FY2017 Q1 Earnings
Financial Results for the First Quarter
Ended June 30, 2017

July 27, 2017
OMRON Corporation
Summary

■ Q1 Results
  
  • VG2.0 got off to a good start, achieving a significant sales and profit growth. Q1 results reached a record high level.
  
  • Particularly, IAB drove the growth of the overall Group with a robust increase in sales and profit.
  
  • The good results gave us confidence in our strategy.

■ Sustainable Corporate Value Creation
  
  • Accelerate the penetration of ROIC management
  
  • Thoroughly practice capital efficiency-oriented management
  
  • Improve shareholder return
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Q1 Results
**Q1 Results**

- Achieved robust sales and profit growth, with historical high profits and margins
- Reached a GP margin of 41.3%; enhanced earning ability steadily

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Q1 Actual</th>
<th>FY2017 Q1 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>184.5</td>
<td>203.4</td>
<td>+10.2%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>70.8 (38.4%)</td>
<td>84.1 (41.3%)</td>
<td>+18.7%</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>9.8 (5.3%)</td>
<td>22.6 (11.1%)</td>
<td>+130.8%</td>
</tr>
<tr>
<td>Net Income Attributable to Shareholders</td>
<td>7.9</td>
<td>15.5</td>
<td>+95.8%</td>
</tr>
</tbody>
</table>

| 1USD (JPY)            | 111.1            | 111.5            | +0.4  |
| 1EUR (JPY)            | 125.2            | 121.5            | -3.7  |
**IAB drove the growth of the overall Group with a significant increase in sales.**

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Q1 Actual</th>
<th>FY2017 Q1 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>78.6</td>
<td>95.8</td>
<td>+21.9%</td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic &amp; Mechanical Components</td>
<td>23.0</td>
<td>26.0</td>
<td>+12.9%</td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive Electronic Components</td>
<td>32.8</td>
<td>32.2</td>
<td>-1.8%</td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Systems, Solutions &amp; Service</td>
<td>7.8</td>
<td>8.3</td>
<td>+6.6%</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>25.0</td>
<td>25.7</td>
<td>+2.9%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businesses under the Direct Control of HQ</td>
<td>16.0</td>
<td>14.1</td>
<td>-12.0%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>1.4</td>
<td>1.3</td>
<td>-5.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>184.5</td>
<td>203.4</td>
<td>+10.2%</td>
</tr>
</tbody>
</table>

* Certain operations previously included in SSB have been reclassified to Other.
### Operating Income by Business Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>(1) FY2016 Q1 Actual</th>
<th>(2) FY2017 Q1 Actual</th>
<th>(2) - (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB Industrial Automation</td>
<td>10.2 (13.0%)</td>
<td>19.2 (20.1%)</td>
<td>+9.0 (+7.0%pt)</td>
</tr>
<tr>
<td>EMC Electronic &amp; Mechanical Components</td>
<td>1.8 (7.8%)</td>
<td>3.6 (14.0%)</td>
<td>+1.8 (+6.1%pt)</td>
</tr>
<tr>
<td>AEC Automotive Electronic Components</td>
<td>1.2 (3.7%)</td>
<td>1.4 (4.3%)</td>
<td>+0.2 (+0.7%pt)</td>
</tr>
<tr>
<td>SSB Social Systems, Solutions &amp; Service</td>
<td>-2.5 (-)</td>
<td>-2.0 (-)</td>
<td>+0.5 (-)</td>
</tr>
<tr>
<td>HCB Healthcare</td>
<td>2.5 (10.0%)</td>
<td>3.3 (12.9%)</td>
<td>+0.8 (+2.9%pt)</td>
</tr>
<tr>
<td>Other Businesses under the Direct Control of HQ</td>
<td>-1.4 (-)</td>
<td>-0.2 (-)</td>
<td>+1.2 (-)</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>-2.1 (-)</td>
<td>-2.8 (-)</td>
<td>-0.7 (-)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9.8 (5.3%)</td>
<td>22.6 (11.1%)</td>
<td>+12.8 (+5.8%pt)</td>
</tr>
</tbody>
</table>

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

- All the business segments attained profit growth.
- Particularly, IAB sustained robust growth in profit.
Achieved profit increase due to significant increase in added value

- Sales up
- Ratio of added value up

 Added Value up: 13.3
 Fixed manufacturing costs down: +0.7

 FY2016 Q1 Actual: 9.8
 Forex impacts: -0.4

 FY2017 Q1 Actual: 22.6 (¥bn)

Gross profit: +14.0
Earnings structure has been evolved greatly through rebuilding earnings structure.

