

## Message from the CEO

**“OMRON is solving social issues through our business, accelerating *Innovation Driven by Social Needs.*”**

Since our very founding, the OMRON mission has been to improve lives and contribute to a better society, believing that a business should create value for society through its key practices. We have become the company we are today by seeing the signs of global change, leading the world in taking on the issues of the times. We have become the company we are today by creating innovative value for society, through an idea we call Social Needs.

Our aspirations to create innovation driven by social needs through our day-to-day efforts are defined in our corporate philosophy, the OMRON Principles.

Today, the world changes at a speed and scale unprecedented in history. In response, we began implementing our new VG2.0 medium-term management plan in fiscal 2017, setting record highs for earnings and proving the success of strategies that are distinct from those of the past. During fiscal 2018, we intend to deliver even greater growth, guided by VG2.0 and our aspirations to create innovation driven by social needs.

[> A History of Creating Value \(P4\)](#)

[> Value Creation Model \(P6\)](#)

[> OMRON Principles \(P15\)](#)



President and CEO  
August 2018



Vision

Strategy

Business

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Financial Information

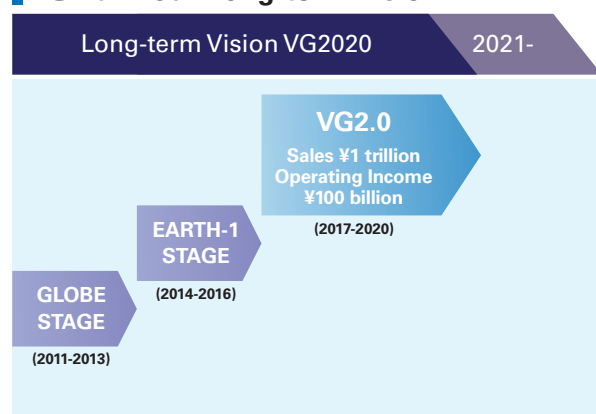
Corporate Information

## Looking Back on VG2.0 in Fiscal 2017

VG2.0 represents the final medium-term management plan incorporated into VG2020, our long-term vision leading through fiscal 2020. VG2.0 also includes growth strategies we intend to implement through the year 2030. Under VG2.0, we have defined four focus domains: (1) Factory Automation; (2) Healthcare; (3) Mobility; and (4) Energy Management.

We believe these four domains present the most promising businesses for market growth in future society, as well as areas in which OMRON technologies and products have the best chance to make a positive difference in the world. Executing VG2.0 will not only help us solve social issues, but also generate self-driven growth for our businesses.

### VG2.0 in our Long-term Vision



In fiscal 2017, our first year operating under VG2.0, we set record highs in net sales, gross profits, and net income, driven by strong performances in our Industrial Automation Business and Healthcare Business segments. We also set records for gross profit margin, a yardstick by which we measure our customers' assessment of our products and services. We have used the profits generated to invest in future growth, including two acquisitions in our Industrial Automation Business segment. This positive cycle of growth has already shown tangible results.

### Focus Domains in VG2.0



### FY2017 Results

	FY2017 Results	Y/Y
Net Sales	¥860.0 billion	+ 8.3%
Gross Profit	¥357.7 billion	+ 14.7%
Operating Income	¥85.9 billion	+ 27.1%
Net Income	¥63.2 billion	+ 37.3%
Gross Profit Margin	41.6%	+ 2.3%pt

	FY2017 Results	Y/Y
Industrial Automation Business	¥396.1 billion	+ 19.7%
Healthcare Business	¥108.5 billion	+ 11.0%

Record high

Fiscal 2017 was also a year in which we made great strides in **innovative**-Automation, our strategic concept for innovation in manufacturing. Our progress was especially apparent in our Industrial Automation Business segment, a key growth driver. We have developed innovative solutions hand in hand with customers who practice advanced manufacturing methods, in turn introducing these innovations to other customers for major successes. As a result of these activities, our Industrial Automation Business

segment recorded sales growth of 19.7% (profit growth of 42.3%) year on year. Our Healthcare Business segment, another key growth driver for our company, captured rising global demand for blood pressure monitors among people suffering from high blood pressure. Combined with growth in emerging markets, this segment generated sales 10.9% higher (profit growth of 28.2%)\* year on year.

