



Q3 2015 Earnings

**Financial Results
for the Third Quarter
Ended December 31, 2015**

January 28, 2016
OMRON Corporation

Summary

■ FY15 Q1-Q3 Results

- Sales remained flat while operating income decreased, Y/Y.
- The worse-than-expected business environment had a negative impact on performance.

■ FY15 Full-Year Forecast

- The full-year forecast is revised down as the business environment in Q4 is worse than expected in Q2.

■ Shareholder Return

- 30% dividend payout ratio is applied; full-year dividend forecast is lowered to ¥68.
- All of the 3.44 million shares of treasury stock (equivalent to ¥15bn) acquired in Q3 have been cancelled.

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FY15 Q1-Q3 Results

FY15 Q1-Q3 Results



Q1-Q3 Results

Sales flat, OP down.

	FY14 Q1-Q3	FY15 Q1-Q3	Y/Y
	(¥bn)		
Net Sales	614.3	614.0	±0%
Gross Profit (%)	243.9 (39.7%)	237.4 (38.7%)	-2.7% (-1.0%pt)
Operating Income (%)	63.0 (10.3%)	44.2 (7.2%)	-29.9% (-3.1%pt)
NIBT	65.5	44.7	-31.8%
Net Income Attributable to Shareholders	49.3	33.9	-31.3%
1USD (JPY)	107.2	121.5	+14.3
1EUR (JPY)	140.5	133.5	-7.0

Sales by Business Segment

- **IAB, EMC, AEC, and HCB posted sales growth.**
- **SSB and Other down due to drop in PV inverters and backlights.**

(¥bn)

	FY14 Q1-Q3	FY15 Q1-Q3	Y/Y
IAB Industrial Automation	244.6	251.6	+2.9%
EMC Electronic & Mechanical Components	75.6	78.7	+4.1%
AEC Automotive Electronic Components	100.9	104.0	+3.0%
SSB Social Systems, Solutions & Service	48.0	44.9	-6.5%
HCB Healthcare	73.5	81.0	+10.3%
Other Businesses under the Direct Control of HQ	67.8	50.1	-26.1%
Eliminations & Corporate	3.9	3.7	-4.4%
Total	614.3	614.0	±0%

Operating Income by Business Segment

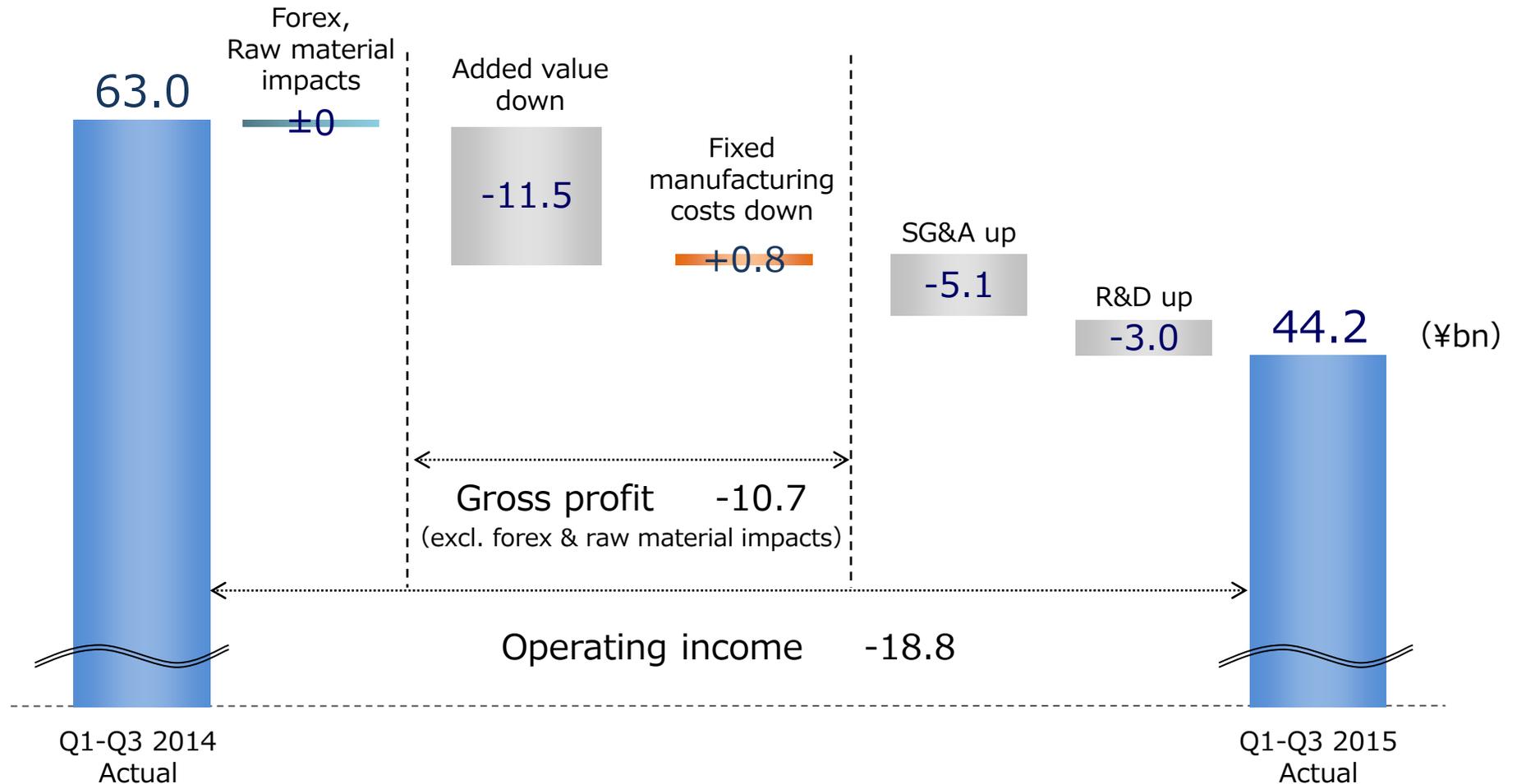
- **HCB up.**
- **The other segments down mainly due to increase in growth investments.**

