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.
  
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FY15 Q1 Results
Sales up & OP down, but both in line with internal guidance.

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

OP down due mostly to higher growth investments.

Gross profit down 1.6
(excl. forex & raw material impacts)

Operating income down 3.4

19.8
-1.1
-1.6 (excl. forex & raw material impacts)

16.4
-0.5
-0.6
-1.7
-1.7

Forex, Raw material impacts
Added value down
Fixed manufacturing costs up
SG&A up
R&D up

FY2014 Q1 Actual
FY2015 Q1 Actual

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.**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB Industrial Automation</td>
<td>78.2</td>
<td>85.6</td>
<td>+9.4%</td>
</tr>
<tr>
<td>EMC Electronic &amp; Mechanical Components</td>
<td>26.3</td>
<td>26.2</td>
<td>-0.3%</td>
</tr>
<tr>
<td>AEC Automotive Electronic Components</td>
<td>32.8</td>
<td>34.9</td>
<td>+6.5%</td>
</tr>
<tr>
<td>SSB Social Systems, Solutions &amp; Service</td>
<td>13.1</td>
<td>12.9</td>
<td>-1.4%</td>
</tr>
<tr>
<td>HCB Healthcare</td>
<td>22.1</td>
<td>25.5</td>
<td>+15.3%</td>
</tr>
<tr>
<td>Other Businesses under the Direct Control of HQ</td>
<td>23.4</td>
<td>19.2</td>
<td>-18.0%</td>
</tr>
<tr>
<td>Eliminations &amp; Corporate</td>
<td>1.3</td>
<td>1.1</td>
<td>-19.2%</td>
</tr>
<tr>
<td>Total</td>
<td>197.2</td>
<td>205.4</td>
<td>+4.1%</td>
</tr>
</tbody>
</table>
## Operating Income by Segment

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

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

*(¥bn)*
Consolidated B/S

**No notable changes.**

<table>
<thead>
<tr>
<th></th>
<th>Mar. 31, 2015</th>
<th>June 30, 2015</th>
<th>vs. March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>434.1</td>
<td>430.2</td>
<td>-3.9</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>151.5</td>
<td>153.2</td>
<td>+1.7</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>125.5</td>
<td>128.2</td>
<td>+2.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>711.0</td>
<td>711.5</td>
<td>+0.5</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>176.8</td>
<td>154.6</td>
<td>-22.2</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>42.2</td>
<td>43.0</td>
<td>+0.8</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>218.9</td>
<td>197.5</td>
<td>-21.4</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>489.8</td>
<td>511.5</td>
<td>+21.7</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>2.3</td>
<td>2.5</td>
<td>+0.2</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>492.1</td>
<td>514.0</td>
<td>+21.9</td>
</tr>
<tr>
<td>Total Liabilities and Shareholders' Equity</td>
<td>711.0</td>
<td>711.5</td>
<td>+0.5</td>
</tr>
<tr>
<td>Shareholders' equity to total assets</td>
<td>68.9%</td>
<td>71.9%</td>
<td>+3.0%pt</td>
</tr>
</tbody>
</table>
### Consolidated Cash Flows

