



Japanese Companies Power
- Corporate Value Creation 2015 -



Toward Sustainable Corporate Value Creation

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About Omron

ABOUT OMRON



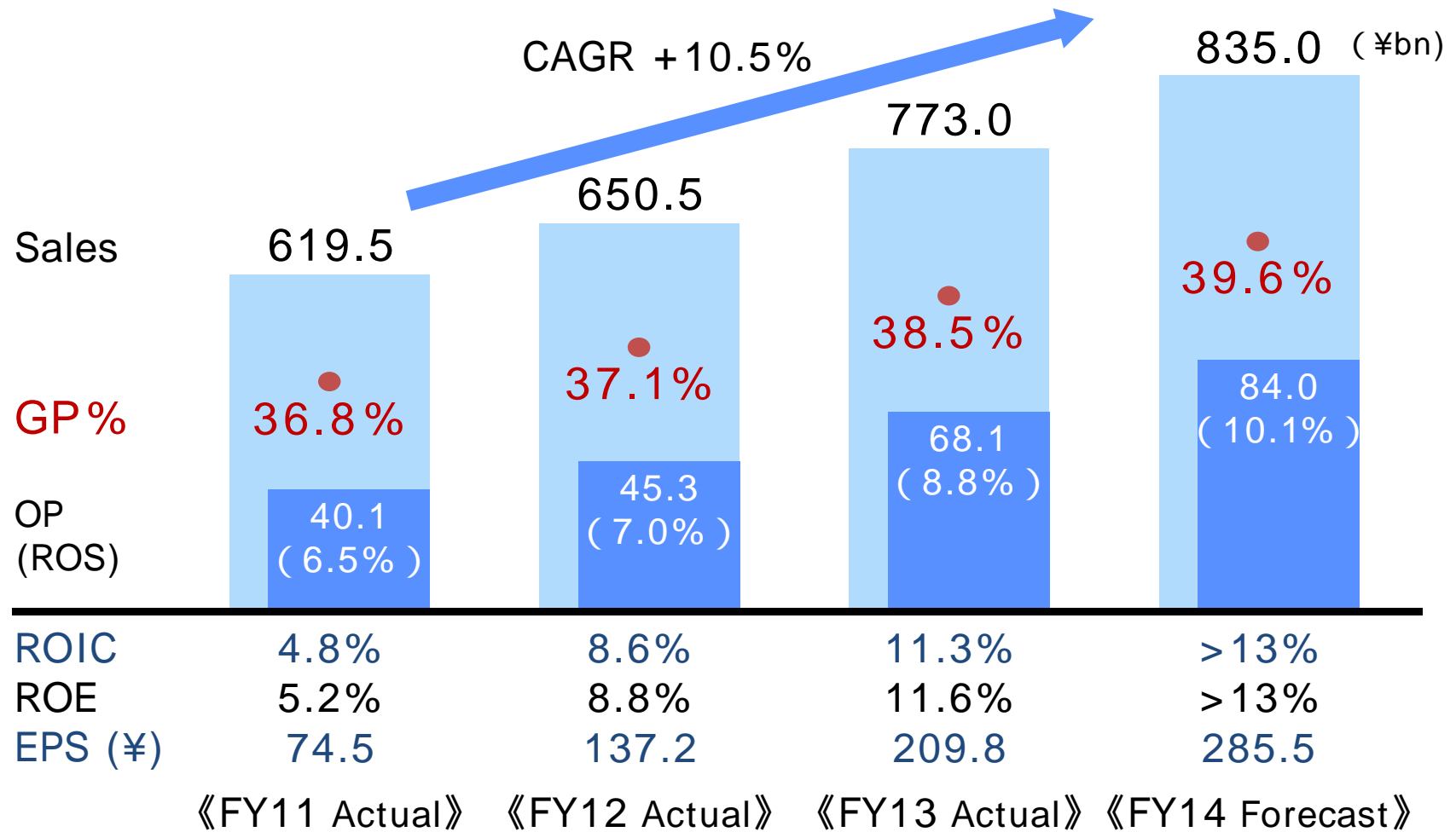
Omron's Characteristics

The Omron Principle's core value:
Working for the benefit of society



Financial Performance

10%-plus CAGR. GP margin notably up.