<table>
<thead>
<tr>
<th></th>
<th>(1) FT2014 Q1 Actual</th>
<th>(2) FY2017 Q1 Actual</th>
<th>(2) - (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP Margin</td>
<td>39.7%</td>
<td>41.3%</td>
<td>+1.6%pt</td>
</tr>
<tr>
<td>SG&amp;A Ratio</td>
<td>23.9%</td>
<td>23.8%</td>
<td>-0.1%pt</td>
</tr>
<tr>
<td>R&amp;D Ratio</td>
<td>5.8%</td>
<td>6.4%</td>
<td>+0.6%pt</td>
</tr>
<tr>
<td>OP Margin</td>
<td>10.0%</td>
<td>11.1%</td>
<td>+1.1%pt</td>
</tr>
<tr>
<td>USD/EUR</td>
<td>102.0/139.9</td>
<td>111.5/121.5</td>
<td>+9.5/-18.4</td>
</tr>
</tbody>
</table>

* FY2014 full-year sales and OP marked past record high.
**Business Portfolio Reinforcement (vs. FY2014 Q1)**

- Expanded IAB and HCB through portfolio management
- Changed business structure significantly over the past three years

<table>
<thead>
<tr>
<th>FY2014 Q1 (Net Sales: ¥197.2bn)</th>
<th>FY2017 Q1 (Net Sales: ¥203.4bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB 40%</td>
<td>IAB 47%</td>
</tr>
<tr>
<td>+7%pt</td>
<td></td>
</tr>
<tr>
<td>Industrial Automation (IAB)</td>
<td></td>
</tr>
<tr>
<td>Electronic &amp; Mechanical Components (EMC)</td>
<td>13%</td>
</tr>
<tr>
<td>Automotive Electronic Components (AEC)</td>
<td>16%</td>
</tr>
<tr>
<td>Social Systems, Solutions &amp; Services (SSB)</td>
<td>4%</td>
</tr>
<tr>
<td>Healthcare (HCB)</td>
<td></td>
</tr>
<tr>
<td>Other, Eliminations &amp; Corporate</td>
<td>7%</td>
</tr>
<tr>
<td>Sales breakdown by business segment</td>
<td></td>
</tr>
</tbody>
</table>

* Certain operations previously included in SSB have been reclassified to Other.
IAB  Background of Growth (1)  High Growth in Focus Industries

- Achieved conspicuous outcome mainly in China in FY2016, and expanded the achievements globally this year
- Realized 38% sales growth in 4 focus industries

Q1 Net Sales (Global) of Focus Industries  
(+38%)

( vs FY2016 Q1, on a local currency basis)

- Greater China (+54%)
- Japan, Americas, Europe, Southeast Asia (+33%)

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Have confidence in delivering solutions through integrating the industry's greatest lineup of products and control application software.
IAB  Acquisition of Sentech

- Completed acquisition of Sentech on July 3, 2017
- Expand product lineups to broaden the range of solution proposals

More than 200 models of industrial cameras

Vision

Realize high-mix assembly and fully-automated quality control
Global economy is expected to continue its moderate recovery trend.

Japan
• Steady demand for capex is expected, mainly in the auto and digital industries.

Overseas
• Americas: Auto industry in the U.S. gradually slows down. Concerns about the future direction remains.
• Europe: Consumer spending and machinery export will continue to drive the economy’s moderate recovery.
• China: Chinese economy will stay solid, resulting from the effect of recovery in external demand and infrastructure investment by the government.
• Southeast Asia: Economy pick-up continues due to the recovery in external demand.
## Q2-Q4 Business Environment by Segment (vs. Original Estimates)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong> Industrial Automation</td>
<td>Japan: Semiconductor will stay firm. Capex in auto industry is expected to be active as projected. Overseas: China is expected to be robust. Capex in digital industry in Southeast Asia will stay solid. European economic recovery will continue. The U.S. will stay firm though uncertainty in the outlook will remain.</td>
</tr>
<tr>
<td><strong>EMC</strong> Electronic &amp; Mechanical Components</td>
<td>Electronics: Demand for electric power equipment in Southeast Asia and home appliances in China will increase. Auto: Demand in China will remain solid, while worldwide demand shows a weakening tendency.</td>
</tr>
<tr>
<td><strong>AEC</strong> Automotive Electronic Components</td>
<td>Japan: Market is expected to be firm, recovering from a sluggish environment last year. Overseas: Chinese market will continue to be firm while growth slows down. North America is expected to be stagnant.</td>
</tr>
<tr>
<td><strong>SSB</strong> Social Systems, Solutions &amp; Service</td>
<td>Public Transportation: Demand for upgraded station equipment will continue to be weak. Road Traffic: Demand for traffic-related terminal upgrades will stay firm as projected.</td>
</tr>
<tr>
<td><strong>HCB</strong> Healthcare</td>
<td>Japan: Online market will continue to be solid. Overseas: China and Southeast Asia will be robust in the wake of growing health awareness.</td>
</tr>
<tr>
<td><strong>Other</strong> Businesses under the Direct Control of HQ</td>
<td>Environmental Solutions: Market of power storage system will expand despite weak demand for PV inverters. Backlight: Backlight market for smartphone will remain weak.</td>
</tr>
</tbody>
</table>
Our Outlook

