



## FY2015 Earnings

# 2015 Full-Year Results Ended March 31, 2016

April 27, 2016  
OMRON Corporation

EARTH-1 STAGE

# Summary

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## ■ FY2015

- Attained estimated OP.
- Rebuilt the earnings structures of Backlights and PV Inverters Businesses in second half of FY2015.
- Strengthened business foundation of IAB for future growth.

## ■ FY2016

- Rebuild the earnings structure and create an engine for self-driven growth.
- Accelerate business growth of IAB and HCB.
- Simultaneously, attain GP margin improvement.

## ■ Mid-and Long-Term Growth Strategy for IAB

- Provide new value through *innovative-Automation*.

# Contents

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## **1. FY2015 Results**

P. 3

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## **2. FY2016 Plans**

P. 11

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## **3. Mid-and Long-Term Growth Strategy for IAB**

P. 22

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## **References**

P. 29

# FY2015 Results

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FY2015 Results



## FY2015 Results

**Attained estimated OP**

(¥bn)

	(1) FY2015 Jan. Fcst*	(2) FY2015 Actual	(2)/(1)	(3) FY2014 Actual	(2)/(3)
Net Sales	835.0	833.6	-0.2%	847.3	-1.6%
Gross Profit (%)	323.5 (38.7%)	320.8 (38.5%)	-0.8% (-0.2%pt)	332.6 (39.3%)	-3.5% (-0.8%pt)
Operating Income (%)	62.0 (7.4%)	62.3 (7.5%)	+0.5% (+0.1%pt)	86.6 (10.2%)	-28.1% (-2.7%pt)
Net Income Attributable to Shareholders	47.5	47.3	-0.4%	62.2	-23.9%
1USD (JPY)	120.5	120.2	-0.3	110.0	+10.2
1EUR (JPY)	132.0	132.2	+0.2	138.7	-6.5

\*Announced on January 28, 2016.

## Sales by Business Segment

**Sales up by 4% excl. the businesses sensitive to external environment <sup>\*1</sup>.**

(¥bn)

	(1) FY2015 Jan Fcst <sup>*2</sup>	(2) FY2015 Actual	(2)/(1)	(3) FY2014 Actual	(2)/(3)
<b>IAB</b> Industrial Automation	338.0	336.0	-0.6%	331.8	+1.2%
<b>EMC</b> Electronic & Mechanical Components	104.0	103.7	-0.3%	103.9	-0.3%
<b>AEC</b> Automotive Electronic Components	140.0	140.0	±0%	137.9	+1.5%
<b>SSB</b> Social Systems, Solutions & Service	77.5	77.5	±0%	80.4	-3.6%
<b>HCB</b> Healthcare	107.0	108.1	+1.0%	100.6	+7.5%
<b>Other</b> Businesses under the Direct Control of HQ	64.0	63.0	-1.5%	87.4	-27.9%
Eliminations & Corporate	4.5	5.3	+18.0%	5.3	+2.6%
<b>Total</b>	<b>835.0</b>	<b>833.6</b>	<b>-0.2%</b>	<b>847.3</b>	<b>-1.6%</b>

<sup>\*1</sup> Backlights (Other), PV Inverters (Other & SSB), Oil & Gas (IAB)

<sup>\*2</sup> Announced on January 28, 2016.

