



Q1 2016 Earnings

**Financial Results
for the First Quarter
Ended June 30, 2016**

**July 28, 2016
OMRON Corporation**

Summary

■ Q1 Results

- Both sales and operating income are in line with internal plan (decreased as projected)

■ Full-Year Forecast

- Remains unchanged from the original plan

■ Divestments & Business Partnership

- Completed the sale of oil and gas business^{*1}
- Formed a business partnership with Fukuda Denshi and decided to sell the medical equipment subsidiary^{*2}

*1 <http://www.omron.com/media/press/2016/06/c0603.html>

*2 <http://www.omron.com/media/press/2016/06/h0609.html>

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Q1 Results

Q1 Results



Q1 Results

Both sales and OP are in line with internal plan.

(¥bn)

	FY2015 Q1 Actual	FY2016 Q1 Actual	Y/Y	Y/Y (excl. forex impacts)
Net Sales	205.4	184.5	-10.1%	-3%
Gross Profit (%)	79.3 (38.6%)	70.8 (38.4%)	-10.6% (-0.2%pt)	-3% (+0.1%pt)
Operating Income (%)	16.4 (8.0%)	9.8 (5.3%)	-40.1% (-2.7%pt)	-23% (-1.6%pt)
Net Income Attributable to Shareholders	12.7	7.9	-37.4%	-15%
1USD (JPY)	121.4	111.1	-10.3	
1EUR (JPY)	133.2	125.2	-8.0	

Sales by Business Segment

- All the business segments posted sales declines.
- AEC and HCB sales up excluding forex impacts.

(¥bn)

	FY2015 Q1 Actual	FY2016 Q1 Actual	Y/Y	Y/Y (excl. forex impacts)
IAB Industrial Automation	85.6	78.6	-8.2%	-2%
EMC Electronic & Mechanical Components	26.2	23.0	-12.3%	-5%
AEC Automotive Electronic Components	34.9	32.8	-6.0%	+3%
SSB Social Systems, Solutions & Service	12.9	8.9	-31.5%	-31%
HCB Healthcare	25.5	25.0	-1.9%	+7%
Other Businesses under the Direct Control of HQ	19.2	14.9	-22.4%	-19%
Eliminations & Corporate	1.1	1.3	+27.6%	-
Total	205.4	184.5	-10.1%	-3%

