



Q2 2014 Earnings

**Financial Results
for the Second Quarter
Ended September 30, 2014**

October 28, 2014
OMRON Corporation

Summary

- **H1 saw high OP with large sales increase and higher profitability. Gross profit margin up 1.4%pt, with 10%-plus OP margin.**
- **Makes upward revision to full-year forecast. Expects sales to go up in all business segments, led by constantly strong IAB.**
- **Annual dividends forecasted at ¥71, up ¥18 y/y. Omron will carry out acquisition and disposal of own shares, and treasury stock cancellation.**

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H1 Results

H1 Results



H1 Results

Large sales increase to post high OP.

(Billions of yen)

	FY2014 H1 Forecast	FY2014 H1 Actual	vs. Forecast	FY2013 H1 Actual	Y/Y
Net Sales	400.0	404.5	+1.1%	359.7	+12.4%
Gross Profit (%)	158.0 (39.5%)	160.6 (39.7%)	+1.6% (+0.2%pt)	137.8 (38.3%)	+16.5% (+1.4%pt)
Operating Income (%)	39.0 (9.8%)	43.0 (10.6%)	+10.3% (+0.9%pt)	30.8 (8.6%)	+39.7% (+2.0%pt)
NIBT	40.0	45.0	+12.5%	30.0	+49.8%
Net Income attributable to shareholders	29.0	33.7	+16.2%	21.2	+59.1%
1USD (JPY)	101.2	103.4	+2.2	98.2	+5.2
1EUR (JPY)	137.8	139.0	+1.2	128.9	+10.1

Sales by Segment

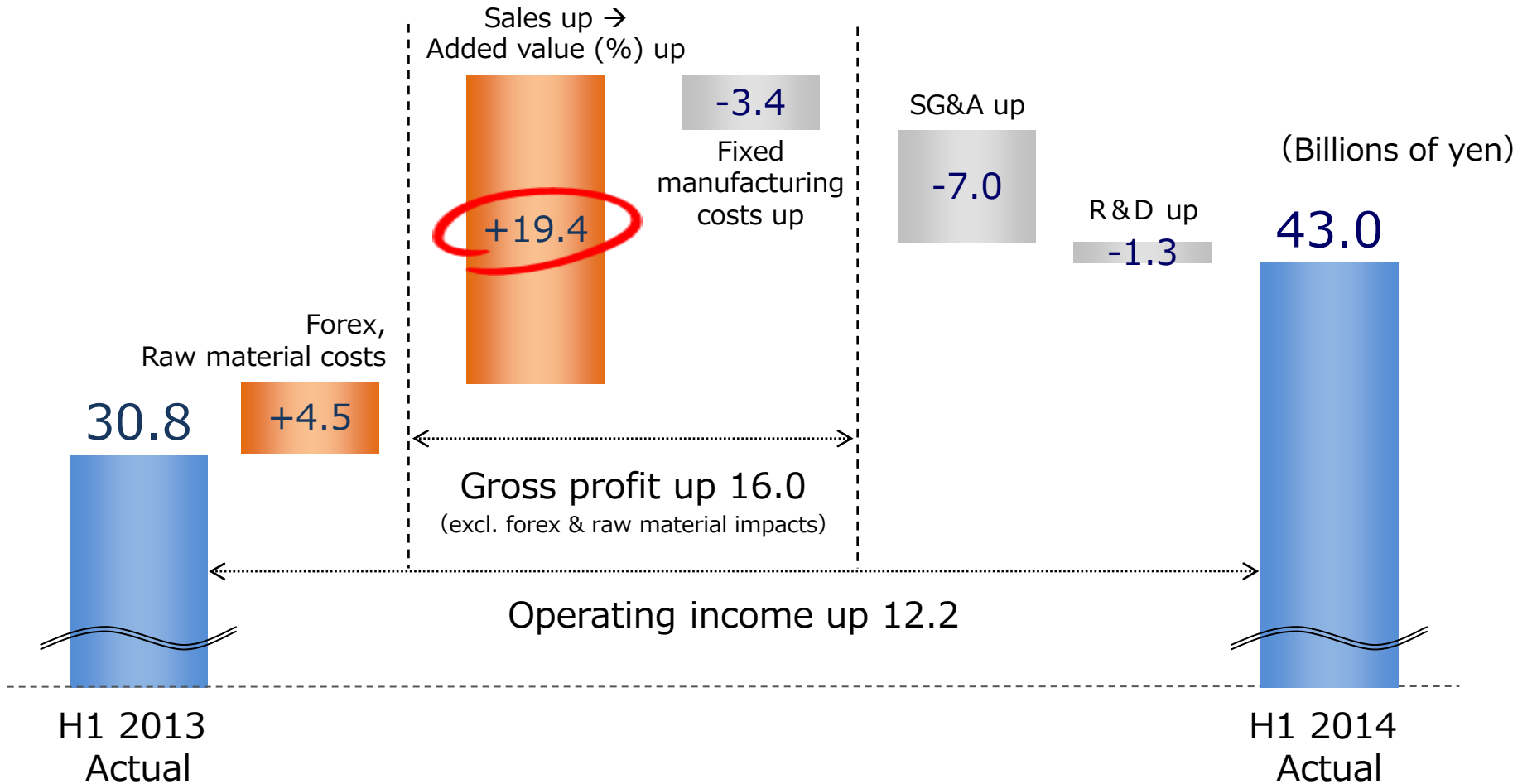
IAB and "Other" were major drivers.