## Operating Income by Business Segment

### Rebuilt the earnings structures of Backlights and PV Inverters Businesses

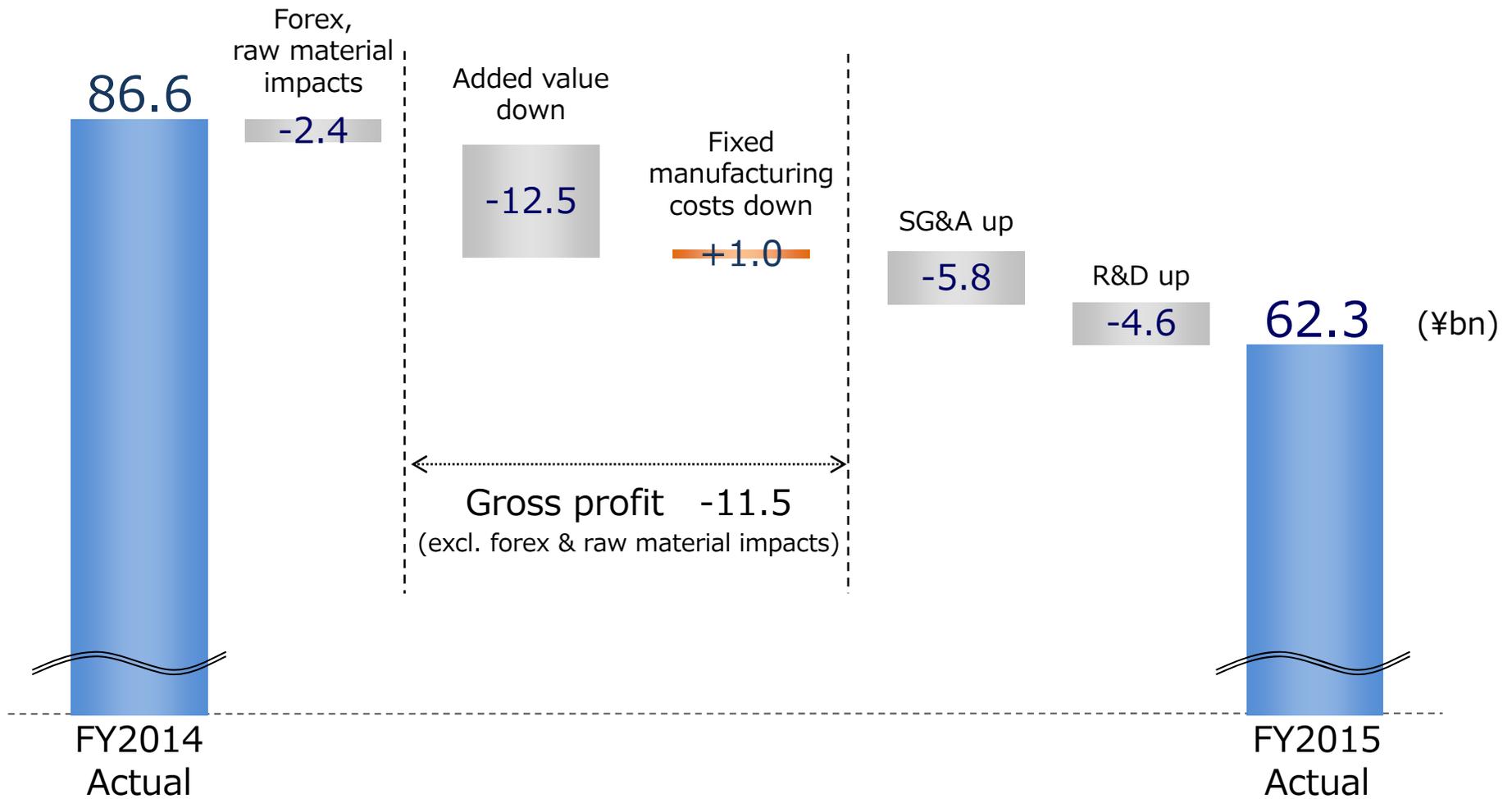
(¥bn / % of net sales)

	(1) FY2015 Jan Fcst*	(2) FY2015 Actual	(2)-(1)	(3) FY2014 Actual	(2)-(3)
<b>IAB</b> Industrial Automation	50.0 (14.8%)	47.9 (14.3%)	-2.1 (-0.5%pt)	54.6 (16.5%)	-6.7 (-2.2%pt)
<b>EMC</b> Electronic & Mechanical Components	8.0 (7.7%)	8.5 (8.2%)	+0.5 (+0.5%pt)	10.2 (9.8%)	-1.7 (-1.6%pt)
<b>AEC</b> Automotive Electronic Components	7.5 (5.4%)	7.3 (5.2%)	-0.2 (-0.1%pt)	9.2 (6.7%)	-1.9 (-1.4%pt)
<b>SSB</b> Social Systems, Solutions & Service	3.2 (4.1%)	3.2 (4.1%)	±0 (±0%pt)	5.0 (6.2%)	-1.8 (-2.1%pt)
<b>HCB</b> Healthcare	7.0 (6.5%)	7.3 (6.7%)	+0.3 (+0.2%pt)	6.5 (6.5%)	+0.8 (+0.3%pt)
<b>Other</b> Businesses under the Direct Control of HQ	-4.5 (-)	-4.1 (-)	+0.4 (-)	8.4 (9.6%)	-12.5 (-)
Eliminations & Corporate	-9.2	-7.8	+1.4	-7.3	-0.5
<b>Total</b>	62.0 (7.4%)	62.3 (7.5%)	+0.3 (+0.1%pt)	86.6 (10.2%)	-24.3 (-2.7%pt)

\*Announced on January 28, 2016.

