



Q1 2014 Earnings

**Financial Results
for the First Quarter
Ended June 30, 2014**

July 29, 2014
OMRON Corporation

Contents

1. FY14 Overview P. 2

2. Q1 Results P. 4

3. H1 Forecast P. 11

4. Full-Year Forecast P. 17

5. Corporate Value Creation P. 19

References P. 33

FY14 Overview

トヨタ自動車



FY14 Overview

- **Q1 sales & OP jumped y/y.**
- **Expects Q2 to remain strong, and makes upward revision to H1 forecast.**
- **Also expects H2 to go solid, but makes no change to full-year forecast so far.**

Q1 Results

Q1 Results



Consolidated P/L

Sales up 13%, GP & OP up >50% y/y.

(Billions of yen)

	Q1 2013	Q1 2014	Y/Y
Net Sales	174.6	197.2	+13.0%
Gross Profit	65.7	78.3	+19.2%
(%)	(37.6%)	(39.7%)	(+2.1% pt)
Operating Income	13.0	19.8	+52.3%
(%)	(7.5%)	(10.0%)	(+2.5% pt)
NIBT	12.7	21.4	+68.5%
Net Income attributable to shareholders	9.2	15.5	+67.5%
1USD (JPY)	98.3	102.0	+3.7
1EUR (JPY)	127.6	139.9	+12.3

Sales by Segment

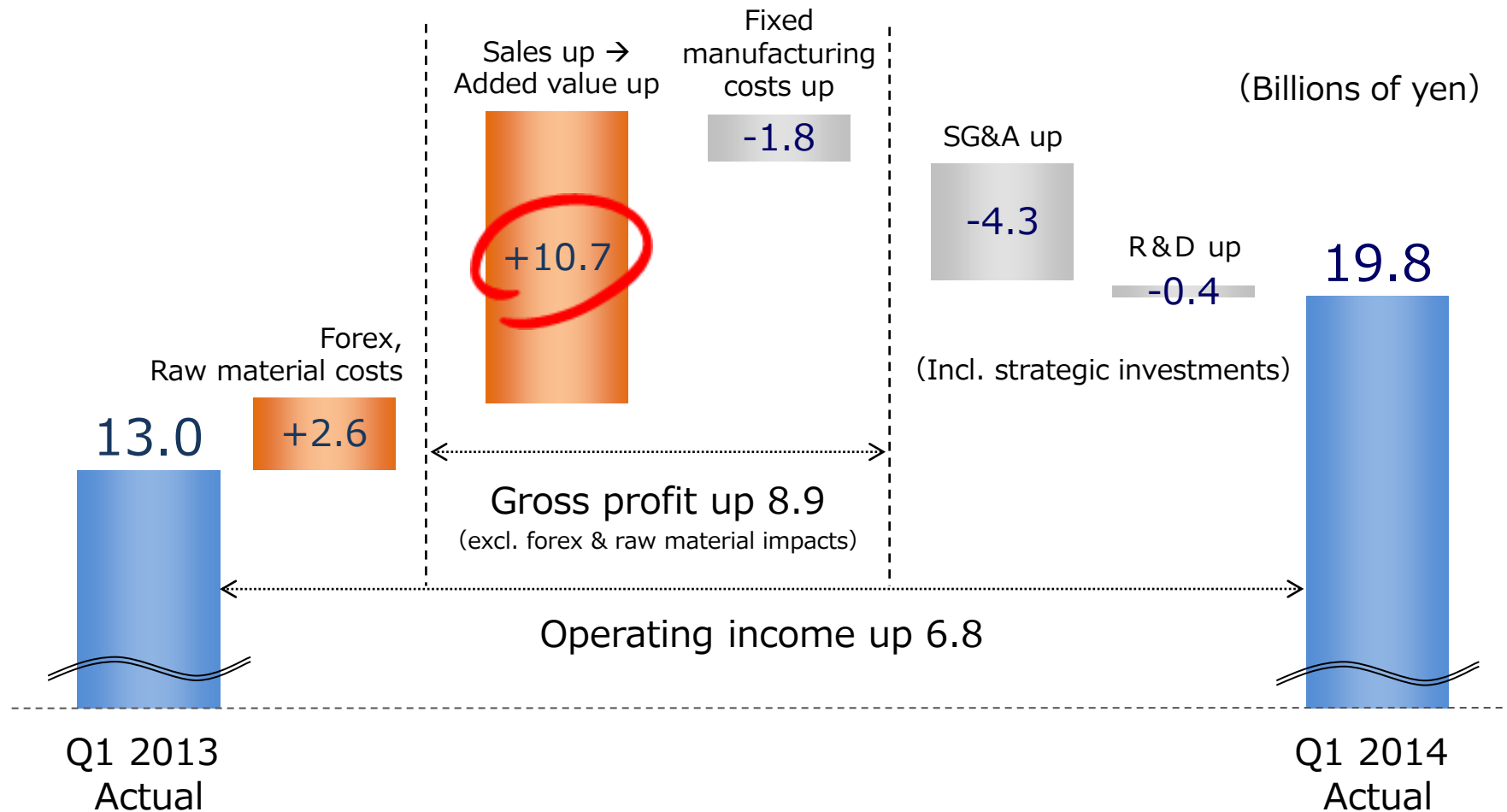
IAB and Environmental Solutions (Other) were main drivers.

