Outlook for Fiscal 2017

Consolidated Earnings

While the global economic environment for fiscal 2017 remains in a moderate recovery, uncertainty will continue, depending on the impact of the direction of economic policies of the U.S. and Europe. In the OMRON Group's major markets in Japan, we expect firm demand for capital investment, mainly in the automobile and digital industries. Overseas, activity in the U.S. automobile-related market is expected to decelerate. However, we expect continued strong consumer spending and capital investment. In Europe, growing consumer spending should result in a gradual recovery for corporate capital investment. In China, recovery of consumer spending is likely to enter a lull. On the other hand, the effects of expanded government investment and other policies are likely to continue, resulting in a steady recovery. In Asia, Korea shows signs of a decline in capital investment growth. At the same time, we expect the economies of Thailand and India to recover.

Facing this environment, the OMRON Group will launch our new medium-term business plan, VG2.0, in fiscal 2017. Our qualitative goal toward fiscal 2020 is to become a *value generator for people and the Earth that is qualitatively and quantitatively superior*. Our quantitative goals are to reach ¥1 trillion in net sales and ¥100 billion in operating income. The next basic policy will be known as *~Start up VG2.0~ A Firm First Step Toward Innovation*. During the first year of our medium-term business plan, we plan to invest actively in our future to create a foundation for growth. Our fiscal 2017 plan calls for net sales of ¥810.0 billion (2.0% increase versus fiscal 2016), operating income of ¥68.0 billion (0.6% increase), and net income attributable to OMRON shareholders of ¥48.5 billion (5.5% increase). We plan to raise gross profit margin, an indicator of our earnings ability, to 40.6% (1.4-point increase year on year). Finally, our target for the important ROIC and ROE indicators is 10% or higher in each.

Industrial Automation Business (IAB)

In Japan, we anticipate firm demand for capital investment, particularly in the automobile and digital industries, to drive year-on-year growth in sales. Overseas, the digital industry should lead in continued firm demand for capital investment, combined with increasing demand for investment in automation, labor-saving, and information technology to drive sales higher year on year. As a result, the IAB forecasts net sales of ¥350.0 billion for fiscal 2017, a 5.8% increase year on year. With ongoing investment in growth, higher sales, and improved gross profit margin, we expect operating income to amount to ¥56.0 billion (7.7% increase).

Electronic and Mechanical Components Business (EMC)

In Japan, the EMC expects demand for automobile-related industries and consumer and commercial product industries to be level with the previous year. Demand for amusement industry spending will likely remain weak, leading to a reduced revenue plan for fiscal 2017. Overseas, we expect demand for consumer and commercial product industries in the U.S. and Europe will remain firm, while the electricity-related business should grow in Asia. While demand in the automobile-related industries in Asia and China should be strong, we expect waning demand in other regions. As a result, the EMC forecasts net sales of ¥94.0 billion (0.1% increase year on year). We expect operating income to amount to ¥9.0 billion (4.5% decrease), mainly due a temporary increase in expenses related to productivity improvements.

Automotive Electronic Components Business (AEC)

In Japan, we expect to see significant declines in vehicles equipped with OMRON Group products. Overseas, we forecast decreases in vehicle models equipped with Omron Group products and slower demand in North America. However, firm demand in Korea and China, should result in higher sales overseas as a whole. The AEC forecasts net sales of ¥131.0 billion (0.8% year on year decrease), with operating income of ¥6.5 billion, 8.8% lower owing to investment in growth projects.

Social Systems, Solutions and Service Business (SSB)

The SSB segment projects lower sales in its train station solutions business due to reaching a low point in the cycle for upgraded station equipment. The traffic and road management system business will likely generate higher sales based on demand for traffic-related terminal upgrades and investment in expressways. Combining these factors, the SSB forecasts net sales of ¥63.5 billion (2.6% increase year on year) and operating income of ¥4.0 billion (8.5% increase).

* Comparisons to fiscal 2016 figures are calculated on revised business classifications for fiscal 2016 actuals (¥61.9 billion in net sales, ¥3.7 billion in operating income).

Healthcare Business (HCB)

In Japan, the increase in individuals suffering from lifestyle diseases associated with an aging society and greater interest in health lead us to anticipate growth in medical equipment sales. However, since we have transferred shares of our medical equipment subsidiary to another company, we project lower sales for fiscal 2017. Overseas, economic growth is spurring lifestyle changes and an increase in interest in health. The emerging economies of the world, particularly in Asia, should see healthy demand for related products. Accordingly, we forecast higher overseas sales for fiscal 2017. As a result, the HCB forecasts net sales of ¥105.0 billion for fiscal 2017 (3.7% increase) and operating income of ¥9.5 billion (11.3% increase).

Other Businesses (Businesses under the Direct Control of Headquarters)

We forecast lower sales in our Backlights Business due to business optimization. Despite sluggish demand for the industrial sector of the solar power-related market, we expect that strong demand for storage batteries and related products will generate year-on-year sales growth in our Environmental Solutions Business for fiscal 2017. We plan for higher sales in our Electric Systems and Equipment Business, mainly due to an expanded lineup of uninterruptible power supply products. In our Micro Devices Business, we forecast a significant decline in fiscal 2017 sales, impacted negatively by lower sales of products for smartphone microphones. As a result, the Other Businesses segment forecasts fiscal 2017 net sales of ¥60.0 billion (12.4% decrease year on year) and operating loss of ¥1.0 billion. This operating loss represents a ¥900 million improvement compared to fiscal 2016 operating losses due to the impact of optimization in our businesses.

* Comparisons to fiscal 2016 figures are calculated on revised business classifications for fiscal 2016 actuals (¥68.5 billion in net sales, ¥1.8 billion in operating loss).