# Operating Income Analysis, Y/Y

**SG&A up due to M&A. R&D up intended for growth.**



## Consolidated B/S

(¥bn)

	(1) Mar. 31, 2015	(2) Mar. 31, 2016	(2)-(1)
Current assets	434.1	389.6	-44.5
Property, plant & equipment	151.5	146.6	-4.9
Investments and other assets	125.5	147.2	+21.7
<b>Total Assets</b>	<b>711.0</b>	<b>683.3</b>	<b>-27.7</b>
Current liabilities	176.8	162.7	-14.1
Long-term liabilities	42.2	73.6	+31.5
<b>Total Liabilities</b>	<b>218.9</b>	<b>236.3</b>	<b>+17.4</b>
Shareholders' equity	489.8	444.7	-45.1
Noncontrolling interests	2.3	2.3	±0
<b>Total Net Assets</b>	<b>492.1</b>	<b>447.0</b>	<b>-45.1</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>711.0</b>	<b>683.3</b>	<b>-27.7</b>
<b>Shareholders' equity to total assets</b>	<b>68.9%</b>	<b>65.1%</b>	<b>-3.8%pt</b>

## Consolidated Cash Flows

**Secured positive FCF although investing activities increased due to M&A**

(¥bn)

	(1) FY2014 Actual	(2) FY2015 Actual	(2)-(1)
Operating activities (Operating CF)	77.1	84.2	+7.2
Investing activities (Investing CF)	-39.5	-67.1	-27.6
Free cash flow (FCF)	37.5	17.1	-20.4
Financing activities (Financing CF)	-29.3	-31.6	-2.2
Cash and cash equivalents at end of the period	102.6	82.9	-19.7
Capital expenditures	38.1	36.9	-1.3
Depreciation and amortization	28.3	31.5	+3.1

## Management Targets

**Achieved ROIC of 9.7% and ROE of 10.1%**

	FY2014 Actual	FY2015 Actual	Y/Y
Net Sales (¥bn)	847.3	833.6	-1.6%
GP Margin	39.3%	38.5%	-0.8%
OP Margin	10.2%	7.5%	-2.7%pt
ROIC	13.4%	9.7%	-3.7%pt
ROE	13.5%	10.1%	-3.4%pt
EPS (¥)	283.9	219.0	-64.9
1USD (JPY)	110.0	120.2	+10.2
1EUR (JPY)	138.7	132.2	-6.5

# FY2016 Plans

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FY2016 Plans



## FY2016 Business Environment by Region

**Though the global economy is expected to recover gradually, the external environment will remain severe due to China's economic slowdown and strong yen.**

### Japan

- Capex in auto industry will recover gradually, especially in the leading companies.
- However, there are potential downside risks that corporate performances deteriorate due to strong yen.

### Overseas

- Americas: Private consumption and capex in the U.S. will go solid, but deceleration of oil-related investment will continue due to the decline in oil prices.
- Europe: Economy of Europe as a whole will remain flat. Russia and East Europe bottomed out in some areas, but will remain sluggish.
- China: Economic growth will slow down as a result of structural reforms and overcapacity, but infrastructure investment will remain strong. House sales, private consumption, etc. will be firm.
- Southeast Asia: Regional economy will remain flat. Though public investment and economy stimulus packages will support Thailand and Indonesia's economies, recovery of exports has been delayed.

## FY2016 Policy

# Rebuild the earnings structure and create an engine for self-driven growth

### Accelerate Business Growth

- **IAB** (Industrial Automation)
- **HCB** (Healthcare)

### Reform Business Structure

- **Backlights**
- **PV Inverters**

## FY2016 Business Environment by Segment

<p><b>IAB</b> Industrial Automation</p>	<p>Japan: Auto's capex for North America will expand. Semiconductors will remain flat. Overseas: Chinese economy will remain uncertain. Southeast Asia will remain weak due to currency depreciation. Auto in Americas will go solid, while oil &amp; gas will remain weak.</p>
<p><b>EMC</b> Electronic &amp; Mechanical Components</p>	<p>Home electronics: Will remain weak although air conditioners production adjustment in China is close to the end. Auto: China, North America and Europe will remain firm.</p>
<p><b>AEC</b> Automotive Electronic Components</p>	<p>Japan: The influence of last year's tax increase in Kei car is coming to an end, but the prospects are uncertain in the aftermath of the Kumamoto Earthquake. Overseas: Americas will remain solid. China will also remain firm owing to tax cuts, though the economic growth slows down.</p>
<p><b>SSB</b> Social Systems, Solutions &amp; Service</p>	<p>Transportation: Will slow down as the replacement cycle is coming to an end. Environmental Solutions: The market for PV power generation will remain weak. The market for rational use of energy is expanding.</p>
<p><b>HCB</b> Healthcare</p>	<p>Japan: Will remain solid due to the increase in lifestyle diseases and rising health concerns. Overseas: Demand will expand as health awareness is growing in emerging markets, e.g. Southeast Asia.</p>
<p><b>Other</b> Businesses under the Direct Control of HQ</p>	<p>Environmental Solutions: Demand for PV inverters will remain weak, while demand for power storage system will expand. Backlight: China's smartphone market's growth will slow down.</p>