\*Excluding sales of OMRON Colin Co., Ltd. (sold in December 2016)

## Looking Forward to VG2.0 in Fiscal 2018

Our financial goals for fiscal 2018 are ¥900 billion in net sales, ¥93 billion in operating income, ¥64.5 billion in net income, and 42.5% in gross profit margin. As you will read below, fiscal 2018 is an important year for us in progressing toward our goals and greater growth for fiscal 2020 and beyond.

	FY2018 Plan	Y/Y
Net Sales	¥900.0 billion	+ 4.7%
Gross Profit	¥382.5 billion	+ 6.9%
Operating Income	¥93.0 billion	+ 8.3%
Net Income	¥64.5 billion	+ 2.1%
Gross Profit Margin	42.5%	+ 0.9%pt

### Accelerating Growth Through Focus Domains

Fiscal 2018 will be a year of accelerating growth in our four focus domains. In particular, we will continue to drive group-wide growth through our Factory Automation and Healthcare businesses, which address significant social issues.

Our Industrial Automation Business will execute **innovative**-Automation to work even closer with customers on their production floors. Here, the segment will solve customer challenges and bring innovation to manufacturing via automation, enriching the lives of people all over the world. As one example, we plan to double the number of our Automation Centers to 35 worldwide this year. Industrial Automation engineers will work with customers to offer innovative solutions through unique product lines and services, developed over many years. i-BELT is another example of innovation in manufacturing. This service collects, analyzes, and utilizes production floor data in

conjunction with AI-equipped controllers. i-BELT replicates and automates the skills of experienced engineers to detect the warning signs of production line stoppages. This, in turn, contributes one solution to the desperate shortage of skilled workers who are well-versed in manufacturing processes.

We plan to grow our Healthcare Business segment through three core categories contributing to healthy and comfortable lives for the people of the world: (1) Cardiovascular Disease; (2) Respiratory Disease; and (3) Pain Management. Of these three, our main focus will be to achieve *Zero Events* related to cardiovascular disease and complications therefrom. Our ultimate vision is to ensure zero events of life-threatening seizures, including stroke and myocardial infarction associated with high blood pressure. We plan to unveil new products this year to support this mission,

including a combination blood pressure monitor/ electrocardiograph. When we combine the data gathered by these breakthrough devices with patient monitors and biological information from external partners, we will learn much more about the causes of high blood pressure and blood pressure fluctuations than we know today. We will use the results of these studies to work closely with personal care physicians to achieve our dream of *Zero Events* for patients throughout the world.

### **Managing Technology for Innovation Driven by Social Needs**

The pace of technological innovation and changes in cultural values is more dramatic than ever, and we envision many serious social needs at local and global levels arising in the future. In the meantime, AI, IoT, robotics, and other technological innovations have advanced much more quickly than anyone thought possible. These technology innovations lie at the core of the OMRON evolution in Sensing & Control + THINK. At OMRON, we see the coming social and technological changes as opportunities to grow, as we fulfill our mission to solve social issues. In fiscal 2015, we created the new role of chief technology officer to capture every technology-related opportunity available. Our CTO formulates group technology strategy and identifying technology development for core cross-organization technologies, as well for the core technologies used in each business. This new role is just one more way in which OMRON leverages the strengths of our entire organization to make advancements in creating innovation driven by social needs.

This is just one way in which OMRON will engage in open innovation with partners and customers to solve serious social issues.

[> Creating Innovation in Focus Domains \(P42,48\)](#)

To accelerate technological development further, we established the Innovation Exploring Initiative HQ in April 2018. This entity reports directly to the CTO and functions as the hub for technology innovation across our organization. The Innovation Exploring Initiative HQ is responsible for end-to-end technology management, coordinating with divisions and functional departments to perform near-future design for society, draft technology strategies, and incubate potential businesses. We have also taken the step to establish OMRON SINIC X Corporation (OSX), under the umbrella of the Innovation Exploring Initiative HQ. OSX is responsible for near-future design and backcasting strategies to develop those technologies necessary for a brighter future. Stronger technology management of this kind will ensure that we create innovation driven by social needs.

