

Q&A Session Summary
OMRON Corporation
Financial Results for the First Quarter Ended June 30, 2011 (FY11 Q1)
July 27, 2011

*Supplemental. Original presentation given in Japanese.

Q1: How are IAB orders doing for the past few months?

A1: In June, Book-to-Bill (BB) ratio was 0.87 for Japan and 0.99 for exports, 0.91 in total. The ratio was abnormally high in March and April due to post 3.11 advance orders, but came back to normal in May and June. We see the trend as temporary adjustment.

Q2: EMC Q1 profitability was up QoQ, why?

A2: Internal sales to IAB, which is enjoying a solid performance, contributed to the improvement.

Q3: About IAB profitability. Why forecasting a drop from Q2?

A3: For the entire 2nd half, we expect a large year-on-year improvement. But we estimate IAB profitability to drop starting Q2, because of some parts we had to buy at higher price after the disaster.

Q4: Why are you expecting a sharp slowdown in Greater China and Europe in Q2 and after?

A4: In China, our distributors seem to be adjusting orders in response to the government's monetary tightening policy. As for Europe, we took the economic uncertainty into account.

Q5: About Q2 sales in China. Data Book shows IAB is down from Q1 to Q2, but EMC is flat. Why?

A5: It is because IAB business involves distributors whose inventory adjustments can negatively affect Q2 sales. EMC takes direct sales approach, so it has no such concern. Year on year, we expect growth both in IAB and EMC.

Q6: Why do you expect HCB's profitability to drop quarter by quarter?

A6: HCB is going through a tough year in Japan due partly to the quake and tsunami, which is reflected on quarterly estimates.

Q7: About sales increase in emerging markets. Give us regional breakdown in value and growth rates.

A7: Of ¥160 billion for FY2011, about ¥100 billion for Greater China and about ¥60 billion for the rest.

Growth from FY2011 to FY2013 is roughly 20% for Greater China and similar for the rest.

Q8: Give us "Other" sales breakdown.

A8: For Q1 external sales, Environmental solutions business: ¥800 million; Backlight business: ¥8.6 billion; Micro devices: ¥600 million; and Electronic systems and equipment: ¥2.3 billion.

- Q9:** Environmental Solution Business saw sales decrease, why?
- A9:** It was because we had to temporarily halt production of some items following the 3.11 earthquake and tsunami.
- Q10:** How is IAB order trend going to be, as BB ratio dropped in June?
- A10:** The July ratio will be close to that of June although we cannot say for sure. It will see improvement, as our talks on possible deals with customers are going in favor.
- Q11:** How much was the 3.11 impact?
- A11:** We had ¥2.5 billion negative sales impact in Q1. Full year, we expect sales and operating income to drop by ¥2 billion and ¥5 billion each, smaller than our June forecasts.
- Q12:** About SSB. Its profit structure seems to be improving, but you are forecasting operating income to drop this year hit by sales decline, is that correct?
- A12:** Yes. We expect SSB sales to be weak this year due partly to carried-over projects, but recover next year. There is a project to consolidate IC cards nationwide, which is to start next year onwards.
- Q13:** Why did you make a downward revision in IAB sales in Japan?
- A13:** Because of possible temporary inventory adjustments in Q2.
- Q14:** You mentioned one of the core strategies in your mid-term Globe Stage was the expansion of automation, in which I believe Programmable Logic Controllers (PLC) is a key. How much are you aiming to increase your PLC market share?
- A14:** In Japan, 20-25%. We hope to grow mainly in emerging markets, including Greater China.
- Q15:** How do you evaluate Q1 results vs. your internal goals?
- A15:** We do not disclose our internal goals.
- Q16:** You are forecasting gross profit margin to improve in Q2. What is the drive?
- A16:** EMC, with recovery in Japan, especially amusement industry.
- Q17:** As for IAB sales recovery in the 2nd half, any specific customers in mind?
- A17:** Automotive industry will see the biggest comeback, as they make post-disaster recovery efforts.
- Q18:** Who are main customers in China?
- A18:** We have been working mainly with local companies since 1980's. User breakdown is similar to that of Japan: 10-15% for automotive, 20-30% for electrical components or electronics.