(Billions of yen)

	Q1 2013	Q1 2014	Y/Y
IAB Industrial Automation	66.8	78.2	+17.2%
EMC Electronic & Mechanical Components	23.7	26.3	+11.1%
AEC Automotive Electronic Components	29.3	32.8	+11.9%
SSB Social Systems, Solutions & Service	12.8	13.1	+2.8%
HCB Healthcare	20.9	22.1	+5.4%
Other	19.5	23.4	+19.6%
Eliminations & Corporate	1.6	1.3	-16.4%
Total	174.6	197.2	+13.0%

Operating Income Analysis, Y/Y

Higher added value contributed most to OP growth.



Operating Income by Segment

IAB posted large OP growth with strong sales.

(Billions of yen)

	Q 1 2013	Q1 2014	Y/Y
IAB Industrial Automation	7.7 (11.5%)	11.9 (15.2%)	+4.3 (+3.8% pt)
EMC Electronic & Mechanical Components	1.5 (6.5%)	2.4 (9.1%)	+0.8 (+2.6% pt)
AEC Automotive Electronic Components	2.2 (7.5%)	2.3 (6.9%)	+0.1 (-0.6% pt)
SSB Social Systems, Solutions & Service	-1.8 (-)	-1.5 (-)	+0.4 (-)
HCB Healthcare	2.2 (10.6%)	1.9 (8.6%)	-0.3 (-2.0% pt)
Other	2.2 (11.1%)	3.8 (16.3%)	+1.6 (+5.2% pt)
Eliminations & Corporate	-1.0	-1.0	-
Total	13.0 (7.5%)	19.8 (10.0%)	+6.8 (+2.5% pt)

*(%): Operating income/External sales

Consolidated B/S

(Billions of yen)

	Mar. 31, 2014	Jun. 30, 2014	vs. Mar.
Current assets	396.5	397.1	+0.6
Property, plant & equipment	135.6	134.6	-1.0
Investments and other assets	122.6	111.4	-11.2
Total Assets	654.7	643.0	-11.7
Current liabilities	162.7	147.1	-15.6
Long-term liabilities	59.2	55.9	-3.3
Total Liabilities	221.9	203.1	-18.9
Shareholders' equity	430.5	437.7	+7.1
Noncontrolling interests	2.3	2.3	+0.1
Total Net Assets	432.8	440.0	+7.2
Total Liabilities and Shareholders' Equity	654.7	643.0	-11.7
Shareholders' equity to total assets	65.8%	68.1%	+2.3% pt

Consolidated Cash Flows

FCF up with solid performance.

(Billions of yen)

	Q1 2013	Q1 2014	Y/Y
Operating activities	17.8	21.5	+3.6
Investing activities	-5.6	-2.6	+3.0
Free cash flow (FCF)	12.3	18.9	+6.6
Financing activities	-1.4	-6.6	-5.2
Cash and cash equivalents at end of the period	67.8	102.0	+34.2
Capital expenditures*	5.8	7.1	+1.3
Depreciation and amortization	5.7	6.5	+0.7

*3-month capital investments = Capital expenditures on the consolidated cash flow statement.

H1 Forecast

H1 F0L6C92C



Q2-Q4 Business Environment by Area

Expecting Q1 climate to continue throughout Q2-Q4.

Japan will be on a recovery trend overall. (e.g. automotive)

Overseas

- Americas: US will go solid thanks to recovering consumer spending and increasing capital investment. Some South American economies will still feel bitter sentiment.
- Europe will keep going on a mild recovery track.
- China: Active investments in some industries will slow down. Other flat overall.
- Asia will be on recovery as a whole, even with some countries suffering stagnant economy.

