



Q1 2015 Earnings

**Financial Results
for the First Quarter
Ended June 30, 2015**

July 30, 2015
OMRON Corporation

Summary

■ FY2015 Q1 Results

Sales & operating income in line with internal guidance (sales up and operating income down as projected).

■ FY2015 Full-Year Forecast

No change to the original plans. Expects IAB and HCB to remain brisk, while external conditions for Environmental Solutions to turn not so good as expected.

■ M&A

Acquiring DT, a leading motion controllers company to reinforce IA business.

■ Corporate Governance

Announced Omron Corporate Governance Policies on June 24, 2015, upholding the Japan's Corporate Governance Code, aiming at sustainable corporate value enhancement, and defining the basic philosophy to establish a relation of trust with all stakeholders.

http://www.omron.com/ir/management/pdfs/20150623_governance_policies_e.pdf

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FY15 Q1 Results

ΕΛΤΡ ΩΤ ΚΕΣΝΙΣ



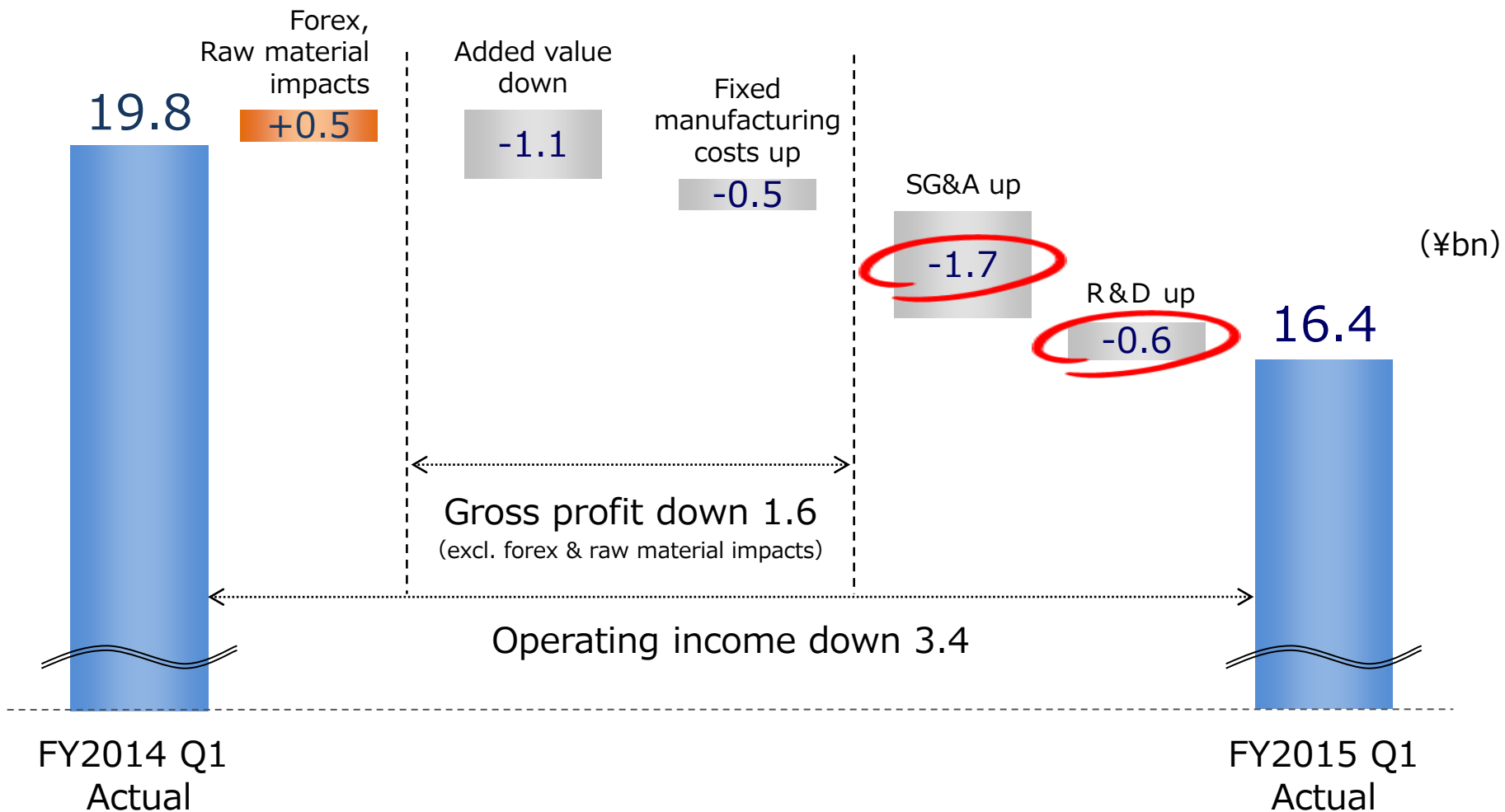
Consolidated P/L

Sales up & OP down, but both in line with internal guidance.

	FY2014 Q1	FY2015 Q1	(¥bn) Y/Y
Net Sales	197.2	205.4	+4.1%
Gross Profit (%)	78.3 (39.7%)	79.3 (38.6%)	+1.3% (-1.1%pt)
Operating Income (%)	19.8 (10.0%)	16.4 (8.0%)	-17.4% (-2.0%pt)
NIBT	21.4	16.9	-21.0%
Net Income attributable to shareholders	15.5	12.7	-18.3%
1USD (JPY)	102.0	121.4	+19.4