(¥bn / % of net sales)

	FY14 Q1-Q3	FY15 Q1-Q3	Y/Y	Main Reasons
IAB Industrial Automation	40.3 (16.5%)	36.8 (14.6%)	-3.5 (-1.9%pt)	PMI costs, increase in R&D
EMC Electronic & Mechanical Components	7.0 (9.3%)	6.6 (8.3%)	-0.5 (-0.9%pt)	Investment to increase productivity
AEC Automotive Electronic Components	7.1 (7.0%)	5.2 (5.0%)	-1.8 (-1.9%pt)	Increase in R&D
SSB Social Systems, Solutions & Service	-1.0 (-)	-2.7 (-)	-1.7 (-)	Sales decline
HCB Healthcare	5.8 (8.0%)	6.3 (7.8%)	+0.5 (-0.1%pt)	
Other Businesses under the Direct Control of HQ	8.4 (12.3%)	-1.9 (-)	-10.3 (-)	Sales decline
Eliminations & Corporate	-4.6	-6.1	-1.6	IT investment
Total	63.0 (10.3%)	44.2 (7.2%)	-18.8 (-3.1%pt)	

Operating Income Analysis, Y/Y

- **Added value down due to drop in PV inverters and backlights sales.**
- **SG&A and R&D up intended for growth.**



Consolidated B/S

Current assets down, investments and other assets up.

	Mar. 31, 2015	Dec. 31, 2015	(¥bn) vs. March
Current assets	434.1	378.4	-55.7
Property, plant & equipment	151.5	151.0	-0.5
Investments and other assets	125.5	154.3	+28.8
Total Assets	711.0	683.6	-27.4
Current liabilities	176.8	146.0	-30.8
Long-term liabilities	42.2	43.6	+1.4
Total Liabilities	218.9	189.6	-29.3
Shareholders' equity	489.8	491.6	+1.8
Noncontrolling interests	2.3	2.5	+0.1
Total Net Assets	492.1	494.0	+1.9
Total Liabilities and Shareholders' Equity	711.0	683.6	-27.4
Shareholders' equity to total assets	68.9%	71.9%	+3.0%pt

Consolidated Cash Flows

Negative FCF due to increase in investing activities including M&A.