Q2-Q4 Business Environment by Segment

IAB Industrial Automation	<p>Japan: Same as Q1 overall, with automotive-related demand staying brisk. Overseas: China will remain solid, while smart-phone related-demand cools down. US favorable, Europe flat, Asia flat excl. steady S. Korea.</p>
EMC Electronic & Mechanical Components	<p>Japan: Home electronics will be solid as consumption-tax related drop is over. Overseas: Healthy mainly in US & China. Status quo in Europe & Asia.</p>
AEC Automotive Electronic Components	<p>Japan: Cons. tax impact will turn out to be minor. Mini-vehicles will keep strong. Overseas: N. America and China will be solid. Thailand will see weak domestic demand but solid exports.</p>
SSB Social Systems, Solutions & Service	<p>Demand for train system will go solid, enjoying customers' sound performance. In Environmental Solutions, industry-use PV inverters will go brisk.</p>
HCB Healthcare	<p>Japan: Demand will be back with consumption tax related drop getting eased. Overseas: Americas, China and Asia will remain strong, with Russia still weak.</p>
Other	<p>Environmental Solutions will stay brisk, led by residential PV inverters. In Backlight, smart-phone related orders will stay favorable.</p>

H1 Forecast

Upward revision, seeing performance to remain brisk.

(Billions of yen)

	H1 2014 Apr. 24 plan	H1 2014 Forecast	vs. Apr. 24 plan	H1 2013 Actual	Y/Y
Net Sales	376.0	400.0	+6.4%	359.7	+11.2%
Gross Profit (%)	148.0 (39.4%)	158.0 (39.5%)	+6.8% (+0.1% pt)	137.8 (38.3%)	+14.6% (+1.2% pt)
Operating Income (%)	31.0 (8.2%)	39.0 (9.8%)	+25.8% (+1.5% pt)	30.8 (8.6%)	+26.7% (+1.2% pt)
NIBT	30.5	40.0	+31.1%	30.0	+33.2%
Net Income attributable to shareholders	22.0	29.0	+31.8%	21.2	+37.0%
1USD (JPY)	100.0	101.2	+1.2	98.2	+3.0
1EUR (JPY)	135.0	137.8	+2.8	128.9	+8.9

H1 Sales Forecast by Segment

IAB and "Other" eyeing two-digit growth.

(Billions of yen)

	H1 2014 Apr. 24 plan	H1 2014 Forecast	vs. Apr. 24 plan	H1 2013 Actual	Y/Y
IAB Industrial Automation	147.5	156.5	+6.1%	138.0	+13.4%
EMC Electronic & Mechanical Components	50.0	51.5	+3.0%	48.8	+5.6%
AEC Automotive Electronic Components	61.0	65.0	+6.6%	59.5	+9.3%
SSB Social Systems, Solutions & Service	29.5	31.0	+5.1%	29.1	+6.5%
HCB Healthcare	46.0	46.0	±0.0%	42.8	+7.4%
Other	40.5	47.5	+17.3%	38.5	+23.5%
Eliminations & Corporate	1.5	2.5	+66.7%	3.0	-18.0%
Total	376.0	400.0	+6.4%	359.7	+11.2%

H1 Operating Income Forecast by Segment

IAB eyeing large OP growth driven by sales increase.

(Billions of yen)

	H1 2014 Apr. 24 plan	H1 2014 Forecast	vs. Apr. 24 plan	H1 2013 Actual	Y/Y
IAB Industrial Automation	19.0 (12.9%)	23.6 (15.1%)	+4.6 (+2.2% pt)	17.8 (12.9%)	+5.8 (+2.2% pt)
EMC Electronic & Mechanical Components	4.1 (8.2%)	4.4 (8.5%)	+0.3 (+0.3% pt)	3.9 (8.1%)	+0.5 (+0.5% pt)
AEC Automotive Electronic Components	4.4 (7.2%)	4.4 (6.8%)	±0 (-0.4% pt)	4.3 (7.3%)	+0.1 (-0.5% pt)
SSB Social Systems, Solutions & Service	-1.5 (-)	-1.2 (-)	+0.3 (-)	-1.8 (-)	+0.6 (-)
HCB Healthcare	3.5 (7.6%)	3.6 (7.8%)	+0.1 (+0.2% pt)	4.4 (10.3%)	-0.8 (-2.4% pt)
Other	4.5 (11.1%)	7.0 (14.7%)	+2.5 (+3.6% pt)	5.8 (15.0%)	+1.2 (-0.3% pt)
Eliminations & Corporate	-3.0	-2.8	+0.2	-3.6	+0.8
Total	31.0 (8.2%)	39.0 (9.8%)	+8.0 (+1.5% pt)	30.8 (8.6%)	+8.2 (+1.2% pt)

*(%): Operating income/External sales

Full-Year Forecast

Full-Year Forecast



Full-Year Forecast

No change to April 24 plan.

