Integrated Report 2017

Year ended March 31, 2017

OMRON

A History of Creating Value

Since our foundation, the OMRON Group has delivered numerous innovations and initiatives that anticipate social needs, solving a variety of social issues. We will continue to produce innovations based on evolutions in technology, improve lives and contribute to a better society through our businesses.

Social Issues / Needs

Factory floor automation, stable social infrastructure	Labor savings in transportation systems, user convenience	Promoting health through in-home blood pressure management	Safe, secure, pleasant living

OMRON Solutions

FY1966
Produced general-purpose relays (MY Series)

800
million units

- Cumulative production volume over nearly 50 years
- Must-have electronic components for industrial, social infrastructure

FY1967
Developed world's first automated train station system

50
years

- A half-century of offering train station solutions

FY1973
Introduced digital blood pressure monitors

200+
million units

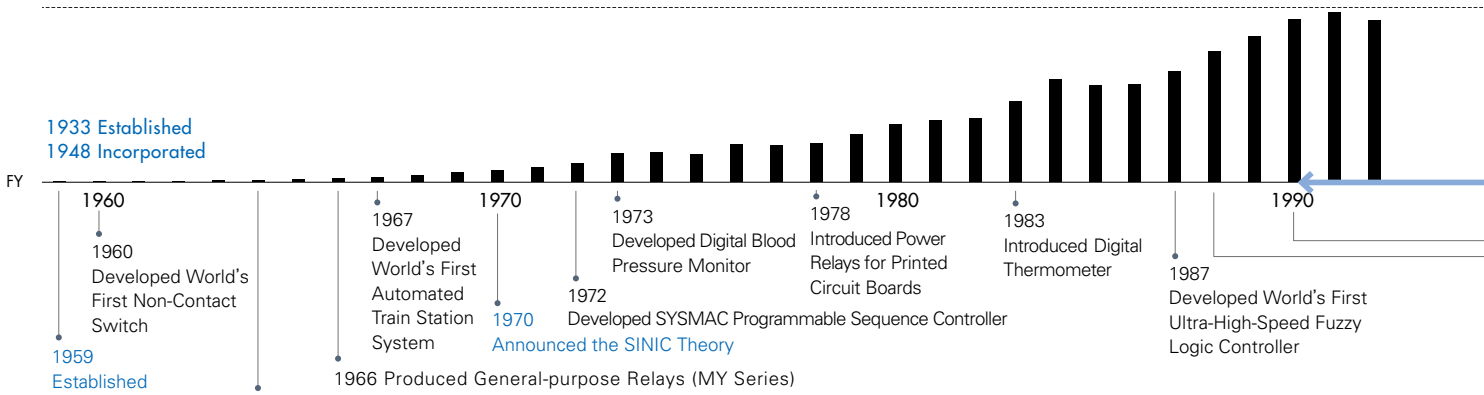
- Cumulative global sales of home-use blood pressure monitors surpassed 200 million units in November 2016

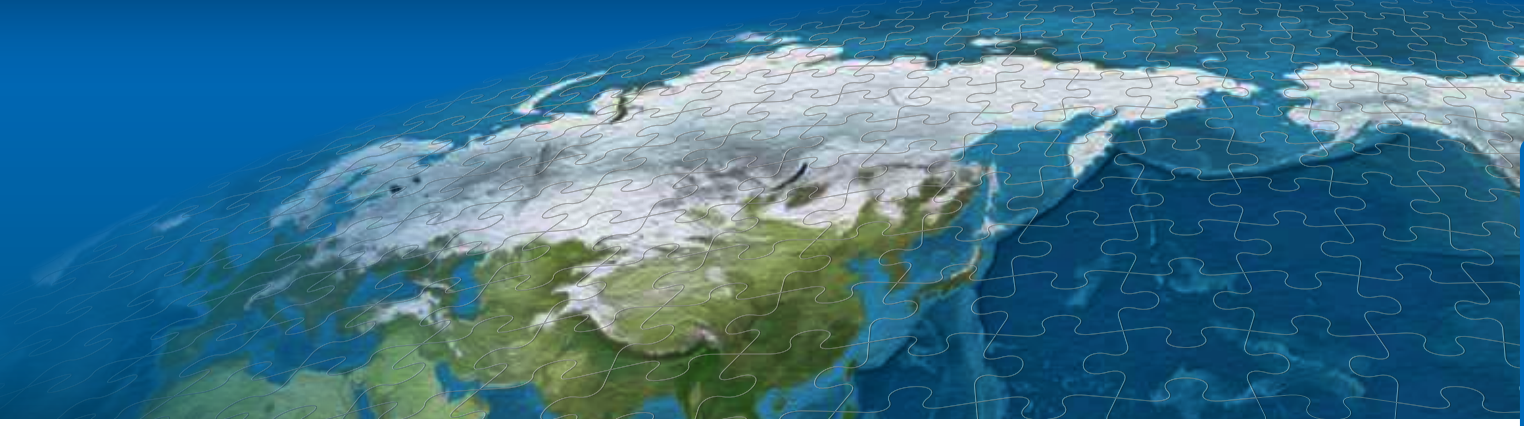
FY1978
Introduced power relays for printed circuit boards

1
billion units per year

- Annual shipments of relays
- Embedded in refrigerators, microwave ovens, air conditioners, and other home appliances

Sales Trends and History





Industrial Automation Business (IAB) | Electronic and Mechanical Components Business (EMC) | Automotive Electronic Components Business (AEC) | Social Systems, Solutions and Service Business (SSB) | Healthcare Business (HCB) | Other Businesses

Reducing the environmental impact of vehicles, improving car safety and convenience	Spread of renewable energy	Manufacturing innovations, advancement	Labor shortage in advanced economies, rising labor costs in emerging economies

FY1988
Mass-produced electronic power steering controllers

30
million units

- Cumulative sales of electronic power steering controllers (as of March 2017)

FY2011
Introduced PV Inverters with AICOT® Technology

7.2
GW

- Cumulative shipments of solar power generation/storage systems (as of March 2017) (Equivalent of seven power plants)

FY2015
Introduced NX Series machine automation controller

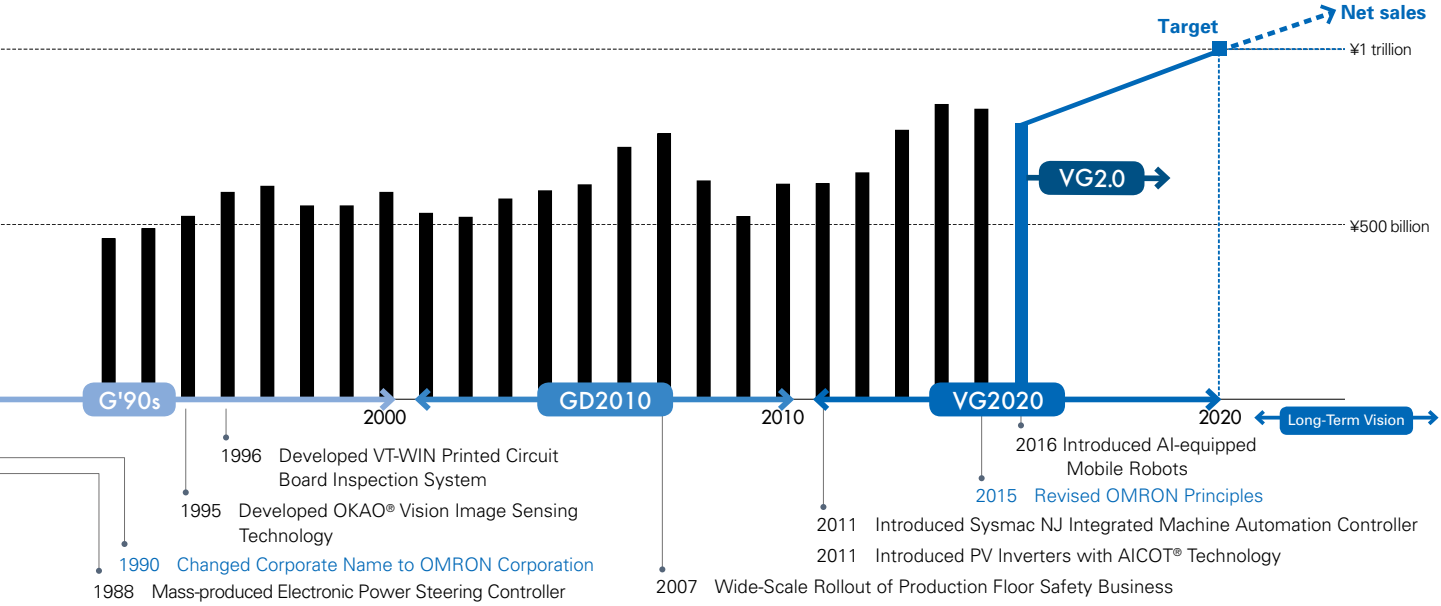
Fastest in the industry
※ Internal survey conducted March 2015

- Fastest processing speed and storage capacity in the industry
- Contributing to the spread of IoT use in next-generation factories

FY2016
Introduced AI-equipped mobile robots

Sold in 33 countries

- High expectations for use on production floors for automobiles, electronic components, food, medical equipment, and more



Value Creation Model

Input

Human Capital

Employees

36,008

(As of March 2017,
plus new hires and mid-career hires)

Social and Relationship Capital

No. of Countries

117

(As of March 2017)

Financial Capital

Ratings

AA- (R&I) / A (S&P)

(As of March 2017)

Social Issues	Focus Domains (P28-47)	Core Technologies (P26-27)	Business Divisions (P77-89)
• Shortage of skilled workers in advanced countries, rising labor costs in emerging economies • Diversification in manufacturing	**Factory Automation** >>> P36	Sensing & Control + THINK	Industrial Automation Business
• Increase in number of patients with brain and cardiovascular diseases caused by hypertension • Respiratory diseases increasing worldwide	**Healthcare** >>> P40		Healthcare Business
• Increase in accidents in advanced countries due to elderly drivers • Increase in traffic accidents, congestion, and environmental burden in emerging economies	**Mobility** >>> P44		Automotive Electronic Components Business Social Systems, Solutions and Service Business
• Global warming due to CO_2 emissions	**Energy Management** >>> P46		Other Businesses (including Environmental Solutions)
			Electronic and Mechanical Components Business, Other

Technology & Intellectual Property HQ

Collaboration

Collaboration

Partners
(customers, companies in other industries, universities, research institutes)

Intellectual Capital

Patents
8,224
(As of March 15, 2017)

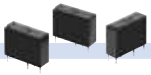
R&D Expenses
¥270 billion
(FY2017 to FY2020 plan)

Manufactured Capital

Capital Investment
¥160 billion
(FY2017 to FY2020 plan)

Intellectual Capital, Manufactured Capital, Social and Relationship Capital

Growth Investment*
¥100–¥200 billion
(FY2017 to FY2020 plan)
*M&A + Alliances

Output (Main Products)	Customers	KPIs / Social Value
Factory Automation Equipment 	Manufacturers (Auto, Digital, Food, Other)	Contribute to economic growth through social productivity improvement
Medical Equipment 	Electronics Retailers, Pharmacies, Other ⇒Users	Contribute to healthy and vibrant lifestyles for people around the world
Automotive Electronic Components  Station and Traffic Equipment Maintenance / Services 	Automakers Railway / Roads	Contribute to safe, secure, pleasant, and clean lifestyles for people around the world
PV Inverters, Other 	Housing Makers, Other	Contribute to sustainable society by promoting the use of renewable energy
Relays, Other 	Home Appliance Makers, Other	

OMRON (FY2020)

Financial Goals

Net Sales
¥1 trillion

Gross Profit Margin
>41%

Operating Income
¥100 billion

ROIC
>10%

ROE
>10%

EPS
>¥300

Non-Financial Goals
P17

Contents

Vision

Overview

About the Cover

We are all charged with the task of ensuring the sustainability of our precious planet. Our cover concept imagines the Earth as a complex puzzle. Each puzzle piece is a solution to a social need. Team OMRON is committed to solving social needs through technological innovation, meeting all challenges with passion and courage.

Editorial Policy

The scope of this report covers the 181 companies of the OMRON Group, consisting of 164 consolidated subsidiaries and 16 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2017).

OMRON Corporation contributes to the creation of a sustainable society by offering solutions to social issues through our business and by engaging in responsible environmental, social and governance (ESG) initiatives.

We voluntarily disclose the details of our business and ESG activities to our stakeholders. This integrated report conforms to the integrated reporting frameworks recommended by the International Integrated Reporting Council and the World Intellectual Capital Initiative. ESG-related disclosures have been written with reference to the G4 Sustainability Reporting Guidelines (core). See our CSR website for a comparative table.
http://www.omron.com/about/sustainability/guide_line/

Strategy

Governance

Financial Information

Caution Concerning Forward-Looking Statements

Statements in this integrated report with respect to OMRON's plans and strategies as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in OMRON's markets, which are primarily Japan, the Americas, Europe, Greater China, and Asia Pacific; demand for and competitive pricing pressure on OMRON's products and services in the marketplace; OMRON's ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

Message from the CEO

OMRON is solving social issues through our businesses, creating innovation through technological evolution. Since our very beginning, our corporate principles have been the cornerstone upon which we continue to build sustainable businesses.

We still aspire to the words of our founder, when he said, "We will contribute to global society through our business." These words have been the underpinnings of our strong management foundation, inspiring us to build bigger and better.

Looking at the world of today, we see familiar social issues that have only become more grave over time. Labor shortages, rising payroll costs, more people suffering from advanced age-induced lifestyle diseases. We have built our reputation upon on successfully solving these issues through our businesses. This is why we see these changes as a major business opportunity. Our initiatives in solving these issues ties neatly together with contributing to the achievement of the Sustainable Development Goals of the United Nations.

Our new medium-term management plan outlines our strategy for sustainable growth. We will be bold in pursuing new technological innovations. And we will use these technologies as drivers of our business to solve social issues. These technologies will drive steady, sustainable growth in our businesses and in our corporate value.

★OMRON Principles (P56-57)

President and CEO
July 2017

EARTH-1 STAGE Review (Fiscal Years 2014-2016)

Basic Strategy Successes and Issues

EARTH-1 STAGE represents the second medium-term management plan under our long-term vision, VG2020. Under this plan, we pursued three basic strategies[*1] under an overall policy of establishing a structure for self-driven growth. Our top priority under this plan was to maximize growth in our IA-related businesses[*2]. The Industrial Automation Business (IAB) is the driving force within the IA-related businesses. Here, our investments beginning with GLOBE STAGE (the first medium-term plan) and new strategies under EARTH-1 STAGE have succeeded in generating steady growth for the segment. Specifically, fiscal 2016 sales for the IAB amounted to ¥331 billion, a 13% increase compared to fiscal 2013. This result even outperformed our EARTH-1 STAGE goal of ¥325 billion. This result was entirely due to new innovations and our focus on four industries[*3] we believe will contribute to future societal development. In our Industrial Automation Business, we have created a strong foundation that will serve to propel growth under our next medium-term management plan.

At the same time, we expected our Backlights Business and Environmental Solutions Business to be two sources of new business opportunities. Sales in these businesses declined due to dramatic changes in the market. The impact of the downturn in these businesses prevented us from achieving the six goals outlined under EARTH-1 STAGE. We intend to roll the successes and issues from our EARTH-1 STAGE basic strategies forward in the strategies of our next medium-term management plan.

*1 Existing Businesses Strategy (Maximization of IA-related businesses), Super-Global Growth Strategy, and New Business Strategy for the Optimization Society
*2 IA-related businesses: Extends to both the Industrial Automation Business and the Electronic and Mechanical Components Business
*3 Four focus industries: Automobiles, digital, food & beverages, and social infrastructure

Profitability Improvement under ROIC Management

I am happy to say that we have made steady advancements in our **ROIC management**. OMRON management is focused on **portfolio management**, continuing our transition to a business structure that generates both growth and profit. As an example, our Industrial Automation Business acquired a robot manufacturer and a motion controller manufacturer in the U.S. during fiscal 2015. On the other hand, we sold off our oil and gas business in the U.S. during fiscal 2016. Our Healthcare Business acquired a Brazilian nebulizer maker during fiscal 2014, further strengthening

Management Indicators (EARTH-1 STAGE)

	FY2016 Targets (Announced April 2014)	Results
Net Sales	Over ¥900 billion	¥794.2 billion
Gross Profit Margin	Over 40%	39.3%
Operating Income Margin	Over 10%	8.5%
ROIC	Approx. 13%	10.3%
ROE	Approx. 13%	10.1%
EPS	Approx. ¥290	¥215.1

the footing of our business. In contrast, we sold our hospital-use medical equipment business in Japan. By seizing the opportunity to add or replace businesses, even in our industrial automation and healthcare growth segments, we are building a stronger foundation for growth and improving our profit structure.

One of our key indicators is gross profit margin. Here, we posted a record-high 39.3% for fiscal 2016. This is the equivalent of a 40.7% gross profit margin if we use the fiscal 2013 foreign exchange rate with which we set our EARTH-1 STAGE goals. Not only does this exceed our EARTH-1 STAGE goal of 40%, it also happens to be among the highest gross profit margins in the Japanese electronics industry.

We believe our advancements in ROIC management is largely responsible for this result. Beyond portfolio management, we can also point to thorough company-wide practice of our **Down-Top ROIC Tree** concept. This concept links ROIC goals down to the very front lines of our business. We are improving our profitability surely and steadily through these types of ongoing internal efforts.

And, we intend to further develop our portfolio management and Down-Top ROIC Tree management, advancing ROIC management for greater earning power at OMRON.

★ROIC Management (P50-51) ★Down-Top ROIC Tree (P50)
★ Portfolio Management (P51)

New Medium-Term Management Plan VG2.0 (Fiscal Years 2017-2020)

Greater Growth Opportunities through Technological Innovation

We have worked hard over many years to create innovations through our unique *Sensing & Control + THINK* core technologies that solve customer issues. More recently, we have taken on the challenge to create products and services with even higher added value as we make advances in IT-compatible factory automation equipment and other areas. Meanwhile, we look outside our environment seeing familiar social issues becoming even more severe. Labor shortages, a rapidly aging population, frequent motor vehicle accidents and congestion, climate change, and so many more. Further, new technologies (Artificial Intelligence (AI), the Internet of Things (IoT)*4 robotics, etc.) have developed with much greater speed than we could have imagined when we started our VG2020 plan. We see these changes as a favorable development for our businesses. Riding the wave of new technological innovation to lead the world in solving social issues is not only in line with the OMRON Principles and our mission (i.e. To improve lives and contribute to a better society), it is also an incredible business opportunity. We intend to seize the opportunities in these global changes, using technology to drive dramatic growth. To this end, we formulated VG2.0, a new four-year medium-term management plan.

*4 Connecting all manner of items to the Internet

Three Basic Strategies

VG2.0 is built on three basic strategies. The first is to redefine our focus domains and maximize the strengths of our businesses. We have defined four businesses that both reflect our strengths and represent potentially large growing markets through which we can solve social issues: **Factory Automation, Healthcare, Mobility, and Energy Management**. Under VG2.0, we will focus mainly on Factory Automation and Healthcare as two sectors in which we can leverage our strengths with the most effectiveness.

The second basic strategy is to evolve our business model. Our plan is to deliver total solutions that solve customer issues. Rather than develop stand-alone products and services, we will provide applications based on new, integrated technologies, incorporating AI, IoT, and more.

The third basic strategy is to reinforce our core technologies. As discussed above, VG2.0 is our strategy to generate innovation based on technology. For example, we will continue to clearly identify and develop cross-organizational core technologies (AI, image processing / recognition, etc.) and other core technologies unique to each particular business.

Open innovation will play a critical role in propelling these three basic strategies forward. We intend to work closely with customers, companies in other industries, universities, research institutes, and others to drive technological innovation.

★Four Focus Domains: Factory Automation, Healthcare, Mobility, and Energy Management (P36-47)

Annualized Growth of 10% in Factory Automation and Healthcare Businesses

By segment, we intend to make a leap forward in growth in our Industrial Automation Business and Healthcare Business.

Through our innovative-Automation Manufacturing concept, the Industrial Automation Business will deliver a stream of products with new value to our customers. OMRON is unique as a manufacturer of entire product lines across all categories of manufacturing controls. We see this as our greatest strength. By capturing detailed interactions among our devices, we make the difficult task of controlling complex, advanced movements a simple matter. For example, equipment adjustments that used to take an experienced engineer more than a month to complete can now be performed in just a few days. We can also automate processes that used to rely heavily on human labor due to the difficulty in automation. In the future, we will be able to use Internet-connected products, now numbering in the hundreds of thousands, and controllers outfitted with AI to capture all data from the manufacturing line. This will allow manufacturers to predict and prevent equipment trouble to a degree never possible before. In April, we announced our acquisition of industrial camera maker, Sentech. Here, we bolstered our already strong and diverse product lines, establishing a competitive advantage through total solutions. Our sales target for fiscal 2020 is ¥480 billion, or 10% annual growth. innovative-Automation will serve as a base for business expansion as we raise the Industrial Automation Business share of total sales from 40% to 50%.

In our Healthcare Business, we plan to promote ***Zero Events***, an initiative to use blood pressure monitors to help eliminate life-threatening seizures. Critical to this initiative will be creating a new mainstay business that combines the world's first wearable blood pressure monitor and a data management service connected to a medical clinic. We also plan to expand and strengthen our sales channels in the emerging economies. We will establish an even stronger competitive advantage beyond the 50% global market share we hold for blood pressure monitor today. Aiming to be the undisputed leader in market share, our Healthcare Business will grow an annual 10% through these initiatives and more, including products offering new concepts in respiratory diseases and pain management.

★ innovative-Automation (P33-34) ★ Zero Events (P42)

Investment Discipline Backed by ROIC Management

Under VG2.0, we have set six new management indicators as targets for revenue and profit growth. Our target for net sales is ¥1 trillion for fiscal 2020. Looking beyond 2020, we plan to make well-analyzed investments critical for future growth. More specifically, we intend to increase M&A investments and R&D expenditures to bolster core technologies, mainly to grow our Industrial Automation Business and Healthcare Business. At the same

time, we will use the Down-Top ROIC Tree approach, as well as portfolio management and other deeply rooted ROIC management principles to generate operating income of ¥100 billion. We will also work to control selling, general and administrative expenses as a ratio of net sales.

Continuing to improve gross profit margin represents another major part of VG2.0, which sets a target of 41% or greater. This gain in profit will be used as a resource for investment and even greater profit gains. As a company focused on investing in our future, an ideal level of ROIC and ROE for our company would be between 10% and 15%. Under VG2.0, we have set targets for both at 10% as the minimum level to see us through an unpredictable and changing business environment.

Management Indicators (VG2.0)

	FY2020 Targets
Net Sales	¥1 trillion
Gross Profit Margin	Over 41%
Operating Income	¥100 billion
ROIC	Over 10%
ROE	Over 10%
EPS	Over ¥300

† 1USD = ¥110
1EUR = ¥118

Sustainable Increase in Shareholder Value through Medium- and Long-Term Corporate Growth

Our profit distribution policy remains unchanged. Our first priority is on investment for future growth. Our second priority is dividends, and our third priority is stock buybacks. As always, we prioritize investment for growth to improve profits, using these profits as resources for sustainable increase in shareholder value. We intend to secure stable dividend distributions, aiming for an annual dividend payout ratio of approximately 30% and DOE of 3%. Over the long term, we will take opportunities to use reserves for stock buybacks as they arise. Over the six years since taking over as CEO (2011 to 2016), OMRON's total shareholder return (TSR) (annualized) has been 15%, greater than the TOPIX average of 12% for the same period. Our total return ratio for the most recent three-year period is 48%. VG2.0 was planed with a keen awareness of capital efficiency and shareholder returns. We will continue to operate our business with our shareholders in mind, as we always have in the past.

TSR (Annualized Rate)

	6 years (since 2011)
OMRON	15%
TOPIX	12%
TOPIX Electric Appliances	10%

Identifying Issues for Sustainability, Setting Non-Financial Goals

To achieve the management targets under VG2.0, we must have an effective **human resources strategy** for developing a new generation of leaders and for attracting a diverse workforce from outside sources. Last year, we began an engagement survey (job satisfaction

Strengthen ROIC Management deeply rooted, and aim for the balance of the profit growth & active investment for the future growth

survey) among all employees worldwide. We will perform this survey annually, incorporating the results into our management and human resources strategy to create a more satisfying work environment for our employees. We must also engage in other initiatives, including reinforcing our supply chain management and socially sustainable manufacturing practices that reduce our carbon footprint. We incorporated these matters into our VG2.0 strategy. We also included other structural matters related to sustainability, such as **governance** and risk management, which will lead to greater trust in our management foundation.

We then identify operational and structural issues important as above and social issues we can solve through our businesses to be addressed as our sustainability issues. We have linked these issues with the Sustainable Development Goals (SDGs) of the United Nations. Each **sustainability issue** has corresponding **non-financial goals**. Rest assured that we will continue to improve our corporate value by creating value for society.

★ Human Resources Strategy (P52-54) ★ Governance (P58-67)
★ Sustainability Issues (P16) ★ Non-Financial Goals (P17)

We see a variety of risks in this era of rapid and dramatic change. In terms of protecting ourselves from political risks or natural disasters, we pursue a course of integrated risk management, practicing the PDCA cycle. To respond to changes in our operating environment, we have developed a number of alternate scenarios for each business segment as part of our plan to react to any dramatic changes. When given the opportunity, however, we take risks to grow strong and deep as a company. We will continue to work hard as a team, providing value to society. I ask for your continued support in our efforts.

VG2.0: New Medium-Term Management Plan

Management Issues

VG2.0 is the final four-year business plan under our *VG2020* long-term management strategy, which we started in 2011. VG2.0 is also our growth strategy in anticipation of the social changes beyond that timeframe. We are looking at the trends, the business environment, and social changes over the next 10 years in light of our SINIC predictive theory[*1] and Sustainable Development Goals[*2]. Here, we set the four focus domains since we expect to see social needs emerging in these domains most. New technologies, including Artificial Intelligence (AI), the Internet of Things (IoT), and robotics are evolving at a rate and scope beyond anything we could have imagined. These technologies dovetail with the evolution of our own core *Sensing & Control + THINK* technologies. We are redesigning our business models as we work to solve social issues through technological innovation.

VG2.0 Overview

VG2.0 is built around three basic strategies. To hasten our progress under these strategies, an open innovation strategy is added, as well as a functional business strategy to support and promote our plan execution.

Pivotal Strategies: Solving Social Issues through our Businesses

Redefine our focus domains and maximize the strengths of our businesses	We have defined focus domains which we believe best leverage our strengths: Factory Automation, Healthcare, Mobility, and Energy Management.
Evolve our business model	Our plan is to deliver total solutions that solve customer issues. Rather than develop stand-alone products and services, we will provide applications based on new, integrated technologies, incorporating AI, IoT, and more.
Reinforce our core technologies	Our aim is to reinforce both cross-organizational core technologies (AI, robotics, etc.) and the core technologies within each business unit.

×

Open Innovation Strategy

Collaborative creations with partners	We intend to work closely with customers, companies in other industries, universities, research institutes, and others to drive technological innovation.

Functional Business Strategy: Functions Supporting VG2.0

Human resource management | Manufacturing | Risk management

Our Future Under VG2.0

Growing Concerns for Social Issues

Labor shortages
Adapting to changes in manufacturing

Aging society
Soaring medical costs

Frequent traffic accidents and congestion
Deteriorating urban environment

Advancing global climate change

Rapid Technological Innovation

AI

IoT

Robotics

2030 Shared Goals among International Society

http://www.un.org/sustainabledevelopment/

OMRON SINIC Predictive Theory

https://www.omron.com/about/principles/sinic/

*1 Predictive theory developed in 1970 by OMRON founder Kazuma Tateishi. SINIC is an abbreviation for Seed-Innovation to Need-Impetus Cyclic Evolution.
*2 Sustainable Development Goals were adopted by the United Nations in 2015.

Creating and Promoting VG2.0 within OMRON

In April 2016, OMRON began strategic planning for VG2.0. The following August, executive officers discussed intensively about the plan at an Executive Council meeting chaired by the CEO. After reviewing our results so far under *EARTH-1 STAGE*, we identified ongoing issues to address in VG2.0. We also forecasted likely changes over the next 10 years, identifying our strengths and weaknesses. Finally, we discussed our objectives and what we hoped to achieve. After discussions in subsequent board of director meetings, each individual business unit and functional division department were tasked to propose specific strategies, which were communicated down to every work location. In this way, the planning process was not a one-sided management affair. Many different departments and employees also participated.

Prior to launching the plan, our CEO and other top managers explained the plan to OMRON employees, sharing strategies company-wide to promote better understanding of and motivation for VG2.0. We will continue to promote the objective and progress through internal communication.

Sustainability Issues and Goals

Our desire is to always be a company that solves social issues, guided in our mission by the **OMRON Principles**. To this end, we incorporated sustainability initiatives into VG2.0, identifying issues and setting goals based on the **Sustainability Policy** set by our board of directors. In reaching our goals for sustainability, we will also grow as a company and raise corporate value by creating value for society.

★OMRON Principles (P57) ★Sustainability Policy (P57)

Identifying Sustainability Issues and Setting Goals

STEP 1

Identify Issues

Analyze global social issues and ESG trends*1 to identify a broad range of environmental, social, and economic issues

*1 Sustainable Development Goals, Global Reporting Initiative, The United Nations Global Compact, ISO 26000, Electronic Industry Citizenship Coalition, Dow Jones Sustainability Index, FTSE4Good, MSCI Global Sustainability Indexes, etc.