- Firm business environment from Q2 on
- Confidence in IAB strategy
- Great evolution of earnings structure
Sustainable Corporate Value Creation
CFO Profile

• Formulate the new medium-term management plan VG 2.0 as Senior General Manager of Global Strategy H.Q.
• From April 2017, promote ROIC management as CFO

Koji Nitto
Director, Senior Managing Executive Officer, CFO
Senior General Manager of Global Strategy H.Q.

Brief Biographies
Apr. 1983  Joined the company
           Engaged in technology/product development and business alliance as an engineer
2002-     Promoted M&A and introduced ROIC at Global Strategy H.Q.
Mar. 2014  Senior General Manager of Global Strategy H.Q. (to present)
Apr. 2017  CFO (to present)
ROIC Management

Responsible for accelerating the penetration of ROIC management as CFO

- Down-Top ROIC Tree
- Portfolio Management
ROIC Management 2.0

Thorough company-wide practice of linking needed management resources to value to our customers

**ROIC Management 2.0 – Translation of ROIC**

\[
\text{ROIC} \div \frac{(N) \uparrow + (V) \uparrow \uparrow + (L) \downarrow}{\text{Value to our customers}}
\]

1. Actively invest **needed management resources** \((N)\) in order to create value
2. Realize **value to customers** \((V)\) more than the investment amount \((↑↑ > ↑)\)
3. Reduce **loss-making management resources** \((L)\) and shift/invest it in \((N)\)
Acquisition of Treasury Stock

Set the maximum allowance for share repurchase, to improve shareholder return and capital efficiency

<table>
<thead>
<tr>
<th>Total amount</th>
<th>Up to ¥20 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Up to 5 million</td>
</tr>
<tr>
<td>Period of acquisition*</td>
<td>From July 28, 2017 to July 27, 2018</td>
</tr>
</tbody>
</table>

* Excludes the time period related to acquiring shares for “Performance-linked and share-based Incentive Plan for Directors, etc. (BIP Trust I, II, ESOP Trust),” which extends from August 2 to August 31, 2017 as announced on April 27, 2017
References
### VG2.0 Management Targets

<table>
<thead>
<tr>
<th></th>
<th>Actual (FY2016)</th>
<th>Targets (FY2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥794.2bn</td>
<td>¥1 Trillion</td>
</tr>
<tr>
<td><strong>GP Margin</strong></td>
<td>39.3%</td>
<td>&gt; 41%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>¥67.6bn</td>
<td>¥100bn</td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>10.3%</td>
<td>&gt; 10%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10.1%</td>
<td>&gt; 10%</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>¥215.1</td>
<td>&gt; ¥300</td>
</tr>
</tbody>
</table>

*Forex preconditions: 1USD = ¥110, 1EUR = ¥118*
**FY2017 Preconditions: Exchange Rates**

<table>
<thead>
<tr>
<th>FY2017 Preconditions</th>
<th>¥1 fluctuation impact (full-year, approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD</strong></td>
<td><strong>Sales</strong></td>
</tr>
<tr>
<td>¥110</td>
<td>¥3.5bn</td>
</tr>
<tr>
<td><strong>EUR</strong></td>
<td>¥118</td>
</tr>
</tbody>
</table>

*If the emerging-market currencies do not link with USD and EUR as expected, the sensitivity will be affected.*
Q1 Results

Corporate Value Creation

Down-Top ROIC Tree

KPI

• Sales in focus industries/areas
• Sales of new/focus products
• Selling price control
• Variable cost reduction, value/%
• Defect cost %
• Per-head production # unit
• Automation % (headcount reduction)
• Labor costs–sales %
• Inventory turnover months
• Slow-moving inv. months
• Credits & debts months
• Facilities turnover (1/N automation ratio)

Drivers

ROS

• GP Margin
• Added value %
• Fixed manuf. costs %
• SG&A %
• R&D %

ROIC

• Working capital turnover
• Fixed assets turnover

On-site

PLAN

TO-DOS Cycle

DO

CHECK
**ROIC Definition**

**Net income attributable to shareholders**

**Invested capital**

\[
ROIC = \frac{\text{Net income attributable to shareholders}}{\text{Invested capital}}
\]

**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**

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**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
Notes
1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the First 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.