

To All Shareholders:

Stock Code: 6645

May 21, 2018

Yoshihito Yamada
Representative Director, President and CEO

OMRON CORPORATION
Shiokoji Horikawa, Shimogyo-ku,
Kyoto, Japan

**CONVOCATION NOTICE FOR THE 81ST ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

Notice is hereby given that the 81st Ordinary General Meeting of Shareholders will be held as detailed below, and your attendance is cordially requested.

In the event that you are unable to attend the Meeting, you may exercise your voting rights in writing or by electronic methods. You are kindly requested to examine the attached Reference Materials for the General Meeting of Shareholders and to exercise your voting rights no later than 5:30 p.m. on Monday, June 18, 2018.

* Please note that there is no ballot attached to this translation.

1. Date: Tuesday, June 19, 2018, 10:00 a.m.
(The reception is scheduled to start at 9:00 a.m.)
2. Place: Banquet room “Genji,” 3rd Floor of Hotel Granvia Kyoto (inside Kyoto Station building)
Karasuma-dori, Shiokoji-sagaru, Shimogyo-ku, Kyoto
3. Agenda:
 - A. Reports
 1. The Business Report, Consolidated Financial Statements, and the Reports of the Accounting Auditors and Audit & Supervisory Board on the Results of Audits of Consolidated Financial Statements for the 81st Fiscal Year (April 1, 2017 to March 31, 2018)
 2. Financial Statements for the 81st Fiscal Year
(April 1, 2017 to March 31, 2018)
 - B. Proposals
 - No. 1 Dividends from Retained Earnings
 - No. 2 Election of Eight (8) Directors
 - No. 3 Election of One (1) Alternate Audit & Supervisory Board Member
 - No. 4 Payment of Short-term Performance-linked Compensation (Bonuses) for Directors for the 81st Term
 - No. 5 Determination of the Maximum Limit of the Aggregate Short-term Performance-linked Compensation (Bonuses) for Directors from the 82nd Term Onward
 - No. 6 Revision of the Maximum Limit of the Aggregate Compensation for Audit & Supervisory Board Members from the 82nd Term Onward

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and Reference Items

No. 1: Dividends from Retained Earnings

In aiming toward the sustained improvements in corporate value, the Company prioritizes investments in R&D expenditures, capital investments, and M&As, which are vital to OMRON's future growth, and ongoing efforts are made to enhance shareholder returns by securing the necessary internal reserves for these investments and taking capital efficiency into account.

For dividends in each fiscal year, OMRON's policy is to enhance stable and uninterrupted profit distributions based on consolidated results, the payout ratio, and indicators including dividends on equity (DOE), which is return on equity (ROE) multiplied by the payout ratio. Specifically, during the period covered by the medium-term management plan for fiscal 2017 to fiscal 2020 ("VG2.0"), the Company will pay dividends based on a payout ratio of approximately 30% and a DOE of approximately 3% as a guide.

Based on this policy, the Company plans to pay a year-end dividend of JPY 38 per share. As the Company has paid an interim cash dividend of JPY 38 per share, total cash dividends for the fiscal year will be JPY 76 per share.

(1) Type of dividend assets:

Cash

(2) Item concerning allotment of dividend assets to shareholders and total amount of dividends:

JPY 38 per share of common stock. Total amount JPY 8,032,263,528

(3) Effective date of the dividend:

June 20, 2018

No. 2: Election of Eight (8) Directors

The terms of all eight (8) Directors will expire at the close of this General Meeting of Shareholders.

The Company therefore requests the election of eight (8) Directors, including three (3) Directors (Independent).

The Company has established the Personnel Advisory Committee to enhance the transparency and objectivity in the nomination process of candidates for Directors. In response to consultation from the Chairman of the Board of Directors Meeting, the Committee discusses and makes recommendations on the candidates for Directors in accordance with the election criteria. Reflecting the Personnel Advisory Committee's recommendations, the Board of Directors nominates the candidates for Directors.

The Director candidates are as stated on pages 4 to 13.

Candidate number	Name	Current position in the Company	Tenure as Director
1	<Reelection> Mr. Fumio Tateishi	Chairman of the Board	12 years
2	<Reelection> Mr. Yoshihito Yamada	Representative Director	7 years
3	<Reelection> Mr. Kiichiro Miyata	Representative Director	1 year
4	<Reelection> Mr. Koji Nitto	Director	4 years
5	<Reelection> Mr. Satoshi Ando	Director	1 year
6	<Reelection> Mr. Eizo Kobayashi <Outside Officer candidate> <Independent Officer candidate>	Director (Independent)	5 years
7	<Reelection> Ms. Kuniko Nishikawa <Outside Officer candidate> <Independent Officer candidate>	Director (Independent)	3 years
8	<Reelection> Mr. Takehiro Kamigama <Outside Officer candidate> <Independent Officer candidate>	Director (Independent)	1 year

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
1	<p>Mr. Fumio Tateishi (July 6, 1949) Reelection Tenure as Director: 12 years Attendance at the Board of Directors meetings during fiscal 2017: 13/13 times (100%)</p>	<p>Aug. 1975 Joined the Company June 1997 Appointed Director June 1999 Retired as Director, appointed Managing Executive Officer June 2001 Appointed Senior General Manager of Corporate Strategic Planning H.Q. June 2003 Appointed Executive Officer and Executive Vice President, and President of Industrial Automation Business Company June 2008 Appointed Director and Executive Vice Chairman June 2013 Appointed Chairman of the Board (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Chairman of the Board of Directors Meeting Member of the CEO Selection Advisory Committee</p> <p><Reasons nominated as a candidate> Mr. Fumio Tateishi serves as Chairman of the Board of Directors Meeting as Director not engaged in business execution, and in this role he manages the Board of Directors in an appropriate manner and supervises the corporate management properly with an aim to achieve the long-term vision. Mr. Tateishi actively comments as a member of the CEO Selection Advisory Committee to contribute to increasing transparency and fairness in the appointment of President. Furthermore, he actively makes proposals for dissemination of the corporate principles within the Group based on his visits to domestic and overseas sites. Based on these factors, the Company believes that he is a suitable person for achieving sustained improvements in corporate value and therefore requests his reelection as a Director.</p>	1,207,027

Note: There are no special interests between the Company and Mr. Fumio Tateishi.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
2	<p>Mr. Yoshihito Yamada (November 30, 1961) Reelection Tenure as Director: 7 years Attendance at the Board of Directors meetings during fiscal 2017: 13/13 times (100%)</p>	<p>April 1984 Joined the Company June 2008 Appointed Executive Officer, and Representative Director and President of OMRON Healthcare Co., Ltd. March 2010 Appointed Senior General Manager of Corporate Strategic Planning H.Q. June 2010 Appointed Managing Executive Officer June 2011 Appointed Representative Director and President (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> President and CEO</p> <p><Reasons nominated as a candidate> Mr. Yoshihito Yamada appropriately supervises the corporate management as Representative Director. By providing sufficient and adequate explanations on significant management issues at the Board of Directors, Mr. Yamada contributes to improve the decision-making function of the Board of Directors. Furthermore, Mr. Yamada leads the management and business execution as President and CEO in an effort to achieve sustained improvements in corporate value by putting the corporate principles in practice. Based on these factors, the Company believes that he is a suitable person for serving as leader for the achievement of the long-term vision and therefore requests his reelection as a Director.</p>	33,300

- Notes: 1. There are no special interests between the Company and Mr. Yoshihito Yamada.
2. The number of shares of the Company owned above includes the real number of shares held in the name of the OMRON Officers' Stock Ownership Plan.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
3	Mr. Kiichiro Miyata (July 24, 1960) Reelection Tenure as Director: 1 year Attendance at the Board of Directors meetings during fiscal 2017: 10/10 times (100%)	<p>April 1985 Joined Tateisi Institute of Life Science, Inc. (now OMRON Healthcare, Co., Ltd)</p> <p>March 2010 Appointed Representative Director and President of OMRON Healthcare Co., Ltd. (Retired in March 2015)</p> <p>June 2010 Appointed Executive Officer of the Company</p> <p>June 2012 Appointed Managing Executive Officer</p> <p>April 2015 Appointed Chief Technology Officer (CTO) and Senior General Manager of Technology & Intellectual Property H.Q. (to present)</p> <p>April 2017 Appointed Senior Managing Director (to present)</p> <p>June 2017 Appointed Representative Director (to present)</p> <p>March 2018 Appointed Senior General Manager of Innovation Exploring Initiative HQ (to present)</p> <p><i>Areas of responsibility in the Company:</i> Senior Managing Executive Officer CTO, Senior General Manager of Technology & Intellectual Property HQ and Senior General Manager of Innovation Exploring Initiative HQ Member of the Personnel Advisory Committee</p> <p><Reasons nominated as a candidate> Mr. Kiichiro Miyata appropriately supervises the corporate management as Representative Director based on a technical perspective. Mr. Miyata actively comments as a member of the Personnel Advisory Committee to contribute to increasing transparency and fairness in executive personnel matters. In addition, as CTO and Senior General Manager of Technology & Intellectual Property H.Q., Mr. Miyata currently formulates and implements technology strategies from a management standpoint over the medium-to-long-term. Based on these factors, the Company believes that he is a suitable person for achieving sustained improvements in corporate value and therefore requests his reelection as a Director.</p>	9,729

Notes: 1. There are no special interests between the Company and Mr. Kiichiro Miyata.

2. The number of shares of the Company owned above includes the real number of shares held in the name of the OMRON Officers' Stock Ownership Plan.
3. Mr. Kiichiro Miyata was newly elected and appointed as Director at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, and therefore his attendance figures are stated for the Board of Directors meetings held on and after June 22, 2017.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
4	Mr. Koji Nitto (February 1, 1961) Reelection Tenure as Director: 4 years Attendance at the Board of Directors meetings during fiscal 2017: 13/13 times (100%)	<p>April 1983 Joined the Company March 2011 Appointed Senior General Manager of Global Resource Management H.Q. June 2011 Appointed Executive Officer March 2013 Concurrently appointed Senior General Manager of Global SCM and IT Innovation H.Q. April 2013 Appointed Managing Executive Officer March 2014 Appointed Senior General Manager of Global Strategy H.Q. (to present) April 2014 Appointed Senior Managing Executive Officer (to present) June 2014 Appointed Director (to present) April 2017 Appointed Chief Financial Officer (CFO) (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Senior Managing Executive Officer CFO and Senior General Manager of Global Strategy H.Q. Member of the Compensation Advisory Committee</p> <p><Reasons nominated as a candidate> Mr. Koji Nitto appropriately supervises the corporate management based on financial and strategic perspectives as Director. Mr. Nitto actively comments as a member of the Compensation Advisory Committee to contribute to increasing transparency and fairness of compensation of Directors. In addition, as CFO and Senior General Manager of Global Strategy H.Q., Mr. Nitto promotes efficient and effective group governance on a global level by quickly adapting to changes in economic condition and business environment. Based on these factors, the Company believes that he is a suitable person for achieving sustained improvements in corporate value and therefore requests his reelection as a Director.</p>	11,557

- Notes: 1. There are no special interests between the Company and Mr. Koji Nitto.
2. The number of shares of the Company owned above includes the real number of shares held in the name of the OMRON Officers' Stock Ownership Plan.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
5	Mr. Satoshi Ando (January 27, 1955) Reelection Tenure as Director: 1 year Attendance at the Board of Directors meetings during fiscal 2017: 10/10 times (100%)	<p>April 1977 Joined The Bank of Tokyo, Ltd. (now MUFG Bank, Ltd.)</p> <p>July 2003 Appointed Branch Manager of Jakarta Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Left the bank in June 2007)</p> <p>June 2007 Appointed Audit & Supervisory Board Member (Independent) of the Company</p> <p>June 2011 Appointed Executive Officer and Senior General Manager of Investor Relations H.Q.</p> <p>March 2015 Appointed Senior General Manager of Global Investor Relations & Corporate Communications H.Q.</p> <p>April 2015 Appointed Managing Executive Officer</p> <p>June 2017 Appointed Director (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Vice Chairman of the Personnel Advisory Committee Vice Chairman of the CEO Selection Advisory Committee Vice Chairman of the Compensation Advisory Committee</p> <p><Reasons nominated as a candidate> Mr. Satoshi Ando appropriately supervises the corporate management as full-time Director not engaged in business execution with an aim to achieve the long-term corporate vision. Mr. Ando actively comments as Vice Chairman of the Personnel Advisory Committee, CEO Selection Advisory Committee and Compensation Advisory Committee to contribute to increasing transparency and fairness in executive personnel matters, the appointment of President, and compensation of Directors. Based on these factors, the Company believes that he is a suitable person for achieving sustained improvements in corporate value and therefore requests his reelection as a Director.</p>	16,237

- Notes: 1. There are no special interests between the Company and Mr. Satoshi Ando.
2. The number of shares of the Company owned above includes the real number of shares held in the name of the OMRON Officers' Stock Ownership Plan.
3. Mr. Satoshi Ando was newly elected and appointed as Director at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, and therefore his attendance figures are stated for the Board of Directors meetings held on and after June 22, 2017.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
6	Mr. Eizo Kobayashi (January 7, 1949) <Outside Officer Candidate> <Independent Officer candidate> Reelection Tenure as Director: 5 years Attendance at the Board of Directors meetings during fiscal 2017: 11/13 times (84.6%) Number of listed companies including OMRON where he concurrently serves as an officer: with business execution 0 without business execution 3	<p>April 1972 Joined ITOCHU Corporation</p> <p>June 2000 Appointed Executive Officer of ITOCHU Corporation</p> <p>April 2002 Appointed Managing Executive Officer of ITOCHU Corporation</p> <p>June 2003 Appointed Representative Director and Managing Director of ITOCHU Corporation</p> <p>April 2004 Appointed Representative Director and Senior Managing Director of ITOCHU Corporation</p> <p>June 2004 Appointed President and CEO of ITOCHU Corporation</p> <p>April 2010 Appointed Chairman and Representative Director of ITOCHU Corporation</p> <p>June 2011 Appointed Chairman of ITOCHU Corporation</p> <p>June 2013 Appointed Director (Independent) of the Company (to present)</p> <p>June 2016 Appointed Chairman of ITOCHU Corporation</p> <p>April 2018 Appointed Senior Representative for Business Community Relations of ITOCHU Corporation (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Chairman of the Personnel Advisory Committee Chairman of the CEO Selection Advisory Committee Chairman of the Corporate Governance Committee Member of the Compensation Advisory Committee</p> <p><i>Significant concurrent positions:</i> Senior Representative for Business Community Relations of ITOCHU Corporation External Director of Japan Airlines Co., Ltd. Outside Director of Japan Exchange Group, Inc. Outside Director of Nippon Venture Capital Co., Ltd. Chairman of ITOCHU Foundation Chairman of Japan Foreign Trade Council, Inc. (scheduled to retire in May 2018)</p> <p><Reasons nominated as a candidate> Having served in management positions at a global company, Mr. Eizo Kobayashi has experience in proactive business development in a wide range of fields along with superior insight into management and appropriately supervises the corporate management as a Director (Independent). In addition, Mr. Kobayashi shares his experience and insight as a management expert, and actively comments as Chairman of the Personnel Advisory Committee, CEO Selection Advisory Committee and Corporate Governance Committee and as a member of the Compensation Advisory Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company believes that he is a suitable person for supervising management for sustained improvements in corporate value and therefore requests his reelection as a Director (Independent).</p>	6,546

- Notes: 1. Mr. Eizo Kobayashi currently serves as Senior Representative for Business Community Relations of ITOCHU Corporation. While the OMRON Group has a business relationship with the ITOCHU Group including sales of products, such transactions in fiscal 2017 accounted for less than 1% of the consolidated net sales of the OMRON Group and those of the ITOCHU Group. Therefore there is nothing questionable regarding the independence of Mr. Kobayashi, and there are no special interests between Mr. Kobayashi and the Company.
2. Mr. Eizo Kobayashi is currently a Director (Independent) of the Company, and the Company has provided notification as an Independent Officer to Tokyo Stock Exchange, Inc. If Mr. Kobayashi's reelection is approved, the Company plans to provide notification as an Independent Officer to Tokyo Stock Exchange, Inc. Details of "The Company's policy regarding the independence of Outside Officers" are described on pages 14 to 15.
3. The Company has established a provision in its Articles of Incorporation for limited liability agreements with outside Directors and outside Audit & Supervisory Board Members with the approval of shareholders, to

ensure that they can adequately fulfill their expected roles. Accordingly, the Company has formed a limited liability agreement with Mr. Eizo Kobayashi that sets the amount of his liability at either JPY 10 million or the minimum liability amount prescribed in Article 425-1 of the Companies Act, whichever is higher. If Mr. Kobayashi's reelection is approved, the Company plans to continue the aforementioned limited liability agreement.

4. ITOCHU Corporation, at which Mr. Eizo Kobayashi served as Director until June 2016, received a cease and desist order from the Japan Fair Trade Commission in January and February of 2018, on account of violations of the Antimonopoly Act, with respect to the sale of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, respectively, while he was serving as Director. Since the facts of these incidents became known, ITOCHU Corporation has been striving to further strengthen its compliance framework including its compliance with the Antimonopoly Act, and the prevention of violation thereof.
5. The number of shares of the Company owned above includes the real number of shares held in the name of the OMRON Officers' Stock Ownership Plan.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
7	Ms. Kuniko Nishikawa (July 9, 1962) <Outside Officer Candidate> <Independent Officer candidate> Reelection Tenure as Director: 3 years Attendance at the Board of Directors meetings during fiscal 2017: 13/13 times (100%) Number of listed companies including OMRON where she concurrently serves as an officer: with business execution 0 without business execution 1	<p>April 1986 Joined Citibank N.A. Feb. 1996 Joined A.T. Kearney, Inc. Sep. 2000 Appointed President & CEO of Supernurse Co. Ltd. Aug. 2010 Established Firststar Healthcare Co. Ltd. Appointed President & CEO of Firststar Healthcare Co. Ltd. (to present) June 2013 Appointed President of Benesse MCM Corp. June 2015 Appointed Director (Independent) of the Company (to present) May 2017 Appointed Chief Executive Officer of FRONTEO Healthcare, Inc. (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Chairman of the Compensation Advisory Committee Vice Chairman of the Corporate Governance Committee Member of the Personnel Advisory Committee Member of the CEO Selection Advisory Committee</p> <p><i>Significant concurrent positions:</i> President & CEO of Firststar Healthcare Co. Ltd. Chief Executive Officer of FRONTEO Healthcare, Inc. Non-Executive Director and Member of the Regional Economy Vitalization Committee of Regional Economy Vitalization Corporation of Japan</p> <p><Reasons nominated as a candidate> Ms. Kuniko Nishikawa has abundant international experience, and, having started her own company after experience in a global management consulting firm and management of a medical staffing company, she has a diverse track record of management achievements and superior insight and appropriately supervises corporate management as a Director (Independent). In addition, Ms. Nishikawa shares her experience and insight as management expert, and actively comments as Chairman of the Compensation Advisory Committee, Vice Chairman of the Corporate Governance Committee, and as a member of the Personnel Advisory Committee and CEO Selection Advisory Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company believes that she is a suitable person for supervising management for sustained improvements in corporate value and therefore requests her reelection as a Director (Independent).</p>	0

- Notes: 1. There are no special interests between the Company and Ms. Kuniko Nishikawa.
2. Ms. Kuniko Nishikawa is currently a Director (Independent) of the Company, and the Company has provided notification as an Independent Officer to Tokyo Stock Exchange, Inc. If Ms. Nishikawa's reelection is approved, the Company plans to provide notification as an Independent Officer to Tokyo Stock Exchange, Inc. Details of "The Company's policy regarding the independence of Outside Officers" are described on pages 14 to 15.
3. The Company has established a provision in its Articles of Incorporation for limited liability agreements with outside Directors and outside Audit & Supervisory Board Members with the approval of shareholders, to ensure that they can adequately fulfill their expected roles. Accordingly, the Company has formed a limited liability agreement with Ms. Kuniko Nishikawa that sets the amount of her liability at either JPY 10 million or the minimum liability amount prescribed in Article 425-1 of the Companies Act, whichever is higher. If Ms. Nishikawa's reelection is approved, the Company plans to continue the aforementioned limited liability agreement.