STEP 2

Set Priorities and Goals

Work with relevant departments to analyze the materiality of issues through stakeholder and OMRON perspectives*2

*2 Consider the impact of our businesses on the economy, environment and society, the relation with VG2.0, factors for employee motivation and the impact on corporate value

STEP 3

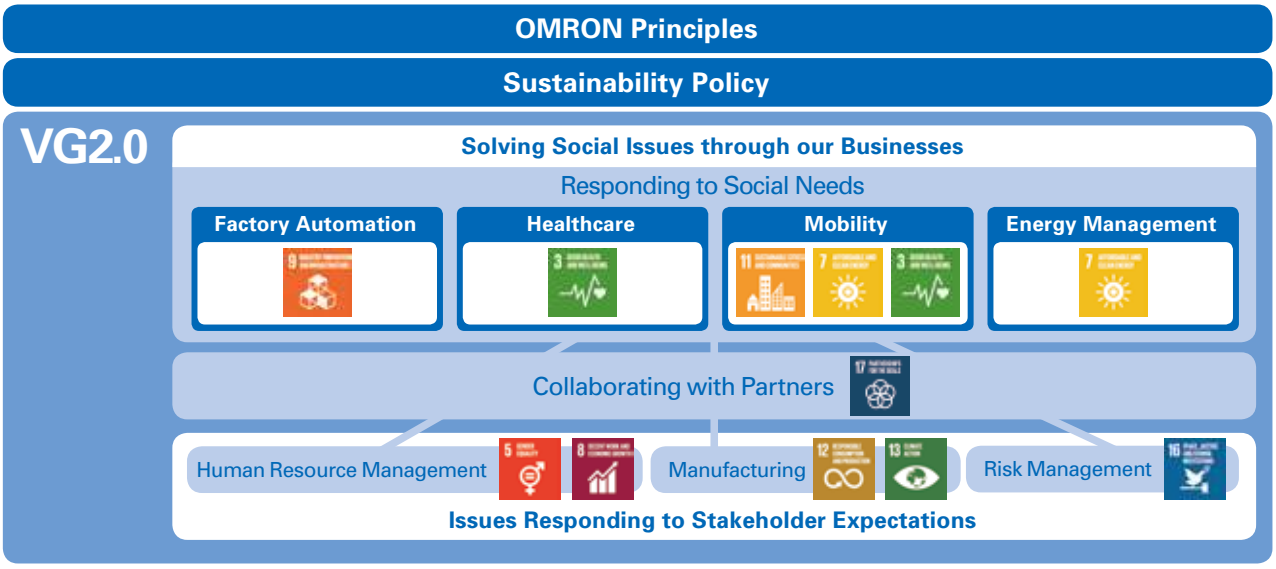
Discussions and Approvals at the Management Level

Discussed at the Executive Council with the CEO acting as a meeting chair
Approved by the board of directors

Sustainability Management

We have defined two main areas of issues to tackle under VG2.0. The first are those social issues we can solve through the four focus business domains redefined . The second are issues that support the execution and respond to the expectations of our stakeholders.

We considered specific initiatives regarding these issues, setting related non-financial targets. We will regularly check the progress of these initiatives and targets, making progress as we engage with our stakeholders. Achievement of our targets will also contribute to progress in Sustainable Development Goals.



Increase Corporate Value by Creating Value for Society

Major Financial Goals (Fiscal 2020)

P3, P12

Net Sales	¥1 trillion	**Operating Income**	¥100 billion

Sustainability Issues and Major Non-Financial Goals (Fiscal 2020)

Response to Social Needs

P36-P47

- Factory Automation
  Manufacturing Innovation
- Healthcare
  Project Zero for brain and cardiovascular diseases, severe asthma
- Mobility
  Reduction of traffic accidents and the environmental burden of vehicles
- Energy Management
  Spread of renewable energy

- New products leading to innovative-Automation in four focus industries
  ~Create Control Technologies for Manufacturing Innovation~
- Blood pressure monitor unit sales: 25 million / year
- Nebulizer + Asthma wheeze monitor unit sales: 7.65 million / year
- Create safe driving support systems and technologies
- Create advanced driving support / 360° driver assistance technologies
- Automobiles with environmentally friendly components: 10 million units / year
- Cumulative output volume for solar power (PV) / storage systems: 11.2GW

Human Resource Management

P52-P55

- Talent Attraction and Development
- Diversity and Inclusion
- Wellness Management
- Occupational Health and Safety
- Respect for Human Rights and Labor Practices

- Evolve and advance TOGA*1 to act in the spirit of the OMRON Principles
- Ratio of non-Japanese in managerial positions overseas: 66%
- Accelerate PDCA cycle via employee engagement surveys
- Ratio of women in managerial roles (OMRON Group in Japan): 8%

Manufacturing

- Product Safety and Quality
- Reduction of Greenhouse Gas Emissions
- Appropriate Management and Reduction of Hazardous Substances
- Supply Chain Management

- Ratio of product safety assessments for newly developed products: 100%
- Environmental contribution > CO_2 emissions of production sites
- Reduction of mercury through the prevalence of electronic digital thermometers and electronic blood pressure monitors: 69 tons / year
- Sustainability self-assessments by important vendors:
  - Implementation ratio: 100%
  - Score of 85 or higher

Risk Management

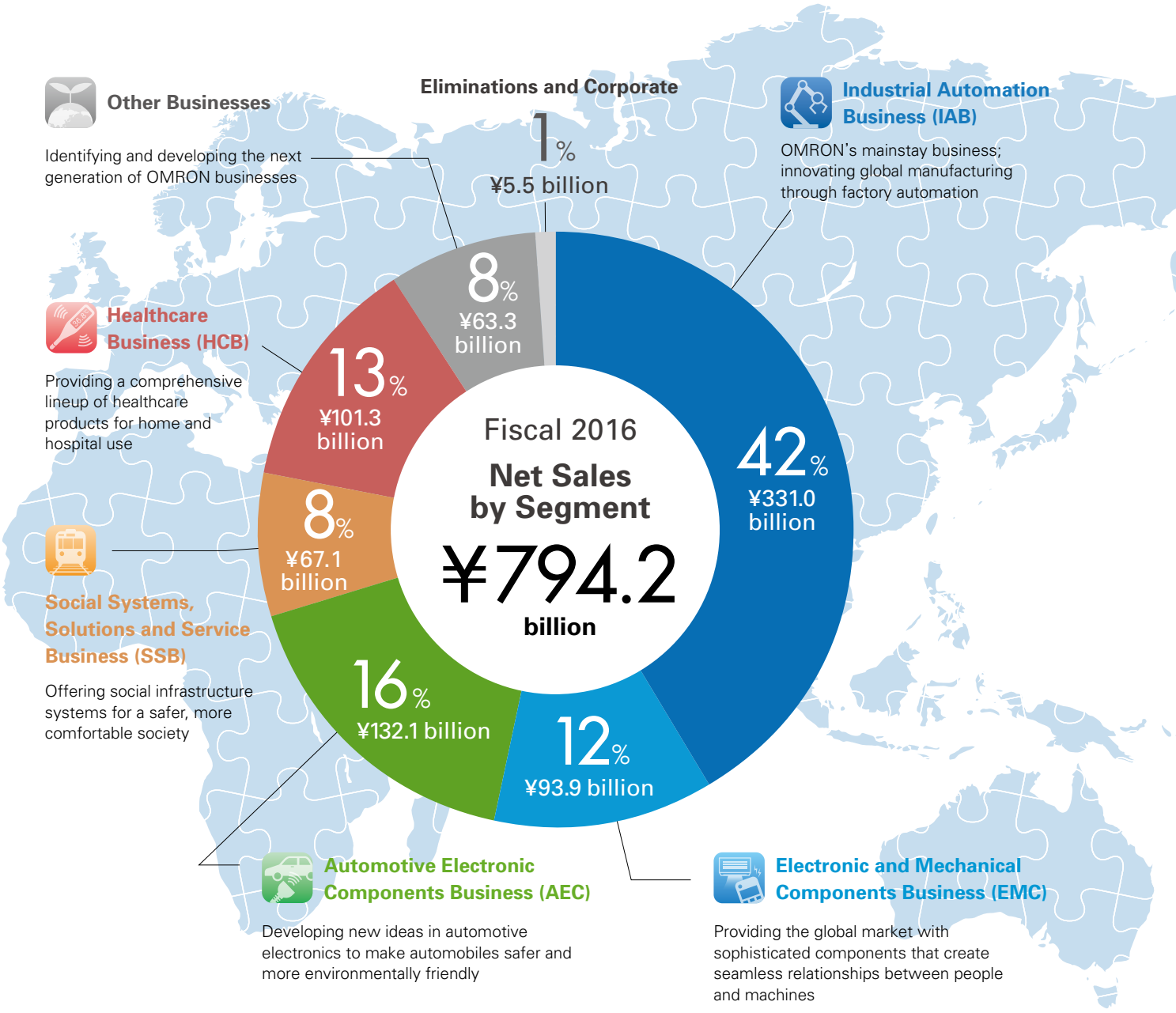
- Fair Business Practices
- Privacy and Data Security

- Continuous evolution in group governance
  - Consistent promotion of OMRON Group Rules*2 at all global bases
  - Global training in ethics rules
  - Build a new information security system

(Note) OMRON updates the progress and showcases regarding non-financial goals on our corporate website.
*1 Abbreviation for The OMRON Global Awards, an internal award system encouraging employees to put the OMRON Principles in action
*2 Internal rules to ensure OMRON management transparency, fairness, and global perspective; serves as a foundation for proper and timely decision-making

Global Business Expansion

OMRON manufactures and sells market-leading sensing and control products in 117 countries around the world. Our products include control equipment, electronic components, automotive electronic components, social infrastructure, and healthcare.



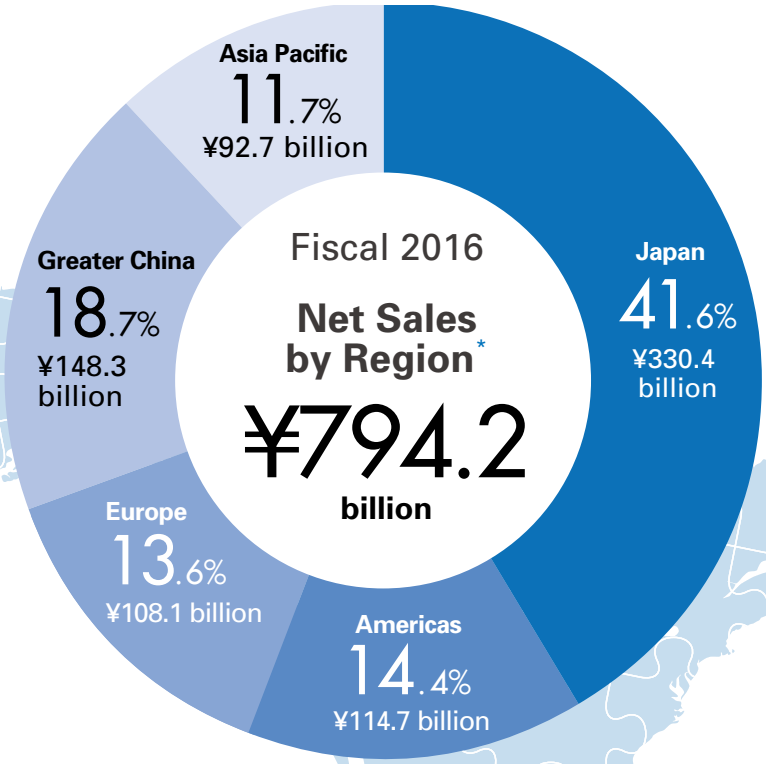
Fiscal 2016 Earnings by Business Segment

(Billions of yen)

Business Segment	Net Sales	Operating Income (Loss)	Operating Income Margin
Industrial Automation Business (IAB)	331.0	52.0	15.7%
Electronic and Mechanical Components Business (EMC)	93.9	9.4	10.0%
Automotive Electronic Components Business (AEC)	132.1	7.1	5.4%
Social Systems, Solutions and Service Business (SSB)	67.1	4.0	6.0%
Healthcare Business (HCB)	101.3	8.5	8.4%
Other Businesses	63.3	(2.1)	–
Eliminations and Corporate	5.5	(11.3)	–
Total	794.2	67.6	8.5%

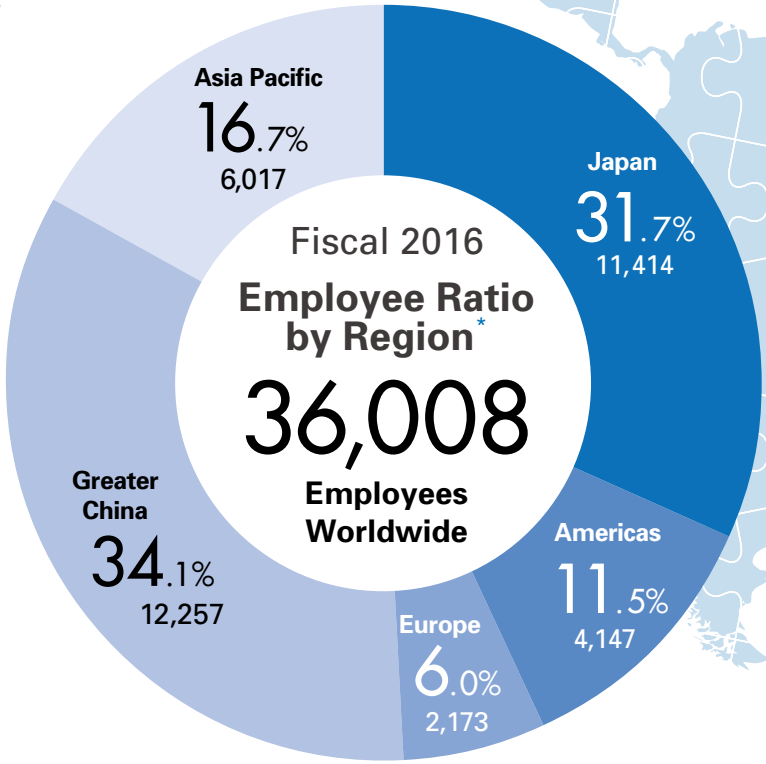
Ratio of overseas sales to net sales

Approx. **58%**



Ratio of overseas employees to total employees

Approx. **68%**



* As of March 31, 2017

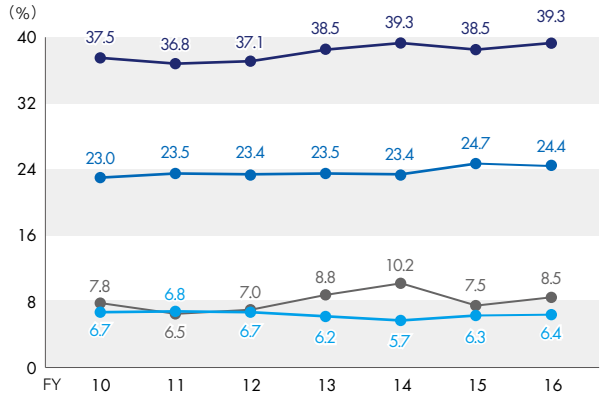
Note: Regional categories are defined as follows:
Americas: North America, Central America, South America
Europe: Europe, Russia, Africa, Middle East
Greater China: China, Taiwan, Hong Kong
Asia Pacific: Southeast Asia, Korea, India, Oceania

Financial Highlights

Gross Profit Margin

- Gross profit margin
- Selling, general and administrative expenses ratio (excluding R&D expenses)
- R&D expenses ratio
- Operating income margin

39.3%



Gross profit margin and operating income margin improved due to a stronger earnings structure, countering an even stronger yen valuation than the prior year. We aim for over 41% gross profit margin and 10% operating income margin by fiscal 2020.

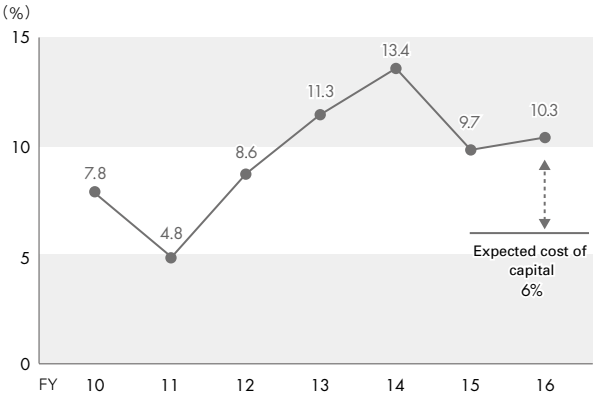
ROIC

- Return on invested capital (ROIC)

$$\text{ROIC} = \frac{\text{Net Income}}{\text{Invested Capital}^{*}\ (\text{Net Assets} + \text{Interest-Bearing Debt})}$$

* Invested capital represents the average of prior year-end result and current year quarterly results

10.3%

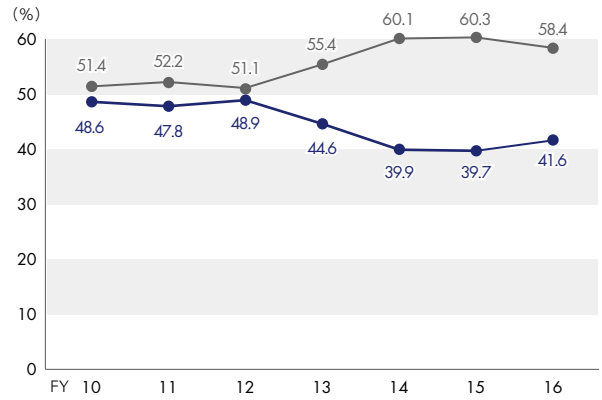


A focus on ROIC management moved results back to double-digit levels. This helped us achieve ROIC in excess of the Company's expected cost of capital at 6% under our EARTH-1 STAGE plan. We plan to continue to reach ROIC levels in excess of 10%.

Ratio of Overseas Sales to Total Net Sales

- Overseas total
- Japan

58.4%

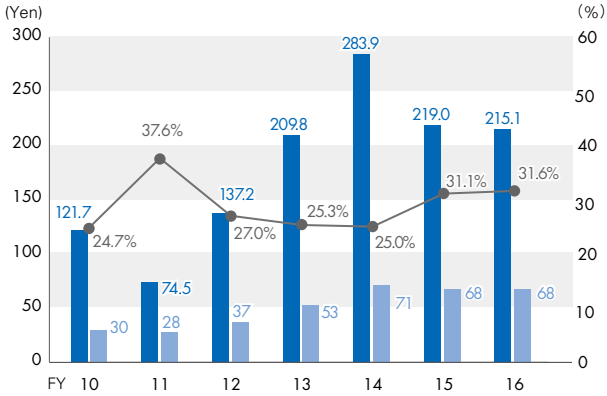


The negative impact of the strong yen led to a slightly lower ratio of overseas sales for the year. However, sales in Southeast Asia and other emerging economies continued to grow. We intend to expand our businesses, particularly among the emerging economies.

EPS

■ Earnings per share
■ Cash dividends per share
● Dividend payout ratio

¥215.1

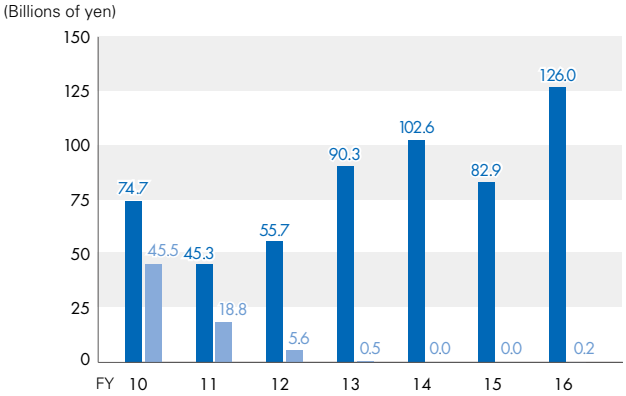


The Company continued to provide a dividend payout ratio in excess of 30% to shareholders. We will continue stable and sustainable shareholder returns.

Cash and Cash Equivalents

■ Cash and cash equivalents
■ Total interest-bearing liabilities

¥126.0 billion

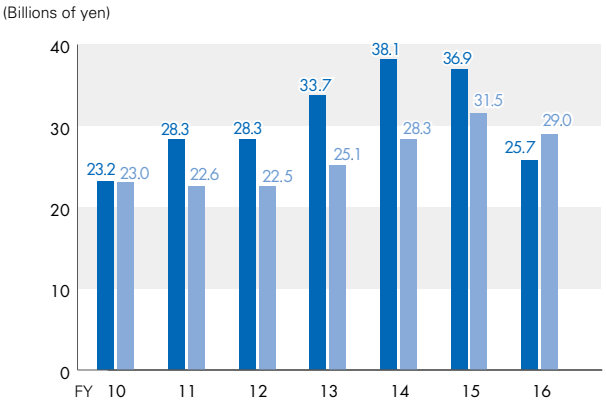


The Company maintained a zero balance in real terms for interest-bearing debt (cash in excess of interest-bearing debt). We may raise capital to invest in future growth as the need arises.

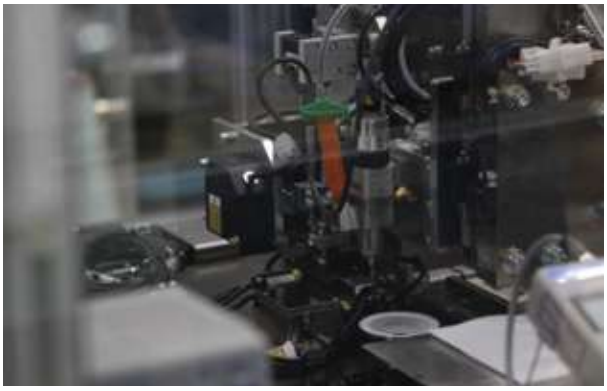
Capital Expenditures

■ Capital expenditures
■ Depreciation and amortization

¥25.7 billion



The Company restrained capital investment temporarily in response to changes in the business environment. Moving forward, we plan to re-engage in active investment, building a strong foundation for growth. We expect to invest ¥160 billion over the next four years in capital investment.



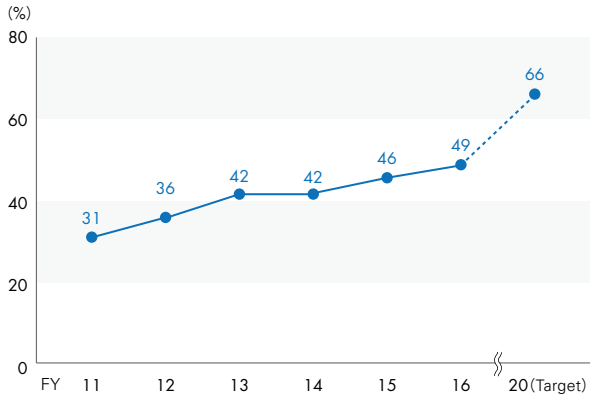
Non-Financial Highlights

OMRON has received **independent assurance** from Deloitte Tohmatsu Sustainability Co., Ltd. related to our stated ratios of non-Japanese in managerial positions overseas[*1], women in managerial roles, and employees with disabilities.

★ Independent Practitioner's Assurance (P100)

Ratio of Non-Japanese in Managerial Positions Overseas

49%



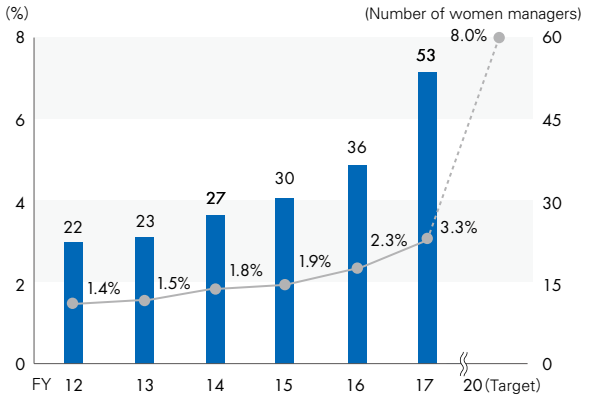
Our human resources strategy is one of the important policies in VG.2.0. We believe that it is best to entrust the management of our overseas business units to local managers. We have endeavored to localize key positions in our overseas operations. Our fiscal 2020 goal is to have local managerial talent fill 66% of key managerial positions, and we are advancing the training and promotion of local management talent.

*1 A position deemed crucial for executing VG2020. The CEO must approve the hiring/transfer of the person assigned this role.

Ratio of Women in Managerial Roles (OMRON Group in Japan)

Ratio of women in managerial roles
No. of women in managerial roles

3.3%



VG.2.0 will be our guide to a more diverse workforce. We recognize the fact that few women play responsible leadership roles in Japan. Our plan calls for raising the ratio of women in management to 8% by the end of fiscal 2020.

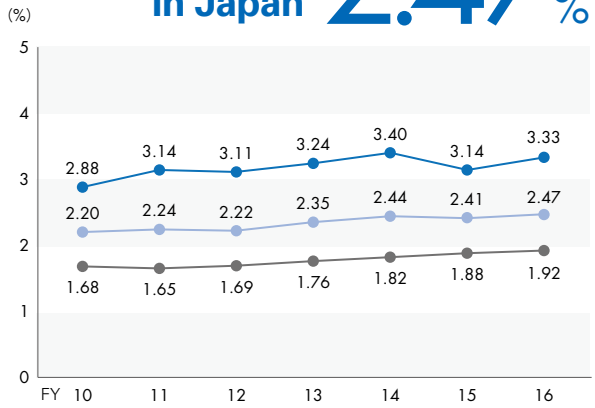
Note: Figures represent results as of April 20.

Ratio of Employees with Disabilities

Employees with disabilities at OMRON Corporation
OMRON Group in Japan
Japanese national average

OMRON Corp. 3.33%

OMRON Group in Japan*2 2.47%



Note: Ratio of employees with disabilities (including special subsidiaries) as of June each year

*2 For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities

Production floor of OMRON Kyoto Taiyo

Since founding OMRON Taiyo Co., Ltd. (special subsidiary of OMRON) in 1972, we have continued to create jobs and expand opportunities for the disabled. Through these activities, we are helping to create a society in which the disabled feel the joy and satisfaction of making a positive contribution through work. We are expanding these initiatives globally.

★ Factory Tour of OMRON Kyoto Taiyo (P48)

OMRON has received **independent assurance** from Bureau Veritas Japan Co., Ltd. related to our environmental contribution[*3] and net sales to CO_2 emissions[*4]. ★ Independent Practitioner's Assurance (P100)

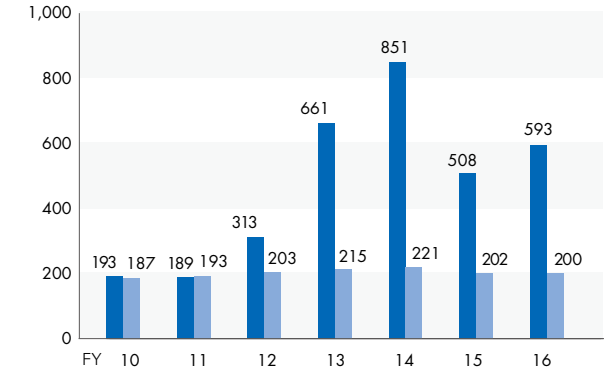
Environmental Contribution

■ Environmental contribution
■ CO_2 emissions of production sites

593 thousand ton-CO_2

Environmental Contribution > CO_2 Emissions of Production Sites[*5]

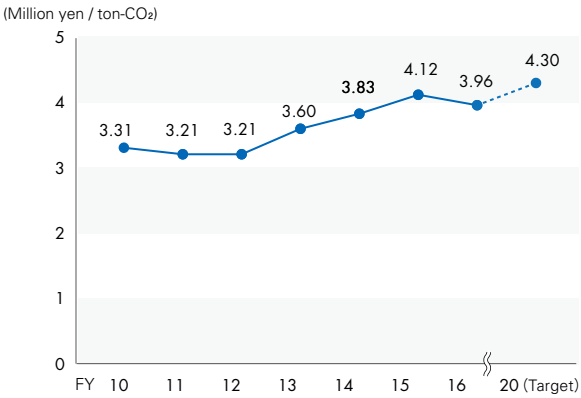
Targets Achieved for Five Consecutive Years



Net Sales to CO_2 Emissions

¥3.96 million / ton-CO_2

20% Improvement vs. 2010



Environment Vision **Green OMRON 2020** is our initiative for creating a sustainable society.
OMRON products and services (including solar power conditioners) reduce environmental impact and contribute to building a low-carbon society. At the same time, we are striving to reduce CO_2 emissions at our production sites by introducing OMRON energy-saving products, which include the Environment ANDON software. For the past five years, our environmental contribution has exceeded the CO_2 emissions from our production sites. Rest assured that we will continue to reduce our environmental load and expand contributions to the environment through our business operations in our own way.

★ Green OMRON 2020 http://www.omron.com/about/sustainability/environ/vision/green_omron2020/

Contributing to the Global Environment through Business Activities

Maximize the Effective Use of All Management Resources
(Improve energy, resource productivity)

Products and Services Useful to Society
(Grow our businesses that have a positive impact on the global environment)

Example of Energy-Generation Product

PV inverters convert the direct current generated from solar power into the alternating current used by households

Example of Energy-Saving Product

- Electricity monitors continuously measure electricity volume (left)
- Environment ANDON (right) is software that provides all-in-one comparison, analysis, and monitoring of measurement data for each equipment

*3 Environmental Contribution = Volume of CO_2 emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services.
Calculation method : http://www.omron.com/about/sustainability/environ/contribution/products/
*4 Net sales to CO_2 emissions = Net sales per one ton of CO_2 emissions
*5 Since fiscal 2016, OMRON has been using the following published figures for the CO_2 emissions coefficient associated with electric power:
Japan: Ministry of the Environment-By Power Company (updated annually); China: National Development and Innovation Committee – By Power Company (updated annually); Other: IEA, by country (2011)
http://www.omron.com/about/sustainability/environ/reduce/co2/
Figures in *4 and *5 have been revised retroactively via updated computational method for the CO_2 emissions coefficient.