(¥bn)

	FY14 Q1-Q3	FY15 Q1-Q3	Y/Y
Operating activities (Operating CF)	42.6	47.6	+5.0
Investing activities (Investing CF)	-27.9	-58.1	-30.2
Free cash flow (FCF)	14.8	-10.4	-25.2
Financing activities (Financing CF)	-28.9	-31.6	-2.7
Cash and cash equivalents at end of the period	83.1	58.6	-24.5
Capital expenditures	25.7	26.3	+0.6
Depreciation and amortization	20.5	23.2	+2.7

FY15 Full-Year Forecast

FY15 Full-Year Forecast



H2 Business Environment by Business Segments (vs. Q2 Estimates)

Compared with the Q2 estimates, business environment for IAB and EMC gets worse.

	Q2 Estimastes		Q3 Estimates	
	Q3	Q4	Q3	Q4
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 Business Segment (vs. Q2 Estimates)

IAB

Industrial Automation

Japan: Semiconductors will remain weak. Auto will recover as the delayed capex to be incurred.
Overseas: **China will remain weak. Southeast Asia will slow down due to China's impact and currency depreciation.** Auto in Americas will go solid, while **oil & gas will get slower.** Europe will recover slowly.

EMC

Electronic & Mechanical Components

Home electronics: **Will slow down as production adjustment in China, e.g. air conditioners.**
Auto: China will recover due to tax cuts. Americas solid, whereas Japan will remain weak.

AEC

Automotive Electronic Components

Japan: Will remain weak, but export to North America will go solid due to Yen's depreciation and oil price decline.
Overseas: China will recover temporarily due to tax cuts. Americas will remain solid.

SSB

Social Systems, Solutions & Service

Transportation: Demand in general will remain strong, although some customers show a tendency of weak investment.
Environmental Solutions: The market for small-sized biz-use will remain weak.

HCB

Healthcare

Japan: **Home-use will slow down due to mild winter. Professional-use will decline due to subdued capex.**
Overseas: Retailers sales in China will remain weak but Internet sales will stay solid. Brazil will remain weak.

Other

Businesses under the Direct Control of HQ

Environmental Solutions: Both residential-/small-sized biz-use will remain low.
Backlight: **China's smartphone market will remain weak.**

Full-Year Forecast

Revised down by incorporating business environment deterioration.

	(1) FY2015 Oct. Fcst	(2) FY2015 Jan. Fcst	(2)/(1)	(3) FY2014 Actual	(2)/(3)
	(¥bn)				
Net Sales	860.0	835.0	-2.9%	847.3	-1.4%
Gross Profit	338.0	323.5	-4.3%	332.6	-2.7%
(%)	(39.3%)	(38.7%)	(-0.6%pt)	(39.3%)	(-0.5%pt)
Operating Income	70.0	62.0	-11.4%	86.6	-28.4%
(%)	(8.1%)	(7.4%)	(-0.7%pt)	(10.2%)	(-2.8%pt)
NIBT	71.0	65.5	-7.7%	87.4	-25.0%
Net Income Attributable to Shareholder	53.5	47.5	-11.2%	62.2	-23.6%
1USD (JPY)	120.8	120.5	-0.3	110.0	+10.5
1EUR (JPY)	134.6	132.0	-2.6	138.7	-6.7

*Q4 forex assumption: 1USD = ¥117, 1EUR = ¥127

Full-Year Sales Forecast by Business Segment

Sales up in IAB, EMC, AEC and HCB.

(¥bn)

	(1) FY2015 Oct. Fcst	(2) FY2015 Jan. Fcst	(2)/(1)	(3) FY2014 Actual	(2)/(3)
IAB Industrial Automation	350.0	338.0	-3.4%	331.8	+1.9%
EMC Electronic & Mechanical Components	108.0	104.0	-3.7%	103.9	+0.1%
AEC Automotive Electronic Components	138.0	140.0	+1.4%	137.9	+1.5%
SSB Social Systems, Solutions & Service	80.0	77.5	-3.1%	80.4	-3.6%
HCB Healthcare	111.0	107.0	-3.6%	100.6	+6.3%
Other Businesses under the Direct Control of HQ	68.0	64.0	-5.9%	87.4	-26.8%
Eliminations & Corporate	5.0	4.5	-10.0%	5.3	-13.1%
Total	860.0	835.0	-2.9%	847.3	-1.4%

Full-Year Operating Income Forecast by Business Segment

Profits down by continuously making eclectic investments for growth.

