Nomura Investment Forum 2012

Generation of Corporate Value

December 6, 2012

OMRON Corporation
Yoshihito YAMADA

Apr. 1984  Joined Tateisi Electric Manufacturing Co., currently Omron Corporation
          Worked in sales and marketing departments

Oct. 2001  Vice-President of Omron Healthcare Inc. (USA)

Apr. 2003  President of Omron Healthcare Europe B.V.

June 2008  Executive Officer and President and Representative
          Director of OMRON Healthcare Co., Ltd.

Mar. 2010  Senior General Manager of Corporate Strategy
          Planning HQ of OMRON Corporation

June 2010  Managing Officer of the Company

June 2011  President and Chief Executive Officer of the
          Company (to present)
Generation of Corporate Value

Omron is working on (1) Business growth (2) Better investment efficiency focusing on management indicators, and (3) Stronger corporate structure that can better respond to external changes.

1. Business Growth
2. Stronger Management
3. Response to Changes

Higher Corporate Value
■ Generation of Corporate Value

1. Business Growth
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1. Business Growth: Omron’s Strengths

- Technologies (Sensing & Control) & Manufacturing
- Custom-made solutions: Develops its own technologies into valuable solutions to each customer
1. Business Growth: Core Businesses’ Strengths

Each business segment has unique strengths and high market share.

**Industrial Automation**
- Wide range of products x global sales channels
- Japan #1 body control units for small cars

**Electronic Components**
- Manufacturing network x Monozukuri manufacturing expertise
- Global #1 Relays

**Social Systems**
- System engineering x service network
- Japan #1 Railway infrastructure systems

**Automotive Components**
- Independent x global sites
- Global #1 Blood pressure monitors
- Independent x global sites

**Healthcare**
- Brand x cost efficiency x sales channels
- Global #1 Blood pressure monitors

*NECA: Nippon Electric Control Equipment Industries Association*
1. Business Growth: VG2020 GLOBE STAGE Tasks

Establishment of structures to realize profit and growth, prioritizing the core Industrial Automation business.

<table>
<thead>
<tr>
<th>Policy</th>
<th>Establishment of global profit &amp; growth structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tasks (unchanged)</td>
<td>1. Reinforcement of Industrial Automation (IA) Business (IAB &amp; EMC)  2. Sales expansion in emerging markets  3. Focus on environmental solutions business  4. Profit structure reform  5. Strengthening global human resources</td>
</tr>
</tbody>
</table>
1. Business Growth: Main Business Portfolio

- Focus on IA (IAB & EMC) and Healthcare Businesses
- AEC & SSB: Profitability improvement first
1. Business Growth: Capital & R&D Investments

Omron will continue capital and R&D investments, which are indispensable for future growth.
Generation of Corporate Value

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## 2. Management: Financial Indicators

Management with focus on ROIC and other indicators.

<table>
<thead>
<tr>
<th>Major Indicators</th>
<th>FY11</th>
<th>FY12 fcst</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit Margin</td>
<td>36.8%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>6.5%</td>
<td>7.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>5.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>ROIC</td>
<td>6.8%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>
2. Management: Indicators & Structure Reform

Indicator breakdown → What to/how to improve → Stronger Omron

**ROIC**
- ROS
  - Gross profit margin
  - Operating income margin
  - Income before tax
  - Net income attributable to shareholders

**ROA**
- Invested Capital Turnover
  - Working capital turnover
  - Fixed assets turnover
  - Net cash
- Other investments

