

EARTH-1 STAGE

OMRON

Q2 2016 Earnings

Financial Results for the Second Quarter Ended September 30, 2016

October 27, 2016
OMRON Corporation

Summary

Full-Year Forecasts

■ Sales & Operating Income

- Estimates of both sales and operating income on a local currency basis are in line with initial plan
- Full-year forecasts are revised down as a result of forex preconditions revision (1 USD= ¥ 100, 1 EUR= ¥ 110)

■ Non-Operating Income (Loss)

- Projected to be ±0; gain on transfer of investment securities to retirement benefit trust and other projected capital gains will offset impairment loss of Backlight Business equipment

■ Dividend

- Full-year dividend forecast remains unchanged from the initial plan of 68 yen despite the downward revision of net income forecast

Contents

1. Sales & Operating Income P. 3

2. Non-operating Income (Loss) P. 16

3. Dividend P. 18

Topics:

Growth Strategies for IAB P. 20

innovative-Automation

Sales & Operating Income (H1 Results)



H1 Results

**Both sales and OP are in line with internal plan on a yen basis.
Earning ability has been enhanced through improving GP margin.**

(¥bn)

	FY2015 H1 Actual	FY2016 H1 Actual	Y/Y	Y/Y (excl. forex impacts)
Net Sales	413.5	371.6	-10.1%	-1%
Gross Profit (%)	161.1 (39.0%)	144.8 (39.0%)	-10.1% (±0%pt)	±0% (+0.5%pt)
Operating Income (%)	33.0 (8.0%)	25.9 (7.0%)	-21.5% (-1.0%pt)	+4% (+0.4%pt)
Net Income Attributable to Shareholders	24.5	15.8	-35.2%	-1%
1USD (JPY)	121.5	107.3	-14.2	
1EUR (JPY)	134.2	120.1	-14.1	

Sales by Business Segment

**IAB, AEC and HCB posted sales growth excluding forex impacts.
(Except Other, all the segments are in line with internal plan.)**

(¥bn)

	FY2015 H1 Actual	FY2016 H1 Actual	Y/Y	Y/Y (excl. forex impacts)
IAB Industrial Automation	170.7	158.0	-7.4%	* +1%
EMC Electronic & Mechanical Components	54.3	47.3	-13.0%	-3%
AEC Automotive Electronic Components	68.5	63.4	-7.6%	+5%
SSB Social Systems, Solutions & Service	28.7	21.5	-25.2%	-25%
HCB Healthcare	52.2	48.8	-6.4%	+5%
Other Businesses under the Direct Control of HQ	36.8	30.2	-17.9%	-13%
Eliminations & Corporate	2.3	2.4	+12.3%	-
Total	413.5	371.6	-10.1%	-1%