(Billions of yen)

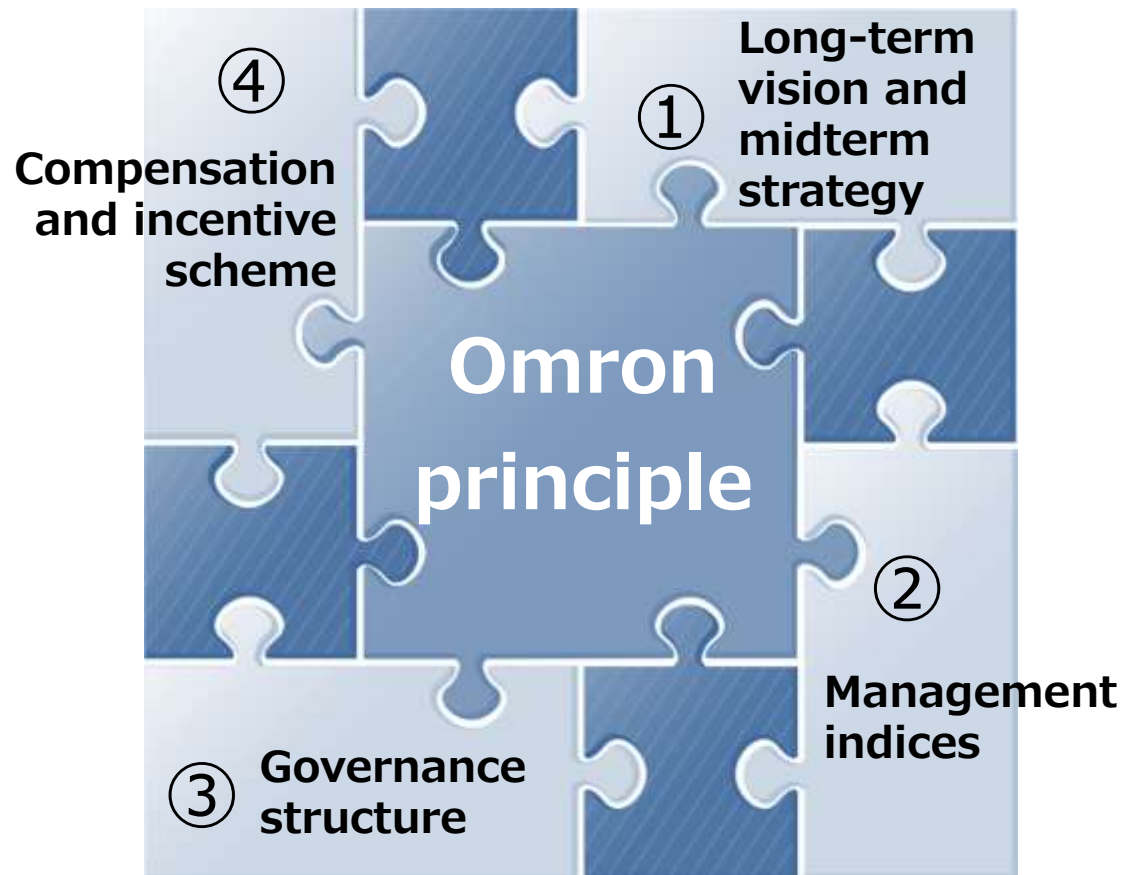
	FY2013 Actual	FY2014 Forecast	Y/Y
Net Sales	773.0	800.0	+3.5%
Gross Profit (%)	297.2 (38.5%)	317.0 (39.6%)	+6.7% (+1.2% pt)
Operating Income (%)	68.1 (8.8%)	74.0 (9.3%)	+8.7% (+0.5% pt)
NIBT	62.0	71.0	+14.5%
Net Income attributable to shareholders	46.2	51.0	+10.4%