Candidate number	Name (Date of birth)	Career summary, position in the Company, areas of responsibility, and significant concurrent positions	Number of shares of the Company owned
8	Mr. Takehiro Kamigama (January 12, 1958) <Outside Officer Candidate> <Independent Officer candidate> Reelection Tenure as Director: 1 year Attendance at the Board of Directors meetings during fiscal 2017: 10/10 times (100%) Number of listed companies including OMRON where he concurrently serves as an officer (from June 2018 onward) with business execution 0 without business execution 2	<p>April 1981 Joined TDK Corporation</p> <p>June 2002 Appointed Corporate Officer of TDK Corporation</p> <p>June 2003 Appointed Senior Vice President of TDK Corporation</p> <p>June 2004 Appointed Director & Executive Vice President of TDK Corporation</p> <p>June 2006 Appointed President & Representative Director of TDK Corporation</p> <p>June 2016 Appointed Chairman & Representative Director of TDK Corporation (to present)</p> <p>June 2017 Appointed Director (Independent) of the Company (to present)</p> <p><i>Areas of responsibility, etc., in the Company:</i> Member of the Personnel Advisory Committee Member of the CEO Selection Advisory Committee Member of the Compensation Advisory Committee Member of the Corporate Governance Committee</p> <p><i>Significant concurrent positions:</i> Chairman & Representative Director of TDK Corporation (scheduled to retire from this position in June 2018 and to be appointed as Mission Executive in the same month) Outside Director of Yamaha Motor Co., Ltd.</p> <p><Reasons nominated as a candidate> Having served at a global company as a top executive, Mr. Takehiro Kamigama has a considerable track record of management achievements and superior insight, and appropriately supervises corporate management as a Director (Independent). In addition, Mr. Kamigama shares his experience and insight as management expert, and actively comments as a member of the Personnel Advisory Committee, CEO Selection Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company believes that he is a suitable person for supervising management for sustained improvements in corporate value and therefore requests his reelection as a Director (Independent).</p>	0

- Notes: 1. Mr. Takehiro Kamigama currently serves as Chairman & Representative Director of TDK Corporation (scheduled to retire in June 2018). While the OMRON Group has a business relationship with the TDK Group including sales of products, such transactions in fiscal 2017 accounted for less than 1% of the consolidated net sales of the OMRON Group and those of the TDK Group. Therefore there is nothing questionable regarding the independence of Mr. Kamigama.
2. Mr. Takehiro Kamigama is currently a Director (Independent) candidate, and meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc. If Mr. Kamigama's election is approved, the Company plans to provide notification as an Independent Officer to Tokyo Stock Exchange, Inc. Details of "The Company's policy regarding the independence of Outside Officers" are described on pages 14 to 15.
3. The Company has established a provision in its Articles of Incorporation for limited liability agreements with outside Directors and outside Audit & Supervisory Board Members with the approval of shareholders, to ensure that they can adequately fulfill their expected roles. Accordingly, if Mr. Kamigama's election is approved, the Company plans to form a limited liability agreement with him that sets the amount of his liability at either JPY 10 million or the minimum liability amount prescribed in Article 425-1 of the Companies Act, whichever is higher. If Mr. Kamigama's reelection is approved, the Company plans to continue the aforementioned limited liability agreement.
4. TDK Corporation, at which Mr. Takehiro Kamigama is currently serving as Chairman & Representative Director, was found by the Japan Fair Trade Commission to have committed a violation of the Antimonopoly Act in its HDD suspension business, while he was serving as Director. The company then filed an application for surcharge reduction and exemption (the leniency policy), which was accepted and allowed the company to receive exemption from surcharge, while it was not penalized by a cease and desist order. Mr. Kamigama has been dedicated to accomplishing complete compliance with laws and regulations, and after the fact of this

- incident became known, he is now striving to further strengthen the compliance frameworks including compliance with Antimonopoly Act and the prevention of violation thereof, thereby fulfilling his duties.
5. Mr. Takehiro Kamigama was newly elected and appointed as Director at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, and therefore his attendance figures are stated for the Board of Directors meetings held on and after June 22, 2017.

The Company's policy regarding the independence of Outside Officers

- The Company makes it a rule to elect and appoint Outside Officer nominees following resolutions by the Board of Directors, based on the consultation to, deliberation by and reporting from the Personnel Advisory Committee chaired by a Director (Independent), in accordance with the independence requirements stated in the Company's own "Independence Requirements for Outside Officers (see Note)" in addition to the requirements under the Companies Act.
- With regard to making all Outside Officers Independent Officers, the matter was resolved at a meeting of the Board of Directors. This decision followed consultation with the Corporate Governance Committee, composed of Outside Officers, with a view to ensuring that the Company's own "Independence Requirements for Outside Officers" are appropriate criteria for judging the independence of Outside Officers.

(Note) "Independence Requirements for Outside Officers" (revised on December 25, 2014)

In selecting new Outside Officer nominees, the Company has set the following independence requirements to define relations between the OMRON Group and the nominees as well as companies or organizations to which they belong. Outside Officers shall maintain the following independence requirements after appointment as well, and if there is an appointment to a principal position, independence shall be reviewed based on these independence requirements by the Personnel Advisory Committee.

1. Nominees for Outside Officers shall not be Directors (excluding Directors (Independent)), Audit & Supervisory Board Members (excluding Audit & Supervisory Board Members (Independent)), Executive Officers or employees of the OMRON Group (see Note) and they shall not have been Directors (excluding a Directors (Independent)), Audit & Supervisory Board Members (excluding Audit & Supervisory Board Members (Independent)), Executive Officers or employees of the OMRON Group in the past.
2. They shall not have been large shareholders of the OMRON Group (*), or Directors, Audit & Supervisory Board Members, Executive Officers or employees of a company in which the OMRON Group is a large shareholder in any of the past five fiscal years.
(*) A large shareholder refers to a company, etc. with a shareholding ratio exceeding 10% of total voting rights.
3. They shall not be Directors, Audit & Supervisory Board Members, Executive Officers or employees at significant transaction partners (*) of the OMRON Group.
(*) A significant transaction partner refers to a company whose payments or received transaction amount in business with the OMRON Group in the previous fiscal year and the past three fiscal years represent more than 2% of the consolidated net sales of the Group or the transaction partner (including its parent company and significant subsidiaries).
4. They shall not be Directors, Audit & Supervisory Board Members, Executive Officers or employees of a corporation, organization, etc. receiving large donations (*) from the OMRON Group.
(*) Large donations refer to donations of JPY 10 million per year or donations that represent more than 2% of the consolidated net sales or total income of the donation recipient, whichever amount is larger, based on the average for the past three fiscal years.
5. Companies or organizations to which the nominee belongs must not have appointed designated Directors, Audit & Supervisory Board Members, or Executive Officers to the OMRON Group or vice versa.
6. They shall not have been representative partners, staff members, partners or employees at the Accounting Auditors serving the OMRON Group in any of the past five fiscal years.
7. They shall not be legal specialists, certified public accountants, consultants, etc., that receive large amounts of money (*) or other assets from the OMRON Group besides compensation of Directors or Audit & Supervisory Board Members.
(*) Large amounts of money refer to JPY 10 million per year in the cases of an individual or an amount that represents more than 2% of the consolidated net sales in the case of an organization based on the average for the past three fiscal years.
8. They shall not be a spouse, family member within the second degree of relationship, family member that lives in the same residence, or a dependent of any of the following parties.
(1) Directors, Audit & Supervisory Board Members, Executive Officers or principal employees (*) of the OMRON Group

- (2) Parties that were Directors, Audit & Supervisory Board Members, Executive Officers or principal employees of the OMRON Group in any of the past five fiscal years
- (3) Parties that are restricted from appointment based on items 2. through 7. above
 - (*) Principal employees refer to employees at the Senior General Manager level or above.
- 9. In addition, there shall be nothing questionable regarding the independence in performing duties as an Outside Officer.

Note: The above term 'OMRON Group' means OMRON Corporation and its subsidiaries.

No. 3: Election of One (1) Alternate Audit & Supervisory Board Member

The term of office of the currently appointed Alternate Audit & Supervisory Board Member will expire at the opening of this Ordinary General Meeting of Shareholders. To ensure that the Company will not lack the number of Audit & Supervisory Board Members stipulated by laws and regulations, the Company requests the election of one (1) Alternate Audit & Supervisory Board Member as an Alternate Outside Audit & Supervisory Board Member.

This Alternate Audit & Supervisory Board Member shall be appointed only if the Company lacks the number of Outside Audit & Supervisory Board Members stipulated by laws and regulations, and shall serve the remaining term of his predecessor.

The Company has obtained the consent of the Audit & Supervisory Board regarding this proposal.

The Company has established the Personnel Advisory Committee to enhance the transparency and objectivity in the nomination process of candidates for Audit & Supervisory Board Members. In response to consultation from the Chairman of the Board of Directors Meeting, who has been entrusted by the Audit & Supervisory Board, the Committee discusses and makes recommendations on the candidates for Audit & Supervisory Board Members in accordance with the election criteria. Reflecting the Personnel Advisory Committee’s recommendations, and with the consent of the Audit & Supervisory Board, the Board of Directors nominates the candidate for Audit & Supervisory Board Member. The same procedures have been taken for nominating candidates for Alternate Audit & Supervisory Board Members.

The Alternate Audit & Supervisory Board Member candidate is as follows:

Name (Date of birth)	Career summary and significant concurrent positions	Number of shares of the Company owned
<p>Mr. Toru Watanabe (February 2, 1966) <Alternate Audit & Supervisory Board Member candidate></p>	<p>April 1993 Registered as attorney with the Osaka Bar Association; joined Kitahama Partners (now Kitahama Partners - Foreign Law Joint Enterprise) Jan. 1998 Appointed partner of Kitahama Partners (to present)</p> <p><i>Significant concurrent positions:</i> Partner of Kitahama Partners - Foreign Law Joint Enterprise, Attorney at Law Outside Director of SHO-BI Corporation Outside Audit & Supervisory Board Member of AOYAMA TRADING Co., Ltd.</p> <p><Reasons nominated as a candidate> Mr. Toru Watanabe is an attorney specializing in primarily in the Companies Act and corporate legal affairs. The Company expects Mr. Watanabe to reflect his legal expertise in the auditing of the Company and requests his election as an Alternate Outside Audit & Supervisory Board Member. He has not been involved directly in corporate management other than acting as an Outside Director or an Outside Audit & Supervisory Board Member, but for the reasons stated above, the Company believes that he can adequately fulfill the duties of an Outside Audit & Supervisory Board Member.</p>	<p>0</p>

Notes: 1. There are no special interests between the Company and Mr. Toru Watanabe.

2. Mr. Toru Watanabe is an Alternate Outside Audit & Supervisory Board Member candidate, and meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc. Details of “The Company’s policy regarding the independence of Outside Officers” are described on pages 14 to 15.

3. The Company has established a provision in its Articles of Incorporation for limited liability agreements with outside Directors and outside Audit & Supervisory Board Members with the approval of shareholders, to ensure that they can adequately fulfill their expected roles. If Mr. Watanabe is appointed as an Outside Audit & Supervisory Board Member, the Company plans to form a limited liability agreement with Mr. Watanabe that sets the amount of his liability at either JPY 10 million or the minimum liability amount prescribed in Article 425-1 of the Companies Act, whichever is higher.

No. 4: Payment of Short-term Performance-linked Compensation (Bonuses) for Directors for the 81st Term
Based on the “Policy on Determining Amount of Compensation, etc., and Methods Used for Calculation” stated on pages 34 to 35 of this Convocation Notice, the Company requests shareholders to approve payment of a total of JPY 321,105,000 in short-term performance-linked compensation (bonuses) to five (5) Directors as of March 31, 2018, excluding Directors (Independent).

The methods of distribution and payment, etc. to each Director shall be resolved at the Board of Directors, based on the deliberation by and reporting from the Compensation Advisory Committee. The amounts to be paid to each individual Director shall be left to the discretion of the Board of Directors in this regard.

No. 5: Determination of the Maximum Limit of the Aggregate Short-term Performance-linked Compensation (Bonuses) for Directors from the 82nd Term Onward

Compensation for Directors (excluding Directors (Independent); hereinafter, the eligible Directors, in this proposal) shall consist of 1) “base salary,” 2) “short-term performance-linked compensation (bonuses),” and 3) “medium-to-long-term, performance-linked compensation (performance-linked stock compensation).” Of the above, the maximum limit of the aggregate amount of 1) “basic salary” was approved at JPY 35 million per month at the 63rd Ordinary General Meeting of Shareholders held on June 27, 2000, while the maximum limit of the aggregate amount of 3) “medium-to-long-term, performance-linked compensation (performance-linked stock compensation)” was approved at JPY 2,400 million for the four fiscal years covered by the medium-term management plan, at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017.

2) “Short-term performance-linked compensation (bonuses)” has been paid, based on approvals of the General Meeting of Shareholders as appropriate, through deliberation by and reporting from the Compensation Advisory Committee. This proposal is to ask for approval on review and reform of such procedure for determining the “short-term performance-linked compensation (bonuses).”

Following the revision of the compensation plan for officers in 2017, the Company disclosed the Compensation Policy for Directors and Overview of Compensation Structure for Directors on page 35 and page 36 of this Convocation Notice, while disclosing evaluation indicators and evaluation weight for determining the “short-term performance-linked compensation (bonuses),” which demonstrates that the entire amount of the “short-term performance-linked compensation (bonuses)” is linked to quantitative performance indicators. The Company also ensures objectivity of the determining process of compensation through disclosure of the structure of the Compensation Advisory Committee, the procedure for determining compensation, etc.

Based on these factors, the Company requests to shareholders that “short-term performance-linked compensation (bonuses)” from the 82nd term onward be determined subject to the resolution of the Board of Directors within the maximum limit of the aggregate amount approved at the General Meeting of Shareholders, based on deliberation by and reporting from the Compensation Advisory Committee. The maximum limit of the aggregate “short-term performance-linked compensation (bonuses)” and the standards for calculation shall be as follows.

1. Maximum limit of the aggregate amount

The estimated maximum limit of the aggregate amount under the Company’s current compensation plan for officers is JPY 600 million per year.

The amount shall be set separate from the maximum limit of the aggregate basic salary for Directors approved at the 63rd Ordinary General Meeting of Shareholders held on June 27, 2000 and the maximum limit of the aggregate “medium-to-long-term, performance-linked compensation (performance-linked stock compensation).” for the eligible Directors approved at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017.

2. The standards for calculating the amount of compensation

The compensation shall be paid based on yearly performance indicators and the degree of the achievement of performance targets.

The amount to be paid varies between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.

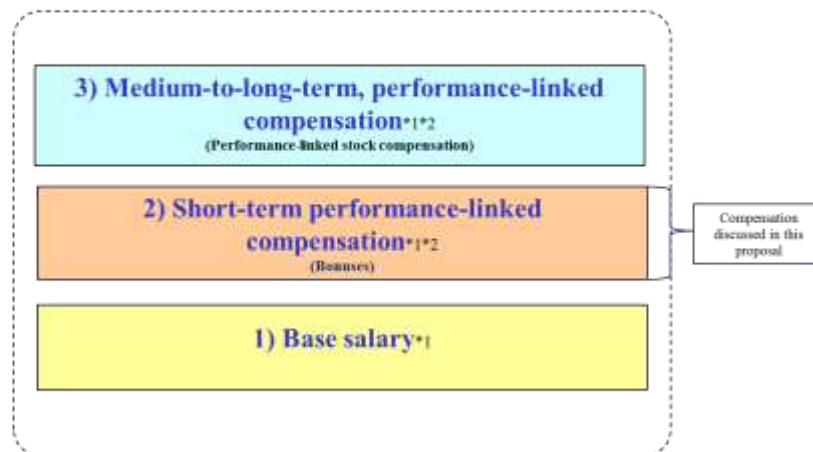
$$\begin{array}{|c|} \hline \text{Base amount for} \\ \text{each position} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Performance score} \\ \text{(Operating income 50\%, net income 50\%)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{ROIC} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Short-term performance-linked} \\ \text{compensation (bonuses)} \\ \hline \end{array}$$

If the proposal No. 2 “Election of Eight (8) Directors” is approved as originally proposed, five (5) Directors will be eligible for this proposal.

This proposal has been deliberated at the Compensation Advisory Committee.

[Reference]

Directors’ compensation structure is as follows:



*1 The chart above does not indicate the percentage of each compensation.

*2 Directors (Independent) are excluded.

No. 6: Revision of the Maximum Limit of the Aggregate Compensation for Audit & Supervisory Board Members from the 82nd Term Onward

The maximum limit of the aggregate compensation for Audit & Supervisory Board Members was approved at JPY 7 million per month at the 60th Ordinary General Meeting of Shareholders held on June 27, 1997, and has remained at the same amount to date. However, in view of the circumstances including changes in economic environment and demand for an enhanced governance system, the Company requests shareholders' approval for changing the maximum limit of the aggregate compensation to JPY 11 million per month.

There are four (4) Audit & Supervisory Board Members (including two (2) Audit & Supervisory Board Members (Independent)) at present.

Business Report (Consolidated)

(April 1, 2017 to March 31, 2018)

1. Current State of the OMRON Group

(1) Consolidated Results

General Overview

The OMRON Group recorded year-on-year growth, setting record highs for net sales, gross profit, and net income attributable to shareholders. Our core Industrial Automation Business and Healthcare Business drove group performance, reporting higher revenues compared to the previous fiscal year. The OMRON way of working in close coordination with production, sales, and development groups helped the company achieve a company-wide gross profit margin of 41.6 percent, a 2.3 point increase year on year. As a result, we have achieved significant profit improvements, even as we invest for sustainable growth over the medium and long term.

Net sales	JPY 860,000 million, 8.3 percent increase year on year
Gross profit margin	41.6 percent, 2.3 point increase year on year
Operating income	JPY 85,900 million, 27.1 percent increase year on year
Net income attributable to shareholders	JPY 63,200 million, 37.3 percent increase year on year

Average exchange rates for fiscal 2017:

USD 1 = JPY 111.2 EUR 1 = JPY 129.4

The average exchange rates for the fiscal year ended March 31, 2018 were USD 1 = JPY 111.2 (2.3 yen less than the previous fiscal year) and EUR 1 = JPY 129.4 (10.0 yen less than the previous fiscal year).