* Excl. Oil & Gas Business +5%

Operating Income by Business Segment

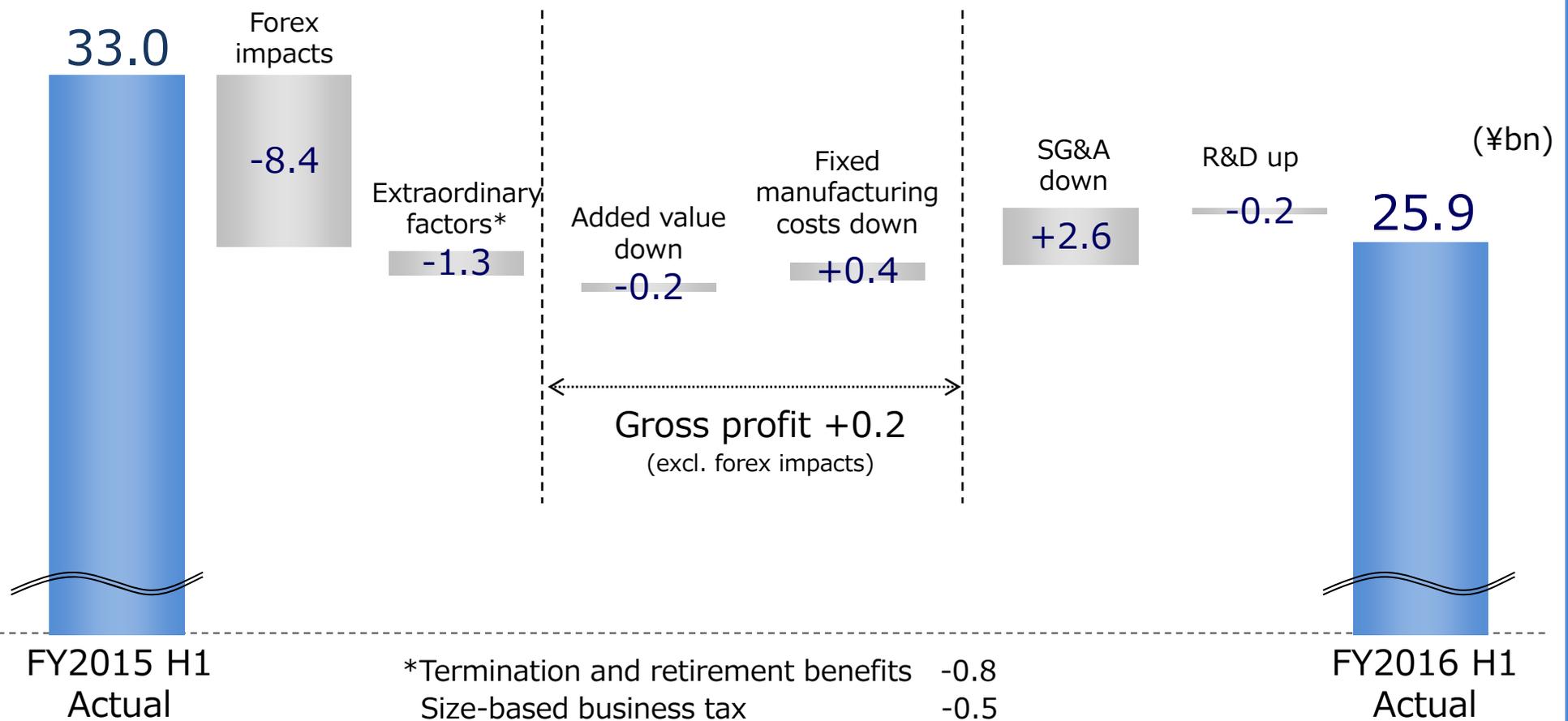
IAB, EMC, AEC and HCB up excluding forex impacts.

(¥bn / % of net sales)

	(1) FY2015 H1 Actual	(2) FY2016 H1 Actual	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)
IAB Industrial Automation	27.0 (15.8%)	23.0 (14.6%)	-3.9 (-1.2%pt)	-15%	+4%
EMC Electronic & Mechanical Components	4.9 (9.0%)	5.0 (10.5%)	+0.1 (+1.5%pt)	+1%	+37%
AEC Automotive Electronic Components	3.1 (4.6%)	2.5 (3.9%)	-0.6 (-0.6%pt)	-20%	+20%
SSB Social Systems, Solutions & Service	-2.0 (-)	-3.1 (-)	-1.1 (-)	-	-
HCB Healthcare	3.9 (7.5%)	4.7 (9.7%)	+0.8 (+2.2%pt)	+21%	+51%
Other Businesses under the Direct Control of HQ	-0.1 (-)	-2.3 (-)	-2.2 (-)	-	-
Eliminations & Corporate	-3.8	-3.9	-0.1	-	-
Total	33.0 (8.0%)	25.9 (7.0%)	-7.1 (-1.0%pt)	-22%	+4%

Operating Income Analysis, Y/Y

Increase in ratio of added value made up the added value losses due to drop in sales.



Consolidated B/S

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

(¥bn)

	(1) Mar. 31, 2016	(2) Sept. 30, 2016	(2)-(1)
Current assets	389.6	378.4	-11.2
Property, plant & equipment	146.6	121.7	-24.9
Investments and other assets	147.2	132.8	-14.4
Total Assets	683.3	632.9	-50.4
Current liabilities	162.7	148.7	-14.0
Long-term liabilities	73.6	63.5	-10.2
Total Liabilities	236.3	212.1	-24.1
Shareholders' equity	444.7	419.2	-25.5
Noncontrolling interests	2.3	1.5	-0.8
Total Net Assets	447.0	420.7	-26.3
Total Liabilities and Shareholders' Equity	683.3	632.9	-50.4
Shareholders' equity to total assets	65.1%	66.2%	+1.2%pt

IAB Achievements in China

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

Sales & Operating Income (Full-year Forecasts)



H2 Business Environment by Region (vs. H1)

Uncertainty about the condition of global economy will continue.