## FY2016 Plans

**Improve GP margin; attain profit growth**

	FY2015 Actual	FY2016 Plan	Y/Y	Y/Y (excl. forex impacts*)
				(¥bn)
Net Sales	833.6	820.0	-1.6%	+4%
Gross Profit (%)	320.8 (38.5%)	322.0 (39.3%)	+0.4% (+0.8%pt)	+7% (+1.1%pt)
Operating Income (%)	62.3 (7.5%)	63.0 (7.7%)	+1.1% (+0.2%pt)	+23% (+1.2%pt)
Net Income Attributable to Shareholders	47.3	47.5	+0.4%	+19%
1USD (JPY)	120.2	110.0	-10.2	
1EUR (JPY)	132.2	125.0	-7.2	

\*Calculated on the basis of the exchange rate of FY2016 plan.

## Sales Forecast by Business Segment

**Other businesses are recovering.**

(¥bn)

	FY2015 Actual	FY2016 Plan	Y/Y	Y/Y (excl. forex impacts)
<b>IAB</b> Industrial Automation	336.0	336.0	±0%	+5%
<b>EMC</b> Electronic & Mechanical Components	103.7	100.0	-3.6%	+3%
<b>AEC</b> Automotive Electronic Components	140.0	130.0	-7.1%	+1%
<b>SSB</b> Social Systems, Solutions & Service	77.5	70.0	-9.7%	-10%
<b>HCB</b> Healthcare	108.1	108.0	±0%	+7%
<b>Other</b> Businesses under the Direct Control of HQ	63.0	71.0	+12.6%	+17%
Eliminations & Corporate	5.3	5.0	-5.7%	-6%
<b>Total</b>	<b>833.6</b>	<b>820.0</b>	<b>-1.6%</b>	<b>+4%</b>

## Operating Income Forecast by Business Segment

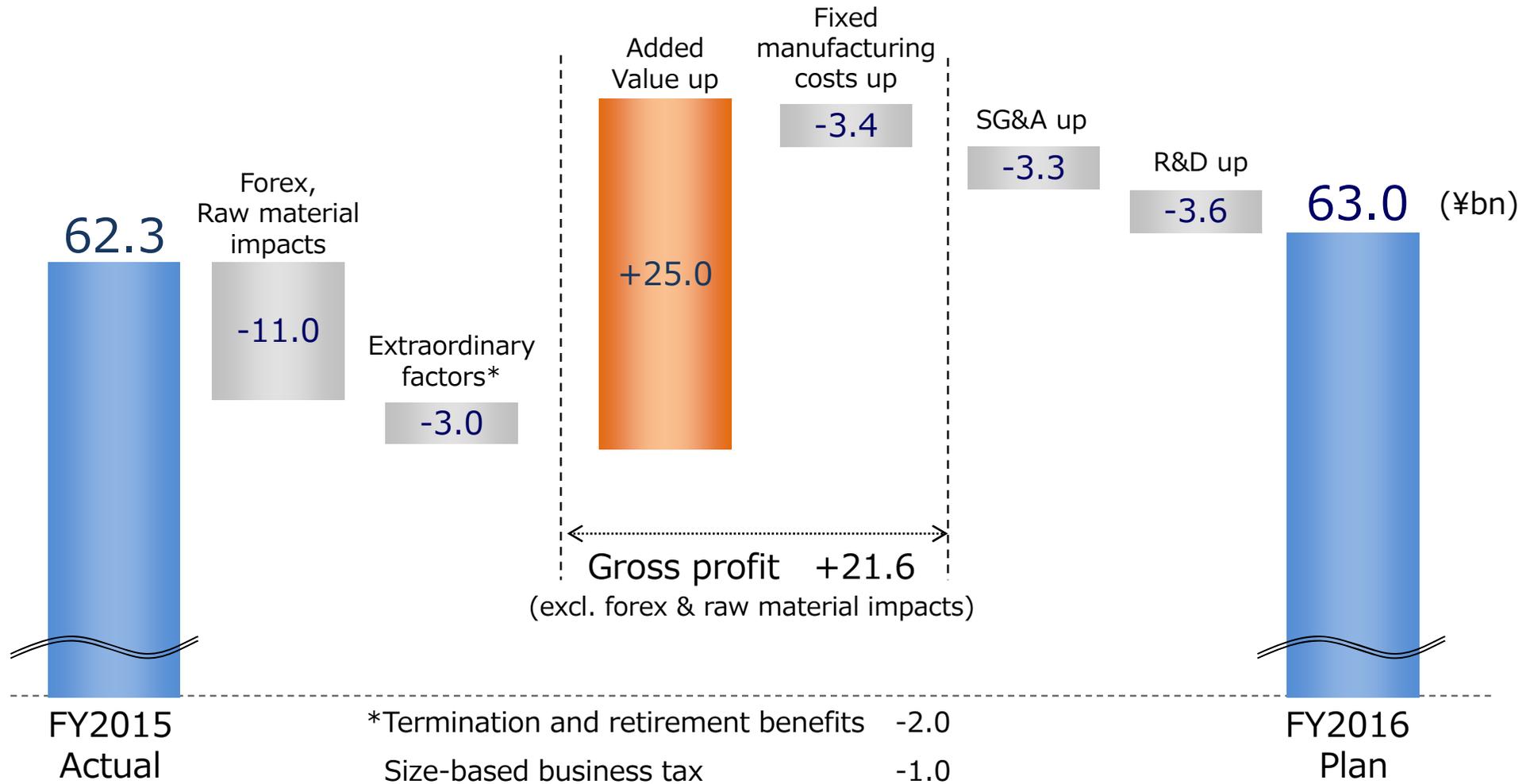
**Other businesses are turning to a surplus.**