Results by Business Segment

IAB: Industrial Automation Business

Outline of business

Targets a wide range of customers in major manufacturing industries worldwide to provide manufacturing support through automation devices and services using sensing and control technology.

Major products/services

Programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices, industrial robots, precision laser processing equipment, control devices

In Japan, sales increased significantly year on year. We have added resources, acquired companies, and otherwise added to our product lineup in response to investment demand in the global automobile and digital industries, as well as to rising needs for factory automation to generate labor savings. These measures have allowed us to propose more detailed and effective solutions to our customers.

Overseas, investment demand was firm among the semiconductor-related and automobile markets in the Americas. Meanwhile a more settled political situation and gradual economic recovery in Europe, accompanied by strong machinery exports, led to greater demand in the food and other industries in that region. The digital industries (semiconductors, etc.) in Greater China and Asia have significantly increased the pace and scale of investment. In response to this demand and investment, we are working to offer even more effective solutions to our customers. At the same time, synergies from companies we acquired have resulted in sharp growth in overseas net sales.

Segment sales were substantially higher than the previous year. This result was driven by higher sales, stemming from effective sales activities that leveraged our broad product lineup and solutions.

As a result, operating income for the fiscal year totaled JPY 396,100 million, an increase of 19.7 percent compared with the previous fiscal year, and operating income totaled JPY 74,000 million, an increase of 42.3 percent compared with the previous fiscal year.

EMC: Electronic and Mechanical Components Business

Outline of business

Provides electronic components globally in a wide range of fields including built-in control components for general application (consumer) devices, automotive devices, environmental and energy devices, industrial equipment, built-in components for mobile devices such as mobile phones, etc.

Major products/services

Relays, switches, connectors, amusement components and units, general sensors, face recognition software, image sensing component

In Japan, sales were higher year on year, supported by an increase in inquiries from the automotive industry and strong sales of new vehicles among our customers.

Overseas, sales were strong in the Americas and Europe, mainly due to our capture of demand for consumer and commercial products driven by growth in these markets. Sales rose by a wide margin in Asia, owing to higher demand for motorcycles and an increasing number of adoptions for home appliance applications. Sales were firm in Greater China, supported by higher incomes and improving living standards in inland urban centers, which led to higher demand in the high-function appliances market. As a result, overseas sales were significantly higher compared to the previous fiscal year.

Operating income was significantly higher year on year, mainly due to increased external sales and internal sales growth to the Industrial Automation Business.

As a result, operating income for the fiscal year totaled JPY 102,800 million, an increase of 9.5 percent compared with the previous fiscal year, and operating income totaled JPY 12,100 million, an increase of 28.7 percent compared with the previous fiscal year.

AEC: Automotive Electronic Components Business

Outline of business

Takes on new challenges in automotive electronics to make automobiles safer and more supportive to people and the environment, and conducts design, production, and sales of automotive electronics to vehicle and component manufacturers throughout the world.

Major products/services

Automotive body electronics controllers, electric power steering controllers, passive entry and push engine start systems, keyless entry systems, power window switches and various automotive switches and power conversion units

In Japan, sales were lower for the year, mainly due to vehicle model changes resulting in the termination of models using OMRON products.

Overseas, in the Americas, sales were lower, mainly due to a decrease in the number of automobiles produced in North America and model changes resulting in the termination of models using OMRON products. In Asia, sales were higher in response to strong automotive production in India, rising sales of motorcycles in Indonesia, and other factors. As a result, overseas sales for the segment were level with the previous fiscal year.

Operating income was decreased significantly compared to the previous fiscal year, mainly due to flat sales and higher research and development expenses incurred for next-generation products.

As a result, operating income for the fiscal year totaled JPY 131,200 million, a decrease of 0.7 percent compared with the previous fiscal year, and operating income totaled JPY 5,800 million, a decrease of 18.4 percent compared with the previous fiscal year.

SSB: Social Systems, Solutions and Service Business

Outline of business

Creates solutions using sensing & control technologies, software, and total maintenance services for safer, more secure, and more comfortable communities, and works with customers to contribute to building an optimized society.

Major products/services

Railway station service systems, traffic and road management systems, card payment services, security and

safety solutions, energy management business and related maintenance business

In our Public Transportation Business, demand for upgrades were flat year on year.

Despite weak replacement demand for road traffic terminals, firm demand for upgrades to traffic and road management systems helped drive sales in our Traffic and Road Management Systems Business. As a result of these factors, sales increased for the year.

In addition to higher sales, operating income rose significantly year on year due to enhanced earnings capabilities stemming from moving design and production in-house.

As a result, operating income for the fiscal year was JPY 63,700 million, an increase of 3.0 percent compared with the previous fiscal year, and operating income totaled JPY 4,100 million, an increase of 11.6 percent compared with the previous fiscal year.

Note: OMRON revised business classifications, reclassifying certain operations under Social Systems, Solutions and Service Business to the Other Businesses segment beginning with the fiscal year ended March 31, 2018. The company reclassified results for the fiscal year ended March 31, 2017 under this new categorization for presentation herein.

HCB: Healthcare Business

Outline of business

Provides numerous types of products and services worldwide that helps with the prevention, improvement, and management of lifestyle diseases from household-use measurement devices to professional medical equipment in order to contribute to the health and comfortable life for people. In the data service field, provides *OMRON connect* that allows for data coordination between various health and medical applications of other companies and data measured using OMRON products, to support people's health.

Major products/services

Digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors

In Japan, home-use healthcare and medical device sales were strong for the period, supported by greater promotion of blood pressure monitors and low-frequency therapy equipment in online sales channels. However, sales of professional-use products decreased due to the transfer of shares of Omron Colin Co., Ltd. in December 2016. As a result, Japan sales were lower year on year.

Overseas, sales of blood pressure monitors and nebulizers in the Americas were strong, mainly due to promotional activity in online sales channels in the U.S. and an expansion of our store network in South America. Our business in Europe saw strong sales of blood pressure monitors in Russia. Greater China reported strong sales of blood pressure monitors and nebulizers through online channels. Sales of blood pressure monitors in Indonesia and elsewhere in Asia were strong, mainly due to an expansion in our store network. As a result, overseas sales were significantly higher compared to the previous fiscal year.

The HCB segment reported higher operating income, due to greater sales and productivity improvements.

As a result, operating income for the fiscal year was JPY 108,500 million, an increase of 7.1 percent compared with the previous fiscal year, and operating income totaled JPY 11,200 million, an increase of 31.4 percent compared with the previous fiscal year.

Businesses under direct control of headquarters (Other Businesses)

(Environmental Business, Electronic Systems and Equipment Business, Micro Devices Business, Backlight Business)

Outline of business

Develops and strengthens businesses as well as explores and develops new business fields under the direct control of headquarters.

Major products/services

*Environmental Business

Solar power conditioners, electricity storage system, electrical power measuring devices, power protection devices

*Electronic Systems and Equipment Business

Uninterruptible power supplies, embedded computers for manufacturing industries, OEM development and manufacturing of electronic equipment

***Micro Devices Business**

MEMS microphones, MEMS pressure sensors, MEMS thermal sensors, MEMS flow sensors, MEMS environmental sensors and analog ICs
(MEMS: Micro-Electro-Mechanical Systems)

***Backlight Business**

High-quality backlight units for LCDs

In the environmental business, despite the positive impact of expanding our lineup of storage battery products, sluggish demand for PV inverters used in solar panels resulted in a decrease in sales year on year.

In the electronic systems and equipment business, demand was strong for uninterruptible power supplies and contract services for development and production of electronic devices. Accordingly, sales increased compared to the previous fiscal year.

In the micro devices business, sales increased year on year, owing to a temporary increase in demand for smartphone microphones.

In the backlight business, sales in this business fell year on year by a wide margin, due to further business optimization initiatives.

Despite restructuring measures, lower sales and other factors resulted in wider operating loss year on year.

As a result, operating income was JPY 54,800 million, a decrease of 20.0 percent compared with the previous fiscal year, and operating loss totaled JPY 2,100 million.

Note: OMRON revised business classifications, reclassifying certain operations under Social Systems, Solutions and Service Business to the Other Businesses segment beginning with the fiscal year ended March 31, 2018. The company reclassified results for the fiscal year ended March 31, 2017 under this new categorization for presentation herein.

Sales by Division (Consolidated) (OMRON Group)

Division	Amount (JPY millions)	Share of total (%)	Year-on-year comparison (%)
Industrial Automation Business	396,140	46	120
Electronic and Mechanical Components Business	102,842	12	109
Automotive Electronic Components Business	131,152	15	99
Social Systems, Solutions and Service Business	63,713	7	103
Healthcare Business	108,489	13	107
Businesses under direct control of headquarters (Other Businesses)	54,826	6	80
Eliminations & Corporate	2,820	1	51
Total	859,982	100	108

Notes: 1. "Businesses under direct control of headquarters (Other Businesses)" include the environmental business, electronic systems and equipment business, micro devices business and backlight business.
2. "Eliminations & Corporate" includes the figures of subsidiaries and affiliates outside the scope of the above divisions.

(2) Capital Investment

The OMRON Group enhanced equipment in association with business expansion and established new bases for strengthening its development capacity in the fields of AI and robotics technologies. As a result, total capital investment was JPY 38,852 million, a 51.2% increase from the previous fiscal year.

Capital investment amounts by division were as shown below.

Division	Amount (JPY millions)
Industrial Automation Business	9,322
Electronic and Mechanical Components Business	10,017
Automotive Electronic Components Business	5,825
Social Systems, Solutions and Service Business	1,567
Healthcare Business	3,152
Businesses under direct control of headquarters (Other Businesses)	911
Eliminations & Corporate	8,058
Total	38,852

Notes: 1. "Businesses under direct control of headquarters (Other Businesses)" include the environmental business, electronic systems and equipment business, micro devices business and backlight business.
2. "Eliminations & Corporate" includes the figures of head office divisions and subsidiaries and affiliates outside the scope of the above divisions.

(3) Capital Procurement

Due to the efficient use of the Group's internal capital, the Group did not conduct any material external procurement of capital necessary for its business activities, including working capital and capital investments, during the fiscal year.

(4) Issues Facing the Company

The OMRON Group aims to become a “global value-creating group that is qualitatively and quantitatively superior” by conducting management based on “Value Generation 2020” (VG2020), its ten-year long-term vision, which began in 2011.

The OMRON Group began operating under the new VG2.0 medium-term management plan in fiscal 2017 as the final stage of our VG2020 strategy. VG2.0 will guide the company through the year 2020. Under VG2.0, our quantitative goals for fiscal 2020 are to reach JPY 1 trillion in sales and JPY 100 billion in operating income. We will work toward these goals under the group-wide banner of achieving growth by proactively creating innovation originating in technological evolution.

Artificial intelligence (AI), Internet of Things (IoT), robotics, and other technologies have evolved to an amazing degree since the year 2010, the year in which we formulated VG2020. These technological innovations serve to speed the advancement of our own core “Sensing & Control + THINK” technologies, representing a major opportunity for further business growth. Pursuing this policy, the OMRON Group will continue engaging in technological innovation, advancing our own core “Sensing & Control + THINK” technologies through investments in R&D and other initiatives to achieve sustainable growth.

[Results for fiscal 2017]

Fiscal 2017 was the first year of VG2.0, driven by a basic policy defined as Start up VG2.0 “A Firm First Step Toward Innovation.” During the year, we took on three key initiatives:

- Group growth driven by focus domains (Industrial Automation Business, Healthcare Business)
- Profit creation through improved group-wide earnings
- Stronger investment in growth fields and technologies

Our efforts resulted in earnings far above prior year in terms of revenues and profits. The following describes our main activities in pursuing the above-mentioned three key initiatives.

We executed key strategies in our Industrial Automation Business, a driver of group growth, in the automotive, digital, food, and infrastructure growth industries. By understanding production floor issues at each customer, we were able to offer innovative value through “innovative-Automation”(*1), recording year-on-year increase of 19.7 percent. Our Healthcare Business experienced global growth and generated new demands as we focused our efforts on blood pressure monitors, nebulizers, and low-frequency therapy equipment, three key product categories. In particular, our blood pressure monitors enjoy the trust of the medical community. This product category saw 7.1 percent increase compared to the previous fiscal year, due in part to greater product value as we rolled out a service to manage blood pressure data.

We improved our earnings capabilities in all business segments throughout the year to achieve profit creation through improved group-wide earnings. As a result, the gross profit margin rose 2.3 percent points to 41.6 percent. In addition to providing customers with high-value-added products across each business segment, we strove for consistent cost savings, production equipment operating efficiencies, and production line automation through advancements in design and production technology.

During the year, we stepped up investments in our Industrial Automation Business, Healthcare Business, and core technologies (Sensing & Control + THINK) toward stronger investment in growth fields and technologies. Besides accelerating “innovative-Automation” toward advanced manufacturing, our OMRON Industrial Automation Business bolstered product offerings and provided even more effective solutions to customers throughout the year. The segment acquired industrial camera and industrial code reader manufacturing businesses, not only adding to our technology and product lineups, but also producing synergies in combination with existing technologies and products. Our Healthcare Business made further investments in technology development to reduce the incidence of brain and cardiovascular diseases. We made further investments to strengthen our core AI, robotics, IoT, and other related technologies. These activities included joint research with top-class research organizations and hiring experts in new technologies.

[Fiscal 2018 Plan]

While the economic environment over the upcoming year is uncertain for some regions, we expect overall strength globally. The key to success for the second year of VG2.0 will be active innovation, as prompted by our basic policy defined as Creating Change: Accelerate growth and transform profit structure through innovation. The following is a description of our main initiatives for the upcoming fiscal year.

To accelerate growth, we plan to invest funds generated through improved earnings power into our Industrial Automation Business, Healthcare Business, and core technologies. The innovation that we create will accelerate our progress along an ever-expanding growth cycle. Society faces critical issues, including an aging population and labor shortages. These issues become more diverse and apparent every day. Generating world-leading value through innovation driven by social needs is key to solving these

issues. We intend to clarify those issues which we must solve, setting up a cutting-edge research center to formulate specific businesses to answer these social needs. We also intend to incorporate ongoing advancements in AI, investing to further evolve our sensing and control technologies.

To reinvent our earnings structure, we consolidated the human resources, general administration, and specialty finance and technical functions spread across our group, rebuilding our earnings structure through business process reengineering. This is part of how we will build a strong management foundation capable of brushing aside the impact of any change in the business environment. We intend to use the time saved through reengineered business processes to adopt a more creative approach to our work, leading the OMRON Group toward work style innovation.

Based on the preceding measures to solve new social issues, as well as group-wide efforts to put the OMRON Principles into practice, we set fiscal 2018 numerical targets for JPY 900.0 billion in net sales, 42.5 percent in gross profit margin, JPY 93.0 billion in operating income, JPY 64.5 billion in net income attributable to shareholders, ROIC of 12 percent, and ROE of 12 percent.

- (*1) “**innovative**-Automation” is the OMRON concept to introduce innovations to manufacturing. “**innovative**-Automation” consists of three “**i**”s, representing evolutions in automation that bring dramatic advancements to the production floor and high added value to manufacturing processes.
- “**integrated**”: Evolution in control technologies allowing any operator of any experience the ability to perform work efficiently.
 - “**intelligent**”: Using a broad range of control devices and AI connected through ICT to introduce self-learning and self-maintenance in production machinery for ever-evolving equipment and production lines.
 - “**interactive**”: Machines in the workplace anticipate and assist human movement, introducing a new harmony between human and machine.

(5) Financial Assets and Profit and Loss
Consolidated Financial Position and Operating Results

(JPY millions)

	77th term (April 1, 2013 to March 31, 2014)	78th term (April 1, 2014 to March 31, 2015)	79th term (April 1, 2015 to March 31, 2016)	80th term (April 1, 2016 to March 31, 2017)	81st term (April 1, 2017 to March 31, 2018)
Net Sales	772,966	847,252	833,604	794,201	859,982
Operating Income	68,055	86,591	62,287	67,566	85,910
Income before Income Taxes	62,007	87,388	65,686	65,492	83,367
Net Income Attributable to Shareholders	46,185	62,170	47,290	45,987	63,159
Basic Net Income Attributable to Shareholders per Share (JPY)	209.82	283.89	218.95	215.09	296.85
Total Assets	654,704	711,011	683,325	697,701	744,952
Shareholders' Equity	430,509	489,769	444,718	469,029	505,530
Shareholders' Equity per Share (JPY)	1,956.06	2,254.37	2,079.98	2,193.72	2,400.37
Return on Equity (%)	11.6	13.5	10.1	10.1	13.0

Note: The Company prepares its Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

Operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

Non-Consolidated Financial Position and Operating Results

(JPY millions)

	77th term (April 1, 2013 to March 31, 2014)	78th term (April 1, 2014 to March 31, 2015)	79th term (April 1, 2015 to March 31, 2016)	80th term (April 1, 2016 to March 31, 2017)	81st term (April 1, 2017 to March 31, 2018)
Net Sales	240,167	275,060	263,593	269,083	320,048
Ordinary Income	24,306	45,157	34,993	41,963	38,275
Net Income	19,432	31,697	32,659	29,652	30,458
Net Income per Share (JPY)	88.28	144.74	151.21	138.69	143.15
Total Assets	381,438	406,711	427,278	448,158	485,113
Net Assets	240,133	257,499	249,743	260,124	257,956
Net Assets per Share (JPY)	1,091.07	1,185.23	1,167.90	1,216.64	1,224.83

(6) Principal Subsidiaries

(As of March 31, 2018)

Division	Name	Capital (JPY millions)	Parent ownership (%)	Principal business
Industrial Automation Business	OMRON KANSAI-SEIGYO Corporation	310	100.0	Sale of industrial automation control equipment
Electronic and Mechanical Components Business	OMRON Relay & Devices Corporation	300	100.0	Electronic components for household appliances and communications devices
Automotive Electronic Components Business	OMRON Automotive Electronics Co., Ltd.	5,000	100.0	Automotive electronic components
Social Systems, Solutions and Service Business	OMRON Social Solutions Co., Ltd.	5,000	100.0	Social systems
Healthcare Business	OMRON Healthcare Co., Ltd.	5,021	100.0	Healthcare and medical devices
Headquarters and others	OMRON Management Center of America, Inc.	(Thousands of U.S. dollars) 6,891	100.0	Regional management of business in the Americas
Headquarters and others, and Industrial Automation Business	OMRON Europe B.V.	(Thousands of Euro) 16,883	100.0	Regional management of business, and supervision of industrial automation business in Europe
Headquarters and others	OMRON (China) Co., Ltd.	(Thousands of RMB) 1,468,771	100.0	Regional management of business in China
Headquarters and others, and Industrial Automation Business	OMRON Asia Pacific Pte. Ltd.	(Thousands of Singapore dollars) 47,888	100.0	Regional management of business and supervision of industrial automation business in Southeast Asia
Headquarters and others, and Industrial Automation Business	OMRON Electronics Korea Co., Ltd.	(Thousands of South Korean won) 950,000	100.0	Regional management of business and supervision of industrial automation business in South Korea

The OMRON Group consists of 165 consolidated subsidiaries and 17 affiliates accounted for using the equity method including the above companies.

There are no unconsolidated subsidiaries or affiliates unaccounted for by the equity method.

(7) Principal Places of Business, etc.

