

Q&A Session Summary
OMRON Corporation
Financial Results for the Second Quarter Ended September 30, 2011
(FY11 Q2)

October 28, 2011, Tokyo

*Supplemental. Original presentation given in Japanese.

Q1: You mentioned your sales forecast is somewhere in the middle of your expected range. What is the range, top and bottom? Any measures planned if sales turn lower, cost cut for example?

A1: The range is plus/minus ¥5 bn. The result will mostly depend on IAB. Our forecast is IAB Q2 sales trend will last through the second half. If sales go downward, we will take countermeasures such as cost reduction. But we would like to be positive about the possible slowdown, taking the headwind as an opportunity.

Q2: Give us IAB order booking trend.

A2: Sales is flat since Q2. Orders are unlikely to make a notable improvement as well, but will pick up more or less as backlogs' coming back to the pre-3/11 level.

Q3: About 2H profitability. Why expecting increase in EMC and decrease in HCB?

A3: EMC due to stable material prices and cost-cutting efforts. HCB due to active strategic investments centered in emerging markets.

Q4: How are you going to improve profitability of most-focused Greater China?

A4: In midterm, our focus is on IAB China. We will reinforce a range of products, sales and marketing channels to better respond to customers, which we are working on as the top task for the coming 10 years.

Q5: How are you addressing compliance issues and human resources in China?

A5: They are our top issues too. Short-term, we will work on strengthening sales reps and system engineers, then management-class human resources in the midterm. As for compliance, we have branch operations for compliance in each region supervised by the head office, including auditing, and will enhance our internal control system on a global basis.

Q6: IAB sales seem to be lower than the industry average in Japan. Any changes – is Omron no longer focusing on IAB? Losing market share?

A6: IAB Japan is and will be one of our most focuses. Its 1H sales didn't turn out as expected, with customers' cutting back on capital investments due to the strong yen or power issues. But we don't think we are losing share. Our NECA (Nippon Electric Control Equipment Industries Association) share remains around 40%.

- Q7:** Give us strategic spending breakdown, by business, by area.
- A7:** We do not give you specific figures. We've been working according to VG2020 measures, IA reinforcement, and expansion in emerging markets. For example, increasing productivity of EMC Shanghai factory, developing global standard products, introducing high-speed high-accuracy PLCs (Programmable Logic Controllers), investing in channels to pioneer into emerging markets, and enhancing brand awareness.
- Q8:** India and Brazil make how much of sales, actual results and plans?
- A8:** We do not disclose specific figures, but not so substantial. We are now investing.
- Q9:** Elaborate more on recent IAB China, by industry, or distributors' inventories.
- A9:** It saw a reactionary drop in Q2 after a temporary demand surge in Q1. Overall sales were up 1H. By industry, government-related infrastructure projects are solid, and inventory level is on the decline.
- Q10:** Any positive effects of the Thai floods?
- A10:** So far we do not have a clear picture.
- Q11:** Give us Q2 "Other" segment sales breakdown.
- A11:** Environmental Solutions: ¥2.4 bn; Backlight: ¥18.1 bn; Micro Devices: ¥1.1 bn; Electronic Systems & Equipment: ¥4.6 bn. Of Environment Solutions, solar power conditioner business is going favorably. Under Micro Devices, MEMS microphones will be one of our focuses.
- Q12:** About a midterm target of 13% OP margin. How do you see the feasibility now?
- A12:** Things have been changing drastically after VG2020 announcement - exchange rates and economic sentiment. But we do not intend to revise midterm vision in basic measures and the course to take. But we will be more flexible in reviewing and revising goals.
- Q13:** Are you changing business portfolio in mid/long-term?
- A13:** Not in business segments. Each segment has set its mid/long-term goals, and is working toward the goals on its own.