Corporate Value Creation



Introduction

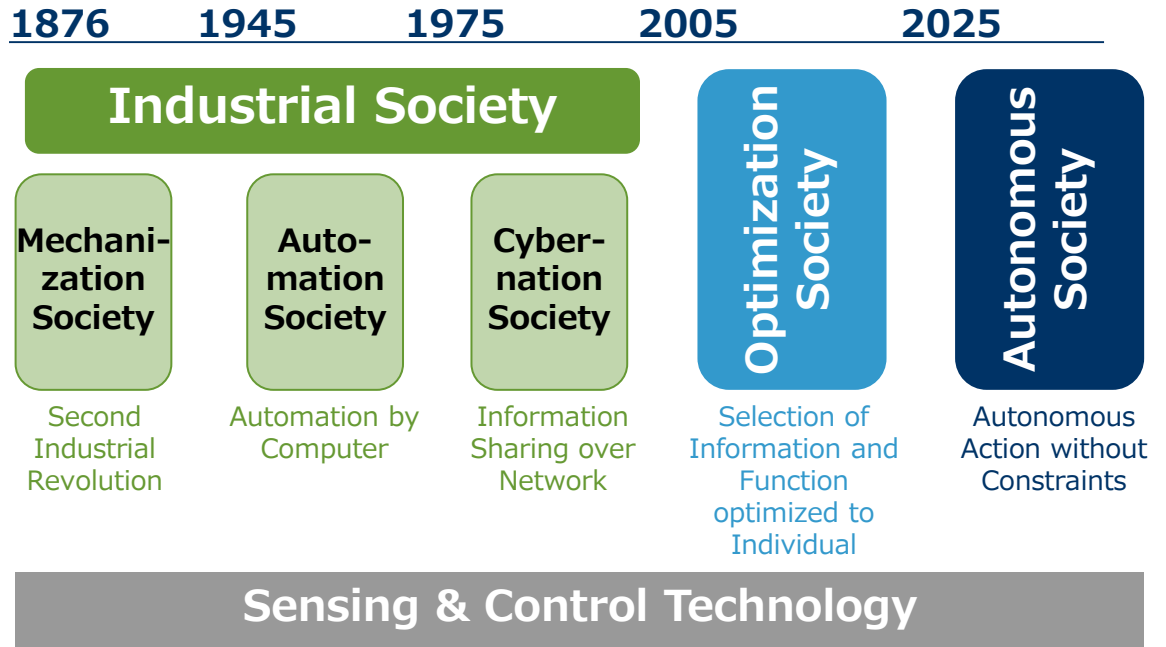
Factors which support sustainable corporate value creation



Long-term Vision and Midterm Strategy (SINIC Theory*)

SINIC as a management compass → 10-year long-term vision

<SINIC theory – predicting the future>



Productivity, efficiency
 Manufacturer's viewpoint
 "Product" generation



A purpose of life, work
 User's viewpoint
 "Heart" generation

*SINIC: **S**eed-**I**nnovation to **N**eed-**I**mpetus **C**yclic **E**volution

Long-term Vision and Midterm Strategy

OMRON sets and announces midterm targets to steadily achieve 10-year sustainable growth

<Long-term vision>

Value Generation 2020
From FY2011 to FY2020
Announced in July 2011

Qualitative Goals

Global value-creating group that is qualitatively and quantitatively superior

Quantitative Goals

Sales : > ¥ 1tr.
OP Margin : 15%

<Midterm Strategy>

EARTH-1 STAGE
From FY2014 till FY2016
Announced in April 2014

Policy

Establishment of "self-driven" growth structure

Targets

Sales : > ¥ 900bn
GP Margin : > 40%
OP Margin : > 10%
ROIC : approx. 13%
ROE : approx. 13%
EPS : approx. ¥ 290

Management Indices

Management indices as decision making tools to achieve midterm targets

ROIC Management

Down-top ROIC tree

- By business segment (structure, issues)
- Key items (drivers) to improve ROIC, and specific actions & KPIs

