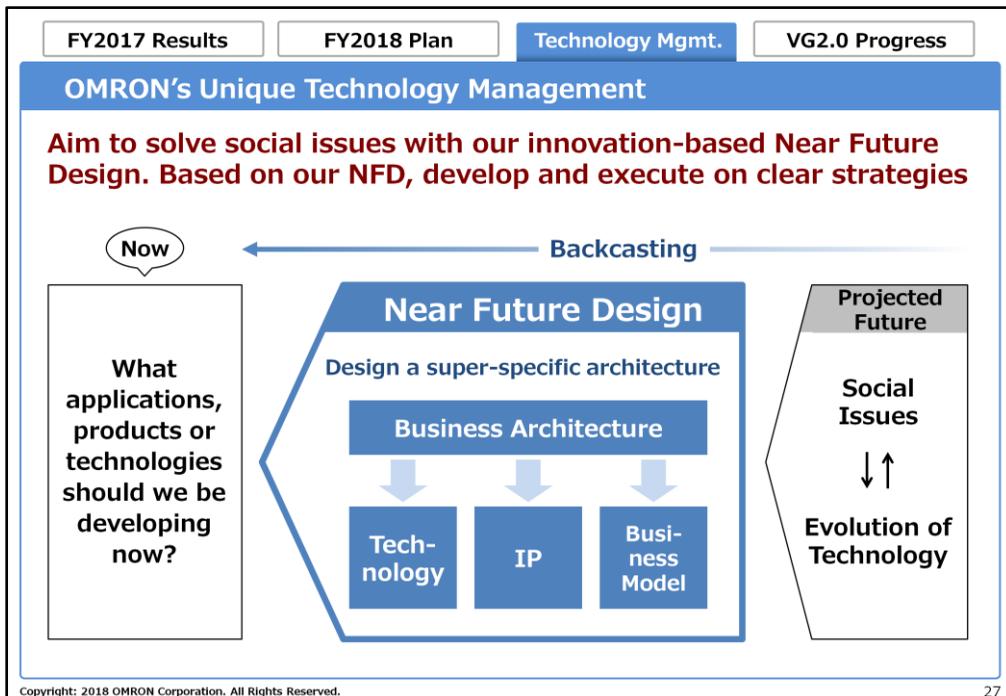
Enhance technology
management

This covers the FY2018 plan and our strategies for the continued evolution of IAB, the mainstay of our growth. I will now hand over to CTO Miyata for a discussion of how we propose to enhance our technology-oriented management.



I am CTO Miyata. Thank you for the opportunity to address you.

Within growth investments, OMRON places a very high priority on investments to develop future technologies. In developing strategies for such investments, our discussions focus on how to maximize the contribution to our businesses in the future and how to link such investments to future returns. Today, I will talk about this process at OMRON and technology-oriented management.



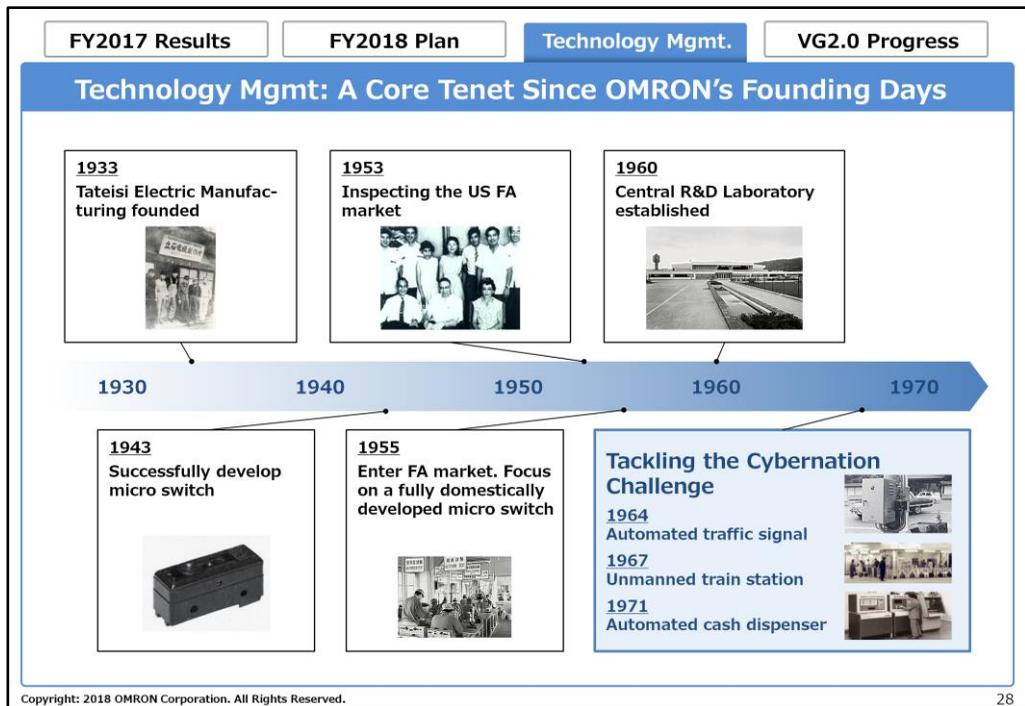
First, to frame the discussion, I am sure you are familiar with the terms forecasting and backcasting. Forecasting is a process for developing strategies which posits an outlook for the future based on where we are today. In other words, the starting point is the product or business portfolio of today and the process is one of extrapolation, trying to think about how these might change in one-, two- or three-years' time. The vast majority of our businesses are operated under the forecasting model.

