

Q&A Session Summary

OMRON Corporation

FY13 Earnings & Mid-term VG2020 Management Plans (incl. FY14)

April 24, 2014, Tokyo

*Supplemental. Original presentation given in Japanese.

Consolidated Performance, Management, VG2020 Strategies

Q: About your sales increase outlook in emerging markets through FY16. Breakdown by country/ region? How about new businesses?

A: We do not disclose figures in detail. Among emerging markets, we expect China, in which we invested for years, to pay back and grow. In Latin America and Asia, our plan is to achieve 2-digit annual growth. In new businesses, we expect growth in environmental business, as well as railway station safety & security, and healthcare wearable devices.

Q: How much the impact of Japan's consumption tax hike will be in FY14?

A: For FY13 consolidated basis, we had some ¥7bn, mainly in automotive business. There'll be backlash decrease FY14/Q1. Social Systems, Solutions & Service Business (SSB) will see order decrease, now that last-minute software updates were done. The other businesses too had impacts to some extent, and we are watching cautiously.

Q: EPS is a clear guide and I also appreciate your effort for higher payout ratio. But isn't FY16 ROE goal a bit low? Why not exercise buyback for higher ROE?

A: For cash use, our priority is investment for growth, followed by dividends, and buyback. Depending on cash status of a fiscal year, we will take flexible measures.

Q: Looking back on GLOBE Stage (FY11-13), what was it that didn't meet initial goals?

A: Industrial Automation Business (IAB). Our initial goal was to achieve IAB-driven growth in sales and profit, but so far not done as planned.

Q: About human resources. Is it getting stronger, with younger heads' taking over IAB and Electronic & Mechanical Components Business (EMC)?

A: We are confident that management teamwork has been even better for the past three years, as we worked on rejuvenating execs and strengthening inter-business ties. As a part of the efforts, we are appointing local staffers globally to key positions. For example, we appointed a local Chinese woman as the president of EMC Shanghai factory, which helps boost local staff members' morale.

Industrial Automation Business (IAB)

Q: About mid-term plan through FY16. Isn't 4% growth target low? How did you get the figure, considering market growth and external environment?

A: We expect IAB growth nearly the same pace as the market growth, but with cautious look at emerging markets including greater China. We expect Japan, hit by consumption tax hike for FY14, to go on a recovery track and record sales increase. Of course we will keep working on winning market share.

Q: What are your profit margin targets for EARTH-1 stage? My understanding is that you've done with profit structure at GLOBE stage. Are you still going to make investments?

A: We will keep working on higher GP%. But OP% would be challenging, as we keep carrying out strategic investments - SG&A and R&D for growth basis establishment.

Healthcare Business (HCB)

Q: Specifically, what is "upfront investment"? Until when and when do you expect returns?

A: There are two: 1) Development of wearable devices using our sensing & control technologies 2) Sales & marketing channel expansion in emerging markets. We will keep making investments in the coming three years, aiming at sales increase at the same time.

"Other" Businesses

Q: You expect notable "Other" sales growth for EARTH-1 stage. What would be the driver?

A: Environmental business following GLOBE stage, when environmental and backlight businesses contributed to sales increase.

Q: About PV inverters. Does you plan take it into account the ever-intensive price competition?

A: We don't see the lowering price is a big problem for us. The reason is that among three PV inverter market categories 1) residential 2) low-voltage and 3) price-competitive mega-solar, our focus is on residential and low-voltage.