(¥bn / % of net sales)

	(1) FY2015 Actual	(2) FY2016 Plan	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)
<b>IAB</b> Industrial Automation	47.9 (14.3%)	46.5 (13.8%)	-1.4 (-0.4%pt)	-3.0%	+11%
<b>EMC</b> Electronic & Mechanical Components	8.5 (8.2%)	10.0 (10.0%)	+1.5 (+1.8%pt)	+17.7%	+53%
<b>AEC</b> Automotive Electronic Components	7.3 (5.2%)	6.5 (5.0%)	-0.8 (-0.2%pt)	-11.5%	+16%
<b>SSB</b> Social Systems, Solutions & Service	3.2 (4.1%)	4.0 (5.7%)	+0.8 (+1.6%pt)	+25.1%	+25%
<b>HCB</b> Healthcare	7.3 (6.7%)	8.0 (7.4%)	+0.7 (+0.7%pt)	+9.8%	+19%
<b>Other</b> Businesses under the Direct Control of HQ	-4.1 (-)	1.5 (2.1%)	+5.6 (-)	-	-
Eliminations & Corporate	-7.8	-13.5	-5.7	-	-
<b>Total</b>	62.3 (7.5%)	63.0 (7.7%)	+0.7 (+0.2%pt)	+1.1%	+23%