(As of March 31, 2018)

OMRON	Headquarters (Head Office)	Shimogyo-ku, Kyoto
	Tokyo Office (Branch Office)	Minato-ku, Tokyo
	Places of Business	Mishima Office (Mishima City, Shizuoka Pref.), Nagoya Office (Nishi-ku, Nagoya City), Yasu Office (Yasu City, Shiga Pref.), Kusatsu Office (Kusatsu City, Shiga Pref.), Ayabe Office (Ayabe City, Kyoto Pref.), Osaka Office (Kita-ku, Osaka City), Okayama Office (Naka-ku, Okayama City)
	Research Site	Keihanna Technology Innovation Center (Kizugawa City, Kyoto Pref.)
Subsidiaries	Japan	OMRON KANSAI-SEIGYO Corporation (Kita-ku, Osaka City) OMRON Relay & Devices Corporation (Yamaga City, Kumamoto Pref.) OMRON Automotive Electronics Co., Ltd. (Komaki City, Aichi Pref.) OMRON Social Solutions Co., Ltd. (Minato-ku, Tokyo) OMRON Healthcare, Co., Ltd. (Muko City, Kyoto Pref.)
	Overseas	OMRON Management Center of America, Inc. (Illinois, U.S.A.) OMRON Europe B.V. (Hoofddorp, the Netherlands) OMRON (China) Co., Ltd. (Beijing, China) OMRON Asia Pacific Pte. Ltd. (Singapore) OMRON ELECTRONICS KOREA CO., LTD. (Seoul, South Korea)

(8) Employees**OMRON Group Employees (Consolidated)**

(As of March 31, 2018)

Number of employees	Change from March 31, 2017
36,193	Increase of 185 employees

Note: Number of employees refers to full time employees (people assigned by the OMRON Group to work outside the OMRON Group are excluded; people assigned from outside the OMRON Group to work within the OMRON Group are included).

OMRON Group Employees by Region (Consolidated)

(As of March 31, 2018)

Japan	The Americas	Europe	China	Southeast Asia and others	Total
11,554	4,251	2,263	11,463	6,662	36,193
31.9%	11.7%	6.3%	31.7%	18.4%	100.0%

(9) Major Lenders

There were no major lenders at the end of the fiscal year ended March 31, 2018.

2. Stock Information (As of March 31, 2018)

(1) Total Number of Issuable Shares 487,000,000 shares

(2) Total Number of Shares Issued 213,958,172 shares
(including 2,582,816 shares of treasury stock)

(3) Number of Shareholders 38,615

(4) Major Shareholders (Top Ten Shareholders)

Shareholder	Number (thousands of shares)	Percentage Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	11,379	5.38
The Master Trust Bank of Japan, Ltd. (trust account)	8,686	4.11
The Bank of Kyoto, Ltd.	7,069	3.34
State Street Bank & Trust Company 505223	6,237	2.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,143	2.43
JP Morgan Chase Bank 380055	5,096	2.41
State Street Bank & Trust Company	4,266	2.02
Moxley and Co Llc	4,166	1.97
Japan Trustee Services Bank, Ltd. (trust account 5)	4,062	1.92
Japan Trustee Services Bank, Ltd. (trust account 7)	3,961	1.87

Notes: 1. The percentage of shares is calculated excluding treasury stock.

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

3. On January 5, 2018, Mitsubishi UFJ Financial Group, Inc. filed an amendment to the major shareholding status report, that is open to public, stating that its four (4) group companies held 15,366 thousand shares of the Company (representing 7.18% of the total number of shares issued) as of December 25, 2017. However, OMRON has not been able to confirm the number of shares currently possessed by them as of the end of the fiscal year under review, and therefore these shares are not included in major shareholders stated above.

(5) Breakdown of Shareholders by Type

Category	Status of Shares (1 unit = 100 shares)						Odd-Lot Shares
	Financial Institutions	Securities Companies	Other Domestic Companies	Foreign Investors (Individuals)	Individuals and Others	Total	
Number of shareholders	141	58	419	756 (24)	33,385	34,759	—
Number of shares owned (units)	692,081	22,093	121,782	1,023,480 (84)	278,059	2,137,495	208,672 shares
Percent of total (%)	32.38	1.03	5.70	47.88 (0.00)	13.01	100.00	—

Notes: 1. Of the 2,582,816 shares of treasury stock in the shareholder register as of March 31, 2018, 2,582,800 shares are included in the “Individuals and Others” column, and 16 shares are included in “Odd-Lot Shares.”

2. The “Other Domestic Companies” column above includes two (2) units of stock in the name of the Japan Securities Depository Center, Inc.

3. Stock Acquisition Rights of the Company

None applicable.

4. Directors and Audit & Supervisory Board Members

(1) Names and Other Information of Directors and Audit & Supervisory Board Members

Title	Name	Areas of Responsibility and Significant Concurrent Positions, etc.
Chairman of the Board	Fumio Tateishi	Chairman of the Board of Directors Meeting Member of the CEO Selection Advisory Committee
Representative Director	Yoshihito Yamada	President and CEO
Representative Director	Kiichiro Miyata	Senior Managing Executive Officer CTO, Senior General Manager of Technology & Intellectual Property HQ and Senior General Manager of Innovation Exploring Initiative HQ Member of the Personnel Advisory Committee
Director	Koji Nitto	Senior Managing Executive Officer CFO and Senior General Manager of Global Strategy H.Q. Member of the Compensation Advisory Committee
Director	Satoshi Ando	Vice Chairman of the Personnel Advisory Committee Vice Chairman of the CEO Selection Advisory Committee Vice Chairman of the Compensation Advisory Committee
Director (Independent)	Eizo Kobayashi [Outside Officer] [Independent Officer]	Chairman of the Personnel Advisory Committee Chairman of the CEO Selection Advisory Committee Chairman of the Corporate Governance Committee Member of the Compensation Advisory Committee (retired from the position of Committee Chairman in June 2017) Chairman of ITOCHU Corporation (retired from the position in March 2018) External Director of Japan Airlines Co., Ltd. Outside Director of Japan Exchange Group, Inc. Outside Director of Nippon Venture Capital Co., Ltd. Outside Audit & Supervisory Board Member of Asahi Mutual Life Insurance Company (retired in July 2017) Chairman of ITOCHU Foundation Chairman of Japan Foreign Trade Council, Inc.

Title	Name	Areas of Responsibility and Significant Concurrent Positions, etc.
Director (Independent)	Kuniko Nishikawa [Outside Officer] [Independent Officer]	Chairman of the Compensation Advisory Committee Vice Chairman of the Corporate Governance Committee Member of the Personnel Advisory Committee Member of the CEO Selection Advisory Committee President & CEO of Firststar Healthcare Co. Ltd. Chief Executive Officer of FRONTEO Healthcare, Inc. Non-Executive Director and Member of the Regional Economy Vitalization Committee of Regional Economy Vitalization Corporation of Japan
Director (Independent)	Takehiro Kamigama [Outside Officer] [Independent Officer]	Member of the Personnel Advisory Committee Member of the CEO Selection Advisory Committee Member of the Compensation Advisory Committee Member of the Corporate Governance Committee Chairman & Representative Director of TDK Corporation Outside Director of Yamaha Motor Co., Ltd.

Title	Name	Significant Concurrent Positions, etc.
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo	
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima	
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama [Outside Officer] [Independent Officer]	Member of the Corporate Governance Committee Executive Advisor of ASAHI Tax Corporation Outside Audit & Supervisory Board Member of Sampo Holdings, Inc.
Audit & Supervisory Board Member (Independent)	Tadashi Kunihiro [Outside Officer] [Independent Officer]	Member of the Corporate Governance Committee Partner of T. Kunihiro & Co. Attorneys-at-Law Outside Audit & Supervisory Board Member of Mitsubishi Corporation Outside Director of LINE Corporation Outside Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.

Notes: 1. For Directors (Independent) Eizo Kobayashi, Kuniko Nishikawa and Takehiro Kamigama, and Audit & Supervisory Board Members (Independent) Hideyo Uchiyama and Tadashi Kunihiro, the Company have provided notification as Independent Officers to Tokyo Stock Exchange, Inc. Details of “The Company’s policy regarding the independence of Outside Officers” are described on pages 14 to 15.

2. Mr. Eizo Kobayashi serves as Chairman of ITOCHU Corporation (“ITOCHU”) (retired in March 2018), with which the Group has a business relationship that includes sales of products. However, such transactions account for less than 1% of the consolidated net sales of the Group and those of the ITOCHU Group. In addition, Mr. Kobayashi concurrently serves as an Outside Director of Nippon Venture Capital Co., Ltd., of which the Company holds 1.27% of the total number of shares issued.

3. Mr. Takehiro Kamigama serves as Chairman & Representative Director of TDK Corporation (“TDK”), with which the Group has a business relationship that includes sales of products. However, such transactions account for less than 1% of the consolidated net sales of the Group and those of the TDK Group. In addition, Mr. Kamigama concurrently serves as an Outside Director of Yamaha Motor Co., Ltd. (“Yamaha Motor”), with which the Group has a business relationship that includes sales of products. However, such transactions account for less than 1% of the consolidated net sales of the Group and those of the Yamaha Motor Group.

4. Mr. Hideyo Uchiyama serves as an Outside Audit & Supervisory Board Member of Sampo Holdings, Inc. (“Sampo Holdings”), with which the Group has a business relationship relating to insurance. However, such transactions account for less than 1% of the consolidated net sales of the Group and those of the Sampo Holdings Group.
5. Mr. Tadashi Kunihiro serves as an Outside Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. (“Tokio Marine & Nichido Fire Insurance”), with which the Group has a business relationship relating to insurance. However, such transactions account for less than 1% of the consolidated net sales of the Group and those of the Tokio Marine & Nichido Fire Insurance Group.
6. There are no special relationships between the Company and significant concurrent employers of other Outside Officers.
7. Mr. Eizo Kobayashi retired from Chairman of ITOCHU Corporation as of March 31, 2018 and was appointed as Senior Representative for Business Community Relations of the said company as of April 1, 2018.
8. Audit & Supervisory Board Member (Full-time) Kiichiro Kondo has work experience in financial institutions, and has considerable knowledge regarding finance and accounting.
9. Audit & Supervisory Board Member (Full-time) Tokio Kawashima has years of work experience in financial institutions, and has considerable knowledge regarding finance and accounting.
10. Mr. Hideyo Uchiyama has years of working experience as a certified public accountant in an auditing firm, and has considerable knowledge regarding finance and accounting.
11. Changes in Directors’ and Audit & Supervisory Board Members’ positions in the fiscal year under review are as follows.
 - (Appointment) At the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, Mr. Kiichiro Miyata, Mr. Satoshi Ando and Mr. Takehiro Kamigama were newly elected and appointed as Directors, and Mr. Tadashi Kunihiro as an Audit & Supervisory Board Member, respectively.
 - (Retirement) At the close of the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, Mr. Yoshinori Suzuki, Mr. Akio Sakumiya and Mr. Kazuhiko Toyama retired from the position of Directors, and Mr. Yoshifumi Matsumoto from the position of Audit & Supervisory Board Member, respectively, due to the expiry of their terms.

(2) Compensation of Directors and Audit & Supervisory Board Members

1) Policy on Determining Amount of Compensation, etc., and Methods Used for Calculation

The Company has a Compensation Advisory Committee to increase objectivity and transparency with respect to the compensation of Directors. The Compensation Advisory Committee is composed of members the majority of whom are Directors (Independent), and is chaired by a Director (Independent). The Company determines the Compensation Policy for Directors by resolution of the Board of Directors based on discussions by and recommendations from the Compensation Advisory Committee.

The amount of compensation for each Director is determined by resolution of the Board of Directors, within the scope of the aggregate amount of compensation, etc. for Directors set by resolution of the General Meeting of Shareholders, in light of discussions by and recommendations from the Compensation Advisory Committee based on the above policy.

In addition, the amount of compensation for each Audit & Supervisory Board Member is determined by discussions among Audit & Supervisory Board Members, based on the Compensation Policy for Audit & Supervisory Board Members, which has been set forth through discussions among Audit & Supervisory Board Members, within the scope of the aggregate amount of compensation, etc. for Audit & Supervisory Board Members set by resolution of the General Meeting of Shareholders.

The Company's Compensation Policy for Directors, Overview of Compensation Structure for Directors and Compensation Policy for Audit & Supervisory Board Members are as described in the following pages.

2) Amount of Compensation of Directors and Audit & Supervisory Board Members

(JPY millions)

Title	Number (Persons)	Base Salary	Short-term Performance-Linked Compensation (Bonuses)	Medium-to-long-term, Performance-Linked Compensation (Performance-Linked Stock Compensation Plan)	Aggregate Compensation
Directors [Directors (Independent)]:	11 [4]	330 [36]	321 [—]	312 [—]	963 [36]
Audit & Supervisory Board Members [Audit & Supervisory Board Members (Independent)]:	5 [3]	82 [18]	— [—]	— [—]	82 [18]
Total [Outside Officers (Independent) included in total]:	16 [7]	412 [54]	321 [—]	312 [—]	1,045 [54]

- Notes: 1. The above amounts include compensation paid to three (3) Directors (including one (1) Director (Independent)) and one (1) Audit & Supervisory Board Member (Independent) who retired at the close of the 80th Ordinary General Meeting of Shareholders held on June 22, 2017.
2. The maximum limit of the aggregate compensation of Directors was set at JPY 35 million per month at the 63rd Ordinary General Meeting of Shareholders held on June 27, 2000. In addition, the maximum limit of the aggregate compensation of Audit & Supervisory Board Members was set at JPY 7 million per month by resolution of the 60th Ordinary General Meeting of Shareholders held on June 27, 1997.
3. The above base compensation of Directors includes the amount paid as stock compensation to Directors, excluding Directors (Independent) until June 2017.
4. The above bonuses are the amounts that the Company plans to pay, provided that the proposal No. 4 "Payment of Short-term Performance-linked Compensation (Bonuses) for Directors for the 81st Term" at this Ordinary General Meeting of Shareholders is approved and resolved as originally proposed.
5. The 80th Ordinary General Meeting of Shareholders held on June 22, 2017 made a resolution to introduce a performance-linked stock compensation plan. Under the plan, the maximum limit of money to be contributed by the Company is JPY 2.4 billion, and the maximum limit of the number of the Company's shares to be granted and delivered as sales proceeds ("grant(ing), etc.") is 600,000 shares during the four fiscal years of the medium-term management plan. Under the performance-linked stock compensation plan, the Company shall award points to Directors calculated according to a prescribed formula, and the trust shall grant, etc. the

Company's shares corresponding to the points awarded during a certain period to the Directors. Expenses of the performance-linked stock compensation plan, as indicated above, are associated with the points granted during the fiscal year under review.

6. No Directors of the Company received any employee wages other than their compensation as Directors.

Compensation Policy for Directors

1) 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.

2) 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.

3) 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.

4) 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.

5) Governance of compensation

- 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.

Overview of Compensation Structure for Directors

(1) Compensation composition ratio

Compensation consists of a “base salary” (fixed compensation) and compensation according to Company performance, namely “short-term performance-linked compensation (bonuses)” and “medium-to-long-term, performance-linked compensation (performance-linked stock compensation).” The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role:

Base salary	:	Short-term performance-linked compensation (bonuses)	:	Medium-to-long-term, performance-linked compensation (performance-linked stock compensation)	=	1	:	1	:	1.5*
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*Referring to Representative Director, President and CEO
 *The ratio is based on the assumption that the performance targets are set as 100% for each performance-linked compensation

(2) Base salary

A base salary is paid to Directors 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 (bonuses)

Bonuses are paid to Directors excluding Directors (Independent) as short-term performance-linked compensation, which is linked to yearly performance indicators and the degree of achievement of performance targets. Director bonuses vary between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.

Base amount for each position	×	Performance score (Operating income 50%, net income 50%)	×	ROIC score	=	Short-term performance-linked compensation (bonuses)
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(4) Medium-to-long-term, performance-linked compensation (performance-linked stock compensation)

Stock compensation is paid as medium-to-long-term, performance-linked compensation to Directors excluding Directors (Independent). Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the non-performance-linked component (40%), which aims for retention and motivation to improve share prices over the medium- to long-term, and is paid under the condition of a certain term of service. Stock compensation for performance-linked component varies between 0% and 200%, according to achievement of net sales, EPS, and ROE targets based on the medium-term management plan, as well as sustainability evaluation* based on a third-party organization.

Base amount for each position	×	Performance score (Net sales 30%, EPS 70%)	×	ROE score	×	Sustainability evaluation	=	Stock compensation (performance-linked)
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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 Director 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 discussion and recommendation, the Board of Directors 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.

Compensation Policy for Audit & Supervisory Board Members

1) Basic policy

- Compensation shall be sufficient to recruit exceptional people who are capable of performing the duties of Audit & Supervisory Board members entrusted by shareholders.
- The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

2) Structure of compensation

- Compensation for Audit & Supervisory Board Members shall consist of a base salary only, reflecting their roles and the need for maintaining independence.

3) 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.

4) Governance of compensation

- All compensation for Audit & Supervisory Board Members shall be determined through discussions by Audit & Supervisory Board Members.

(3) Items Related to Directors (Independent) and Audit & Supervisory Board Members (Independent)

1) Concurrent Positions as Executive Director or Outside Officer of Other Companies

As listed in “(1) Names and Other Information of Directors and Audit & Supervisory Board Members” (pages 31 to 33).

2) Main Activities in the Past Fiscal Year

	Name	Main Activities
Directors (Independent)	Eizo Kobayashi	Attended 11 of the 13 Board of Directors meetings held during the period (attendance rate: 84.6%), and made statements as necessary mainly from his perspective as a manager with abundant experience. He currently serves as Chairman of the Personnel Advisory Committee, CEO Selection Advisory Committee, Corporate Governance Committee, and Member of Compensation Advisory Committee.
	Kuniko Nishikawa	Attended all 13 of the 13 Board of Directors meetings held during the period, and made statements as necessary mainly from her perspective as a manager with abundant experience. She currently serves as Chairman of the Compensation Advisory Committee, Vice Chairman of the Corporate Governance Committee, Member of the Personnel Advisory Committee and CEO Selection Advisory Committee.
	Takehiro Kamigama	Attended all 10 of the 10 Board of Directors meetings held during the period, and made statements as necessary mainly from his perspective as a manager with abundant experience. He currently serves as Member of the Personnel Advisory Committee, CEO Selection Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee.
Audit & Supervisory Board Members (Independent)	Hideyo Uchiyama	Attended all 13 of the 13 Board of Directors meetings and all 13 of the 13 Audit & Supervisory Board meetings held during the period, and made statements as necessary mainly from a specialist’s viewpoint as a certified public accountant. He currently serves as Member of the Corporate Governance Committee.
	Tadashi Kunihiro	Attended all 10 of the 10 Board of Directors meetings and all 10 of the 10 Audit & Supervisory Board meetings held during the period, and made statements as necessary mainly from a specialist’s viewpoint as an attorney. He currently serves as Member of the Corporate Governance Committee.

Note: Mr. Takehiro Kamigama and Mr. Tadashi Kunihiro were newly elected and appointed as Director and Audit & Supervisory Board Member, respectively, at the 80th Ordinary General Meeting of Shareholders held on June 22, 2017, and therefore their attendance figures are stated for the Board of Directors meetings and the Audit & Supervisory Board meetings held on and after June 22, 2017.

