

OMRON

Basic Information



May 2017
OMRON Corporation

Established

May 10, 1933

Head Office

Shiokoji Horikawa, Shimogyo-ku, Kyoto 600-8530 Japan

Capital

¥64.1bn

Net Sales

¥794.2bn (Year ended Mar 31, 2017; Overseas: 58.4%)

**Number of
Employees**

36,008 (As of Mar 31, 2016)

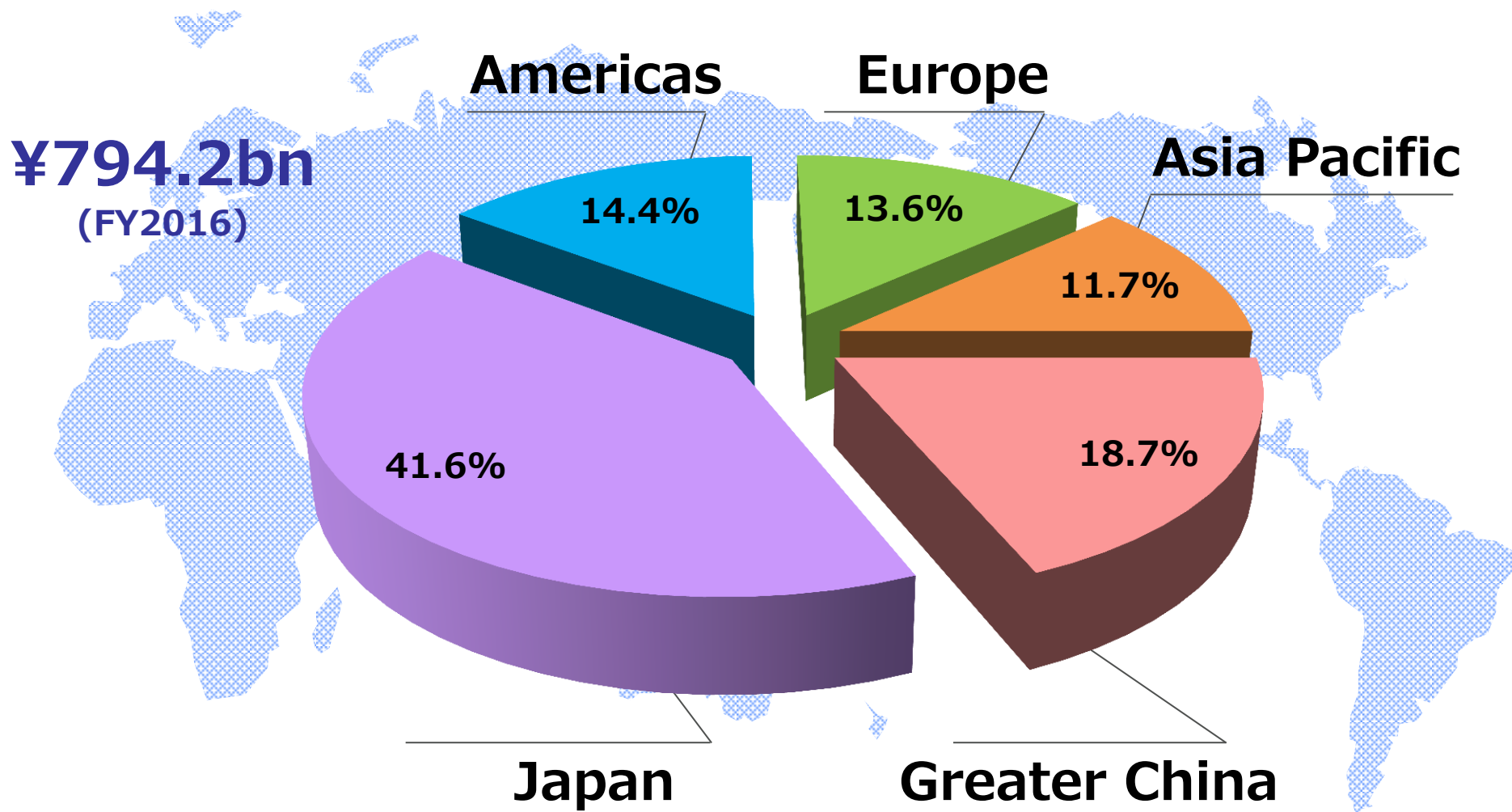
Stock Listing

Tokyo (Ticker symbol: 6645)