**Variable costs**
- Manufacturing fixed costs
- Variable costs

**Sales teams’ efforts to improve profitability**
- Cost reduction

**SG&A**
- Forex impacts
- Non-operating
- Better forex management

**Structure resistant to forex fluctuation**

**Optimum inventory months**
- Minimum non-moving stock
- Site standardization
- Capex PDCA
2. Management: Profitability

Targeting FY13 gross profit margin of 39%

- Sales staff’s efforts in profit improvement
- Smaller number of components, standardized system platform
- Less use of major raw materials, such as silver, copper and resin
- Introduction of automation in China and other Asian countries (low-cost automation)
Automotive Electronic Components Business (AEC) went through structural reform and spin-off, and successfully transformed into profit-making business.
In addition to profit improvement, AEC is working on higher investment efficiency by closing/consolidating production sites, outsourcing and other measures.
AEC’s ROIC level is high compared with competitors.
Generation of Corporate Value

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3. Response to Changes: Emergencies

- The Great East Japan Earthquake
- Flooding in Thailand
3. Response to Changes: Measures Taken

- Omron fulfilled its responsibility as a supplier by parts procurement and alternative site production.
- Promoting multi-site production to avoid political and disaster risks.
3. Response to Changes: Risks as Opportunities

Omron will keep challenging itself in responding to external changes to become an even stronger company.

### Risks

- **Natural Disasters**
- **Economic Slowdown**

### To Dos

- Team Omron bond
- Global business process reform
- Stronger and higher profitability through structural reform
- Balanced operation with multi-business portfolio
Investments & Returns: Priority

• Omron sees investments for growth more important for now.
• For shareholder returns, ready to flexibly take measures including buyback, considering M&A and other financial conditions.

<table>
<thead>
<tr>
<th></th>
<th>FY Unit</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
<th>05</th>
<th>06</th>
<th>07</th>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>2001-11</th>
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</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>bn JPY</td>
<td>-15.8</td>
<td>0.5</td>
<td>26.8</td>
<td>30.2</td>
<td>35.8</td>
<td>38.3</td>
<td>42.4</td>
<td>-29.2</td>
<td>3.5</td>
<td>26.8</td>
<td>16.4</td>
<td>175.7</td>
</tr>
<tr>
<td>Dividends</td>
<td>JPY</td>
<td>13</td>
<td>10</td>
<td>20</td>
<td>24</td>
<td>30</td>
<td>34</td>
<td>42</td>
<td>25</td>
<td>17</td>
<td>30</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Annual, per share</td>
<td></td>
<td>3.3</td>
<td>2.4</td>
<td>4.8</td>
<td>5.7</td>
<td>7.0</td>
<td>7.8</td>
<td>9.3</td>
<td>5.5</td>
<td>3.7</td>
<td>6.6</td>
<td>6.2</td>
<td>62.4</td>
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<tr>
<td>Dividend payout ratio</td>
<td>%</td>
<td>-20.9%</td>
<td>475.3%</td>
<td>17.8%</td>
<td>18.9%</td>
<td>19.7%</td>
<td>20.5%</td>
<td>22.0%</td>
<td>-18.9%</td>
<td>106.4%</td>
<td>24.7%</td>
<td>37.6%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>%</td>
<td>-4.6%</td>
<td>2000.0%</td>
<td>31.4%</td>
<td>10.2%</td>
<td>28.2%</td>
<td>29.3%</td>
<td>52.7%</td>
<td>-10.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.1%</td>
<td>39.4%</td>
</tr>
<tr>
<td>Acquisition/net income ratio</td>
<td></td>
<td>-25.4%</td>
<td>47.3%</td>
<td>29.1%</td>
<td>49.2%</td>
<td>47.8%</td>
<td>49.7%</td>
<td>74.7%</td>
<td>-29.1%</td>
<td>106.7%</td>
<td>25.2%</td>
<td>37.7%</td>
<td>74.9%</td>
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<tr>
<td>DOE</td>
<td>%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.1%</td>
<td>1.9%</td>
<td>1.7%</td>
<td>2.0%</td>
<td>2.2%</td>
<td>3.2%</td>
<td>1.0%</td>
<td>1.7%</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>
Higher Corporate Value

Shareholder-Oriented Management

Thank you for your confidence in Omron’s 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.