# Outlook for Fiscal 2018

## Consolidated Earnings

While the fiscal 2018 economic environment for certain regions is difficult to predict with clarity, we expect the global economy to continue to demonstrate strength overall. Looking to the OMRON Group's major markets, we expect strong demand in Japan as capital investment expands in the automobile and digital industries. Overseas, we forecast an economic recovery in the U.S. spurred by major tax cuts and other policies, while capital investment and production increases in Europe should lead to a gradual recovery in that region. The rate of growth in China will likely slow down. However, demand for our products and services should be strong in response to manufacturing labor shortages and the resulting needs for automation. In Asia, the economies of Thailand, India, and Indonesia should continue to recover throughout the year.

We will respond to these conditions in fiscal 2018, our second year under VG2.0, striving for revenue and profit growth, pursuing a policy under the banner of *Creating Change: Accelerate growth and transform profit structure through innovation*. As with fiscal 2017, we will continue to bolster our earnings ability, investing profits in our Industrial Automation Business, Healthcare Business, and core technologies. We will create innovations that keep the growth cycle on an upward path, accelerating OMRON Group growth.

Our fiscal 2018 plan calls for net sales of ¥900 billion (4.7% increase) versus fiscal 2017, operating income of ¥93.0 billion (8.3% increase), and net income attributable to OMRON shareholders of ¥64.5 billion (2.1% increase). Our target for gross profit margin, an indicator of earnings ability, will be 42.5%, representing a 0.9-point increase compared to the prior fiscal year. Finally, we will dedicate organization-wide efforts to reaching the important ROIC and ROE targets for the year, which we have set at approximately 12%.

## Industrial Automation Business (IAB)

We expect the IAB to benefit from strong demand for labor-savings and automation globally. In particular, we forecast higher demand for capital investment in the digital (rising needs for IoT) and automotive (investment in automated driving technologies, eco-friendly vehicles) industries. We plan to leverage the industrial code reader and industrial camera businesses we acquired in fiscal 2017 to capture global demand for traceability, which is rising in response to greater awareness of product quality. Based on our projections, our fiscal 2018 net sales plan calls for ¥428.0 billion in IAB sales, representing an 8% increase compared to fiscal 2017. While we will continue to invest in future growth, we expect rising revenues and other factors to drive operating income 10.8% higher year on year, reaching ¥82.0 billion for fiscal 2018.

## Electronic and Mechanical Components Business (EMC)

We forecast a significant decline in EMC sales in Japan, impacted by level demand in the automobile-related industries and contracting demand in the amusement industry. Overseas, we expect to see strong demand in the consumer markets of the Americas and Europe. In Greater China, demand in the high-function home appliance market should continue to grow, while government environmental policies are likely to drive growth in markets for water heaters and home furnaces. The markets for semiconductor inspection equipment and home appliances are also likely to expand in Asia. Based on these projections, we forecast ¥102.0 billion in EMC net sales, which will be a decrease of 2.3% year on year. Given our expectations for higher overseas sales and internal sales, we forecast EMC operating income of 12.5 billion, essentially level at 0.2% above fiscal 2017 results.

* Comparisons to fiscal 2017 figures are calculated on revised business classifications for fiscal 2017 actuals (¥104.4 billion in net sales, ¥12.5 billion in operating income).

## Automotive Electronic Components Business (AEC)

Our forecast for AEC sales in Japan calls for lower fiscal 2018 sales versus fiscal 2017, mainly due to projected decreases in Japanese automobile production volume. Overseas, expectations are for level year-on-year auto production in the Americas and North America. However, vehicle model changes will result in the termination of models using OMRON products, driving sales down compared to fiscal 2017. We forecast higher sales in Asia, where strong auto production should bolster our performance. Given these assumptions and the likely negative impact of foreign exchange, we expect AEC sales to underperform fiscal 2017. Accordingly, our forecast for AEC fiscal 2018 net sales is ¥128.0 billion (2.4% decrease). In contrast, we forecast productivity improvements and other factors to generate a 3.2% rise in operating income, reaching ¥6.0 billion.

## Social Systems, Solutions and Service Business (SSB)

In the SSB segment, we project higher Public Transportation Business sales, mainly due to firm replacement demand. Our Traffic and Road Management Systems Business should likewise see firm demand resulting from ongoing needs for security and safety. Given these assumptions, we forecast SSB fiscal 2018 net sales of ¥67.0 billion (5.2% increase) and operating income of ¥4.5 billion (9.5% increase).

## Healthcare Business (HCB)

We forecast higher fiscal 2018 net sales in the HCB segment. An increase in individuals suffering from lifestyle diseases associated with Japan's aging society, as well as greater overall interest in health, should drive firm demand, mainly via online channels. Overseas, economic growth should spur lifestyle changes and an increase in interest in health, while the emerging economies of the world, particularly in Asia, should see higher demand for health-related products. Based on these projections, we forecast HCB fiscal 2018 net sales of ¥119.0 billion (9.7% increase) and operating income of ¥12.5 billion (11.5% increase).

## Other Businesses

We forecast higher fiscal 2018 sales in our Environmental Solutions Business, driven by growth in the storage battery market and recovery in the solar power market. Electric Systems and Equipment Business sales should likewise grow, benefiting from the expansion of our uninterruptible power supply line. Our Backlights Business, on the other hand, is likely to see largely decreasing sales due to the effects of business optimization. The combination of these factors lead use to forecast Other Businesses segment net sales of ¥50.5 billion (0.9% year-on-year decrease). We expect to break even in terms of operating income.

* Comparisons to fiscal 2017 figures are calculated on revised business classifications for fiscal 2017 actuals (¥51.0 billion in net sales, ¥500.0 million in operating loss).