On the other hand, backcasting starts by defining what we want to be at a given point in the future, including aspirational elements. We then work back to identify the strategies necessary to achieve the objectives.

With regard to investing in technologies for the future, backcasting is the core methodology for OMRON. Having said this, it is very challenging to backcast successfully. The biggest challenge is to formulate an accurate picture of the projected future. If you are not careful, you run the risk of finding yourself in the realms of science fiction, where your projected future is nothing more than invention.

This diagram includes a reference to Near Future Designs. We attach great significance to having designs for the near future. We define the near future as a range between 3 to 7 years. Additionally, under our model, we require a super-specific architecture for this time frame. In other words, we task ourselves with ensuring that we formulate a highly specific design for our businesses. Based on this, we also formulate specific plans for technology, intellectual property and business models. This is the framework we have in place when we look at what we should be doing now.

As we state at the top of the slide, our objective is to solve the social issues of our customers with our innovation-based Near Future Design, applying the clear strategies we develop under this framework. This is the concept that underlies technology-oriented management, in which we link technology to our businesses.



This concept is not new for OMRON. Instead, it dates back to the earliest days of our business.

On this slide we show highlights from the OMRON timeline, dating back to the 1930's. Kazuma Tateishi, our founder, established the forerunner of OMRON, Tateisi Electric Manufacturing in 1933.

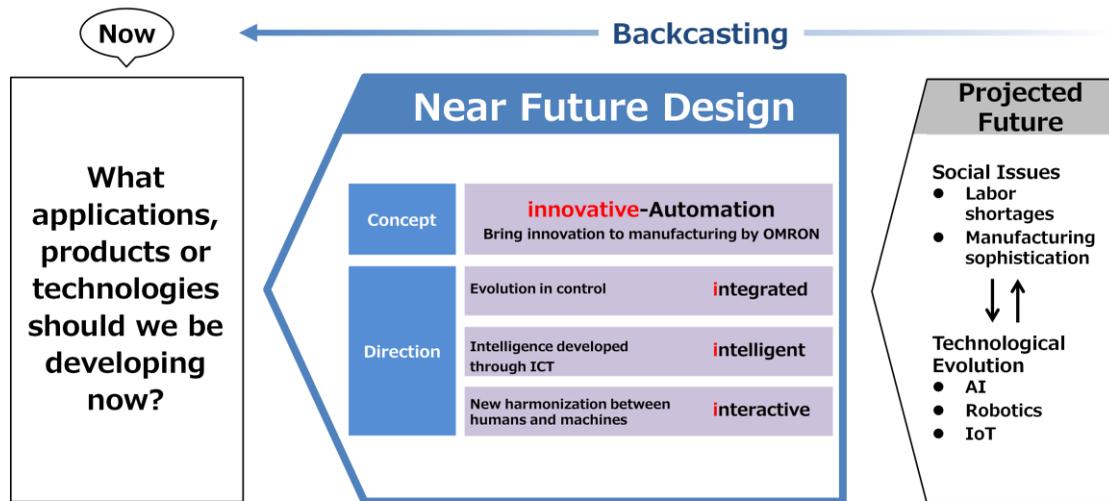
In the 1950s, factory automation began to emerge in Japan. Founder Tateishi launched relays and sensors for this new market, laying the foundation for our business today. From the late 50's, realizing that automation opportunities were not limited to just factories, Tateishi started to develop other non-factory use automation products, such as the unmanned train station equipment, automated cash dispensers and automated traffic signal highlighted in the lower right-hand box. All of these products are now a normal part of our everyday lives, but at the time, all of these were new products that existing only in the imagination.

Tateishi envisioned a Near Future Design that included these products, and based on this, he built the Central R&D Laboratory in 1960. The total investment for the Central R&D Laboratory was 4x the company's capital at the time. In today's terms, this would be the equivalent to a massive ¥250 billion. Once built, he set about hiring engineers in order to bring his dreams to fruition.