1EUR (JPY)	139.9	133.2	-6.7

Operating Income Analysis, Y/Y

OP down due mostly to higher growth investments.



Sales by Segment

- **IAB & HCB posted large sales growth.**
- **Other down, with Environmental Solutions Business still hit by changing external factors since last H2.**

	FY2014 Q1	FY2015 Q1	(¥bn) Y/Y
IAB Industrial Automation	78.2	85.6	+9.4%
EMC Electronic & Mechanical Components	26.3	26.2	-0.3%
AEC Automotive Electronic Components	32.8	34.9	+6.5%
SSB Social Systems, Solutions & Service	13.1	12.9	-1.4%
HCB Healthcare	22.1	25.5	+15.3%
Other Businesses under the Direct Control of HQ	23.4	19.2	-18.0%
Eliminations & Corporate	1.3	1.1	-19.2%
Total	197.2	205.4	+4.1%

Operating Income by Segment

IAB up, Other down, due to sluggish Environmental Solutions Business.

(¥bn)

	FY2014 Q1	FY2015 Q1	Y/Y
IAB Industrial Automation	11.9 (15.2%)	14.1 (16.5%)	+2.2 (+1.3%pt)
EMC Electronic & Mechanical Components	2.4 (9.1%)	2.2 (8.5%)	-0.2 (-0.6%pt)
AEC Automotive Electronic Components	2.3 (6.9%)	1.8 (5.1%)	-0.5 (-1.9%pt)
SSB Social Systems, Solutions & Service	-1.5 (-)	-2.1 (-)	-0.6 (-)
HCB Healthcare	1.9 (8.6%)	1.9 (7.6%)	±0 (-1.0%pt)
Other Businesses under the Direct Control of HQ	3.8 (16.3%)	0.2 (1.2%)	-3.6 (-15.1%pt)
Eliminations & Corporate	-1.0	-1.7	-0.7
Total	19.8 (10.0%)	16.4 (8.0%)	-3.4 (-2.0%pt)

Consolidated B/S

No notable changes.