11-Year Financial and Non-Financial Highlights

OMRON Corporation and Subsidiaries (As of and for the years ended March 31)

	FY2006	FY2007	FY2008
Operating Results:			
Net sales	¥723,866	¥762,985	¥627,190
Gross profit	278,241	293,342	218,522
Selling, general and administrative expenses (excl. R&D expenses)	164,167	176,569	164,284
R&D expenses	52,028	51,520	48,899
Operating income	62,046	65,253	5,339
EBITDA (Note 1)	95,968	101,596	38,835
Net income (loss) attributable to OMRON shareholders	38,280	42,383	(29,172)
Cash Flows:			
Net cash provided by operating activities	40,539	68,996	31,408
Net cash used in investing activities	(47,075)	(36,681)	(40,628)
Free cash flow (Note 2)	(6,536)	32,315	(9,220)
Net cash provided by (used in) financing activities	(4,697)	(34,481)	21,867
Financial Position:			
Total assets	630,337	617,367	538,280
Cash and cash equivalents	42,995	40,624	46,631
Total interest-bearing liabilities	19,988	18,179	52,970
Total shareholders' equity	382,822	368,502	298,411
Per Share Data:			
Net income (loss) attributable to OMRON shareholders (EPS)	165.0	185.9	(132.2)
Shareholders' equity	1,660.7	1,662.3	1,355.4
Cash dividends (Note 3)	34	42	25
Dividend payout ratio	20.6%	22.6%	–
Financial Indicators:			
Gross profit margin	38.4%	38.4%	34.8%
Operating income margin	8.6%	8.6%	0.9%
EBITDA margin	13.3%	13.3%	6.2%
Return on invested capital (ROIC)	9.9%	10.4%	(7.6%)
Return on equity (ROE)	10.3%	11.3%	(8.7%)
Ratio of shareholders' equity to total assets	60.7%	59.7%	55.4%
Total return ratio (Note 4)	49.7%	74.7%	–
Capital expenditures	44,447	37,072	36,844
Depreciation and amortization	33,922	36,343	33,496
Ratio of overseas sales	47.3%	52.1%	49.7%
Non-Financial Data			
Number of employees	32,456	35,426	32,583
Ratio of overseas employees to total employees	64.9%	65.7%	63.4%
Number of patents held (Note 5)	5,206	5,717	5,205
Environmental contribution (thousand ton-CO_2) (Note 6)			
CO_2 emissions of production sites (thousand ton-CO_2) (Note 7)			

Notes: 1. EBITDA = Operating income + Depreciation and amortization
2. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
3. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.
4. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to OMRON shareholders (does not include repurchases of less than one trading unit)
5. Patent information is as of March 15 each year.
6. P23.

Long-Term Management Strategy

Grand Design 2010 (GD2010)

FY2001 – FY2003

1st Stage Establish a Profit Structure

Concentrate on cost structure reform and restructure the Company as a profit-generating business

Achievements

- ROE of 10%
- Withdrew from unprofitable business, spun off Healthcare Business
- Raised the level of corporate governance to the global standard

FY2004 – FY2007

2nd Stage Balance Growth and Earnings

Reinforce business foundations through aggressive investment in growth areas, including M&A, and cost reduction

Achievements

- Increased earnings per share from ¥110.7 (FY2003) to ¥185.9 (FY2007)

FY2008 – FY2010

3rd Stage Achieve a Growth Structure

Fortify growth businesses (high profitability)

Revival Stage (February 2009 to March 2011)
Revised 3rd-stage targets due to an abrupt change in the business environment, implemented cost reductions, and spun off Automotive Electronic Components Business and Social Systems, Solutions and Service Business

(Millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
	¥524,694	¥617,825	¥619,461	¥650,461	¥772,966	¥847,252	¥833,604	**¥794,201**
	184,342	231,702	227,887	241,507	297,208	332,607	320,812	**311,802**
	133,426	142,365	145,662	152,676	181,225	198,103	205,735	**193,539**
	37,842	41,300	42,089	43,488	47,928	47,913	52,790	**50,697**
	13,074	48,037	40,136	45,343	68,055	86,591	62,287	**67,566**
	40,088	71,021	62,753	67,795	93,144	114,930	93,747	**96,532**
	3,518	26,782	16,389	30,203	46,185	62,170	47,290	**45,987**
	42,759	41,956	31,946	53,058	79,044	77,057	84,207	**77,875**
	(18,584)	(20,210)	(26,486)	(28,471)	(31,125)	(39,517)	(67,116)	**(15,041)**
	24,175	21,746	5,460	24,587	47,919	37,540	17,091	**62,834**
	(20,358)	3,333	(33,492)	(18,550)	(16,298)	(29,303)	(31,550)	**(15,012)**
	532,254	562,790	537,323	573,637	654,704	711,011	683,325	**697,701**
	51,726	74,735	45,257	55,708	90,251	102,622	82,910	**126,026**
	36,612	45,519	18,774	5,570	488	0	0	**156**
	306,327	312,753	320,840	366,962	430,509	489,769	444,718	**469,029**
								(Yen)
	16.0	121.7	74.5	137.2	209.8	283.9	219.0	**215.1**
	1,391.4	1,421.0	1,457.5	1,667.0	1,956.1	2,254.4	2,080.0	**2,193.7**
	17	30	28	37	53	71	68	**68**
	106.4%	24.7%	37.6%	27.0%	25.3%	25.0%	31.1%	**31.6%**
	35.1%	37.5%	36.8%	37.1%	38.5%	39.3%	38.5%	**39.3%**
	2.5%	7.8%	6.5%	7.0%	8.8%	10.2%	7.5%	**8.5%**
	7.6%	11.5%	10.1%	10.4%	12.1%	13.6%	11.2%	**12.2%**
	1.0%	7.8%	4.8%	8.6%	11.3%	13.4%	9.7%	**10.3%**
	1.2%	8.7%	5.2%	8.8%	11.6%	13.5%	10.1%	**10.1%**
	57.6%	55.6%	59.7%	64.0%	65.8%	68.9%	65.1%	**67.2%**
	106.7%	25.2%	37.7%	27.0%	25.3%	49.1%	62.7%	**31.6%**
	19,524	23,192	28,341	28,285	33,653	38,143	36,859	**25,692**
	27,014	22,984	22,617	22,452	25,089	28,339	31,460	**28,966**
	50.7%	51.4%	52.2%	51.1%	55.4%	60.1%	60.3%	**58.4%**
	36,299	35,684	35,992	35,411	36,842	37,572	37,709	**36,008**
	68.1%	67.8%	67.7%	67.4%	69.1%	69.7%	69.3%	**68.3%**
	5,218	5,452	5,959	6,448	6,635	7,194	7,686	**8,224**
		193	189	313	661	851	508	**593**
		187	193	203	215	221	202	**200**

7. P23.

Operating Income
OMRON applies the single step presentation of income under U.S. GAAP (that is, the various levels of income are not presented) in its consolidated statements of income. For comparison with other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

Discontinued Operations
Figures for FY2006 have been restated to account for businesses discontinued in FY2007.

Value Generation 2020 (VG2020)

FY2011 – FY2013

GLOBE STAGE

Establishment of profit and growth structures on a global basis

	Initial Target*1	FY2013 Result
Net sales	¥750.0 billion	¥773.0 billion
Operating income	¥100.0 billion	¥68.1 billion
Gross profit margin	42.0%	38.5%
Operating income margin	13.3%	8.8%
ROE	over 15%	11.6%

*1 Announced July 2011

FY2014 – FY2016

EARTH-1 STAGE

Establish self-driven growth structure

	Initial Target*2	FY2016 Plan
Net sales	over ¥900 billion	¥820 billion
Gross profit margin	over 40%	39.3%
Operating margin	over 10%	7.7%
ROIC	approx. 13%	10%
ROE	approx. 13%	10%
EPS	approx. ¥290	¥222.2

*2 Announced April 2014

FY2017 – FY2020

VG2.0

Achieve self-driven growth by creating innovation originated by technological evolution

FY2020 Targets*3

- Net sales ——— ¥1 trillion
- Gross profit margin - over 41%
- Operating income ——— ¥100 billion
- ROIC ——— over 10%
- ROE ——— over 10%
- EPS ——— over ¥300

*3 Announced April 2017

Sensing & Control + THINK

Evolving Core Technologies

Sensing & Control + THINK are core technologies that run through the heart of our organization. Taking the lead in each era, OMRON has developed unique core technologies that create value.

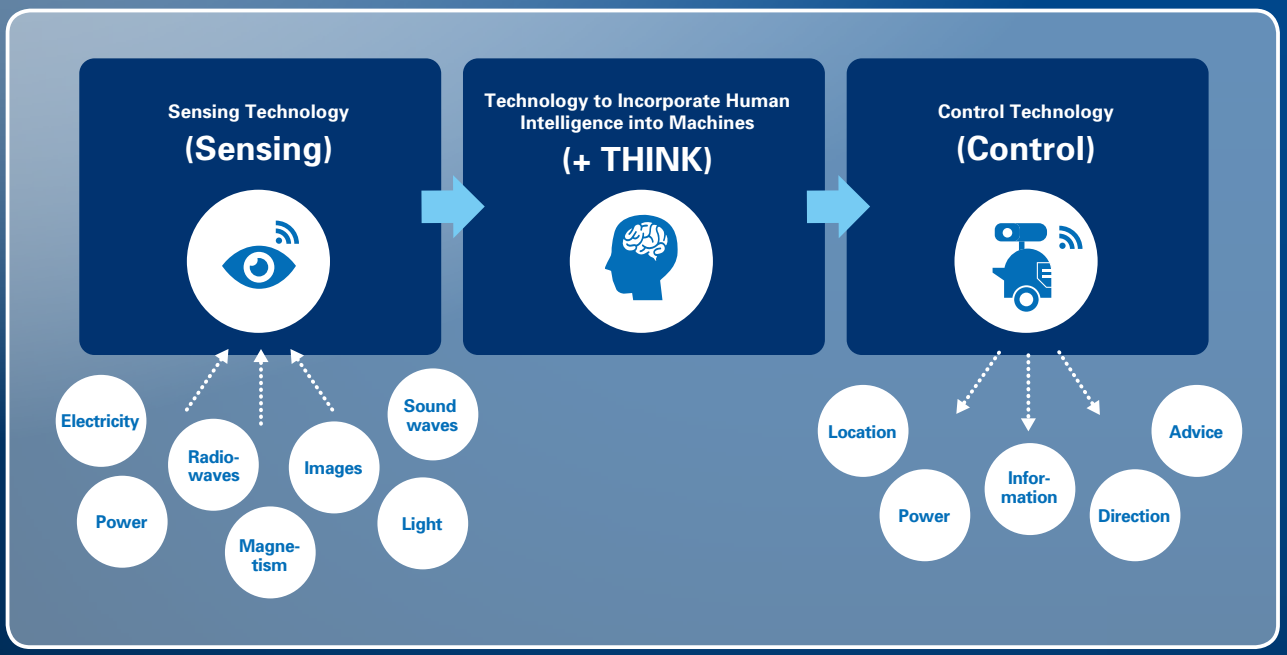
Sensing collects status and other information about people and manufacturing based on observation of the production floor.

Control provides appropriate solutions to the production floor based on the information obtained through Sensing.

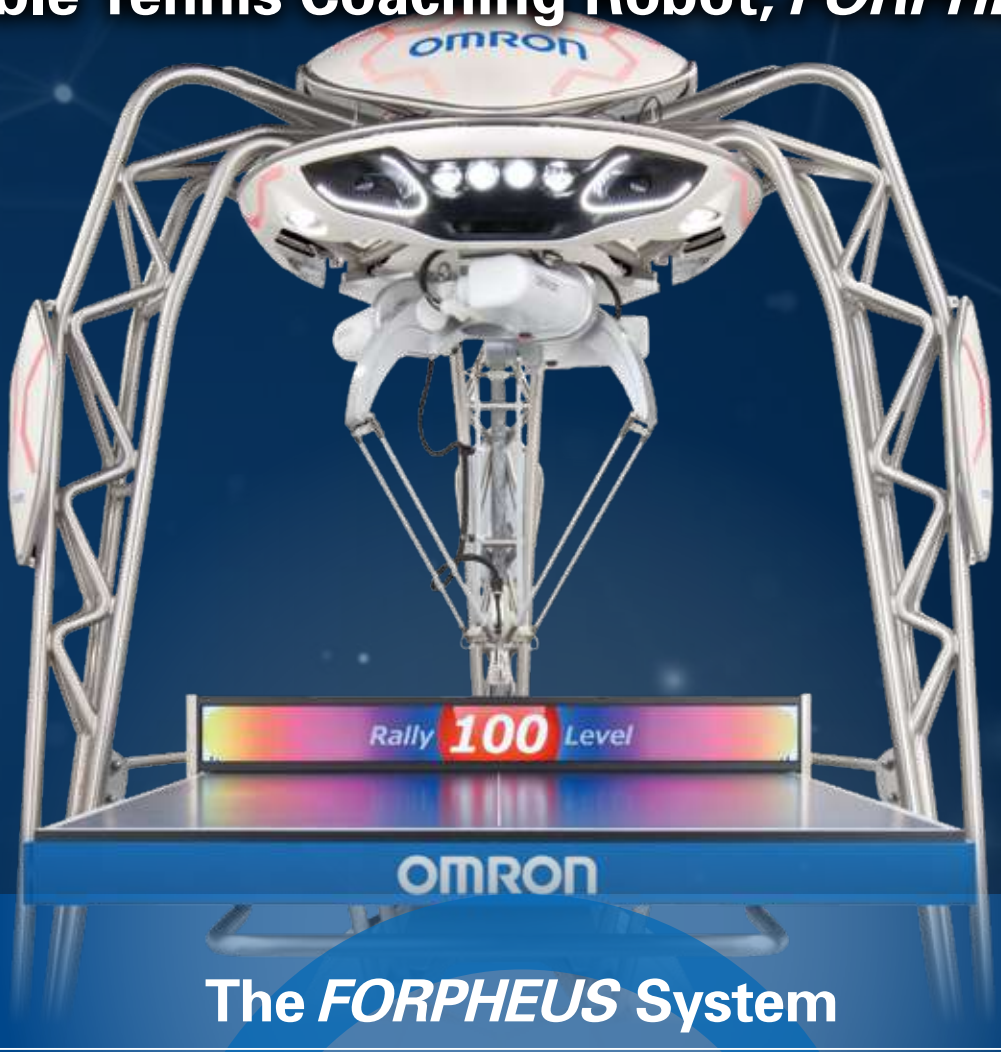
In 2011, OMRON added a new category, ***+ THINK***. This idea expresses the need for human intelligence in Sensing & Control. We believe that the more Artificial Intelligence (AI), the Internet of Things (IoT), and other technical innovations evolve, the more these technologies need to become truly intelligent to be valuable.

OMRON will continue to strengthen and evolve our core technologies to maximize the value of our contributions to society.

What Are *Sensing & Control + THINK*?



Embodiment of *Sensing & Control + THINK*
Table Tennis Coaching Robot, *FORPHEUS*



The *FORPHEUS* System

Sensing

Sees the speed and trajectory of the ball

+ THINK

Assesses the characteristics of the ball hit by the opponent
Predicts the speed and location from where the opponent can most easily return the ball

Control

Controls the position to return the ball

True interaction between human and machine

STARTING VG2.0

A value-generator for people and the Earth that is qualitatively and quantitatively superior


MOBILITY
FACTORY AUTOMATION
Automation machine
ENERGY MANAGEMENT
HEALTHCARE

Special Feature: 1

Driving Manufacturing Innovation

through Technology and innovative-Automation

Yutaka Miyanaga
Executive Vice President
Company President,
Industrial Automation Company

×

Kiichiro Miyata
Director
CTO and Senior General Manager,
Technology & Intellectual Property HQ

The Future of Manufacturing in the Years 2020, 2030, and Far Beyond.

Social Needs and OMRON Ambitions in the Factory Automation Market

Igaki We are seeing an increasing number of challenging issues in the factory automation market, including soaring labor costs and labor shortages. Given these issues, how do you see the factory automation market changing as we head toward the years 2020, 2030, and beyond? What moves will OMRON make to deal with these changes?

Miyanaga Automation on the production floor will accelerate among emerging economies where labor costs are beginning to rise. At the same time, the developed countries are struggling with aging-related labor shortages. As it is getting more difficult to pass down the craftsmanship of skilled workers, we have to find some way to replace this with machinery and equipment. Even more, we are inundated with new innovations in technology, which include Artificial Intelligence (AI), the Internet of Things (IoT), and robotics. Factory automation companies around the world are scrambling to make use of these technologies. In fact, the factory automation market is going through such a dramatic period of growth that we could well call the start of the second age.

Miyata To produce new value in the factory automation market, we must make full use of new technologies such as AI and IoT to make machinery smarter. What is required is a fresh approach. In 2011, OMRON added the idea of + THINK to evolve our core technology concept of Sensing & Control. Why + THINK? Because we believe we can create new value by moving beyond simple programmed actions for machines. We are moving to a stage where we will add human intelligence to machine behavior. The + THINK concept is what will help us bring amazing innovations in factory automation to the production floor. We have been showing our *FORPHEUS* table tennis coaching robot to people throughout the world. This is a tangible example of Sensing & Control + THINK. By incorporating AI technologies, we have made the robot smarter to help the human player become better at table tennis. This is a true representation of the evolution of OMRON technologies. Our dream is to link these core technologies to growth in our business as we solve social issues.

Interviewer

Tsutomu Igaki
Executive Officer
Senior General Manager,
Global Investor Relations &
Corporate Communications HQ

OMRON is an Innovative Manufacturing Technology Partner, Offering our Customers the Greatest Lineup of Products and Application Software in the Industry for Their Needs

Igaki As the factory automation market grows, competition is becoming more intense. How do you assess the unique OMRON initiatives and strengths?

Miyanaga One of our strengths in factory automation is our incredible lineup of automation products. We offer customers a full-automation solution from one source. Over the past few years, we have added to our lineup of products through acquisitions, raising our ability to provide total solutions to solve the business issues of our customers. Beyond sensors, controllers, servo motors, and a wide range of other products, we also offer innovative application software to control robotics and other components tailored to customer needs. This is just one of the areas in which OMRON excels over rivals in the industry. The seamless integration of the largest product lineup in the industry, along with high-speed, high-precision machine control is critical for advanced manufacturing. We believe that there are certain things that only OMRON can do as a comprehensive factory automation equipment manufacturer. We serve many customers as an innovative and highly respected manufacturing partner.

Largest Product Lineup in the Industry

Igaki Nothing makes a factory automation equipment maker happier as when their products and services help customers increase their productivity. What about the technology aspects?

Miyata Obviously, application software is a tremendous strength of ours. We have so many unique solutions to offer, built on our accumulation of expertise and data from the production floor. We will be happy to hear from many more customers telling us they want to use our hardware to take advantage of our application software. Another OMRON strength is our componentization technology, which we incorporate into our final products to answer customer needs. One might think hardware or software when they hear about technological evolution. Componentization technology, however, is extremely challenging to accomplish, and serves as a key differentiation factor. For example, a number of companies have designed algorithms that use AI. Very few, however, have successfully incorporated AI into their products. In 2018, we plan to sell a first-of-its-kind controller that incorporates AI. While it might appear to be a simple matter, shaping a leading-edge technology to a tangible form and delivering maximum performance is no easy task. Our depth of experience in embedding software into small packages has resulted in proprietary expertise allowing us to take advantage of this technology.

Miyanaga Of course, software development alone cannot maximize production equipment capacity for our customers. We continue to work on integrating hardware and software, pursuing the type of value that only we can provide.

A New Concept Bringing Innovation to Manufacturing: innovative-Automation

Igaki Our Industrial Automation Business (IAB) has announced the strategic concept of innovative-Automation. This strategy introduces technological innovation to the production floor for innovative manufacturing. Can you tell us more about specific innovative-Automation initiatives?

Miyanaga innovative-Automation is a concept that lies at the intersection between market needs and the unique OMRON value proposition. This concept represents our deep commitment to bringing innovation to manufacturing. innovative-Automation incorporates three "i"s to produce manufacturing for the future.

The first "i" stands for Integrated. We just discussed the interaction between our deep product lineup and our control application software. This interaction makes it easy to realize of innovative manufacturing, including ultra-high-speed control and ultra-high-precision processing. The second "i" stands for Intelligent. The integration of control and information improves productivity and quality dramatically. The AI-equipped controller accumulates vast amounts of data from the production floor through IoT-compatible sensors. Based on this data, the AI infers the status of the

equipment, predicting product defects and equipment breakdowns.
Our aim for the future is to create production lines with no unplanned stoppages and equipment that produces defect-free products.
The third “i” stands for Interactive, which is the harmony between human and machine. As labor shortages become worse, the need for robotics on the production floor becomes greater.
At OMRON, we are solving these needs by developing robots that work in harmony with humans. In the future, humans, machines, and robots will be aware of each other, resulting in a completely new type of manufacturing in which all elements on the production floor work in concert.

Miyata The OMRON Technology & Intellectual Property Headquarters is busy developing algorithms to speed underlying technologies for innovative-Automation. Developers cannot create good algorithms without understanding how they will be used at the customer site or how they should be modified. innovative-Automation begins with the needs of the customer. Useful algorithms cannot be developed without expertise in manufacturing and technology, nor can they be developed without the ability to uncover customer needs.

innovative-Automation incorporates three “i”s

Concept	**innovative-Automation** Innovations in manufacturing	
Direction of Evolution	Evolution in control	**integrated**
	Intelligence developed through ICT	**intelligent**
	New harmonization between humans and machines	**interactive**

Working with Partners to Create New Value

Igaki Working with partners is one key for OMRON to evolve in the factory automation market. Is the IAB engaged in any specific projects at present?

Miyanaga We believe in the importance of working cooperatively with our customers.
We must do even more to integrate with our customers on their production floors to understand their underlying business issues and create products and services accordingly.
For example, we worked with our customers to develop a product known as the industry’s most environment-resistant series of oil-resistant components. We had many customers who were struggling with malfunctioning sensors and switches, damaged by cutting oil used during the automobile component manufacturing process. These malfunctions raised the risk of unexpected production equipment stoppages. Recent developments in cutting oil have made processing more efficient. As cutting oil becomes more popular, the impact on surrounding control equipment has become more severe. In response, we conducted experiments on customers' production floors, which led to the development of products with outstanding oil-resistance. Such steady efforts not only allow us to understand production floor issues, but they also have the important effect of strengthening

our customer relationships. We are also contributing to solving production equipment issues through total solutions. For example, one Intelligent initiative within innovative-Automation is to work with our customers to validate data useful for productivity improvements. We plan to create new systems with our customers, learning equipment-related issues and determining the type of data needed to solve these issues. Our broad lineup of products allows us to collect data from every process related to production equipment. Using this data to propose all-encompassing improvements to our customers is another tremendous strength of our company. At present, we are engaged in a number of projects with customers, aiming to generate greater productivity improvements. As a comprehensive manufacturer of factory automation equipment familiar with production floor issues, OMRON is working to add value and functionality to every product we make. Even more, we will continue to leverage our total solutions to offer innovations in manufacturing that originate with our customers' needs.

Igaki Mr. Miyanaga has discussed working together with partners on the factory automation production floor. What about ongoing initiatives at the Technology & Intellectual Property Headquarters?

Miyata By working together with partners, we not only create solutions together, but we also have an opportunity to expand our own perception to build new concepts.

The Technology & Intellectual Property Headquarters coordinates with a wide range of universities, research labs, and other groups to advance open innovation across a variety of fields. The RIKEN BSI-OMRON Collaboration Center established on June 1, 2017 is one example. This is a joint project with RIKEN, Japan located within the RIKEN Brain Science Institute. The center investigates the relationships among brain activity, the human body, and human psychology, aiming to create next-generation technologies through the integration of neuroscience and AI. We expect our engagement in this new field of neuroscience will lead to solutions for social issues through our factory automation business, as well as a wide range of businesses throughout our company. OMRON will continue to create new value, accelerating open innovation initiatives, incorporating knowledge from all sources, and encouraging the use of OMRON technologies in a wide range of applications outside our company.

Igaki You two assured that OMRON will be moving even faster toward medium- and long-term growth. Thank you.

Factory Automation

The Factory Automation (FA) domain covers manufacturing of the automobiles and home appliances that enrich people's lives over the world. The Industrial Automation Business (IAB) is the main segment that drives business in this domain.
OMRON provides innovation in manufacturing by putting together a unique and extensive product line to provide breakthrough solutions beyond the capabilities of our competitors. Moving forward, our focus will be on four areas that promise particularly high levels of growth: automobiles, digital, food and beverages, and social infrastructure. We will accelerate our strategic concept of innovative-Automation to implement rapid growth.

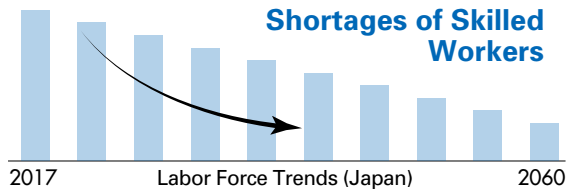
Social Issues

Labor shortages and diversification in manufacturing

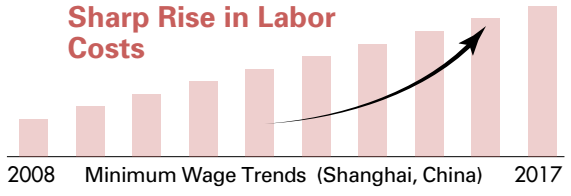
The world of manufacturing is entering a period of transition in terms of technical innovation, serious labor shortages, and other challenges.

The world is facing major societal issues: The advanced countries are already dealing with shortages of skilled workers due to advanced aging. In fact, the Japanese labor force is expected to shrink by more than 30 million workers over the next 40 years. At the same time, the emerging economies are dealing with soaring wage increases. Given these changes, initiatives are under way to disperse manufacturing locations, alter production methods, and increase the sophistication of manufacturing technologies.

OMRON is deeply engaged in addressing these societal challenges by providing automation to introduce the new future of manufacturing.



(Source) National Institute of Population and Social Security Research
"Population Projections for Japan (January 2012)"
Results based on medium-fertility and medium-mortality projection



(Source) Publications of the Shanghai Municipal Resources and Social Security Bureau

Value Provided

Contributing to economic development through social productivity improvements

OMRON introduces innovation in manufacturing that contribute to the improvement of customer productivity. By extension, this leads to productivity improvements in society. To achieve these goals, OMRON is deeply committed to leading-edge technologies in AI, IoT, and robotics.

We are currently developing an industry-first AI-equipped controller. This controller can learn on its own based on accumulated field data, predicting product defects and facility malfunctions. Sensors monitor the operational status of each piece of equipment on production lines continuously. The AI-equipped controller analyzes this information to prevent unexpected

problems before they arise. We have already conducted a series of tests to validate this technology, both at our customers' factories and our own facilities. Our plans call for commercializing the technology and providing support services starting in 2018. We are also moving forward with the critical work of making our lineup of nearly 100,000 products IoT-capable.

As the front runner in the factory automation industry, we will continue contributing to the enrichment of people's lives around the world by providing the kind of unique value that is beyond the reach of our competitors.

Goals for Fiscal 2020

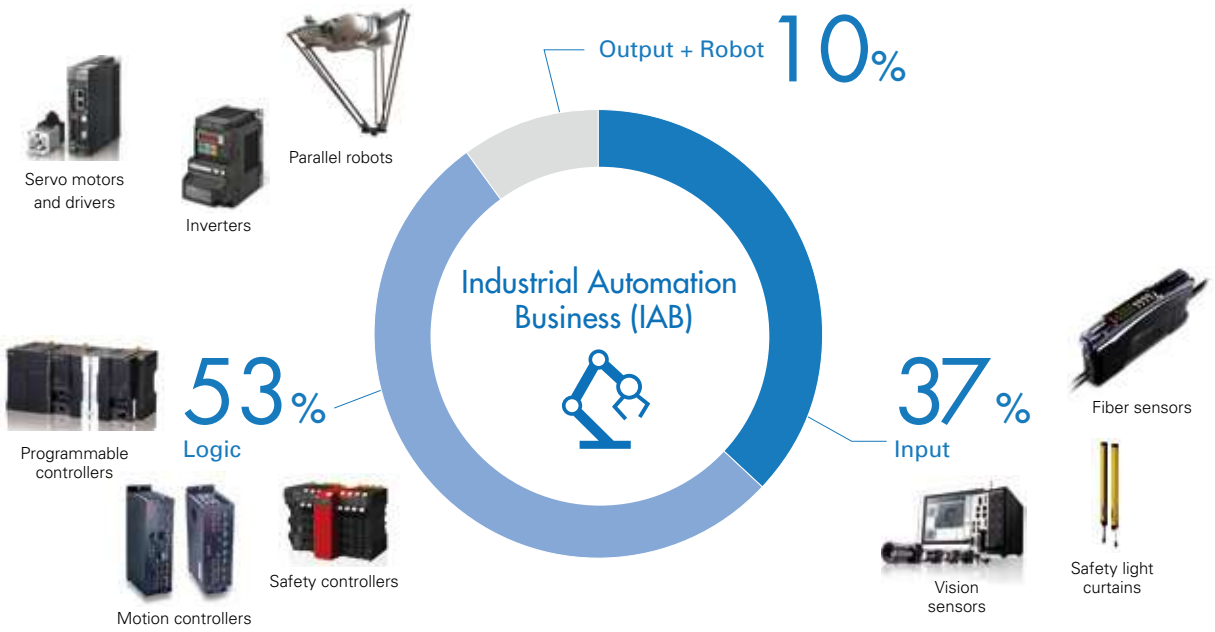
Net sales for main business in domain:
Industrial Automation Business (IAB) ¥480 billion

Sustainability Goal:
New innovative-Automation products across four focus industries
~ "Control" technology for manufacturing innovation~

Relevant Sustainable Development Goal

Industry, innovation and infrastructure

Fiscal 2016 Sales by Product



Automation Centers

Automation Centers are technology development facilities evaluation and verification equipment and devices. Centers also contain training rooms for skills development. OMRON currently has eight of these facilities worldwide. Our Automation Centers are sources of leading-edge technologies for solving advanced manufacturing issues. We share information about the latest technologies, expertise, and standards among Automation Centers, allowing OMRON to provide the most advanced solutions to our customers. In practice, OMRON sales departments and engineers work closely to provide solutions to global customers.

(Japanese base in Kusatsu, Shiga Prefecture)

Locations of Automation Centers

Case Study: Manufacturing Innovation in China

OMRON worked with China's leading food packaging equipment manufacturer, introducing the latest in leading-edge technologies. We delivered industry-leading productivity advancements successfully under a very short deadline.

Working with our customer, we identified 25 technical issues. The most daunting challenge was how to cut packaging film in a fixed position. In theory, the equipment was running correctly, but not as precise as the client expected. After considerable trial and error, we were able to quantify characteristic behavior in the equipment. Using this information, we modified the controller programming to meet the needs of the client. By working closely with people on-site, we resolved each and every issue. In only six months, we achieved "the impossible," introducing a five-fold gain in productivity.

We see more and more examples of this kind of success in China and throughout the world. In real ways, OMRON is driving business growth.