In practical terms, the three businesses highlighted only started to contribute positively to overall profitability from 1973, 13 years after the building of the Central R&D Laboratory. This epitomizes technology-oriented management at OMRON.

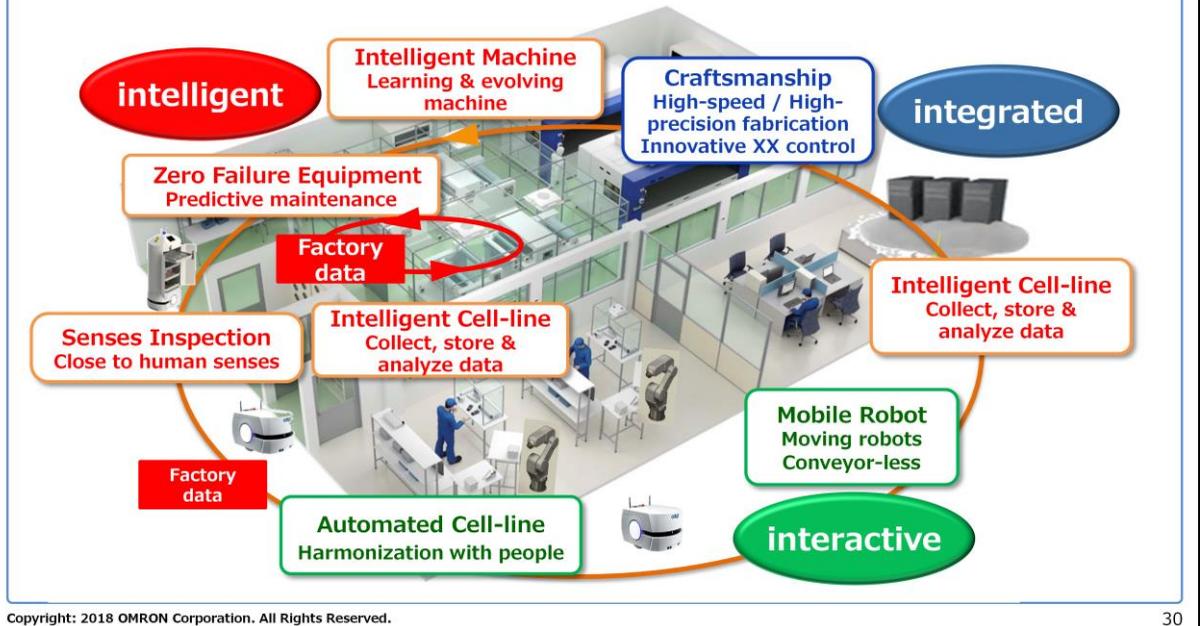
Backcasting Approach: Applications for FA

Innovation in manufacturing underpins the FA Near Future Design. We identify the applications required for NFD and backcast to develop the appropriate products and technology



The example we have talked about dates back more than 50 years. The equivalent today would be innovative-automation: a concept that was developed through the use of a Near Future Design and a backcasting process. The initial concept for innovative-automation was developed approximately 10 years ago.

