2014 Nomura Investment Forum

Toward Sustainable Corporate Value Creation

December 5, 2014
OMRON Corporation
What’s New
New Technology: Ping-Pong Robot

The “thinking” ping-pong robot demonstrating our goal of optimal harmonization of people and machines.
Omron Total Fair in Indonesia (Dec. 3-6)

Showcasing Omron’s technologies aiming to expand our sales & marketing in the greater Asia (China & SE Asia).
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Omron will enhance our sustainable corporate value. We will contribute to the global society through our business activities, creating social needs* by utilizing our “Sensing and Control” technologies.

*Social needs creation:
To predict and find out social issues ahead of others and to be the first to create products and services to solve the issues.
The Omron Principle’s core value: Working for the benefit of society

- Business areas:
  Industry, daily lives, society and environment
- Growth drivers:
  Sensing & Control technologies
- Working on to predict and find out social issues ahead of others
- Values business operation that is global and fair
10%-plus CAGR. GP margin notably up.

<table>
<thead>
<tr>
<th></th>
<th>Sales (¥bn)</th>
<th>GP%</th>
<th>GP (ROS)</th>
<th>ROIC</th>
<th>ROE</th>
<th>EPS (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>619.5</td>
<td>36.8%</td>
<td>40.1</td>
<td>4.8%</td>
<td>5.2%</td>
<td>74.5</td>
</tr>
<tr>
<td>FY12</td>
<td>650.5</td>
<td>37.1%</td>
<td>45.3</td>
<td>8.6%</td>
<td>8.8%</td>
<td>137.2</td>
</tr>
<tr>
<td>FY13</td>
<td>773.0</td>
<td>38.5%</td>
<td>68.1 (8.8%)</td>
<td>11.3%</td>
<td>11.6%</td>
<td>209.8</td>
</tr>
<tr>
<td>FY14</td>
<td>835.0 (¥bn)</td>
<td>39.6%</td>
<td>84.0 (10.1%)</td>
<td>&gt;13%</td>
<td>&gt;13%</td>
<td>285.5</td>
</tr>
</tbody>
</table>

CAGR +10.5%
## To Change, Not To Change

**ROIC-based management and other innovative changes since assuming the presidency.**

<table>
<thead>
<tr>
<th>Not Changed</th>
<th>Changed</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Management that values the Omron Principles</td>
<td>■ Business portfolio management with ROIC as KPI</td>
</tr>
<tr>
<td>■ Highly transparent and effective corporate governance</td>
<td>■ Vertical-Horizontal management</td>
</tr>
<tr>
<td>■ Engagement with shareholders</td>
<td>■ Disclosure of midterm management goals</td>
</tr>
<tr>
<td></td>
<td>■ Incentives to Directors linked with midterm performance</td>
</tr>
<tr>
<td></td>
<td>■ Corporate culture in which management team and workers all get together in sharing management philosophy and business strategies (e.g. The Omron Global Awards)</td>
</tr>
</tbody>
</table>
Omron on the Move
(1) ROIC Management
Fully practicing ROIC Management for 2 years.
(1) ROIC Management: Down-top ROIC Tree

Down-top ROIC tree to work on KPI/PDCA at all level down to on-site staff.

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 %

ROS
- Working capital turnover

ROIC
- Invested Capital Turnover
- Fixed assets turnover
Industrial Automation Business (IAB)

ROIC improvement drivers: Higher added value & sales growth

→ Sales & marketing of highly value-added and competitive products to defined target industries & customers

(1) ROIC Management: Vertical-Horizontal, IAB

Horizontal
w/ Omron HQ

Advanced Technical Strengths

Vertical
IAB

Focused Industries & Areas

<Results>
Stronger Profit Structure
(1) ROIC Management: Vertical-Horizontal, EMC

**Electronic & Mechanical Components Business (EMC) ROIC improvement drivers: Better facilities turnover**

→ Production equipment saving* to meet changing demands

- **Horizontal**
  - w/ Omron HQ
  - Production Technology Development to realize saving

- **Vertical**
  - EMC
  - Product Design to realize saving

<Results>
- Better Response to Changing Demands

*To make capital costs, productivity, installation area, and energy use into 1/n

e.g. 1/5 installation area

120m² → 44m² (1/3) → 25m² (1/5)
Management decisions to allocate investment resources for M&A, growth acceleration, restructuring, and new entry.
Portfolio management of almost 100 business units.

- Sales > ¥10bn
- Sales ¥3-¥10bn
- Sales <¥3bn

E.g. PV inverters (FY2010)
Restructuring businesses as needed.