3) Summary of Details of Limited Liability Agreements

The Company has established a provision in its articles of incorporation for limited liability agreements with Directors (Independent) and Audit & Supervisory Board Members (Independent) to ensure that they can adequately fulfill their expected roles. Based on this provision in the articles of incorporation, the Company has entered into limited liability agreements with all of the Directors (Independent) and Audit & Supervisory Board Members (Independent) based on the relevant provision of the articles of incorporation. These agreements limit their liability for damages with respect to the liabilities of Article 423-1 of the Companies Act to JPY 10 million or the minimum liability amount prescribed in Article 425-1 of the Companies Act, whichever is higher, when the Director (Independent) or Audit & Supervisory Board Member (Independent) has performed his duties in good faith and has not been grossly negligent.

5. Accounting Auditors

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Compensation of Accounting Auditors for the Fiscal Year Ended March 31, 2018

1)	Total amount of compensation to be paid to the Accounting Auditor by the Company and its subsidiaries	JPY 244 million
2)	Of the total amount in 1), total amount to be paid by the Company and its subsidiaries as compensation for audit certification services	JPY 244 million
3)	Of the total amount in 2), amount of compensation as Accounting Auditor to be paid by the Company	JPY 193 million

Notes: 1. The amount of audit compensation under the Companies Act and the amount of audit compensation for the audit of financial statements, fourth quarter review and audit of the Internal Control System under the Financial Instruments and Exchange Law are not separated in the audit contract between the Company and the Accounting Auditor, and cannot be separated practically. Therefore, the amount in 3) is stated as the total of these.

2. The Audit & Supervisory Board, upon confirmation and deliberation of the plans for the Accounting Auditor's audit for the fiscal year, which had been explained by the Accounting Auditor and the relevant internal divisions, the records of the previous fiscal year's audit, the performance status of the audit by the Accounting Auditor, and the grounds for calculation of compensation estimation, judged them to be appropriate and gave consent to the amount of compensation to be paid to the Accounting Auditor.

3. Among the Company's principal consolidated subsidiaries, OMRON Management Center of America, Inc., OMRON Europe B.V., OMRON Asia Pacific Pte. Ltd., OMRON (China) Co., Ltd. and OMRON Electronics Korea Co., Ltd. receive audits by an auditor other than the Accounting Auditor of the Company.

(3) Contents of Services other than Services of Article 2-1 of the Certified Public Accountants Act (Non-Audit Services)

None applicable.

(4) Policy for Dismissal or Non-Reappointment of Accounting Auditor

The Company may dismiss or decline to reappoint the Accounting Auditor for any of the following reasons:

- 1) If deemed necessary, such as in cases where the execution of duties by the Accounting Auditor has been disrupted, the Audit & Supervisory Board determines the contents of the proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the shareholders' meeting.
- 2) If the Audit & Supervisory Board judges that the Accounting Auditor falls under any of the numbered items in Article 340-1 of the Companies Act, it dismisses the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In such cases, the Audit & Supervisory Board Member who has been selected by the Audit & Supervisory Board will report the fact of and the reason for the dismissal of the Accounting Auditor at the first shareholders' meeting convened after the dismissal of the Accounting Auditor.

6. Systems and Policies of the Company

(1) Corporate Principles of the OMRON Group

In 1959, Kazuma Tateishi, the Company's founder, set forth "To improve lives and contribute to a better society" as Our Mission for the OMRON Group. Subsequently, the spirit of Our Mission was developed into the corporate principles of the OMRON Group, and has been revised in line with the changing times, while serving as the driver as well as the unifying force for business development leading to countless innovations and contributing to the development of society and the improvement of people's lives.

The OMRON Group is accelerating the globalization through "Value Generation 2020" (VG2020), its long-term vision towards the year ending March 31, 2021 (fiscal 2020), and accordingly the OMRON Group aims for improvements in corporate value through the resolution of various social issues around the world. To achieve this end, it is becoming increasingly important that all employees around the world take action based on an understanding of our stance towards the corporate principles. Currently the Group is reinforcing efforts to put the corporate principles into practice on a global scale.

Going forward, the OMRON Group will fulfill its corporate social responsibility by practicing the corporate principles as it aims for sustained improvements in corporate value.

Our Mission

To improve lives and contribute to a better society

Our Values

The values that are important for us

- 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.

(2) Management Philosophy of the OMRON Group

The OMRON Group has declared the following Management Philosophy to all stakeholders, representing the OMRON Group's stance and way of thinking towards management to put the corporate principles into practice through business. It will continue to evolve according to the demands of the times and society.

Management Philosophy

We believe a business should create value for society through its key practices.

We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision in our business practices to create solutions to society's needs.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

(3) Corporate Governance of the Company

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 sustained enhancement of corporate value by earning the support of all stakeholders.

Reasons for OMRON's Selection of its Current Corporate Governance System

The Company has chosen to adopt the organizational structure of a "Company with Audit & Supervisory Board."

The Board of Directors strives toward sustained improvements in the OMRON's Group corporate value by exercising oversight functions over the overall management through the election of Directors, Audit & Supervisory Board Members and Executive Officers; the determination of compensation for Directors and Executive Officers; and making important operational decisions.

The Audit & Supervisory Board and the Audit Supervisory Board Members work to secure the integrity of the OMRON Group and the sustained improvement of corporate value by conducting audits on legality and appropriateness of Directors' duties, and the fulfillment of the Board of Directors' oversight obligations. In addition, each Audit & Supervisory Board Member can exercise his/her authority on his/her own as a single-person organ in which the power of final decision-making is given to one person. This allows them to play a crucial role in strengthening internal controls.

Furthermore, to complement the oversight functions of the Board of Directors, four voluntary advisory committees are attached to the Board of Directors. The Personnel Advisory Committee, the CEO Selection Advisory Committee and the Compensation Advisory Committee are chaired by a Director (Independent), and the majority of each committee should be composed of Directors (Independent). The CEO Selection Advisory Committee, in particular, is dedicated to the deliberation and nomination of candidates for CEO, which is the top-priority matter in management oversight. In addition, the Corporate Governance Committee, established for the purpose of enhancing corporate governance, is also chaired by a Director (Independent), and exclusively comprises Directors (Independent) and Audit & Supervisory Board Members (Independent). Through these unique initiatives, the Company has established and adopted a system that enhances the transparency and objectivity of management's decision-making process.

By incorporating the best aspects of the corporate governance system of a so-called "Company with Committees (Nomination, etc.)" in this way, we have created the kind of hybrid corporate governance structure that we feel is most appropriate for OMRON as a Company with Audit & Supervisory Board.

OMRON Corporate Governance Policies

In accordance with this basic stance for Corporate Governance, the Company has set forth the corporate governance policies (the "Policies"). Since establishing the Management Personnel Advisory Committee in 1996, the Company has spent more than 20 years formalizing and strengthening its systems of corporate governance. The Company intends to continue its pursuit of ongoing improvement of corporate governance as the Company develops its own unique vision of governance.

Corporate Governance Initiatives (Reference)

	1999	2003	2011
President	1987: Yoshio Tateishi	2003: Hideo Sakata	2011: Yoshihito Yamada
Chairman of the Board of Directors Meeting / CEO	President served as both		2003: Chairman serves as Chairman of the Board of Directors Meeting; President serves as CEO
Separation of management oversight and business execution	30 Directors	1999: Revised articles of incorporation, setting number of board members to 10 or fewer	2017: Eliminated board titles*
		1999: Adopted executive officer system	2017: Positioned president as executive officer
Advisory Board	1999: Advisory Board		
Directors (Independent)		2001: One Director (Independent) (seven Directors)	2015: Three Directors (Independent) (eight Directors)
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2011: Two members (Four Auditors)
Advisory Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee
			2003: Compensation Advisory Committee
			2006: CEO Selection Advisory Committee
			2008: Corporate Governance Committee
Corporate Philosophy	1999: OMRON Corporate Motto	1998: Revised	2006 Revised
OMRON Corporate Governance Policies			2015: Established

* Not including Chairman of the Board

[Organizational Structure]

The OMRON Group has chosen to adopt the organizational structure of “Company with Audit & Supervisory Board” as stipulated by the Companies Act. To complement the functions of the Board of Directors, four advisory committees are in place, namely the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee and the Corporate Governance Committee. By incorporating the best aspects of the governance system of a “Company with Committees” as well, the OMRON Group has established and adopted a hybrid type governance structure.

[Roles and Responsibilities of the Board of Directors]

The Board recognizes its fiduciary responsibility to shareholders and assumes the responsibility of sustainably improving the OMRON Group’s corporate value through appropriate exercise of its authority.

- To fulfill the above responsibilities, the Board exercises oversight functions over the overall management in order to ensure fairness and transparency of management practices. The Board does so through election of Directors, Audit & Supervisory Board Members, and Executive Officers. It also determines compensation for Directors and Executive Officers, and makes important operational decisions.
- The Board is also responsible for establishing a system to respond to cases when Audit & Supervisory Board Members or Accounting Auditors have discovered fraud within the OMRON Group and demanded appropriate remedies or pointed out deficiencies or problems.

[Composition of Board of Directors]

- Management oversight and business execution are kept separate and a majority of the Board shall consist of Directors who are not involved with business execution.
- At least one-third of the Board shall consist of Directors (Independent).
- The Personnel Advisory Committee concerning nomination and personnel evaluation of Directors, Audit & Supervisory Board Members, and Executive Officers; and the Compensation Advisory Committee concerning remuneration of Directors and Executive Officers; are attached to the Board of Directors. The CEO Selection Advisory Committee is dedicated to the deliberation and nomination of candidates for CEO, which is the top-priority matter in management oversight.
- The Personnel Advisory Committee, the Compensation Advisory Committee and the CEO Selection Advisory Committee are chaired by a Director (Independent), and the majority of each committee should be composed of Directors (Independent).
- The Corporate Governance Committee, established for the purpose of enhancing corporate governance, is also to be chaired by Director (Independent), and comprises Directors (Independent) and independent Audit & Supervisory Board Members.

- The lead Director (Independent) assumes the position of chair of the Corporate Governance Committee.

[Chairman of the Board of Directors Meeting]

- To clarify the oversight function of Directors, the chairman of the Board without authority to represent the company will take on the position of chair of the Board of Directors Meeting.
- The chairman should not be involved with business execution.
- The chair of the Board shall strive to facilitate free, open, and constructive discussions to take place at Board of Directors meetings.

[Advisory Committees]

(1) The Personnel Advisory Committee

In accordance with the relevant rules, the Personnel Advisory Committee is intended to bolster the management oversight functions of the Board of Directors by enhancing transparency and objectivity of decision-making process regarding nomination of candidates for Directors, Audit & Supervisory Board Members and Executive Officers.

- The Personnel Advisory Committee deliberates and sets criteria for the selection of Directors, Audit & Supervisory Board Members and Executive Officers.
- To swiftly respond to the need for global-scale growth and greater competitive strength, as well as significant changes in the business environment, the Personnel Advisory Committee shall work to provide diversity in the Board of Directors, Audit & Supervisory Board and among Executive Officers.
- The Personnel Advisory Committee receives reports from the chairman of the Board of Directors Meeting on results of interviews with each Director, in order to evaluate each Director.
- In response to consultation from the chairman of the Board of Directors Meeting (for Directors), who has been entrusted by the Audit & Supervisory Board (for its Members), and from the CEO (for Executive Officers), the Personnel Advisory Committee deliberates on personnel evaluation of such executives in accordance with the selection criteria established by the committee. Also considered is the degree of implementation of the Omron Principles, achievement of performance targets, etc. Based on these, the Personnel Advisory Committee makes recommendations to the Board of Directors.
- Based on the committee's recommendations, the Board of Directors determines the proposition regarding the election of Directors to be resolved at the general shareholders meeting.
- Based on the committee's recommendations, the Board of Directors, with the consent of the Audit & Supervisory Board, determines the proposition regarding the election of Audit & Supervisory Board Members to be resolved at the general meeting of shareholders.
- The propositions regarding the election of Directors and Audit & Supervisory Board Members shall describe and explain brief personal records of the candidates (including current posts and duties at OMRON for candidates for Directors), reasons for nominating the candidates, and other important posts assumed by the candidates.

(2) The CEO Selection Advisory Committee

In accordance with the relevant rules, the CEO Selection Advisory Committee is intended to bolster the management oversight function of the Board of Directors by increasing the transparency and objectivity of the decision-making process regarding nomination of candidates for CEO.

- The CEO Selection Advisory Committee annually deliberates about CEO succession planning and contingent succession planning to take over the position in emergency situations and makes recommendations to the Board of Directors.
- Based on the CEO Selection Advisory Committee's recommendations, the Board of Directors determines the candidate and sets a proposal to be resolved at the general meeting of shareholders.

(3) The Compensation Advisory Committee

In accordance with the relevant rules, the Compensation Advisory Committee is intended to bolster the management oversight function of the Board of Directors by increasing transparency and objectivity in determining compensation amounts for each Director and Executive Officer.

- The Compensation Advisory Committee discusses the Compensation Policy for Directors and makes recommendations to the Board of Directors. Based on these, the Board of Directors determines the Compensation Policy for Directors.
- The Compensation Advisory Committee deliberates on the Compensation Policy for Executive Officers.

- In response to consultation from the chairman of the Board of Directors Meeting (for Directors), and from the CEO (for Executive Officers), and based on the above-mentioned policies, the Compensation Advisory Committee deliberates on compensation for Directors and Executive Officers.
- Compensation for Directors based on the above-mentioned deliberation is as follows:
 - Compensation for Directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on performance.
 - Compensation for Directors (Independent) shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
 - 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.
 - Performance-linked compensation comprises short-term performance-linked compensation and medium-to-long-term, 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 basic amount of short-term performance-linked compensation and medium-to-long-term, performance-linked compensation based on the compensation composition ratio set forth according to roles and responsibilities.
- Based on the Compensation Advisory Committee's recommendations, the Board of Directors determines the amounts of compensation for individual Directors within the scope of the sum of compensation amounts for all Directors set by resolution of the general meeting of shareholders.

(4) Corporate Governance Committee

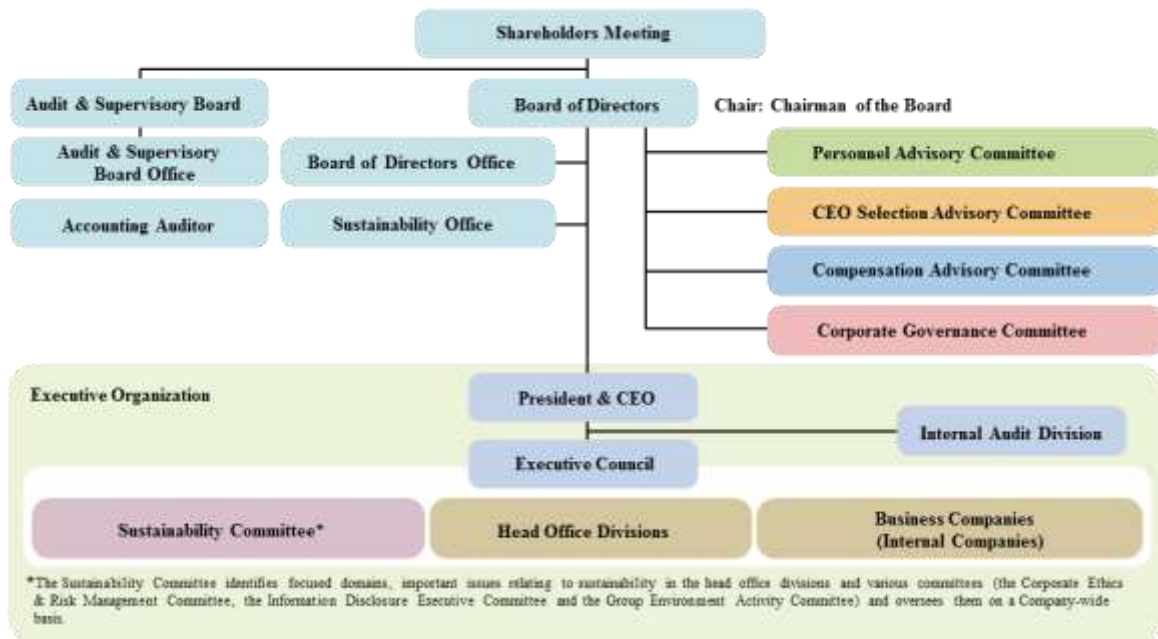
In accordance with the relevant rules, the Corporate Governance Committee is intended to enhance the transparency and fairness of management practices from the standpoint of all stakeholders and continuously take steps to enhance corporate governance.

- The Corporate Governance Committee evaluates the composition, operation, and effectiveness of the Board of Directors, and reports the results of evaluation to the Board of Directors.
- The Corporate Governance Committee draws up "Independence Requirements for Outside Directors and Audit & Supervisory Board Members (Independent)" and makes recommendations to the Board of Directors.
- Regarding corporate governance-related matters other than the above, the Corporate Governance Committee, in response to consultation from the Board of Directors or the chairman of the Board of Directors Meeting, makes recommendations to the Board.

For the entire text of the OMRON Corporate Governance Policies, please refer to the URL below.

URL: <https://www.omron.com/about/corporate/governance/policy/>

Omron's Corporate Governance Structure



The following four committees, chaired by Directors (Independent), are attached to the Board of Directors for transparency and objectivity of management decisions. Details of Advisory Committees are described on pages 43 to 44.

【The Personnel Advisory Committee】

A committee to set criteria and policies relating to the selection of Directors, Audit & Supervisory Board Members and Executive Officers. The committee also selects candidates and evaluates those currently in office.

【The CEO Selection Advisory Committee】

A committee that specializes in the deliberation of candidates who may be suitable to become the next CEO, or to take over the position in emergency situations.

【The Compensation Advisory Committee】

A committee to deliberate about compensation levels and amounts for Directors and Executive Officers, as well as setting compensation policies and carrying out compensation assessments.

【The Corporate Governance Committee】

A committee to discuss measures required to ensure the continuous proper execution of the corporate governance regime and measures to improve the fairness and transparency of management activities.

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	Kichiro Miyata	□			
Director	Koji Nitto			□	
Director	Satoshi Ando	○	○	○	
Director (Independent)	Eizo Kobayashi*	◎	◎	□	◎
Director (Independent)	Kuniko Nishikawa*	□	□	◎	○
Director (Independent)	Takchiro Kamiguna*	□	□	□	□
Audit & Supervisory Board Member (Full-time)	Kichiro Kondo				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama*				□
Audit & Supervisory Board Member (Independent)	Tadashi Kurihiro*				□

◎ Chairperson ○ Vice-Chairperson □ Committee Member *Independent Officer

Status of initiatives towards improving the Board of Directors’ effectiveness

1. Overview of initiatives towards improving the Board of Directors’ effectiveness

The Company works to improve the Board’s effectiveness to realize the sustained enhancement of corporate value. Such initiatives are undertaken in a cycle of (1) evaluation of the Board’s effectiveness and (2) determination and implementation of the policy for the operation of the Board of Directors based on (1).

(1) Evaluation of the Board’s effectiveness

Evaluation of the Board’s effectiveness is conducted by the Corporate Governance Committee chaired by a Director (Independent) and comprising Directors (Independent) and Audit & Supervisory Board Members (Independent).