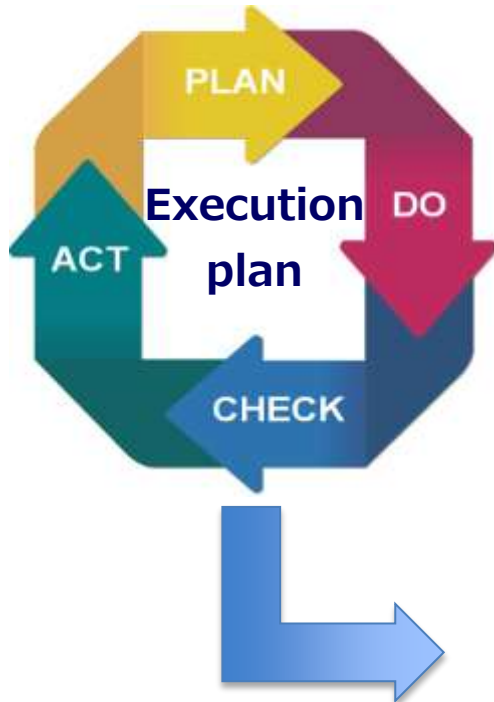
Portfolio management

- Plan out reinforcement/ market withdrawal, taking each business segment status into account
- Decide on resource allocation

Management Indices (Down-Top ROIC Tree)

Down-top ROIC tree to work on KPI/PDCA at all level down to on-site staff

On-site



KPI

- Parts standardization
- Target cost to sales %
- Overseas production %
- Fixed manuf. cost %

- Per-head productivity
- Strategic investment targets

- Impairment risks
- Effective tax rate

- Inventory month/value
- Slow-moving inv. months
- Delivery time achievement %
- Credits and debts months

- Capital investments
- Facility turnover %
- Depreciation & amortization
- Other assets turnover %

Management Structure Tree

- Gross profit margin

- SG&A margin
- Non-operating profit/loss

- Net income margin

- Working capital turnover

- Fixed assets turnover

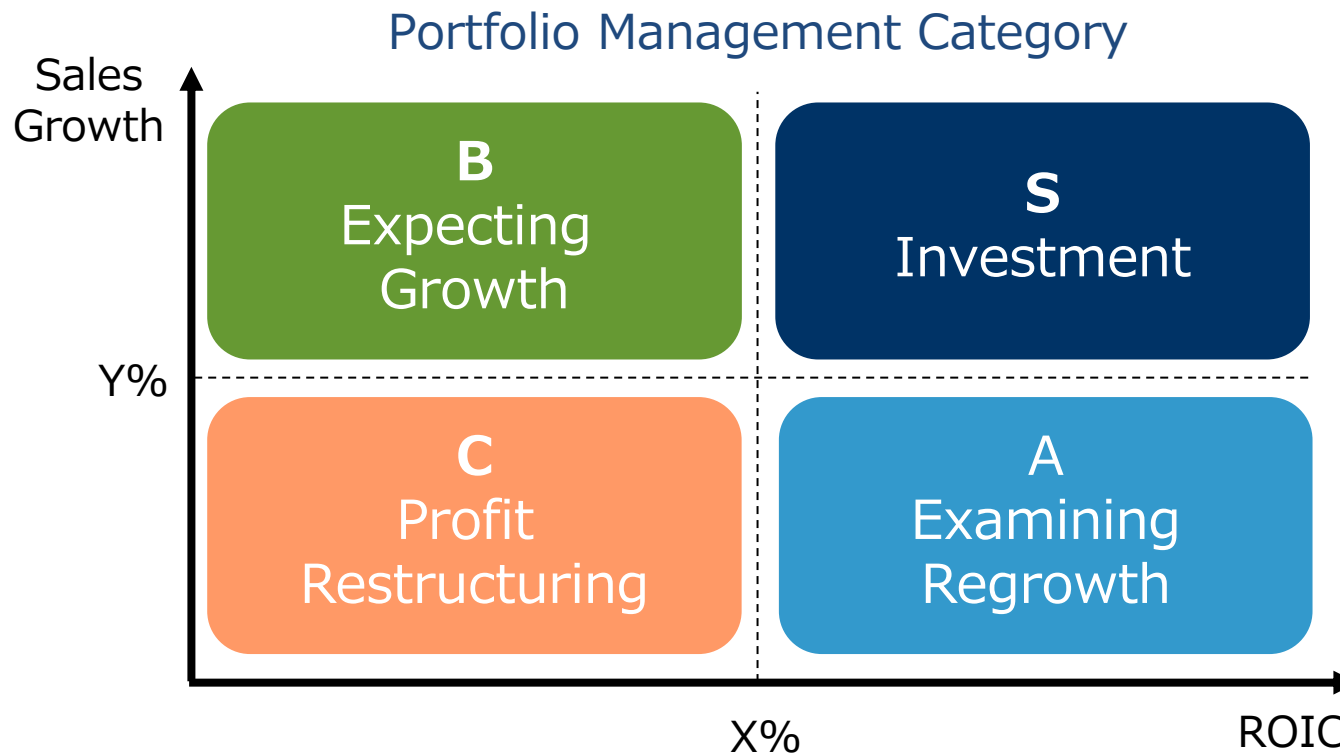
ROS

Invested Capital Turnover

ROIC

Management Indices (Business Portfolio Management)

