



Q2 2015 Earnings

**Financial Results
for the Second Quarter
Ended September 30, 2015**

October 27, 2015
OMRON Corporation

Summary

■ FY2015 H1 Results

- Sales up, profits down.
- Other saw large OP loss.
- IAB solid.

■ FY2015 Full-Year Forecast

- Sales up, profits down, amid changing market environment.
- Omron will take actions for slow PV inverters & backlights.
- Main 5 businesses, especially IAB, will increase sales.

■ Shareholder Return

- Payout ratio up to 30%.
- Omron will buy back and cancel treasury stock.

Contents

1. FY15 H1 Results	P. 3
<hr/>	
2. FY15 Full-Year Forecast	P. 10
<hr/>	
3. Shareholder Return	P. 16
<hr/>	
4. Steps to Growth	P. 20
<hr/>	
References	P. 25

FY15 H1 Results

FY15 H1 Results



H1 Results

Sales up, OP down.

(¥bn)

	FY2014 H1	FY2015 H1	Y/Y
Net Sales	404.5	413.5	+2.2%
Gross Profit (%)	160.6 (39.7%)	161.1 (39.0%)	+0.3% (-0.7%pt)
Operating Income (%)	43.0 (10.6%)	33.0 (8.0%)	-23.3% (-2.6%pt)
NIBT	45.0	32.8	-27.2%
Net Income Attributable to Shareholders	33.7	24.5	-27.3%
1USD (JPY)	103.4	121.5	+18.1
1EUR (JPY)	139.0	134.2	-4.8

Sales by Segment

- **IAB, EMC, AEC, and HCB posted sales growth.**
- **SSB and Other down due to drop in PV inverters and backlights.**

	FY2014 H1	FY2015 H1	Y/Y	(¥bn)
IAB Industrial Automation	161.2	170.7	+5.9%	
EMC Electronic & Mechanical Components	50.1	54.3	+8.5%	
AEC Automotive Electronic Components	65.6	68.5	+4.5%	
SSB Social Systems, Solutions & Service	30.9	28.7	-6.9%	
HCB Healthcare	45.5	52.2	+14.8%	
Other Businesses under the Direct Control of HQ	48.6	36.8	-24.3%	
Eliminations & Corporate	2.6	2.3	-17.6%	
Total	404.5	413.5	+2.2%	