Japan

- Capex for new car models will stay firm.
- Suppression of capex for improvement will continue due to the strong yen.

Overseas

- Americas: Economy of North America as a whole will remain solid, though there are some concerns that auto industry will begin to wane.
- Europe: Mitigation of Brexit impacts is expected, but uncertainty will remain.
- China: The slowdown in economic growth will continue.
- Southeast Asia: In South Korea, investment in semiconductors and OLED will enter a lull.

H2 Business Environment by Segment (vs. H1)

IAB Industrial Automation	<p>Japan: Suppression of capex for improvement will continue due to the strong yen, while capex of new car models will stay firm.</p> <p>Overseas: China will slow down due to the seasonal factors, but auto will be solid. Southeast Asia will be influenced by the front-load capex in digital industry in South Korea. Auto in Americas will remain firm. Mitigation of Brexit impacts is expected in Europe.</p>
EMC Electronic & Mechanical Components	<p>Electronics: Will remain sluggish as the demand in Americas will not recover much.</p> <p>Auto: Market of 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 whereas the prospects remain uncertain. China will stay firm until the end of Q3 owing to tax cuts.</p>
SSB Social Systems, Solutions & Service	<p>Transportation: Will remain flat as the replacement cycle has come to an end.</p> <p>Environmental Solutions: The market for PV power generation will remain weak, but the market for rational use of energy will go solid.</p>
HCB Healthcare	<p>Japan: Will remain robust on the back of the expansion of online market.</p> <p>Overseas: Online market in China will slow down due to the regulation on drug selling.</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 will continue to expand at a solid pace.</p> <p>Backlight: The price drop of smartpone in China will continue.</p>

Full-Year Forecasts

- **Estimates on a local currency basis are in line with initial plan.**
- **Full-year forecasts are revised down as a result of forex preconditions revision.**

*H2 forex assumption: 1USD = ¥100, 1EUR = ¥110

(¥bn)

	(1) FY2016 Initial Plan	(2) FY2016 Oct. Fcst	(2)/(1)	(2)/(1) (excl. forex impacts)	Y/Y (excl. forex impacts)
Net Sales	820.0	765.0	-6.7%	-2%	+2%
Gross Profit	322.0	297.5	-7.6%	-2%	+3%
(%)	(39.3%)	(38.9%)	(-0.4%pt)	(±0%pt)	(+0.7%pt)
Operating Income	63.0	55.0	-12.7%	+2%	+16%
(%)	(7.7%)	(7.2%)	(-0.5%pt)	(+0.3%pt)	(+1.1%pt)
Net Income Attributable to Shareholders	47.5	40.0	-15.8%	-2%	+10%
1USD (JPY)	110.0	103.7	-6.3		
1EUR (JPY)	125.0	115.0	-10.0		

Full-Year Sales Forecast by Business Segment

Except Other, all the segments are in line with internal plan on a local currency basis.

(¥bn)

	(1) FY2016 Initial Plan	(2) FY2016 Oct. Fcst	(2)/(1)	(2)/(1) (excl. forex impacts)	Y/Y (excl. forex impacts)
IAB Industrial Automation	336.0	312.0	-7.1%	-3%	* +3%
EMC Electronic & Mechanical Components	100.0	93.0	-7.0%	-2%	+2%
AEC Automotive Electronic Components	130.0	123.0	-5.4%	±0%	-1%
SSB Social Systems, Solutions & Service	70.0	70.0	±0%	±0%	-9%
HCB Healthcare	108.0	100.0	-7.4%	-2%	* +4%
Other Businesses under the Direct Control of HQ	71.0	62.0	-12.7%	-8%	+8%
Eliminations & Corporate	5.0	5.0	±0%	-	-
Total	820.0	765.0	-6.7%	-2%	+2%

* Excl. Oil & Gas Business +6%

* Excl. Medical Business +8%

Full-Year Operating Income Forecast by Business Segment

Except Other, all the segments are in line with internal plan on a local currency basis.