<table>
<thead>
<tr>
<th>Business</th>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Systems</td>
<td>Dec. '12</td>
<td>Transfer of capacitor business</td>
</tr>
<tr>
<td>EMC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCT</td>
<td>Sep. '12</td>
<td>Outsourcing of embedded software and hardware development</td>
</tr>
<tr>
<td>Mobile Computing Technology, “Other” business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OLFT</td>
<td>Oct. '13</td>
<td>Transfer of FPD/semiconductors repair equipment business</td>
</tr>
<tr>
<td>part of business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IAB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ONP</td>
<td>Nov. '13</td>
<td>Transfer of optical communication business</td>
</tr>
<tr>
<td>EMC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Izumo Facilities</td>
<td>Mar. '14</td>
<td>Shutdown of manufacturing facilities, mainly for switches</td>
</tr>
<tr>
<td>EMC</td>
<td></td>
<td></td>
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</tbody>
</table>
## (1) ROIC Management: Portfolio Management, M&A&A

Carried out ¥10bn-level M&A&A in October to strengthen our business in emerging markets.

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BST</td>
<td>Sep. '11</td>
<td>Power latching relay business in China</td>
</tr>
<tr>
<td>EMC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tongling Automation</td>
<td>Mar. '12</td>
<td>Joint venture with a system integrator/ distributor in China</td>
</tr>
<tr>
<td>IAB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCC Trading</td>
<td>Jan. '14</td>
<td>Medical equipment distributor in China</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NS Company</td>
<td>Oct. '14</td>
<td>Nebulizer business in Brazil</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
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</tbody>
</table>
Omron on the Move

(2) Management Goal Disclosure & Compensation
OMRON set and announced ROIC & EPS targets for midterm EARTH-1 STAGE.

<table>
<thead>
<tr>
<th>Midterm Policy</th>
<th>Establishment of &quot;self-driven&quot; growth structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Targets (FY2016)</td>
<td>Sales : &gt; ¥900bn</td>
</tr>
<tr>
<td></td>
<td>GP Margin : &gt; 40%</td>
</tr>
<tr>
<td></td>
<td>OP Margin : &gt; 10%</td>
</tr>
<tr>
<td></td>
<td>ROIC : approx. 13%</td>
</tr>
<tr>
<td></td>
<td>ROE : approx. 13%</td>
</tr>
<tr>
<td></td>
<td>EPS : approx. ¥290</td>
</tr>
</tbody>
</table>
### GP Margin, ROIC and EPS all up year by year.

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Actual</th>
<th>FY2013 Actual</th>
<th>FY2014 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GP Margin</strong></td>
<td>37.1%</td>
<td>38.5%</td>
<td>39.6%</td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>8.6%</td>
<td>11.3%</td>
<td>&gt;13%</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>¥137.2</td>
<td>¥209.8</td>
<td>¥285.5</td>
</tr>
</tbody>
</table>

1 USD (JPY)    | 83.2          | 100.1         | 101.9           |
1 EUR (JPY)    | 107.6         | 134.0         | 137.1           |
Motivation towards mid to long-term value creation = directors' interests aligned with shareholders’

**From:**
- Base (fixed) compensation + bonuses based on past one year performance
- Stock compensation

**To:**
- Base (fixed) compensation + bonuses based on past one year performance
- Mid-term performance-linked bonuses
- Issuance of paid stock acquisition rights
Shareholder Returns
Shareholder Returns Policy

VG2020 Basic Policy on the Distribution of Profits

1. Prioritizing **investments to promote growth** to maximize corporate value over the long term.

2. Enhancing stable, uninterrupted profit distribution by taking the level of free cash flow into consideration. (Minimum of 25% payout ratio for FY2014. Aiming to increase the ratio to **30% by FY2016 for enhancing shareholder returns in the medium term**.)

3. Utilizing retained earnings that have been accumulated over a long period of time, OMRON intends to **strategically repurchase and retire the Company’s stock to benefit shareholders**.
Dividends and EPS

Dividends up by higher dividend payout ratio and steady increase in earnings per share.

- Dividends, left
- EPS, right

Dividend payout ratio increased, with steady growth in earnings per share from 2010 to 2014.
Stock price well over TOPIX, with >¥1 trillion market value.

*Closing price on March 31, 2010 = 100
Omron Nominated for TSE Award

Omron selected as one of the four finalists of Tokyo Stock Exchange "Corporate Value Improvement Award" in 2014

TSE website:
http://www.tse.or.jp/english/listing/award/corporate_value.html
Thank you for your support and trust in Omron’s continuing efforts in sustainable growth.

- Management that values the Omron Principles
- ROIC-focused Management
- Engagement
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.

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