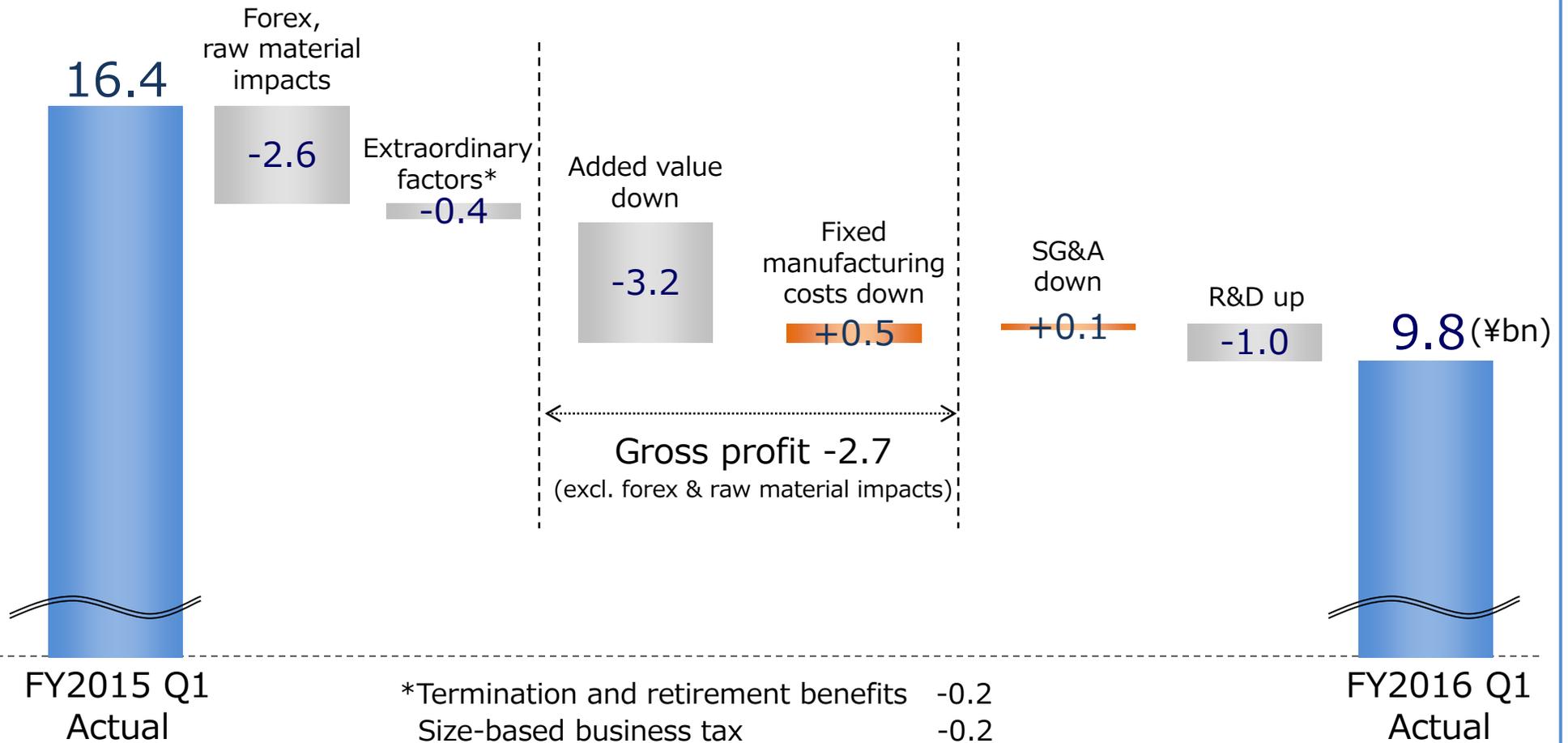
Operating Income by Business Segment

(¥bn / % of net sales)

	(1) FY2015 Q1 Actual	(2) FY2016 Q1 Actual	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)
IAB Industrial Automation	14.1 (16.5%)	10.2 (13.0%)	-3.9 (-3.4%pt)	-27%	-12%
EMC Electronic & Mechanical Components	2.2 (8.5%)	1.8 (7.8%)	-0.4 (-0.6%pt)	-19%	+5%
AEC Automotive Electronic Components	1.8 (5.1%)	1.2 (3.7%)	-0.6 (-1.4%pt)	-32%	-17%
SSB Social Systems, Solutions & Service	-2.1 (-)	-2.5 (-)	-0.4 (-)	-	-
HCB Healthcare	1.9 (7.6%)	2.5 (10.0%)	+0.6 (+2.4%pt)	+29%	+55%
Other Businesses under the Direct Control of HQ	0.2 (1.2%)	-1.4 (-)	-1.6 (-)	-	-
Eliminations & Corporate	-1.7	-2.0	-0.3	-	-
Total	16.4 (8.0%)	9.8 (5.3%)	-6.6 (-2.7%pt)	-40%	-23%

Operating Income Analysis, Y/Y

R&D up intended for growth.



Consolidated B/S

B/S shrank due to the strong yen, but no notable changes to the structure.

(¥bn)

	(1) Mar. 31, 2016	(2) Jun. 30, 2016	(2)-(1)
Current assets	389.6	363.0	-26.6
Property, plant & equipment	146.6	135.2	-11.4
Investments and other assets	147.2	138.7	-8.5
Total Assets	683.3	636.9	-46.4
Current liabilities	162.7	138.7	-24.0
Long-term liabilities	73.6	71.8	-1.8
Total Liabilities	236.3	210.5	-25.8
Shareholders' equity	444.7	424.8	-20.0
Noncontrolling interests	2.3	1.7	-0.7
Total Net Assets	447.0	426.4	-20.6
Total Liabilities and Shareholders' Equity	683.3	636.9	-46.4
Shareholders' equity to total assets	65.1%	66.7%	+1.6%pt

Consolidated Cash Flows

- Investing CF increased resulted from the sale of oil & gas business.
- Cash reduced due to the acquisitions and share repurchase conducted in FY2015.

(¥bn)

	(1) FY2015 Q1 Actual	(2) FY2016 Q1 Actual	(2)-(1)
Operating activities (Operating CF)	15.5	14.0	-1.5
Investing activities (Investing CF)	-7.7	0.9	+8.6
Free cash flow (FCF)	7.8	14.9	+7.0
Financing activities (Financing CF)	-9.1	-7.5	+1.6
Cash and cash equivalents at end of the period	103.1	82.8	-20.3
Capital expenditures	6.9	4.9	-2.0
Depreciation and amortization	7.5	7.4	-0.1

Full-Year Forecast

Full-Year Forecast



Q2-Q4 Business Environment by Segment (vs. Original Estimates)

Uncertainty about the condition of global economy will increase due to Brexit and the strong yen.