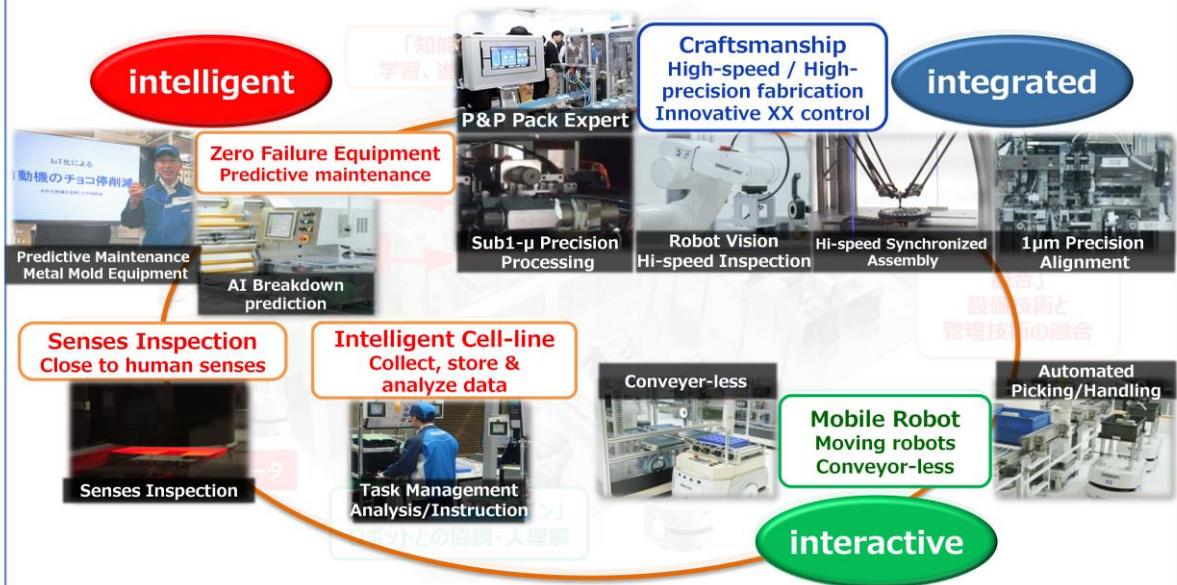
Near Future Design for Manufacturing

innovative-Automation: 3 "i"s drive innovation in manufacturing

This is the updated version of the innovative-automation concept. As I noted earlier, the original concept was developed around 10 years ago. At that time, neither AI nor IoT were in common parlance but we believed that there would come a time when the data generated in manufacturing lines could be used freely. Moreover, we believed that more sophisticated control technology would become possible with the introduction of artificial intelligence. On this assumption, we posited a wide range of concepts for the 3 'i's.

However, taken as is, the concept is no more than a blueprint for the future, rather than a Near Future Design. The concept in isolation is not something that has immediate applications for our customers.

Innovative Applications Based on our Near Future Design



Copyright: 2018 OMRON Corporation. All Rights Reserved.

31

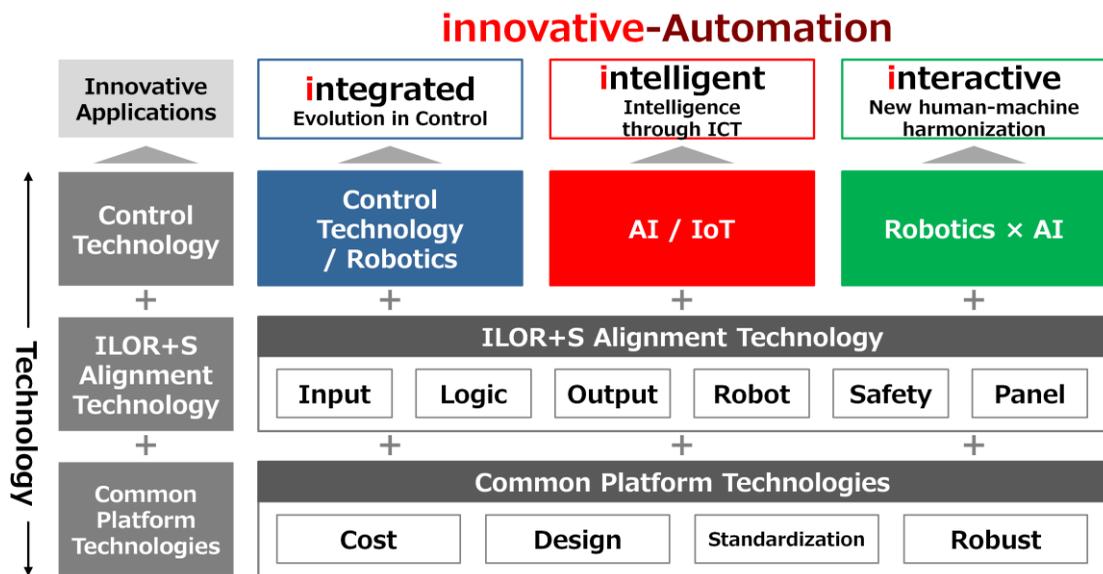
To convert this concept into a Near Future Design, we created specific innovative solutions. These are control applications that our customers could actually adopt to address the challenges they face now, or advances in control technologies that address issues that our customers have yet to recognize.

A good example is the senses inspection in the lower left of the slide. Automating senses inspections has long been considered extremely difficult, since the inspections rely on the 5 human senses. A broad array of technologies are required in order to replace a human with a machine.

A major smartphone handset manufacturer has 30,000 employees focused solely on senses inspections at a single plant. Our automated solution contributes to higher productivity. Not only this, it eases the physical burden placed on the individuals conducting the inspections, which are arduous and tiring. Over the last few years, we have been focused on providing a specific and innovative application for this.

This gives you a sense for the concept of Near Future Designs.

Technology Architecture for Creating Innovative Applications



You now have an image of the concept. What comes next is key: applying this to the technology strategies. There are a number of ways to approach this but for innovative-automation, we have split it into three layers of technology.

The lowest is common platform technologies that can be used at all layers.

