



Q3 2016 Earnings

**Financial Results
for the Third Quarter
Ended December 31, 2016**

January 31, 2017
OMRON Corporation

Summary

■ Q1-Q3 Results

- Sustained profit growth in Q1-Q3 on account of strong performance in Q3
- Excluding forex impacts, achieved sales growth and robust profit growth
- Enhanced earning ability as GP margin improved

■ Full-Year Forecasts

- Estimate a favorable trend in IAB; revise up full-year forecasts reflecting the current yen weakness (estimate an increase in both sales and OP on a local currency basis); estimate an OP exceeded the initial plan of ¥63bn
- Remain full-year dividend forecast unchanged from the October forecast of 68 yen

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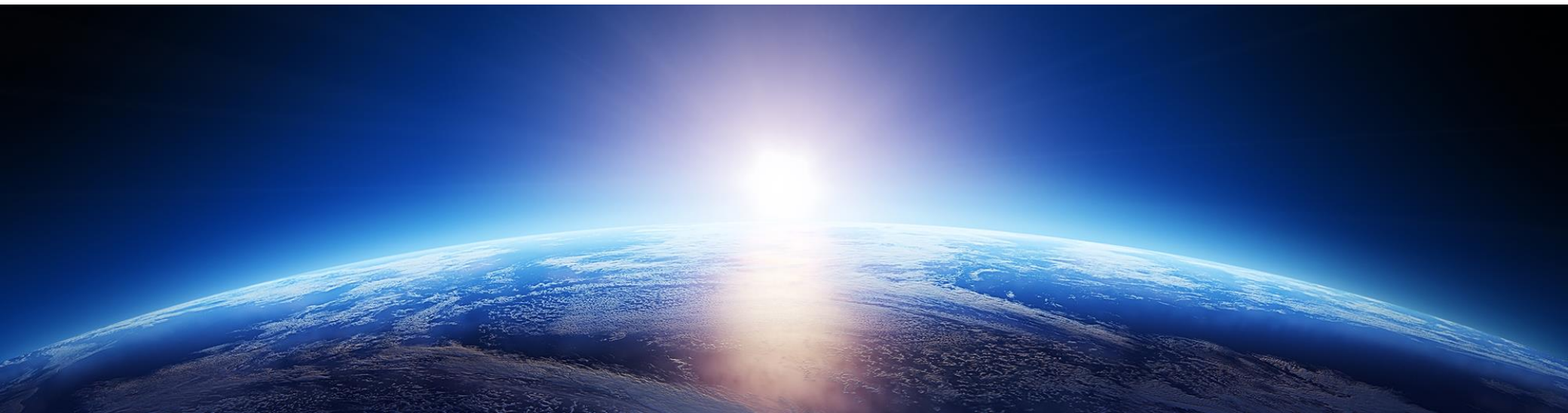
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Q1-Q3 Results