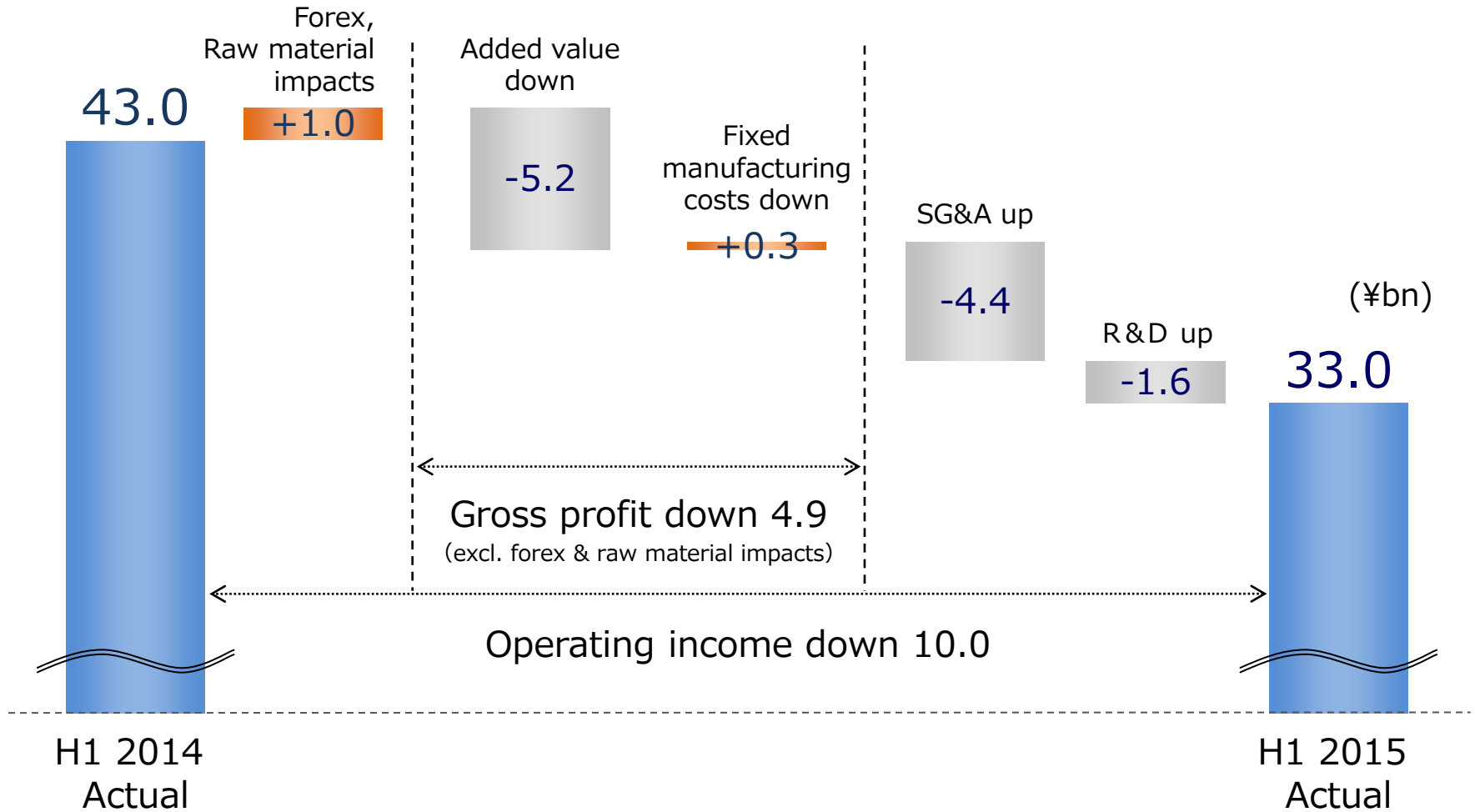
Operating Income by Segment

- **IAB & EMC up.**
- **PV inverters and backlights down with sales down.**

	FY2014 H1	FY2015 H1	Y/Y	(¥bn)
IAB Industrial Automation	26.7 (16.6%)	27.0 (15.8%)	+0.2 (-0.8%pt)	
EMC Electronic & Mechanical Components	4.0 (7.9%)	4.9 (9.0%)	+0.9 (+1.1%pt)	
AEC Automotive Electronic Components	4.1 (6.3%)	3.1 (4.6%)	-1.0 (-1.7%pt)	
SSB Social Systems, Solutions & Service	-1.0 (-)	-2.0 (-)	-0.9 (-)	
HCB Healthcare	3.9 (8.7%)	3.9 (7.5%)	±0 (-1.2%pt)	
Other Businesses under the Direct Control of HQ	7.9 (16.2%)	-0.1 (-)	-8.0 (-)	
Eliminations & Corporate	-2.6	-3.8	-1.2	
Total	43.0 (10.6%)	33.0 (8.0%)	-10.0 (-2.6%pt)	

Operating Income Analysis, Y/Y

OP down, with higher SG&A and R&D intended for growth.



Consolidated B/S

No notable changes.

(¥bn)

	Mar. 31, 2015	Sept. 30, 2015	vs. March
Current assets	434.1	419.4	-14.7
Property, plant & equipment	151.5	151.6	+0.1
Investments and other assets	125.5	127.8	+2.3
Total Assets	711.0	698.8	-12.2
Current liabilities	176.8	158.3	-18.4
Long-term liabilities	42.2	41.9	-0.2
Total Liabilities	218.9	200.3	-18.7
Shareholders' equity	489.8	496.2	+6.4
Noncontrolling interests	2.3	2.3	±0
Total Net Assets	492.1	498.5	+6.4
Total Liabilities and Shareholders' Equity	711.0	698.8	-12.2
Shareholders' equity to total assets	68.9%	71.0%	+2.1%pt

Consolidated Cash Flows

FCF plus, even after M&A and capital investments.

(¥bn)

	FY2014 H1	FY2015 H1	Y/Y
Operating activities (Operating CF)	29.5	35.4	+6.0
Investing activities (Investing CF)	-9.9	-27.1	-17.2
Free cash flow (FCF)	19.6	8.4	-11.3
Financing activities (Financing CF)	-6.7	-9.2	-2.5
Cash and cash equivalents at end of the period	105.4	99.6	-5.8
Capital expenditures	15.3	17.5	+2.2
Depreciation and amortization	13.2	15.2	+2.1

FY15 Full-Year Forecast

FY15 Full-Year Forecast



H2 Business Environment by Area (vs. H1)

More uncertain on a global level, especially in emerging markets.