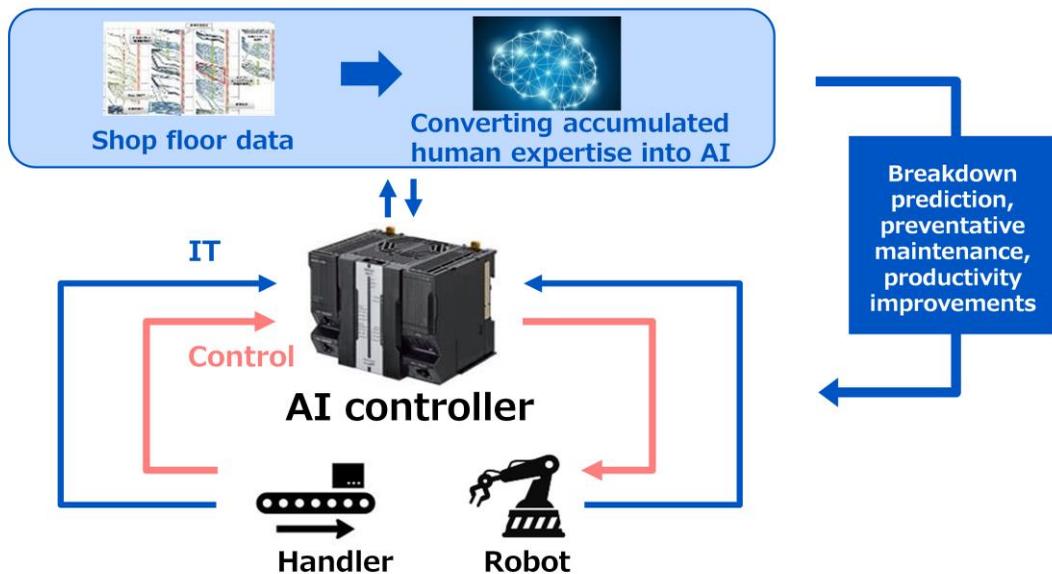
The middle layer is ILOR+S alignment technology. Sophisticated control technologies require a high level of alignment between devices.

Finally, the top layer is control technology.

What we do is to clearly identify the necessary technologies, and then, we focus on development supported by advance investments.

Value of AI Technology in FA

Incorporating know-how of highly experienced engineers into devices and production lines

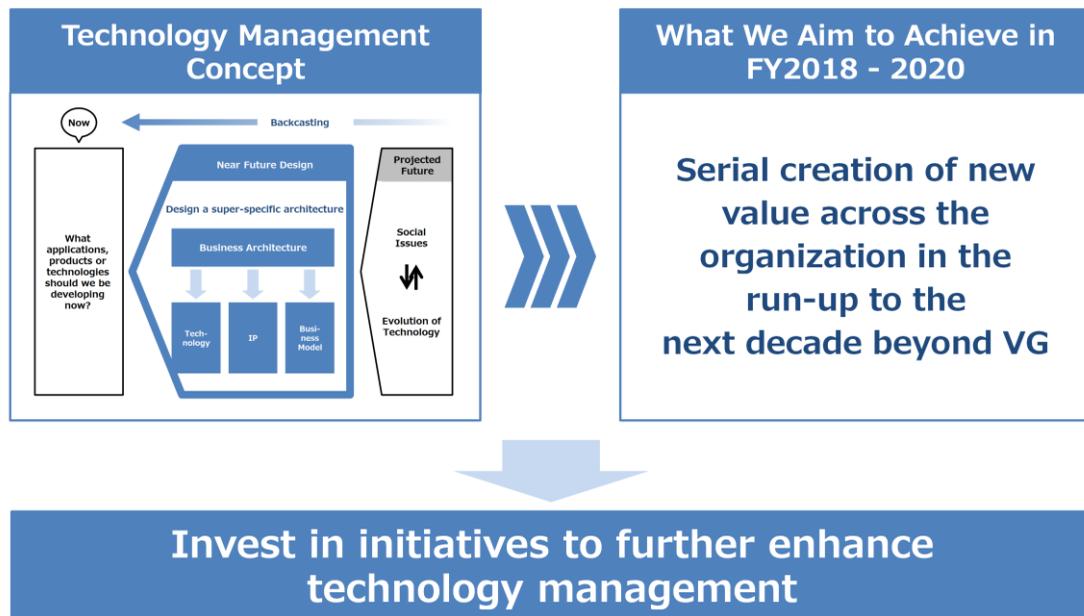


I will share one example of investment in advanced technologies.

This is an AI controller that we have discussed previously. Like innovative-automation, this was originally developed around 10 years ago. At the time, executing on the kinds of innovative applications posited under innovative-automation would have been impossible using a standard controller. A standard controller would not be able to deliver the necessary speed. Also, at the time, controllers were developed to only provide control (as shown with the red arrows) and were not enabled for collecting and submitting data for analysis. In addition, it was not possible to incorporate AI-like functionalities into controllers in order to achieve higher performance.

