FY2018 H1 Earnings
Ended September 30, 2018

Oct. 30, 2018
OMRON Corporation
Summary

■ H1 results
  • Operating environment deterioration from Q2 worse than expected. Results fell short of internal plan.
  • Despite shortfall, sales and gross profits up Y/Y. IAB, HCB maintained growth.
  • Continued to invest for future growth with intent.

■ Full-year forecasts
  • Revising down full-year forecasts, given expectations for continued uncertainty in the operating environment.
  • That said, medium- and long-term trend in social needs remain unchanged. Continue to invest selectively for the future.
  • IAB & HCB topline growth to continue, partly supported by investments.

■ Aiming for further growth
  • Continue to make solid progress with growth initiatives for IAB.
  • Continue to enhance growth cycle to achieve sustainable growth.
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3. Aiming for Further Growth P. 18

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H1 Results
Sales, Gross Profit up Y/Y. GP Margin of 41.8%. Continue to improve ability to generate profits.

<table>
<thead>
<tr>
<th></th>
<th>FY2017 H1 Actual</th>
<th>FY2018 H1 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>410.5</td>
<td>416.2</td>
<td>+1.4%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>170.3 (41.5%)</td>
<td>173.8 (41.8%)</td>
<td>+2.1% (+0.3%pt)</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>43.5 (10.6%)</td>
<td>36.6 (8.8%)</td>
<td>-16.0% (-1.8%pt)</td>
</tr>
<tr>
<td>Net Income Attributable to Shareholders</td>
<td>30.3</td>
<td>26.4</td>
<td>-12.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1USD (JPY)</th>
<th>1EUR (JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017 H1 Actual</td>
<td>111.2</td>
<td>125.6</td>
</tr>
<tr>
<td>FY2018 H1 Actual</td>
<td>109.5</td>
<td>129.5</td>
</tr>
<tr>
<td>Y/Y</td>
<td>-1.7</td>
<td>+3.9</td>
</tr>
</tbody>
</table>

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.

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GP Margin Analysis, Y/Y

Solid improvement in profit-generating capability

- Impact of flood damage
- Inventory reserves, etc. up
- Forex impact
  +0.1%pt
- One-off factors
  -0.6%pt
- IAB, HCB sales up
- Other segment sales down

Added value ratio up
+1.0%pt

Fixed manufacturing cost ratio up
-0.2%pt

Internal improvements
+0.8%pt

H1 FY2017 Actual
41.5%

H1 FY2018 Actual
41.8%
Proactive investments for future growth funded by increase in added value but operating income down Y/Y

- Sales up
- Added value ratio up

Added Value up

+4.8

Fixed manufacturing costs up

- 1.8

SG&A up

- 8.5

R&D up

- 2.1

Hiring Sales Engineers
Enhancing Marketing
IT investments, etc

Gross Profit

+3.0

Forex impact
+0.6

H1 FY2017 Actual

43.5

H1 FY2018 Actual

36.6 (¥bn)

H1 Results

Full-year Forecasts

Future Growth

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### IAB, HCB growth maintained. SSB sales also up. Restructuring Other segment.

<table>
<thead>
<tr>
<th>Segment</th>
<th>H1 FY2017 Actual</th>
<th>H1 FY2018 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB Industrial Automation</td>
<td>193.5</td>
<td>201.5</td>
<td>+4.1%</td>
</tr>
<tr>
<td>EMC Electronic &amp; Mechanical Components</td>
<td>52.8</td>
<td>51.3</td>
<td>-2.8%</td>
</tr>
<tr>
<td>AEC Automotive Electronic Components</td>
<td>64.1</td>
<td>65.0</td>
<td>+1.3%</td>
</tr>
<tr>
<td>SSB Social Systems, Solutions &amp; Service</td>
<td>19.5</td>
<td>20.6</td>
<td>+5.6%</td>
</tr>
<tr>
<td>HCB Healthcare</td>
<td>51.1</td>
<td>55.5</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Other Businesses under the Direct Control of HQ</td>
<td>26.5</td>
<td>20.0</td>
<td>-24.7%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>3.0</td>
<td>2.4</td>
<td>-19.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>410.5</strong></td>
<td><strong>416.2</strong></td>
<td><strong>+1.4%</strong></td>
</tr>
</tbody>
</table>
IAB showing well-balanced global growth, with the exception of South Korea.