[> Special Feature 1: CTO Interview \(P36\)](#)





## Supporting Innovation Driven by Social Needs

### **ROIC Management**

OMRON practices ROIC management as the best method to speed our engagement of social issues around the world. We operate nearly 90 business units through various companies, each striving to solve social issues to improve lives and contribute to a better society. To accomplish this mission, we must prioritize and allocate resources to maximize value in return. We believe ROIC to be the fairest method to assess the performance of our diverse group of businesses, each facing different challenges. As one specific example, we have invested in acquisitions and production capacity expansion in our Industrial Automation Business and Healthcare Business segments,

which have proven to have the greatest potential for growth.

Meanwhile, we are optimizing our Backlights Business, selling OMRON Laserfront, Inc.\* (part of our Industrial Automation Business), and taking other measures deemed rational under ROIC. In this way, OMRON makes smarter investments for our future, while at the same time engaging in ongoing structural reform to secure our platform for profitability and growth in line with the rules of ROIC management.

\*Finalized on August 1, 2018.

[> Message from the CFO \(P20\)](#)

[> ROIC Management \(P24\)](#)

## Sustainability Initiatives

OMRON set sustainability goals in fiscal 2017, ensuring sustainability was a part of our VG2.0 plan. This demonstrates our commitment to solving issues we consider material.

Our sustainability issues focus on two major areas: issues to solve through our business and those for sustainable business practices. Our initiatives based on these goals tie directly to our vision of a better society, the Sustainable Development Goals of the United Nations, and other targets to ensure a sustainable international society in the future. Solving through business means to create new value through innovative products and

services, working with customers, partners, and society. Sustainable business practices mean that we meet the expectations of our stakeholders. We do this by building a stronger business platform, supported by talented employees and competitive product quality management. In the year since we set our goals, we have monitored and made directional adjustments to our sustainability initiatives. I believe we have started to see true progress in accelerating innovation driven by social needs through sustainability.

> VG2.0 (P16)

> Progress of Sustainability Goals (P18)

## Newly Emerging Social Needs Drive New Innovation

In fiscal 2018, we will continue to invest in future growth and corporate value improvement.

Of our six financial goals for fiscal 2020, we expect to achieve four of them in fiscal 2018 (Gross profit margin, ROIC, ROE, and EPS).

OMRON is growing steadily in earning power, and we will continue to grow as we work to achieve our fiscal 2020 goals for net sales and operating income, as well.

Change is the only constant. It is a truism that means new social needs will always emerge. As technological and social change become more disruptive, OMRON will have more opportunities to improve lives and contribute to a better society. Despite deepening trade frictions and other uncertainties, we will seize the opportunities presented. We will monitor changes in the market environment, execute our action plans, and invest in people and in research and development. As our investments in future growth translate into results, we will take on even bigger social issues. OMRON is a corporate group on which people can always depend, and we are an organization that continues to live up to the high expectations of people from all over the world.

### Management Indicators

	FY2018 Plan	FY2020 Targets
Net Sales	¥900 billion	¥1 trillion
Gross Profit Margin	42.5%	Over 41%
Operating Income	¥93 billion	¥100 billion
ROIC	Approx. 12%	Over 10%
ROE	Approx. 12%	Over 10%
EPS	¥306	Over ¥300

FY2020 Targets expected to be achieved in FY2018

We will push forward together, creating innovation driven by social needs to improve lives and contribute to a better society.

Thank you for your continued support.

## OMRON Principles

### Our Mission

To improve lives and contribute to a better society

### Our Values

- **Innovation Driven by Social Needs**  
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**  
Pursue new challenges with passion and courage.
- **Respect for All**  
Act with integrity and encourage everyone's potential.

## Sustainability Policy

**We believe a business should create value for society through its key practices.  
We are committed to sustainably increasing our long-term value  
by putting Our Mission and Values into practice.**

- We uphold a long-term vision in our business practices to create solutions to society's needs.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

We consider Sustainability Policy to reflect the same meaning and content as declared by our Management Philosophy based on the OMRON Principles. Namely, "We are committed to sustainably enhancing our long-term corporate value by putting the OMRON Principles into practice."