

Q&A Session Summary
OMRON Corporation
Financial Results for the Third Quarter Ended December 31, 2011
(FY11 Q3)

January 27, 2012, Tokyo

*Supplemental. Original presentation given in Japanese.

Q1: About full-year spending forecast. Strategic investment is down, but neither SG&A nor R&D? Any downward revision coming up?

A1: No changes planned so far.

Q2: Give us IAB & EMC production adjustments breakdown. Is EMC cutback solely IAB-related?

A2: We do not disclose specific figures. EMC not only for IAB but for other customers as well.

Q3: Give us IAB order booking trend.

A3: We do not give you specific figures. Estimate from our sales forecast - Japan is back, Europe and China are slow.

Q4: How about IAB in December?

A4: In Japan, semiconductors were on the recovery and up yoy. Europe and China were down.

Q5: About "Elimination and corporate" Q4 forecast. Why operating income is down from the previous forecast?

A5: Mostly due to a change in pension accounting method. Also various head office fixed costs.

Q6: About strategic investments. How much was spent for Q1-Q3?

A6: We do not disclose the number.

Q7: What do you think are IAB's technical and production advantages in China?

A7: We are better than Taiwanese and Korean competitors in quality, a range of products, and customer support. As for price competitiveness, we are planning to introduce relatively competitively-priced products especially for emerging markets.

Q8: About the inventory. Which is up, components or finished products? If finished products, my opinion is you didn't have to add them up when the demand was slowing.

A8: Basically both to meet the 3.11 disasters. Finished products piled up as a result of demand plunge amid drastic market changes in December.

Q9: How about IAB distributors' backlog in China? How much longer will adjustments last?
A9: Their inventory turnover is worsening. Inventory levels will go back to normal at the end of March both at Omron and distributors.

Q10: Is actual demand in China is turning upward starting 2012?

A10: The current situation is likely to last through Q4 with no upturn. Especially small and mid-sized businesses are not turning round.

Q11: About strategic investments. How much has been/ will be spent when this year?

A11: Not much spent in the first half due to the March disasters, except for labor costs of constantly hiring new people. We are spending mostly in the second half excluding M&A.

Q12: About disposed inventories. I wonder if you could have used them multi-purposely, instead of disposing or writing off.

A12: Some parts are exclusively made to meet specifications required by customers, and are hard to apply for other purposes. Instead of writing them off to zero, we recorded a provision based on our internal rules – no instant disposal.

Q13: What is factory operation rate, compared with busy times?

A13: The rate is lower than April and May figures, which were abnormally high following the March disasters.

Q14: Can we expect a positive impact if the Euro comes back to ¥100 in Q4?

A14: Not quite, as we are hedging more or less.

Q15: Any chances of demand surge in China after the Chinese New Year? If so, any risks of inventory shortage?

A15: Our forecast is sales will be flat in total in Q4. We will cut back on inventories, but do not expect any shortages due to rebounding orders.

Q16: About positive side of the strong yen. It could be a tailwind for M&A. What are your plans for Healthcare Business (HCB), which is B-to-C and can be a growth driver?

A16: We will proactively work on M&A&A taking advantage of the yen appreciation. As to HCB, we will make sure to implement measures one by one, aiming for growth in China and other emerging markets, so that HCB can be one of our core businesses in the future.