- **Japan**: +5%
- **Americas**: +3.0% (+7%)
- **Europe**: +2.7% (+8%)
- **Greater China**: +4.4% (-17%)
- **SE Asia, Others (incl. S. Korea)**: -4.4% (-17%)

H1 FY2017 Actual: 193.5
H1 FY2018 Actual: 201.5

(¥bn)
## Operating Income by Business Segment

### Increased growth investments at IAB, EMC. Continued strength at HCB.

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2017 Actual</th>
<th>H1 FY2018 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(¥bn, %: OP margin)</td>
<td>(¥bn, %: OP margin)</td>
<td></td>
</tr>
<tr>
<td>IAB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>38.0 (19.7%)</td>
<td>33.3 (16.6%)</td>
<td>-4.7 (-3.1%pt)</td>
</tr>
<tr>
<td>EMC</td>
<td>7.3 (13.9%)</td>
<td>4.6 (8.9%)</td>
<td>-2.8 (-5.0%pt)</td>
</tr>
<tr>
<td>Electronic &amp; Mechanical Components</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AEC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive Electronic Components</td>
<td>2.6 (4.1%)</td>
<td>3.2 (4.9%)</td>
<td>+0.6 (+0.8%pt)</td>
</tr>
<tr>
<td>SSB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Systems, Solutions &amp; Service</td>
<td>-2.8 (-)</td>
<td>-2.5 (-)</td>
<td>+0.3 (+)</td>
</tr>
<tr>
<td>HCB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>6.2 (12.1%)</td>
<td>7.2 (13.0%)</td>
<td>+1.0 (+0.8%pt)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businesses under the Direct Control of HQ</td>
<td>-2.8 (-)</td>
<td>-1.2 (-)</td>
<td>-1.6 (-)</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>-8.3 (-)</td>
<td>-8.0 (-)</td>
<td>+0.3 (+)</td>
</tr>
<tr>
<td>Total</td>
<td>43.5 (10.6%)</td>
<td>36.6 (8.8%)</td>
<td>-7.0 (-1.8%pt)</td>
</tr>
</tbody>
</table>

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 ‘Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost’.
Full-year Forecasts
H2 Business Environment by Segment (Change vs. Initial Plan)

Expect uncertain business environment to continue. However, underlying longer-term growth trend is unchanged.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Auto:</th>
<th>Digital:</th>
<th>Food &amp; Bev.:</th>
<th>Social Infra.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB IAB</td>
<td>Remain firm, on capex for ADAS/EV &amp; electrification</td>
<td>Semiconductor/smartphone investments weak</td>
<td>Stable. Automation/quality mgmt. investments for safety &amp; security needs</td>
<td>Remained firm on continued EM smart city investments</td>
</tr>
<tr>
<td>EMC EMC</td>
<td>Consumer: Americas/Europe firm. Weaker China demand for consumer/commercial product</td>
<td>Automotive: Expect China demand to decline but other regions generally firm</td>
<td>Demand in China to decline on weak US automakers and cooling consumer sentiment but overall markets firm with demand picking up in Japan, SE Asia/Other</td>
<td></td>
</tr>
<tr>
<td>AEC AEC</td>
<td>Demand in China to decline on weak US automakers and cooling consumer sentiment but overall markets firm with demand picking up in Japan, SE Asia/Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSB SSB</td>
<td>Station sys.: Replacement cycle firm, expect demand to pick up</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCB HCB</td>
<td>Online channel firm globally despite negative impact of weaker EM currencies and slowing personal consumption in China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Other</td>
<td>Env. Soln.: PV inverters weak but continued growth for storage systems</td>
<td>Backlights: Smartphone market to remain weak</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Expect uncertain business environment to continue. However, underlying longer-term growth trend is unchanged.
### Full-year Forecasts

Forecasts revised: projecting sales growth but profit declines Y/Y.
Full-year GP Margin 41.8%, up Y/Y.