Japan

- Uncertainty about capex will remain, especially in auto industry, due to the strong yen.
- Attention is required for the economic measures taken by government and additional monetary easing by the Bank of Japan.

Overseas

- Americas: Economy of Americas as a whole will remain solid, despite a slight slowdown in personal consumption.
- Europe: Uncertainty will increase as a result of Brexit.
- China: The slowdown in economic growth will continue, but the investment in infrastructure and electric vehicle will remain solid.
- Southeast Asia: Thailand will remain flat. India and Korea will remain solid.

Q2-Q4 Business Environment by Segment (vs. Original Estimates)

IAB Industrial Automation	<p>Japan: Uncertainty about capex in auto will remain due to the strong yen.</p> <p>Overseas: Chinese economy will remain weak, but auto will go solid. Southeast Asia will remain flat. The investment of Japanese companies in Americas will slow down due to the strong yen. Uncertainty about Europe will increase due to Brexit.</p>
EMC Electronic & Mechanical Components	<p>Home electronics: Slow growth in Chinese market will continue due to the economic slowdown.</p> <p>Auto: Will remain firm as the investment in environment-friendly vehicles is expanding in China.</p>
AEC Automotive Electronic Components	<p>Japan: Market of Kei car will remain weak.</p> <p>Overseas: North America will remain solid. China will also remain firm owing to tax cuts.</p>
SSB Social Systems, Solutions & Service	<p>Transportation: Will remain weak as the replacement cycle has come to an end.</p> <p>Environmental Solutions: The market for PV power generation will remain weak. The market for rational use of energy will remain firm.</p>
HCB Healthcare	<p>Japan: Will remain solid due to the increase in lifestyle diseases and rising health concerns.</p> <p>Overseas: Demand will continue to expand as health awareness is growing in emerging markets, e.g. Southeast Asia.</p>
Other Businesses under the Direct Control of HQ	<p>Environmental Solutions: Demand for PV inverters will remain weak, while demand for power storage system is expanding.</p> <p>Backlight: Smartphone market's growth in China is slowing down.</p>

Full-Year Forecast

Remains unchanged from the original plan

(¥bn)

	FY2015 Actual	FY2016 Plan & Estimate	Y/Y
Net Sales	833.6	820.0	-1.6%
Gross Profit (%)	320.8 (38.5%)	322.0 (39.3%)	+0.4% (+0.8%pt)
Operating Income (%)	62.3 (7.5%)	63.0 (7.7%)	+1.1% (+0.2%pt)
Net Income Attributable to Shareholders	47.3	47.5	+0.4%

*Q2-Q4 forex preconditions are 1USD=¥110, 1EUR=¥125 (unchanged from original plan).

Divestments & Business Partnership

Divestments & Business Partnership



Divestments & Business Partnership

- **IAB: Sold the oil & gas business**
- **HCB: Formed a business partnership and decided to sell the medical equipment subsidiary**