(¥bn / % of net sales)

	(1) FY2016 Initial Plan	(2) FY2016 Oct. Fcst	(2)-(1)	(2)/(1)	(2)/(1) (excl. forex impacts)	Y/Y (excl. forex impacts)
IAB Industrial Automation	46.5 (13.8%)	43.0 (13.8%)	-3.5 (-0.1%pt)	-8%	+2%	+11%
EMC Electronic & Mechanical Components	10.0 (10.0%)	8.5 (9.1%)	-1.5 (-0.9%pt)	-15%	+4%	+48%
AEC Automotive Electronic Components	6.5 (5.0%)	5.5 (4.5%)	-1.0 (-0.5%pt)	-15%	+3%	+7%
SSB Social Systems, Solutions & Service	4.0 (5.7%)	4.0 (5.7%)	±0 (±0%pt)	±0%	+2%	+28%
HCB Healthcare	8.0 (7.4%)	8.0 (8.0%)	±0 (+0.6%pt)	±0%	+7%	+37%
Other Businesses under the Direct Control of HQ	1.5 (2.1%)	-2.5 (-)	-4.0 (-)	-	-	-
Eliminations & Corporate	-13.5	-11.5	+2.0	-	-	-
Total	63.0 (7.7%)	55.0 (7.2%)	-8.0 (-0.5%pt)	-13%	+2%	+16%

Non-operating Income (Loss)

non-operating income (loss)



Extraordinary Factors of Non-operating Income (Loss)

Gain on Sales of Subsidiaries

- Sales of Oil & Gas Business
- Sales of Medical Business

Gain on Transfer of Stocks

- Transfer of investment securities to retirement benefit trust

Impairment Loss of Equipment

- Impairment loss of Backlight Business equipment

Dividend



Dividend Per Share

Full-year dividend forecast remains unchanged from the initial plan of 68 yen.

	Interim (Decided)	Year-end (Forecast)	Full-year (Forecast)
FY2016	¥ 34	¥ 34	¥ 68
FY2015 (Actual)	¥ 34	¥ 34	¥ 68

Growth Strategies for IAB

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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-

Realize innovative automation by seamless tuning of ILOR+S

Application Package

Robot

Launched 49 robots in April



Input



Logic



Output



One Controller

Safety



intelligent -Intelligence developed through ICT-

Leverage the data from production floor through AI, to realize production with no unplanned production stoppages and no defective products

Production Floor



AI Technology

Data from production floor

- Failure prediction
- Defect prediction

- Zero unplanned production stoppages
- Zero defective products

100,000 IoT Models



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

interactive -Our Vision-

Realize the production that robots work alongside humans, through interaction between humans and robots