So 10 years ago, we set out to develop a revolutionary controller with a completely new architecture. The resulting controller was able to deliver extremely high performance but was also very expensive. We had extensive internal discussions at the time about whether customers would respond well to this type of product. However, as we saw take-up of innovative-automation gradually improve, such concerns faded away. This AI controller and the high performance NX controller have developed into major drivers for innovative-automation.

Beyond VG: Investing in Technology Management



This shows the importance of investing effectively in new technologies based on Near Future Designs. Once such technologies have been developed, we have seen the new businesses posited under Near Future Designs be widely accepted, and, over time, contribute to our earnings.

This is what underpins our technology-oriented management.

We have talked about an IAB example, but this type of activity is actually a part of OMRON's DNA. We are undertaking this type of activity in all of our businesses. However, in order to improve efficiency, and to share the know-how and knowledge accumulated in the various businesses, we are now aiming to create a formal structure.



There are three specific measures we will undertake to make this happen, as shown here.

First, on the organizational front, we established the Innovation Promotion HQ from this spring. We are not merely reacting to the fact that innovation is now a key buzzword. This new department has an important role to play in managing the innovation process as a whole, starting from the development of strategies based on Near Future Design through to the evaluation of businesses that emerge from these strategies. This department is set up as a platform for all of our businesses. As an example, if a business unit sees an opportunity but lacks for resources, they can ask for support from this new department, which has the ability to allocate HQ resources in order to accelerate growth. It is a common platform that will support all of our businesses.

As indicated in the lower left, we have established three new R&D facilities. The first is the Near Future Design R&D Company OSX (OMRON Sinic X), a dedicated institute to focus on Near Future Design. This will be an independent company, based in the Hongo neighborhood of Tokyo. We held a press conference yesterday, with more than 50 reporters in attendance. You may have already seen some articles about this today.

The second is the Edge-type AI Development Center, also to be based in Tokyo. It will operate under the auspices of the Technology and Intellectual Property HQ. We are focused on AI but not on server-type, neural networks. Instead, our focus is on developing compact, high performance and high speed AI that can be embedded in robots, sensors or controllers. In order to develop leading-edge technologies, we chose to build a development center in Tokyo, bringing together resources from across the organization.

The third is the Robotics Development Center. As alluded to by CEO Yamada, IAB's robotics business is growing dramatically. As a result, many development themes have emerged; we would like to invest for future technologies in this area. This center will also operate under the auspices of the Technology and Intellectual Property HQ. It is located on the West Coast of the US, next door to OMRON Adept Technologies.

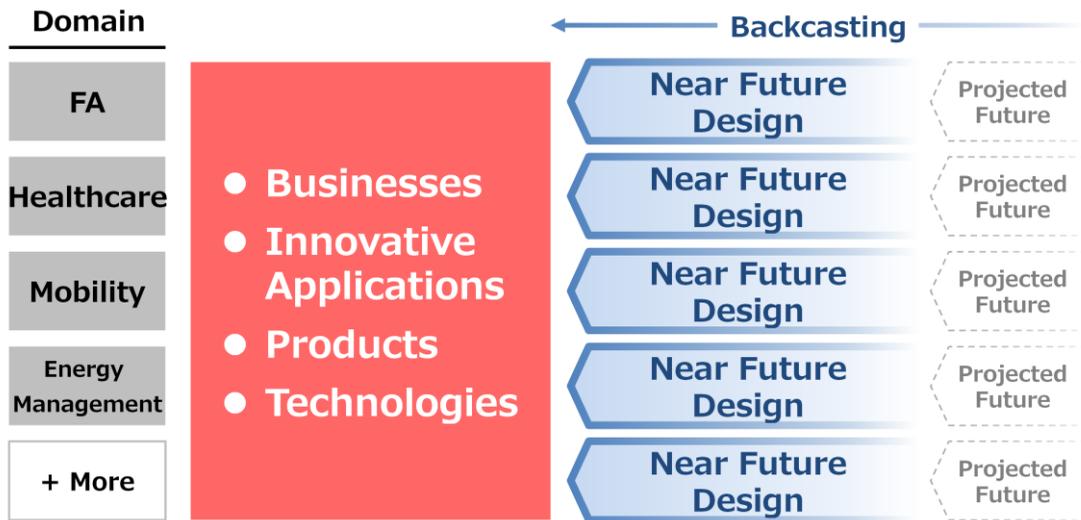
As we show on the lower right, we will hire and cultivate high caliber engineering human resources to support our technology development and strategies. Last fiscal year, we hired more than 50 engineers in this field.