To Change, Not To Change

ROIC-based management and other innovative changes since assuming the presidency

Not Changed

- Management that values the Omron Principles
- Highly transparent and effective corporate governance
- Engagement with shareholders

Changed

- ROIC Management;
Vertical-Horizontal management
- Disclosure of midterm management goals
- Incentives to Directors linked with midterm performance
- Corporate culture in which management team and workers all get together in sharing management philosophy and business strategies (e.g. The Omron Global Awards since 2012)

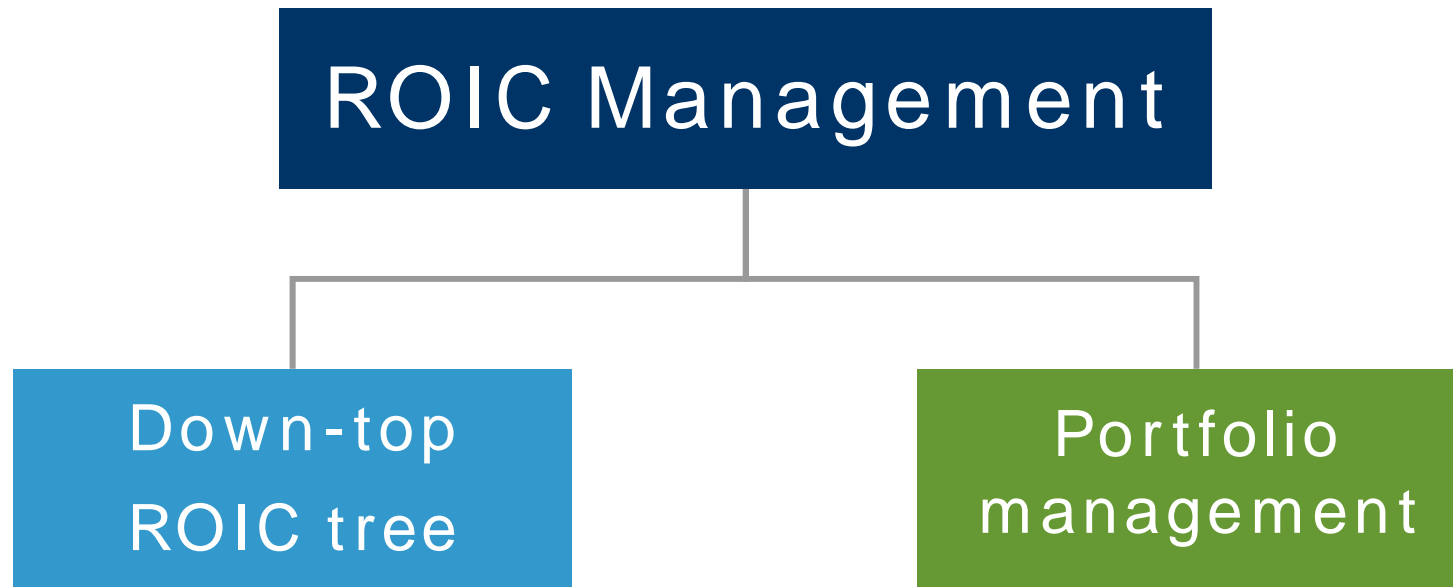
Omron on the Move

(1) ROIC Management



ROIC Management

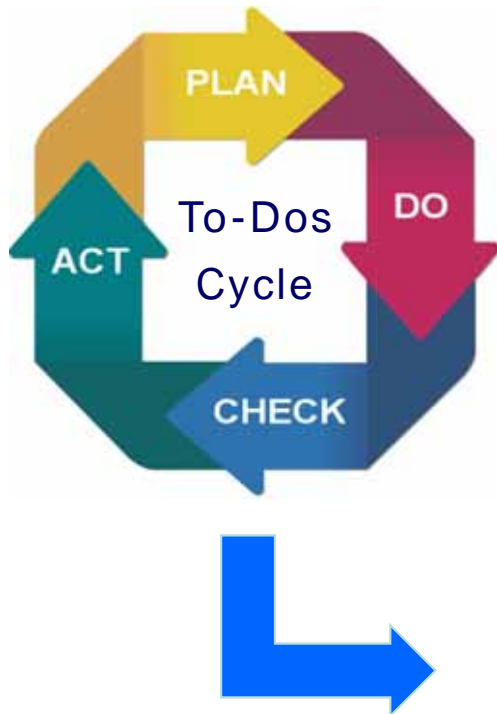
Fully practicing ROIC Management for 2 years



Down-top ROIC Tree

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

On-site



KPI

- Sales in focus industries/areas
- Sales of new/focus products
- Selling price control
- Variable costs reduction, value/%
- Defect costs %
- Per-head production #
- Automation % (headcount reduction)
- Labor costs sales %
- Inventory turnover months
- Slow-moving inv. months
- Credits & debts months
- Facilities turnover (1/N automation ratio)