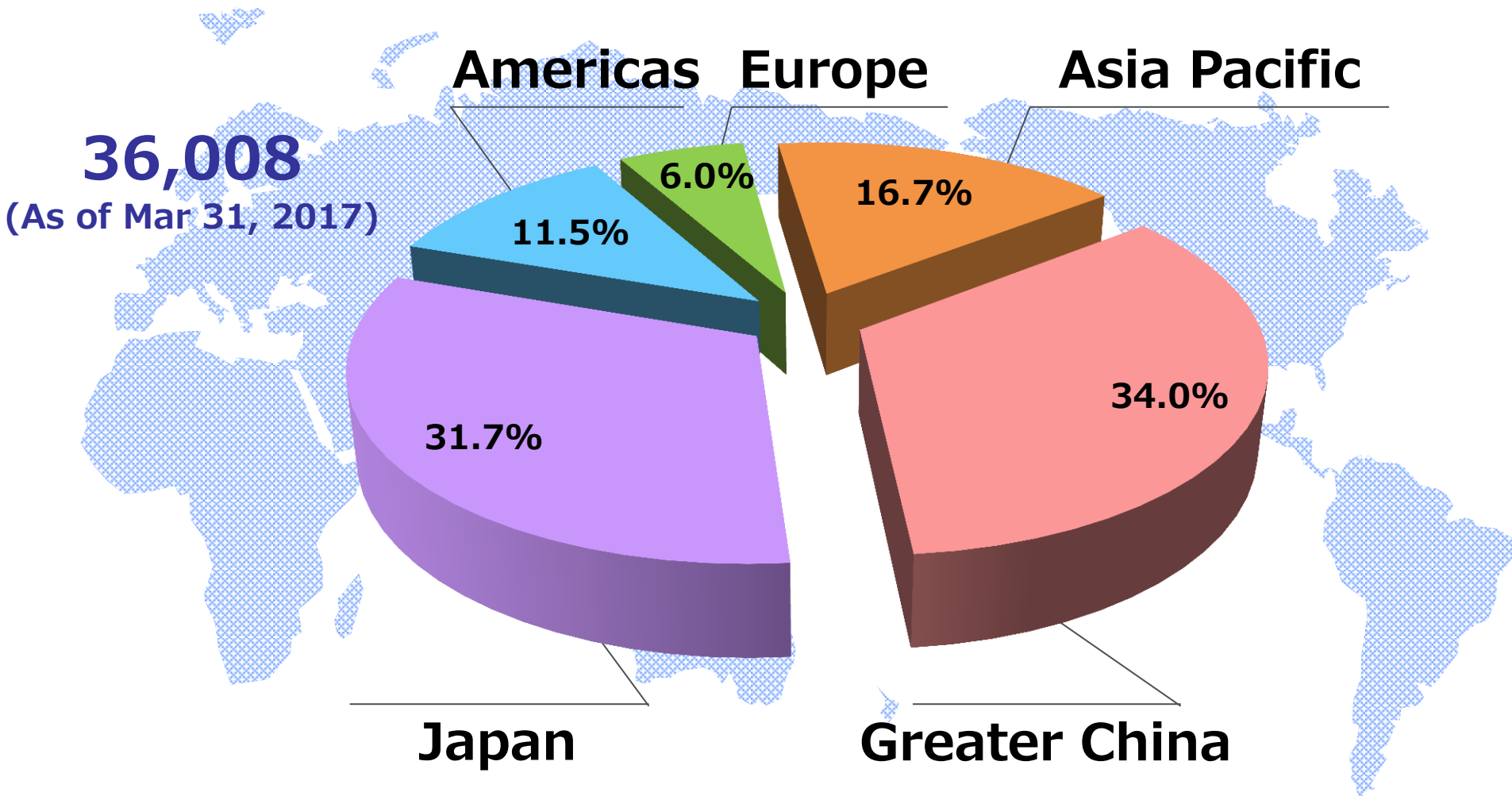
**Number of
Shares Issued**

213,958 thousand shares (As of Mar 31, 2017)

Net Sales by Region



Employees by Region



1933 — 1950's — 1960's — 1970's — Today

Important Developments

Established



Factory automation devices
(switches and relays)