This is OMRON Sinic X R&D company, which I referred to earlier. Currently we have 10 people on staff, of which 3 are OMRON employees. The remaining staff, reflecting our commitment to open innovation, are from outside OMRON. As indicated here, we have been able to attract extremely talented individuals, either as employees or advisors. Although the company is a part of the OMRON group, our aim is to have OSX focus on Near Future Designs without being bound by OMRON imperatives.

We plan to leverage OSX's academic network to hire another 10 people during the current fiscal year.

Toward Achieving VG2.0, Further Growth Post-VG2.0

Developing new businesses, innovative applications, products and technologies based on NFD to drive VG2.0, post-VG2.0 growth



Let me emphasize that our investments for future technology are not just random shots in the dark but are based on a projected future with a fully thought-out Near Future Design. This allows us to have a clear focus on what we should be doing now and makes it possible for us to invest ahead. There are only 3 years left in VG2.0, followed by the post-VG decade to 2030. We are looking toward 2030 as we develop technologies. We hope you will hold high expectations for what we can do.



VG2.0: Progress Update

(CEO Yamada)

I would like to close out our presentation by providing an update on our progress with VG2.0, our medium-term management plan. Please turn to slide 38.

VG2.0: Progress Update

Achieved 4 of the 6 management metrics set out under VG2.0

	FY2018 Plan	FY2020 Targets
Net Sales	¥900.0bn	¥1 Trillion
GP Margin	42.5%	> 41%
Operating Income	¥93.0bn	¥100bn
ROIC	Approx. 12%	> 10%
ROE	Approx. 12%	> 10%
EPS	¥306	> ¥300

We have identified 6 major management metrics. We show here our forecasts for FY2018 as well as the targets for FY2020.

As you can see, we had already achieved our FY2020 targets for GP margin, ROIC and ROE in FY2017. We expect to achieve our FY2020 EPS target of greater than ¥300 in FY2018. We will continue to manage the business to keep ROIC and ROE in a range between 10% – 15%.

The key message is that we have already achieved very strong profitability. Over the remaining years of the medium-term management plan, the focus will be on growing net sales on the back of strong performances from IAB and HCB in order to exceed the FY2020 targets of net sales of ¥1 trillion and operating income of ¥100 billion.



In closing, as you have seen, we were able to achieve strong results in FY2017, getting us off to an excellent start for the medium-term management plan, VG2.0. For FY2018, there is some uncertainty in several segments of the market. However, I firmly believe that we have developed a self-sustaining growth capability that will allow us to more than offset pockets of weakness. I am confident that we are well positioned. I have no doubts about the core strategy of VG2.0, in which IAB leads the growth of the overall company. By continuing to enhance OMRON's strengths of Sensing & Control + THINK and a robust customer base of more than 16,000 corporates, our focus remains on raising our game to make us more competitive. I am committed to continuing to provide strong leadership in order to achieve sustainable improvements to corporate value.

I sincerely ask for the continued support of investors and shareholders.

Thank you.



Reference



Global economy to remain firm

Japan

Solid conditions to continue, on capex growth in the semiconductor and auto industries

Overseas

- Americas: Major tax cuts and other policy measures to support continued macro recovery
- Europe: Gradual recovery to continue on increased capex and higher production levels
- China: Growth rate to continue to moderate but demand for automation from manufacturers to remain firm
- Asia: Korea to remain strong. Economies of Thailand, India, Indonesia to continue to recover