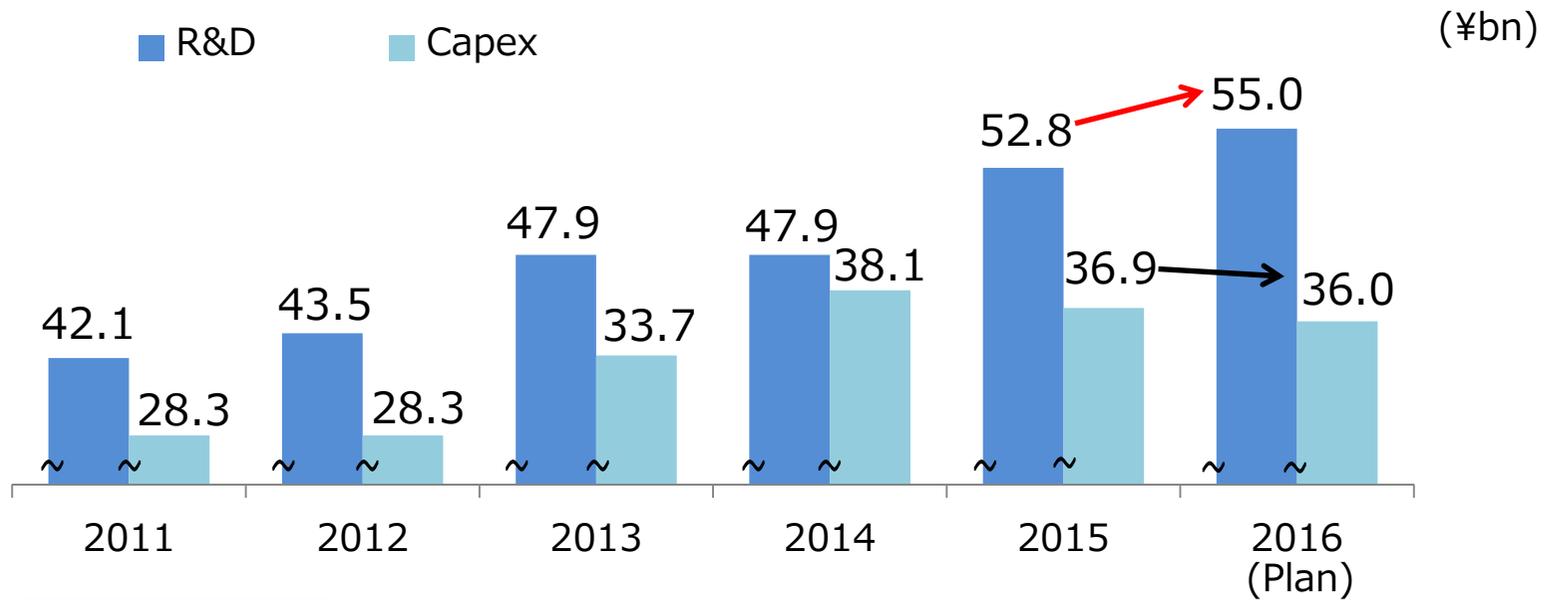
# Operating Income Analysis, Y/Y

**Attain profit growth by increasing added value**



## R&D, Capex

**R&D up intended for future growth.  
Capex down, but continue to invest an amount exceeding the depreciation.**



**R&D**

**IAB ↑, HCB ↑, core technology ↑**

**Capex**

**IAB ↑, IT investment ↑, Backlights ↓**

## Management Targets

**Raise GP margin to 39.3%, aim at deliver ROIC and ROE of more than 10%**

	FY2015 Actual	FY2016 Plan
Net Sales (¥bn)	833.6	820.0
GP Margin	38.5%	39.3%
OP Margin	7.5%	7.7%