Q1-Q3 Results



Q1-Q3 Results

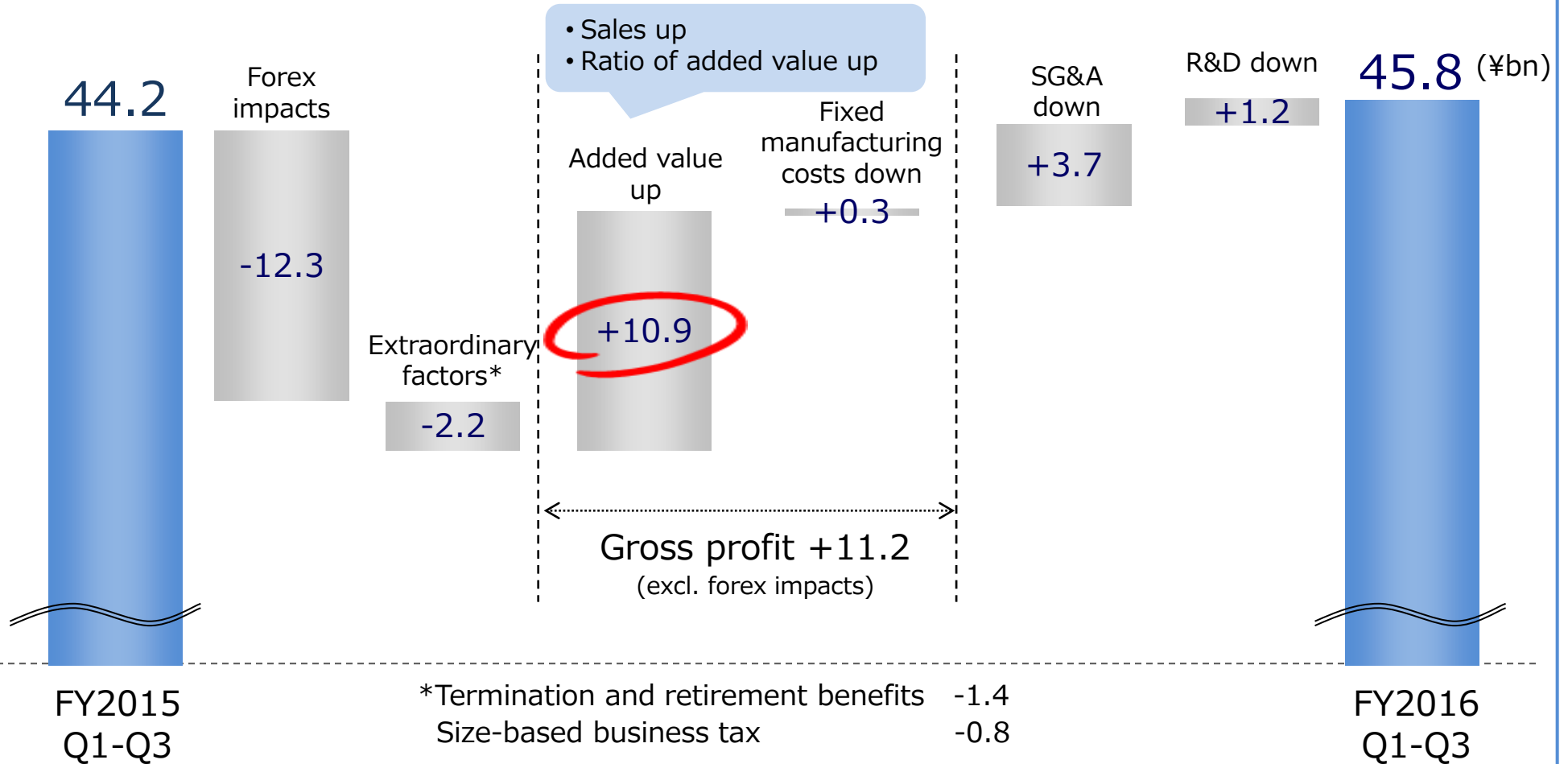
- **OP up by 3.7% yoy; excluding forex impacts, achieved sales growth and robust profit growth**
- **Enhanced earning ability as GP margin improved by 1.1%pt**

(¥bn)

	FY2015 Q1-Q3	FY2016 Q1-Q3	Y/Y	Y/Y (excl. forex impacts)
Net Sales	614.0	568.7	-7.4%	+2%
Gross Profit (%)	237.4 (38.7%)	224.0 (39.4%)	-5.6% (+0.7%pt)	+5% (+1.1%pt)
Operating Income (%)	44.2 (7.2%)	45.8 (8.1%)	+3.7% (+0.9%pt)	+31% (+2.1%pt)
Net Income Attributable to Shareholders	33.9	30.6	-9.6%	+27%
1USD (JPY)	121.5	106.9	-14.6	
1EUR (JPY)	133.5	118.7	-14.8	

Operating Income Analysis, Y/Y

Achieved OP growth on account of increase in added value



Sales by Business Segment

IAB, AEC, HCB and Other posted sales growth excluding forex impacts.