Management decision to allocate investment resources for M&A, growth acceleration, restructuring, and new entry



Governance Scheme

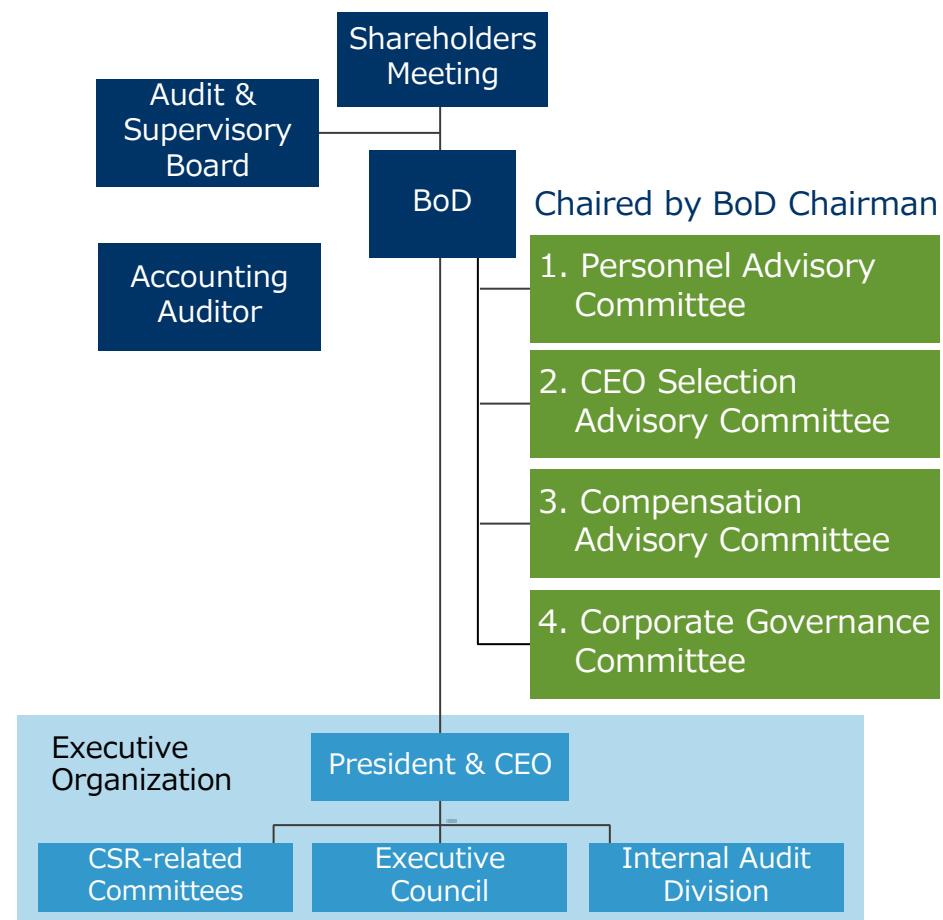
Omron has highly transparent and effective corporate governance scheme as a basis for sustainable value creation

✓ Separation of management oversight and business execution

- Separate position: Chairperson of the BoD and CEO
- Of 7 directors, 2 are independent, with majority being non-executive
- Larger authority given to business company presidents for swifter decision-making

✓ Personnel/ CEO selection/ compensation advisory committees and corporate governance committee

- While Omron is a company with an audit & supervisory board under Japan's Companies Act, it has 3 advisory committees and 1 committee
- The four chaired by independent directors
- President does not belong to any of the committees



Governance Scheme

Re. President selection advisory committee and corporate governance committee

● President selection advisory committee

- A committee that specializes in the deliberation of candidates who may be suitable to become the next CEO, or to take over the position in emergency situations.
- Chaired by an outside director; out of 3 remaining members, one is independent; all non-executive directors.

● Corporate governance committee

- A committee to discuss measures required to ensure the continuous proper execution of the corporate governance regime and measures to improve the fairness and transparency of management activities.
- Chaired by an outside director; all 4 members are independent (2 directors, 2 auditors).