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Initial Plan</th>
<th>FY2018 Forecast</th>
<th>Chg. vs Plan</th>
<th>FY2017 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>900.0</td>
<td>880.0</td>
<td>-2.2%</td>
<td>860.0</td>
<td>+2.3%</td>
</tr>
<tr>
<td><strong>Gross Profit (%)</strong></td>
<td>382.5 (42.5%)</td>
<td>367.5 (41.8%)</td>
<td>-3.9%</td>
<td>357.8 (41.6%)</td>
<td>+2.7%</td>
</tr>
<tr>
<td><strong>Operating Income (%)</strong></td>
<td>93.0 (10.3%)</td>
<td>83.0 (9.4%)</td>
<td>-10.8%</td>
<td>86.3 (10.0%)</td>
<td>-3.8%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>64.5</td>
<td>58.5</td>
<td>-9.3%</td>
<td>63.2</td>
<td>-7.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1USD (JPY)</th>
<th>1EUR (JPY)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018 Forecast</td>
<td>107.0</td>
<td>131.0</td>
<td>+2.7</td>
<td>111.2</td>
<td>-1.5</td>
</tr>
<tr>
<td>FY2018 Actual</td>
<td>109.7</td>
<td>128.3</td>
<td>-2.7</td>
<td>129.4</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

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**Operating Income Analysis (vs Initial Plan)**

Lowered OP forecast, on impact of weaker EM currencies and sales decline. Maintaining growth investments.

- **Initial FY2018 Plan**
  - 93.0
  - Forex impact: -5.5
  - Major Curr.: -0.2
  - EM Curr.: -5.3

- **Sales decline**
  - Added value down: -7.4

- **Fixed manufacturing costs up**
  - 0.1

- **R&D down**
  - +2.0

- **SG&A down**
  - +1.1

- **Review investment themes**
  - Improve efficiency in SG&A, R&D spend

- **Gross Profit**
  - -5.5
  - -7.5
  - +3.1

- **FY2018 Forecast**
  - 83.0
Operating Income Analysis (Y/Y)

Added value up significantly Y/Y. Continue to proactively invest for the future; OP down Y/Y as a consequence.

- Sales up
- Added value ratio up

Forex impact: -5.0

Added value up: +20.9

Fixed manufacturing costs up: -3.0

SG&A up: -12.4

R&D up: -3.7

Gross Profit:

-5.0 → +17.9 → -16.1

FY2017 Actual: 86.3 (¥bn)
FY2018 Forecast: 83.0 (¥bn)
Sales by Business Segment

Revised full-year segment forecasts. IAB, HCB continue to grow Y/Y.

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Initial Plan</th>
<th>FY2018 Forecast</th>
<th>vs. Initial Plan</th>
<th>FY2017 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB</td>
<td>428.0</td>
<td>411.5</td>
<td>-3.9%</td>
<td>396.1</td>
<td>+3.9%</td>
</tr>
<tr>
<td>EMC</td>
<td>102.0</td>
<td>103.0</td>
<td>+1.0%</td>
<td>104.4</td>
<td>-1.3%</td>
</tr>
<tr>
<td>AEC</td>
<td>128.0</td>
<td>130.0</td>
<td>+1.6%</td>
<td>131.2</td>
<td>-0.9%</td>
</tr>
<tr>
<td>SSB</td>
<td>74.0</td>
<td>76.0</td>
<td>+2.7%</td>
<td>70.3</td>
<td>+8.1%</td>
</tr>
<tr>
<td>HCB</td>
<td>119.0</td>
<td>117.5</td>
<td>-1.3%</td>
<td>108.5</td>
<td>+8.3%</td>
</tr>
<tr>
<td>Other</td>
<td>43.5</td>
<td>37.5</td>
<td>-13.8%</td>
<td>44.4</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>5.5</td>
<td>4.5</td>
<td>-18.2%</td>
<td>5.2</td>
<td>-13.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>900.0</strong></td>
<td><strong>880.0</strong></td>
<td><strong>-2.2%</strong></td>
<td><strong>860.0</strong></td>
<td><strong>+2.3%</strong></td>
</tr>
</tbody>
</table>

* Figures presented reflect the application of FASB Accounting Standards Update 2017-07 'Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost'.
* Other segment UPS business included in SSB.
### Operating Income by Business Segment