	Mar. 31, 2015	June 30, 2015	vs. March
			(¥bn)
Current assets	434.1	430.2	-3.9
Property, plant & equipment	151.5	153.2	+1.7
Investments and other assets	125.5	128.2	+2.7
Total Assets	711.0	711.5	+0.5
Current liabilities	176.8	154.6	-22.2
Long-term liabilities	42.2	43.0	+0.8
Total Liabilities	218.9	197.5	-21.4
Shareholders' equity	489.8	511.5	+21.7
Noncontrolling interests	2.3	2.5	+0.2
Total Net Assets	492.1	514.0	+21.9
Total Liabilities and Shareholders' Equity	711.0	711.5	+0.5
Shareholders' equity to total assets	68.9%	71.9%	+3.0%pt

Consolidated Cash Flows

OP drop and FY14 sales of investment securities resulted in smaller Operating & Investing CF, and FCF.

	FY2014 Q1	FY2015 Q1	Y/Y
			(¥bn)
Operating activities (Operating CF)	21.5	15.5	-6.0
Investing activities (Investing CF)	-2.6	-7.7	-5.1
Free cash flow (FCF)	18.9	7.8	-11.0
Financing activities (Financing CF)	-6.6	-9.1	-2.5
Cash and cash equivalents at end of the period	102.0	103.1	+1.1
Capital expenditures	6.4	6.9	+0.5
Depreciation and amortization	6.5	7.5	+1.0

FY15 Full-Year Forecast

FY15 Full-Year Forecast



Q2-Q4 Business Environment by Area (Changes from Apr. 27 Forecast)

Solid overall, even with slowdown in some emerging economies.

Japan

- Electronic components and semiconductors: No big changes.
- Automobile: Capital investments up. Sales softer than originally expected, especially mini cars.

Overseas

- Americas: North America will go solid thanks to consumer spending and capital investment increase. Brazil will remain slow due to the stagnant economy.
- Europe will be flat as a whole.
- China will slow down due to the cooling real estate market.
- Asia will be flat in total, with some countries suffering delay in recovery.

Q2-Q4 Business Environment by Segment (Changes from Apr. 27 Forecast)

IAB Industrial Automation	<p>Japan: Solid overall as automotive-related demand comes back.</p> <p>Overseas: China will see recovery trend in automobile, but slowdown in textile & real estate. Oil & gas in Americas still sluggish. FA stable in N. America and Mexico. Europe and Asia flat.</p>
EMC Electronic & Mechanical Components	<p>Home electronics: White appliances flat overall.</p> <p>Automotive components: Flat overall. Recovery in China in H2 as originally expected. North America brisk.</p>
AEC Automotive Electronic Components	<p>Japan: Soft due to unit sales decline.</p> <p>Overseas: China low due to slowing growth. N. America strong backed by the robust economy.</p>
SSB Social Systems, Solutions & Service	<p>Train system will go solid overall, enjoying steady capital investments.</p> <p>Environmental Solutions: The market for small-sized biz-use will be low.</p>
HCB Healthcare	<p>Japan: Home-use solid. Professional-use will be stagnant.</p> <p>Overseas: Russia is showing bottom-out sign, but its neighboring countries low. N. America, China & Asia healthy.</p>
Other Businesses under the Direct Control of HQ	<p>Environmental Solutions: Residential-use flat. Small-sized biz-use slow.</p> <p>Backlight: High-spec smart-phone related orders will stay favorable. The smartphone market in China will remain slow in Q2 but will come back in H2.</p>

FY15 Full-Year Forecast

No change to April 27 original plan.

	FY2014 Actual	FY2015 Plan, Forecast	(¥bn) Y/Y
Net Sales	847.3	900.0	+6.2%
Gross Profit (%)	332.6 (39.3%)	356.0 (39.6%)	+7.0% (+0.3%pt)
Operating Income (%)	86.6 (10.2%)	90.0 (10.0%)	+3.9% (-0.2%pt)
NIBT	87.4	89.0	+1.8%
Net Income attributable to shareholders	62.2	66.5	+7.0%

M&A

M&A



EARTH-1 STAGE Focus

Omron will speed-up IA Business reinforcement by acquiring Delta Tau Data Systems, Inc. (DT).