FY2018 Business Environment by Segment

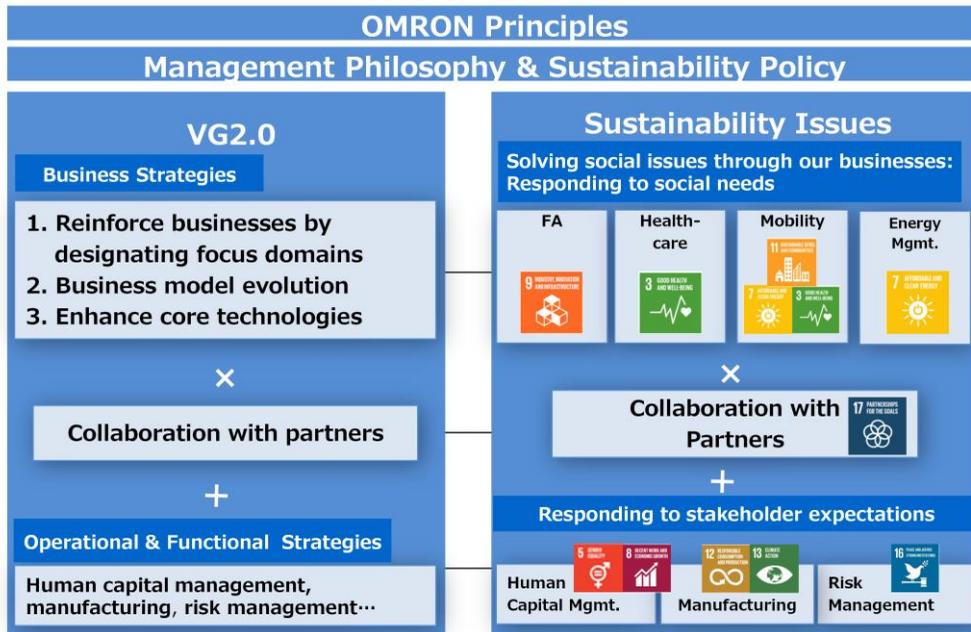
IAB Industrial Automation	Japan: Strength in autos, semiconductors to continue Overseas: Smartphone-related visibility in China/Asia poor but semiconductors remain strong. Firm demand from food industry in Europe. U.S. remains solid but some uncertainty
EMC Electronic & Mechanical Components	Consumer: Markets in Europe/Americas firm. Demand for consumer and commercial products in China/Asia to remain solid Automotive: Domestic market expected to be flat Y/Y global outlook solid
AEC Automotive Electronic Components	Japan: Weaker as customers increase overseas production Overseas: Global outlook remains firm. Expect growth rates for China to moderate
SSB Social Systems, Solutions and Service	Station sys: Fallow period for replacement cycle ending; demand expected to pick up Transport: Solid replacement demand expected
HCB Healthcare	Japan: Expect solid conditions, primarily online channel Overseas: Strong conditions expected for China and Asia
Other Businesses under the Direct Control of HQ	Env. Soln: PV inverters weak but continued growth for storage systems Backlight: Smartphone market to remain weak

FY2018 Assumptions: Exchange Rates

	FY2018	Impact of ¥1 fluctuation (full-year, approx.)	
		Sales	OP
USD	¥107	¥3.9bn	¥0.6bn
EUR	¥131	¥1.0bn	¥0.5bn

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

VG2.0 and Sustainability Strategies



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

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

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 2018/2019
STOXX
ESG LEADERS INDEXES

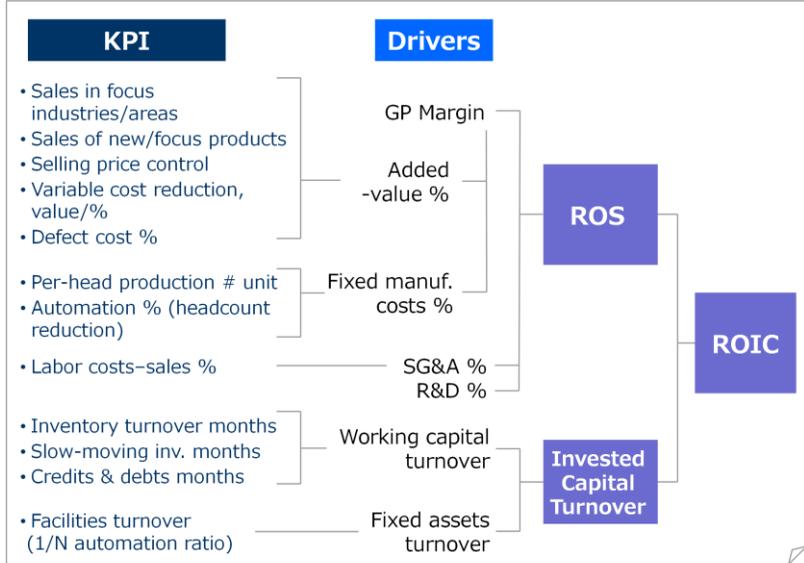
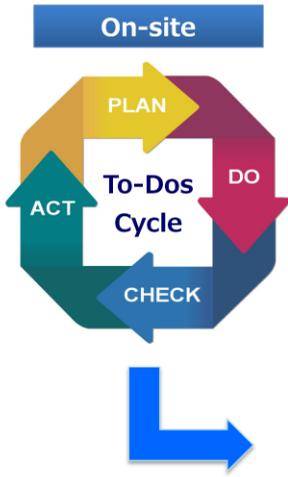
CDP
DRIVING SUSTAINABLE ECONOMIES

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

 **MSCI**  2017 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI  2017 Constituent
MSCI Japan Empowering
Women Index (WIN)

Down-Top ROIC Tree



ROIC Definition

<Consol. B/S>

LIABILITIES	
Current liabilities:	
Short-term debt	[Red dashed box highlights this section]
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	[Red dashed box highlights this section]
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*

$$= \text{Net assets} + \text{Interest-bearing debt}$$

*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 Ended 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 & Brand Communications
OMRON Corporation
Phone: +81-(0)3-6718-3421
Email: omron_ir@omron.co.jp
Website: www.omron.com