Nomura Investment Forum 2013
Toward Higher Corporate Value
December 5, 2013
OMRON Corporation
Toward Higher Corporate Value

1. Business Growth (growth & profit structure)
2. Response to Changes
3. Stronger Management
1. Business Growth: Sales & Profit

- Three years of challenging environment as CEO, such as the earthquake and the strong yen.
- Omron steadily strengthened growth & profit structures, posting increase both in sales and profits.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (¥bn)</th>
<th>OP%</th>
<th>GP%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>617.8</td>
<td>48.0</td>
<td>37.5</td>
</tr>
<tr>
<td>FY2011</td>
<td>619.5</td>
<td>40.1</td>
<td>36.8</td>
</tr>
<tr>
<td>FY2012</td>
<td>650.5</td>
<td>45.3</td>
<td>37.1</td>
</tr>
<tr>
<td>FY2013 (E)</td>
<td>750.0</td>
<td>65.0</td>
<td>39.0</td>
</tr>
</tbody>
</table>

Exchange Rates:
- 1USD = ¥85.8
- 1EUR = ¥113.5
- 1USD = ¥79.3
- 1EUR = ¥110.3
- 1USD = ¥83.2
- 1EUR = ¥107.6
- 1USD = ¥96.7
- 1EUR = ¥129.4
1. Business Growth: FY13 vs. FY07

- Forecasting FY13 to outperform record-high FY07 if raw material costs and forex conditions are the same.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥bn)</th>
<th>Operating Income (¥bn)</th>
<th>OP%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007</td>
<td>691.9</td>
<td>32.3</td>
<td>(4.7%)</td>
</tr>
<tr>
<td>FY2013 (E)</td>
<td>750.0</td>
<td>65.0</td>
<td>(8.7%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Rate</th>
<th>FY2013</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USD</td>
<td>¥114.1</td>
<td>¥96.7</td>
</tr>
<tr>
<td>1 EUR</td>
<td>¥161.9</td>
<td>¥129.4</td>
</tr>
</tbody>
</table>

Stock price (high) | ¥3,510 | ⇒ | ¥4,280*  
Dividend | ¥42 | ⇒ | ¥50 (E)  

* 28 Nov.
1. Business Growth: Better Portfolio

- Profitability improved in Automotive (AEC), Social Systems (SSB), Healthcare (HCB) and “Other” (incl. environment) business segments.
- All segments got stronger to make Omron's business portfolio stable.

<table>
<thead>
<tr>
<th>FY13 (E)</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales: ¥750.0bn</td>
<td>Sales: ¥617.8bn</td>
</tr>
<tr>
<td>OP margin: 8.7%</td>
<td>OP margin: 7.8%</td>
</tr>
</tbody>
</table>

Sales, ¥bn
OP margin

IAB
EMC
AEC
SSB
HCB
OTHERS
250.0
500.0
750.0

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- Omron carried out business transfers and M&A&A to strengthen its business.
- Working on another possible M&A&A for further growth.

<table>
<thead>
<tr>
<th>GLOBE STAGE Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Transfers</strong></td>
</tr>
<tr>
<td>Four businesses, including capacitor business</td>
</tr>
<tr>
<td><strong>Closure/ Integration of Manufacturing Sites</strong></td>
</tr>
<tr>
<td>Closure of an electronic components plant</td>
</tr>
<tr>
<td><strong>M&amp;A&amp;A</strong></td>
</tr>
<tr>
<td>- Industrial Automation, Electronic &amp; Mechanical Components, and Healthcare Businesses: Sales &amp; marketing channels M&amp;A&amp;A in emerging markets</td>
</tr>
</tbody>
</table>
1. Business Growth: Industrial Automation

- Aiming to grow in the IA market with ever-evolving, industry’s fastest PLCs.

**Sysmac NJ Series**

- **High Speed Processing**
  with cutting-edge MPU
  - Intel® Atom™ Processor (1.6GHz)

- **One Machine Control**
  with integrated motion & PLC

- **Fastest Application Programming**
  with global standard software

  - IEC61131-3 Standard
  - PLCoopen Motion function block

* Intel, Intel logo, and Intel Atom are trademarks of Intel Corporation in the U.S. and/or other countries.
1. Business Growth: Industrial Automation

- Surging labor costs in emerging markets → Shift to automation → Tailwind for Omron to promote its low-cost intelligent automation (LCIA).

*NC Ratio = Machine tools with Numerical Control (NC) machining / total # of machines*

![NC Ratio Chart]

- Soldering by hand
- LCIA soldering robots

Source: Nomura Securities Co., Ltd.
1. Business Growth: Healthcare

- Robust growth thanks to higher awareness to healthcare on a global basis.
- Multiple-effect expansion: Emerging markets, increasing number of distributors (channels), and a wider product range.
1. Business Growth: Environment

- PV inverters: Omron will keep focusing on residential areas and “low-voltage middle” for complex housing.