**IA Business
Reinforcement**

Super-Globalization

**New Businesses for
Optimization Society**

About DT

Leading company of high-performance motion controllers

- Company Name Delta Tau Data Systems, Inc.
- Established 1976
- Businesses Development, manufacture, and sales of motion controllers
- Advantage World's top class motion controlling, 50 μ sec/8 axes motion (Omron study as of July 2015)
- Sales approx. ¥5 billion (FY2014)
- Employees 178 (as of Mar. 31, 2015)
- Offices HQ in California, USA (HQ), Japan, South Korea, China, Switzerland, UK, Singapore, India



About Motion Controllers

Motion controllers help servomotors and more to run high-speed and with high accuracy.

Motion Controllers



Servo Drivers



Servomotors



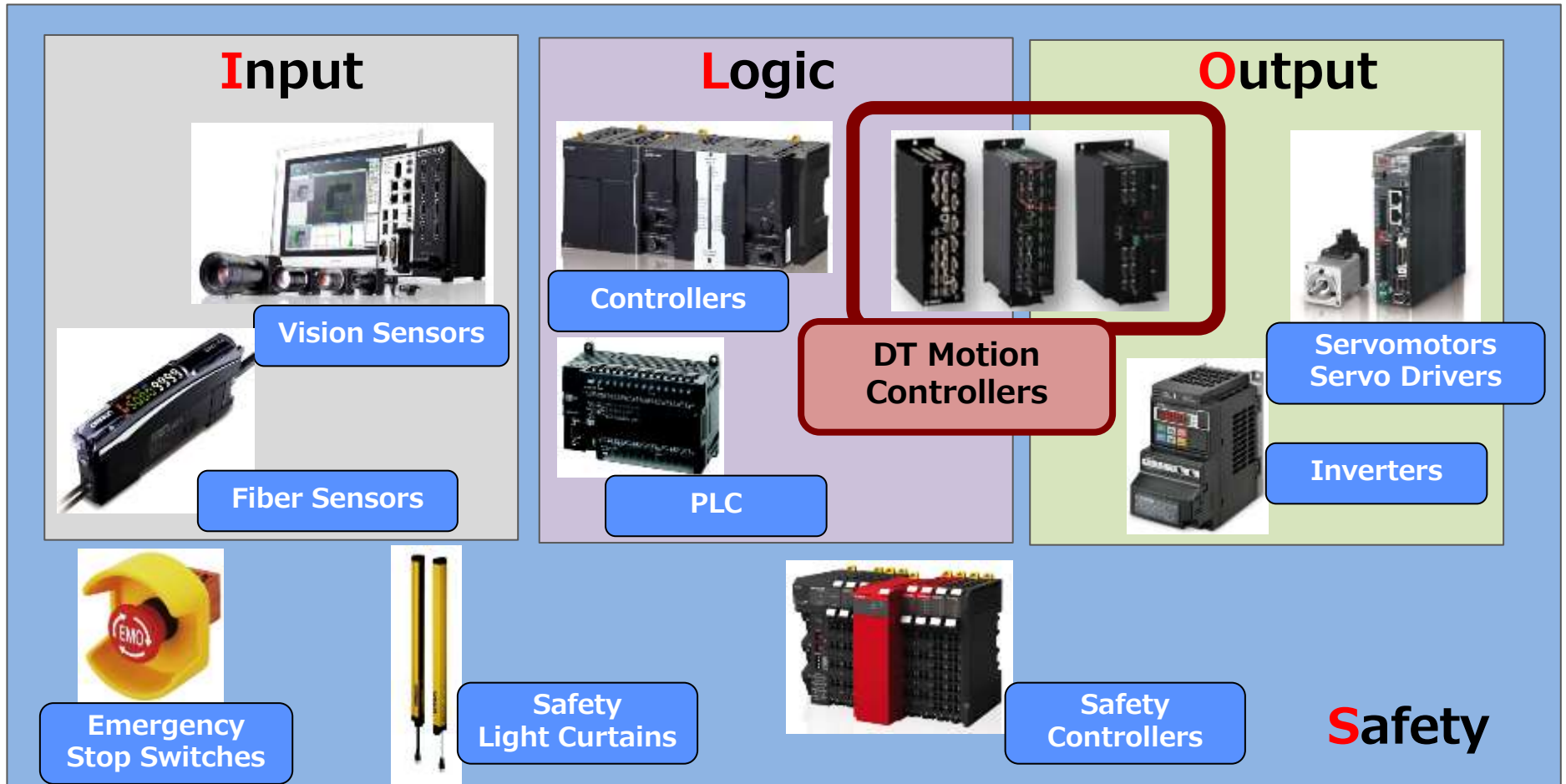
Application Example: Packaging Machine
Motion controllers adjust speed and frequency of rollers that send out packaging sheets.