	FY2015 Q1-Q3	FY2016 Q1-Q3	Y/Y	(¥bn) Y/Y (excl. forex impacts)
IAB Industrial Automation	251.6	240.0	-4.6%	* +5%
EMC Electronic & Mechanical Components	78.7	68.9	-12.5%	-2%
AEC Automotive Electronic Components	104.0	96.9	-6.8%	+5%
SSB Social Systems, Solutions & Service	44.9	34.6	-23.0%	-23%
HCB Healthcare	81.0	76.0	-6.2%	* +5%
Other Businesses under the Direct Control of HQ	50.1	48.6	-3.0%	+4%
Eliminations & Corporate	3.7	3.7	+1.3%	+3%
Total	614.0	568.7	-7.4%	+2%

* Excl. Oil & Gas Business +8%

* Excl. Medical Business +6%

Operating Income by Business Segment

IAB, EMC, AEC and HCB sustained robust growth in profit excluding forex impacts.

(¥bn / % of net sales)

	(1) FY2015 Q1-Q3	(2) FY2016 Q1-Q3	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)
IAB Industrial Automation	36.8 (14.6%)	37.1 (15.4%)	+0.3 (+0.8%pt)	+1%	+20%
EMC Electronic & Mechanical Components	6.6 (8.3%)	7.1 (10.4%)	+0.6 (+2.0%pt)	+9%	+48%
AEC Automotive Electronic Components	5.2 (5.0%)	4.9 (5.0%)	-0.4 (±0%pt)	-7%	+25%
SSB Social Systems, Solutions & Service	-2.7 (-)	-3.4 (-)	-0.7 (-)	-	-
HCB Healthcare	6.3 (7.8%)	7.6 (10.0%)	+1.3 (+2.2%pt)	+20%	+53%
Other Businesses under the Direct Control of HQ	-1.9 (-)	-1.4 (-)	+0.5 (-)	-	-
Eliminations & Corporate	-6.1	-6.1	+0.1	-	-
Total	44.2 (7.2%)	45.8 (8.1%)	+1.6 (+0.9%pt)	+4%	+31%

Consolidated B/S

No notable changes to the structure

	(1) Mar. 31, 2016	(2) Dec. 31, 2016	(2)-(1)
			(¥bn)
Current assets	389.6	418.5	+28.9
Property, plant & equipment	146.6	127.0	-19.6
Investments and other assets	147.2	142.0	-5.1
Total Assets	683.3	687.5	+4.2
Current liabilities	162.7	155.7	-7.0
Long-term liabilities	73.6	64.2	-9.4
Total Liabilities	236.3	219.9	-16.4
Shareholders' equity	444.7	465.9	+21.2
Noncontrolling interests	2.3	1.8	-0.6
Total Net Assets	447.0	467.6	+20.6
Total Liabilities and Shareholders' Equity	683.3	687.5	+4.2
Shareholders' equity to total assets	65.1%	67.8%	+2.7%pt

IAB Achievements in China (H1 Results)

Re-shown from Oct. Presentation Slides

9% sales growth was achieved on a local currency basis in China. Particularly, 24% sales growth was achieved in focus industries.

Wide Range of Product Lines + Application Packages



Focus Industries



- Number of adopted items per negotiation has been increasing
- Number of new customers has been increasing

IAB Achievements in China (Q1-Q3 Results)


Attained sales growth significantly in focus industries in China

Sales in Focus Industries (on a local currency basis, Y/Y)

FY2016
H1

FY2016
Q1-Q3

China

+24%  +38%

Full-Year Forecasts

Full-Year Forecasts



Q4 Business Environment by Region (vs. Oct. Fcst)

Though uncertainty about the condition of global economy will continue in the wake of the new U.S. administration, a moderate recovery is now expected.

Japan

- Capex will gradually increase due to the weak yen.