Hannover Messe

Hannover Messe International (HMI) 2017 attracted 225,000 visitors in April this year. This is the global flagship event for Industry 4.0 and one of the largest fairs worldwide for industrial automation. Today, HMI is in the spotlight for attracting decision makers from the industrial automation world. Over 6,000 exhibitors provided insights into the benefits of Industry 4.0 and the role of humans in the integrated factory of the future. The OMRON booth featuring our AI and robotics technologies was very popular. Many event-goers had the opportunity to experience the manufacturing of the future that we aim to create.

Message from the Project Leader

HMI 2017 provided a unique opportunity to showcase to the market and to media our capability to realize Industry 4.0 by means of innovative-Automation. We demonstrated an evolution in integrated control (integrated), showing a single controller used to execute simple control over complex operations. Under the heading intelligence developed through ICT(intelligent), we demonstrated how rapidly collected plant data is used for preventive maintenance to anticipate equipment breakdowns and malfunctions. We also proved our capabilities related to new harmonization between humans and machines (interactive). Here, we demonstrated fixed and mobile robotic solutions featuring OKAO™ Vision technology combined with industrial monitors. *FORPHEUS*, our robotic table tennis coaching robot, impressed visitors with a concrete example of our core proposition: Merging Sensing & Control technologies with the thinking power of AI.

During the event international staff at the booth helped us to provide information to (potential) customers and journalists from several countries, underlining our capability to operate seamlessly across borders. I believe that through conversations with visitors–many of whom are potential customers–we were able to demonstrate the strength of the global OMRON support system. Our staff were proud to show manufacturers and machine makers how innovative-Automation is a reality today, capable of innovating the future of manufacturing through the most advanced automation solutions on the market.

Matteo Recalcati

Marketing Communication Manager
OMRON Europe B.V.

Healthcare

The Healthcare domain is in the market for home-use and hospital-use medical devices essential for leading healthy and active lives. The Healthcare Business (HCB) is the main business in this domain. We have been building a worldwide culture for measuring blood pressure at home by promoting home-use digital blood pressure monitors.
OMRON has encouraged the use of nebulizers to treat asthma patients, and our low-frequency therapy equipment help people ease their neck and back pain. These three main product categories will continue to drive growth in our Healthcare Business in the future.

Social Issues

Increasing frequency of brain and cardiovascular diseases caused by hypertension
Worldwide increase in respiratory disease

Healthcare costs are rising sharply around the world due to aging populations among developed countries and the increasing lifestyle diseases among emerging economies.

Nearly 1 billion people around the world have hypertension*1. Each year, the number of patients with brain and cardiovascular diseases due to hypertension increases. While a patient suffering from serious medical events such as stroke or heart attack may be saved, their quality of life may be impacted adversely, becoming bedridden or having impaired speech. These outcomes affect not just the patient; they can be significant burdens to their families who must care for them. In emerging economies, air pollution and disruptions in traditional lifestyles have become serious challenges. These countries are seeing increases in the numbers of asthma sufferers. Today, nearly 400 million people have some type of respiratory disease worldwide*2.

Through innovative products and services, OMRON helps preserve the quality of life for patients and families impacted by these diseases, while we work to extend healthy life expectancies.

Cardiovascular Diseases

Worldwide costs for treating cardiovascular diseases ¥120 trillion*3

Respiratory Diseases

Costs for treating respiratory diseases in Japan/US/EU ¥19 trillion*4

*1 Source: World Health Organization
*2 Source: International Respiratory Society
*3 Estimates based on World Bank and OECD data
*4 Estimates based on Ministry of Health and Labor public data, European Respiratory Society data, and Creative Biotech Inc.

Value Provided

Contributing to healthy and active lives for individuals worldwide

OMRON contributes to the healthy lives of people worldwide by predicting risk and preventing disease. More specifically, we are working as quickly as possible to reduce the incidence of brain and cardiovascular diseases and asthma to *Zero Events* (complete elimination).

The aim of *Zero Events* is to improve the diagnosis, treatment, and support of disease prevention through the collection and analysis of

blood pressure and other vital data.

While we promote the use of nebulizers to eliminate severe asthma, we are also working on new technologies to anticipate asthma attacks for early detection and treatment.

We will keep striving toward a future of sustainable good health for the people of the world.

Goals for Fiscal 2020

Net sales for main business in domain:
Healthcare Business (HCB) ¥150 billion

Sustainability Goals:

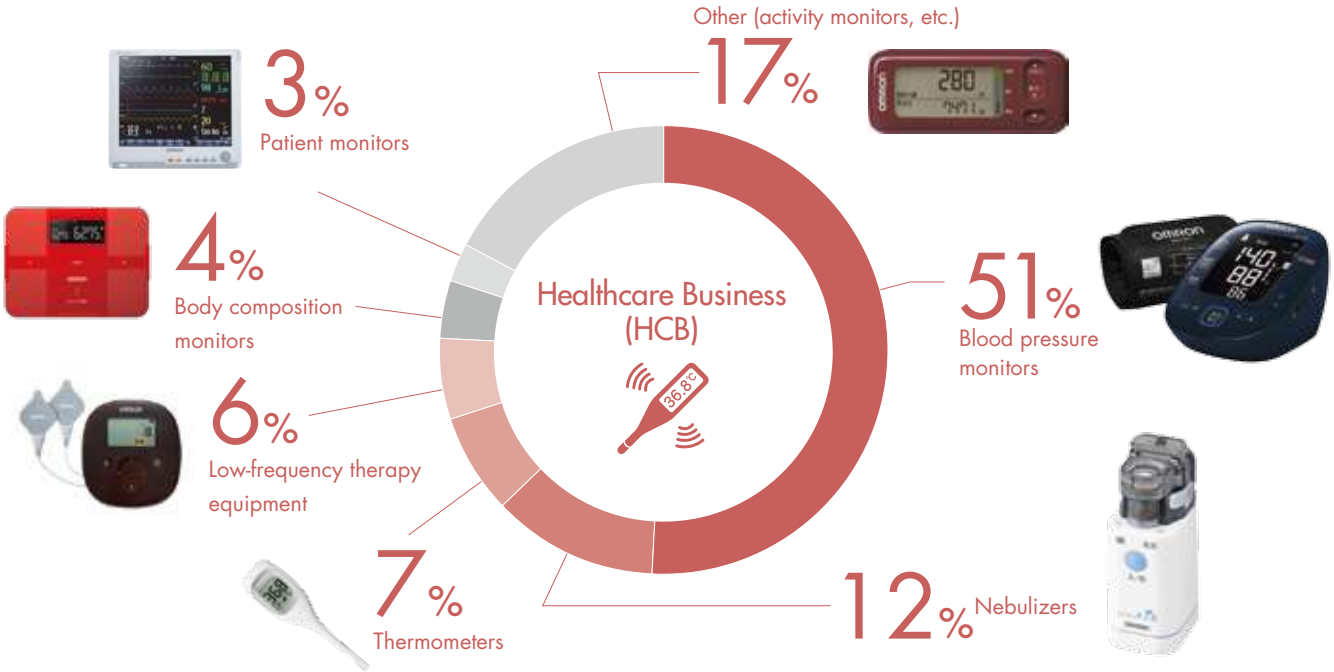
Blood pressure monitor sales 25 million units / year

Nebulizer + Asthma wheeze monitor sales 7.65 million units / year

Relevant Sustainable Development Goal

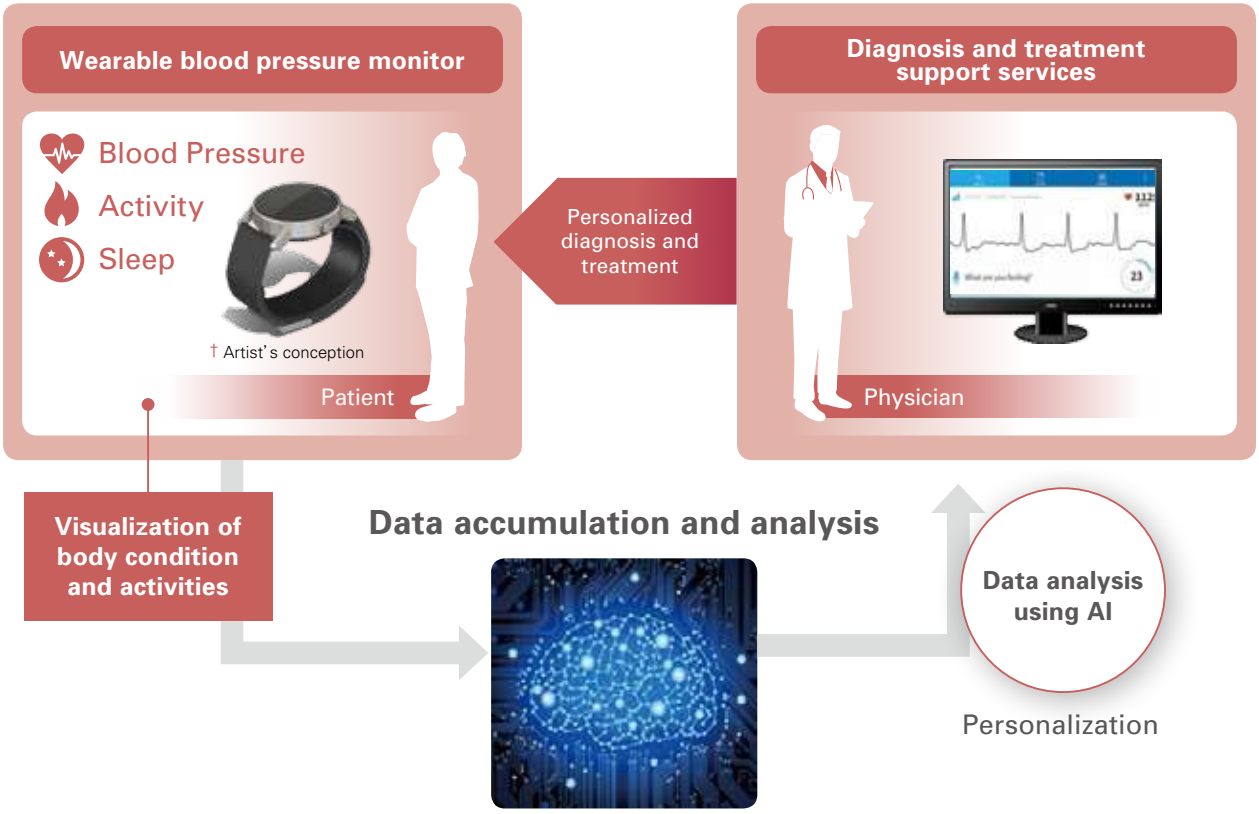
Good Health and Well-being

Fiscal 2016 Sales by Product



Toward Zero Victims of Brain and Cardiovascular Diseases

OMRON is developing wearable blood pressure monitors that can be worn at all times like a wristwatch. By increasing the frequency to monitor blood pressure, users can assess the nature and degree of blood pressure fluctuation in ways not possible when readings are taken only in the morning and evening. Users can track vital data (including activity and sleep tracking) in addition to blood pressure readings taken in the home and at work. The goal here is to provide services to physicians to support the diagnosis, prevention, and treatment of disease by analyzing this data using AI technologies.



In March 2017, OMRON announced a capital and business partnership with AliveCor Inc. of the U.S. to provide services supporting the diagnosis and treatment of atrial fibrillation*1. AliveCor has service platforms supporting the diagnosis and treatment of atrial fibrillation using mobile, wearable, and remote electrocardiograph (ECG) monitoring devices. This technology is expected to provide more precision in assessing risks of brain and cardiovascular diseases by integrating and analyzing blood pressure and related ECG data. We will work together with AliveCor to develop devices and service platforms that combine our respective strengths.

*1 Atrial fibrillation (AF): Condition in which extraneous electrical signals other than those needed to stimulate the normal contraction of the heart are transmitted, disturbing the normal functioning of the atrium of the heart.

Achieving Zero Incidents of Severe Asthma

The number of people suffering from asthma around the world continues to rise. At the same time, many people are unaware of nebulizer therapy, especially among the emerging economies. OMRON is working with medical institutions and drug companies to increase the number of hospitals equipped with nebulizer treatment rooms and pharmacies that carry these devices. We are contributing to early treatment and the prevention of severe asthma by making more patients aware of treating asthma correctly through treatment devices.

Asthma Wheeze Monitors

Research suggests that 80% of asthma patients suffer their first attack before the age of five. However, families are not readily equipped to assess their child's symptoms. Delays prevent the child from receiving proper treatment in the early stages, resulting in a more severe case of asthma. Severe asthma can be prevented by providing patients with medication before they suffer a major attack.

OMRON is now developing monitors that can measure, record, and manage the type of wheezing that signals an impending asthmatic attack. Through collaborative research with medical institutions, we are building algorithms into our devices that can tell the difference between different types of wheezing. These monitors will allow families to prevent asthmatic attacks at home. At the same time, asthma patients will have better access to appropriate treatment as doctors will be able to diagnose symptoms more accurately.

Through greater use of nebulizers and asthma wheeze monitors, OMRON aspires to prevent severe juvenile asthma, reaching the ultimate goal of eliminating severe asthma altogether.

Asthma Wheeze Monitor (Prototype)

Mobility

The goal of the Mobility domain is to achieve urban transportation (cars, trains, etc.) that is safe, stress-free, and comfortable. The businesses in this domain are the Automotive Electronic Components Business (AEC) and the Social Systems, Solutions, and Service Business (SSB).
We pursue safety, convenience, and free traffic flow for automobiles and road traffic/social infrastructure systems through our automobile components, traffic and road management systems, and railway station management systems. OMRON will strive to provide the world with products and systems for a mobility society in which people around the world can live in a safe, secure, comfortable, and clean environment.

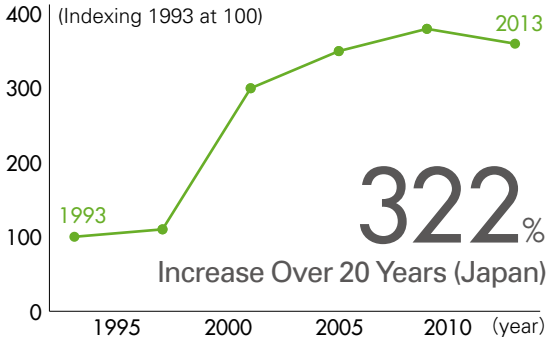
Social Issues

Increase in accidents involving senior citizens among advanced countries; more accidents, congestion, and environmental burden in emerging economies

Cars have made our lives more convenient. At the same time, however, we seem to find more and greater issues in mobility society every year. For example, advanced countries are experiencing an increase in the number of accidents caused by senior drivers (mistaking the accelerator for the brake; wrong-way driving on freeways, etc.) And it's not just senior drivers; as many as 80% of automobile accidents are caused by human error. Clearly, something must be done. As emerging economies rapidly become motorized, accidents and congestion multiply. Automobile emissions place a heavier burden on the environment.

To solve these problems, auto makers and others are working on automated driving and eco cars. These companies are engaged in improving road traffic and social infrastructure to realize the goal of a safer, more eco-friendly society. At OMRON, we are solving these problems through technology and innovations based on our years of experience in developing automotive components and traffic and road management systems.

Number of Accidents Involving Senior Citizen Drivers



(Source) National Police Agency (Police White Paper)

Value Provided

Safe and secure urban development

To solve the problems of mobility society, we must deal with cars, people, and traffic.

In 2016, we developed the world's first on-board sensor featuring driver sensing technology, which senses a driver's condition in real time. This technology prevents accidents caused by drivers who are not in a condition to continue driving. Developments here promise to assist safe driving, eventually leading to automated driving.

One of our strengths is in technologies and products that provide optimal control of the flow of cars, traffic, and people. For example, our traffic and road management systems incorporate traffic sensing and automotive sensors that sense people and cars. This sensing and control coordinates traffic and roads, resulting in a safer, more comfortable mobility society. We can help alleviate traffic congestion by sensing car behavior and optimizing road and traffic control according to the conditions detected.

OMRON is also deeply engaged in developing automotive electronic products to reducing CO2 emissions and environmental load. These products help us fulfill our goal of creating a sustainable, eco-friendly society.

We aim to assist in the advancement of mobility society and preserve the global environment at the same time through our products and services.

Goals for Fiscal 2020

Net sales for main businesses in domain:

Automotive Electronic Components Business (AEC) ¥150 billion

Social Systems, Solutions and Service Business (SSB) ¥80 billion

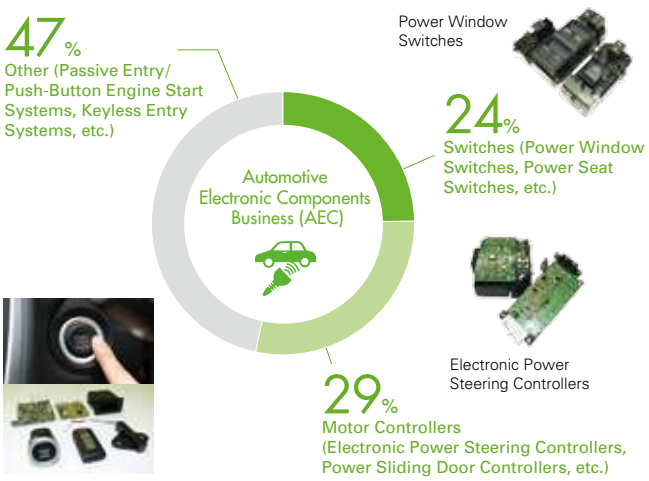
Sustainability Goals:

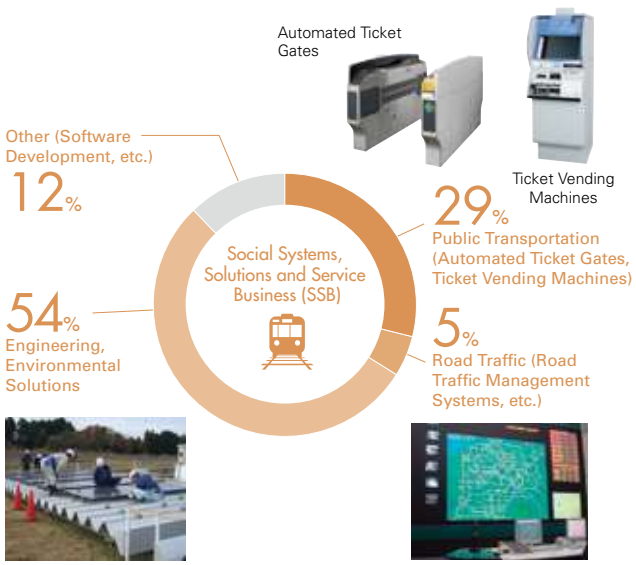
- Creation of driving safety support systems/technologies (SSB)
- Creation of 360-degree around-the-vehicle recognition technology for advanced driver assistance/automated driving (AEC)
- Number of vehicles equipped with eco-friendly products: 10 million (AEC)

Relevant Sustainable Development Goals

- Sustainable Cities and Communities
- Affordable and Clean Energy
- Good Health and Well-Being

Fiscal 2016 Sales by Product





Energy Management

The Energy Management domain addresses a market that aims to create a world in which people can live comfortably through increased use of renewable energy in response to climate change caused by rising levels of CO_2 emissions. The business segment in this domain is Environmental Solutions Business under the Other Businesses.
At OMRON, we contribute to a cleaner global environment by providing PV inverters for solar energy systems that create renewable energy. We also provide electricity storage systems that make effective use of energy.

Social Issues

Acceleration of global warming due to increasing CO_2 levels

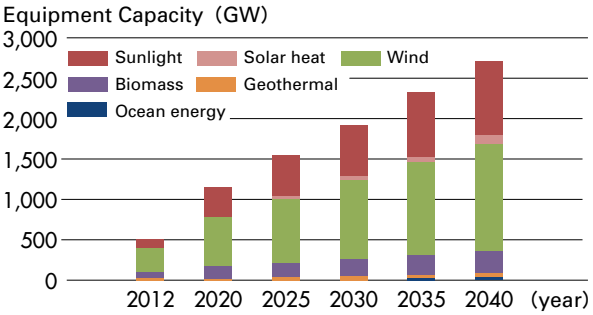
Global warming is a global environmental issue caused by increasing emissions of greenhouse gases such as CO_2. Scientists predict an increase in unusual weather patterns and a rise in sea level as our atmosphere heats up. These changes will bring environmental destruction and economic losses on a global scale. While ever-increasing industrial activity may enrich people's lives, it is also damaging the global environment.

In response to these issues, Japan submitted a draft resolution to the United Nations in 2015. This resolution targets a 26% reduction in greenhouse gases by 2030 compared to 2013 levels. The Japanese government announced the need for a 40% reduction in residential and business emissions to reach this goal. Worldwide, policies have been proposed to reduce greenhouse gas emissions in accordance with COP21*1.

In response to these initiatives, OMRON will contribute to the growing market of renewable energy, reducing greenhouse gases by providing PV inverters and storage systems for solar power systems.

*1 COP21 (2015 United Nations Climate Change Conference): Conference held in Paris in 2015 to discuss measures to deal with global warming in 2020 and beyond. The proposed new framework was intended to supersede the Kyoto Protocol.

Outlook for Equipment Capacity Based on Worldwide Renewable Energy



(Source) International Energy Agency

Value Provided

Maximizing energy efficiency

OMRON offers a wide range of products and services that maximize energy efficiency. Our concept is to generate energy without waste, to store energy effectively, and to use energy wisely.

PV inverters convert direct current electricity generated by solar panels into the alternating current used in homes and other applications. OMRON PV inverters are used at homes and in industries across Japan. We have held the leading share in the home-use market for the past five consecutive years.

In 2015, we introduced our hybrid storage system for solar power. With this system, a single PV inverter can handle both solar panels

and storage batteries. This system makes efficient use of energy generated from sunlight and supports what is expected to be a rapidly growing demand for captive consumption of solar power.

OMRON will continue to maximize energy efficiency and contribute to a sustainable society by expanding our lineup of solar PV inverters and storage systems.

Goal for Fiscal 2020

Sustainability Goal:
PV / storage system cumulative shipped capacity 11.2 GW

Relevant Sustainable Development Goal

Affordable and Clean Energy

Main Products

Energy Generation Products:

PV Inverter
(single-phase type)

PV Inverter
(three-phase type)

Energy Storage Products:

Flexible Storage System

Factory Tour

OMRON Kyoto Taiyo Co., Ltd.

～Manufacturing plant at the forefront of diversity～

OMRON Kyoto Taiyo Co., Ltd. makes nearly 1,500 items, including sockets, timers, photoelectric sensors, and other control devices and related components. A joint venture between OMRON and the social welfare service corporation Japan Sun Industries*, this factory has a 30-year history of welcoming individuals with disabilities to work alongside the able-bodied.

* Founded in 1965 by orthopedic surgeon Yutaka Nakamura, Japan Sun Industries is a social welfare service corporation that uses science and technology to help individuals with disabilities to manage their lives independently. OMRON currently has eight joint venture manufacturing companies that employ more than 700 individuals with disabilities.

OMRON Kyoto Taiyo Co., Ltd.

Overview

Established	April 1986
Shareholders	OMRON 61%; Japan Sun Industries 39%
Workforce composition* (As of May 2017)	184 employees, including 147 individuals with disabilities

* Includes vocational trainees living at Japan Sun Industries

Main Products

Socket　Timer　Photoelectric sensor　Electric power supply

Virtual Factory Tour

http://www.kyoto-taiyo.omron.co.jp/360vr/
(Japanese only)

Automation Tailored to Individual Needs

Differences in the physical abilities and skills of each worker, as well as the particular demands of each job, call for a variety of innovations. For example, workers who have the use of only one hand work on the socket production line. Normally, workers produce one product at a time. On this line, however, the production process is broken down into several steps. For example, a worker who has the use of only their right hand does that part of the job requiring a right hand and vice-verse. This way, individuals with disabilities can work on a production line without any loss of productivity. The factory also uses jigs, tools, assistive devices, and semi-automated machines according to the characteristics of each worker's disability. All workshops within the factory have been tailor-made by technicians who themselves have disabilities. Over the past 30 years, nearly 380 jigs and tools have been developed. The expertise gained from developing these devices has been systemized at the Keihanna Technology Innovation Center. Such knowledge is used to develop new technologies and designs that create harmony between humans and machines.

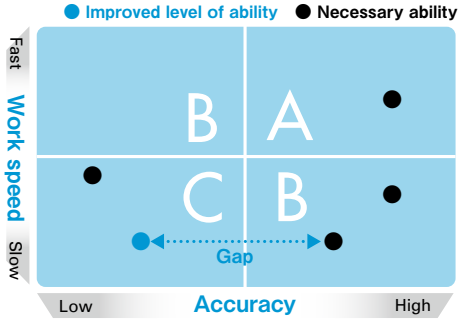
Socket production line; employees with right-hand mobility team up with employees with left-hand mobility

Developer modifying a standard automatic sealer for use by an employee with disabled hands

Unique Approaches to Skills Development and Production Capacity Enhancement

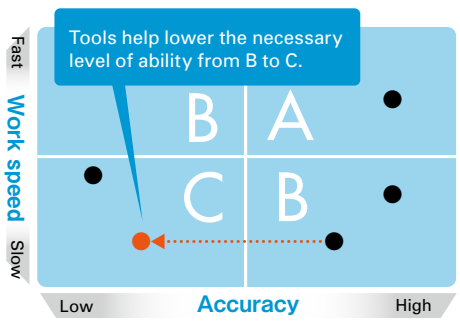
In addition to developing assistive tools using jigs and fixtures, OMRON Kyoto Taiyo improves production capacity by developing individuals' skills in a unique way to work more efficiently. Their skills development initiatives start by measuring each worker's knowledge and abilities based on skills, accuracy, and work speed. This data is used to produce a human resources map. Next, managers sort out the abilities necessary for each production step, resulting in a work map. Managers factor in the degree of each worker's disability and skill to match personnel to suitable tasks. Where it is simply impossible to compensate for the disability of a worker, the factory brings in tools to eliminate the need for skills in the production step. These initiatives expand to the employment potential of individuals with severe disabilities, while still making gains in productivity.

Work Map



Identifying the level of individual's ability on the human resources map can disclose the gap between the ability with the skills needed for production line shown on the work map.

Elimination of the Skills Needed



Using jigs and fixtures can overcome a lack of ability that a worker cannot compensate for through skills development.

A Barrier-Free Workplace for All Workers

OMRON Kyoto Taiyo has introduced innovations that allow any worker to perform the 3S essential basics in the factory: Sort, Set in Order, and Shine. For instance, sloped shelves make it impossible for workers to leave unnecessary objects on the shelf carelessly. A simple twist to the spines of files make it possible for anyone to organize them easily. The factory also has a firm rule that the name of the worker and the time of return for any borrowed piece of equipment be written on a whiteboard. In this way, the borrower and availability of the equipment are identified. Every year, workers are divided into teams to compete for the best improvement initiatives (kaizen). Best practices are shared through a factory newsletter and an annual presentation. Factory managers realize that each disability has its own unique nature. Managers strive to make the best use of an individual's abilities, while providing support and developing original, creative solutions. The OMRON Kyoto Taiyo factory is truly a model of making the best use of diversity.

Sloped shelf ensures files stored inside

Spines of titles make one picture if set in order

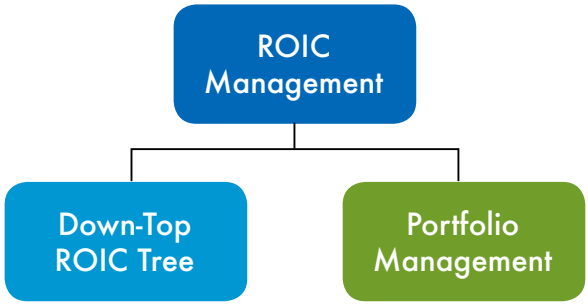
ROIC Management

OMRON has selected ROIC as a key performance indicator for our business. We stress ROIC management throughout our organization to encourage further improvement. Our new VG2.0 medium-term management plan emphasizes ROIC management, which we will use to reach a new level of growth.

Why ROIC?

OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment. Under VG2.0, we have defined four focus domains. ROIC is an indispensable tool as we continue to grow our unique business portfolio.

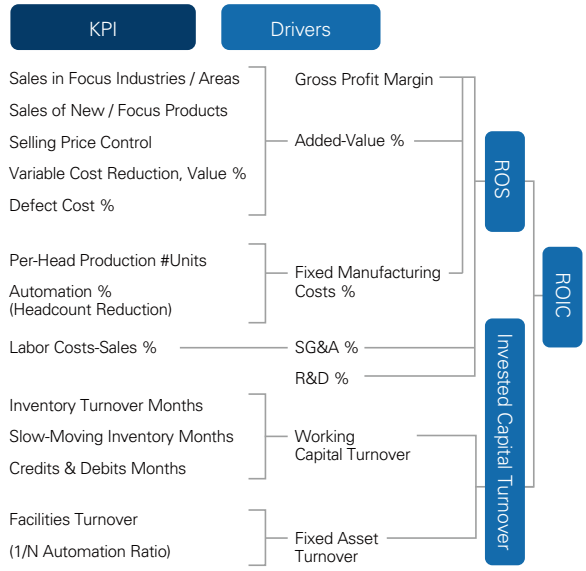
More specifically, ROIC management consists of Down-Top ROIC Tree and Portfolio Management.



Down-Top ROIC Tree

Down-Top ROIC Tree breaks ROIC into key performance indicators for each department, allowing us to improve ROIC at the most basic operating level. Using simple ROS or invested capital turnover as ROIC indicators are ineffective, since they do not relate directly to front-line operations. On-site managers would have trouble thinking of ways to improve ROIC using these indicators. However, we can break ROIC down into automation / head count reduction or facilities turnover as KPIs of manufacturing departments. With these indicators, managers can finally see how their goals tie directly to ROIC improvement initiatives. At OMRON, one of our greatest strengths is our unified approach to improving ROIC from the ground level up.