**PV Installation in Japan (MW)**

- **Residential, < 10kW**
- **Low-voltage Middle, < 50kW**
- **High-voltage Middle, < 500kW**
- **Mega, > 500kW**

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**Residences/Detached housing**

(New/existing 3-5kW range)

- Example: Complex housing, stores, small offices, idle land

**Low-voltage middle**

(less than 50kW)

In-house study based on 2012 Fuji-Keizai Group market forecast

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Toward Higher Corporate Value

1. Business Growth (growth & profit structure)
2. Response to Changes
3. Stronger Management
2. Response to Changes: Using Headwinds

- When things got tough - the earthquake, the flooding, the yen appreciation - Omron got tougher by making the most of the challenges: Strengthened risk management and forex-resistant management structure as a result.

**US$ Sensitivity**

- Foreign currency/Variable costs ratio: 42% → 50%
- Overseas sales: 51% → 55%
- Down ¥0.4bn from FY10

- Omron’s focus is to quickly sense a social headwind and make the most of it as a growth opportunity.
- Seeking to solve social issues to create chances for growth.

- Low birth rate and longevity
- Surging labor costs in emerging markets
- Increasing environment issues

... and more

- Expecting strong growth by riding a wave of favorable market.
- Especially PV inverter business, with its product strengths as well as sales & marketing, and installation services.

Sales Growth: New Business (¥bn)

- Eco-friendly automotive components (e.g. DC power relays)
- PV inverter
- Plan: 35
- Original plan: 50
- Approx. 33
- FY10: 12.7
- FY12: 33
- FY13 (E): 50
1. Business Growth (growth & profit structure)
2. Response to Changes
3. Stronger Management
3. Stronger Management: Indicators

- Management with focus on ROIC and other financial indicators.

<table>
<thead>
<tr>
<th>Major Management Indicators</th>
<th>FY13 forecast</th>
<th>FY13 initial target</th>
<th>FY12 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit Margin</td>
<td>39%</td>
<td>39%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>8.7%</td>
<td>8.2%</td>
<td>7.0%</td>
</tr>
<tr>
<td>ROE</td>
<td>approx. 11%</td>
<td>&gt;10%</td>
<td>8.8%</td>
</tr>
<tr>
<td>ROIC</td>
<td>approx. 11%</td>
<td>&gt;10%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

ROIC = Net income attributable to shareholders / invested capital
3. Stronger Management: ROIC

- Making steady ROIC improvement. Better showing in all business segments.

Better than FY2007 highest-ever sales & profit
3. Stronger Management: ROIC & KPI

- Omron watches ROIC as one of the most important figures to enhance management efficiency.
- ROIC breakdown → Figuring out key negative factors (Key performance indicators) → focused measures for improvement.

1. Down-Top
ROIC Tree Analysis

- Not ROIC first, but ROIC last
- Ideal corporate figure & activities come first, followed by KPI, then ROIC target.

2. Setting Drivers

- Set action plans and KPI, taking each business characteristics and macro environment into account.
3. Stronger Management: Down-Top ROIC Tree

- Performance breakdown by business segment → KPI for improvement

KPI

- Parts standardization
- Target cost to sales
- Overseas production %
- Total staff # in Japan
- Overseas fluctuation
- vs-target rate hedge %
- ROI/imPAIRment risk
- Effective tax rates
- Inventory months/value
- Slow-moving inventory months/value
- Disposal
- Credits and debts months
- ROI (Return on investments)
- In-hand cash months
- Fund procurement capacity

Management Structure Tree

- Gross profit margin
- SG&A margin
- Operating income margin
- Non-operating profit/loss
- Net income margin
- Working capital turnover
- Fixed assets turnover
- Net cash
- Invested Capital Turnover
- Total Asset Turnover
- ROA
- ROIC
- ROS
- Net cash
3. Stronger Management: How ROIC Works

- Social Systems (SSB): Profitability up, due to new-business expansion (environmental solutions).
- Also working on its own to cut parts inventory, level receivables, and promote in-house production.

Clarified drivers help promote better management efficiency
Recap: Toward Higher Corporate Value

- Omron is working on higher management efficiency by using ROIC and other management indicators.
- Targeting next-stage growth while flexibly responding to market changes.

1. **Business Growth**  
   (Sales and profit)

2. **Response to Changes**  
   (Taking external changes as tailwinds)

3. **Stronger Management**  
   (ROIC Management)
Omron is to announce next mid-term VG2020 EARTH Stage plan in spring 2014.
Let Us Hear from You.

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Notes
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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.