Drivers

- GP Margin
- Added-value %
- Fixed manuf. costs %
- SG&A %
- R&D %
- Working capital turnover
- Fixed assets turnover

ROS

Invested Capital Turnover

ROIC

Objective of ROIC Management

Develop management system to facilitate corporate value creation

1. Why ROIC?

- ROIC is a fair measurement to evaluate various businesses

2. What is Omron's ROIC Management (Down-Top ROIC Tree)?

- Set improvement drivers and targets by industry, depending on each industry's characteristics
- Execute PDCA cycle at all level down to on-site staff
- Put special focus on gross profit margin (GP margin)

3. Why GP margin?

- Set common target and strategy through all the vertical functions (manufacturing/sales/development/planning) within each business ("vertical consolidation")
- Develop sound profitability structure by "consolidating" business units (vertical axis) and HQ functions (horizontal axis)

ROIC Management from now on

Through practicing and spreading Down-Top ROIC Tree,
ROIC evolves owing to the deeper understanding by on-site staff

ROIC in general

$$\text{ROIC} = \frac{\text{Operating Profit} \times (1 - \text{effective tax rate})}{\text{Invested Capital}}$$

OMRON's ROIC for the use of Down-Top ROIC Tree (ROIC 1.0)

$$\text{ROIC} = \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Invested Capital (working capital + fixed assets)}}$$

Evolution of ROIC through on-site translation (ROIC 2.0)

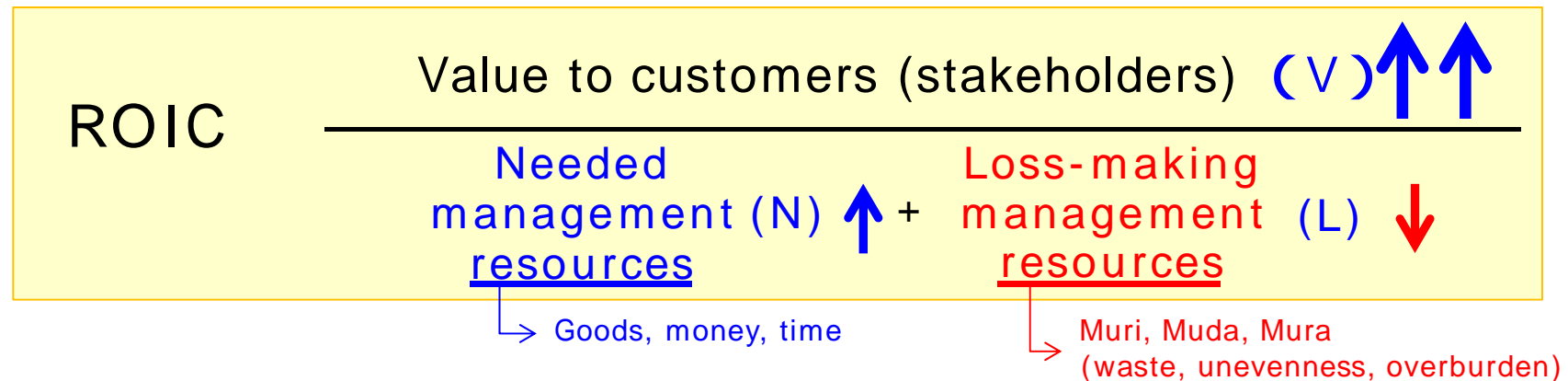
$$\text{ROIC} = \frac{(V)}{(N) + (L)}$$

ROIC Management from now on

Evolution of ROIC Management = launch ROIC Management 2.0

Evolve ROIC Management so as for each member to act autonomously

<ROIC Translation >



- Numerator: maximize value to customers
(incl. internal customers)
- Denominator: optimize* after dividing into (N) and (L)
 - * Minimize (L), and
Increase or shift resources to (N) in order to maximize (V)

Omron on the Move

(2) Management Goal Disclosure & Engagement

OMRON ON THE MOVE




Management Goal Disclosure

OMRON set and announced ROIC & EPS targets for midterm
EARTH-1 STAGE

| | |
|--------------------------|---|
| Midterm Policy | Establishment of "self-driven" growth structure |
| Midterm Targets (FY2016) | Sales : > ¥900bn GP Margin : > 40% OP Margin : > 10% ROIC : approx. 13% ROE : approx. 13% EPS : approx. ¥290 |

- Management that values the Omron Principles
- ROIC-focused Management
 - Engagement

Thank you for your support and trust in Omron's continuing efforts in sustainable growth.



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.

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