FY2017 H1 Earnings
Financial Results for the First Half
Ended September 30, 2017

Oct 31, 2017
OMRON Corporation
Summary

H1 Results and Full-Year Forecasts

- H1 sales, profits up significantly. New record high for H1 profits.
- Full-year forecasts revised up. Strong performance from VG2.0 top priority business IAB. IAB to continue to drive overall earnings.
- Full-year dividend guidance raised from ¥68 to ¥76.

IAB Strategy

- Strong growth structure built on new initiatives from FY2014.
- innovative-Automation, which revolutionizes manufacturing, contributing to acceleration in growth
- Start i-BELT platform, bringing AI/IoT to the manufacturing floor

Sustainability Initiatives

- Promote sustainability initiatives, centered on our OMRON Principles.
- Included in DJSI World and all other major ESG indices
Contents

1. H1 Results  P. 3

2. Full-year Forecasts  P. 9

3. IAB Strategy  P. 15

4. Shareholder Returns (Dividends)  P. 32

5. Sustainability Initiatives  P. 34
H1 Results
Sales and profits up significantly. New record high for profits. GPM 41.5%. Profit-generating capability substantially enhanced.

<table>
<thead>
<tr>
<th></th>
<th>FY2016 H1 Actual</th>
<th>FY2017 H1 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>371.6</td>
<td>410.5</td>
<td>+10.5%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>144.8 (39.0%)</td>
<td>170.2 (41.5%)</td>
<td>+17.5%</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>25.9 (7.0%)</td>
<td>43.4 (10.6%)</td>
<td>+67.4%</td>
</tr>
<tr>
<td>Net Income Attributable to Shareholders</td>
<td>15.8</td>
<td>30.3</td>
<td>+91.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1USD (JPY)</th>
<th>1EUR (JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016 H1 Actual</td>
<td>107.3</td>
<td>120.1</td>
</tr>
<tr>
<td>FY2017 H1 Actual</td>
<td>111.2</td>
<td>125.6</td>
</tr>
<tr>
<td>Y/Y</td>
<td>+3.9</td>
<td>+5.5</td>
</tr>
</tbody>
</table>
Added value up significantly. Large profit gains despite growth investments.

- Sales up
- Added Value ratio up

**Operational highlights**:
- Gross profit: +21.3
- Added Value: +20.6
- Fixed manufacturing costs down: -0.7
- SG&A up: +3.9
- R&D up: +2.2
- Forex impacts: +2.2

**FY2016 H1 Actual**
- Added Value: 25.9

**FY2017 H1 Actual**
- Added Value: 43.4 (¥bn)
Sales at top priority IAB up substantially, driving overall growth. EMC, HCB* also strong, reporting 10% growth.

<table>
<thead>
<tr>
<th></th>
<th>FY2016 H1 Actual</th>
<th>FY2017 H1 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB</td>
<td>158.0</td>
<td>193.5</td>
<td>+22.5%</td>
</tr>
<tr>
<td>EMC</td>
<td>47.3</td>
<td>52.0</td>
<td>+10.0%</td>
</tr>
<tr>
<td>AEC</td>
<td>63.4</td>
<td>64.1</td>
<td>+1.2%</td>
</tr>
<tr>
<td>SSB</td>
<td>19.2</td>
<td>19.5</td>
<td>+1.7%</td>
</tr>
<tr>
<td>HCB</td>
<td>48.8</td>
<td>51.1</td>
<td>+4.7%<em>(+10%)</em></td>
</tr>
<tr>
<td>Other</td>
<td>32.5</td>
<td>28.4</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>2.4</td>
<td>1.9</td>
<td>-24.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>371.6</strong></td>
<td><strong>410.5</strong></td>
<td><strong>+10.5%</strong></td>
</tr>
</tbody>
</table>

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

*Excl. Omron Colin
IAB profits up significantly. EMC, HCB also contribute to overall profit growth.