Separation

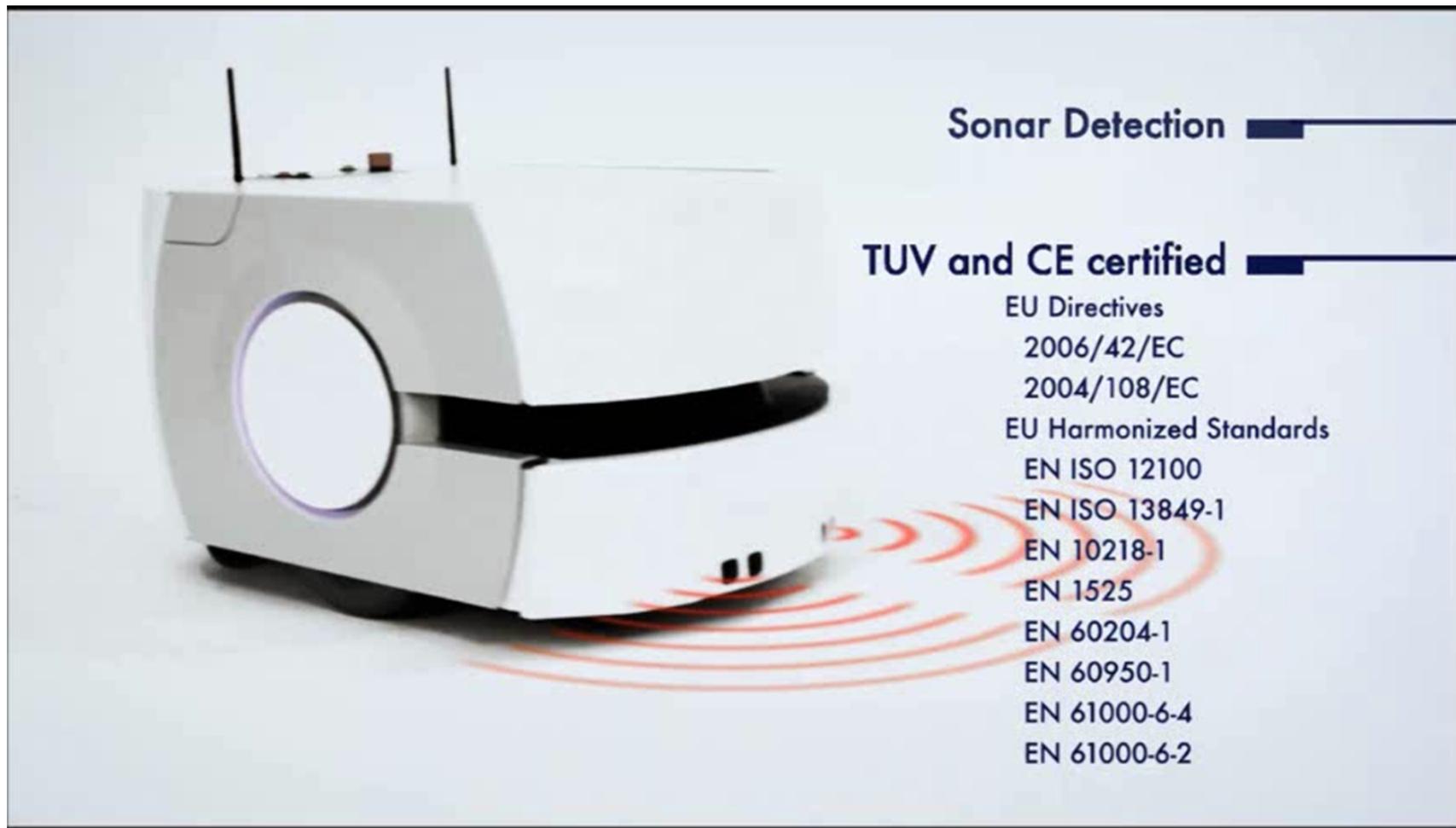


Harmonization



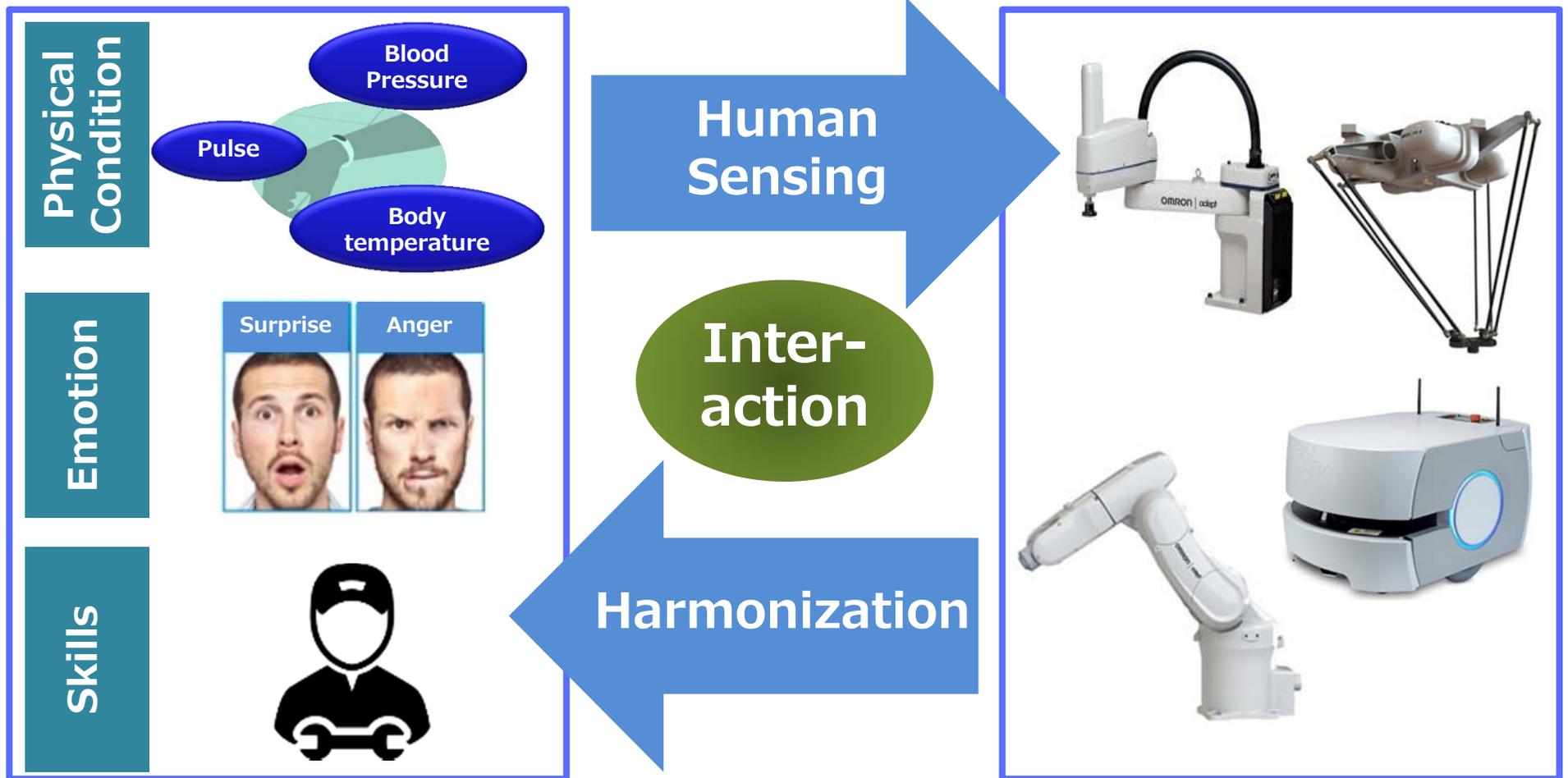
interactive -Towards the Realization of Our Vision- (1)

Realize flexible manufacturing by conveyorless mobile robot equipped with AI



interactive -Towards the Realization of Our Vision- (2)

Improve interaction between humans and robots through Omron's unique human sensing technology



OMRON

References

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Preconditions: Exchange Rates & Raw Material

Revising H2 preconditions taking market fluctuations into account

FY2016 H2 preconditions (changes from the initial preconditions)

Exchange rates

- 1 USD = ¥100 (-10)
- 1 EUR = ¥110 (-15)

