

Q&A Session Summary, FY2014 Earnings

OMRON Corporation

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*Supplemental. Original presentation given in Japanese.

Consolidated Performance, Management, VG2020 Strategies

Q: Now that you are committed to achieving payout ratio target one year earlier, are there any changes in FY16 payout ratio target and share buyback policy?

A: No changes in FY16 payout ratio target. And no changes in basic capital allocation policy - our priorities are (1) investments for growth (2) dividends and (3) share buyback. We will decide on (3) by taking possible growth investment projects and more into consideration.

Q: About strategic investments, FY14 actual and FY15 guidance?

A: We spent almost all of ¥12bn investments planned for FY14. Since FY11, we had strategic spending category separately as a part of our efforts toward growth. Now we are more aware of how to spend strategically, we no longer set it aside and do not disclose the figure. We'd ask you to refer to our R&D and capex in forecasting our growth.

Q: You are no longer disclosing FY15 half-year guidance, why?

A: Because we felt we had to move away from too-much short-termism. Our businesses are mostly low in seasonality, and for our quarterly announcements we will maintain our current disclosure level, so that we are sure full-year guidance disclosure is enough for the market to make the right evaluation.

Industrial Automation Business (IAB)

Q: In FY15 guidance, OP growth is lower than sales growth, why?

A: It is because IAB has been taking balance between growth and profitability, that's why we expect OP% to be nearly flat. R&D, which we are spending more on, will contribute to growth later on.

Q: What are the assumptions for FY15 sales outlook by area, US and China?

A: For US, we expect around ¥8bn sales drop in oil & gas business. For China, with customers shifting to more sophisticated factory automation (FA), we took into an account of our winning higher demand for FA.

Automotive Electronic Components Business (AEC)

Q: OP% has been around 7% level. Your outlook for the coming years?

A: The way we see it, it will be difficult to see notable profitability improvement again this year following FY14, due to customers' model changes. Right now AEC is working on FY19-20 models, and growing "seeds" looking beyond the mid-term management plans.

Healthcare Business (HCB)

Q: Is NS doing just fine?

A: Yes. With good NS performance, HCB expects more than 10% Y/Y sales increase.

"Other" Businesses

Q: Reason for H2/FY14 sales slowdown and outlook for FY15?

A: The slowdown was due mostly to Environmental Solutions and Backlight. Environmental Solutions slowed down due to the market environment changes, and we expect recovery FY15 by developing new product markets. Backlight went stagnant due to some of our customers' model changes, and we expect the business to pick up starting Q1 latter half this year.