(Billions of yen)

	FY2014 H1 Forecast	FY2014 H1 Actual	vs. Forecast	FY2013 H1 Actual	Y/Y
IAB Industrial Automation	156.5	161.2	+3.0%	138.0	+16.8%
EMC Electronic & Mechanical Components	51.5	50.1	-2.7%	48.8	+2.7%
AEC Automotive Electronic Components	65.0	65.6	+0.9%	59.5	+10.3%
SSB Social Systems, Solutions & Service	31.0	30.9	-0.4%	29.1	+6.0%
HCB Healthcare	46.0	45.5	-1.2%	42.8	+6.1%
Other	47.5	48.6	+2.3%	38.5	+26.4%
Eliminations & Corporate	2.5	2.6	+4.3%	3.0	-13.3%
Total	400	404.5	+1.1%	359.7	+12.4%

Operating Income Analysis, Y/Y

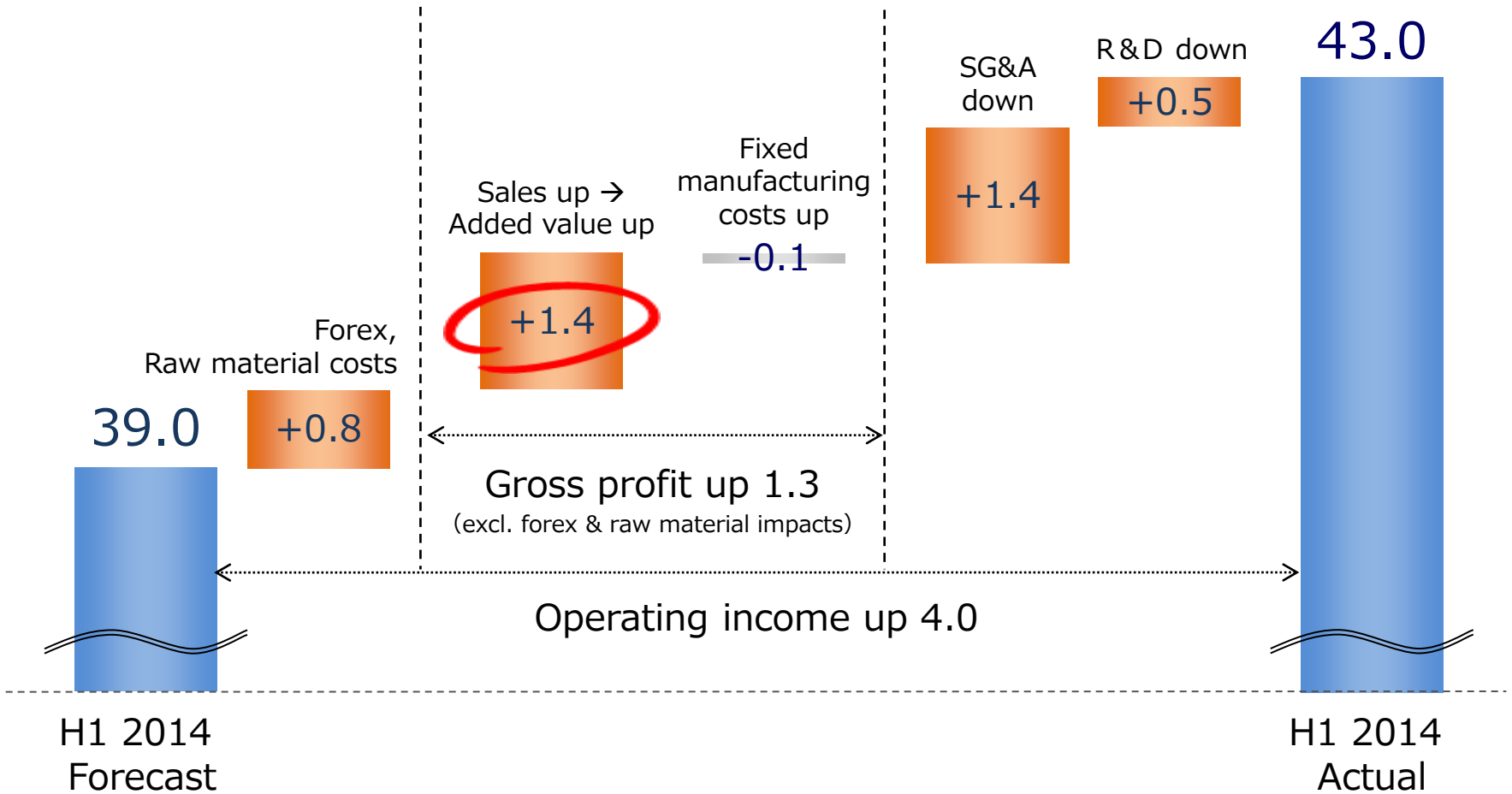
Sales up, added value (%) up, to boost operating income.