Methods of evaluation are as described below:

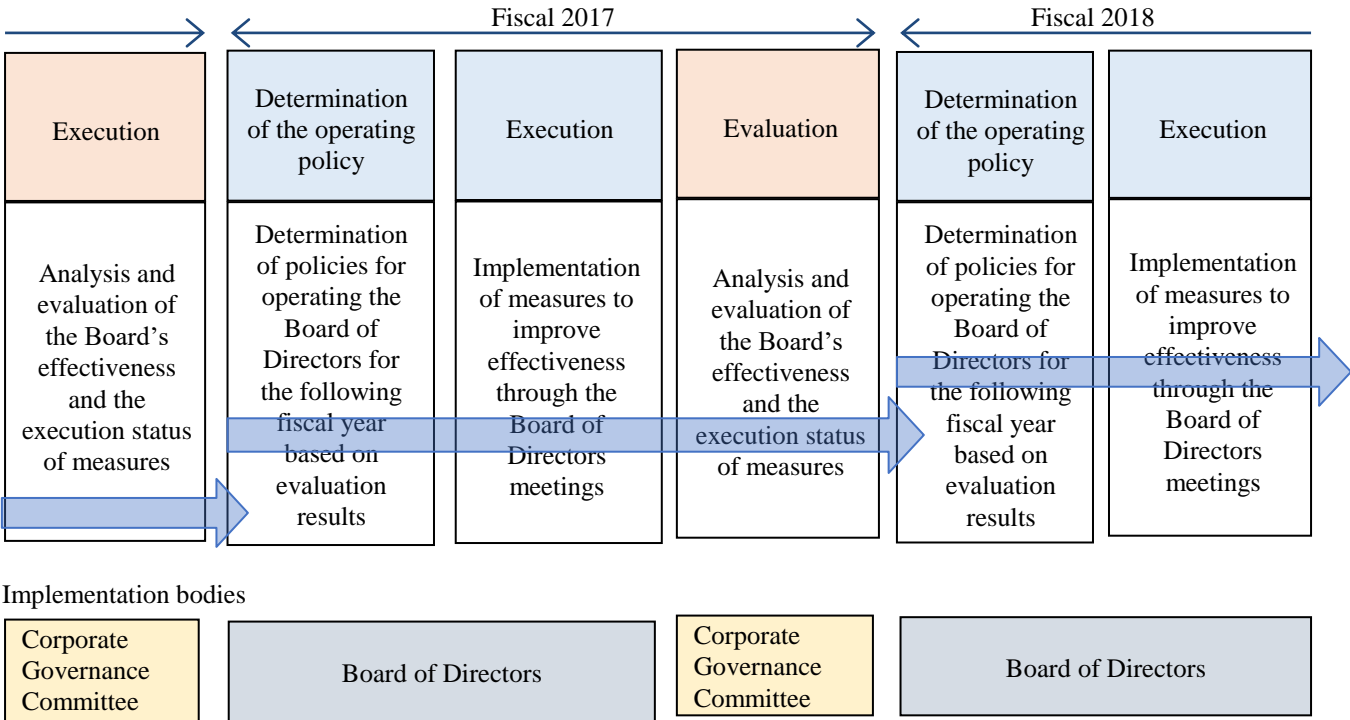
- 1) Directors and Audit & Supervisory Board Members conduct self-evaluation by completing an anonymous self-evaluation questionnaire.
- 2) Individual interviews to Directors and Audit & Supervisory Board Members are also conducted by Chairman of the Board of Directors Meeting, who asks about improving the effectiveness of the Board.
- 3) The Corporate Governance Committee analyzes the results of the self-evaluations in 1) and the interviews by the Chairman of the Board of Directors in 2) and conducts evaluation of the Board’s effectiveness.

(2) Determination and implementation of the policy for the operation of the Board

Based on the evaluation results by the Corporate Governance Committee in (1), the Board of Directors formulates and determines the policy for the operation of the Board of Directors for the next fiscal year and operates the Board of Directors based on the policy.

The Company continues to improve the Board’s effectiveness by implementing the above (1) and (2) on a yearly basis.

Initiatives towards improving the Board of Directors’ effectiveness



2. Overview of the results of evaluation of the Board of Directors' effectiveness for fiscal 2017

(1) Policy for the operation of the Board of Directors for fiscal 2017

The Committee determined the policy for the operation of the Board of Directors for fiscal 2017 based on the results of evaluation of the Board's effectiveness for fiscal 2016, as described below.

<Policy for the operation of the Board of Directors for fiscal 2017>

The Board of Directors shall demonstrate its oversight function to ensure the achievement of the medium-term management plan "VG2.0," which began in fiscal 2017, with emphasis on the following three areas.

- **Confirming the progress of the short-term management plan**
- **Human resources strategies and technical strategies that are the key to medium-term management strategies**
- **Initiatives to address materiality which have been identified based on the sustainability policy**

(2) Results of evaluation of the Board's effectiveness for fiscal 2017

The Corporate Governance Committee confirmed that the Board of Directors conducted the operation of the Board of Directors based on the policy for the operation of the Board of Directors for fiscal 2017 and demonstrated its oversight function.

The results of evaluation of initiatives based on the Board's policy for the operation and future issues are as described below:

- Confirming the progress of the short-term management plan

The Board of Directors discussed and approved the medium-term management plan "VG2.0" and the Company-wide management plan for fiscal 2017. In addition, the Board of Directors received a sufficient report from executive organization regarding strategies of individual divisions based on the medium-term management plan "VG2.0" and the status of initiatives of the management plan for fiscal 2017. The Board of Directors demonstrated its oversight function on the status of progress of the management plan for fiscal 2017 to ensure the achievement of the medium-term management plan "VG2.0."

- Human resources strategies and technical strategies that are the key to medium-term management strategies

1) Human resources strategies

To ensure the achievement of the medium-term management plan "VG2.0," the Board of Directors discussed human resources strategies, which are the core of "VG2.0," and demonstrated its oversight function. The Board recognized that the human resources strategies were important to achieve the medium- to long-term management plan and that the Board needed to continuously demonstrate its oversight function.

2) Technical strategies

The Board of Directors confirmed the Company-wide core technology system developed on the basis of the Company's future predictive theory, "SINIC theory" in addition to prediction of rapid technological innovation such as AI, IoT and robotics.

To ensure the achievement of the medium-term management plan "VG2.0," the Board of Directors discussed technical strategies, which are the core of "VG2.0," and demonstrated its oversight function. The Board recognized that the technical strategies were important to achieve the medium-to-long-term management plan and that the Board needed to continuously demonstrate its oversight function.

3) Other strategies in the medium-term management strategies

The Board of Directors recognized that, to achieve the medium-term management strategies, the Board also needed to demonstrate its oversight function on strategies regarding information systems and quality.

- Initiatives to address materiality which have been identified based on the sustainability policy

To ensure the achievement of the medium-term management plan "VG2.0," the Board of Directors received reports on fiscal 2020 targets and KPI for material sustainability issues in June 2017 and

the Company-wide management structure to promote the sustainability and the progress of the materiality in February 2018, respectively. The Board discussed the initiatives to address materiality which have been set based on the sustainability policy and demonstrated its oversight function. The initiatives on the sustainability have commenced since fiscal 2017, and the Board recognized that it needed to continuously demonstrate its oversight function.

3. Policy for the operation of the Board of Directors for fiscal 2018

Based on the evaluation results of the effectiveness for fiscal 2017 by the Corporate Governance Committee and future issues, the Board of Directors shall demonstrate its oversight function to ensure the achievement of the medium-term management plan “VG2.0,” with emphasis on the following three areas.

- **Strategies regarding information systems and quality in the medium-term management strategies**
- **Ongoing initiatives for human resources strategies and technical strategies**
- **Initiatives to address material sustainability issues (materiality)**

The Company will make efforts in enhancing the Board’s effectiveness for sustained improvement in corporate value.

(4) Systems to Ensure that Execution of Directors' Duties Conforms to Laws and the Articles of Incorporation and Other Systems to Ensure Appropriateness of Operations (Basic Policy on Maintenance of Internal Control System) and Overview of Operational Status of Internal Control System

Basic Policy on Maintenance of Internal Control System

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company has set the Internal Control System of the Company and its subsidiaries ("the OMRON Group") as follows:

1. System to Ensure that Execution of Duties by Directors and Employees of the OMRON Group Conforms to Laws and Regulations and the Articles of Incorporation

- (1) The OMRON Group Management Policies and the OMRON Group Rules have been established to ensure transparency, fairness and the global nature of management in the OMRON Group, as well as serve as the management base for conducting appropriate and timely decision-making.
- (2) The Company has familiarized its officers and employees with the OMRON Group Rules for Ethical Conduct as specific action guidelines for practicing "social responsible corporate management" and enforces strict compliance.
- (3) The key theme of "socially responsible corporate management" is promoting corporate ethics and compliance in the OMRON Group. The Corporate Ethics & Risk Management Committee has been established as an organization to promote this key theme. As specific activities, the President himself issues instructions on corporate ethics and compliance, providing opportunities to disseminate awareness. In addition, the Company conducts regular training and education for employees on corporate ethics and compliance.
- (4) The Company has set up a whistleblower hotline both inside and outside the Company to receive reports of acts that are, or could potentially be, in violation of the OMRON Group Rules for Ethical Conduct, work rules or laws. In accordance with laws and internal company rules, the content of these reports is protected as confidential, and employees may not be given unfavorable treatment for making such reports.
- (5) With the aim of realizing highly transparent management, the Company positions information disclosure as an important task, and has established an Information Disclosure Executive Committee directly under the President to promote the disclosure. The Committee engages in activities to ensure the accuracy, timeliness and completeness of information disclosure across the OMRON Group, and proactively makes disclosure to the public according to the standard set out by the Group.
- (6) The Company has set up an internal control department directly under the President to conduct operational audits.
- (7) To ensure the propriety of the OMRON Group's financial reporting, a system has been established that enables reports to be submitted appropriately in accordance with laws and regulations through measures such as monitoring by internal audit divisions after each division conducts its own review of maintenance and operation of business processes.
- (8) The OMRON Group's policy on exclusion of antisocial forces is defined in the OMRON Group Management Policies and the OMRON Group Rules for Ethical Conduct.

2. System for Storage and Management of Information Related to Execution of Directors' Duties

- (1) Under the Board of Directors Rules, the minutes of Board of Directors meetings are recorded and kept for 10 years.
- (2) Under the Management Rules, which state the basic policy and principles for Group management and decision making, decision reports are issued for decisions on significant issues. Decision reports, minutes of Executive Committee meetings, and other important documents showing the state of execution of duties are preserved and managed in accordance with laws and internal company rules.

3. Regulations and Other Systems Concerning Loss Risk Management of the OMRON Group

- (1) The Company will engage in risk management integrating all activities that entail risks on a global scale, to ensure the Company's survival and to secure the achievement of corporate objectives while fulfilling its corporate social responsibility.
- (2) The Company will strive to avoid, mitigate and transfer risk of loss through collecting information on and conducting analysis of risks while taking countermeasures against them, in accordance with the OMRON Group Rules for Integrated Risk Management.

- (3) Significant risks for the OMRON Group shall be designated, and Group-wide response measures are across all internal companies shall be determined at Executive Committee meeting
- (4) When a crisis occurs, the Company makes reports, transmits information, and assembles the necessary response teams in accordance with the procedures specified in the OMRON Group Rules for Integrated Risk Management.

4. Systems to Ensure Efficient Execution of Duties by Directors of the OMRON Group

- (1) The Company uses the Executive Officer system and keeps the number of Directors small to ensure substantive discussion and swift decision making at Board of Directors meetings.
- (2) In addition to the Board of Directors, the Company has an Executive Committee, which discusses and decides on significant business execution issues within the scope of the President's authority.
- (3) The Company uses an internal company system, and promotes faster decision making and efficient business operations by delegating substantial authority to the President of each internal company.
- (4) The OMRON Group performs its duties in accordance with the division of duties and scope of decision-making authority set forth based on a concept of proper control and prompt decision making as basic principles.
- (5) The OMRON Group establishes a medium-to-long-term management plan. In order to substantiate this management plan, it formulates a business plan in each fiscal year.

5. System to Report to the Company on Matters concerning Execution of Duties by Directors of Subsidiaries

Information regarding operational results, financial status and other significant matters of subsidiaries must be reported to respective superior units responsible for the management of subsidiaries in accordance with the internal regulations, etc.

6. Systems to Ensure Effectiveness of Audit Performed by Audit & Supervisory Board Members

- (1) An Audit & Supervisory Board Office with dedicated full-time support staff has been established to assist Audit & Supervisory Board Members in performing their duties. The staff members of the Audit & Supervisory Board Office perform their work under the supervision and instruction of the Audit & Supervisory Board Members.
- (2) Personnel evaluations, appointments and transfers of the staff of Audit & Supervisory Board Office are carried out with the consent of the Audit & Supervisory Board.
- (3) A system is in place for Directors, Audit & Supervisory Board Members and employees of the OMRON Group and those who have been reported from any of them to immediately report to Audit & Supervisory Board Members of the Company regarding incidents of material violations of laws and/or articles of incorporation, misconduct within the OMRON Group, or information relating to potential risk of significant loss to the company, in accordance with predetermined regulations and procedures. Notwithstanding these, the Audit & Supervisory Board Members of the Company may request reports from Directors and employees of the OMRON Group at any time as needed. The Company shall not treat whistleblowers in an unfair way on the ground of reporting of wrongdoing.
- (4) When Audit & Supervisory Board Members request for advance payment of expenses pertaining to the execution of their duties in accordance with Article 388 of the Companies Act, the Company shall handle the request in a prompt manner.
- (5) As a mechanism for securing an effective audit by Audit & Supervisory Board Members, systems are in place for the Audit & Supervisory Board to hold periodic interviews of Directors and Executive Officers, periodically exchange views with the President, periodically exchange information with Accounting Auditors, and receive operational reports from Executive Officers. In addition, the Internal Audit Manager is invited to Audit & Supervisory Board meetings and makes internal audit reports.
- (6) Half or more of the Audit & Supervisory Board Members are Audit & Supervisory Board Members (Independent), including legal professionals such as attorneys and Certified Public Accountants, or individuals with extensive knowledge of finance and accounting, to enhance audit objectivity and effectiveness.
- (7) Audit & Supervisory Board Members attend and state their opinions at Board of Directors meetings as well as Executive Committee meetings and other important meetings.

Overview of Operational Status of Internal Control System

The Company, in accordance with the Basic Policy stated above, operates an Internal Control System, and the following is an overview of the operational status of said System for the fiscal year under review.

1. Initiatives towards compliance and risk management

The OMRON Group promotes integrated responses to compliance and risk management matters through the Corporate Ethics & Risk Management Committee.

The OMRON Group further reinforced its capabilities to respond to change through a department directly under the President to oversee compliance and risk management, and by further promoting and enforcing such kind of responses.

(1) Compliance

The OMRON Group familiarized its officers and employees with the Group's action guidelines, and conducted the necessary trainings. In addition, the Corporate Ethics and Risk Management Committee convened regular meetings, while at the same time the month of October was designated Corporate Ethics Month, and various initiatives have been implemented including sending messages from the President to the officers and employees in Japan and overseas, conducting workplace seminars on corporate ethics and compliance, and distributing corporate ethics cards. Whistle-blower hotlines have been established and are in operation at the major bases in Japan and overseas. Additionally, the Information Disclosure Executive Committee convened regular meetings in order to ensure the accuracy, timeliness and completeness of disclosures, while seminars were held for the prevention of insider trading. Furthermore, the internal audit department conducted regular operational audits on the divisions of the OMRON Group.

During the fiscal year under review, efforts were made to raise the ethics awareness of the OMRON Group officers and employees focusing more on field-oriented activities, such as translating management's message to be sent during the Corporate Ethics Month into a wide range of languages, as well as implementing training unique to each overseas office.

(2) Risk management

Based on the OMRON Group Rules for Integrated Risk Management, risks associated with the OMRON Group are identified each year from a global perspective, and upon analyzing such risks, critical risks for the OMRON Group are designated. With regard to these designated risks, countermeasures are implemented on a Group wide level through the Executive Committee. In addition, the OMRON Group systematically promoted its risk management initiatives by selecting a division to oversee the implementation of risk countermeasures and confirming the progress made on such measures with the Corporate Ethics & Risk Management Committee on a quarterly basis. Additionally, concerted efforts were made by the field and management in order to implement measures to respond to changes in the internal and external environments, namely the appointment of risk managers at the Group companies in Japan and overseas, who utilized the global network to share daily risk information and to quickly organize response to risks.

During the fiscal year under review, efforts were made to further reinforce the OMRON Group's risk capacity to respond to risks by strengthening Group governance through activities to firmly penetrate Group rules that form the basis for risk management activities into Group companies both in Japan and overseas, as well as globally enhancing the OMRON Group's measures against cyberattacks.

2. Initiatives to ensure the appropriateness of operations

The Company preserves and manages important documents related to the execution of Directors' duties in accordance with the Board of Directors Rules and other rules related to information management. The Company has reduced the number of Directors in order to ensure substantive discussion of the Board of Directors, as well as uses the Executive Officer System and the internal company system to promote faster decision making and efficient business operations by delegating substantial authority to the President of each internal company. At the monthly Executive Committee, significant business execution issues are discussed and decided within the scope of the President's authority. The OMRON Group has also established a system which ensures proper control and prompt decision-making by clearly setting forth the applicable division of duties, decision-making authority and reporting rules.

During the fiscal year under review, the Company improved the efficiency and promptness of decision-making procedures by continuously incorporating IT systems into the decision-making processes and revising decision-making authority from the previous fiscal year.

3. Initiatives to ensure the effectiveness of audits by Audit & Supervisory Board Members

The Company has established an Audit & Supervisory Board Office independent from business execution to assist the Audit & Supervisory Board Members in performing their duties and has also appointed the necessary staff members to the Office. The Audit & Supervisory Board Office holds periodic interviews of Directors and Executive Officers, periodically exchange views with the President, periodically exchange information with Accounting Auditors, and receive operational reports from Executive Officers. Audit & Supervisory Board Members also attend and state their opinions, as necessary, at Board of Directors meetings as well as Executive Committee meetings and other important meetings.

During the fiscal year under review, in addition to further enhancing the exchanges of opinions between the Audit & Supervisory Board and the President on business execution and management issues related thereto, efforts were made to strengthen information-sharing on the audit status of overseas Group companies through the periodic exchange of information with Accounting Auditors.

(5) Policy on Setting Dividends

Pursuant to the articles of incorporation, the Company presents proposals for setting dividends to the General Meeting of Shareholders, except for interim dividends, which are set by resolution of the Board of Directors. The Company applies the following basic policy regarding distribution of profits including shareholder returns.

- 1) In aiming toward the sustained improvements in corporate value, the Company prioritizes investments in R&D, capital investments and M&As, which are vital to OMRON's future growth, and ongoing efforts are made to enhance shareholder returns by securing the necessary internal reserves for these investments and taking capital efficiency into account.
- 2) For dividends in each fiscal year, OMRON's policy is to enhance stable and uninterrupted profit distributions based on consolidated results, the payout ratio, and indicators including dividends on equity (DOE), which is return on equity (ROE) multiplied by the payout ratio. Specifically, during the period covered by the medium-term management plan for fiscal 2017 to fiscal 2020 ("VG2.0"), the Company will pay dividends based on a payout ratio of approximately 30% and a DOE of approximately 3% as a guide.
- 3) Utilizing retained earnings that have been accumulated over a long period of time, OMRON intends to strategically repurchase and retire the Company's stock in a manner that benefits shareholders.