Compensation and Incentive Scheme

**Motivation towards mid to long-term value creation
= directors' interests aligned with shareholders'**

From:

- Base (fixed) compensation + bonuses based on past one year performance
- Stock compensation

To:

- Base (fixed) compensation + bonuses based on past one year performance
- + **Medium-term performance-linked bonuses**
- Stock Compensation

Other incentive

- + **Issuance of paid stock acquisition rights**
(exercisable depending on the achievement of midterm management target)

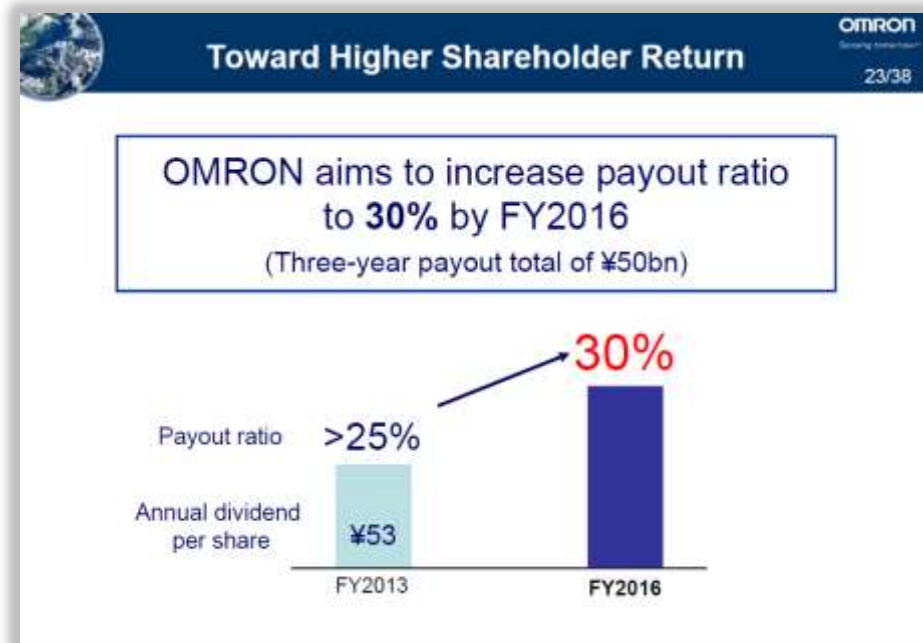
Midterm Financial Strategy, 1/3

Basic policy of profit distribution in VG2020

1. **Priority in securing resource for growth investment** in order to maximize corporate value over the long term
2. Stable and uninterrupted profit distribution taking into consideration the level of free cash flow
(maintain 25%+ payout ratio for FY2014 while **striving to achieve 30% by FY2016 to further improve mid/long-term shareholder return**)
3. Accumulated retained earnings over a long period to be distributed to shareholders by share repurchase and other measures in timely manner

Midterm Financial Strategy, 2/3

Use of cash and profit distribution policy at EARTH-1 STAGE announcement



Midterm Financial Strategy, 3/3

Summary

- Current status: balance sheet is quite solid
 - Long-term and short-term credit ratings: A/A-1 (S&P), AA- /a-1+ (R&I)
 - Sufficient financing capability
 - Solid balance sheet ready for aggressive business operation
- Basic policy of profit distribution: considering balance between growth investment and profit distribution
- Financing: fund required for growth investment to be raised as needed
 - Cash and equivalents of 1± month sales to be retained as a source of working capital

OMRON

Sensing tomorrow™

References

K6L6L6UCE2



Conditions: Exchange Rates & Raw Material Costs

No change to the initially set conditions.

Q2-Q4 Conditions

Exchange rates

- 1 USD = ¥100
- 1 EUR = ¥135

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

	Sales	OP
USD	¥3.1bn	¥0.4bn
EUR	¥0.8bn	¥0.4bn

Raw material costs

- Silver = ¥72,000/kg
- Copper = ¥760/kg

Price change impact (full-year, approx.)

	Price change	OP
Silver	¥1,000/kg	¥100mn
Copper	¥10/kg	¥100mn

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

*FY13 year-end & FY14 Q1-end average.

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 First Quarter of the Fiscal Year Ending March 31, 2015". Figures rounded to the nearest JPY million and percentage to one decimal place.

Contact:

**Investor Relations Department
Investor Relations Headquarters
Omron Corporation**

Phone: +81-(0)3-6718-3421

Email: omron_ir@omron.co.jp

Website: www.omron.com

*To subscribe to Omron IR email newsletters:
Send us an email titled "subscribe".