Operating Income Analysis, vs. July Forecast

OP up, due to higher added value led by sales increase, and cost-spending carryover.

(Billions of yen)



Operating Income by Segment

IAB and "Other" were major drivers.

(Billions of yen)

	FY2014 H1 Forecast	FY2014 H1 Actual	vs. Forecast	FY2013 H1 Actual	Y/Y
IAB Industrial Automation	23.6 (15.1%)	26.7 (16.6%)	+3.1 (+1.5%pt)	17.8 (12.9%)	+8.9 (+3.6%pt)
EMC Electronic & Mechanical Components	4.4 (8.5%)	4.0 (7.9%)	-0.4 (-0.6%pt)	3.9 (8.1%)	+0.1 (-0.1%pt)
AEC Automotive Electronic Components	4.4 (6.8%)	4.1 (6.3%)	-0.3 (-0.5%pt)	4.3 (7.3%)	-0.2 (-1.0%pt)
SSB Social Systems, Solutions & Service	-1.2 (-)	-1.0 (-)	+0.2 (-)	-1.8 (-)	+0.8 (-)
HCB Healthcare	3.6 (7.8%)	3.9 (8.7%)	+0.3 (+0.9%pt)	4.4 (10.3%)	-0.5 (-1.6%pt)
Other	7.0 (14.7%)	7.9 (16.2%)	+0.9 (+1.5%pt)	5.8 (15.0%)	+2.1 (+1.2%pt)
Eliminations & Corporate	-2.8	-2.6	+0.2	-3.6	+1.0
Total	39.0 (9.8%)	43.0 (10.6%)	+4.0 (+0.9%pt)	30.8 (8.6%)	+12.2 (+2.0%pt)

Consolidated B/S

	Mar. 31, 2014	Sept. 30, 2014	(Billions of yen) vs. Mar. 31, 2014
Current assets	396.5	423.9	+27.4
Property, plant & equipment	135.6	140.8	+5.3
Investments and other assets	122.6	110.5	-12.1
Total Assets	654.7	675.3	+20.5
Current liabilities	162.7	165.1	+2.4
Long-term liabilities	59.2	42.4	-16.9
Total Liabilities	221.9	207.5	-14.5
Shareholders' equity	430.5	465.2	+34.7
Noncontrolling interests	2.3	2.6	+0.3
Total Net Assets	432.8	467.8	+35.0
Total Liabilities and Shareholders' Equity	654.7	675.3	+20.5
Shareholders' equity to total assets	65.8%	68.9%	+3.1%pt

Consolidated Cash Flows

Without ¥13.2bn pension fund contribution, FCF up Y/Y.