<table>
<thead>
<tr>
<th></th>
<th>(1) FY2016 H1 Actual</th>
<th>(2) FY2017 H1 Actual</th>
<th>(2) - (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>23.0 (14.6%)</td>
<td>38.0 (19.7%)</td>
<td>+15.0 (+5.1%pt)</td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td>5.0 (10.5%)</td>
<td>7.2 (13.8%)</td>
<td>+2.2 (+3.3%pt)</td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td>2.5 (3.9%)</td>
<td>2.6 (4.1%)</td>
<td>+0.1</td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td>-3.1 (-)</td>
<td>-2.8 (-)</td>
<td>+0.3</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td>4.7 (9.7%)</td>
<td>6.2 (12.1%)</td>
<td>+1.5 (+2.4%pt)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>-2.2 (-)</td>
<td>-0.4 (-)</td>
<td>+1.8</td>
</tr>
<tr>
<td>Businesses under the Direct Control of HQ</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>-3.9 (-)</td>
<td>-7.4 (-)</td>
<td>-3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25.9 (7.0%)</td>
<td>43.4 (10.6%)</td>
<td>+17.5 (+3.6%pt)</td>
</tr>
</tbody>
</table>

* Certain operations previously included in SSB have been reclassified to Other.
H1 Net Sales (Global) of Focus Industries  
(vs FY2016 H1, on a local currency basis)  

+ 29%  

Japan, Americas, Europe, Southeast Asia  

+ 26%  

Greater China  
+ 42%  

Copyright: 2017 OMRON Corporation. All Rights Reserved.
Full-year Forecasts
FY2017 plan revised up. Ability to generate profits to fund growth investments (GP margin) substantially enhanced. New record high profits projected on the back of improving GP margin.

<table>
<thead>
<tr>
<th></th>
<th>(1) FY2017 Initial Plan</th>
<th>(2) FY2017 Oct. Fcst</th>
<th>(2)/(1)</th>
<th>(3) FY2016 Actual</th>
<th>(2)/(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>810.0</td>
<td>850.0</td>
<td>+4.9%</td>
<td>794.2</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>329.0</td>
<td>353.5</td>
<td>+7.4%</td>
<td>311.8</td>
<td>+13.4%</td>
</tr>
<tr>
<td></td>
<td>(40.6%)</td>
<td>(41.6%)</td>
<td>(+1.0%pt)</td>
<td>(39.3%)</td>
<td>(+2.3%pt)</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>68.0</td>
<td>85.0</td>
<td>+25.0%</td>
<td>67.6</td>
<td>+25.8%</td>
</tr>
<tr>
<td></td>
<td>(8.4%)</td>
<td>(10.0%)</td>
<td>(+1.6%pt)</td>
<td>(8.5%)</td>
<td>(+1.5%pt)</td>
</tr>
<tr>
<td>Net Income Attributable to Shareholders</td>
<td>48.5</td>
<td>59.0</td>
<td>+21.6%</td>
<td>46.0</td>
<td>+28.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1USD (JPY)</td>
<td>110.0</td>
<td>110.6</td>
<td>+0.6</td>
<td>108.9</td>
<td>+1.7</td>
</tr>
<tr>
<td>1EUR (JPY)</td>
<td>118.0</td>
<td>126.8</td>
<td>+8.8</td>
<td>119.4</td>
<td>+7.4</td>
</tr>
</tbody>
</table>
### IAB, EMC, HCB to drive overall sales growth.

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Initial Plan (1) FY2017</th>
<th>Oct. Fcst (2) FY2017</th>
<th>(2)/(1)</th>
<th>Actual (3) FY2016</th>
<th>(2)/(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB, Industrial Automation</td>
<td>350.0</td>
<td>388.0</td>
<td>+10.9%</td>
<td>331.0</td>
<td>+17.2%</td>
</tr>
<tr>
<td>EMC, Electronic &amp; Mechanical Components</td>
<td>94.0</td>
<td>99.5</td>
<td>+5.9%</td>
<td>93.9</td>
<td>+5.9%</td>
</tr>
<tr>
<td>AEC, Automotive Electronic Components</td>
<td>131.0</td>
<td>129.5</td>
<td>-1.1%</td>
<td>132.1</td>
<td>-1.9%</td>
</tr>
<tr>
<td>SSB, Social Systems, Solutions &amp; Service</td>
<td>63.5</td>
<td>63.5</td>
<td>±0%</td>
<td>61.9</td>
<td>+2.6%</td>
</tr>
<tr>
<td>HCB, Healthcare</td>
<td>105.0</td>
<td>108.5</td>
<td>+3.3%</td>
<td>101.3</td>
<td><em>(+11%)</em></td>
</tr>
<tr>
<td>Other, Businesses under the Direct Control of HQ</td>
<td>60.0</td>
<td>57.0</td>
<td>-5.0%</td>
<td>68.5</td>
<td>-16.8%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>6.5</td>
<td>4.0</td>
<td>-38.5%</td>
<td>5.5</td>
<td>-28.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>810.0</td>
<td>850.0</td>
<td>+4.9%</td>
<td>794.2</td>
<td>+7.0%</td>
</tr>
</tbody>
</table>