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Initial Plan</th>
<th>FY2018 Forecast</th>
<th>vs. Initial Plan</th>
<th>FY2017 Actual</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td>82.0 (19.2%)</td>
<td>72.0 (17.5%)</td>
<td>-10.0 (-1.7%pt)</td>
<td>74.0 (18.7%)</td>
<td>-2.0</td>
</tr>
<tr>
<td>Industrial Automation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMC</strong></td>
<td>12.5 (12.3%)</td>
<td>11.5 (11.2%)</td>
<td>-1.0 (-1.1%pt)</td>
<td>12.5 (12.0%)</td>
<td>-1.0</td>
</tr>
<tr>
<td>Electronic &amp; Mechanical Components</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td>6.0 (4.7%)</td>
<td>6.0 (4.6%)</td>
<td>±0.0 (-0.1%pt)</td>
<td>5.8 (4.4%)</td>
<td>+0.2</td>
</tr>
<tr>
<td>Automotive Electronic Components</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td>5.5 (7.4%)</td>
<td>6.0 (7.9%)</td>
<td>+0.5 (+0.5%pt)</td>
<td>4.8 (6.9%)</td>
<td>+1.2</td>
</tr>
<tr>
<td>Social Systems, Solutions &amp; Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td>12.5 (10.5%)</td>
<td>13.0 (11.1%)</td>
<td>+0.5 (+0.6%pt)</td>
<td>11.2 (10.3%)</td>
<td>+1.8</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>-1.0 (-)</td>
<td>-2.5 (-)</td>
<td>-1.5 (-)</td>
<td>-1.2 (-)</td>
<td>-1.3</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><strong>Eliminations &amp; Corporate</strong></td>
<td>-24.5 (-)</td>
<td>-23.0 (-)</td>
<td>+1.5</td>
<td>-20.9 (-)</td>
<td>-2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>93.0 (10.3%)</td>
<td>83.0 (9.4%)</td>
<td>-10.0 (-0.9%pt)</td>
<td>86.3 (10.0%)</td>
<td>-3.3</td>
</tr>
</tbody>
</table>

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* Other segment UPS business included in SSB.
Dividend guidance revised to ¥84 per share, in line with revised forecasts.
Aiming for Further Growth
Creating revolutionary applications

Adding automation centers, hiring sales engineers

Initiating i-BELT
IAB: Creating Revolutionary Applications

Multiple unique and revolutionary applications launched in growth domains where investment is increasing.

**Auto (EV/ADAS)**
- Improve quality control in assembly process
- Greater manufacturing flexibility through integrated modularization of control and safety
- Enhance QCD of new manufacturing process for next-gen secondary batteries

**Digital (Semi/OLED)**
- Improve plastic mold quality control for semi encapsulation process
- Introduction of IoT for passive component production equipment
- Advances in OLED chemical deposition process

**Food & Beverage (Safety/Security)**
- Maintain quality control through real-time feedback of temperature and pressure data
- Detect setup process errors by applying AI to torque data feedback
- Incorporate accumulated expertise into maintenance process through visualization of overall facility efficiency
IAB: Creating Revolutionary Applications

Create revolutionary applications to address industry challenges around sensory inspection and traceability.

Automate sensory inspection process

Traceability systems
IAB: Revolutionary Application Example (Sensory Testing)

Fully automated inspection process for compact electronic components.

**Visual Inspection**

Inspection process
400 workers

**Full Automation**

Inspection process
0 workers

Vision sensors
IAB: Revolutionary Application Example (Traceability System)

Significantly reduce ramp-up lead time and costs with easy-to-setup traceability system.

Data collection & analysis
Programmable logic controller

Primary packaging
Code reader

Secondary packaging
Code reader

Tertiary packaging
Code reader

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IAB: Creating Revolutionary Applications

Serially launching new products to deliver revolutionary applications

**Input**
- Industry First
- IoT liquid flow/pressure sensor capable of simultaneous temperature measurement
- Smallest in class multicode reader
- Industry Fastest
- Vision sensors that enable high-speed, high-accuracy inspection measurements

**Logic**
- Industry First
- AI controller integrating control and information processing

**Output**
- Expanded lineup of servo drives & motors
- Industry Fastest
- Multi axis motion controller capable of nano order control

**Robot**
- Self-propelled co-bot to enable flexible manufacturing
- Industry First
- SCARA robot enabled with predictive maintenance functionality

**Safety**
- Industry First
- Safety controller enabled for high levels of safety when adopting robots
IAB: Aiming for Further Growth

- Creating revolutionary applications
- Adding automation centers, hiring sales engineers
- Initiating i-BELT
IAB: Expanding Automation Centers, Hiring SEs

Automation Centers are a forum for working with customers to devise solutions to management and operational challenges.