(6) Other Policies, etc.

Basic Strategy for Capital Policy

- 1) To maintain and improve shareholder value, the OMRON Group will implement management practices by taking into consideration the adequate target levels for return on invested capital (ROIC), return on equity (ROE), and earnings per share (EPS). To prepare for rapid fluctuations in economic conditions, we will also set the equity ratio target at a level sufficient for maintaining a corporate credit rating that enables raising of funds without regard to monetary market conditions.
- 2) With respect to capital policy that results in a change of control or in significant dilution, the Board of Directors will make a rational decision by fully taking into consideration the effects it would have on the aforementioned ROIC, ROE, and EPS.
- 3) If the OMRON Group implements a fund raising program that will result in significant dilution, the use of the fund and its collection plan will be fully examined and deliberated at a meeting of the Board of Directors before making a resolution, and sufficient explanation will be given to investors and shareholders.

Anti-Takeover Measures

No anti-takeover measures are in place at the OMRON Group.

Constructive Dialogue with Shareholders

The OMRON Group strives to contribute to sustainably increasing its corporate value through dialogue with shareholders. Additionally, we will release our basic policy for the development of systems and initiatives for facilitating constructive dialogue with shareholders (the "Basic Policy").

For the Basic Policy, please refer to the URL below.

URL: <https://www.omron.com/about/corporate/governance/policy/>

Consolidated Financial Statements

Consolidated Balance Sheets

(JPY millions)

Item	81st term (As of March 31, 2018)	(Reference) 80th term (As of March 31, 2017)	Item	81st term (As of March 31, 2018)	(Reference) 80th term (As of March 31, 2017)
ASSETS			LIABILITIES		
Current Assets:	437,385	435,904	Current Liabilities:	182,778	172,081
Cash and cash equivalents	113,023	126,026	Notes and accounts payable — trade	93,792	89,362
Notes and accounts receivable — trade	174,065	169,210	Accrued expenses	44,291	39,354
Allowance for doubtful receivables	(1,117)	(1,320)	Income taxes payable	6,414	6,994
Inventories	129,581	109,404	Other current liabilities	38,281	36,371
Deferred income taxes	—	19,123	Deferred Income Taxes	706	763
Other current assets	21,833	13,461	Termination and Retirement Benefits	42,342	43,708
Property, Plant and Equipment:	135,103	127,615	Other Long-Term Liabilities	11,740	10,392
Land	24,886	25,550	Total Liabilities	237,566	226,944
Buildings	145,389	141,527	NET ASSETS		
Machinery and equipment	205,233	189,286	Shareholders' Equity:	505,530	469,029
Construction in progress	10,063	6,104	Common stock	64,100	64,100
Accumulated depreciation	(250,468)	(234,852)	Capital surplus	99,588	99,138
Investments and Other Assets:	172,464	134,182	Legal reserve	19,940	17,813
Goodwill	38,705	30,385	Retained earnings	390,950	346,000
Investments in and advances to affiliates	27,195	25,303	Accumulated other comprehensive income (loss):	(49,359)	(57,363)
Investment securities	29,016	27,006	Foreign currency translation adjustments	(3,176)	(6,327)
Leasehold deposits	7,531	6,907	Pension liability adjustments	(53,785)	(56,571)
Deferred income taxes	39,947	21,101	Unrealized gains on available- for-sale securities	7,426	5,765
Other assets	30,070	23,480	Net gains (losses) on derivative instruments	176	(230)
			Treasury stock, at cost	(19,689)	(659)
			Noncontrolling Interests	1,856	1,728
			Total Net Assets	507,386	470,757
Total Assets	744,952	697,701	Total Liabilities and Net Assets	744,952	697,701

Note: The amounts above are rounded to the nearest million JPY.

Consolidated Statements of Income

(JPY millions)

Item	81st term (April 1, 2017 to March 31, 2018)	(Reference) 80th term (April 1, 2016 to March 31, 2017)
Net sales	859,982	794,201
Cost of sales	502,297	482,399
Gross profit	357,685	311,802
Selling, general and administrative expenses	212,641	193,539
Research and development expenses	59,134	50,697
Other expenses, net	2,543	2,074
Income before income taxes and equity in loss (earnings) of affiliates	83,367	65,492
Income taxes	21,615	19,882
Current	24,222	19,871
Deferred	(2,607)	11
Equity in loss (earnings) of affiliates	(1,754)	(712)
Net income	63,506	46,322
Net income attributable to noncontrolling interests	347	335
Net income attributable to shareholders	63,159	45,987

Note: The amounts above are rounded to the nearest million JPY.

(Reference)

Consolidated Statements of Comprehensive Income (Loss)

(JPY millions)

	81st term (April 1, 2017 to March 31, 2018)	80th term (April 1, 2016 to March 31, 2017)
Net income	63,506	46,322
Other comprehensive income, net of tax		
Foreign currency translation adjustments	3,153	(9,010)
Pension liability adjustments	2,786	7,954
Unrealized gains (losses) on available-for-sale securities	1,661	(6,119)
Net gains (losses) on derivative instruments	406	(126)
Other comprehensive income (loss)	8,006	(7,301)
Comprehensive income	71,512	39,021
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	349	193
Comprehensive income attributable to shareholders	71,163	38,828

Note: The amounts above are rounded to the nearest million JPY.

Consolidated Statements of Shareholders' Equity

(JPY millions)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Non-controlling interests	Total net assets
(Reference)									
Balance, end of the 79th term (March 31, 2016)	64,100	99,101	15,194	317,171	(50,204)	(644)	444,718	2,316	447,034
Net income				45,987			45,987	335	46,332
Cash dividends paid to OMRON Corporation shareholders				(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)			—		—
Foreign currency translation adjustments					(8,868)		(8,868)	(142)	(9,010)
Pension liability adjustments					7,954		7,954		7,954
Unrealized gains (losses) on available-for-sale securities					(6,119)		(6,119)		(6,119)
Net gains (losses) on derivative instruments					(126)		(126)		(126)
Acquisition of treasury stock						(16)	(16)		(16)
Sale of treasury stock				(0)		1	1		1
Issuance of stock acquisition rights		23					23		23
Balance, end of the 80th term (March 31, 2017)	64,100	99,138	17,813	346,000	(57,363)	(659)	469,029	1,728	470,757
Net income				63,159			63,159	347	63,506
Cash dividends paid to OMRON Corporation shareholders				(16,083)			(16,083)		(16,083)
Cash dividends paid to noncontrolling interests							—	(215)	(215)
Equity transactions with noncontrolling interests and other		6		1			7	(6)	1
Stock-based compensation		444					444		444
Transfer to legal reserve			2,127	(2,127)			—		—
Foreign currency translation adjustments					3,151		3,151	2	3,153
Pension liability adjustments					2,786		2,786		2,786
Unrealized gains (losses) on available-for-sale securities					1,661		1,661		1,661
Net gains (losses) on derivative instruments					406		406		406
Acquisition of treasury stock						(19,030)	(19,030)		(19,030)
Balance, end of the 81st term (March 31, 2018)	64,100	99,588	19,940	390,950	(49,359)	(19,689)	505,530	1,856	507,386

Note: The amounts above are rounded to the nearest million JPY.

(Reference)

Consolidated Statements of Cash Flows

(JPY millions)

Item	81st term (April 1, 2017 to March 31, 2018)	80th term (April 1, 2016 to March 31, 2017)
I Operating Activities:		
1. Net income	63,506	46,322
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	29,465	28,966
(2) Net loss on sales and disposals of property, plant, and equipment	949	705
(3) Loss on impairment of long-lived assets	911	12,998
(4) Net gain on sales of investment securities	(3,003)	(3,764)
(5) Loss on impairment of investment securities	155	558
(6) Gain on contribution of securities to retirement benefit trust	—	(7,004)
(7) Termination and retirement benefits	2,706	2,863
(8) Deferred income taxes	(2,607)	11
(9) Equity in loss (earnings) of affiliates	(1,754)	(712)
(10) Gain (Loss) on sale of business	14	(3,686)
(11) Changes in assets and liabilities	(16,954)	902
(12) Other, net	285	(284)
Total adjustments	10,167	31,553
Net cash provided by operating activities	73,673	77,875
II Investing Activities:		
1. Proceeds from sales or maturities of investment securities	3,776	4,606
2. Purchase of investment securities	(649)	(3,274)
3. Capital expenditures	(38,542)	(25,816)
4. Increase in leasehold deposits, net	(634)	(145)
5. Proceeds from sale of property, plant and equipment	990	2,278
6. Decrease in investment in and loans to affiliates	—	30
7. Proceeds from sale of business, net of cash paid	(427)	7,187
8. Acquisition of business, net of cash acquired	(20,445)	—
9. Other, net	89	93
Net cash used in investing activities	(55,842)	(15,041)
III Financing Activities:		
1. Net repayments of short-term debt	951	155
2. Dividends paid by the Company	(15,378)	(14,539)
3. Dividends paid to noncontrolling interests	(215)	(297)
4. Payments for equity transactions with noncontrolling interests	—	(470)
5. Acquisition of treasury stock	(18,530)	(16)
6. Other, net	90	155
Net cash used in financing activities	(33,082)	(15,012)
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,248	(4,706)
Net Increase in Cash and Cash Equivalents	(13,003)	43,116
Cash and Cash Equivalents at Beginning of the Year	126,026	82,910
Cash and Cash Equivalents at End of the Year	113,023	126,026

Note: The amounts above are rounded to the nearest million JPY.

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

Significant Accounting Policies

1. Principles of Consolidation

The Consolidated Financial Statements include all the Company's 165 subsidiaries.

2. Application of Equity Method

Investments in the Company's 17 affiliated companies are accounted for using the equity method.

3. Basis of Consolidated Financial Statements

The Company prepares its Consolidated Financial Statements in conformance with the terminology, form and preparation methods based on accounting principles generally accepted in the United States of America, in accordance with Article 120(3), paragraph 1 of the Company Accounting Regulations. However, certain disclosure items required by accounting principles generally accepted in the United States of America have been omitted, in conformance with provisions of the latter part of paragraph 1 of Article 120 of the same Regulations, which is applied mutatis mutandis to paragraph 3 of the same Article.

4. Valuation standards and methods for inventories

Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or market value. Also, overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or market value.

5. Valuation standards and methods for securities

The Company applies U.S. Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic (hereinafter, "FASB ASC") 320, "Investments – Debt and Equity Securities."

Held-to-maturity securities: Reported at amortized cost

Available-for-sale securities: Reported at fair value on the balance sheet date. (The cost of securities sold is determined on the average cost basis.)

6. Methods of depreciating property, plant and equipment

Property, plant and equipment is principally depreciated on a declining-balance method.

7. Goodwill and other intangible fixed assets

Goodwill and other intangible fixed assets are depreciated on a straight-line method. (However, in accordance with FASB ASC 350, "Intangibles—Goodwill and Other," goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, instead of amortization.)

8. Accounting standards for reserves are as follows:

Allowance for doubtful receivables: An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses within the outstanding receivables.

Termination and retirement benefits: Termination and retirement benefits are accounted for and are disclosed in accordance with FASB ASC 715, "Compensation-Retirement Benefits" based on the fiscal year-end fair value of plan assets and the projected benefit obligations of employees.

Unrecognized prior service cost is expensed using the straight-line method based on the average remaining length of service of employees.

Unrecognized actuarial net losses are expensed using the straight-line method based on the average remaining length of service of employees for the amount exceeding the "corridor" (10% of projected benefit obligation or fair value of plan assets, whichever is greater).

9. Accounting Treatment of Consumption Taxes

Consumption taxes and other value-added taxes have been excluded from sales.

10. Stock-based Compensation

For accounting for stock-based compensation, FASB ASC 718 “Compensation-Stock Compensation” has been adopted. Stock-based compensation expenses are measured at fair value of the grant date and are recognized over the vesting period.

Notes Related to Changes in Accounting Policy

Beginning with the current period, OMRON has applied an updated FASB ASC 2015-17 “Balance Sheet Classification of Deferred Taxes.” Under this standards update, deferred tax assets and deferred tax liabilities are required to be classified as non-current items. Further, deferred tax assets and deferred tax liabilities classified as current as of March 31, 2017 are JPY 19,123 million and JPY 32 million, respectively.

Notes Related to Consolidated Balance Sheets

Pledged assets

Assets pledged as collateral

Investment securities

JPY 200 million

Total

JPY 200 million

Notes Related to Consolidated Statements of Income

The major components of “Other expenses, net” are as follows:

Foreign exchange loss, net	JPY 3,328 million
Net loss on sales and disposals of property, plant, and equipment	JPY 949 million
Loss on impairment of property, plant and equipment	JPY 911 million
Loss on impairment of investment securities	JPY 155 million
Net gain on sales of investment securities	JPY (3,003) million

Notes Related to Financial Instruments

1. Matters Related to Financial Instruments

The Company limits its fund management to short-term deposits and similar instruments, and raises capital through borrowings from banks and other financial institutions. Investment securities are mainly publicly traded stocks. In regard to derivative transactions, the Company enters into foreign exchange forward contracts, foreign currency options and commodity swaps. The Company does not use derivatives for trading purposes.

2. Matters Related to Fair Value, etc. of Financial Instruments

The amounts recorded on the Consolidated Balance Sheet on March 31, 2018 (81st consolidated account settlement date), fair value and differences are as follows.

(JPY millions)

	Balance Sheet Amount (*)	Fair Value (*)	Difference
(1) Investment securities	21,358	21,358	—
(2) Derivatives			
Other current assets	3,409	3,409	—
Other current liabilities	(285)	(285)	—

(*) Amounts accounted for in liabilities are shown in parentheses.

Notes: 1. Method of calculation of fair value of financial instruments

- (1) The fair values of cash and cash equivalents, notes and accounts receivable-trade, leasehold deposits, short-term debt, and notes and accounts payable-trade are estimated to be essentially equivalent to the balance sheet amounts.
 - (2) Investment Securities
Stocks are valued at the quoted market price.
 - (3) Derivatives
Estimated using dealer transaction prices or valuation models.
2. The fair value of unlisted securities (JPY 7,658 million in the Consolidated Balance Sheets) is not practically estimable because they have no readily determinable public market value and their future cash flow cannot be estimated. Therefore, they are not included in (1) Investment securities.

Notes Related to Per-share Data

1. Net income attributable to shareholders per share, basic JPY 296.85
2. Net income attributable to shareholders per share, diluted JPY —

3. Shareholders' equity per share

JPY 2,400.37

Notes: 1. Net income attributable to shareholders per share, diluted is not stated due to the absence of potential equity with a dilutive effect.

2. During the fiscal year ended March 31, 2018, OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan purposes is included in treasury stock deducted in the calculation of per share data.

Subsequent Events

No significant event took place since March 31, 2018.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(JPY millions)

Item	81st term (As of March 31, 2018)	(Reference) 80th term (As of March 31, 2017)	Item	81st term (As of March 31, 2018)	(Reference) 80th term (As of March 31, 2017)
ASSETS			LIABILITIES		
Current Assets:	170,290	160,562	Current Liabilities:	201,259	165,011
Cash and time deposits	42,839	55,163	Notes payable - trade	2,197	1,508
Notes receivable - trade	1,976	2,021	Accounts payable - trade	36,323	27,206
Accounts receivable - trade	59,922	52,686	Short-term borrowings from affiliated companies	129,657	103,522
Securities	—	25	Lease liabilities	1,098	829
Finished products	14,712	11,638	Other payables	13,425	11,253
Materials	5,120	3,672	Accrued expenses	11,074	9,904
Work in process	4,360	4,522	Income taxes payable	3,638	4,998
Supplies	708	579	Advances received	31	29
Short-term loans receivable	10	30	Deposits received	1,016	956
Short-term loans to affiliates	22,771	19,364	Accrued bonus to officers	321	208
Other accounts receivable	9,125	4,397	Other current liabilities	2,479	4,598
Other receivable	4,287	3,639	Long-term Liabilities:	25,898	23,023
Deferred income taxes	4,747	4,674	Long-term borrowings from affiliated companies	17,258	16,616
Other current assets	5,518	1,963	Lease liabilities	1,862	1,247
Allowance for doubtful receivables	(5,805)	(3,811)	Provision for share grant	548	—
Fixed Assets:	314,823	287,596	Deferred tax liabilities related to revaluation	1,205	1,205
Property and equipment:	37,836	35,673	Other long-term liabilities	5,025	3,955
Buildings	15,497	16,149	Total Liabilities	227,157	188,034
Structures	967	885	NET ASSETS		
Machinery and equipment	1,974	1,249	Shareholders' Equity:	252,936	256,886
Vehicles and delivery equipment	2	1	Common stock	64,100	64,100
Tools, furniture and fixtures	2,380	1,907	Capital surplus	88,771	88,771
Land	13,167	13,167	Additional paid-in capital	88,771	88,771
Lease assets	2,877	1,934	Retained earnings	119,754	104,674
Construction in progress	972	381	Legal reserve	6,774	6,774
Intangible fixed assets:	8,153	5,166	Other retained earnings:	112,980	97,900
Software and others	8,153	5,166	Reserve for dividends	3,400	3,400
Investments and other assets:	268,834	246,757	Non-restrictive reserve	73,500	73,500
Investment securities	24,277	22,203	Retained earnings unappropriated	36,080	21,000
Investments in affiliated companies	159,404	146,379	Treasury stock, at cost	(19,689)	(659)
Contribution to affiliated companies	20,918	20,918	Valuation and Translation		
Long-term advances to affiliates	35,687	28,401	Adjustments:	5,020	3,238
Leasehold deposits	4,502	4,495	Unrealized gains on available-for- sale securities	9,193	7,766
Prepaid pension cost	15,010	16,608	Deferred hedge gain (loss)	150	(205)
Deferred income taxes	4,761	4,833	Land revaluation difference	(4,323)	(4,323)
Other	4,323	2,979	Total Net Assets	257,956	260,124
Allowance for doubtful receivables	(48)	(59)	Total Liabilities and Net Assets	485,113	448,158
Total Assets	485,113	448,158			

Note: The amounts above are rounded to the nearest million JPY.

Non-consolidated Statements of Income

(JPY millions)

Item	81st term (April 1, 2017 to March 31, 2018)	(Reference) 80th term (April 1, 2016 to March 31, 2017)
Net sales	320,048	269,083
Cost of sales	186,470	156,333
Gross profit	133,578	112,750
Selling, general and administrative expenses	105,644	90,520
Operating income	27,934	22,230
Non-operating income:	15,808	22,002
Interest and dividends received	12,915	18,709
Other non-operating income	2,893	3,293
Non-operating expenses:	5,467	2,269
Interest paid	1,323	1,020
Cash discount on sales	784	700
Foreign exchange loss	2,074	—
Quality handling expenses	627	432
Other non-operating expenses	659	117
Ordinary income	38,275	41,963
Extraordinary gains:	2,752	8,215
Gain on sales of property and equipment	7	1
Gain on sales of investment securities	2,736	3,620
Gain on establishment of retirement benefit trust	—	4,536
Other extraordinary gains	9	58
Extraordinary losses:	3,262	11,388
Loss on sales and disposal of property, equipment and intangible fixed assets	296	444
Impairment loss	743	1,102
Loss on valuation of shares of affiliated companies	—	8,871
Provision of allowance for doubtful receivables	2,200	900
Other extraordinary losses	23	71
Income before income taxes:	37,765	38,790
Income taxes - current	8,068	9,600
Income taxes - deferred	(761)	(462)
Net income	30,458	29,652

Note: The amounts above are rounded to the nearest million JPY.