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

*(+11%)* Excl. Omron Colin
### Operating Income by Business Segment

#### IAB, EMC, HCB to drive overall performance.

<table>
<thead>
<tr>
<th></th>
<th>(1) FY2017 Initial Plan</th>
<th>(2) FY2017 Oct. Fcst</th>
<th>(2) - (1)</th>
<th>(3) FY2016 Actual</th>
<th>(2) - (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>56.0 (16.0%)</td>
<td>71.5 (18.4%)</td>
<td>+15.5 (+2.4%pt)</td>
<td>52.0 (15.7%)</td>
<td>+19.5 (+2.7%pt)</td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic &amp; Mechanical Components</td>
<td>9.0 (9.6%)</td>
<td>12.0 (12.1%)</td>
<td>+3.0 (+2.5%pt)</td>
<td>9.4 (10.0%)</td>
<td>+2.6 (+2.0%pt)</td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive Electronic Components</td>
<td>6.5 (5.0%)</td>
<td>6.5 (5.0%)</td>
<td>±0</td>
<td>7.1 (5.4%)</td>
<td>-0.6 (-0.4%pt)</td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Systems, Solutions &amp; Service</td>
<td>4.0 (6.3%)</td>
<td>4.0 (6.3%)</td>
<td>±0</td>
<td>3.7 (6.0%)</td>
<td>+0.3 (+0.3%pt)</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>9.5 (9.0%)</td>
<td>10.5 (9.7%)</td>
<td>+1.0 (+0.6%pt)</td>
<td>8.5 (8.4%)</td>
<td>+2.0 (+1.3%pt)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businesses under the Direct Control of HQ</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>-16.0 (-)</td>
<td>-18.0 (-)</td>
<td>-2.0</td>
<td>-11.3 (-)</td>
<td>-6.6 (-)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>68.0 (8.4%)</td>
<td>85.0 (10.0%)</td>
<td>+17.0 (+1.6%pt)</td>
<td>67.6 (8.5%)</td>
<td>+17.4 (+1.5%pt)</td>
</tr>
</tbody>
</table>

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

Copyright: 2017 OMRON Corporation. All Rights Reserved.
FY2017 off to a good start to achieving FY2020 VG2.0 targets.
### Toward FY2020 Targets: (2) Business Portfolio

**Growth at IAB, HCB accelerating business portfolio change. Now capable of growth accompanied by margin expansion.**

<table>
<thead>
<tr>
<th>Sales Breakdown</th>
<th>FY2016 Actual (Sales ¥794.2bn)</th>
<th>FY2017 Fcst (Sales ¥850bn)</th>
<th>FY2020 Targets (Sales ¥1tn)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td>42%</td>
<td>+4%pt</td>
<td>46%</td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td>17%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>±0%pt</td>
<td>+2%pt</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>9%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

※Certain operations previously included in SSB have been reclassified to Other.
Our Business Strategy
Industrial Automation Business (IAB)
First Year of VG2.0 Off to a Jump Start

Set to achieve record-high net sales and operating income

- **Net sales**:
  - FY2016 Actual: ¥331.0bn
  - FY2007 Actual (Record sales): ¥339.2bn
  - FY2017 forecast: ¥388.0bn

- **Operating income**:
  - FY2016 Actual: ¥52.0bn (15.7%)
  - FY2007 Actual (Record sales): ¥71.5bn (18.4%)
  - FY2014 Actual (Record operating profit): ¥54.6bn (16.5%)