Automation Centers
- As of FY2016: 8 locations
- FY2018 Plan: 35 locations

Sales Engineers (SE)
- Increase human resources by 20% (vs. FY2016)
IAB: Aiming for Further Growth

- Creating revolutionary applications
- Adding automation centers, hiring sales engineers
- Initiating i-BELT
IAB: Initiating i-BELT Business Model

Launching collaborative business model i-BELT which will revolutionize manufacturing

(1) Data collection

(2) Visualization and analysis

(3) Feedback to device control

Controller

Data accumulation

Data analysis

AI

Algorithm (control model)

Parameter

Sensing

Control

Input devices and equipment

Output devices and equipment

Other companies' input devices

Other companies' platform

Other companies' output devices

H1 Results

Full-year Forecasts

Future Growth

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IAB: Initiating i-BELT Business Model

Phase 1: Analytics service to predict production facility issues.
Phase 2: Visualization/analytics service targeting operational issues

- **Visualization**
  - Production Difficulties
  - Quality
  - Operation Rate
  - Energy

- **Analyzing**
  - Real Time Prediction
  - Quality Prediction
  - Facility Prediction
  - Energy

- **Control**
  - Flexible Line
  - Stable Quality
  - Optimal Machine Operation
  - Energy

- **Benefits**
  - Shorter Production Lead Time
  - Increase Yields
  - Reduce Operation Losses
  - Further Energy Savings

October Launch
July Launch

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Our aim is to implement a continuous cycle to develop solutions to our evolving customers’ manufacturing challenges.

innovative-Automation

Omron + Partner

Control Application

Input Logic Output

Robot Safety

Software Hardware

Diagnosis Service Evolution

Customer Maintenance Engineering
Continue to enhance growth cycle to achieve VG2.0 goals.
## FY2018 Assumptions: Exchange Rates

<table>
<thead>
<tr>
<th>FY2018</th>
<th>Impact of ¥1 fluctuation (full-year, approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
</tr>
<tr>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>H1: ¥107</td>
<td>¥3.9bn</td>
</tr>
<tr>
<td>H2: ¥110</td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td></td>
</tr>
<tr>
<td>H1: ¥131</td>
<td>¥1.0bn</td>
</tr>
<tr>
<td>H2: ¥127</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>OMRON Principles</th>
<th>Sustainability Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VG2.0</strong></td>
<td><strong>Sustainability Initiatives</strong></td>
</tr>
<tr>
<td><strong>Business Strategies</strong></td>
<td>Social Issues to be solved through our Business</td>
</tr>
<tr>
<td>1. Redefine focus domains and maximize the strength of businesses</td>
<td>FA</td>
</tr>
<tr>
<td>2. Evolve business models</td>
<td>Healthcare</td>
</tr>
<tr>
<td>3. Reinforce core technologies</td>
<td>Mobility</td>
</tr>
<tr>
<td><strong>Collaborative Creation with Partners</strong></td>
<td>Collaborative Creation with Partners</td>
</tr>
<tr>
<td><strong>Operations/Functional Strategies</strong></td>
<td>Issues Responding to Stakeholder Expectations</td>
</tr>
<tr>
<td>Human Capital Management, Manufacturing, and Risk Management</td>
<td>Human Capital Management</td>
</tr>
<tr>
<td>Energy Management</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Mobility</td>
<td>Risk Management</td>
</tr>
</tbody>
</table>

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OMRON Included in Major ESG Indices (As of October 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
- S&P/JPX Carbon Efficient Index
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**

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

**On-site**

**PLAN**

**DO**

**CHECK**

**To-Dos Cycle**
Portfolio Management

Assessing Economic Value

- B Expecting Growth
- S Investment
- C Profit Restructuring
- A Examining Regrowth

Assessing Competitiveness

- B
- S
- C
- A

Sales Growth Rate (%) vs. ROIC (%)

Market Growth Rate (%) vs. Market Share (%)
ROIC Definition

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

\begin{itemize}
  \item **Invested capital***
  \[ = \text{Net assets} + \text{Interest-bearing debt} \]
  \[\text{*The average of previous fiscal year-end result and quarterly results (or forecasts) of current fiscal year.}\]
\end{itemize}

\[ \text{Capital cost forecast at 6\% for FY2017 - 2020} \]
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 Second Quarter of the Fiscal Year Ending March 31, 2019 (U.S. GAAP)." Figures rounded to the nearest million JPY and percentage to one decimal place.

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