Japan

- Automobile: Capital investments will recover. But sales still slow, especially mini cars.
- Unclear overall with semiconductors still soft.

Overseas

- Americas: North America will go solid thanks to consumer spending and capital investment increase. Brazil will remain slow due to the stagnant economy.
- Europe will be flat as a whole.
- China will slow down due to the worsening economy.
- Asia will slow down in total, with Thailand and Indonesia suffering delay in economic recovery.

H2 Business Environment by Business Segment (vs. H1)

IAB Industrial Automation	<p>Japan: Semiconductors will remain soft. Automotive-related demand will come back.</p> <p>Overseas: China will slowdown. Asia will remain slow. In the US, oil & gas still sluggish, FA flat. Mexico steady. Europe flat.</p>
EMC Electronic & Mechanical Components	<p>Home electronics: Solid overall, thanks mainly to demand in Europe.</p> <p>Automotive components: Flat overall. Japan will remain slow. N. America healthy.</p>
AEC Automotive Electronic Components	<p>Japan: Will remain soft due to mini-car tax hike.</p> <p>Overseas: China will keep slowing down with car sales drop. N. America still strong backed by the robust economy.</p>
SSB Social Systems, Solutions & Service	<p>Train station system will go solid overall, enjoying steady capital investments.</p> <p>Environmental Solutions: The market for small-sized biz-use will remain low.</p>
HCB Healthcare	<p>Japan: Home-use solid, enjoying inbound (foreign tourists') demand. Professional-use will stay stagnant.</p> <p>Overseas: China will slow down with stagnant market growth. Brazil showing slowdown sign hit by the stagnant market.</p>
Other Businesses under the Direct Control of HQ	<p>Environmental Solutions: Both residential-/small-sized biz-use will remain low.</p> <p>Backlight: Will remain hit by the delaying recovery of the smartphone market in China.</p>

Full-Year Forecast

Omron makes downward revision.

(¥bn)

	(1) FY2015 Initial Plan	(2) FY2015 Oct. Fcst*	(2)/(1)	(3) FY2014 Actual	(2)/(3)
Net Sales	900.0	860.0	-4.4%	847.3	+1.5%
Gross Profit	356.0	338.0	-5.1%	332.6	+1.6%
(%)	(39.6%)	(39.3%)	(-0.3%pt)	(39.3%)	(±0%pt)
Operating Income	90.0	70.0	-22.2%	86.6	-19.2%
(%)	(10.0%)	(8.1%)	(-1.9%pt)	(10.2%)	(-2.1%pt)
NIBT	89.0	71.0	-20.2%	87.4	-18.8%
Net Income Attributable to Shareholders	66.5	53.5	-19.5%	62.2	-13.9%
1USD (JPY)	115.0	120.8	+5.8	110.0	+10.8
1EUR (JPY)	130.0	134.6	+4.6	138.7	-4.1

*H2 forex assumption: 1USD = ¥120, 1EUR = ¥135

Full-Year Sales Forecast by Segment

- **IAB: Oil & Gas down, but up in total.**
- **EMC, AEC and HCB up while struggling in emerging markets.**

(¥bn)

	(1) FY2015 Initial Plan	(2) FY2015 Oct. Fcst	(2)/(1)	(3) FY2014 Actual	(2)/(3)
IAB Industrial Automation	345.0	350.0	+1.4%	331.8	+5.5%
EMC Electronic & Mechanical Components	109.0	108.0	-0.9%	103.9	+3.9%
AEC Automotive Electronic Components	140.0	138.0	-1.4%	137.9	+0.1%
SSB Social Systems, Solutions & Service	85.0	80.0	-5.9%	80.4	-0.5%
HCB Healthcare	111.0	111.0	±0%	100.6	+10.3%
Other Businesses under the Direct Control of HQ	105.0	68.0	-35.2%	87.4	-22.2%
Eliminations & Corporate	5.0	5.0	±0%	5.3	-3.4%
Total	900.0	860.0	-4.4%	847.3	+1.5%

Full-Year Operating Income Forecast by Segment

IAB & EMC up. Focus on "IA Business Maximization" working.