(¥bn / % of net sales)

	(1) FY2015 Oct. Fcst	(2) FY2015 Jan. Fcst	(2)/(1)	(3) FY2014 Actual	(2)/(3)
IAB Industrial Automation	55.0 (15.7%)	50.0 (14.8%)	-5.0 (-0.9%pt)	54.6 (16.5%)	-4.6 (-1.7%pt)
EMC Electronic & Mechanical Components	10.5 (9.7%)	8.0 (7.7%)	-2.5 (-2.0%pt)	10.2 (9.8%)	-2.2 (-2.1%pt)
AEC Automotive Electronic Components	7.5 (5.4%)	7.5 (5.4%)	±0 (-0.1%pt)	9.2 (6.7%)	-1.7 (-1.3%pt)
SSB Social Systems, Solutions & Service	3.5 (4.4%)	3.2 (4.1%)	-0.3 (-0.2%pt)	5.0 (6.2%)	-1.8 (-2.1%pt)
HCB Healthcare	7.0 (6.3%)	7.0 (6.5%)	±0 (+0.2%pt)	6.5 (6.5%)	+0.5 (+0.1%pt)
Other Businesses under the Direct Control of HQ	-3.5 (-)	-4.5 (-)	-1.0 (-)	8.4 (9.6%)	-12.9 (-)
Eliminations & Corporate	-10.0	-9.2	+0.8	-7.3	-1.9
Total	70.0 (8.1%)	62.0 (7.4%)	-8.0 (-0.7%pt)	86.6 (10.2%)	-24.6 (-2.8%pt)

Initiatives for Future Growth

Implement the initiatives for future growth from two perspectives.

■ Business Growth

IAB

Industrial
Automation

Acquisitions of Delta Tau and Adept

To contribute to Industry 4.0 with broad product lines

HCB

Healthcare

Acquisition of NS, development of ultra-compact wrist-type blood pressure monitor

To help realize healthy and comfortable lives for people around the world

■ Problem-solving

Backlights

PV Inverters

Business restructuring

To convert to a profit-generating structure

Toward the Realization of Industry 4.0

- Strengthen the product lines and technological capabilities by M&A.
- Contribute to the realization of Industry 4.0 by leveraging big data.

Omron's
Sensing & Control
Technology
(ILO+S)

Robotics
Technology
(+R)