Overseas

- Americas: The economy in the U.S. will continue to expand driven by jobs recovery and steady growth in consumer spending.
- Europe: A moderate recovery is expected.
- China: The slowdown in economic growth will enter a lull.
- Southeast Asia: In South Korea, investment in semiconductors and OLED will increase.

Q4 Business Environment by Segment (vs. Oct. Fcst)

- Expect an improving business environment for IAB and AEC in Q4
- Regarding IAB, expect a continued strong capex in digital industry following Q3 in China, South Korea and Japan

	Oct. Fcst	Jan. Fcst
	Q4 Estimate	Q4 Estimate
IAB Industrial Automation	→	↗
EMC Electronic & Mechanical Components	→	→
AEC Automotive Electronic Components	→	↗
SSB Social Systems, Solutions & Service	→	→
HCB Healthcare	→	→
Other Businesses under the Direct Control of HQ	↘	↘

Q4 Business Environment by Segment (vs. Oct. Fcst)

IAB Industrial Automation	<p>Japan: Digital will stay firm.</p> <p>Overseas: Digital and auto in China will remain solid. Capex in digital industry in South Korea will be robust. Uncertainty in the outlook will remain in the U.S. following the new administration. Machinery export from Europe is expected to recover due to Euro depreciation.</p>
EMC Electronic & Mechanical Components	<p>Electronics: A moderate recovery is expected, especially in Europe and the U.S.</p> <p>Auto: Market of environment-friendly vehicles in China will remain firm.</p>
AEC Automotive Electronic Components	<p>Japan: Market of Kei car has bottomed out and will gradually recover.</p> <p>Overseas: North America will remain solid whereas the prospects remain uncertain. China will stay firm attributed to the extension of tax cuts.</p>
SSB Social Systems, Solutions & Service	<p>Transportation: Demand for replacement will be flat.</p> <p>Environmental Solutions: The market for PV power generation will recover moderately. The market for rational use of energy will stay firm.</p>
HCB Healthcare	<p>Japan: Online market will continue to be solid.</p> <p>Overseas: Though demand in emerging markets will be firm, India will be sluggish in the wake of abolishing high-value banknotes.</p>
Other Businesses under the Direct Control of HQ	<p>Environmental Solutions: Demand for PV inverters will recover moderately.</p> <p>Backlight: High-end smartphone market will remain weak.</p>

Full-Year Forecasts

- **Revise up full-year forecasts**
- **Estimate an increase in both sales and OP on a local currency basis**
(Estimate an OP exceeded the initial plan of ¥63bn)

*Q4 forex preconditions: 1USD = ¥110, 1EUR = ¥120

(¥bn)

	(1) FY2016 Oct. Fcst	(2) FY2016 Jan. Fcst	(2)/(1)	Y/Y	Y/Y (excl. forex impacts)
Net Sales	765.0	780.0	+2.0%	-6%	+2%
Gross Profit	297.5	306.5	+3.0%	-4%	+5%
(%)	(38.9%)	(39.3%)	(+0.4%pt)	(+0.8%pt)	(+1.1%pt)
Operating Income	55.0	64.0	+16.4%	+3%	+26%
(%)	(7.2%)	(8.2%)	(+1.0%pt)	(+0.7%pt)	(+1.8%pt)
Net Income Attributable to Shareholders	40.0	44.0	+10.0%	-7%	+14%
1USD (JPY)	103.7	107.7	+4.0		
1EUR (JPY)	115.0	119.1	+4.1		

Full-Year Sales Forecast by Business Segment

IAB and HCB are projected to post sales growth on a local currency basis, driving the overall Group.