(Billions of yen)

	FY2013 H1	FY2014 H1	FY2014 H1 (ex. Pension fund)	Y/Y (ex. Pension fund)
Operating activities	33.8	29.5	42.7	+8.9
Investing activities	-12.9	-9.9	-9.9	+3.1
Free cash flow (FCF)	20.8	19.6	32.8	+12.0
Financing activities	-10.8	-6.7	-6.7	+4.1
Cash and cash equivalents at end of the period	66.9	105.4	118.6	+51.6
Capital expenditures	13.6	15.0	15.0	+1.5
Depreciation and amortization	11.9	13.2	13.2	+1.3

Full-Year Forecast

Full-Year Forecast



H2 Business Environment by Area (vs. H1)

Overall, expecting the H2 climate to be the same as H1.

Japan will continue to be on a recovery trend overall, with automotive capital investment going solid.

Overseas

- Americas: US will go solid thanks to increasing consumer spending and capital investment. Brazil will still feel bitter sentiment.
- Europe: Flat overall. Russia will remain uncertain.
- China: Active investments in some industries (e.g. smartphones) will cool down. Others flat overall.
- Asia: Thailand and Indonesia will still remain unclear. But India and some other countries will see some pickup signs.

H2 Business Environment by Business Segment (vs. H1)

IAB Industrial Automation	Japan: Same as H1 overall, thanks to automotive-related demand staying brisk. Overseas: China's smart-phone related-demand will cool down. Americas favorable especially N.America. Europe and Asia will stay flat.
EMC Electronic & Mechanical Components	Japan: Home electronics and automotives will be the same as H1 overall. Overseas: Healthy in Americas. Flat in other areas.
AEC Automotive Electronic Components	Japan: Mini-vehicles will drop partly, but unchanged overall. Overseas: N. America will be solid. Asia and China will be the same level as H1.
SSB Social Systems, Solutions & Service	Demand for train system will go solid, enjoying customers' sound performance. Growth of Environmental Solutions will slow down due to the market change.
HCB Healthcare	Japan: Demand will steadily go back-on-track trend. Overseas: Healthy overall, while Russia still weak.
Other	In Backlight, smart-phone related orders will stay favorable. Environmental Solutions will slow down due to the market change.

Full-Year Forecast

Omron makes upward revision, targeting to record highest-ever profits two years in a row.

(Billions of yen)

	(1) FY2014 Initial Fcst	(2) FY2014 Oct. Fcst	(2)/(1)	FY2013 Actual	Y/Y
Net Sales	800.0	835.0	+4.4%	773.0	+8.0%
Gross Profit (%)	317.0 (39.6%)	331.0 (39.6%)	+4.4% (±0.0%pt)	297.2 (38.5%)	+11.4% (+1.2%pt)
Operating Income (%)	74.0 (9.3%)	84.0 (10.1%)	+13.5% (+0.8%pt)	68.1 (8.8%)	+23.4% (+1.3%pt)
NIBT	71.0	84.5	+19.0%	62.0	+36.3%
Net Income attributable to shareholders	51.0	62.5	+22.5%	46.2	+35.3%
1USD (JPY)	100.0	101.9	+1.9	100.1	+1.8
1EUR (JPY)	135.0	137.1	+2.1	134.0	+3.1

Full-Year Sales Forecast by Segment

Sales up in all, especially looking IAB to stay strong.

(Billions of yen)

	(1) FY2014 Initial Fcst	(2) FY2014 Oct. Fcst	(2)/(1)	FY2013 Actual	Y//Y
IAB Industrial Automation	300.0	321.0	+7.0%	291.7	+10.0%
EMC Electronic & Mechanical Components	101.0	101.5	+0.5%	97.7	+3.9%
AEC Automotive Electronic Components	128.5	131.5	+2.3%	126.6	+3.9%
SSB Social Systems, Solutions & Service	85.5	84.5	-1.2%	82.7	+2.2%
HCB Healthcare	98.5	100.0	+1.5%	89.3	+12.0%
Other	83.0	91.5	+10.2%	78.9	+15.9%
Eliminations & Corporate	3.5	5.0	+42.9%	6.1	-16.5%
Total	800.0	835.0	+4.4%	773.0	+8.0%

Full-Year Operating Income Forecast by Segment

Eyeing big OP increase with solid IAB.