Demo Video: DT Motion Controllers



M&A Purpose

To better offer total ILO + S solutions



Target Markets

- Semiconductor manufacturing equipment
- LCD manufacturing equipment
- Machine tools
- Packaging machines

... and more

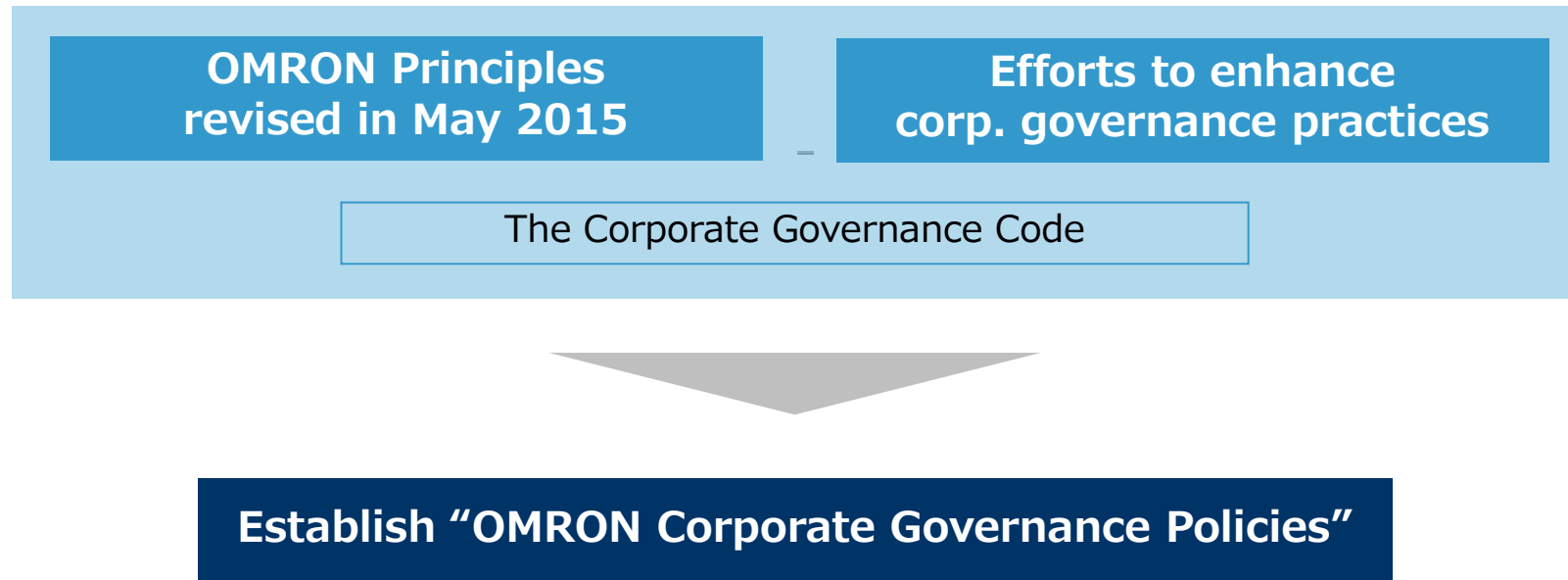
Corporate Governance

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Basic Policies for Corporate Governance