ROIC	9.7%	10%
ROE	10.1%	10%
EPS (¥)	219.0	222.2
1USD (JPY)	120.2	110.0
1EUR (JPY)	132.2	125.0

## Dividend Per Share

**Commit a dividend payout ratio of 30% in FY2016; full-year dividend forecast is 68 yen.**

	FY2015	FY2016 Fcst
Full-Year Dividend	¥68	¥68
Payout Ratio	31.1%	30.6%

\*FY2016 interim and year-end dividends are not decided yet.

\*If net income is increased or decreased, the full-year dividend will slide up or slide down accordingly.

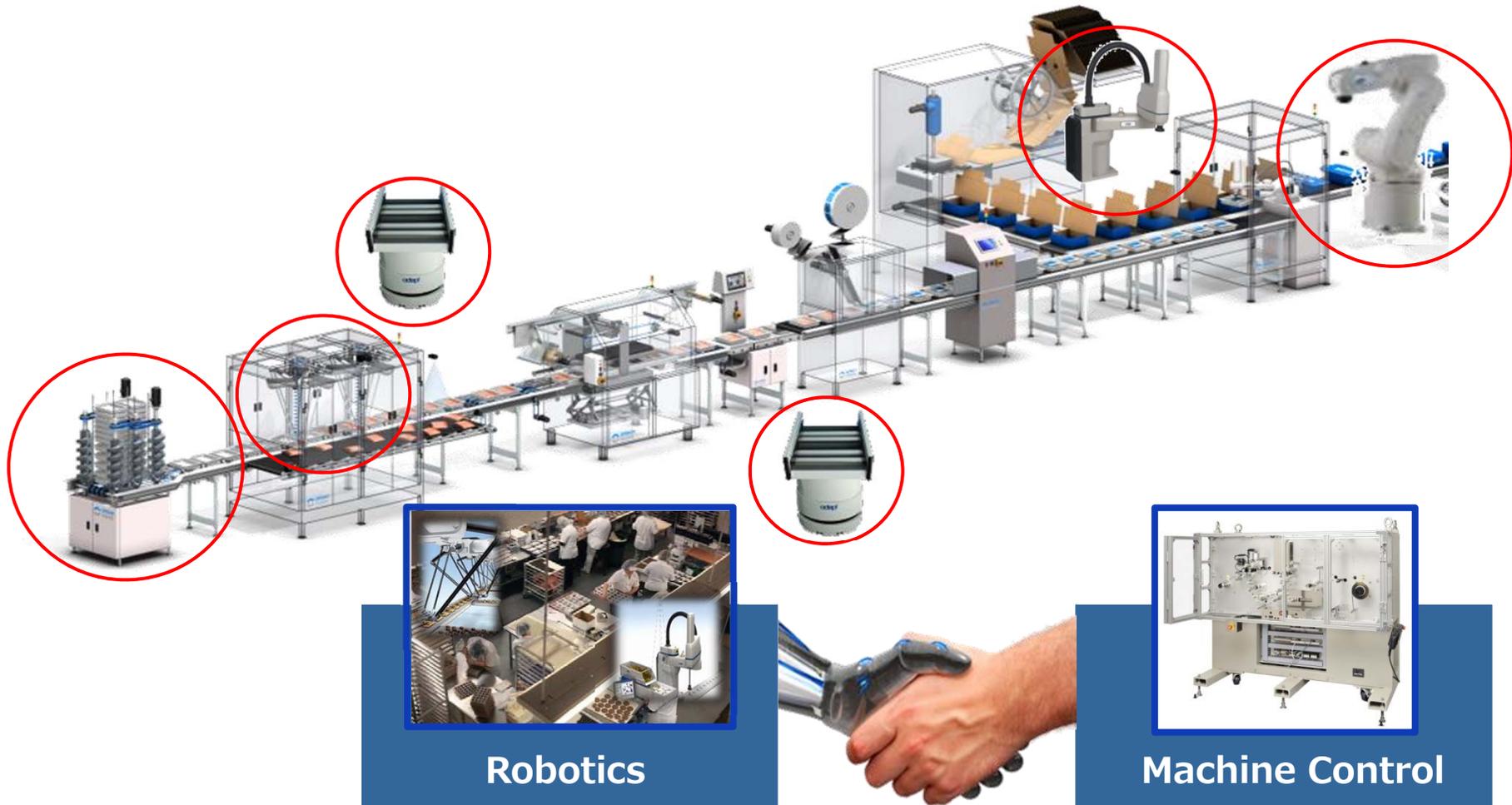
# Mid-and Long-Term Growth Strategy for IAB

