Q&A Session Summary, Q2 2014 Earnings
OMRON Corporation
October, 2014, Tokyo

Consolidated Performance, Management, VG2020 Strategies

Q: About OP forecast. Why going down ¥2bn from H1 to H2?
A: Three main reasons: (1) Forex: H2 rates are assumed at 1USD = ¥100, 1EUR = ¥135, the gap between H1 actual rates. (2) Summed-up fixed costs to be carried over to H2. (3) The changing market for environmental business affecting our Environmental Business.

Q: How much do you see the changing environmental market affect your Environmental Business, SSB and “Other”?
A: Around ¥4bn in sales. We expect the negative impact to be limited as we are not doing mega-solar. Besides, we could take the market change as an opportunity - the demand for electric storage-type equipment could go up, and we'll take the opportunity and work on R&D.

Q: About the use of funds. You said the growth strategy comes first, followed by dividends, and share buyback. When do you carry out buy-backs?
A: The buy-back announced today is based on on-hand cash and deposits level. We see that on-hand cash worth one-month sales or two at most is enough for working capital so far. We cannot specify the next is when.

Q: OMRON has been selected as one of the four finalists of TSE "Corporate Value Improvement Award" in 2014. How do you evaluate this achievement?
A: Last and two years ago, OMRON did not even make it to the top hundreds. We believe that this year TSE evaluated our company-wide efforts toward ROIC improvement, setting a down-top ROIC tree with KPI components (key performance indicators).

Industrial Automation Business (IAB)

Q: My understanding is that sales increase trend will last from H1 to H2, correct?
A: It can, but with H2 forex at 1USD = ¥100, 1EUR = ¥135, H1-H2 comparison is not that simple. Good news is our marketing activities toward target industries are showing good results.

Q: How much does the smart-phone related sales make up of IAB China sales?
A: In total, IAB China’s H1 sales were up 27% Y/Y. Our estimate is 1/3 of which is smart-phone related.
Q: About IAB China, do you see any changes from the beginning of this fiscal year? How about local SMEs?
A: No big change except for smart-phone special demand. SMEs neither. We feel that our efforts – SE reinforcement and better proposals - are for sure working. For example, what is unique about OMRON is that China’s local companies have been choosing us, and now the percentage is surely going up.

**Healthcare Business (HCB)**

Q: HCB’s full-year OP forecast is down by ¥800mil from the initial forecast. Is it because of NS Company?
A: Partly yes. For one thing, NS performance has seasonality. Also, we forecast some million OP decrease for H2 due to post M&A integration costs. We expect NS to contribute to HCB’s OP starting next year.

Q: How did you calculate NS acquisition amount and other costs?
A: We cannot disclose in detail, but we thoroughly conducted due diligence with a 3rd-party expert, and fully negotiated, including escrow matter.

**“Other” Businesses**

Q: Is OP margin going down because of PV inverters’ lowering market price?
A: It’s not that price competition is worsening our OP margin. Our downward forecast includes some price cut efforts in order to win market share. R&D increase is another reason.

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