(Billions of yen)

	(1) FY2014 Initial Fcst	(2) FY2014 Oct. Fcst	(2)-(1)	FY2013 Actual	Y//Y
IAB Industrial Automation	40.0 (13.3%)	50.0 (15.6%)	+10.0 (+2.2%pt)	38.8 (13.3%)	+11.2 (+2.3%pt)
EMC Electronic & Mechanical Components	9.2 (9.1%)	9.2 (9.1%)	±0.0 (±0.0%pt)	8.7 (8.9%)	+0.5 (+0.2%pt)
AEC Automotive Electronic Components	9.2 (7.2%)	8.9 (6.8%)	-0.3 (-0.4%pt)	9.1 (7.2%)	-0.2 (-0.4%pt)
SSB Social Systems, Solutions & Service	6.5 (7.6%)	6.2 (7.3%)	-0.3 (-0.3%pt)	5.6 (6.7%)	+0.6 (+0.6%pt)
HCB Healthcare	8.0 (8.1%)	7.2 (7.2%)	-0.8 (-0.9%pt)	7.5 (8.5%)	-0.3 (-1.3%pt)
Other	9.5 (11.4%)	10.5 (11.5%)	+1.0 (+0.1%pt)	8.7 (11.0%)	+1.8 (+0.5%pt)
Eliminations & Corporate	-8.4	-8.0	+0.4	-10.3	+2.3
Total	74.0 (9.3%)	84.0 (10.1%)	+10.0 (+0.8%pt)	68.1 (8.8%)	+15.9 (+1.3%pt)

Management Indices

Looking to achieve all targets. ROIC and EPS steadily better.

	(1) FY2014 Initial Fcst	(2) FY2014 Oct. Fcst	(2)-(1)	FY2013 Actual	Y/Y
Gross Profit Margin	39.6%	39.6%	±0.0%pt	38.5%	+1.2%pt
Operating Profit Margin	9.3%	10.1%	+0.8%pt	8.8%	+1.3%pt
ROIC	approx. 12%	>13%	-	11.3%	-
ROE	approx. 12%	>13%	-	11.6%	-
EPS	¥231.7	¥285.5*	up ¥53.8	¥209.8	up ¥75.7

*FY2014 EPS forecast includes planned share buyback this fiscal year.