Increase: 117%
Three Factors Underpinning Growth

- Growth Markets and Global Linkages
- Diverse Product Lines x Services x Solutions
- Sales Expertise Enhancement
Growth Structure (1): Growth Markets and Global Linkages

“Select and concentrate” on four industrial sectors globally

- **Automotive**
  - Electronic/mechanical components for smartphones
  - Semiconductors/FPDs
  - Rechargeable batteries
- **Digital**
  - Food and beverages
  - Daily necessities
  - Drugs
- **Food and beverages**
- **Social infrastructure**
  - Urban development
  - Water treatment
  - Traffic/Buildings
Growth Structure (2): Diverse Product Lines x Services x Solutions

- I (Input)
- L (Logic)
- R (Robot)
- O (Output)
- S (Safety)

Software

※ ※ ※ ※
Growth Structure (2): Diverse Product Lines x Services x Solutions

Motion Controller
Delta Tau Data Systems, Inc. (U.S.)
(acquired in 2015)

Industrial Robot
Adept Technology, Inc. (U.S.)
(acquired in 2015)

Industrial Camera
Sentech Co., Ltd. (Japan)
(acquired in 2017)

Industrial Code Reader
Microscan Systems, Inc. (U.S.)
(acquired in 2017)
Advanced control applications

- LO Vibration control
- LO “Soft” control
- LO High-speed synchronized control
- LO Packaging equip. control
- LO Winding control
- LO Servo press control
- LO Contouring control
- LO Model prediction control
- IL Robot networking control
- Mobile traveling technology Multi-unit control technology
Growth Structure (3): Sales Expertise Enhancement

**Single products** (Product proposals)
- PLCs

**Multiple products** (Solution proposals)
- Visual sensors
- Servo motors
- Touch panels
- Control panel devices
- Safety devices
- Sensors
- PLCs
- Power sources

Sales \( x \ n \)
Manufacturing Innovation Concept Accelerates Growth

Evolution in control
Improving productivity through ultra-high-speed control and ultra-high-precision machine control

Innovative-Automation

Intelligent
Intelligence developed through ICT
Realizing manufacturing in which machines learn and evolve through maximum use of data

Interactive
New harmonization between humans and machines
Pursuing ultra-high flexibility through human-machine collaboration
Omron’s Uniqueness

“Real” manufacturing at an altitude of 1~10 m

Diverse control equipment for shop floors

Altitude
10,000m
1,000m
100m
10m
1m

Inter-sector
Inter-company
Businesses
Factories

Businesses

Consumers

IoT-driven IT
AI
Robotics

Diverse control equipment for shop floors
Three “i”s: integrated (Evolution in Control)

**Digital**
- Reduction of 50% in thickness and double-high definition
- High-precision alignment
- Panel bonding

**Automotive**
- Reduction of 50% in battery cost and proliferation of EVs
- High-speed, high-precision wire winding
- Winding process for lithium batteries

**Food and beverages**
- Overcoming severe labor shortages
- High-speed picking
- Robot conveyance of food products
Three “i”s: interactive

Creating shop floors where humans and machines work harmoniously
Three “i”s: intelligent

Shifting from IoT on shop floors to creation of the new “i-BELT” business model

Output devices and equipment

Input devices and equipment

Altitude
- 100 m
- 11 m
- 10 m
- 1 m

1. Data collection
2. Visualization and analysis
3. Feedback to device control

Data accumulation
Data analysis
Algorithm (control model)

AI controller
Formatting
Control algorithm

Other companies’ input devices

Other companies’ output devices
Our Goals with “i-BELT”

Accelerating “innovative-Automation” through “i-BELT”!

innovative-Automation

Omron Engineering Input Logic Output Service

Control application

Hardware

Software

Customer Maintenance

Robot Safety

i-BELT
**“i-BELT” applications**

**Beverage/pharma sectors: Learning optimal control of filler content**

1. **Data collection**
   - Before filling: Residual quantity, Tank temp.
   - During filling: Filling pressure, Conveyor speed