Non-consolidated Statements of Changes in Shareholders' Equity
81st Term: April 1, 2017 — March 31, 2018

(JPY millions)

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings			Total retained earnings
		Additional paid-in capital	Total capital surplus		Other retained earnings			
					Reserve for dividends	Non-restrictive reserve	Retained earnings unappropriated	
Balance at April 1, 2017	64,100	88,771	88,771	6,774	3,400	73,500	21,000	104,674
Changes during the year ended March 31, 2018								
Dividends paid			—				(15,378)	(15,378)
Net income			—				30,458	30,458
Acquisition and sale of treasury stock			—					—
Net change in items other than shareholders' equity during the year			—					—
Total changes during the fiscal year	—	—	—	—	—	—	15,080	15,080
Balance at March 31, 2018	64,100	88,771	88,771	6,774	3,400	73,500	36,080	119,754

	Shareholders' equity		Valuation and translation adjustment				Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred hedge gain (loss)	Land revaluation difference	Total valuation and translation adjustment	
Balance at April 1, 2017	(659)	256,886	7,766	(205)	(4,323)	3,238	260,124
Changes during the year ended March 31, 2018							
Dividends paid		(15,378)				—	(15,378)
Net income		30,458				—	30,458
Acquisition and sale of treasury stock	(19,030)	(19,030)				—	(19,030)
Net change in items other than shareholders' equity during the year		—	1,427	355	—	1,782	1,782
Total changes during the fiscal year	(19,030)	(3,950)	1,427	355	—	1,782	(2,168)
Balance at March 31, 2018	(19,689)	252,936	9,193	150	(4,323)	5,020	257,956

Note: The amounts above are rounded to the nearest million JPY.

Non-consolidated Statements of Changes in Shareholders' Equity (Reference)
80th Term: April 1, 2016 — March 31, 2017

(JPY millions)

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings			Total retained earnings
		Additional paid-in capital	Total capital surplus		Other retained earnings			
					Reserve for dividends	Non-restrictive reserve	Retained earnings unappropriated	
Balance at April 1, 2016	64,100	88,771	88,771	6,774	3,400	73,500	5,887	89,561
Changes during the year ended March 31, 2017								
Dividends paid			—				(14,539)	(14,539)
Net income			—				29,652	29,652
Acquisition and sale of treasury stock			—				(0)	(0)
Net change in items other than shareholders' equity during the year			—					—
Total changes during the fiscal year	—	—	—	—	—	—	15,113	15,113
Balance at March 31, 2017	64,100	88,771	88,771	6,774	3,400	73,500	21,000	104,674

	Shareholders' equity		Valuation and translation adjustment				Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred hedge gain (loss)	Land revaluation difference	Total valuation and translation adjustment		
Balance at April 1, 2016	(644)	241,788	12,264	(21)	(4,323)	7,920	35	249,743
Changes during the year ended March 31, 2017								
Dividends paid		(14,539)				—		(14,539)
Net income		29,652				—		29,652
Acquisition and sale of treasury stock	(15)	(15)				—		(15)
Net change in items other than shareholders' equity during the year		—	(4,498)	(184)	—	(4,682)	(35)	(4,717)
Total changes during the fiscal year	(15)	15,098	(4,498)	(184)	—	(4,682)	(35)	10,381
Balance at March 31, 2017	(659)	256,886	7,766	(205)	(4,323)	3,238	—	260,124

Note: The amounts above are rounded to the nearest million JPY.

Notes to Non-consolidated Financial Statements

Significant Accounting Policies

1. Valuation standards and method for securities
Common stock of subsidiaries and affiliates: Stated at cost using the moving-average method

Other marketable securities:
Securities to which market value applies: Stated at market value based on market prices, etc.
(Unrealized gains and losses are reported in a separate component of equity and selling prices are determined by the moving-average method.)
Securities to which market value does not apply: Stated at cost using the moving-average method
2. Derivatives are stated at fair value.
3. Inventories are stated at cost, determined by the first-in, first-out method. Inventories are stated on the Non-consolidated Balance Sheets at book value after adjustment to reflect reduced profitability.
4. Fixed assets are depreciated by the following methods:
Property and equipment (excluding leased assets): Declining balance method (Useful lives of buildings are generally 15-50 years)
Intangible fixed assets (excluding leased assets): Straight-line method (Estimated useful life of software is 3-5 years)

Leased Assets:
Leased assets related to finance lease transactions without ownership transfer: Straight-line method with the lease period as the useful life and zero residual value.
5. Deferred charges are charged to income in their full amount when they are paid or incurred.
6. The allowance for doubtful receivables is established based on the Company's past credit loss experience for ordinary receivables, and evaluation of financial condition for receivables at risk of default and receivables from customers in bankruptcy.
7. The provision for officers' bonuses is provided based on the projected amount required to be paid at the end of the term to cover payment of bonuses to Directors and Auditors.
8. The termination and retirement benefits is provided based on the projected amount of pension plan assets and retirement benefit obligations at the end of the fiscal year.
Past service cost is expensed using the straight-line method over 15 years, based on the average remaining length of service of employees at the time the cost is incurred.
Actuarial gains or losses are expensed in a proportionally divided amount using the straight-line method over 15 years, starting from the fiscal year following the fiscal year in which gains or losses are occurred, based on the average remaining length of service of employees at the time the gains or losses are incurred in each fiscal year.
As the amount of pension plan assets exceeded retirement benefit obligations, after adjustment of unrecognized past service cost and unrecognized actuarial gains or losses, at the end of the fiscal year, it is recoded as prepaid pension cost on the Non-consolidated Balance Sheets.
9. In order to prepare for the grant of the Company's shares to Directors and Executive Officers in accordance with the share grant provisions, provision for share grant is recorded based on the estimated amount of payment to be made at the end of the fiscal year, considering the amount multiplied by the stock price at the time when the Trust acquired the Company's shares.
10. Foreign-currency denominated credits and debts are translated to JPY according to spot exchange rates on the balance sheet date. Translation gains or losses are credited or charged to income.
11. The Company uses deferred hedge accounting as its hedge accounting method.

12. Consumption taxes and other value-added taxes have been excluded from sales.
 Non-deductible consumption tax relating to assets, etc. is treated as period cost in the fiscal year of accrual.
13. The Company applies the consolidated taxation system.

Changes in Presentation

(Non-consolidated statements of income)

“Provision of allowance for doubtful receivables” (extraordinary losses), which had been previously included in “Other extraordinary losses” (JPY 900 million for the fiscal year ended March 31, 2017) in the statements of income, is now presented separately as “Provision of allowance for doubtful receivables” (JPY 2,200 million for the fiscal year ended March 31, 2018) due to the increase in the materiality of the amount.

Notes to Non-consolidated Balance Sheets

1. Accumulated depreciation for property and equipment (Note: Includes accumulated impairment loss.)	JPY 75,104 million
2. Pledged assets	
Assets pledged as collateral	
Investment securities	JPY 200 million
Total	<u>JPY 200 million</u>
3. Guarantees	
Guaranteed parties	
OMRON ELETRONICA DO BRASIL LTDA.	JPY 21 million
Total	<u>JPY 21 million</u>
4. Financial Credits and Debts with Regard to Affiliates	
Short-term credits due from affiliated companies	JPY 75,290 million
Long-term credits due from affiliated companies	JPY 35,687 million
Short-term liabilities due to affiliated companies	JPY 162,290 million
Long-term liabilities due to affiliated companies	JPY 19,267 million

5. Land Revaluation Difference

The Company revalued land used for business operations on the basis prescribed by the Law Concerning Revaluation of Land (Cabinet Order No. 34, March 31, 1998) and the Revised Law Concerning Revaluation of Land (Cabinet Order No. 94, June 29, 2001). The resulting revaluation difference is stated in net assets as “Revaluation of land,” net of deferred tax liabilities related to the revaluation.

Revaluation method:

The revaluation was based on calculations made with appropriate adjustments to prices registered in the land tax register, pursuant to Article 2, Item 3 of Cabinet Order No. 119 (March 31, 1998) of the Law Concerning Revaluation of Land, and on appraisal values given by property appraisers, as provided in Article 2, Item 5 of the same cabinet order.

Date of revaluation: March 31, 2002

The difference between the total market value at March 31, 2018, of land used for business operations that was revalued pursuant to Article 10 of the above law, and the total book value of such land after revaluation (the amount of market value less than book value) is JPY 3,837 million.

Notes to Non-consolidated Statements of Income

Transactions with affiliated companies:

Sales to subsidiaries:	JPY 189,298 million
Purchases from subsidiaries:	JPY 140,558 million
Other transactions:	JPY 19,598 million
Non-operating transactions:	JPY 18,710 million

Notes to Non-consolidated Statements of Changes in Shareholders' Equity

1. Number of shares issued and outstanding as of March 31, 2018:

Common stock 213,958,172 shares

2. Number of shares of treasury stock as of March 31, 2018:

Common stock 3,352,916 shares

Note: OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan purposes out of treasury stock as of March 31, 2018 was 770,100 shares.

3. Dividends

(1) Dividends paid

Resolution	Total amount (JPY millions)	Dividend per share (JPY)	Record date	Effective date
June 22, 2017 General Meeting of Shareholders	7,269	34.00	March 31, 2017	June 23, 2017
October 31, 2017 Board of Directors Meeting	8,109	38.00	September 30, 2017	December 4, 2017

(2) Dividends applicable to this fiscal year with an effective date in the following fiscal year

Scheduled resolution	Total amount (JPY millions)	Dividend per share (JPY)	Record date	Effective date
June 19, 2018 General Meeting of Shareholders	8,032	38.00	March 31, 2018	June 20, 2018

Notes on Tax-Effect Accounting

1. Principal components of deferred tax assets and deferred tax liabilities are shown below.

Deferred tax assets	
Allowance for doubtful receivables	JPY 1,814 million
Inventories	JPY 818 million
Investment securities	JPY 1,116 million
Investments in affiliated companies	JPY 10,152 million
Accrued bonuses	JPY 2,438 million
Retirement benefit trust	JPY 5,713 million
Unspecified debt	JPY 1,259 million
Depreciable assets	JPY 2,459 million
Unearned revenue	JPY 1,470 million
Others	<u>JPY 405 million</u>
Deferred tax assets, Subtotal	JPY 27,644 million
Valuation Allowance	<u>JPY (9,231) million</u>
Deferred tax assets, Total	JPY 18,413 million
Deferred tax liabilities	
Unrealized gains on securities	JPY 4,124 million
Prepaid pension cost	JPY 4,653 million
Others	<u>JPY 128 million</u>
Deferred tax liabilities, Total	<u>JPY 8,905 million</u>
Net deferred tax assets	<u>JPY 9,508 million</u>

Transactions with Related Parties

1. Subsidiaries, affiliates and other related parties

Type	Name	Voting Rights Held by Company (%)	Relationship	Transactions	Amount of Transactions (JPY millions)	Accounts	Year-end Balance (JPY millions)
Subsidiary	OMRON SWITCH & DEVICES Corporation	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing	6,630	Affiliate short-term borrowings	6,695
				Payment of interest ^{2,4}	22		Accrued expenses
Subsidiary	OMRON Amusement Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest ^{2,4}	6,140 20	Affiliate short-term borrowings	6,982
						Accrued expenses	—
Subsidiary	OMRON Field Engineering Co., Ltd.	Indirect ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest ^{2,4}	14,793 50	Affiliate short-term borrowings	15,761
						Accrued expenses	—
Subsidiary	OMRON Relay & Devices Corporation	Direct ownership, 100%	Purchase of products Borrowing Dispatch of Directors	Purchase of components for electronic devices ¹	31,328	Accounts payable – trade	3,606
				Borrowing Payment of interest ^{2,4}	8,515 29	Affiliate short-term borrowings	9,499
						Accrued expenses	—
Subsidiary	OMRON Automotive Electronics Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest ^{2,4}	7,701 24	Affiliate short-term borrowings	8,269
						Accrued expenses	—
Subsidiary	OMRON Finance Co., Ltd.	Direct ownership, 100%	Lending Dispatch of Directors	Lending Receipt of interest ^{3,4}	8,347 45	Affiliate short-term loans	8,641
						Accounts receivable	—
Subsidiary	OMRON Social Solutions Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest ^{2,4}	7,575 26	Affiliate short-term borrowings	7,526
						Accrued expenses	—
Subsidiary	OMRON PRECISION TECHNOLOGY Co., Ltd.	Direct ownership, 100%	Lending Dispatch of Directors	Lending Receipt of interest ^{3,4}	5,544 30	Affiliate short-term loans	5,894
						Accounts receivable ⁵	—
Subsidiary	OMRON Healthcare Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest ^{2,4}	11,905 39	Affiliate short-term borrowings	17,096
						Accrued expenses	—
Subsidiary	OMRON Management Center of America, Inc.	Direct ownership, 100%	Lending Dispatch of Directors Underwriting of Capital Increase	Lending Recovery of funds	15,414 260	Affiliate long-term loans	30,633
				Receipt of interest	722		
				Underwriting of capital increase ^{4,6}	6,414		
						Accounts receivable	661

Type	Name	Voting Rights Held by Company (%)	Relationship	Transactions	Amount of Transactions (JPY millions)	Accounts	Year-end Balance (JPY millions)
Subsidiary	OMRON Europe B.V.	Direct ownership, 100%	Sales of products Borrowing Dispatch of Directors	Sales of control devices ¹	28,123	Accounts receivable – trade	4,736
				Borrowing Payment of interest ⁴	6 107	Affiliate short-term borrowings Accrued expenses	23,761 56
Subsidiary	OMRON Asia Pacific Pte. Ltd.	Direct ownership, 100%	Borrowing	Borrowing Payment of interest ⁴	4,531 164	Affiliate short-term borrowings Accrued expenses	9,219 151
Subsidiary	OMRON (China) Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Payment of interest ⁴	600	Affiliate long-term borrowings Accrued expenses	17,258 264

Transaction Terms and Relevant Policies

- Notes:
1. Sales and purchase prices of products are determined with reference to the prevailing market prices and other information.
 2. For borrowing of funds, the parties enter into a contract using the pooling service of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and funds are borrowed if the daily account balance of the concerned parties is JPY 1 or more. Borrowing and lending amounts are the average of the ending monthly balance for the relevant period (negative balance in the case of lending).
 3. For lending of funds, the parties enter into a contract using the pooling service of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and funds are lent if the daily account balance of the concerned parties is less than JPY 0. Borrowing and lending amounts are the average of the ending monthly balance for the relevant period (negative balance in the case of borrowing).
 4. Loan interest is determined on the basis of market interest rates.
 5. Allowance for doubtful receivables of JPY 2,920 million was recorded for receivables at risk of default to OMRON PRECISION TECHNOLOGY Co., Ltd. In connection with this allowance, provision of allowance for doubtful receivables of JPY 2,200 million was recorded for the fiscal year ended March 31, 2018.
 6. Underwriting of capital increase of OMRON Management Center of America, Inc. was an investment in kind of loans through a debt equity swap.

Per Share Information

1. Net assets per share JPY 1,224.83
2. Net income per share JPY 143.15

Note: During the fiscal year ended March 31, 2018, OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan purposes is included in treasury stock deducted in the calculation of per share data.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 7, 2018

To the Board of Directors of
OMRON Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuhiro Onishi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Teruhisa Tamai

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kenjiro Ikehata

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2018 of OMRON Corporation (the "Company") and its consolidated subsidiaries, and the consolidated statement of income, consolidated statement of shareholder's equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which is applied mutatis mutandis pursuant to the third paragraph of Article 120-3 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under accounting principles generally accepted in the United States of America pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which is applied mutatis mutandis pursuant to the third paragraph of Article 120-3 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 7, 2018

To the Board of Directors of
OMRON Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuhiro Onishi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Teruhisa Tamai

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kenjiro Ikehata

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of OMRON Corporation (the "Company"), and the related statements of income and changes in net assets for the 81th fiscal year from April 1, 2017 to March 31, 2018, and the related notes, and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Audit Report

With respect to the Directors' performance of their duties during the 81st business year (from April 1, 2017 to March 31, 2018), the Audit & Supervisory Board has prepared this audit report as a result of discussion based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1 . Method and Contents of audit conducted by each Audit & Supervisory Board Member and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established the audit policies, assignment of duties, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the Directors, etc. and the Accounting Auditor regarding the status of performance of their duties, and requested explanations as necessary.

(2) In conformity with the auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies and assignment of duties, etc., each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding with the Directors, the Internal Audit Division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audit by the following methods.

1) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the Directors and other employees and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations. Also, with respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.

2) Each Audit & Supervisory Board Member regularly received reports from Directors, employees and others, and requested explanations when deemed necessary, and expressed their opinions about the design and operations of the internal control system, which was established based on the Board of Directors resolutions regarding the establishment of an internal control system, pursuant to Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan enforcement regulations as essential for ensuring that the execution of duties by Directors conforms with laws and the Company's Articles of Incorporation and for otherwise ensuring proper business conduct by the company group consisting of the company and its subsidiaries.

3) Each Audit & Supervisory Board Member received reports from the Directors on their self-assessment and from Deloitte Touche Tohmatsu LLC on their audit result, and requested explanations regarding such reports when necessary.

4) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor that it had established a "system to ensure that the performance of the duties of the Accounting Auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and the annexed specifications, the accounting documents (Balance sheet, Profit and Loss statement, Shareholders' Equity Variation statement, and Schedule of Individual notes) and the annexed specifications thereto, as well as the consolidated accounting documents (Consolidated Balance sheet, Consolidated Profit and Loss statement, Consolidated Statement of Shareholders' Equity, and Schedule of Consolidated notes),

for this business year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- (i) We affirm that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the articles of incorporation of the company.
- (ii) We affirm that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors' performance of their duties.
- (iii) We affirm that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned regarding the contents of the business report concerning the internal control systems nor with respect to the directors' performance of their duties.

(2) Results of Audit of Accounting Documents and their Annexed Specifications

We affirm that the methods and results of audit performed by the accounting auditor, Deloitte Touche Tohmatsu LLC, the Independent Auditor, are appropriate.

(3) Results of Audit of Consolidated Accounting Documents

We affirm that the methods and results of audit performed by the accounting auditor, Deloitte Touche Tohmatsu LLC, the Independent Auditor, are appropriate.

May 9, 2018

OMRON Corporation
Audit & Supervisory Board
Kiichiro Knodo (Audit & Supervisory Board Member (Full-time))
Tokio Kawashima (Audit & Supervisory Board Member (Full-time))
Hideyo Uchiyama (Audit & Supervisory Board Member (Independent))
Tadashi Kunihiro (Audit & Supervisory Board Member (Independent))

The above represents a translation, for convenience only, of the original report issued in the Japanese language.