**Set forth OMRON Corporate Governance Policies based on Omron Principles and its Management Philosophy in order to achieve sustainable enhancement of corporate value.
Strives to continuously enhance its corporate governance.**



OMRON Principles (Revised in May 2015)

Our Mission

To improve lives and contribute to a better society

Our Values

- **Innovation Driven by Social Needs**
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**
Pursue new challenges with passion and courage.
- **Respect for All**
Act with integrity and encourage everyone's potential.

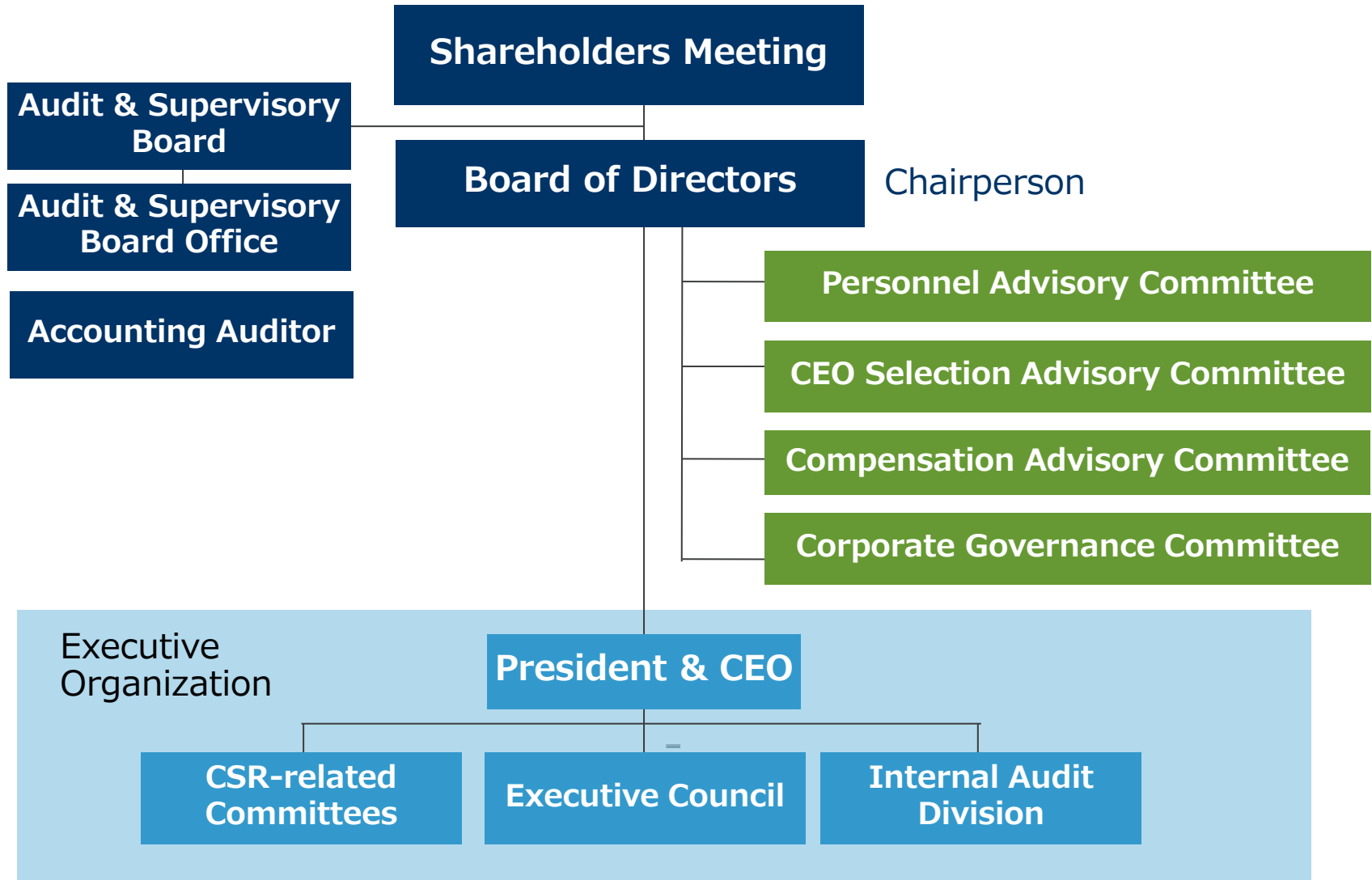
Management Philosophy

Management Philosophy

We believe a business should create value for society through its key practices. We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision in our business practices to create solutions to society's needs.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

Corporate Governance Structure



OCGP: Background and Outline

Restructured its existing corporate governance initiatives and established the new Policies upon revision of OMRON Principles

Background

- 1. Revised OMRON Principles and defined the Management Philosophy**
- 2. Track record of enhancing corporate governance practices**
 - '96: set up the Personnel Advisory Committee
 - '01: invited one outside director
 - '03: separated the position of chairperson and CEO, set up compensation advisory committee, and invited two outside directors (out of total 7)
 - '06: set up CEO Selection Advisory Committee
 - '08: set up Corporate Governance Committee
 - '15: invited three outside directors (out of total 8)

Outline

- 1. Structure**
 - Section 1 General Provisions
 - Section 2 Stakeholder Relationships
 - Section 3 Full Disclosure
 - Section 4 Corporate Governance System
- 2. Relation with the Corporate Governance Code**
 - Uphold the aim and spirit of Japan's Corporate Governance Code, which became effective on June 1, 2015 as listing rules
 - Comply with all of the principles stipulated in the Corporate Governance Code