2. **Visualization and analysis**

3. **Feedback to device control**

   - Open/close nozzle

   - [After filling] Determine filler content
Future Steps for “i-BELT”

Releasing “IoT Start Package,” which facilitates FA equipment data collection, in October 2017

- **October 2017**
  - Release of the IoT Start Package

- **By March 2018**
  - Expanding IoT Start Package functionality
  - Increasing number of connected equipment brands

- **From April 2018**
  - Full-fledged launch of “i-BELT”
Bring innovation to manufacturing by automation to enrich lives of people all over the world.
Shareholder Returns (Dividends)
Under the new VG2.0 dividend policy, dividend forecast revised to reflect DOE standard. Full-year dividend forecast raised ¥8 to ¥76. This will exceed the previous record high of ¥71 (FY2014).
Sustainability Initiatives
Key Highlights: Sustainability (ESG) Initiatives

1. Formulated Sustainability Policy. Integrated medium-term management plan and sustainability strategies. Set sustainability targets and KPIs linked to SDGs.

2. Identified sustainability issues, based on Omron’s policies of ‘Solving social issues through our businesses’ and ‘Responding to expectations of our stakeholders’.

3. Board of directors to have monitoring and oversight role for sustainability issues considered to be material.


※Relevant pages in Integrated Report 2017
   1. Message from the Chairman ･･･ pp. 56～57
   2. Message from the CEO ･･･ pp. 6～13
   3. VG2.0: New Medium-term Mgmt. Plan ･･･ pp. 14～17
   4. A Step Forward in Compensation Governance ･･･ pp. 62～67
Omron Included in Major ESG Indices

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

ESG Indices which include Omron

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

Selected by GPIF

Copyright: 2017 OMRON Corporation. All Rights Reserved.
Reference
<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2016 Actual</th>
<th>FY2017 Fcst</th>
<th>FY2020 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥794.2bn</td>
<td>¥850.0bn</td>
<td>¥1 Trillion</td>
</tr>
<tr>
<td>GP Margin</td>
<td>39.3%</td>
<td>41.6%</td>
<td>&gt; 41%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>¥67.6bn</td>
<td>¥85.0bn</td>
<td>¥100bn</td>
</tr>
<tr>
<td>ROIC</td>
<td>10.3%</td>
<td>Approx. 12%</td>
<td>&gt; 10%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.1%</td>
<td>Approx. 12%</td>
<td>&gt; 10%</td>
</tr>
<tr>
<td>EPS</td>
<td>¥215.1</td>
<td>¥277.0</td>
<td>&gt; ¥300</td>
</tr>
<tr>
<td>USD / EUR</td>
<td>¥108.9 / ¥119.4</td>
<td>¥110.6 / ¥126.8</td>
<td>¥110 / ¥118</td>
</tr>
</tbody>
</table>
H2 Business Environment by Region (vs. H1)

Global economy gradually recovering.

Japan:
• Despite respite in smart phone-related investment demand, automotive capex demand to remain solid.

Overseas:
• Americas: US auto industry adjustment to continue but overall economy still recovering.
• Europe: Capex and capacity expansion to support gradual economic recovery.
• China: Growth rate to moderate on government-led investment constraints.
• Asia: Geopolitical risks persist but recovery in Thailand, India to continue.
<table>
<thead>
<tr>
<th>Segment</th>
<th>Japan:</th>
<th>Overseas:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong> Industrial Automation</td>
<td>Lull in smart phone-related investments. Expect auto investments to pick up.</td>
<td>China/Asia to moderate vs. H1 as current round of smart phone investments largely done. Europe to remain solid. Continued uncertainty on auto investments in Americas.</td>
</tr>
<tr>
<td><strong>AEC</strong> Automotive Electronic Components</td>
<td>Japan: Remain firm on back of recovery in operating environment.</td>
<td>China remains firm despite moderating growth. Despite demand peakout, US downside firm, flat trend.</td>
</tr>
<tr>
<td><strong>SSB</strong> Social Systems, Solutions &amp; Service</td>
<td>Transportation: Continue to be weak on completion of replacement cycle.</td>
<td>Continue to see strong growth on rising health consciousness in China, Asia and other EM.</td>
</tr>
<tr>
<td><strong>HCB</strong> Healthcare</td>
<td>Japan: Remain robust on solid online market.</td>
<td>Continue to see strong growth on rising health consciousness in China, Asia and other EM.</td>
</tr>
<tr>
<td><strong>Other</strong> Businesses under the Direct Control of HQ</td>
<td>Environmental Solutions: PV inverters demand weak. Power storage systems continue to be strong.</td>
<td>High-end market capped as adoption of OLED continues.</td>
</tr>
</tbody>
</table>
### FY2017 H2 Assumptions: Exchange Rates