(¥bn)

	(1) FY2015 Initial Plan	(2) FY2015 Oct. Fcst	(2)/(1)	(3) FY2014 Actual	(2)/(3)
IAB Industrial Automation	57.0 (16.5%)	55.0 (15.7%)	-2.0 (-0.8%pt)	54.6 (16.5%)	+0.4 (-0.7%pt)
EMC Electronic & Mechanical Components	11.2 (10.3%)	10.5 (9.7%)	-0.7 (-0.6%pt)	10.2 (9.8%)	+0.3 (-0.1%pt)
AEC Automotive Electronic Components	9.3 (6.6%)	7.5 (5.4%)	-1.8 (-1.2%pt)	9.2 (6.7%)	-1.7 (-1.3%pt)
SSB Social Systems, Solutions & Service	5.5 (6.5%)	3.5 (4.4%)	-2.0 (-2.1%pt)	5.0 (6.2%)	-1.5 (-1.8%pt)
HCB Healthcare	7.8 (7.0%)	7.0 (6.3%)	-0.8 (-0.7%pt)	6.5 (6.5%)	+0.5 (-0.2%pt)
Other Businesses under the Direct Control of HQ	10.0 (9.5%)	-3.5 (-)	-13.5 (-)	8.4 (9.6%)	-11.9 (-)
Eliminations & Corporate	-10.8	-10.0	+0.8	-7.3	-2.7
Total	90.0 (10.0%)	70.0 (8.1%)	-20.0 (-1.9%pt)	86.6 (10.2%)	-16.6 (-2.1%pt)