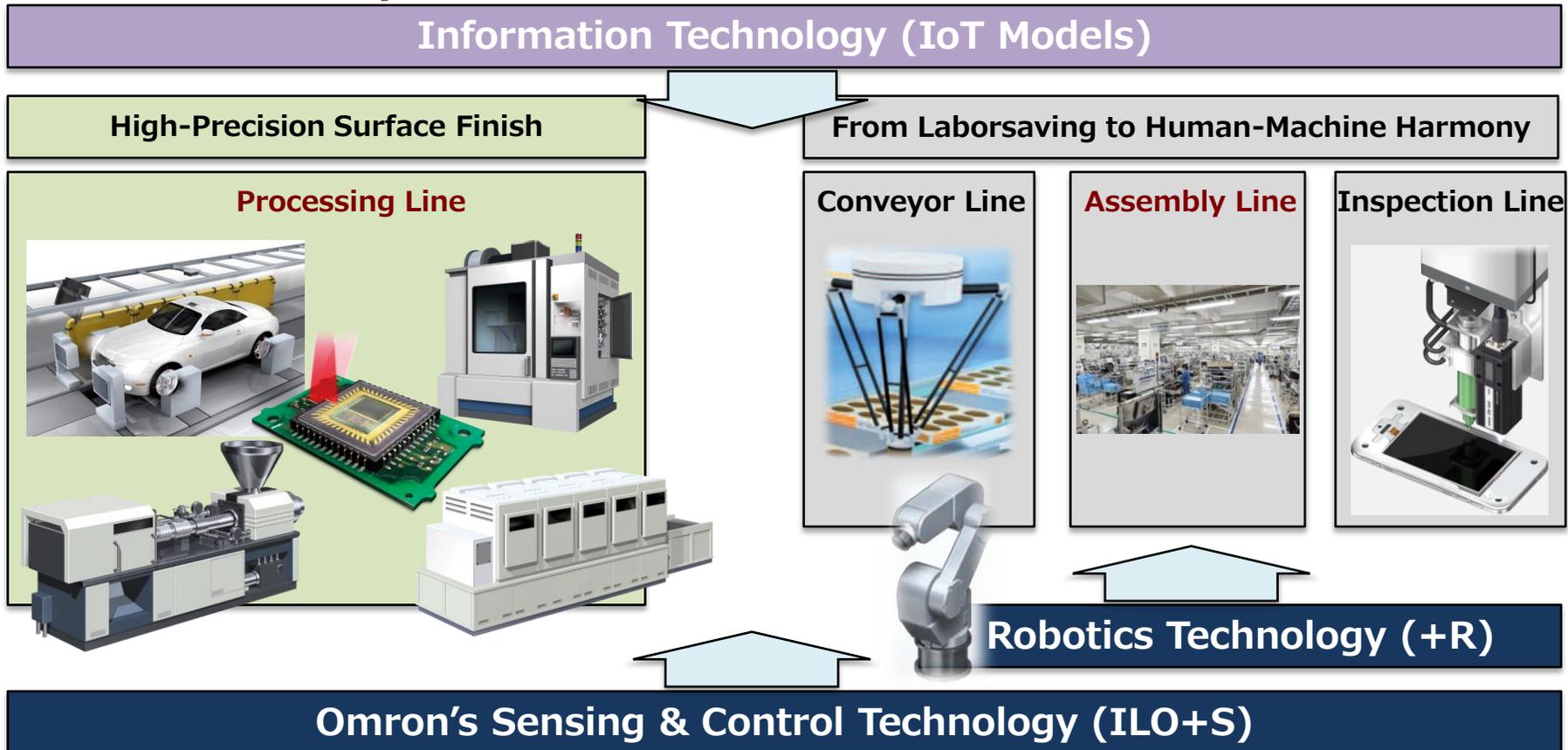


Information
Technology
(Big Data)

Industry4.0

Innovation at Production Sites

- **Delta Tau → Processing Line: machine evolution (high-speed, high-precision and informatization).**
- **Adept → Assembly Line: creation of new automation by human-machine harmony.**



All for Healthcare

To help realize healthy and comfortable lives for people around the world.

Business Vision

Circulatory Business

Zero event of brain and cardiovascular diseases



Respiratory Business

Zero severe childhood asthma



Shareholder Return

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Dividend Per Share

Applied 30% dividend payout ratio to the updated net income forecast; full-year dividend forecast is lowered to ¥68.

	FY2015 Oct. Fcst	FY2015 Jan. Fcst
Payout Ratio	30.1%	30.9%
Full-Year Dividend	¥74	¥68 Interim ¥34 Year-end ¥34