	(1) FY2016 Oct. Fcst	(2) FY2016 Jan. Fcst	(2)/(1)	Y/Y	Y/Y (excl. forex impacts)
IAB Industrial Automation	312.0	323.0	+3.5%	-4%	* +4%
EMC Electronic & Mechanical Components	93.0	92.0	-1.1%	-11%	-1%
AEC Automotive Electronic Components	123.0	129.0	+4.9%	-8%	+2%
SSB Social Systems, Solutions & Service	70.0	69.0	-1.4%	-11%	-10%
HCB Healthcare	100.0	100.0	±0%	-8%	* +3%
Other Businesses under the Direct Control of HQ	62.0	62.0	±0%	-2%	±0%
Eliminations & Corporate	5.0	5.0	±0%	-6%	-
Total	765.0	780.0	+2.0%	-6%	+2%

* Excl. Oil & Gas Business +7%

* Excl. Medical Business +7%

Full-Year Operating Income Forecast by Business Segment

Significantly revise up forecast for IAB

(¥bn / % of net sales)

	(1) FY2016 Oct. Fcst	(2) FY2016 Jan. Fcst	(2)-(1)
IAB Industrial Automation	43.0 (13.8%)	49.4 (15.3%)	+6.4 (+1.5%pt)
EMC Electronic & Mechanical Components	8.5 (9.1%)	8.9 (9.7%)	+0.4 (+0.5%pt)
AEC Automotive Electronic Components	5.5 (4.5%)	6.6 (5.1%)	+1.1 (+0.6%pt)
SSB Social Systems, Solutions & Service	4.0 (5.7%)	4.0 (5.8%)	±0 (+0.1%pt)
HCB Healthcare	8.0 (8.0%)	8.5 (8.5%)	+0.5 (+0.5%pt)
Other Businesses under the Direct Control of HQ	-2.5 (-)	-2.8 (-)	-0.3 (-)
Eliminations & Corporate	-11.5	-10.6	+0.9
Total	55.0 (7.2%)	64.0 (8.2%)	+9.0 (+1.0%pt)

Full-Year Operating Income Forecast by Business Segment

Five main business segments are projected to achieve profit improvement as a result of rebuilding the earnings structures.

(¥bn / % of net sales)

	(1) FY2015 Actual	(2) FY2016 Jan. Fcst	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)
IAB Industrial Automation	47.9 (14.3%)	49.4 (15.3%)	+1.5 (+1.0%pt)	+3%	+21%
EMC Electronic & Mechanical Components	8.5 (8.2%)	8.9 (9.7%)	+0.4 (+1.5%pt)	+5%	+37%
AEC Automotive Electronic Components	7.3 (5.2%)	6.6 (5.1%)	-0.7 (-0.1%pt)	-10%	+17%
SSB Social Systems, Solutions & Service	3.2 (4.1%)	4.0 (5.8%)	+0.8 (+1.7%pt)	+25%	+25%
HCB Healthcare	7.3 (6.7%)	8.5 (8.5%)	+1.2 (+1.8%pt)	+17%	+50%
Other Businesses under the Direct Control of HQ	-4.1 (-)	-2.8 (-)	+1.3 (-)	-	-
Eliminations & Corporate	-7.8	-10.6	-2.8	-	-
Total	62.3 (7.5%)	64.0 (8.2%)	+1.7 (+0.7%pt)	+3%	+26%