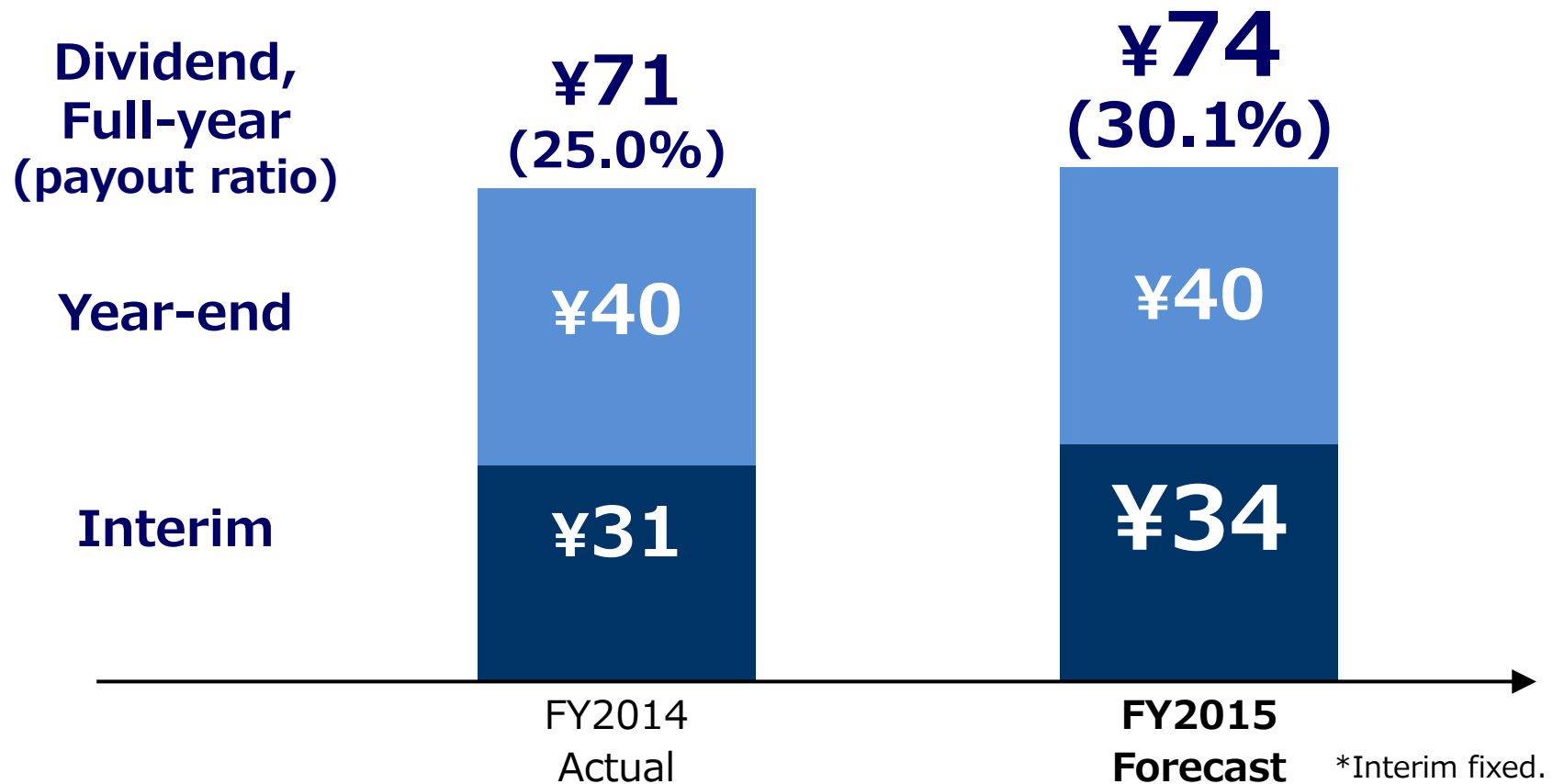
Shareholder Return

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Per-Share Dividend

- Omron is raising payout ratio to 30% this year.
- Set FY15 interim dividend at ¥34, up ¥3.
- Forecasting full-year total at ¥74, up ¥3.



Treasury Stock Buyback and Cancellation

Omron will buy back its own ¥15bn or 4mil shares and will cancel all of the acquired stock.