Down-Top ROIC Tree

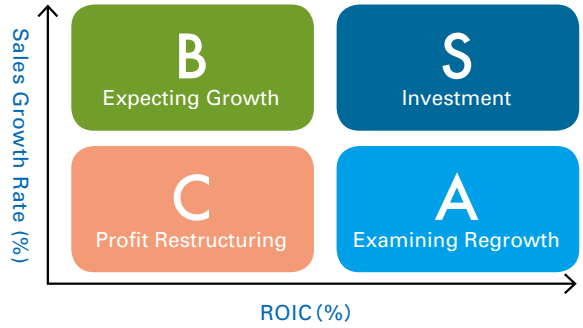


Portfolio Management

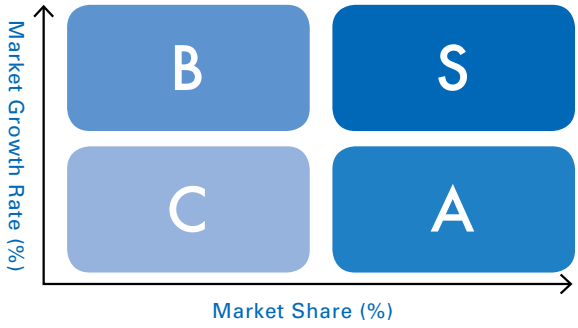
OMRON consists of approximately 90 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in OMRON Group value.

We consider both the economic value and the market competitiveness of a business to allocate limited resources in an optimal manner. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources.

Assessing Economic Value



Assessing Competitiveness

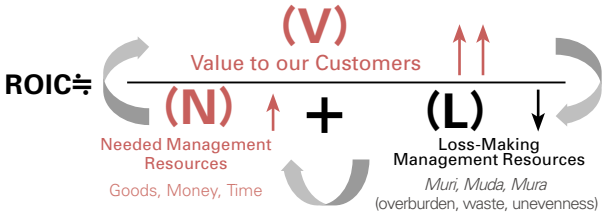


Embracing ROIC Management

To promote ROIC management more widely, we introduced *ROIC Management 2.0* in 2015. *ROIC Management 2.0* incorporates a qualitative interpretation of ROIC. The interpreted formula tells us to add needed management resources (N) and generate greater levels of value to our customers (V), while reducing loss-making management resources (L). Using this simple interpreted formula, our employees in charge of sales or development functions who may be unfamiliar with financial statement concepts are able to envision ROIC improvement measures in their day-to-day work.

Staff in charge of business unit accounting and finance act as ambassadors responsible for promoting *ROIC Management 2.0*. Ambassadors provide simple case studies of successful *ROIC Management 2.0* initiatives to raise awareness of ROIC on the front lines of our businesses around the world.

ROIC Translation under ROIC Management 2.0



① Actively invest needed management resources (N) in order to create value

② Realize value to our customers (V) more than the investment amount (↑ ↑ > ↑)

③ Reduce loss-making management resources (L) and shift / invest it to (N)

Special Feature: 2

Human Resources Strategy

Accelerating the growth of our people and our organization to drive VG2.0 forward

Three Key Global Initiatives

The goal of our human resources strategy under VG2.0 is to create a strong company where people grow, enjoy their work, and keep improving performance. We have established three initiatives to accomplish this goal.

The first is to foster leaders.

We included this initiative when we first launched VG2020. To achieve VG2.0 and sustainable growth in the future, we must do even more to accelerate the training of leaders who will drive management and business. In particular, we must focus on leadership overseas, raising the ratio of local employees in key positions from the current one-half to two-thirds within four years.

The second initiative is the hiring, training, and effective utilization of a diverse employee base.

This is a new initiative under VG2.0. We want to generate a new chemical reaction by linking the talents of those employees who have brought us to where we are and those employees necessary for future growth. This chemical reaction is necessary for creating innovation. We must hire and train employees who have the skills and unique experiences to help us achieve this goal. By encouraging the growth and performance of individuals with unique characteristics, we can maximize the potential of a diverse workforce and provide an environment and systems for maximum performance.

The third initiative is to foster self-motivated employees.

The OMRON Group human resources development policy is to give opportunities to those who are ambitious and who are well prepared. We encourage and support those who take the challenge to generate greater growth. We plan to offer more programs to improve capabilities and skills, providing more support for new career choices that allow individuals to express their talents and strengths. We will also implement a ground-up review of the programs and systems we have in place.

Masahiko Tomita
Executive Officer
Senior General Manager, Global Human Resources and Administration HQ

Human Resources Strategy Goals

Create a strong company that fosters our people, provides an enjoyable work environment, and encourages high performance

Key Global Initiatives

1	2	3
Foster leaders who will drive management and business	Hire, train, and make effective use of a diverse employee base	Encourage self-motivated employees

Health Management and Other Specific Action Plans

We intend to execute a number of specific action plans for these three initiatives. Here, we will discuss several of these action plans in detail.

The first deals with fostering leaders. When we began in fiscal 2011, only one-third of our key positions overseas were held by local employees. Today, that ratio is 49 percent. In Asia, in particular, we started a talent management system during fiscal 2014 to find and train future leaders. As a result, the number of individuals capable of serving in key positions has increased steadily. We are adopting similar systems in North America and other regions, promoting talented individuals.

The next deals with redesigning work styles to encourage innovation. For example, we plan to offer a wider variety of work arrangements, providing an improved communications and collaboration infrastructure, as well as more choices in work locations, work schedules, and work styles. We believe flexible work arrangements will motivate employees to greater productivity, attract a more diverse workforce, and result in even more chemical reactions.

We further believe that diversity and inclusion lead to innovation, and are a critical element to our future competitiveness. For Japan, in particular, we have set goals to address the important issue of promoting career advancement for women. As of fiscal 2016, we achieved our goal of having a 3.3 percent ratio of women in managerial roles. Our goal is to raise this ratio to 5 percent by the end of fiscal 2018, and to 8 percent by the end of fiscal 2020. Further, we will provide more opportunities for persons with disabilities to take an active part globally.

The foundation of our entire human resources

strategy is that every employee is able to be healthy and display their talents. Accordingly, we will promote health management throughout our entire company. In July, we made a declaration of health management, identifying five indicators we believe will result in better employee focus: Exercise, sleep, mental health, diet and smoking. This program represents what a company such as OMRON should be. We plan to address these five indicators throughout the year, encouraging greater physical and mental health in our employees and creating a more happy workplace. Using the expertise regarding high blood pressure developed within our Healthcare Business, we aim to implement full blood pressure management among all employees, taking yet another active role in helping promote employee health.

During fiscal 2012, we launched a very important initiative for the OMRON Group, which we still carry out today. We have challenged ourselves to practice the OMRON Principles through our businesses. One key initiative to share the OMRON Principles among our employees worldwide is the OMRON Global Awards, or TOGA. Fiscal 2017 will be the sixth year of our TOGA program. We plan to improve and expand TOGA, promoting the shared belief in our principles and self-directed action.

Last, we began conducting an engagement survey in fiscal 2016 to ensure progress toward our human resources strategy. This survey serves as the starting point for a cycle that includes action plan execution, evaluation of results, analysis of issues, and improvements.

We intend to continue with this survey as a means to improve our initiatives. We aspire to be a company in which a diverse employee base feels comfortable exchanging opinions, having fun, and creating innovations. By attracting and connecting unique individuals from outside our company, we will accelerate diversity and innovation, building an attractive company that fosters this kind of chain reactions.

OMRON Health Management Declaration

OMRON aims to be a pioneer in creating social needs, and the health of our employees is accordingly fundamental to our business. We OMRON Group will unite to do our utmost to create positive working environments full of smiles and vitality so all of our people can innovate to solve various social issues.

Y. Yamada

President and CEO
July 3, 2017

Building a Stronger Business through Diversity

Solving Women's Health Issues from the Perspective of Women

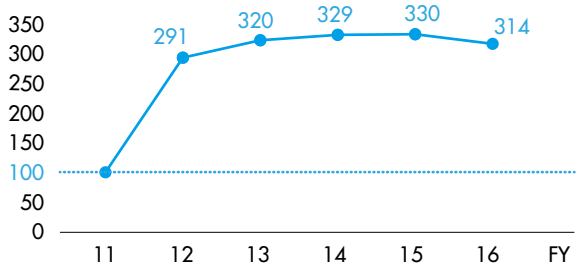
The passing of the Equal Opportunity Employment Law in Japan 30 years ago marked the beginning of major changes in the lives of women. At the same time, women gained new life choices related to marriage, birth, and more. A decrease in the number of births per person and changes in lifestyles have corresponded to an increase in dysmenorrhea, uterine disease, and other female-specific health issues, which are said to cost ¥6 trillion annually in lost labor productivity.

In response to these developments, OMRON Healthcare launched the *OMRON Style Beauty Project* in 2010. The objective of this project is to balance beauty and health in equal proportions, making a serious effort to create products and services that address female-specific health issues. OMRON Healthcare has developed products in painstaking detail from a number of potential-use cases. In addition, the company has sponsored seminars and other programs to educate both men and women about female-specific health issues.

As a result of these initiatives, OMRON brand recognition rose from 50% in fiscal 2014 to 54% in fiscal 2016, while favorability ratings rose from 30% to 41%. Product sales also rose during the period.

OMRON Healthcare has a culture that encourages all employees, regardless of gender or seniority, to take on new challenges. The company is also creating a corporate culture in which male employees learn more about female-specific health issues, fostering a greater cooperative environment. Moving forward, we will work with even greater urgency to incorporate the female perspective in our approach, tackling new health issues head on.

Trends in OMRON Style Beauty Project-Related Products



Trends in OMRON Beauty and Health-Related Products; 2011 indexed at 100.

Isao Ogino
President and CEO,
OMRON Healthcare Co., Ltd.

Yoko Shimose
Manager, Cardiovascular Disease
Product Department
Product Planning Strategy HQ

Message from the Chairman

Our Commitment to Corporate Governance for Sustainable Growth and Greater Corporate Value

To improve lives and contribute to a better society

In 1959, the year that this corporate motto was created by our founder, OMRON net sales were a mere ¥400 million. Since that time, we have been growing our business, introducing numerous world- and Japan-first innovations driven by social needs. To contribute to society through our OMRON Principles, we must evolve our corporate governance as a framework for supporting bold decisions and answering the expectations of our stakeholders. Further, we must do so in an environment that changes rapidly and dramatically.

In our efforts for sustainable corporate value growth, we recently did away with all director titles, except for the title of board chair, who leads the board of directors. The president (who is also our chief executive officer) is now positioned as an executive officer. With this change, we have further separated the roles of oversight and business execution, strengthening our supervisory function. Based on an evaluation of the effectiveness of our board of directors, during fiscal 2016 we expanded discussions regarding medium- and long-term management strategy. More specifically, we discussed and approved initiatives and goals under our VG2.0 medium-term management plan, which we launched in April 2017. At the same time, we

revised the compensation structure for directors and executive officers to achieve these goals. We have tied the achievement of VG2.0 financial goals and the non-financial factors of sustainability to medium-term performance-based compensation pay for our directors and officers. In this way, compensation is linked to long-term corporate value.

Fiscal 2017 will be the first year of our VG2.0 plan. We have welcomed new members to our board of directors, and expect to benefit from a stronger supervisory function based on the strengths and expertise that these new members bring. In addition to reviewing specific progress in VG2.0, the board will discuss important management issues related to sustainability, including strategies for technology and human resources. We will strive to be even more effective as a board of directors for OMRON Corporation.

In September 2015, the United Nations adopted Sustainable Development Goals, reflecting common global social issues to be resolved by the year 2030. The Paris Agreement establishing new international rules to counter global warming came into force in November 2016. In these and other ways, the world is demanding sustainability on a global scale. Today, growing corporate value requires an aggressive and dynamic response to sustainability-related issues in our environment and society. OMRON has defined a Sustainability Policy and built a framework and a system by which we put these policies into practice. As the Board of Directors, we will exercise governance to ensure business activities under VG2.0 raise OMRON corporate value and answer the needs of international society.

We will continue to practice the OMRON Principles as they guide us toward sustainable corporate value growth and social development from a global perspective.

Fumio Tateishi
Chairman
July 2017

OMRON Principles

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.

Sustainability Policy

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

To ensure sustainable creation of corporate value, OMRON works constantly to enhance our system of corporate governance.

Basic Stance for Corporate Governance of the Company

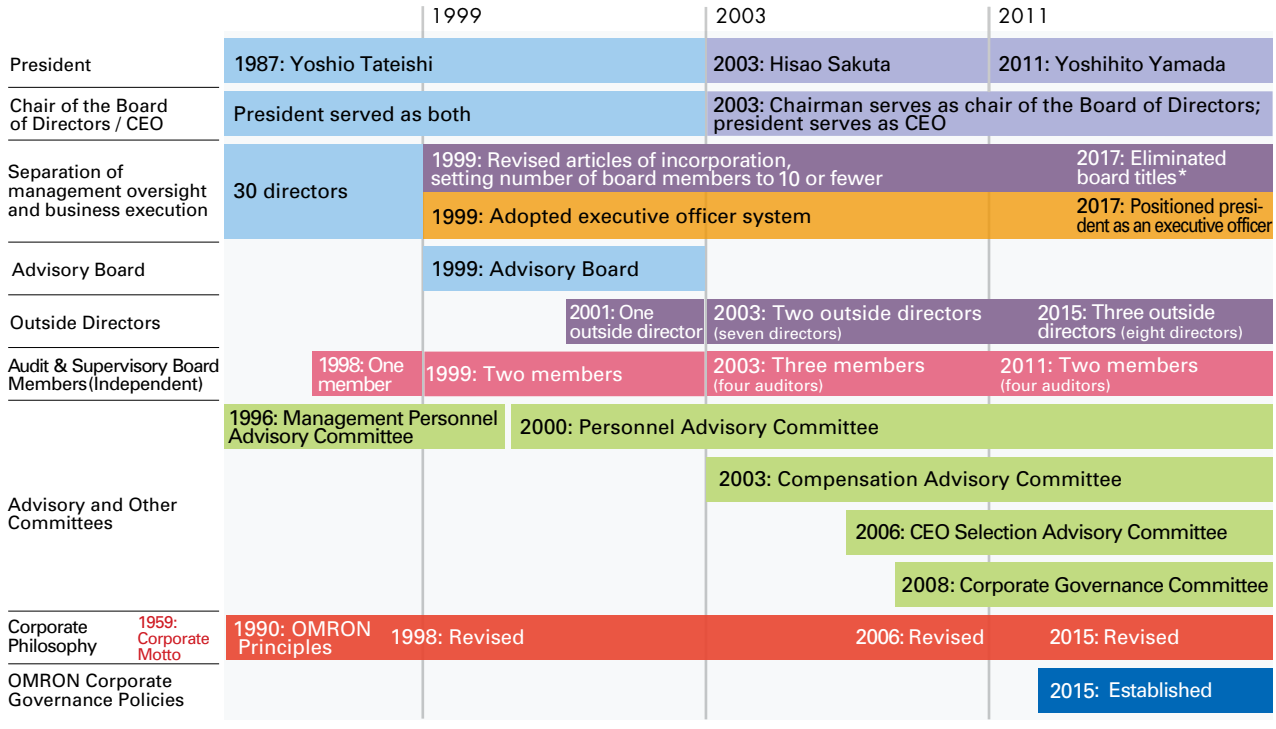
At the OMRON Group, corporate governance is defined as the system of processes and practices based on the OMRON Principles and the OMRON Management Philosophy. The system is intended to ensure transparency and fairness in business and speed up management decisions and practices. This is done by connecting the entire process from oversight and supervision all the way to business execution in order to boost the OMRON Group's competitive edge. OMRON's corporate governance also involves building such a system and maintaining its proper function. The ultimate objective is to achieve sustainable enhancement of corporate value by earning the support of all stakeholders.

OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 20 years formalizing and strengthening our systems of corporate governance. We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

OMRON Corporate Governance Policies
http://www.omron.com/about/governance/organization/

Corporate Governance Initiatives



* Not including chairman of the Board

Corporate Governance Framework

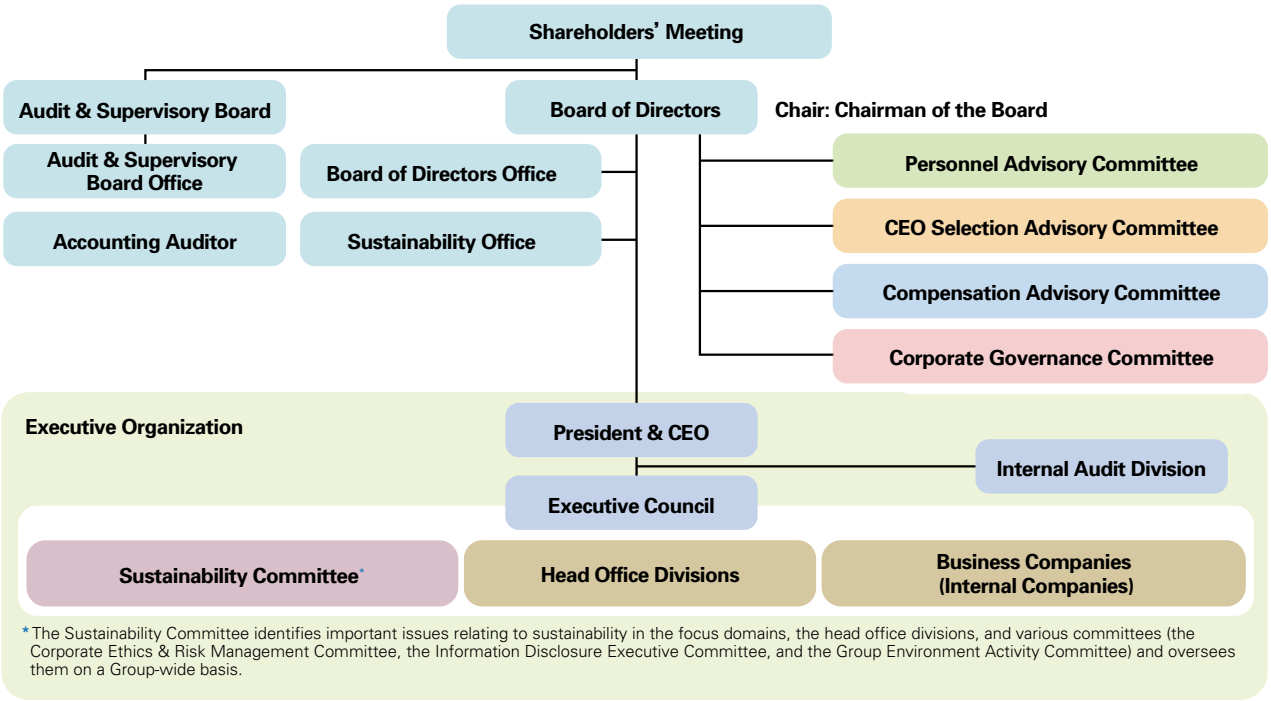
OMRON has elected to be a company with an Audit & Supervisory Board.

The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberation about important corporate matters. OMRON has separated the management oversight and business execution functions within the Company, creating a system whereby the majority of Board directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one third of the total number of directors on the Board.

To increase objectivity on behalf of the Board of Directors, the titles and roles of Chairman of the Board and President (CEO) are separated. The Chairman serves as chair of the Board of Directors, without direct corporate representational authority.

OMRON has established several advisory committees to assist the Board of Directors. These committees include the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The Personnel Advisory Committee, the CEO Selection Advisory Committee, and the Compensation Advisory Committee are all chaired by outside directors, with at least half of the committee members being outside directors. The chair and members of the Corporate Governance Committee are outside directors and outside corporate auditors, which offers yet

Fiscal 2017 Corporate Governance Structure



*The Sustainability Committee identifies important issues relating to sustainability in the focus domains, the head office divisions, and various committees (the Corporate Ethics & Risk Management Committee, the Information Disclosure Executive Committee, and the Group Environment Activity Committee) and oversees them on a Group-wide basis.

Board of Directors
Makes decisions related to performance targets and strategies; oversees the execution of business operations.

Audit & Supervisory Board
Oversees corporate governance structure and execution business operations; conducts audits of day-to-day business activities, including those performed by directors.

Personnel Advisory Committee
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; selects candidates and evaluates performance of current directors and executive officers.

CEO Selection Advisory Committee
Deliberates and nominates candidates for corporate president & CEO; deliberates succession candidates in the event of an emergency.

Compensation Advisory Committee
Sets policies for director and executive officer compensation; evaluates compensation levels and deliberates specific compensation packages.

Corporate Governance Committee
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

Executive Council
Deliberates and makes decisions regarding important operational matters within the scope of the authority of the president and CEO.

another layer of transparency and objectivity onto its decision-making process.

In these policies, we have created a hybrid governance framework, combining the best features of a Company with an Audit & Supervisory Board and a Company with a Nominating Committee.

Outside directors attended the 13 meetings of the Board of Directors held during fiscal 2016 at a rate of 97.4%. Outside auditors attended at a rate of 92.3%. Outside auditors attended the 13 meetings of the Audit & Supervisory Board at a rate of 100%.

More Effective Oversight

In 1999, OMRON adopted the executive officer system of management. Since that time, we have endeavored to separate the roles of oversight and business execution, setting up advisory committees, separating the role of chairman of the Board and that of president, and ensuring that a majority of the Board consists of non-executive directors. In this way, we have improved the supervisory functions of the board of directors.

Beginning fiscal 2017, no OMRON director has a specific title, with the exception of the chairman of the Board. We believe this measure will help improve the oversight function of the Board of Directors. As the awareness of oversight becomes stronger among directors, the functions of the Board of Directors will become more effective.

At the same time, the president, who is the chief executive officer, is now elected from among the executive officers in order to establish an optimum and flexible execution system. With the president now an executive officer, we are able to select the president via Board resolution in conformity with the fiscal business year. We believe naming the president at the beginning of the fiscal year will aid in creating a more optimum and flexible system of business execution.

This is one more way in which OMRON strives for sustainable corporate value growth through a well-defined separation between oversight and execution, each side clearly aware of their responsibilities.

Fiscal 2017 Advisory Committee Members

Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		□		
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata	□			
Director	Koji Nitto			□	
Director	Satoshi Ando	○	○	○	
Outside Director	Eizo Kobayashi★	◎	◎	□	◎
Outside Director	Kuniko Nishikawa★	□	□	◎	○
Outside Director	Takehiro Kamigama★	□	□	□	□
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama★				□
Audit & Supervisory Board Member (Independent)	Tadashi Kunihiro★				□

◎Chairperson ○Vice-Chairperson □Committee Member ★Independent under Tokyo Stock Exchange rules

Evaluating the Effectiveness of the Board of Directors

OMRON performs analyses and evaluations of the effectiveness of the Company's Board of directors. The objective of these measures is to improve Board of Director performance and realize sustainable enhancement of corporate value by raising an awareness of the issues and the direction of the Company among Board directors. Directors then build a shared awareness and work to improve the issues identified.

Fiscal 2016 Evaluation of the Effectiveness

The Corporate Governance Committee is the body responsible for evaluating the effectiveness of the Board of Directors.

As with fiscal 2015, all directors and Audit & Supervisory Board members filled out self-evaluations anonymously. These evaluations served as the basis for the evaluation formula. Evaluations addressed Board deliberation styles and operating methods. Further, the Corporate Governance Committee evaluated the fiscal 2016 policy for the operation of the Board of Directors and related specific initiatives. In addition, the Board chair and directors were interviewed individually to provide them with an opportunity to give their opinions on the effectiveness of our Board.

The Corporate Governance Committee analyzed these self-evaluations and interviews, reporting the results to the Board of Directors. The Board of Directors then developed operating policies for fiscal 2017 based on these evaluation results.

Fiscal 2016 Results of the Evaluation

The Corporate Governance Committee concluded that there are no problems with the current governance system or operations. The committee further concluded that the Board is functioning appropriately, and confirmed the initiatives based on the fiscal 2016 policies for the operation of the Board of Directors. The committee also confirmed matters identified as future issues.

Fiscal 2016 Initiatives

- Discussed medium- to long-term business strategies and approved the medium-term management plan VG2.0, including specific initiatives and targets.
- Formulated company-wide ESG-related policy (Sustainability Policy). Identified important issues (materiality) based on the policy, and developed the structure to supervise the management of these issues.
- Revised Board of Director Rules and delegated board authority related to certain matters for deliberation.

Future Issues

- Supervisory functions for achieving VG2.0 goals

Fiscal 2017 Policy for the Operation of the Board of Directors

Based on the results of this evaluation, the Board of Directors will exercise its supervisory functions to ensure the Company achieves the objectives of VG2.0 (beginning fiscal 2017). Supervision will focus on three main points:

- Confirming the progress of the short-term management plan
- Formulating human resources and technical strategies which are keys to medium-term management strategies
- Driving initiatives to address materiality identified based on Sustainability Policy

Special Feature: 3

A Step Forward in Compensation Governance

— Toward Sustainable Corporate Value Growth —

OMRON has been working to strengthen its corporate governance based on the OMRON Principles. In fiscal 2017, we revised our compensation structure for directors and executive officers, aiming to spur even greater corporate value growth. Chairman Fumio Tateishi and outside director Eizo Kobayashi, who served as chairman of the Compensation Advisory Committee until last year, discussed how this structure will accelerate sustained corporate value growth at OMRON.

The Approach of OMRON Management and the Role of Compensation

Tateishi Based on the OMRON Principles, our aim is to contribute to a better society by sustained enhancement of corporate value. To accomplish this, we develop our long-term vision every 10 years. We create a medium-term management plan that covers a span of three to four years, while we also create short-term plans for a single fiscal year. Of course, we must strengthen our corporate governance as we execute on this vision and these plans, continuing to raise corporate value. We consider compensation and appointment to be an important pillar supporting corporate governance. We have two goals we want to accomplish with compensation. The first is to motivate directors and executive officers practicing the OMRON Principles to boldly pursue our long-term vision. The second is to use the disclosure of compensation policy to demonstrate our commitment to raising sustainable corporate value. This is one way we help our stakeholders understand our philosophy and initiatives regarding management.

Evolution of Compensation

Kobayashi Even before I was named an outside director, I knew OMRON for its strong corporate governance. I became a director in fiscal 2013. From the start, I was truly surprised by the level of commitment to strengthening corporate governance.

We deliberated compensation within the Compensation Advisory Committee, and in fiscal 2014 we decided to adopt a compensation structure that provided a stronger link between medium-term performance and compensation. Our objective here was to ensure that we

accomplished our medium-term management plan.

Tateishi Specifically, we adopted medium-term performance-linked bonuses that varied according to the achievement level of the operating income target defined in our medium-term management plan. We also tied performance-linked stock acquisition rights according to the achievement level of the net sales target.

Kobayashi That's correct. A number of companies have adopted some type of annual performance-based compensation using a variety of different performance indicators. However, I think we are one of the leaders in focusing more on medium- to long-term performance, linking pay to how well we meet the expectations of our shareholders and other stakeholders.

Tateishi This revised compensation structure resulted in an even higher motivation among directors and executive officers to engage with a focus on reaching our medium- to long-term goals.

Unfortunately, we were not able to accomplish our initial targets. We did, however, strengthen our management in terms of medium- to long-term focus. I consider our M&A activities and growth investments to be cases in point.

Kobayashi Seeing what is discussed at the Board meetings, I am sure OMRON is shifting its management to a more medium- to long-term orientation.

The Compensation Advisory Committee conducted a review of the effectiveness of the compensation structure.

This was the second revision since fiscal 2014. The Compensation Advisory Committee paid particular attention to two factors: Whether the compensation system functioned as a motivation for directors and executive officers to improve sustained corporate value growth and whether the system was clear enough for our stakeholders to understand and see whether it was aligned with their expectations.

Tateishi Global technology innovation takes place at near blinding speed today. This innovation is changing our society in significant ways. How will we solve the social issues that these changes

bring? Today, it is more important than ever that we engage in opportunistic policies looking toward the society for the year 2030.

Our VG2.0 medium-term management plan, which we launched in fiscal 2017, provides specific and actionable measures for accomplishing this task. I believe that the upgraded compensation structure will be a driving force to move VG2.0 forward.

Highlights of the Fiscal 2017 Revision

Tateishi With this revision, the ratio of compensation for our CEO, for example, has been changed from 1:1:1 (base salary: short-term performance linked compensation : medium- to long-term performance-linked compensation) to 1:1:1.5. I think this change is truly groundbreaking. The higher the position in our company, the greater the responsibility for the medium and long term. By weighting the ratio toward medium- to long-term performance, we are making it clear what we expect of people in these positions. This is very significant for OMRON management.

Kobayashi In addition, the performance indicators tied to performance-linked compensation are very important. We have short-term and medium- to long-term performance-linked components. Of course, we must meet the expectations of our shareholders and other stakeholders every fiscal year. To do this, we will use an evaluation of ROIC (the fundamental measure of our management), operating income, and net income as the indicators for annual bonuses.

Another question is how to generate business and management innovation. This includes new products and services based on new technologies, M&A, and more. We adopted net sales, EPS, and ROE as of fiscal 2020 for our medium- to long-term performance indicators. We believe these indicators will help us make steady progress in accomplishing VG2.0. Further, we adopted a performance-linked stock-based compensation system to encourage directors and executive officers to focus on sustainable corporate growth from the same perspective as our shareholders.

Tateishi With this recent revision, we added a sustainability evaluation* to the indicators we use for medium- to long-term performance-linked compensation. In the fall of 2015, the United Nations adopted Sustainable Development Goals. OMRON needs to accelerate our sustainability initiatives to contribute to society through our businesses.

"I believe that the upgraded compensation structure will be a driving force to move VG2.0 forward."

"It is important to meet the expectations of our stakeholders and to spur greater corporate value growth."