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

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

Raw material costs

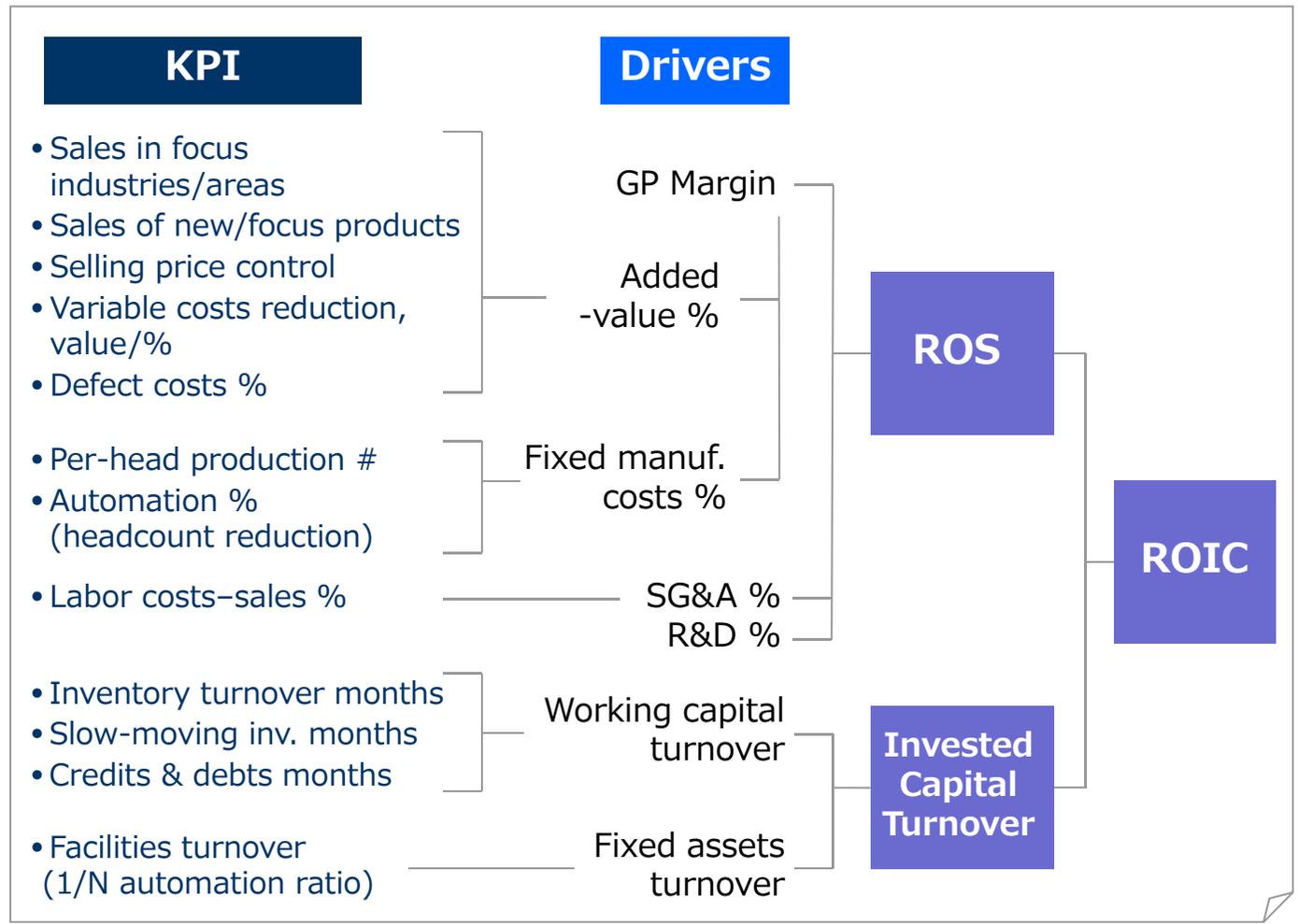
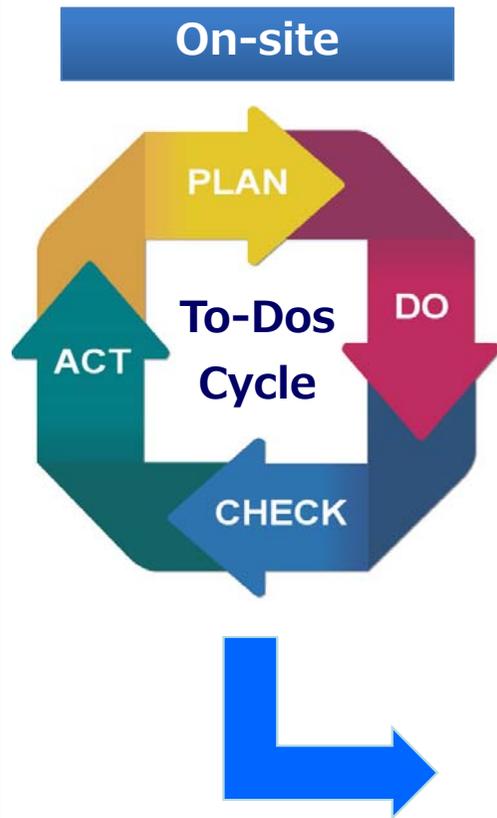
- Silver = ¥66,000/kg (+5,000)
- Copper = ¥560/kg (-90)

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



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 Second 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 Second 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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