Value

¥15bn

**Number of
Shares**

4mil

**Acquisition
Period**

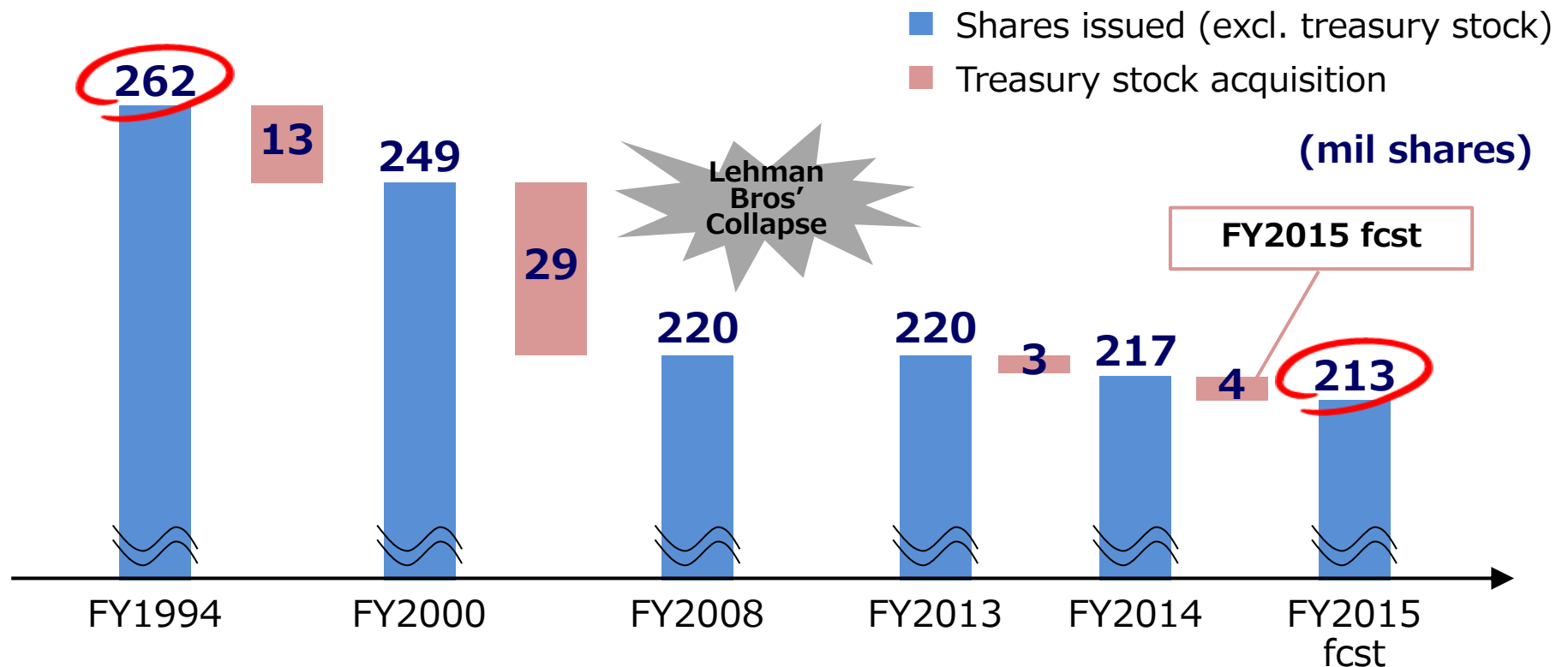
**Oct. 28, 2015
- Dec. 25, 2015***

*Ends when reaching either of the above.

Number of Outstanding Shares

The number of shares issued (excl. treasury stock), highest in FY1994 at 262mil, will go down to 213mil this year.

□ The Number of Outstanding Shares (excl. treasury stock)



Steps to Growth

Steps to Growth



M&A to Speed-Up Growth

- M&A as a part of Omron's 10-year VG2020 key strategies.
- Carried out M&A this year to maximize IA Business.