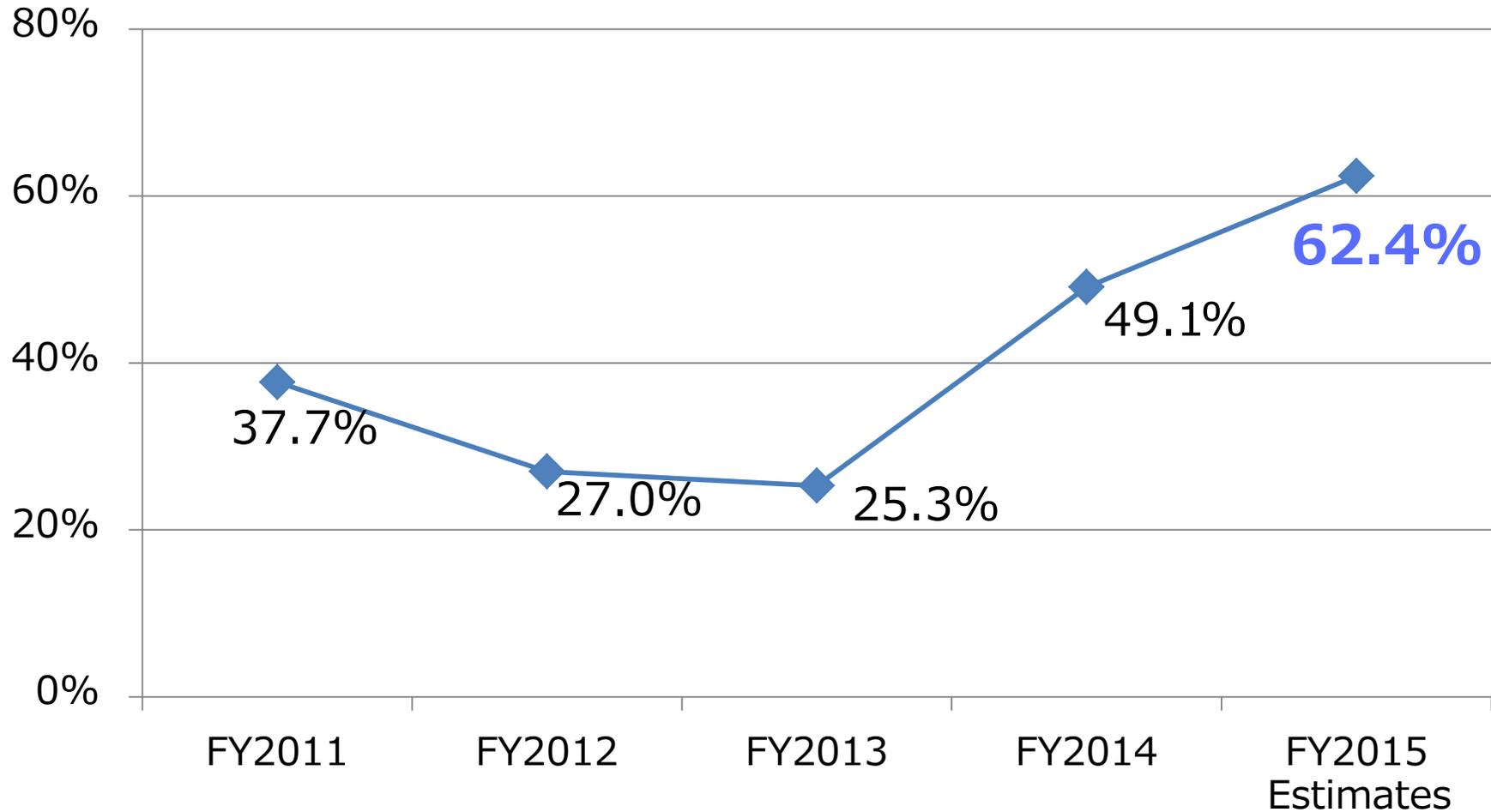
Cancellation of the Treasury Stock

All of the 3.44 million shares of treasury stock (equivalent to ¥15bn) acquired in Q3 have been cancelled.

- **Number of shares acquired** **3.44 million shares**
(equivalent to ¥15bn)
- **Number of shares cancelled** **3.44 million shares**
- **Percentage to total shares outstanding (excl. treasury stock)** **1.58%**
- **Number of issued shares after the cancellation of treasury stock** **213.96 million shares**

Total Return Ratio

Over 60% total return ratio for FY15.