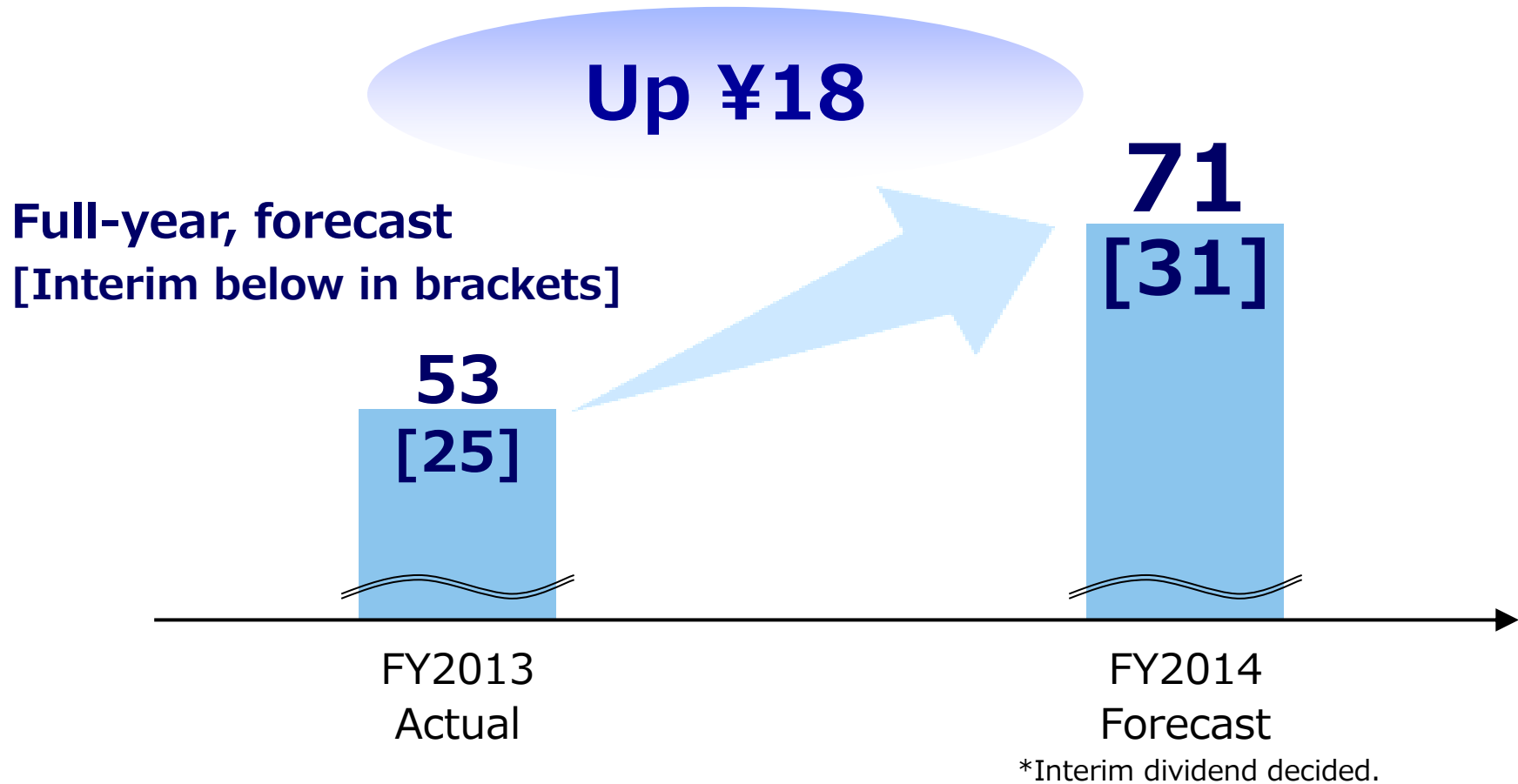
Shareholder Return

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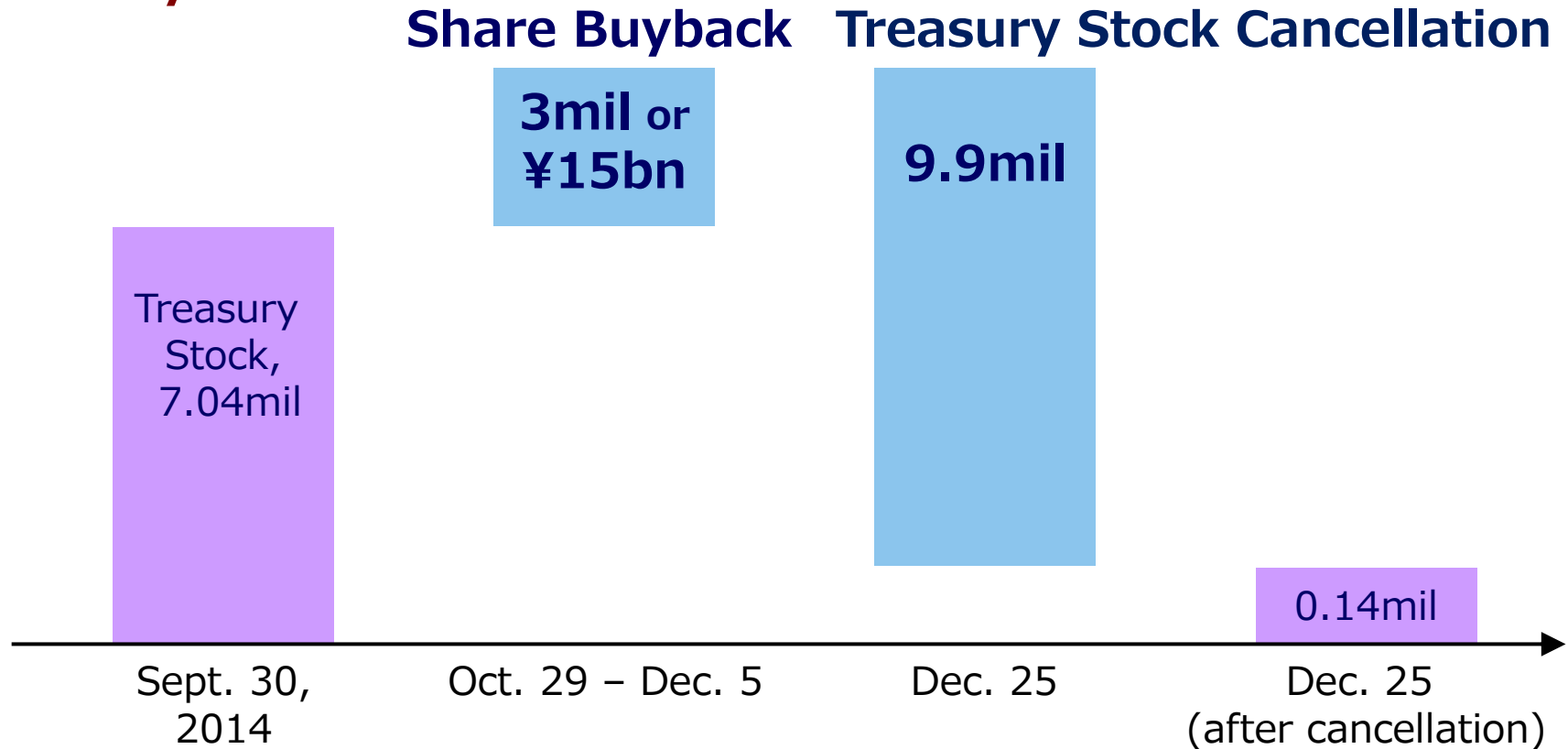
Per-Share Dividend Forecast