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

<table>
<thead>
<tr>
<th>Operating Activities (Operating CF)</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.5</td>
<td>15.5</td>
<td>-6.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities (Investing CF)</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-2.6</td>
<td>-7.7</td>
<td>-5.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Free cash flow (FCF)</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.9</td>
<td>7.8</td>
<td>-11.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing activities (Financing CF)</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-6.6</td>
<td>-9.1</td>
<td>-2.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents at end of the period</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>102.0</td>
<td>103.1</td>
<td>+1.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditures</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.4</td>
<td>6.9</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciation and amortization</th>
<th>FY2014 Q1</th>
<th>FY2015 Q1</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.5</td>
<td>7.5</td>
<td>+1.0</td>
</tr>
</tbody>
</table>
FY15 Full-Year 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)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB (Industrial Automation)</td>
<td>Japan: Solid overall as automotive-related demand comes back. Overseas: China will see recovery trend in automobile, but slowdown in textile &amp; real estate. Oil &amp; gas in Americas still sluggish. FA stable in N. America and Mexico. Europe and Asia flat.</td>
</tr>
<tr>
<td>AEC (Automotive Electronic Components)</td>
<td>Japan: Soft due to unit sales decline. Overseas: China low due to slowing growth. N. America strong backed by the robust economy.</td>
</tr>
<tr>
<td>SSB (Social Systems, Solutions &amp; Service)</td>
<td>Train system will go solid overall, enjoying steady capital investments. Environmental Solutions: The market for small-sized biz-use will be low.</td>
</tr>
<tr>
<td>HCB (Healthcare)</td>
<td>Japan: Home-use solid. Professional-use will be stagnant. Overseas: Russia is showing bottom-out sign, but its neighboring countries low. N. America, China &amp; Asia healthy.</td>
</tr>
<tr>
<td>Other Businesses under the Direct Control of HQ</td>
<td>Environmental Solutions: Residential-use flat. Small-sized biz-use slow. 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.</td>
</tr>
</tbody>
</table>
No change to April 27 original plan.

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Actual</th>
<th>FY2015 Plan, Forecast</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>847.3</td>
<td>900.0</td>
<td>+6.2%</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>332.6 (39.3%)</td>
<td>356.0 (39.6%)</td>
<td>+7.0% (+0.3%pt)</td>
</tr>
<tr>
<td>Operating Income (%)</td>
<td>86.6 (10.2%)</td>
<td>90.0 (10.0%)</td>
<td>+3.9% (-0.2%pt)</td>
</tr>
<tr>
<td>NIBT</td>
<td>87.4</td>
<td>89.0</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Net Income attributable to shareholders</td>
<td>62.2</td>
<td>66.5</td>
<td>+7.0%</td>
</tr>
</tbody>
</table>
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, 50μsec/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
Motion controllers help servomotors and more to run high-speed and with high accuracy.

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

**Input**
- Vision Sensors
- Fiber Sensors
- Emergency Stop Switches

**Logic**
- Controllers
- PLC
- DT Motion Controllers

**Output**
- Servomotors
- Servo Drivers
- Inverters
- Safety Controllers
- Safety Light Curtains
Target Markets

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

... and more
Corporate Governance
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
Efforts to enhance corp. governance practices
The Corporate Governance Code

Establish “OMRON Corporate Governance Policies”
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

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

- Shareholders Meeting
  - Board of Directors
    - Chairperson
    - Personnel Advisory Committee
    - CEO Selection Advisory Committee
    - Compensation Advisory Committee
    - Corporate Governance Committee

Executive Organization
- President & CEO
  - CSR-related Committees
  - Executive Council
  - Internal Audit Division
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**
References
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.)

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>¥3.4bn</td>
<td>¥0.3bn</td>
</tr>
<tr>
<td>EUR</td>
<td>¥0.8bn</td>
<td>¥0.4bn</td>
</tr>
</tbody>
</table>

Raw material costs
- Silver = ¥67,000/kg
- Copper = ¥840/kg

Price change impact (full-year, approx.)

<table>
<thead>
<tr>
<th></th>
<th>Price change</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver</td>
<td>¥1,000/kg</td>
<td>¥80mn</td>
</tr>
<tr>
<td>Copper</td>
<td>¥10/kg</td>
<td>¥30mn</td>
</tr>
</tbody>
</table>
ROIC Management: Down-Top ROIC Tree

**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
- Invested Capital Turnover

**ROS**

**ROIC**

**To-Dos Cycle**

**On-site**
ROIC Definition

\[
\text{ROIC} = \frac{\text{Net income attributable to shareholders}}{\text{Invested capital}}
\]

\[
\text{Invested capital}^* = \text{Net assets} + \text{Interest-bearing debt}
\]

*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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Website: www.omron.com

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