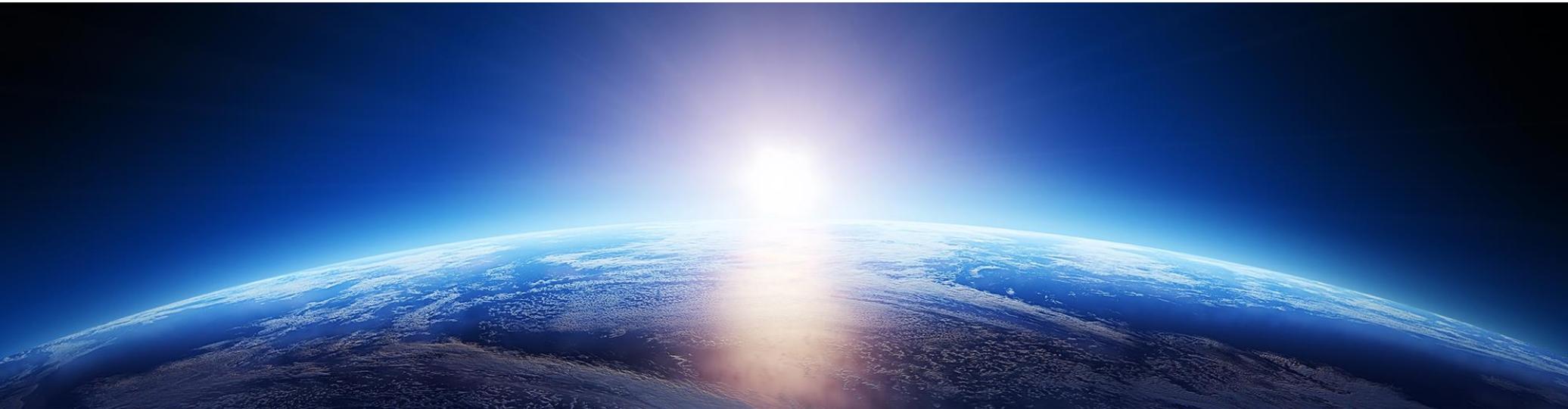


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Sensing tomorrow™

References

K6L6L6UCE2



Conditions: Exchange Rates & Raw Material Costs

Revising Q4 conditions taking market fluctuations into account.

FY15 Q4 conditions (changes from the Oct 27 conditions)

Exchange rates

- 1 USD = ¥117 (-¥3)
- 1 EUR = ¥127 (-¥8)

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

	Sales	OP
USD	¥3.4bn	¥0.3bn
EUR	¥0.8bn	¥0.4bn

Raw material costs

- Silver = ¥63,000/kg (-¥2,000)
- Copper = ¥700/kg (-¥70)

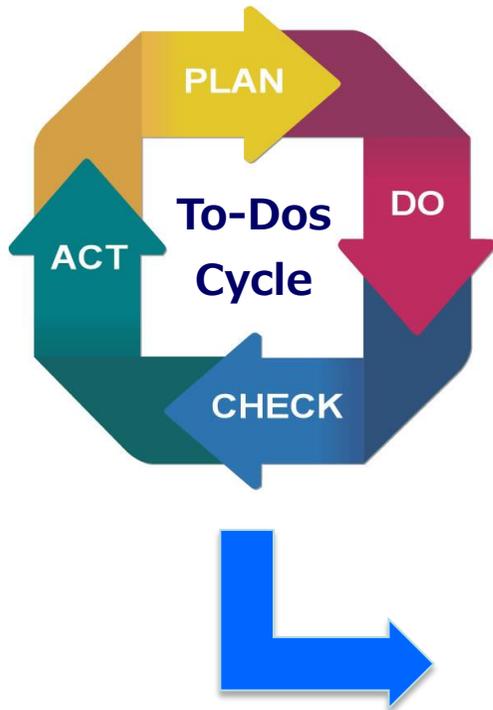
Price change impact (full-year, approx.)

	Price change	OP
Silver	¥1,000/kg	¥80mn
Copper	¥10/kg	¥30mn

*FY14 results used to calculate exchange rates & raw material costs fluctuation impacts.

ROIC Management: Down-Top ROIC Tree

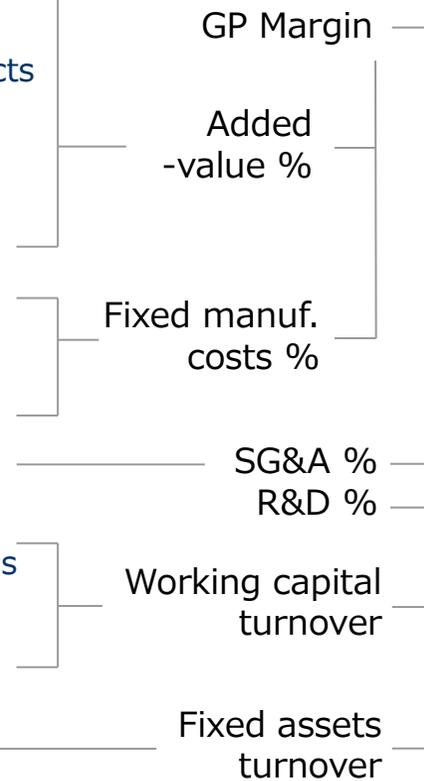
On-site



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



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 FY14 year-end result, FY15 quarterly results and forecasts.

Capital cost forecast at 6%
for EARTH-1 STAGE (FY14-16)

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 risk 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, 2016 (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, 2016". Figures rounded to the nearest JPY million and percentage to one decimal place.

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