Maximization of
IA Business

Delta Tau
IAB, Sept. 2015



Adept
IAB, Oct. 2015



Super-Global Growth
Strategy

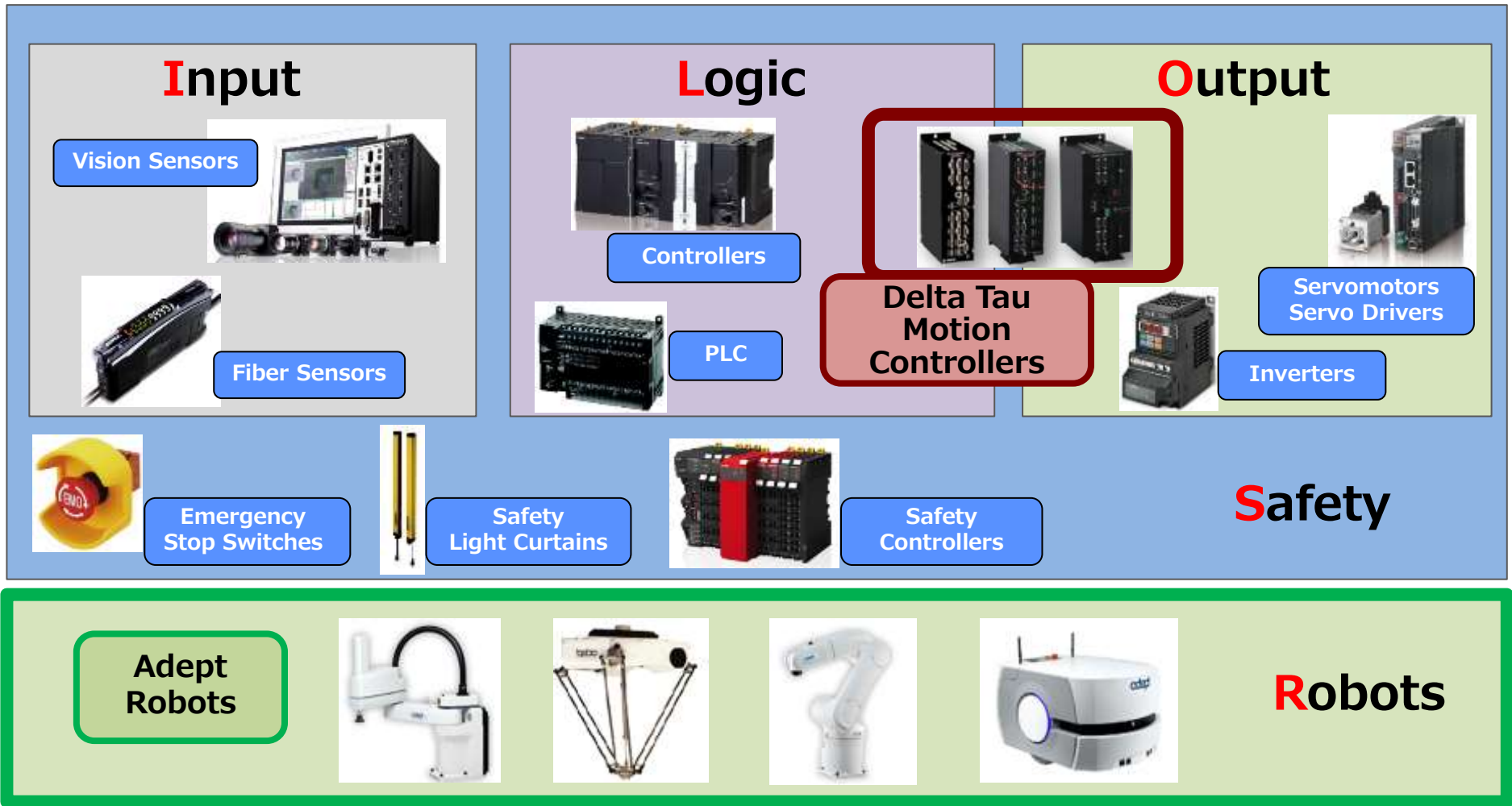
NS
HCB, Oct. 2014



New Business
Strategy for the
Optimization Society

M&A: Why Delta Tau and Adept

To offer a wider range of products.



Creation of New Business Opportunities

- **Processing Line: Realizing higher-speed/accuracy production equipment**
- **Assembly & inspection lines: Creating a new style of automation - human-machine harmony.**

Information Technology (IoT of diverse control equipment)

Higher Precision

Processing Line



Injection Molding
Machines

Machine
Tools

Human-Machine Harmony

Conveyor
Line



Assembly
Line



Inspection
Line



Robotics Tech. (+R)

Omron's Control Technology (ILO+S)

OMRON

Sensing tomorrow™

References

K6L6L6UCE2



Conditions: Exchange Rates & Raw Material Costs

Revising conditions taking market fluctuations into account.

FY15 H2 conditions (Changes from the April 27 conditions, ¥)

Exchange rates

- 1 USD = ¥120 (+5)
- 1 EUR = ¥135 (+5)

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

	Sales	OP
USD	¥3.4bn	¥0.3bn
EUR	¥0.8bn	¥0.4bn

Raw material costs

- Silver = ¥65,000/kg (-2,000)
- Copper = ¥770/kg (-70)

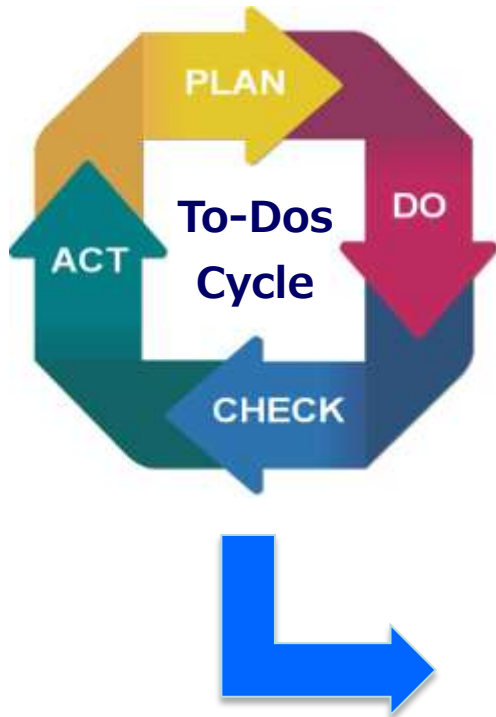
Price change impact (full-year, approx.)

	Price change	OP
Silver	¥1,000/kg	¥80mn
Copper	¥10/kg	¥30mn

*FY2014 results used to calculate exchange rates & raw material costs fluctuation impacts.

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 FY14 year-end result, FY15 quarterly results and forecasts.

Capital cost forecast at 6%
for EARTH-1 STAGE (FY14-16)

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 current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Major factors influencing Omron's actual results include, but are not limited to,
 - (i) economic conditions affecting the Company's businesses in Japan and overseas
 - (ii) demand trends for the Company's products and services
 - (iii) the ability of the Company to develop new technologies and products
 - (iv) major changes in the fundraising environment
 - (v) tie-ups or cooperative relationships with other companies
 - (vi) movements in currency exchange rates and stock markets, and
 - (vii) accidents and natural disasters.
3. The presentation slides are based on "Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016". Figures rounded to the nearest JPY million and percentage to one decimal place.

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