Main Features of OMRON Corporate Governance Policies

1. Specific schedule about AGM :
 - AGM: at least three days prior to the so-called "date of highest concentration of AGM"
 - Convocation notices: sent to shareholders at least three weeks before the date of AGM
 - Electronic version of convocation notices: posted in Japanese and English on the website about a month before the date of AGM
2. Secure the rights of shareholders: disclose the level of opposing votes casted against company proposal (30%) when we shall take necessary measures such as engagement with shareholders proactively
3. Specific indices (ROIC, ROE, EPS) to be considered at capital policies
4. Declare not to introduce takeover defense measures
5. Describe relationship with employees, customers, business partners and suppliers, and communities based on the spirit of OMRON Principles
6. A hybrid-type governance structure with advisory committees, which complement the organizational structure of Company with an Audit & Supervisory Board
7. Composition of board of directors
 - Majority shall not be involved with business execution; at least 1/3 shall consist of independent outside directors ("IOD")
 - All advisory committees chaired by IOD; the majority should be composed of IODs
 - All members of corporate governance committees should be IODs
 - Chairperson shall not have authority to represent the company, and should not be involved with business execution
8. Internal control rule: matters related to risk management and compliance are quarterly reported to the BoD
9. Compensation and incentives for directors shall consist of a base salary, yearly performance-linked bonuses, midterm performance-linked bonuses, stock compensations, and paid stock options
10. Define policy for constructive dialogue with shareholders

OMRON

Sensing tomorrow™

References

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Conditions: Exchange Rates & Raw Material Costs

**FY15 Q2-Q4 conditions:
No change to the April 27 conditions.**

Exchange rates

- 1 USD = ¥115
- 1 EUR = ¥130

¥1 fluctuation impact (full-year, approx.)