Dividend Per Share

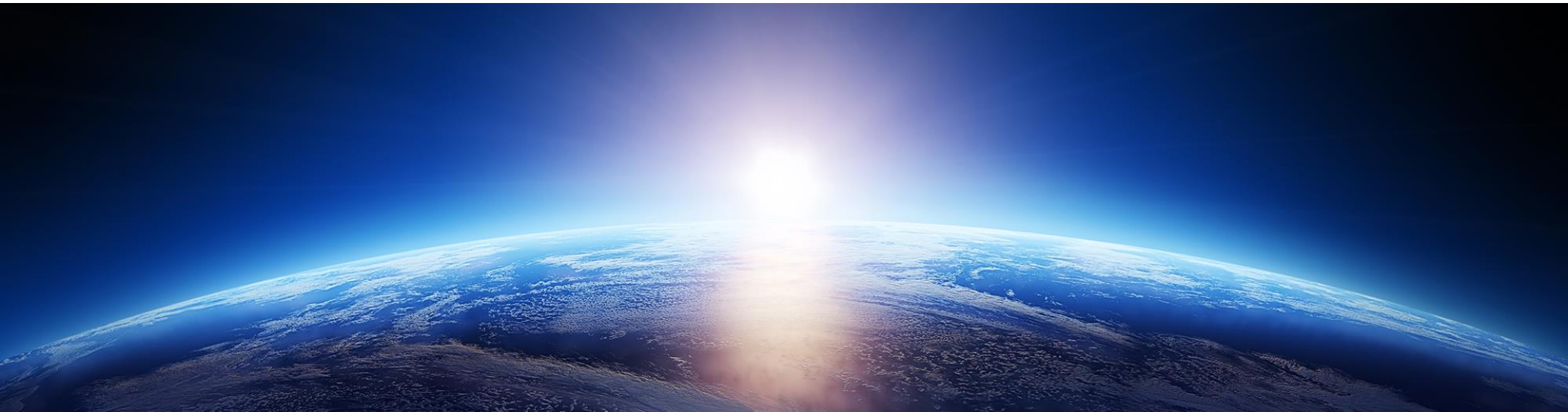
Remain full-year dividend forecast unchanged from the October forecast of 68 yen

	Interim (Paid)	Year-end (Forecast)	Full-year (Forecast)
Jan. Fcst	¥ 34	¥ 34	¥ 68
Oct. Fcst	¥ 34	¥ 34	¥ 68

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References

K6L6L6UCE2



Preconditions: Exchange Rates & Raw Material

Revise Q4 preconditions taking market fluctuations into account

FY2016 Q4 preconditions (changes from the Oct. preconditions)

Exchange rates

- 1 USD = ¥110 (+10)
- 1 EUR = ¥120 (+10)

¥1 fluctuation impact (full-year, approx.)

	Sales	OP
USD	¥3.5bn	¥0.3bn
EUR	¥0.9bn	¥0.5bn

Raw material costs

- Silver = ¥66,000/kg (± 0)
- Copper = ¥560/kg (± 0)

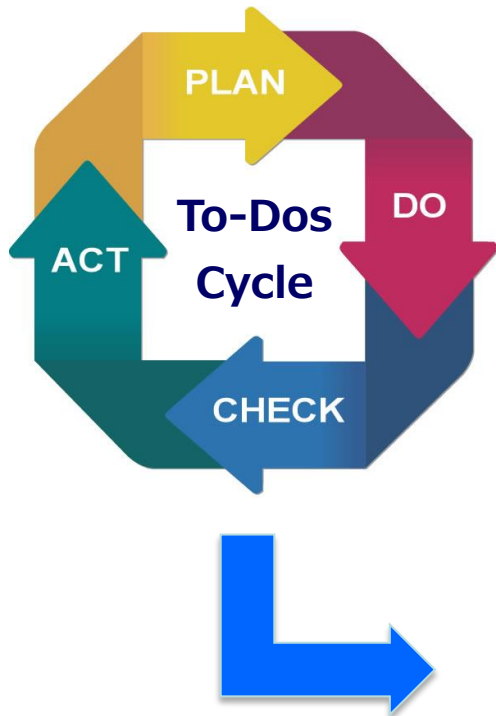
Price change impact (full-year, approx.)

	Price change	OP
Silver	¥1,000/kg	¥70mn
Copper	¥10/kg	¥40mn

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

ROIC Management: Down-Top ROIC Tree

On-site



KPI

- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable costs reduction, value/%
- Defect costs %
- Per-head production #
- 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

Fixed assets turnover

ROS

Invested Capital Turnover

ROIC

ROIC Definition

<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	

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

Invested capital*

= Net assets + 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 FY2014-2016

Notes

1. The consolidated statements of OMRON Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results and future developments 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.
For the preconditions of projections and matters, etc. to be aware of when using the projections, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Information on Outlook, Including Consolidated Performance Forecast" in "Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (U.S. GAAP)."
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (U.S. GAAP)." Figures rounded to the nearest JPY million and percentage to one decimal place.

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