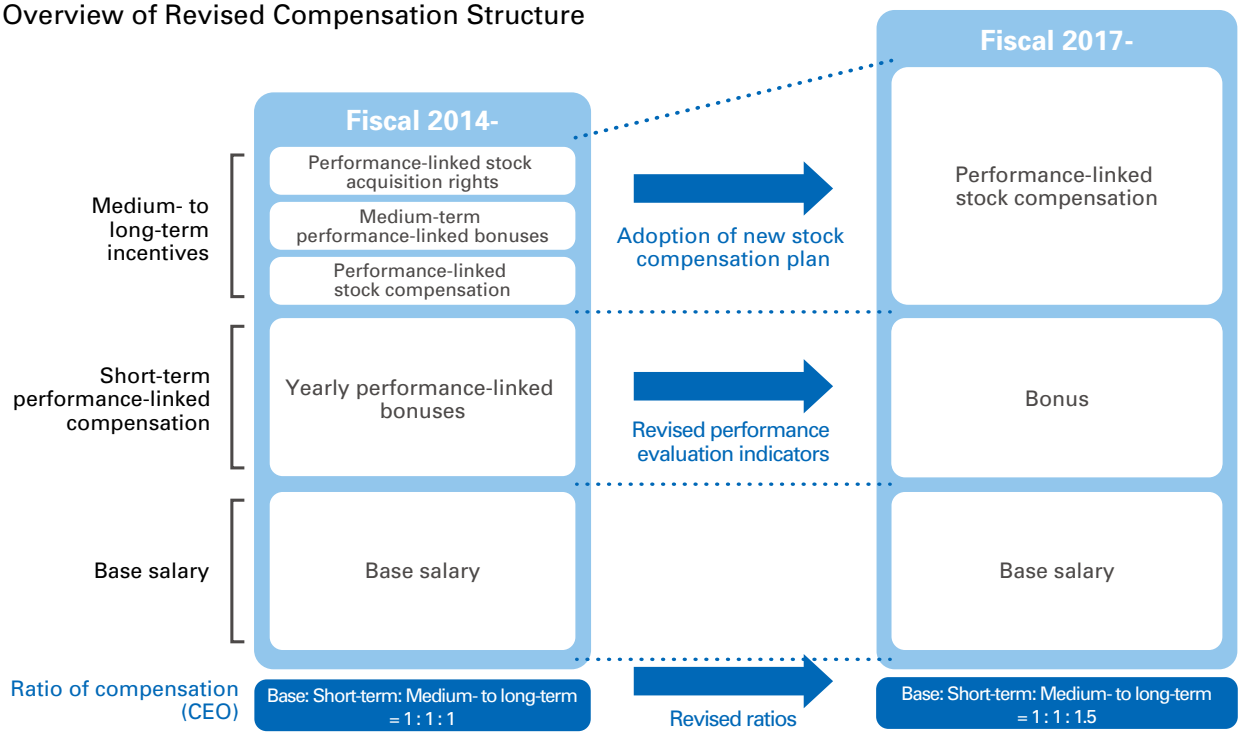
Kobayashi With this revision, we spent quite a while discussing how to evaluate sustainability and which objective indicators we could use. We took great pains to determine objective measures that weren't simply self-serving. Finally, we decided to refer to sustainability indicators obtained from a third-party organization for transparency and accountability.

Tateishi I believe OMRON has demonstrated to our stakeholders how serious we are about raising corporate value by solving social issues through our businesses, particularly given our adoption of a sustainability evaluation.

Kobayashi While single-year performance is important, it is even more important to meet the expectations of our stakeholders with our CEO, directors and executive officers keeping long-term corporate growth in mind. We believe this new compensation structure will be very effective in helping us achieve our *VG2020* goals for the year 2020 and raise corporate value.

* Sustainability Evaluation
An evaluation based on the Dow Jones Sustainability Indices (DJSI). The DJSI are a series of ESG Indices which include companies evaluated and selected based on long-term shareholder value perspective, reflecting economic, environmental, and social factors comprehensively.

Overview of Revised Compensation Structure



Future Compensation Structure and Expectations

Kobayashi A compensation structure must evolve in response to the times and business environment. As a Compensation Advisory Committee, we will continue to review and improve our compensation structure, ensuring that it functions as a motivation for strong decision-making by directors and executive officers and that it meets standards of transparency and accountability to our stakeholders.

Tateishi The goal of corporate governance is to enhance sustainable corporate value by achieving our long-term vision based on the OMRON Principles. When corporate governance (including compensation structure) functions as it should, directors and executive officers will embrace a medium- to long-term perspective, leading to faster execution of policies for creating value into the future. OMRON directors and executive officers will work as one united entity to achieve our long-term vision and raise our corporate value.

New Compensation Policy for Directors

❶ Basic policy

- The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
- The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
- The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

❷ Structure of compensation

- Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
- Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.

❸ Base salary

- The amount of a base salary shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.

❹ Performance-linked compensation

- As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets.
- As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
- The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.

❺ Compensation governance

- All compensation for directors shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

* A similar policy has been adopted for executive officers toward achieving medium- to long-term performance targets.

Overview of New Compensation Structure (Directors, Executive Officers)

1) Ratio of compensation

Compensation consists of base salary (fixed compensation) and compensation according to Company performance, namely short-term performance-linked compensation and medium- to long-term performance-linked compensation.

The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role:

Base salary : Short-term : Medium- to long-term = 1 : 1 : 1.5 (CEO)

2) Base salary (directors, executive officers)

A base salary is paid as fixed compensation. Base salaries are determined for each role by taking into account the salary levels of officers at other companies (benchmarked companies of the same industry and scope selected by the Compensation Advisory Committee), as surveyed by a specialized outside organization.

3) Short-term performance-linked compensation (internal directors, executive officers)

Bonuses are paid based on yearly performance indicators and the degree of achievement of performance targets.

Director bonuses (excluding outside directors) vary from 0% to 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.

Bonus = Target amount for each position × Performance score (Operating income 50%, Net income 50%) × ROIC score

Performance indicators for executive officers are established individually according to their respective responsibilities.

4) Medium- to long-term performance-linked compensation (internal directors, executive officers)

The performance-linked component (60%) and non-performance-linked component (40%) are paid as stock-based compensation.

The performance-linked component may vary from 0% to 200%. This range is based on achievement of net sales, EPS, and ROE targets based on our medium-term management plan, as well as a sustainability evaluation* based on a third-party organization.

Stock-based compensation = Target amount for each position × Performance score (Net sales 30%, EPS 70%) × ROE score × Sustainability score

The non-performance-linked component aims for retention and motivation to improve share prices over the medium- to long-term. Payment is conditioned on a certain term of service.

As a rule, stock paid in stock-based compensation must be held by the individual during their term of service. In the event that an individual in question engages in serious misconduct during their term of service, and such misconduct harms the Company, the Compensation Advisory Committee will deliberate and make a recommendation. Based on this recommendation, the Board of Directors (when said individual is a director) or the CEO (when said individual is an executive officer) shall resolve to limit the payment of stock-based compensation.

* Sustainability Evaluation

An evaluation based on the Dow Jones Sustainability Indices (DJSI). The DJSI are a series of ESG Indices which include companies evaluated and selected based on long-term shareholder value perspective, reflecting economic, environmental, and social factors comprehensively.

Fiscal 2016 director compensation was paid based on the former compensation structure. For more information, see the following URL:

http://www.omron.com/about/ir/shareholder/pdfs/convocation_notice_80th.pdf

(Convocation Notice for the 80th Ordinary General Meeting of Shareholders, P43-44)

Board of Directors and Auditors

As of June 22, 2017

Takehiro Kamigama
Outside Director
Personnel Advisory Committee Member
CEO Selection Advisory Committee Member
Compensation Advisory Committee Member
Corporate Governance Committee Member

Eizo Kobayashi
Outside Director
Chairman of the Personnel Advisory Committee
Chairman of the CEO Selection Advisory Committee
Chairman of the Corporate Governance Committee
Compensation Advisory Committee Member

Fumio Tateishi
Chairman
CEO Selection Advisory Committee Member

Kuniko Nishikawa
Outside Director
Chairman of the Compensation Advisory Committee
Vice Chairman of the Corporate Governance Committee
Personnel Advisory Committee Member
CEO Selection Advisory Committee Member

Satoshi Ando
Director
Vice Chairman of the Personnel Advisory Committee
Vice Chairman of the CEO Selection Advisory Committee
Vice Chairman of the Compensation Advisory Committee

Yoshihito Yamada
President and CEO

Kiichiro Miyata

Director, Senior Managing Executive Officer, CTO

Personnel Advisory Committee Member

Kiichiro Kondo

Audit & Supervisory Board Member

Hideyo Uchiyama

Audit & Supervisory Board Member (Independent)

Corporate Governance Committee Member

Koji Nitto

Director, Senior Managing Executive Officer, CFO

Compensation Advisory Committee Member

Tokio Kawashima

Audit & Supervisory Board Member

Tadashi Kunihiro

Audit & Supervisory Board Member (Independent)

Corporate Governance Committee Member

Directors, Audit & Supervisory Board

As of June 22, 2017

Directors

Chairman **Fumio Tateishi**

Aug. 1975	Joined OMRON
Jun. 1997	Director
Jun. 1999	Managing Executive Officer
Jun. 2001	Senior General Manager, Corporate Strategic Planning HQ
Jun. 2003	Executive Officer and Executive Vice President; President, Industrial Automation Business Company
Jun. 2008	Director and Executive Vice Chairman
Jun. 2013	Chairman of the Board (to present)

President and CEO **Yoshihito Yamada**

Apr. 1984	Joined OMRON
Jun. 2008	Executive Officer; Representative Director and President, OMRON Healthcare Co., Ltd.
Mar. 2010	Senior General Manager, Corporate Strategic Planning HQ
Jun. 2010	Managing Executive Officer
Jun. 2011	Representative Director and President (to present)

Director Senior Managing Executive Officer, CTO **Kiichiro Miyata**

Apr. 1985	Joined Tateisi Institute of Life Science, Inc. (now OMRON HEALTHCARE Co., Ltd.)
Mar. 2010	Representative Director and President of OMRON Healthcare Co., Ltd. (Retired in March 2015)
Jun. 2010	Executive Officer
Jun. 2012	Managing Executive Officer, OMRON
Apr. 2015	Chief Technology Officer (CTO) and Senior General Manager of Technology & Intellectual Property HQ (to present)
Apr. 2017	Senior Managing Director (to present)
Jun. 2017	Representative Director (to present)

Director Senior Managing Executive Officer, CFO **Koji Nitto**

Apr. 1983	Joined OMRON
Mar. 2011	Senior General Manager, Global Resource Management HQ
Jun. 2011	Executive Officer
Mar. 2013	Senior General Manager, Global SCM and IT Innovation HQ
Apr. 2013	Managing Executive Officer
Mar. 2014	Senior General Manager, Global Strategy HQ (to present)
Apr. 2014	Senior Managing Executive Officer (to present)
Jun. 2014	Director (to present)
Apr. 2017	Chief Financial Officer (CFO) (to present)

Director **Satoshi Ando**

Apr. 1977	Joined The Bank of Tokyo, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
July 2003	Branch Manager of Jakarta Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Resigned in June 2007)
Jun. 2007	Audit & Supervisory Board Member (Independent), OMRON
Jun. 2011	Executive Officer and Senior General Manager, Investor Relations HQ
Mar. 2015	Senior General Manager, Global Investor Relations & Corporate Communications HQ
Apr. 2015	Managing Executive Officer
Jun. 2017	Director (to present)

Outside Director **Eizo Kobayashi**

Apr. 1972	Joined ITOCHU Corporation
Jun. 2000	Executive Officer, ITOCHU Corporation
Apr. 2002	Managing Executive Officer, ITOCHU Corporation
Jun. 2003	Representative Director and Managing Director, ITOCHU Corporation
Apr. 2004	Representative Director and Senior Managing Director, ITOCHU Corporation
Jun. 2004	President and CEO, ITOCHU Corporation
Apr. 2010	Chairman and Representative Director, ITOCHU Corporation
Jun. 2011	Chairman, ITOCHU Corporation
Jun. 2013	Outside Director, OMRON (to present)
Jun. 2016	Chairman, ITOCHU Corporation (to present)

Outside Director **Kuniko Nishikawa**

Apr. 1986	Joined Citibank N.A.
Feb. 1996	Joined A.T. Kearney, Inc.
Sep. 2000	President & CEO, Supernurse Co. Ltd.
Aug. 2010	Established Firststar Healthcare Co. Ltd., President & CEO (to present)
Jun. 2013	President, Benesse MCM Corp.
Jun. 2015	Outside Director, OMRON (to present)
May 2017	Chief Executive Officer, FRONTEO Healthcare, Inc. (to present)

Outside Director **Takehiro Kamigama**

Apr. 1981	Joined TDK Corporation
Jun. 2002	Corporate Officer, TDK Corporation
Jun. 2003	Senior Vice President, TDK Corporation
Jun. 2004	Director & Executive Vice President, TDK Corporation
Jun. 2006	President & Representative Director, TDK Corporation
Jun. 2016	Chairman & Representative Director, TDK Corporation (to present)
Jun. 2017	Outside Director, OMRON (to present)

Members, and Honorary Chairman

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Kiichiro Kondo

Apr. 1977 Joined Mitsui Ocean Development & Engineering Co., Ltd.
Jan. 1988 Joined Mitsui Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)
Apr. 1999 Joined OMRON
Apr. 2007 Senior General Manager, Public Solutions Business Department, Social Systems Solutions and Service Business Company
Jun. 2007 Executive Officer
Apr. 2011 President and CEO, OMRON Social Solutions Co., Ltd.
Jun. 2011 Managing Executive Officer
Jun. 2015 Audit & Supervisory Board Member (to present)

Audit & Supervisory Board Member
Tokio Kawashima

Apr. 1982 Joined Mitsubishi Bank Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Sep. 2008 Regional Head for Germany and General Manager of Dusseldorf Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Apr. 2011 Joined OMRON
Jun. 2011 Audit & Supervisory Board Member (to present)

Audit & Supervisory Board Member
Hideyo Uchiyama

Nov. 1975 Joined Arthur Young & Company
Dec. 1979 Joined Asahi Accounting Company (now KPMG AZSA LLC)
Mar. 1980 Registered as Certified Public Accountant
July 1999 Representative Partner, KPMG AZSA LLC
May 2002 Board Member, KPMG AZSA LLC
Jun. 2006 Executive Board Member, KPMG AZSA LLC
Jun. 2010 Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan
Sep. 2011 Chairman, KPMG Asia Pacific
Oct. 2013 CEO, KPMG Japan
Sep. 2015 Executive Advisor, ASAHI Tax Corporation (to present)
Jun. 2016 Audit & Supervisory Board Member (Independent), OMRON (to present)

Audit & Supervisory Board Member
Tadashi Kunihiro

Apr. 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office
Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)
Jun. 2017 Audit & Supervisory Board Member (Independent), OMRON (to present)

Honorary Chairman

Honorary Chairman **Yoshio Tateishi**

Apr. 1963 Joined OMRON
May 1973 Director
Jun. 1976 Managing Director
Jun. 1983 Senior Managing Director
Jun. 1987 President and CEO
Jun. 2003 Representative Director and Chairman of the Board
May 2007 Chairman, Kyoto Chamber of Commerce and Industry (to present)
Jun. 2011 Honorary Chairman (to present)

Executive Officers

President

Yoshihito Yamada
CEO

Executive Vice President

Yutaka Miyanaga
Company President,
Industrial Automation Company

Senior Managing Executive Officers

Kiichiro Miyata
CTO and Senior General Manager,
Technology & Intellectual Property HQ

Koji Nitto
CFO and Senior General Manager,
Global Strategy HQ

Managing Executive Officers

Shigeki Fujimoto
Senior General Manager,
Business Development HQ

Isao Ogino
President and CEO,
OMRON HEALTHCARE CO., LTD.

Katsuhiro Wada
President and CEO,
OMRON AUTOMOTIVE
ELECTRONICS CO., LTD.

Kiyoshi Yoshikawa
Senior General Manager,
Global Manufacturing Innovation HQ

Shizuto Yukumoto
Company President,
Electronic and Mechanical
Components Company

Nigel Blakeway
Chairman, President and CEO,
OMRON MANAGEMENT CENTER
OF AMERICA, INC.

Toshio Hosoi
President and CEO,
OMRON SOCIAL SOLUTIONS
CO., LTD.

Executive Officers

Goshi Oba
Chairman and President,
OMRON INDUSTRIAL
AUTOMATION (CHINA) CO., LTD.

Takayoshi Oue
Senior General Manager,
Global Finance and Accounting HQ

Hideji Ejima
Senior General Manager,
Environmental Solutions Business
HQ

Seigo Kinugawa
Senior General Manager,
Strategy Planning Division HQ, and
Senior General Manager,
Robotics Business Development
Project, Industrial Automation
Company

Takashi Kitagawa
Senior General Manager,
Board of Directors Office

Masahiko Tomita
Senior General Manager,
Global Human Resources and
Administration HQ

Munenori Odake
Senior General Manager,
Sales & Marketing Division HQ,
Industrial Automation Company

Kenji Sugawa
Director, Executive Vice President,
and Senior General Manager,
Global Sales and Marketing Group HQ,
OMRON HEALTHCARE CO., LTD.

Shuji Tamaki
Senior General Manager,
Global Risk Management and
Legal HQ

Ken Tanikawa
President and CEO,
OMRON PRECISION
TECHNOLOGY CO., LTD.

Makoto Ota
President and CEO,
OMRON RELAY & DEVICES
Corporation

Tsutomu Igaki
Senior General Manager,
Global Investor Relations &
Corporate Communications HQ

Jian Xu
China Manufacturing Innovation
Executive, Global Manufacturing
Innovation HQ,
and President and CEO,
SHANGHAI OMRON CONTROL
COMPONENTS CO., LTD.

Junta Tsujinaga
Senior General Manager,
Product Business Division HQ,
Industrial Automation Company

Responsible Engagement with Investors

Our **Sustainability Policy** includes a declaration that we cultivate strong relationships with all of our stakeholders through responsible engagement. The **OMRON Corporate Governance Policies** also define our relationship with our stakeholders, detailing basic policies related to constructive engagement with shareholders. Based on these policies, OMRON management and the Investor Relations department take the lead in holding responsible engagement with our shareholders and investors. We believe that responsible engagement leads to greater corporate value.

★Sustainability Policy (P57) ★OMRON Corporate Governance Policies (P58)

General Meeting of Shareholders

We believe our general meeting of shareholders is the ultimate decision-making body for our company. We promote engagement with our shareholders, providing an appropriate environment for them to exercise their voting rights. To promote participation, we hold our general meeting of shareholders at least three business days before the traditional date used by the majority of companies. We also arrange for the meeting to be in a large hall in a hotel connected directly to the Kyoto Train Station for the sake of convenience. We publish convocation notices in Japanese and English on our corporate website one month prior to the meeting. In fiscal 2016, printed convocation notices were sent at least four weeks prior to the general meeting of shareholders to ensure shareholders have sufficient time to study proposals prior to the meeting.

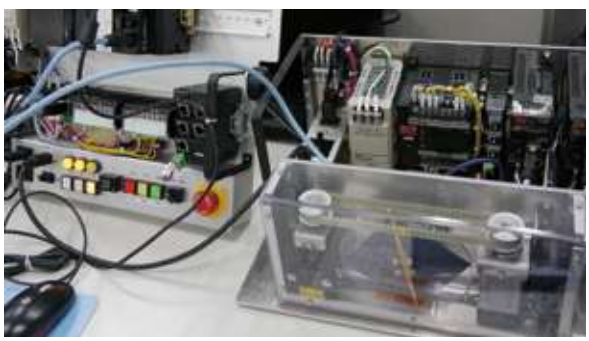
The 79th Ordinary General Meeting of Shareholders (Friday, June 23, 2016)

Attendees	1,006
Ratio of Voting Rights Exercised	86.9%

Institutional Investors

OMRON engages directly with institutional investors in Japan and across the world through meetings and telephone conferences. Our Investor Relations Department responds to institutional investor requests for meetings to the greatest extent possible. We are proactive in disclosing information through our integrated report, ESG disclosures, and other means to build constructive interactions with a diverse range of institutional investors.

A technology seminar was held again in fiscal 2016, providing attendees an opportunity to play with the factory automation equipment of the Industrial Automation Business.



Factory automation technology seminar

The seminar helped investors understand more about the superiority of our products, which translates into competitive market advantage for the Industrial Automation Business.

Fiscal 2016 Engagement

Meetings — 769 times

Individual Investors

OMRON holds a number of information sessions during the year, providing opportunities to engage directly with many individual investors. We use these sessions to communicate the special nature of OMRON to individual investors, discussing our history, businesses, and financial results in straightforward language.

We are also unique in that we hold joint information sessions with other companies.

Fiscal 2016 Engagement

No. of Events — 8

Total No. of Participants — 400

Information session for individual investors

Shareholder Benefits

OMRON offers a program of shareholder benefits to show our appreciation for their support, as well as to further their understanding about our company. Shareholders can choose between a gift of OMRON Healthcare devices or a donation to Japan Sun Industries, a social welfare organization. Every year, we receive messages from many shareholders expressing their happiness and appreciation for these benefits.

Gift of OMRON Healthcare Devices

Donation to Japan Sun Industries

Financial Section (U.S. GAAP)

For more information, please refer to the Company's audited annual financial report:
http://www.omron.com/ir/irlib/annual.html

Six-Year Summary

OMRON Corporation and Subsidiaries
Years ended March 31

Millions of yen (except per share data)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Net Sales[1] :						
Industrial Automation Business (IAB)	¥270,835	¥262,983	¥291,739	¥331,840	¥335,959	¥330,959
Electronic and Mechanical Components Business (EMC)	83,002	84,107	97,699	103,946	103,681	93,938
Automotive Electronic Components Business (AEC)	85,027	97,643	126,620	137,883	139,966	132,060
Social Systems, Solutions and Service Business (SSB)	57,200	68,754	82,695	80,410	77,538	67,129
Healthcare Business (HCB)	62,446	71,520	89,275	100,615	108,121	101,295
Other Businesses	53,535	59,240	78,949	87,382	63,028	63,264
Eliminations and Corporate	7,416	6,214	5,989	5,176	5,311	5,556
Net Sales by Region						
Japan	307,649	328,470	356,342	351,321	342,824	339,841
Americas	74,820	80,427	100,992	123,496	130,968	112,191
Europe	83,561	80,453	100,929	108,427	109,147	102,633
Greater China	101,074	106,283	142,444	180,954	162,508	147,751
Asia Pacific	52,357	54,828	72,259	83,054	88,157	91,785
(Total)	619,461	650,461	772,966	847,252	833,604	794,201
Costs and Expenses:						
Cost of sales	391,574	408,954	475,758	514,645	512,792	482,399
Selling, general and administrative expenses (excl. R&D expenses)	145,662	152,676	181,225	198,103	205,735	193,539
R&D expenses	42,089	43,488	47,928	47,913	52,790	50,697
Other expenses (income), net	6,589	4,106	6,048	(797)	(3,399)	2,074
(Total)	585,914	609,224	710,959	759,864	767,918	728,709
Income before income taxes and equity in earnings of affiliates	33,547	41,237	62,007	87,388	65,686	65,492
Income taxes	17,826	14,096	19,475	28,893	20,043	19,882
Equity in loss (earnings) of affiliates	(631)	(2,976)	(3,782)	(3,937)	(2,039)	(712)
Net income (loss)	16,352	30,117	46,314	62,432	47,682	46,322
Net income (loss) attributable to noncontrolling interests	(37)	(86)	129	262	392	335
Net income attributable to OMRON shareholders	16,389	30,203	46,185	62,170	47,290	45,987
Per Share Data (yen):						
Income from continuing operations						
Basic	74.5	137.2	209.8	283.9	219.0	215.1
Diluted	74.5	137.2	—	283.9	219.0	215.1
Cash dividends[2]	28	37	53	71	68	68
Capital expenditures (cash basis)	27,502	30,383	32,218	37,123	37,903	25,816
Total assets	537,323	573,637	654,704	711,011	683,325	697,701
Total shareholders' equity	320,840	366,962	430,509	489,769	444,718	469,029
Financial Indicators:						
Gross profit margin	36.8%	37.1%	38.5%	39.3%	38.5%	39.3%
Operating income margin	6.5%	7.0%	8.8%	10.2%	7.5%	8.5%
Return on sales	2.6%	4.6%	6.0%	7.3%	5.7%	5.8%
ROIC (Return on invested capital)	4.8%	8.6%	11.3%	13.4%	9.7%	10.3%
ROE (Return on equity)	5.2%	8.8%	11.6%	13.5%	10.1%	10.1%
Asset turnover (times)	1.1	1.2	1.3	1.2	1.2	1.2
Inventory turnover (times)	4.4	4.5	5.0	4.8	4.6	4.5
Shareholders' equity ratio	59.7%	64.0%	65.8%	68.9%	65.1%	67.2%

Notes: 1. During fiscal 2013, certain divisions of the EMC were included in the IAB due to a change in management categorizations.
2. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

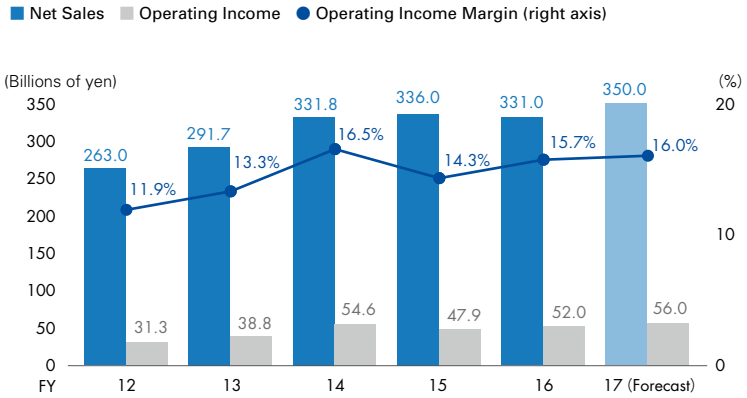
At a Glance

Industrial Automation Business (IAB)

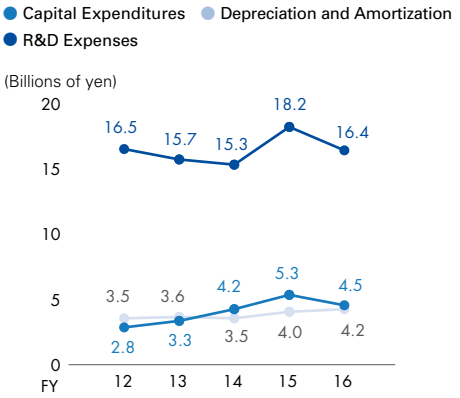
Share of the Control-Related Equipment Market (Japan): Approx. 40%

Source: Nippon Electric Control Equipment Industries Association

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

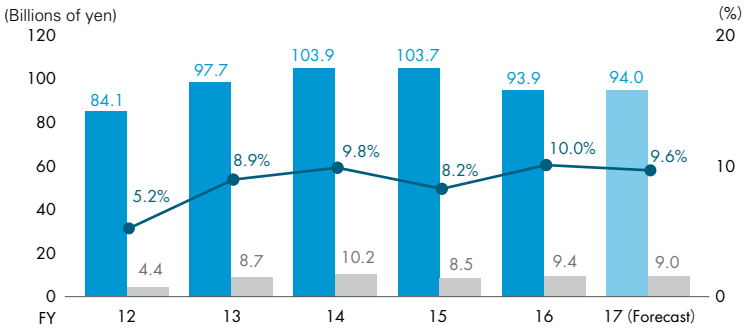


Electronic and Mechanical Components Business (EMC)

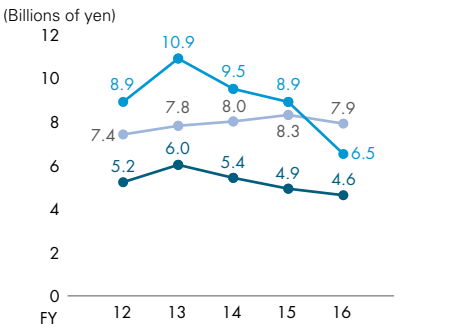
Share of the Relays Market (Global): Approx. 20%

Source: Internal survey

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

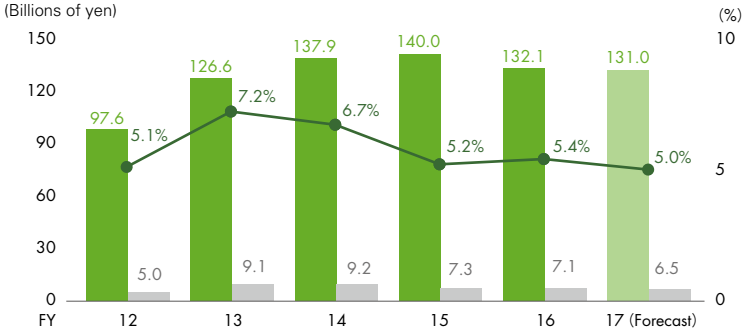


Automotive Electronic Components Business (AEC)

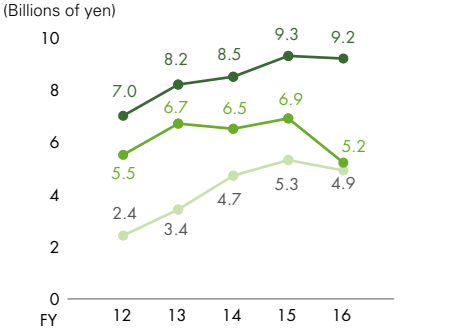
Share of the Body Control Units for Miniature Vehicles Market (Japan): Approx. 50%

Source: Internal survey

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses



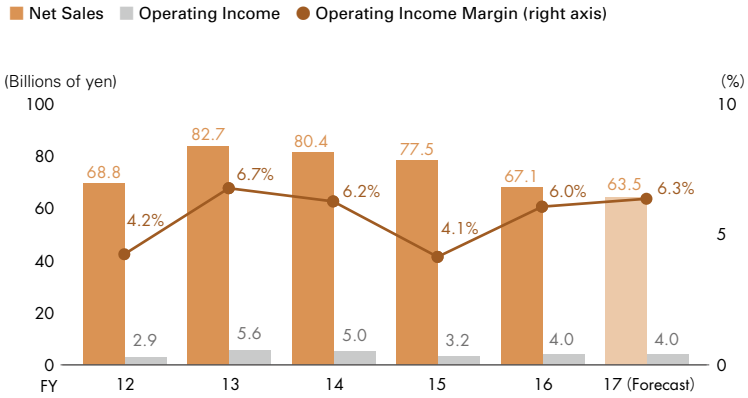
† During fiscal 2013, certain divisions of the EMC were included in the IAB due to a change in management categorizations. We have revised our business classifications, reclassifying certain operations under SSB to the Other Businesses segment beginning fiscal 2017.
† 2017 forecast was announced April 27.