X-ray timer



Aiming at improvement of industrial productivity

Automatic train ticket
gates, and ticket
vending machines



Aiming at a new relationship
between humans and machines

Blood pressure
monitors



The world's fastest,
high-performance
controller



Expansion of business fields

Technological development
& innovation

Micro switches — Relays — Sensors — Controllers —

Our Mission

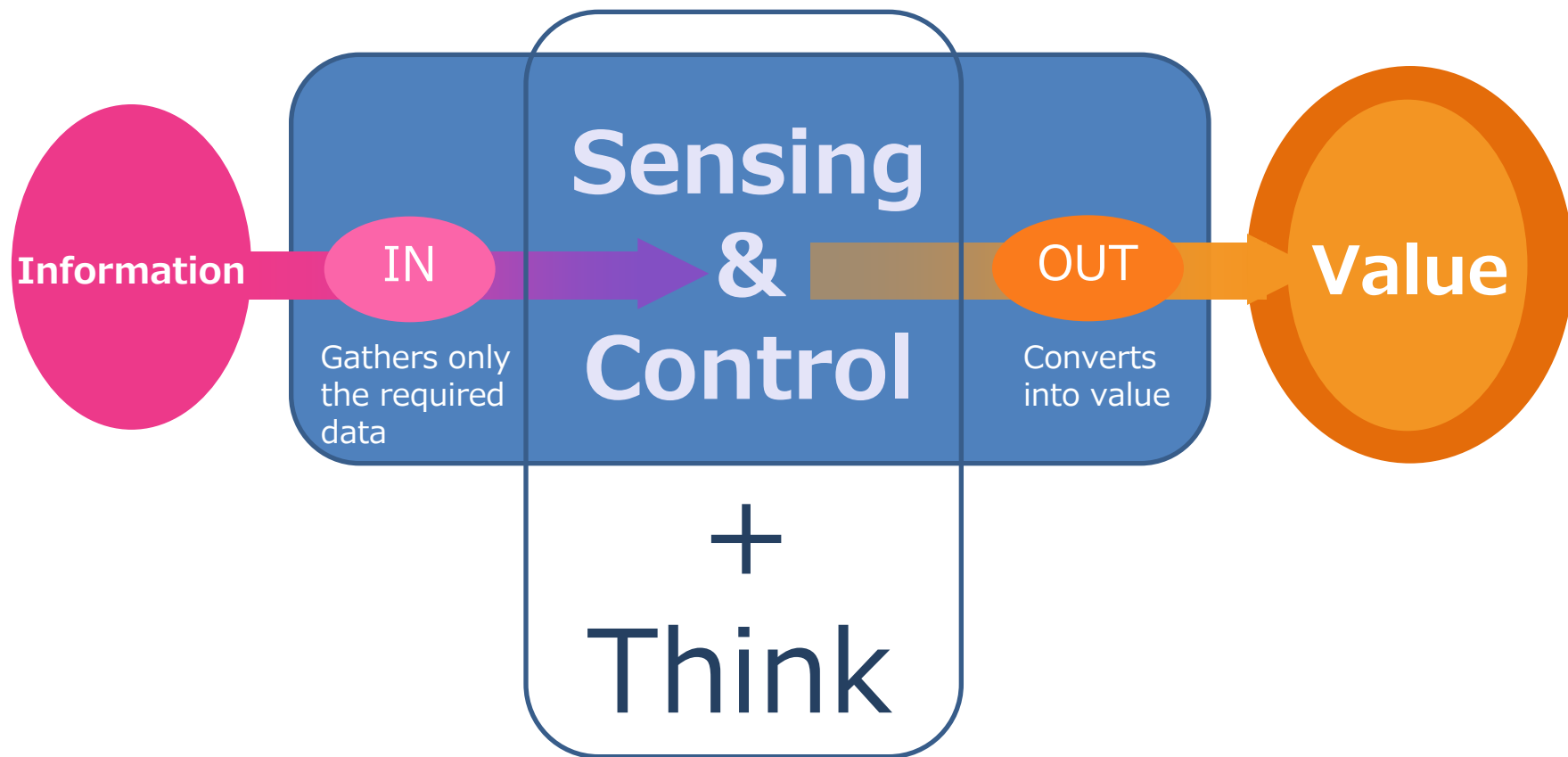
To improve lives and contribute to a better society