**Planning to increase annual dividend to ¥71, up ¥18.
Interim decided at ¥31.**



Share Buyback, Own Share (Treasury Stock) Cancellation

Omron is to buy back 3mil or ¥15bn shares, and cancel 9.9mil treasury stock.



* Share buyback ends when the amount reaches 3mil shares or ¥15bn.
Dec. 25 cancellation = the above buyback + currently owned 6.9mil shares.

NS Acquisition, Brazil

NS Acquisition, Brazil



EARTH-1 STAGE Strategy

Omron acquired NS company to accelerate EARTH-1 STAGE strategy of “Super-global Growth”.

**Maximization of
IA Business**

**Super-global Growth
Strategy**

**New Business Strategy for
the Optimization Society**

About NS Company

Top Nebulizer Company in Brazil with 40-plus-year history

- Company Name NS Indústria de Aparelhos Médicos Ltda.
- Establishment November 27, 1969
- Business Manufacture and sales of nebulizers (Domestic top share of 40%)
- FY13 Consol. Sales BRL 97.5million (¥4.5bn)* *1BRL = 45.8 JPY
- Number of employees 480



Nebulizers are ...

Therapeutic devices that vaporize liquid medicine so patients can inhale. Used for the treatment of asthma, and COPD, chronic obstructive pulmonary disease.



Why Acquired, 1/3: To Win Global Top Share

With NS, Omron can expand its business in the largest nebulizer market, then win global #1 market share.