Social Systems, Solutions and Service Business (SSB)

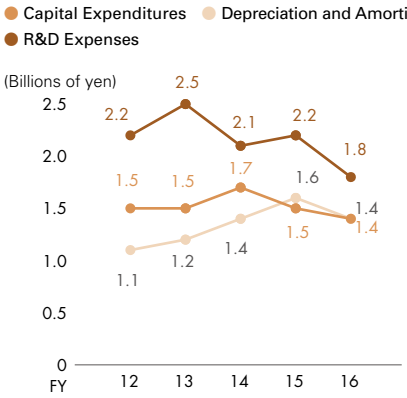
Share of the Station Equipment Market (Japan): Approx. 45%

Source: Internal survey

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

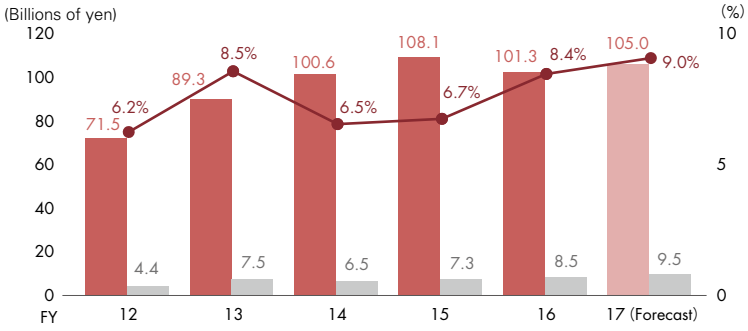


Healthcare Business (HCB)

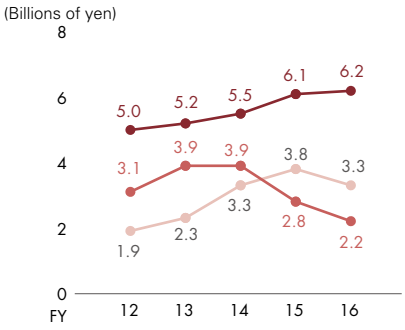
Share of the Home-Use Blood Pressure Monitors Market (Global): Approx. 50%

Source: Internal survey

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

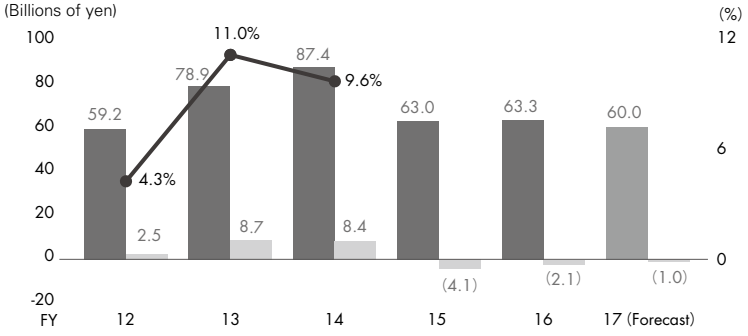


Other Businesses

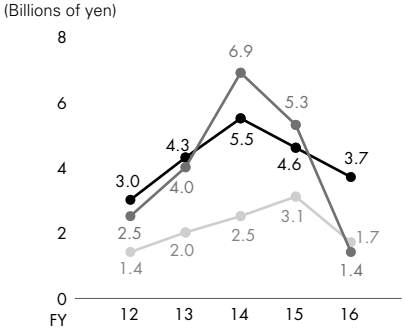
Share of the Residential-Use PV Inverters Market (Japan): Approx. 40%

Source: Internal survey

Net Sales / Operating Income (Loss) / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses



A Review of EARTH-1 STAGE Business Plan (Fiscal 2014 to 2016)

The OMRON Group aims to become *a value generator for people and the Earth that is qualitatively and quantitatively superior* by managing our businesses under *Value Generation 2020 (VG2020)*, our ten-year long-term vision formulated in 2011. The *EARTH-1 STAGE* business plan, as the second stage of *VG2020*, covered the fiscal years 2014 to 2016. This plan defined a self-driven growth structure by which OMRON can grow independently under our own power in any operating environment. During the three years of EARTH-1 STAGE, we concentrated on (1) strategy for our existing businesses, (2) super-global growth strategy, and (3) new business strategy for the optimization society. The following is a review of our progress.

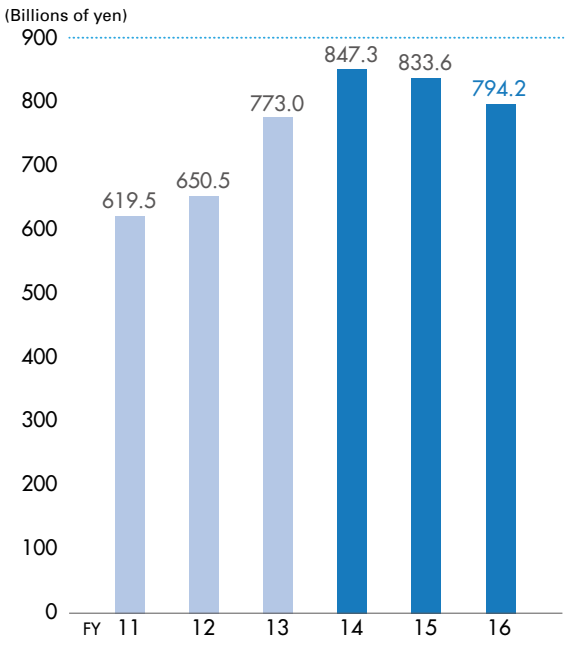
In terms of executing strategy for our existing businesses, we focused on maximizing the strength of our Industrial Automation Business. We improved our ability to provide technologies to solve customer issues by expanding our mainstay businesses in four focus industries and by launching automation centers. We also acquired U.S.-based companies in motion

Three Basic Strategies: Goals and Results

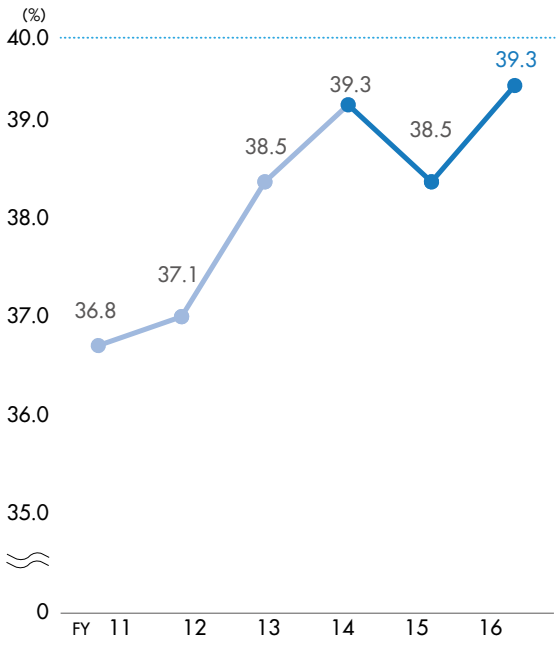
	FY2016 Goals	Fiscal 2016 Results
<Existing Businesses> IA-related Business Sales	¥440 billion	¥424.9 billion (-3%)
<Super-Global> Emerging Economy Sales	¥320 billion	¥274.3 billion (-14%)
<New Businesses> New Business Sales	¥90 billion	¥52.6 billion (-42%)

Net Sales

: EARTH-1 STAGE Goals (published April 2014)



Gross Profit Margin (%)



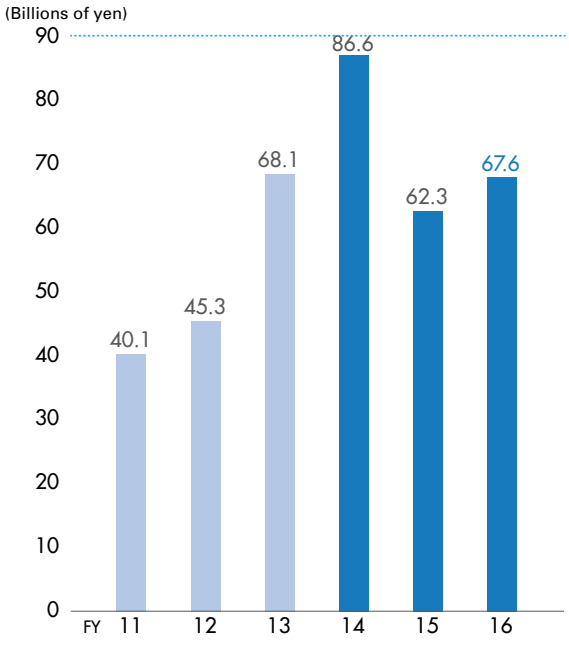
controller and robot manufacturing, and took on other initiatives to accelerate the creation of new value and build a foundation for future business growth. As a result, we accomplished our EARTH-1 STAGE sales target for our Industrial Automation Business.

In pursuit of our super-global growth strategy, we achieved high growth rates in our Industrial Automation Business and our Healthcare Business, particularly in China and Asia. We held OMRON Total Fairs in Thailand and Indonesia, which led to a large number of new business discussions. In our Healthcare Business, we acquired a Brazilian nebulizer company and engaged in other measures to grow sales steadily throughout Central and South America. Further, we strengthened our business foundation by bolstering our production centers in Mexico and Indonesia, as well as by hiring and training core human resource leaders for our businesses in Asia.

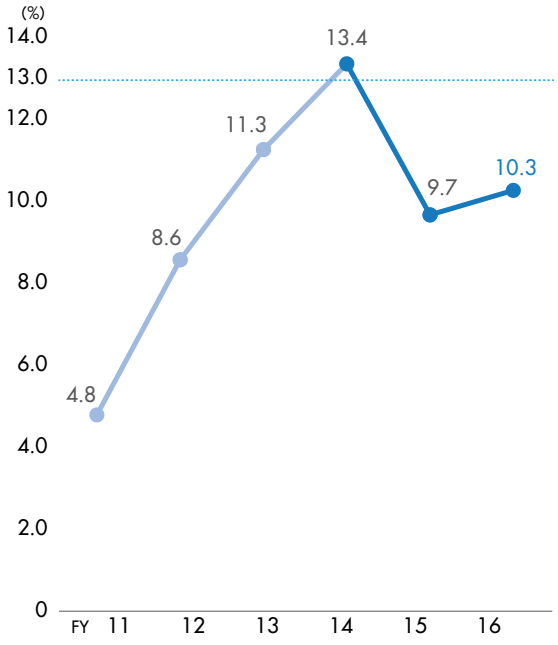
To optimize strategy for new businesses, we pursued industry-academia partnerships, alliances with other companies, and collaborations with external resources to create new businesses. However, we were not successful in creating other businesses with the scale and growth of our Environmental Solutions Business.

As a result of the initiatives above, we improved our earnings ability in the EARTH-1 STAGE, while accelerating the transition to a business foundation supporting sustainable revenue growth. We were also able to put our Industrial Automation Business on a new growth path. At the same time, due to the impact of changes in the business environment and other factors, we did not achieve either of our initial quantitative goals of more than ¥900 billion in sales and operating income margin of at least 10%. We do believe that we are on our way to establishing a self-driven growth structure. Our next medium-term business plan will continue this theme.

Operating Income



ROIC



Fiscal 2016 in Review

Consolidated Earnings

Fiscal 2016 was the final year of EARTH-1 STAGE. During the year, our goals were to rebuild our earnings structure and to create an engine for self-driven growth. During the year, we worked to rebuild our earnings structure, as well as to generate businesses and innovations that drive growth. Fiscal 2016 net sales decreased 4.7% year on year to ¥794.2 billion. In addition to growth in our mainstay Industrial Automation Business, we also made strides in improving our company-wide ability to generate earnings. This improvement resulted in operating income of ¥67.6 billion (8.5% increase year on year) and operating income margin of 8.5% (1.0-point increase).
Net income attributable to OMRON shareholders amounted to ¥46.0 billion, which was 2.8% lower than prior year. This decrease was primarily due to restructuring in our Backlights Business.

Consolidated Statement of Income

Net Sales

OMRON Group net sales for fiscal 2016 fell to ¥794.2 billion, down 4.7% from the prior year. This decrease owed in part to the negative impact of yen appreciation. Overseas net sales amounted to ¥463.8 billion, a ¥39 billion (7.8%) decrease. Our divestment of a oil-related business in the Americas and the impact of lower Backlights Business sales in Greater China were the major factors that combined to drive sales down. OMRON recorded ¥330.4 billion in net sales in Japan, a slight decrease of 0.1%.

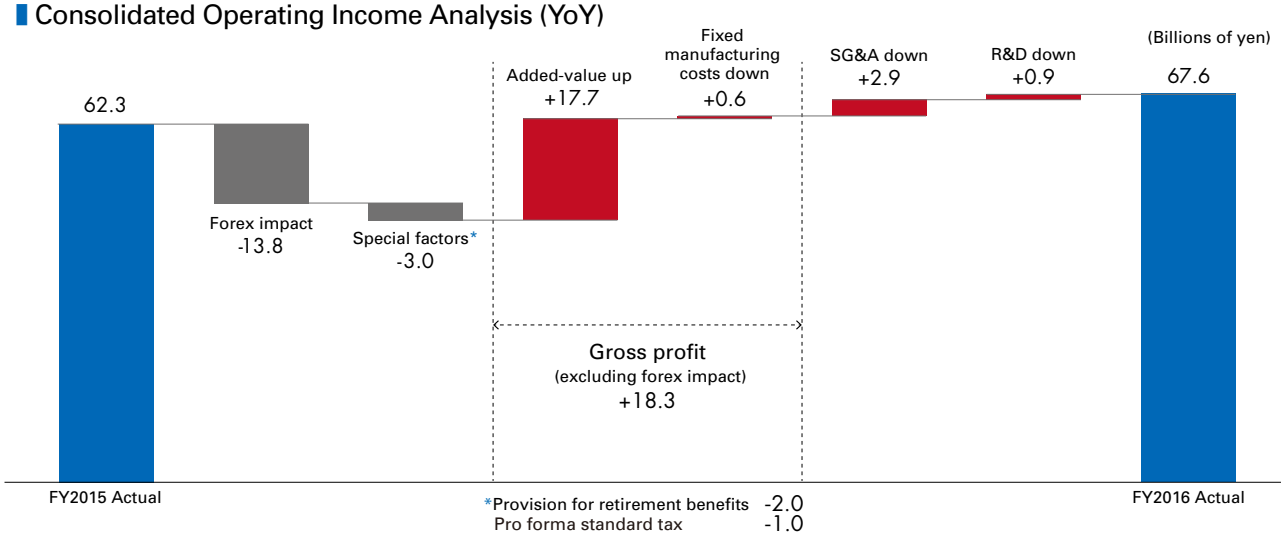
Gross Profit Margin, SG&A Expenses, and R&D Expenses

Gross profit margin for fiscal 2016 was 39.3%, a 0.8-point increase compared to the prior fiscal year. This improvement was mainly due to ongoing efforts to improve variable cost ratios and lower fixed manufacturing costs. Selling, general and administrative expenses were ¥193.5 billion, down 5.9% from the prior year. Research and development expenses amounted to ¥50.7 billion, down 4.0%.

Operating Income, Income before Income Taxes and Equity in Earnings of Affiliates, and Net Income Attributable to OMRON Shareholders

OMRON Group operating income for the year was ¥67.6 billion (8.5% increase), while our operating income margin was 8.5% (1.0-point increase). Non-operating expenses, including impairments and restructuring in our Backlights Business, drove income before income taxes and equity in earnings of affiliates down 0.3% to ¥65.5 billion. Net income attributable to OMRON shareholders amounted to ¥46.0 billion, down 2.8%.

Consolidated Operating Income Analysis (YoY)



Review of Operations by Business Segment

Industrial Automation Business (IAB)

Our Industrial Automation Business recorded domestic net sales of ¥133.5 billion for fiscal 2016, a 2.3% increase year on year. This result was mainly due to higher sales in our digital and other focus sectors. Sales were lower overseas, mainly due to the divestment of an oil-related business in the Americas. At the same time, however, demand was solid in the automobile-related industries. Sales increased in Europe year on year, due to the contributions of a U.S.-based subsidiary acquired by the OMRON Group. The weak euro also led to strong demand for export company products. In Greater China, demand was strong in the digital, infrastructure, and environmental-related industries. Increased digital industry investment in South Korea helped spur greater sales in Asia. However, the negative impact of foreign exchange and other factors resulted in overseas net sales falling 3.9% year on year to ¥197.5 billion. While the segment reported lower sales of ¥331.0 billion (1.5% decrease) as a whole, ongoing efforts to add more value to products resulted in higher gross profit margin, leading to an 8.5% increase in operating income at ¥52.0 billion.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	263.0	291.7	331.8	336.0	331.0	350.0
Japan	116.3	119.4	126.7	130.5	133.5	140.0
Overseas	146.7	172.3	205.1	205.5	197.5	210.0
Americas	31.6	36.9	47.6	40.4	30.3	32.0
Europe	50.4	61.9	67.8	69.3	65.6	69.0
Greater China	39.4	43.8	55.0	58.3	59.6	64.0
Asia Pacific	24.7	28.9	34.1	36.9	41.3	45.0
Direct exports	0.6	0.8	0.7	0.6	0.6	0.0
Operating income	31.3	38.8	54.6	47.9	52.0	56.0
Operating income margin	11.9%	13.3%	16.5%	14.3%	15.7%	16.0%
R&D expenses	16.5	15.7	15.3	18.2	16.4	
Depreciation and amortization	3.5	3.6	3.5	4.0	4.2	
Capital expenditures	2.8	3.3	4.2	5.3	4.5	

Electronic and Mechanical Components Business (EMC)

Domestic net sales for the segment decreased by 3.4% to ¥22.5 billion. This decrease was mainly due to declining demand in the amusement industry. Overseas, inventory adjustments among our customers in the automotive-related industries in the Americas resulted in lower demand. In Europe, demand in automotive-related industries was strong. In Greater China, demand in the consumer and commercial products industries decreased while demand was solid in the automotive-related industries. In Asia, demand was robust in both the consumer and commercial product industries and the automobile-related industries. Owing in part to the strong yen, overseas net sales fell 11.1% to ¥71.5 billion, while the segment as a whole recorded net sales of ¥93.9 billion, a 9.4% decrease. Profits improved over the prior fiscal year, mainly due to productivity improvements enacted during fiscal 2015. Fiscal 2016 operating income amounted to ¥9.4 billion, a gain of 11.0%.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	84.1	97.7	103.9	103.7	93.9	94.0
Japan	26.7	28.1	23.9	23.2	22.5	21.5
Overseas	57.4	69.6	80.0	80.5	71.4	72.5
Americas	13.1	16.6	18.1	19.9	16.3	15.5
Europe	11.3	14.7	15.9	16.1	14.8	14.5
Greater China	24.6	28.7	35.0	33.6	29.0	30.0
Asia Pacific	7.1	8.7	10.1	10.4	11.3	12.5
Direct exports	1.4	0.9	0.9	0.5	0.1	0.0
Operating income	4.4	8.7	10.2	8.5	9.4	9.0
Operating income margin	5.2%	8.9%	9.8%	8.2%	10.0%	9.6%
R&D expenses	5.2	6.0	5.4	4.9	4.6	
Depreciation and amortization	7.4	7.8	8.0	8.3	7.9	
Capital expenditures	8.9	10.9	9.5	8.9	6.5	

Automotive Electronic Components Business (AEC)

In Japan, net sales decreased 10.0% to ¥19.0 billion. This was mainly the result of declining production of mini vehicles (*Kei* cars). Overseas sales amounted to ¥113.1 billion, a decrease of 4.9%. Economic growth in the U.S. drove demand growth in the Americas. At the same time, government tax breaks in Greater China resulted in strong sales and demand for automobile-related products in that region. Despite these positive factors, the appreciation of the yen had a major negative impact on overseas results. As a result, sales for the segment as a whole fell to ¥132.1 billion, down 5.6% for the year. Operating income fell 2.9% to ¥7.1 billion, mainly due to lower sales for the segment.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	97.6	126.6	137.9	140.0	132.1	131.0
Japan	30.2	28.4	25.9	21.1	19.0	15.5
Overseas	67.4	98.2	112.0	118.9	113.1	115.5
Americas	25.0	33.3	39.3	47.6	43.9	42.0
Europe	2.8	3.3	3.6	4.6	3.9	3.0
Greater China	13.9	25.4	29.9	27.4	28.0	30.0
Asia Pacific	19.5	29.2	32.2	31.9	30.1	32.5
Direct exports	6.2	7.2	7.1	7.3	7.2	8.0
Operating income	5.0	9.1	9.2	7.3	7.1	6.5
Operating income margin	5.1%	7.2%	6.7%	5.2%	5.4%	5.0%
R&D expenses	7.0	8.2	8.5	9.3	9.2	
Depreciation and amortization	2.4	3.4	4.7	5.3	4.9	
Capital expenditures	5.5	6.7	6.5	6.9	5.2	

Social Systems, Solutions and Service Business (SSB)

Sales in our public transportation business declined significantly compared to the prior year, as the demand cycle for upgrading station equipment reached a low point during fiscal 2016. Demand for both upgrades to traffic-related terminals and investment in expressways was weak. As a result, sales in the traffic and road management system business also decreased compared with the previous fiscal year. Further, demand fell in the solar power and related markets, driving down performance in the environmental solutions business significantly. As a result, segment net sales fell 13.4% to ¥67.1 billion. Despite lower sales for the year, fiscal 2016 operating income was significantly higher, increasing 25.3% to ¥4.0 billion. This result was mainly due to productivity improvement initiatives.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	68.8	82.7	80.4	77.5	67.1	63.5
Japan	68.5	82.4	79.1	75.7	66.5	62.0
Overseas	0.3	0.3	1.3	1.8	0.6	1.5
Americas	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0	0.0
Greater China	0.1	0.2	0.3	0.6	0.3	0.5
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0
Direct exports	0.2	0.1	1.1	1.2	0.3	1.0
Operating income	2.9	5.6	5.0	3.2	4.0	4.0
Operating income margin	4.2%	6.7%	6.2%	4.1%	6.0%	6.3%
R&D expenses	2.2	2.5	2.1	2.2	1.8	
Depreciation and amortization	1.1	1.2	1.4	1.6	1.4	
Capital expenditures	1.5	1.5	1.7	1.5	1.4	

† We have revised our business classification, reclassifying certain operations under SSB to the Other Business segment beginning with fiscal 2017.

Healthcare Business (HCB)

Despite steady growth in sales of online home-use healthcare equipment in Japan, demand for these products was weak at big home appliance retailers in suburban areas. Sales of institutional equipment decreased, primarily due to the transfer of shares of a medical equipment subsidiary. As a result, sales in Japan fell to ¥28.9 billion, a decrease of 7.1% for the year. Overseas, sales of blood pressure monitors in Brazil were strong. In addition to sales of new blood pressure monitor products in Russia, the expansion of dealer networks throughout Europe contributed to ongoing solid performance throughout the region. In Greater China, the online market continued to expand while demand in pharmacies and other store channels was weak. Demand was strong in Asia. Despite these positive factors, the strong yen had a major negative impact on overseas results, driving sales down 6.0% for the year to ¥72.4 billion. Segment sales amounted to ¥101.3 billion, down 6.3%. However, productivity improvements and other initiatives combined for significant profit gains. As a result, operating income amounted to ¥8.5 billion, up 17.2%.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	71.5	89.3	100.6	108.1	101.3	1,05.0
Japan	29.5	30.8	31.4	31.1	28.9	27.0
Overseas	42.0	58.5	69.2	77.0	72.4	78.0
Americas	10.8	14.3	18.6	23.1	21.7	22.5
Europe	15.9	21.0	21.2	19.2	18.3	18.5
Greater China	11.1	17.3	22.4	25.4	23.1	25.5
Asia Pacific	3.5	5.5	6.6	8.9	9.0	11.0
Direct exports	0.7	0.4	0.5	0.5	0.3	0.5
Operating income	4.4	7.5	6.5	7.3	8.5	9.5
Operating income margin	6.2%	8.5%	6.5%	6.7%	8.4%	9.0%
R&D expenses	5.0	5.2	5.5	6.1	6.2	
Depreciation and amortization	1.9	2.3	3.3	3.8	3.3	
Capital expenditures	3.1	3.9	3.9	2.8	2.2	

Other Businesses

Sales decreased significantly for the year, mainly due to performance in our Backlights Business, affected by falling prices in the smartphone market and weak demand for high-end smartphones in Greater China. While our Environmental Solutions Business continued to experience weak demand in the solar power generation-related market, expanded product offerings in storage batteries contributed to year-on-year sales gains. In our Electronic Systems and Equipment Business, demand was strong for uninterruptible power supply units and contract services for the development and production of electronic devices. Accordingly, sales increased compared to the prior fiscal year. Due to weak demand for smartphone microphones, sales in our Micro Devices Business fell year on year. The Other Businesses segment as a whole, recorded ¥63.3 billion in net sales, an increase of 0.4% year on year. The segment recorded an operating loss of ¥2.1 billion, narrowing losses compared to the prior year, primarily due to more effective controls over fixed costs.

(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Net sales	59.2	78.9	87.4	63.0	**63.3**	**60.0**
Japan	41.4	51.0	45.8	44.0	**55.0**	**53.5**
Overseas	17.8	27.9	41.6	19.0	**8.3**	**6.5**
Americas	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Europe	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Greater China	16.3	25.6	38.2	17.1	**7.3**	**6.0**
Asia Pacific	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Direct exports	1.5	2.3	3.4	1.9	**1.0**	**0.5**
Operating income (loss)	2.5	8.7	8.4	(4.1)	**(2.1)**	**(1.0)**
Operating income margin	4.3%	11.0%	9.6%	—	—	—
R&D expenses	3.0	4.3	5.5	4.6	**3.7**	
Depreciation and amortization	1.4	2.0	2.5	3.1	**1.7**	
Capital expenditures	2.5	4.0	6.9	5.3	**1.4**	

† We have revised our business classification, reclassifying certain operations under SSB to the Other Business segment beginning with fiscal 2017.

Review of Financial Condition

Total assets at the end of fiscal 2016 amounted to ¥697.7 billion, an increase of ¥14.4 billion compared to the end of the prior fiscal year. This increase stems from an increase in cash and cash equivalents of ¥43.1 billion.

Total liabilities decreased ¥9.3 billion to ¥226.9 billion. While current liabilities increased ¥9.4 billion compared to the end of the prior fiscal year, termination and retirement benefits decreased by ¥18.6 billion.

Net assets increased ¥23.7 billion to ¥470.8 billion. Net income attributable to OMRON shareholders and other factors led to an increase in retained earnings of ¥28.8 billion. As a result, shareholders' equity amounted to ¥469.0 billion (year-on-year increase of ¥24.3 billion), while shareholders' equity ratio increased 2.1 points to 67.2%. This decrease in liabilities and increase in shareholders' equity resulted in a debt-equity ratio of 0.48, an improvement of 0.05 points.

Capital Expenditures

The OMRON Group made ¥25.7 billion in total capital investments during fiscal 2016, representing a 30.3% decrease compared to the prior fiscal year. The Group engaged in a deliberate approach to investment, performing due diligence of each project in light of the negative impact of yen appreciation and other factors contributing to an uncertain business environment.

Cash Flows

Cash and cash equivalents as of the end of fiscal 2016 amounted to ¥126.0 billion, an increase of ¥43.1 billion compared to the end of the prior fiscal year. Net cash provided by operating activities amounted to ¥77.9 billion. This was a decrease of ¥6.3 billion compared to the prior fiscal year, mainly due to decreases in net income (¥46.3 billion, decrease of ¥1.4 billion year on year) and depreciation and amortization (¥29.0 billion, decrease of ¥2.5 billion). Net cash used in investing activities amounted to ¥15.0 billion. This was a decrease of ¥52.1 billion in outlays, mainly due to lower capital expenditures (¥25.8 billion, decrease of ¥12.1 billion year on year), the sale of a Group business (¥7.2 billion), and other factors. Free cash flow (total of net cash provided by operating activities and net cash used in investing activities) amounted to ¥62.8 billion, increased ¥45.7 billion versus the prior fiscal year. Net cash used in financing activities amounted to ¥15.0 billion, a decrease in outlays of ¥16.5 billion. The OMRON Group paid ¥14.5 billion in dividends (¥1.5 billion decrease compared to fiscal 2015).

Dividend Policy

Our policy for profit distribution is to prioritize investment in R&D necessary for ongoing corporate value improvement, capital expenditures, and M&A. At the same, we strive for stable, consistent returns for our shareholders. Our medium-term business plan through fiscal 2016 called for raising our payout ratio to 30%. We achieved this goal one year ahead of plan in fiscal 2015. Our payout ratio for fiscal 2016 was 31.6%, a 0.5-point increase compared to the prior fiscal year. Our dividend on equity ratio was 3.2%, which was a 0.1-point increase compared to the prior fiscal year.

Outlook for Fiscal 2017

Consolidated Earnings

While the global economic environment for fiscal 2017 remains in a moderate recovery, uncertainty will continue, depending on the impact of the direction of economic policies of the U.S. and Europe. In the OMRON Group's major markets in Japan, we expect firm demand for capital investment, mainly in the automobile and digital industries. Overseas, activity in the U.S. automobile-related market is expected to decelerate. However, we expect continued strong consumer spending and capital investment. In Europe, growing consumer spending should result in a gradual recovery for corporate capital investment. In China, recovery of consumer spending is likely to enter a lull. On the other hand, the effects of expanded government investment and other policies are likely to continue, resulting in a steady recovery. In Asia, Korea shows signs of a decline in capital investment growth. At the same time, we expect the economies of Thailand and India to recover.

Facing this environment, the OMRON Group will launch our new medium-term business plan, VG2.0, in fiscal 2017. Our qualitative goal toward fiscal 2020 is to become a *value generator for people and the Earth that is qualitatively and quantitatively superior*. Our quantitative goals are to reach ¥1 trillion in net sales and ¥100 billion in operating income. The next basic policy will be known as *~Start up VG2.0~ A Firm First Step Toward Innovation*. During the first year of our medium-term business plan, we plan to invest actively in our future to create a foundation for growth. Our fiscal 2017 plan calls for net sales of ¥810.0 billion (2.0% increase versus fiscal 2016), operating income of ¥68.0 billion (0.6% increase), and net income attributable to OMRON shareholders of ¥48.5 billion (5.5% increase). We plan to raise gross profit margin, an indicator of our earnings ability, to 40.6% (1.4-point increase year on year). Finally, our target for the important ROIC and ROE indicators is 10% or higher in each.