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# Generation of Omron's Unique Automation

**Generate unique automation by integrated robotics and machine control**



## New Stage of Manufacturing Driven by innovative-Automation

Develop innovation in manufacturing through three "i"s

Concept

**innovative-Automation**

Bring innovation to manufacturing by OMRON

Direction

Evolution in control

**integrated**

Intelligence developed through ICT

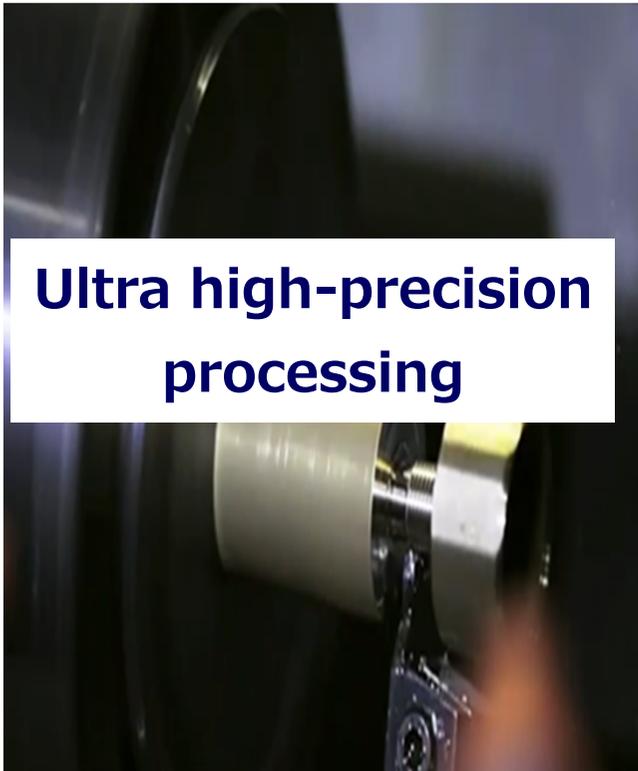
**intelligent**

New harmonization between humans and machines

**interactive**

# integrated -Evolution in Control- Our Vision

**Realize craftsman-quality works by innovative automation**



# integrated -Evolution in Control- Why Omron?

Realize innovative automation by seamless tuning of ILOR+S

## Application Package

**Robot**



**Input**



**Logic**



**Output**



**One Controller**

**Safety**



# integrated -Evolution in Control- For Value Generation

**Launched 49 robots connected with One Controller (NJ series) around the world simultaneously**

**Parallel**



**SCARA**



**6-axis**



**Controller(NJ) + Application Package**

**OMRON**

# References

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K6L6L6UC62



## Preconditions: Exchange Rates & Raw Material Costs

**Decided FY2016 preconditions taking most recent market trend into account**

### FY2016 preconditions

#### Exchange rates

- 1 USD = ¥110
- 1 EUR = ¥125

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

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

#### Raw material costs

- Silver = ¥61,000/kg
- Copper = ¥650/kg

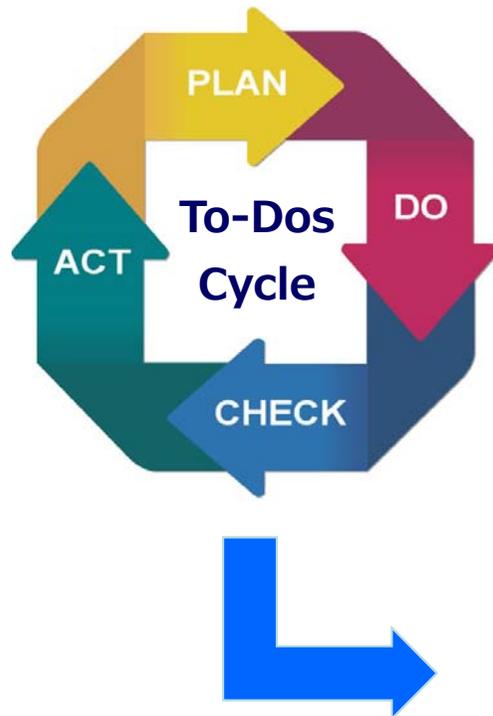
Price change impact (full-year, approx.)

	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 sensitivity of OP will be affected.

# ROIC Management: Down-Top ROIC Tree

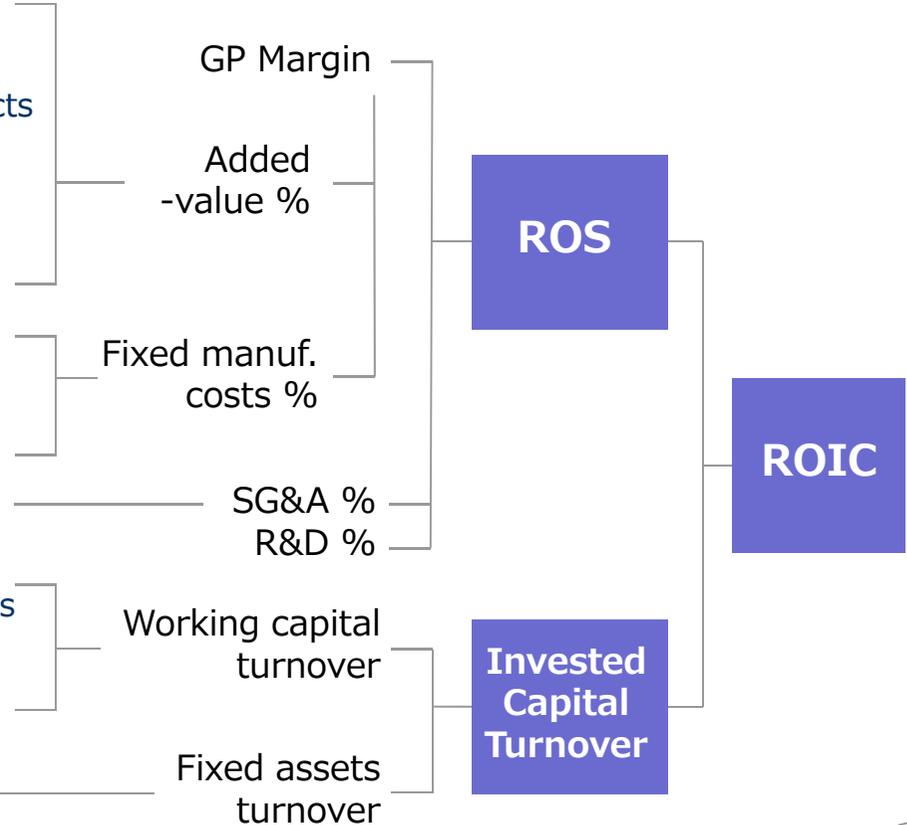
## On-site



## 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



## 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	

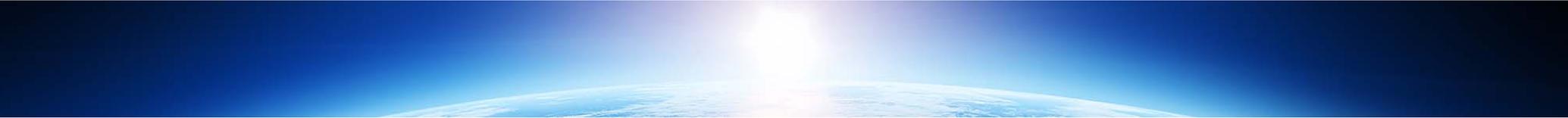
$$\text{ROIC} = \frac{\text{Net income attributable to shareholders}}{\text{Invested capital}}$$

**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. Analysis of Results of Operations and Financial Condition, (1) Analysis of Results of Operations, 2) Outlook for the Year Ending March 31, 2017" in "Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (U.S. GAAP)."
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (U.S. GAAP)." Figures rounded to the nearest JPY million and percentage to one decimal place.

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