Before Acquisition, 2014

1 Corp. A

2 Omron

3 Corp. B

4 Corp. C

5 NS

After Acquisition

1 Omron + NS

2 Corp. A

3 Corp. B

4 Corp. C

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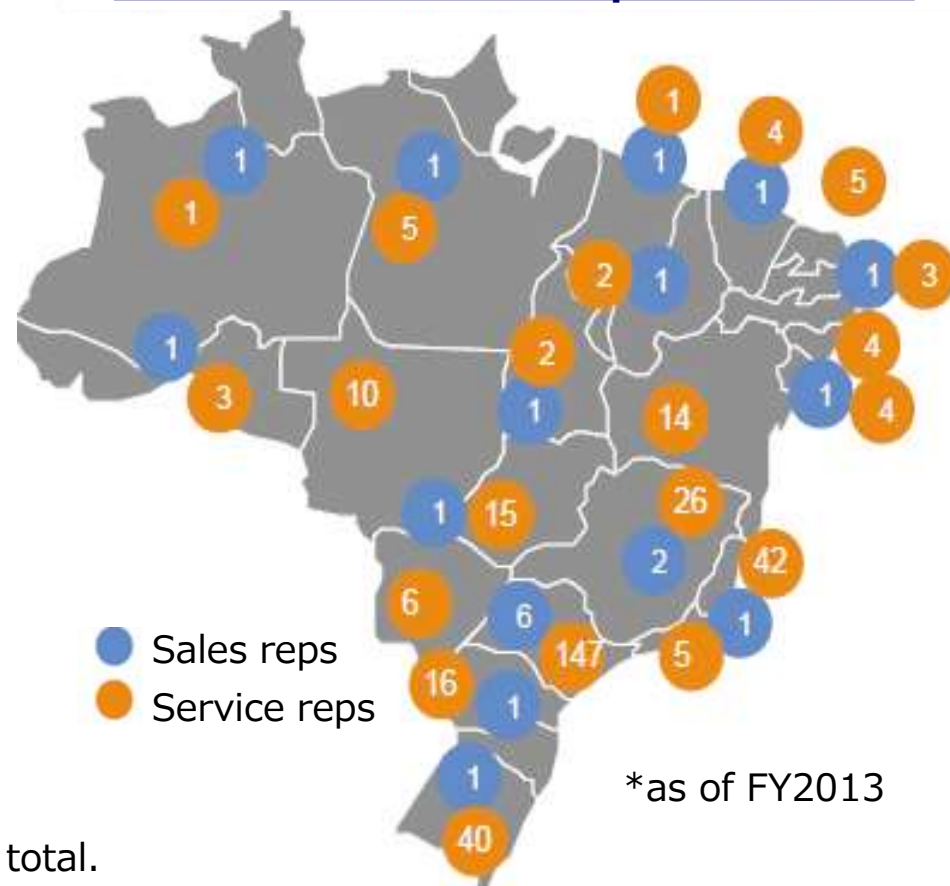
*Omron's Research

Why Acquired, 2/3: To Win Sales & Service Network

Omron can utilize NS's wide sales & service network of healthcare products in Brazil all at once.

NS Sales & Service Representatives

	OMRON	NS + OMRON
The number of pharmacies, medical device dealers, home electronics retailers	approx. 15,000	approx. 50,000
Coverage of the Brazil market*	25%	85%



*Omron's research, estimating the number of pharmacies, medical device dealers, and home electronics retailers in Brazil at approx. 60,000 in total.

Why Acquired, 3/3: To Get Local Manufacture & R&D Sites

With manufacture and R&D sites in Latin America, Omron is ready to grow faster in the region.

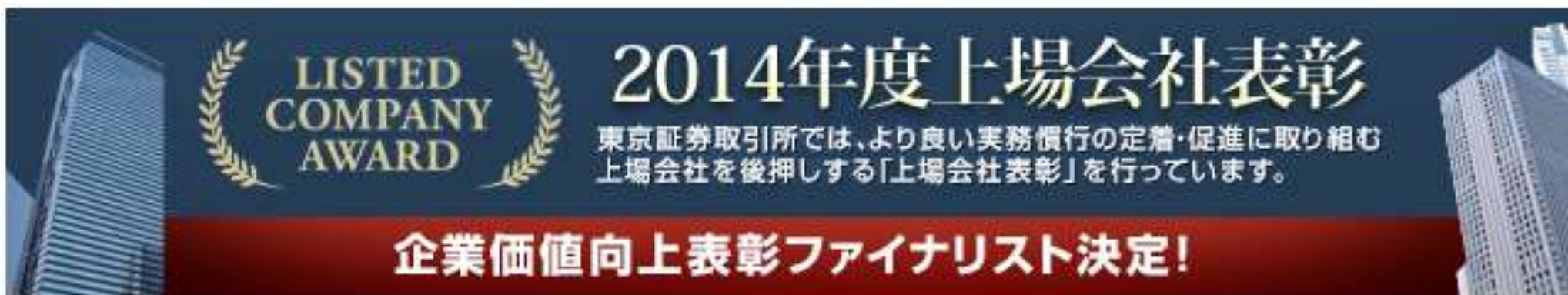
- **Swift production approvals & licenses (originally time-consuming)**
- **Manufacture and R&D possible in Brazil**

Expansion in Latin America



Omron Nominated for TSE Award

Omron selected as one of the four finalists of Tokyo Stock Exchange "Corporate Value Improvement Award" in 2014



TSE website:

http://www.tse.or.jp/english/listing/award/corporate_value.html

OMRON

Sensing tomorrow™

References

K6L6L6UCE2



Conditions: Exchange Rates & Raw Material Costs

No change to the initially set conditions.

Q3-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	¥0.1bn
Copper	¥10/kg	¥0.1bn

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 Q2-end average.

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, 2015". Figures rounded to the nearest JPY million and percentage to one decimal place.

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