Industrial Automation Business (IAB)

In Japan, we anticipate firm demand for capital investment, particularly in the automobile and digital industries, to drive year-on-year growth in sales. Overseas, the digital industry should lead in continued firm demand for capital investment, combined with increasing demand for investment in automation, labor-saving, and information technology to drive sales higher year on year. As a result, the IAB forecasts net sales of ¥350.0 billion for fiscal 2017, a 5.8% increase year on year. With ongoing investment in growth, higher sales, and improved gross profit margin, we expect operating income to amount to ¥56.0 billion (7.7% increase).

Electronic and Mechanical Components Business (EMC)

In Japan, the EMC expects demand for automobile-related industries and consumer and commercial product industries to be level with the previous year. Demand for amusement industry spending will likely remain weak, leading to a reduced revenue plan for fiscal 2017. Overseas, we expect demand for consumer and commercial product industries in the U.S. and Europe will remain firm, while the electricity-related business should grow in Asia. While demand in the automobile-related industries in Asia and China should be strong, we expect waning demand in other regions. As a result, the EMC forecasts net sales of ¥94.0 billion (0.1% increase year on year). We expect operating income to amount to ¥9.0 billion (4.5% decrease), mainly due a temporary increase in expenses related to productivity improvements.

Automotive Electronic Components Business (AEC)

In Japan, we expect to see significant declines in vehicles equipped with OMRON Group products. Overseas, we forecast decreases in vehicle models equipped with Omron Group products and slower demand in North America. However, firm demand in Korea and China, should result in higher sales overseas as a whole. The AEC forecasts net sales of ¥131.0 billion (0.8% year on year decrease), with operating income of ¥6.5 billion, 8.8% lower owing to investment in growth projects.

Social Systems, Solutions and Service Business (SSB)

The SSB segment projects lower sales in its train station solutions business due to reaching a low point in the cycle for upgraded station equipment. The traffic and road management system business will likely generate higher sales based on demand for traffic-related terminal upgrades and investment in expressways. Combining these factors, the SSB forecasts net sales of ¥63.5 billion (2.6% increase year on year) and operating income of ¥4.0 billion (8.5% increase).

* Comparisons to fiscal 2016 figures are calculated on revised business classifications for fiscal 2016 actuals (¥61.9 billion in net sales, ¥3.7 billion in operating income).

Healthcare Business (HCB)

In Japan, the increase in individuals suffering from lifestyle diseases associated with an aging society and greater interest in health lead us to anticipate growth in medical equipment sales. However, since we have transferred shares of our medical equipment subsidiary to another company, we project lower sales for fiscal 2017. Overseas, economic growth is spurring lifestyle changes and an increase in interest in health. The emerging economies of the world, particularly in Asia, should see healthy demand for related products. Accordingly, we forecast higher overseas sales for fiscal 2017. As a result, the HCB forecasts net sales of ¥105.0 billion for fiscal 2017 (3.7% increase) and operating income of ¥9.5 billion (11.3% increase).

Other Businesses (Businesses under the Direct Control of Headquarters)

We forecast lower sales in our Backlights Business due to business optimization. Despite sluggish demand for the industrial sector of the solar power-related market, we expect that strong demand for storage batteries and related products will generate year-on-year sales growth in our Environmental Solutions Business for fiscal 2017. We plan for higher sales in our Electric Systems and Equipment Business, mainly due to an expanded lineup of uninterruptible power supply products. In our Micro Devices Business, we forecast a significant decline in fiscal 2017 sales, impacted negatively by lower sales of products for smartphone microphones. As a result, the Other Businesses segment forecasts fiscal 2017 net sales of ¥60.0 billion (12.4% decrease year on year) and operating loss of ¥1.0 billion. This operating loss represents a ¥900 million improvement compared to fiscal 2016 operating losses due to the impact of optimization in our businesses.

* Comparisons to fiscal 2016 figures are calculated on revised business classifications for fiscal 2016 actuals (¥68.5 billion in net sales, ¥1.8 billion in operating loss).

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries
March 31, 2016 and 2017

(Millions of yen)

ASSETS	FY2015	FY2016
Current Assets:		
Cash and cash equivalents	¥82,910	¥126,026
Notes and accounts receivable - trade	165,093	169,210
Allowance for doubtful receivables	(1,654)	(1,320)
Inventories	107,267	109,404
Deferred income taxes	18,469	19,123
Other current assets	17,524	13,461
Total Current Assets	389,609	435,904
Property, Plant and Equipment:		
Land	26,376	25,550
Buildings	146,412	141,527
Machinery and equipment	204,499	189,286
Construction in progress	6,142	6,104
Total	383,429	362,467
Accumulated depreciation	(236,864)	(234,852)
Net Property, Plant and Equipment	146,565	127,615
Investments and Other Assets:		
Goodwill	30,253	30,385
Investments in and advances to affiliates	25,048	25,303
Investment securities	37,055	27,006
Leasehold deposits	6,758	6,907
Deferred income taxes	22,080	21,101
Other assets	25,957	23,480
Total Investments and Other Assets	147,151	134,182
Total	¥683,325	¥697,701

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2015	FY2016
Current Liabilities:		
Notes and accounts payable - trade	¥82,606	¥89,362
Accrued expenses	37,975	39,354
Income taxes payable	6,890	6,994
Other current liabilities	35,192	36,371
Total Current Liabilities	162,663	172,081
Deferred Income Taxes	660	763
Termination and Retirement Benefits	62,289	43,708
Other Long-Term Liabilities	10,679	10,392
Total Liabilities	236,291	226,944
Shareholders' Equity:		
Capital	64,100	64,100
Common stock		
Authorized: 487,000,000 shares in FY2016		
487,000,000 shares in FY2015		
Issued: 213,958,172 shares in FY2016		
213,958,172 shares in FY2015		
Capital surplus	99,101	99,138
Legal reserve	15,194	17,813
Retained earnings	317,171	346,000
Accumulated other comprehensive income (loss)	(50,204)	(57,363)
Treasury stock	(644)	(659)
152,836 shares in FY2016		
149,398 shares in FY2015		
Total Shareholders' Equity	444,718	469,029
Noncontrolling Interests	2,316	1,728
Total Net Assets	447,034	470,757
Total	¥683,325	¥697,701

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2015, 2016 and 2017

(Millions of yen)

	FY2014	FY2015	FY2016
Net Sales	¥847,252	¥833,604	¥794,201
Costs and Expenses:			
Cost of sales	514,645	512,792	482,399
Selling, general and administrative expenses	198,103	205,735	193,539
Research and development expenses	47,913	52,790	50,697
Other expenses (income), net	(797)	(3,399)	2,074
Total	759,864	767,918	728,709
Income before Income Taxes and Equity in Earnings of Affiliates	87,388	65,686	65,492
Income Taxes	28,893	20,043	19,882
Equity in Earnings of Affiliates	(3,937)	(2,039)	(712)
Net Income	62,432	47,682	46,322
Net Income Attributable to Noncontrolling Interests	262	392	335
Net Income Attributable to OMRON Shareholders	¥62,170	¥47,290	¥45,987

(Yen)

	FY2014	FY2015	FY2016
Per Share Data:			
Net income Attributable to OMRON Shareholders:			
Basic	¥283.89	¥218.95	¥215.09
Diluted	283.89	218.95	215.09

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2015, 2016 and 2017

(Millions of yen)

	FY2014	FY2015	FY2016
Net Income	¥62,432	¥47,682	¥46,322
Other Comprehensive Income (Loss), Net of Tax:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	21,846	(23,916)	(9,003)
Reclassification adjustment for the portion realized in net income	—	—	(7)
Net unrealized gain (loss)	21,846	(23,916)	(9,010)
Pension liability adjustments:			
Pension liability adjustments arising during the year	227	(29,525)	4,908
Reclassification adjustment for the portion realized in net income	1,316	1,486	3,046
Net unrealized gain (loss)	1,543	(28,039)	7,954
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	7,074	(5,776)	1,164
Reclassification adjustment for the portion realized in net income	(3,062)	(4,818)	(7,283)
Net unrealized gain (loss)	4,012	(10,594)	(6,119)
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(656)	658	983
Reclassification adjustment for the portion realized in net income	975	(946)	(1,109)
Net unrealized gain (loss)	319	(288)	(126)
Other Comprehensive Income (Loss)	27,720	(62,837)	(7,301)
Comprehensive Income (Loss)	90,152	(15,155)	39,021
Comprehensive Income Attributable to Noncontrolling Interests	331	248	193
Comprehensive Income (Loss) Attributable to OMRON Shareholders	¥89,821	¥(15,403)	¥38,828

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2015, 2016 and 2017

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling interests	Total net assets
Balance, March 31, 2014	227,121,372	¥64,100	¥99,067	¥11,196	¥287,853	¥(15,162)	¥(16,545)	¥430,509	¥2,269	¥432,778
Net income					62,170			62,170	262	62,432
Cash dividends paid to OMRON Corporation shareholders, ¥71 per share					(15,513)			(15,513)		(15,513)
Cash dividends paid to noncontrolling interests								—	(277)	(277)
Equity transactions with noncontrolling interests and other								—	2	2
Transfer to legal reserve				2,207	(2,207)			—		—
Other comprehensive income (loss)						27,651		27,651	69	27,720
Acquisition of treasury stock							(15,054)	(15,054)		(15,054)
Sale of treasury stock			0				1	1		1
Retirement of treasury stock	(9,723,500)		(2)		(31,129)		31,131	—		—
Issuance of stock acquisition right			5					5		5
Balance, March 31, 2015	217,397,872	64,100	99,070	13,403	301,174	12,489	(467)	489,769	2,325	492,094
Net income					47,290			47,290	392	47,682
Cash dividends paid to OMRON Corporation shareholders, ¥68 per share					(14,656)			(14,656)		(14,656)
Cash dividends paid to noncontrolling interests								—	(256)	(256)
Equity transactions with noncontrolling interests and other								—	(1)	(1)
Transfer to legal reserve				1,791	(1,791)			—		—
Other comprehensive income (loss)						(62,693)		(62,693)	(144)	(62,837)
Acquisition of treasury stock							(15,023)	(15,023)		(15,023)
Sale of treasury stock			0				0	0		0
Retirement of treasury stock	(3,439,700)				(14,846)		14,846	—		—
Issuance of stock acquisition right			31					31		31
Balance, March 31, 2016	213,958,172	64,100	99,101	15,194	317,171	(50,204)	(644)	444,718	2,316	447,034
Net income					45,987			45,987	335	46,322
Cash dividends paid to OMRON Corporation shareholders, ¥68 per share					(14,539)			(14,539)		(14,539)
Cash dividends paid to noncontrolling interests								—	(297)	(297)
Equity transactions with noncontrolling interests and other			14					14	(484)	(470)
Transfer to legal reserve				2,619	(2,619)			—		—
Other comprehensive income (loss)						(7,159)		(7,159)	(142)	(7,301)
Acquisition of treasury stock							(16)	(16)		(16)
Sale of treasury stock					(0)		1	1		1
Issuance of stock acquisition right			23					23		23
Balance, March 31, 2017	213,958,172	¥64,100	¥99,138	¥17,813	¥346,000	¥(57,363)	¥(659)	¥469,029	¥1,728	¥470,757

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2015, 2016 and 2017

(Millions of yen)

	FY2014	FY2015	FY2016
Operating Activities:			
Net income	¥62,432	¥47,682	¥46,322
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,339	31,460	28,966
Net loss (gain) on sale and disposals of property, plant and equipment	3,432	(485)	705
Impairment losses on long-lived assets	137	463	12,998
Net gain on sale of investment securities	(4,337)	(1,499)	(3,764)
Impairment losses on investment securities	166	68	558
Gain on contribution of securities to retirement benefit trust	—	(4,140)	(7,004)
Termination and retirement benefits	(17,427)	698	2,863
Deferred income taxes	11,938	2,283	11
Equity in earnings of affiliates	(3,937)	(2,039)	(712)
Gain on sale of business	—	—	(3,686)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	3,384	9,436	(8,923)
Decrease (increase) in inventories	(10,671)	6,061	(7,112)
Decrease (increase) in other assets	(2,828)	1,003	2,604
Increase (decrease) in notes and accounts payable - trade	1,658	(7,189)	8,384
Increase (decrease) in income taxes payable	(3,127)	3,433	852
Increase (decrease) in accrued expenses and other current liabilities	6,318	(4,614)	5,097
Other, net	1,580	1,586	(284)
Total adjustments	14,625	36,525	31,553
Net cash provided by operating activities	77,057	84,207	77,875
Investing Activities:			
Proceeds from sale or maturities of investment securities	5,274	2,214	4,606
Purchase of investment securities	(603)	(330)	(3,274)
Capital expenditures	(37,123)	(37,903)	(25,816)
Decrease (increase) in leasehold deposits, net	118	115	(145)
Proceeds from sale of property, plant and equipment	768	2,239	2,278
Decrease (increase) in investment in and loans to affiliates	(30)	(20)	30
Proceeds from sale of business, net of cash paid	—	—	7,187
Acquisition of business, net of cash acquired	(8,003)	(33,448)	—
Other, net	82	17	93
Net cash used in investing activities	(39,517)	(67,116)	(15,041)
Financing Activities:			
Net borrowings (repayments) of short-term debt	(853)	2	155
Dividends paid by the Company	(12,985)	(16,077)	(14,539)
Dividends paid to noncontrolling interests	(277)	(256)	(297)
Payments for equity transactions with noncontrolling interests	—	—	(470)
Acquisition of treasury stock	(15,054)	(15,023)	(16)
Other, net	(134)	(196)	155
Net cash used in financing activities	(29,303)	(31,550)	(15,012)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,134	(5,253)	(4,706)
Net Increase (Decrease) in Cash and Cash Equivalents	12,371	(19,712)	43,116
Cash and Cash Equivalents at Beginning of the Year	90,251	102,622	82,910
Cash and Cash Equivalents at End of the Year	¥102,622	¥82,910	¥126,026

The Year in Review

For OMRON, fiscal 2016 was a year for promoting portfolio management, building a stronger foundation for growth, and improving our earnings structure. To realize dramatic growth, we reinforced our business foundations, particularly for the Industrial Automation Business and Healthcare Business.

Management and Business

May 2016

Completed sale of U.S.-based OMRON Oilfield and Marine Inc.

http://www.omron.com/media/press/2016/06/c0603.html

June 2016

OMRON Healthcare signed a partnership with Fukuda Denshi, and agreed to transfer shares in OMRON Colin (concluded December 2016)

http://www.omron.com/media/press/2016/06/h0609.html

June 2016

Selected for inclusion in the FTSE4Good Index Series

http://www.omron.com/media/press/2016/06/c0621_2.html

FTSE4Good

FTSE4Good is an investment index designed to promote investment in corporations meeting global ESG standards.

September 2016

Included in the Dow Jones Sustainability Asia/Pacific Index for 7th consecutive year

http://www.omron.com/media/press/2016/09/c0909.html

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

2016

April—May | June | July | August | September | October

June 2016

Develops world's first advanced AI onboard sensor to detect driver status in real time

http://www.omron.com/media/press/2016/06/c0606.html

July 2016

Introduced first FA equipment compatible with IO-Link Integrated FA and ICT for smarter production facilities

http://www.omron.com/media/press/2016/06/c0630.html

Released new Industrial PC Platform, making production sites integrated and intelligent

http://www.omron.com/media/press/2016/07/c0727.html

August 2016

Simultaneously introduced new image sensing unit around the world; speed of human condition recognition 10x greater than previous models

http://www.omron.com/media/press/2016/08/c0824.html

Products and Services

Industrial Automation Business (IAB)
Social Systems, Solutions and Service Business (SSB)
Electronic and Mechanical Components Business (EMC)
Healthcare Business (HCB)
Automotive Electronic Components Business (AEC)
Other Businesses

January 2017

Named 2016 Top 100 Global Innovator; recognized as one of the top 100 most innovative companies in the world

2016 TOP 100 GLOBAL INNOVATORS Clarivate Analytics

February 2017

OMRON Corporation and OMRON Healthcare Co., Ltd. selected among White 500 for Outstanding Health and Productivity Management

April 2017

Entered an agreement to acquire Sentech Co., Ltd., a manufacturer of machine vision systems for industrial applications and cameras for various medical and laboratory applications (concluded July 2017)

http://www.omron.com/media/press/2017/04/c0427.html

SENTECH センテック株式会社

2017

November	December	January	February	March	April

November 2016

Cumulative sales of home-use blood pressure monitors topped 200 million units worldwide

http://www.omron.com/media/press/2016/12/h1205.html

December 2016

Introduced KPM2 Series outdoor single-phase PV inverter; more functionality supporting improved solar power system generation volume

January 2017

Launched AI-equipped Mobile Robot LD Series; offers flexible, easily programmable, and automated transportation

http://www.omron.com/media/press/2016/10/c1003_2.html

March 2017

Introduced HEM-7600T upper arm blood pressure monitor; integrates unit and arm cuff for smooth operation from application to measurement

Introduced IoT-compatible tri-axis accelerometer; measures direct vibrations on buildings, bridge pillars, etc., during earthquakes for optimum maintenance and prevention

Corporate Information As of March 31, 2017

Established
May 10, 1933

Incorporated
May 19, 1948

Capital
¥64,100 million

Number of Employees
(Consolidated)
36,008

Common Stock
Issued
213,958 thousand shares
Trading Unit
100 shares
Number of Shareholders
36,277

Stock Listings
Tokyo Stock Exchange,
Frankfurt Stock Exchange

Securities Code
6645

Fiscal Year-End
March 31

Annual Shareholders' Meeting
June

Custodian of Register of Shareholders
Mitsubishi UFJ Trust and Banking Corporation

Depositary and Transfer Agent for American Depositary Receipts
JPMorgan Chase Bank, N.A.

Head Office
Shiokoji Horikawa,
Shimogyo-ku, Kyoto
600-8530, Japan
Tel : +81-75-344-7000
Fax: +81-75-344-7001

Overseas Headquarters

North America
OMRON MANAGEMENT CENTER OF AMERICA (Illinois)

Brazil
OMRON MANAGEMENT CENTER OF BRAZIL (São Paulo)

Europe
OMRON MANAGEMENT CENTER OF EUROPE (The Netherlands)

Greater China
OMRON MANAGEMENT CENTER OF CHINA (Shanghai)

Asia Pacific
OMRON MANAGEMENT CENTER OF ASIA PACIFIC (Singapore)

India
OMRON MANAGEMENT CENTER OF INDIA (Haryana)

Korea
OMRON MANAGEMENT CENTER OF KOREA (Seoul)

Major Manufacturing & Development, Sales & Marketing, and Research & Development Centers in Japan

Manufacturing & Development
Kusatsu Office
Ayabe Office
Yasu Office

Research & Development
Keihanna Technology Innovation Center
Okayama Office

Sales & Marketing
Tokyo Office
Mishima Office
Nagoya Office
Osaka Office

Coverage in ESG Indexes

Recognizing our commitment to sustainability, OMRON is a constituent member of major ESG indexes as below.

Overseas, we have been included for the seventh consecutive year in the Dow Jones Sustainability Asia/Pacific Index. We have also been included for the third consecutive year in the MSCI Global Sustainability Indexes, and have been selected again this year in the FTSE4Good Index Series and STOXX Global ESG Leaders Index. In Japan, we have been covered under the Morningstar Socially Responsible Investment Index every year since the index was first published in 2003.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

MS-SRI モーニングスター社会的責任投資株価指数

MSCI 2017 Constituent MSCI Global Sustainability Indexes

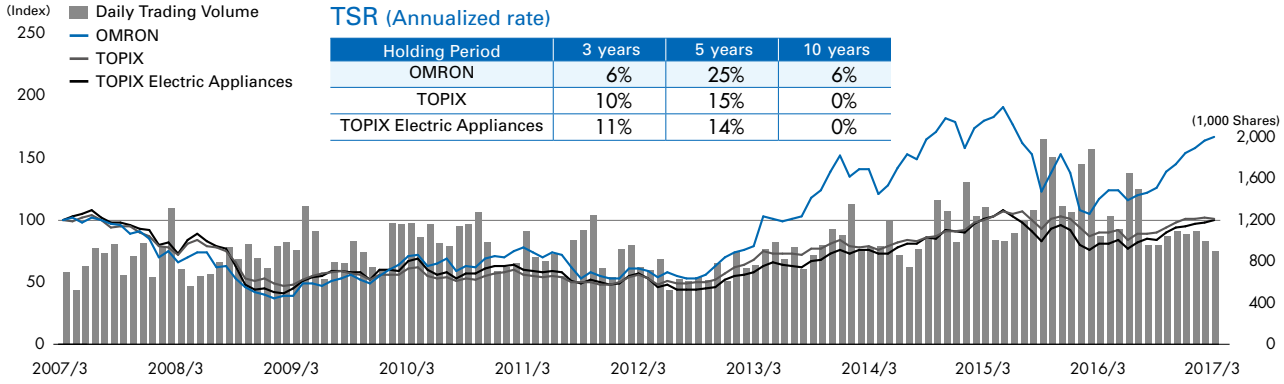
FTSE4Good

FTSE4Good is an investment index designed to promote investment in corporations meeting global ESG standards.

STOXX ESG LEADERS INDICES

Stock Information

Total Shareholder Return (TSR*1) Tokyo Stock Exchange



TSR (Annualized rate)

Holding Period	3 years	5 years	10 years
OMRON	6%	25%	6%
TOPIX	10%	15%	0%
TOPIX Electric Appliances	11%	14%	0%

† Share index (2007/3E = 100)
† Stock price and trading volume information is for the 1st section of the Osaka Securities Exchange before July 16, 2013, and for the 1st section of the Tokyo Stock Exchange thereafter.
† TSR holding period indexed to March 2017
*1TSR: Total investment return, combining capital gains and dividends

52-Week High / Low, Volatility*2

FY	High (¥)	Low (¥)	Volatility (%)
2016	**5,120**	**3,045**	**32.5**
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9
2013	4,730	2,213	39.7
2012	2,478	1,436	29.9
2011	2,357	1,381	36.5
2010	2,418	1,749	34.7
2009	2,215	1,132	35.9
2008	2,385	940	52.4
2007	3,510	1,950	36.3

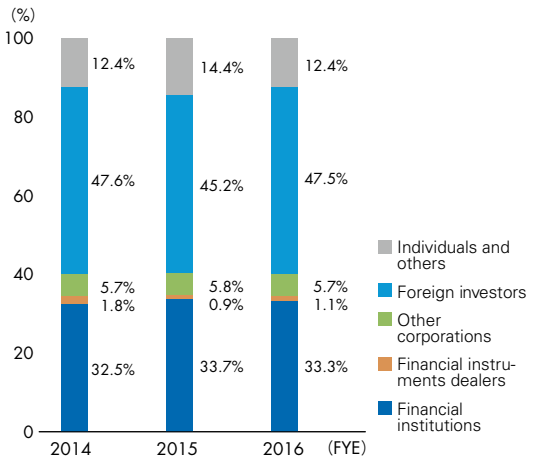
*2 Volatility: Price fluctuation risk expressed in standard deviations

Dividends per Share / Payout Ratio

FY	Dividends per Share (¥)	Payout Ratio (%)
2016	**68**	**31.6**
2015	68	31.1
2014	71	25.0
2013	53	25.3
2012	37*3	27.0
2011	28	37.6
2010	30	24.7
2009	17	106.4
2008	25	—
2007	42*4	22.6

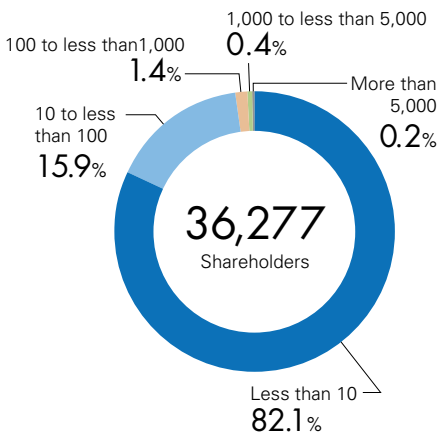
*3 Including ¥5.0 per share of 80th anniversary memorial dividend
*4 Including ¥5.0 per share of 75th anniversary memorial dividend

Ownership and Distribution of Shares



Shareholder Distribution by Number of Shares Held

(Trading unit: 100 shares)



Independent Practitioner's Assurance

To enhance the reliability of the information presented in Integrated Report 2017, the following information associated with the social and environmental performance in this report was reviewed by independent third parties*.

* Deloitte Tohmatsu Sustainability Co., Ltd.: A related company of Deloitte Touche Tohmatsu LLC, a member firm of Deloitte Touche Tohmatsu Limited.
* Bureau Veritas Japan Co., Ltd.

Scope of Independent Practitioner's Assurance Report

- Ratio of non-Japanese in managerial positions overseas (P22)
- Ratio of women in managerial roles (OMRON Group in Japan) (P22)
- Ratio of employees with disabilities (P22)

Deloitte.
デロイトトーマツ
TRANSLATION

Independent Practitioner's Assurance Report

July 10, 2017

Mr. Yoshiaki Yamada,
President and CEO,
OMRON Corporation

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd
3-3-1, Minamiaoyama, Minato-ku, Tokyo

We have undertaken a limited assurance engagement with respect to the Ratio of Non-Japanese in Managerial Positions Overseas, the Ratio of Women in Managerial Roles, and the Ratio of Employees with Disabilities (collectively, the "Social Performance Indicators") for the year ended March 31, 2017,* presented on page 22 under the "Non-Financial Highlights" section of the Integrated Report 2017 (the "Report") of OMRON Corporation (the "Company").

* "Ratio of Women in Managerial Roles" figures are as of April 01, 2017.

The Company's Responsibility
The Company is responsible for the preparation of the Social Performance Indicators in accordance with the calculation and reporting standards adopted by the Company (stated as the scope of limited assurance on page 22 of the Report).

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Social Performance Indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB") and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.
The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:
- Evaluating whether the Company's methods for estimation are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Social Performance Indicators of the Company are not presented, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Scope of Independent Practitioner's Assurance Report

- Environmental contribution (P23)
- Net sales to CO_2 emissions (P23)

Environmental Performance Data
Independent Verification Report

To: Omron Corporation

June 26, 2017

Bureau Veritas Japan Co., Ltd.
System Certification Service Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Omron Corporation (Omron) to conduct independent verification and review of its environmental data selected for inclusion in the Omron's corporate website, prepared under the responsibility of Omron. The aim of the verification is to consider the reliability and accuracy of environmental data detailed in the website and to provide a verification opinion based on objective evidence. The aim of the review is to make an independent statement concerning the reliability and accuracy of the environmental data.

1. Verification and Review Outline
1) Environmental impact data generated through business operations in FY2016 (April 1, 2016 through March 31, 2017)
Bureau Veritas conducted a verification of the following data.

Scope of Verification	Sites Visited	Verification Methodology
GHG emissions (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF$_3$) through business operations of Omron Group's 46 manufacturing sites both inside and outside Japan Footnote: CO_2 emissions generated from use of electricity by living vest, steam and hot water at OMRON DALIAN Co., Ltd. are out of verification scope. Water usage and Waste water discharged through business operations of Omron Group's 42 sites both inside and outside Japan	- Omron's head office - Omron Kyoto Pixel - OMRON PRECISION TECHNOLOGY Co., Ltd. - OMRON AUTOMOTIVE ELECTRONICS, INC.	- Review of documentary evidence produced by Omron's head office and the sites visited - Interviews with relevant personnel of Omron's head office and the sites visited Site inspection and review of data monitoring procedures - Comparison between the reported data and supporting documentary evidence
Categories 1, 2, 3, 5 and 7 of Scope 3 GHG emissions accounted and reported in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' within the boundaries defined by Omron for each category	- Omron's head office	Review of documentary evidence produced by Omron's head office Interviews with relevant personnel of Omron's head office - Comparison between the reported data and supporting documentary evidence
Carbon Productivity (Global sales / CO_2 emissions from global production sites)		

The verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of eco-financial reporting, based on current best practice. Bureau Veritas refers to the International Standard on Assurance Engagements (ISAE) 3000 in providing a limited assurance for the scope of work stated herein.

2) Environmental contribution by sold products and services
Bureau Veritas conducted a review of the following data.

Data Reviewed	Site visited	Review Methodology
The amount of contribution to CO_2 emission reduction through the use of products and services sold in FY2016 Note: The boundaries and accounting methodologies are defined by Omron.	Omron's Head Office	- Review of documentary evidence produced by Omron's Head Office and the departments of the relevant products and services - Interviews with relevant personnel of Omron's Head Office and the departments of the relevant products and services - Comparison between the data used in the calculation of emissions reductions and the supporting documentary evidence

2. Findings
On the basis of our methodology and the activities described above:
- Nothing has come to our attention to indicate that the reviewed information within the scope of our verification and review is inaccurate and does not provide a fair representation of the performance for the defined period.
- It is our opinion that Omron has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our verification and review.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day to day business activities. We are particularly vigilant in the assessment of conflicts of interest. Bureau Veritas activities for Omron are for sustainability reporting verification only and we believe our verification assignment did not raise any conflicts of interest.

From the Editor-in-Chief

Fiscal 2017 marks the sixth year since OMRON has issued its annual report in the Integrated Report format.

In drafting the fiscal 2017 edition of the Integrated Report, we have focused on our new medium-term management plan, VG2.0. A single narrative ties this report together, from the CEO message to each special feature. We have done our best to communicate the specifics and strategies of VG2.0. Moreover, this year OMRON formulated a company-wide initiative (sustainability policy) for environmental, social, and governance, so-called ESG. We identified sustainability issues and goals, set non-financial targets, and disclosed this information in this Integrated Report for the first time ever. We also reported on our director and officer compensation scheme, which was revised this year. We believe this Integrated Report provides readers with a better understanding of the development behind OMRON governance.

Our Investor Relations Department and the Sustainability Promotion Office, together with a great deal of cooperation both within and outside of the company, went through a painstaking process of trial and error to produce this report. As we strive to improve the Integrated Report, the entire production team looks forward to receiving frank comments and opinions about the report from you, the reader.

July 2017
Tsutomu Igaki
Executive Officer and Senior General Manager
Global Investor Relations &
Corporate Communications HQ
The Integrated Report Production Team

OMRON Integrated Report 2016: Awarded for Excellence

The OMRON Integrated Report 2016 was selected winner of the Award for Excellence in Integrated Reporting from the World Intellectual Capital Initiative Japan. This report was also awarded Second Prize in the Nikkei Annual Report Awards sponsored by Nikkei, Inc.

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New Medium-Term Management Plan, VG2.0
http://www.omron.com/vg2020/