	Sales	OP
USD	¥3.4bn	¥0.3bn
EUR	¥0.8bn	¥0.4bn

Raw material costs

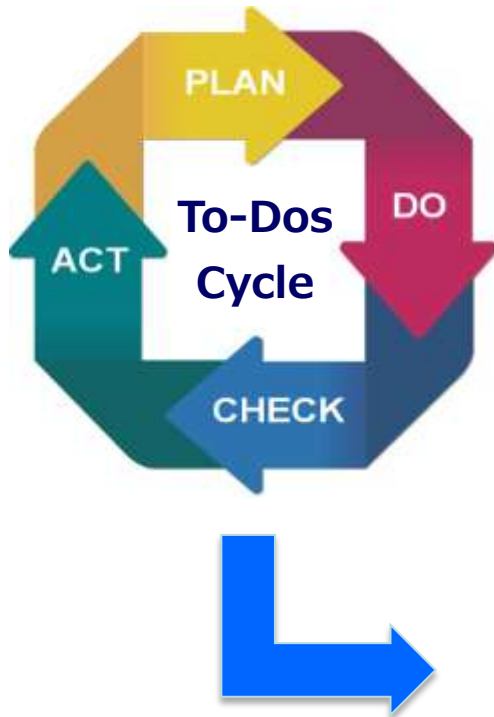
- Silver = ¥67,000/kg
- Copper = ¥840/kg

Price change impact (full-year, approx.)

	Price change	OP
Silver	¥1,000/kg	¥80mn
Copper	¥10/kg	¥30mn

ROIC Management: Down-Top ROIC Tree

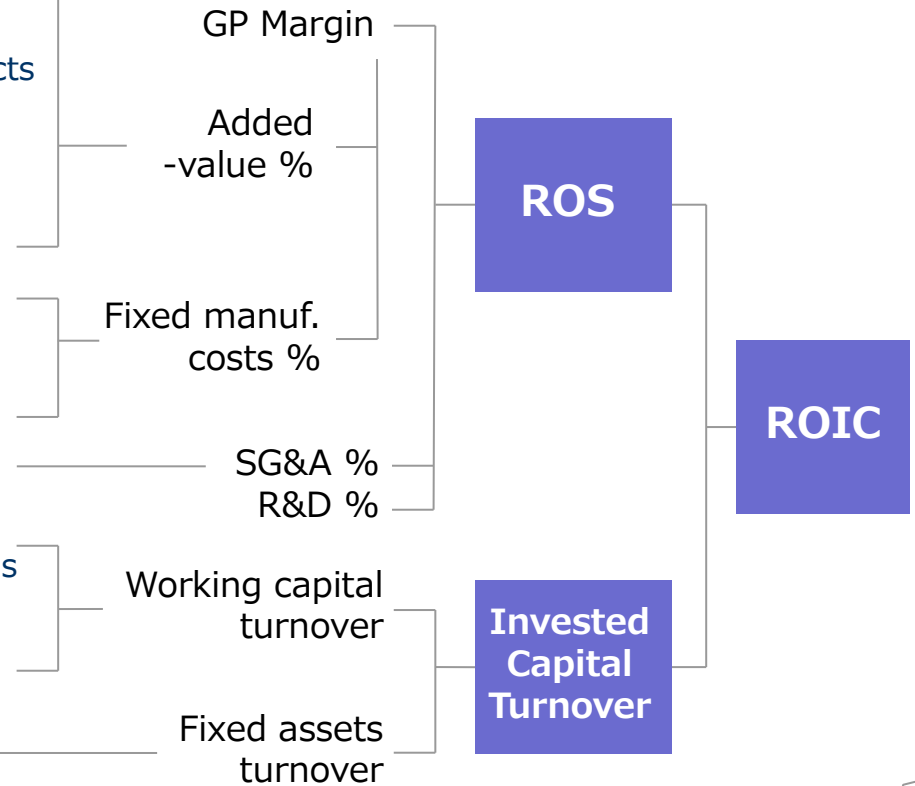
On-site



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



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

*The average of FY14 year-end result, FY15 Q1 result, and FY15 Q2-Q4 quarterly forecasts.

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 First Quarter of the Fiscal Year Ending March 31, 2016". Figures rounded to the nearest JPY million and percentage to one decimal place.

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