<table>
<thead>
<tr>
<th>FY2017 H2 Assumptions (VS. the initial assumptions)</th>
<th>¥1 fluctuation impact (full-year, approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD</strong></td>
<td></td>
</tr>
<tr>
<td>¥110 (±0)</td>
<td>¥3.5bn</td>
</tr>
<tr>
<td></td>
<td>¥0.5bn</td>
</tr>
<tr>
<td><strong>EUR</strong></td>
<td></td>
</tr>
<tr>
<td>¥128 (+10)</td>
<td>¥0.9bn</td>
</tr>
<tr>
<td></td>
<td>¥0.5bn</td>
</tr>
</tbody>
</table>

*If emerging-market currency trends diverge from USD and/or EUR contrary to our expectations, sensitivities will be impacted.*
Sustainability Targets and VG2.0

OMRON Principles
Management Philosophy & Sustainability Policy

**VG2.0**

**Pivotal Strategies**
1. Focus on Four Domains
2. Evolve Business Model
3. Reinforce Core Technologies

**Collaborating with Partners**

**Operational & Functional Strategies**
Human Capital Mgt, Manufacturing, Risk Mgt ...

**Sustainability Issues**

**Responding to Social Needs**
- FA
- Healthcare
- Mobility
- Energy Management

**Collaborating with Partners**

**Responding to Stakeholder Expectation**
- Human Capital Management
- Manufacturing
- Risk Management
Sustainability Targets (Business)

Set FY2020 sustainability targets for 4 Focus Domains.

**FA**
New products leading to innovative-Automation in four focus industries
~Create Control Technologies for Manufacturing Innovation~

**Healthcare**
Blood pressure monitor unit sales: 25 million / year
Nebulizer + Asthma wheeze monitor unit sales: 7.65 million / year

**Mobility**
Create safe driving support systems and technologies
Create advanced driving support / 360° driver assistance technologies
Automobiles with environmentally friendly components: 10 million units / year

**Energy Management**
Cumulative output volume for solar power (PV) / storage systems: 11.2GW
Sustainability Targets (Operational/Functional)

Also set operational sustainability targets for FY2020.

**Human Capital Management**
- Evolve and advance TOGA to act in the spirit of the OMRON Principles
- Ratio of non-Japanese in managerial positions overseas: 66%
- Accelerate PDCA cycle via employee engagement surveys
- Ratio of women in managerial roles (OMRON Group in Japan): 8%

**Manufacturing**
- Ratio of product safety assessments for newly developed products: 100%
- Environmental contribution > CO2 emissions of production sites
- Reduction of mercury through the prevalence of electronic digital thermometers and electronic blood pressure monitors: 69 tons / year
- Sustainability self-assessments by vendors:
  - Implementation ratio (critical vendors): 100%
  - Score of 85 or higher

**Risk Management**
- Continuous evolution in group governance
  - Consistent promotion of OMRON Group Rules at all global bases
  - Global training in ethics rules
  - Build a new information security system, etc.
Down-Top ROIC Tree

**On-site**

**To-Dos Cycle**

- **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**
  - GP Margin
  - Added -value %
  - Fixed manuf. costs %
  - SG&A %
  - R&D %
  - Working capital turnover
  - Invested Capital Turnover

- **ROS**

- **ROIC**
**ROIC Definition**

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

**Invested capital**

\[
\text{Invested capital}^* = \text{Net assets} + \text{Interest-bearing debt}
\]

*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 First Half of the Fiscal Year Ending March 31, 2018 (U.S. GAAP)." Figures rounded to the nearest million JPY and percentage to one decimal place.