IAB

Industrial Automation

Sold the oil & gas
business

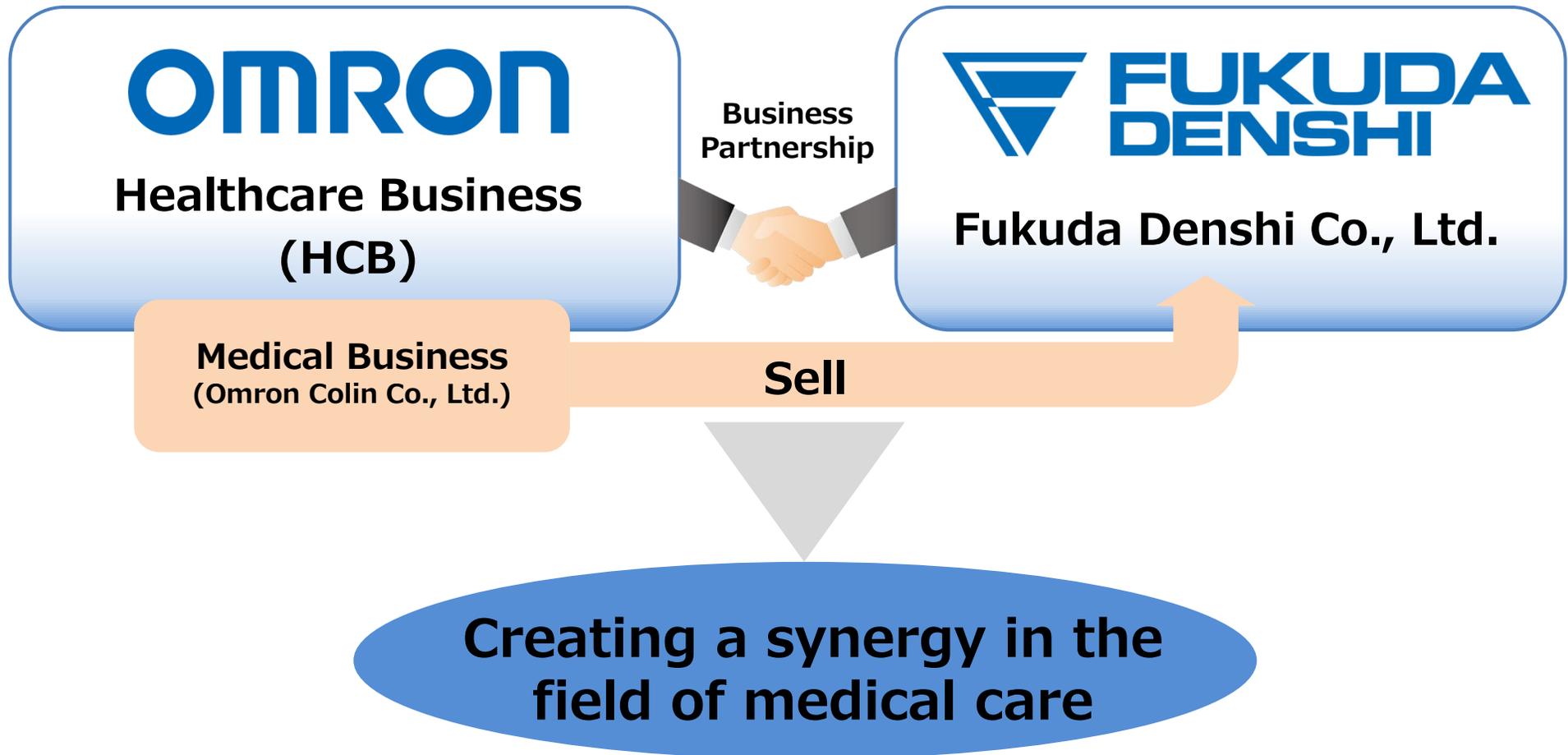
HCB

Healthcare

Formed a business
partnership &
decided to sell the
subsidiary

Business Partnership & Sale of Subsidiary

Formed a business partnership with Fukuda Denshi, and decided to sell the medical equipment subsidiary



Business Partnership

To combine competencies of each company, accelerating business expansion

Development of new businesses in the field of home medical care

Sales expansion by utilizing each other's distribution channels

Joint development of products

OMRON

References

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Preconditions: Exchange Rates & Raw Material

The preconditions remain unchanged.

FY2016 Q2-Q4 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

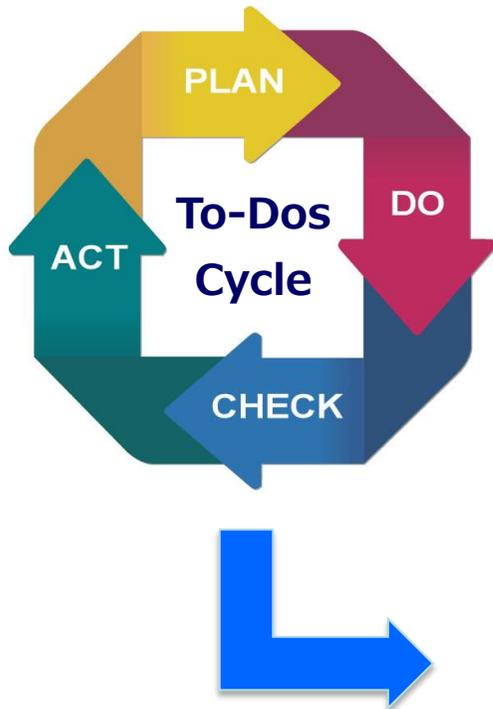
Price change impact (full-year, approx.)

	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 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 First 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 First 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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