Our Values

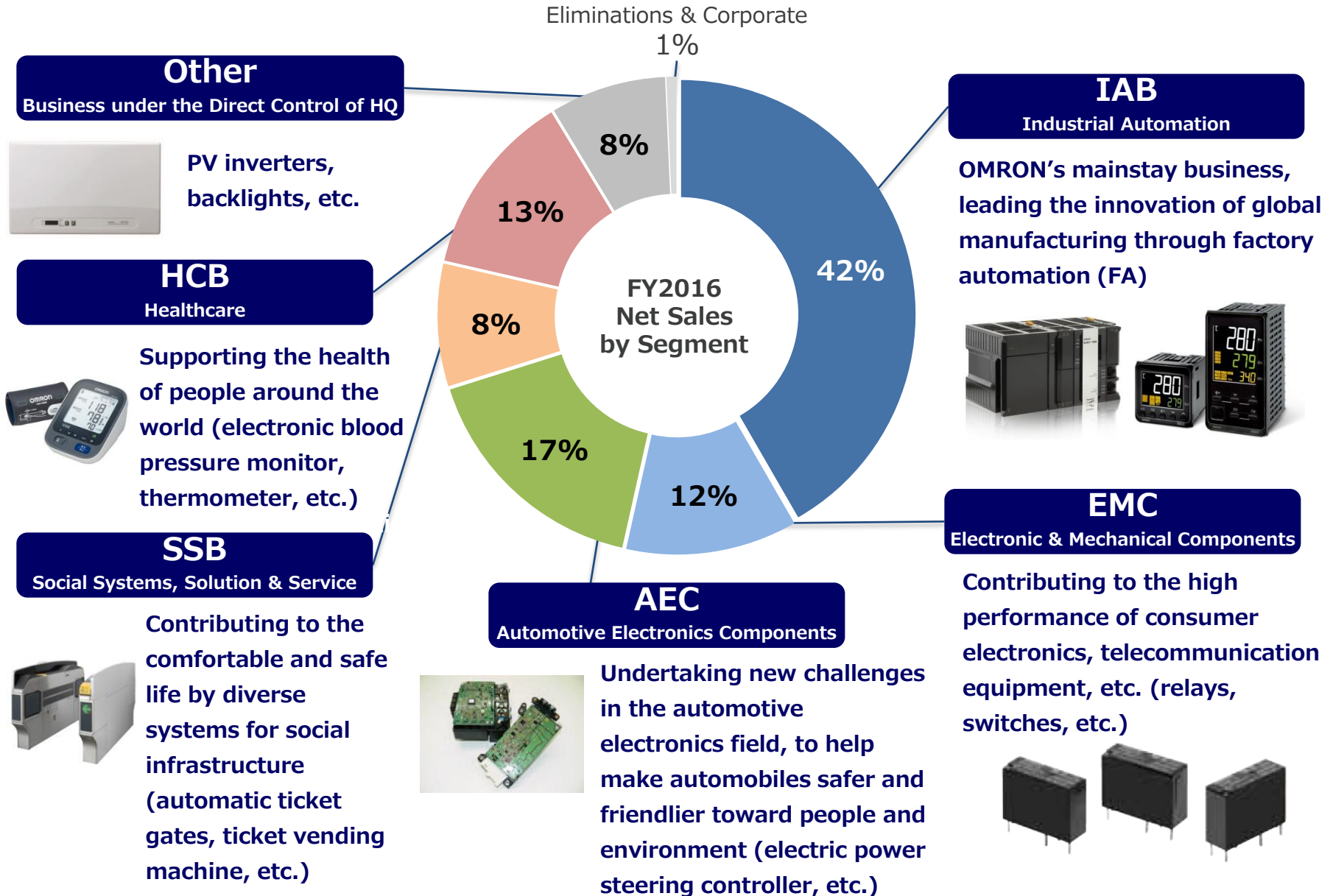
- **Innovation Driven by Social Needs**
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**
Pursue new challenges with passion and courage.
- **Respect for All**
Act with integrity and encourage everyone's potential.

“Sensing & Control”, which converts information into value, is OMRON’s core technology.

New value is created by adding “think” (human intelligence).



Business Segments



Manufacture and sales of factory automation equipment

% of Total Sales

42%

*FY2016



Market Share*
Control-Related
Equipment (Japan)
40%

OMRON's mainstay business, leading the innovation of global manufacturing through factory automation (FA)

Input

Vision
Sensors



Fiber Sensors

Logic



Controllers



Motion
Controllers

Output



Servomotors
Servo Drivers



Inverters

Robots



Robot



Emergency
Stop Switches



Safety Light
Curtains



Safety
Controllers

Safety

Electronic & Mechanical Components (EMC) **OMRON**

Manufacture and sales of electronic components for consumer electronics, automobiles, mobile devices and amusement equipment

% of Total Sales

12%

*FY2016



Market Share*

Relays
(Global)

20%

Contributing to the high performance of consumer electronics, telecommunication equipment, etc.

For Consumer Electronics and Automobiles

Relays



Switches



Connectors



For Amusement Equipment



Pachinko Ball
Sensors



Pachinko
Panel Keys



Automotive Electronic Components (AEC)

Development, manufacture and sales of on-board automobile electronic components

% of Total Sales

17%

*FY2016



Market Share*
Body Control Units
For Miniature
Vehicles (Japan)
50%

Undertaking new challenges in the automotive electronics field, to help make automobiles safer and friendlier toward people and environment

Smart Entry Systems



Electric Power Steering
Controllers



Power Window Switches



Engine Start Systems



Components for
Eco-Friendly Vehicles
(DC-DC Converters)



Solutions and services for a safer, comfortable, more secure society

% of Total Sales

8%

*FY2016



Market Share*
Station Equipment
(Japan)

45%

Contributing to the comfortable and safe life by diverse systems for social infrastructure

Public Transportation

Automated
Ticket Gates



Ticket Vending
Machines



Road Traffic

Road Traffic Management Systems



Engineering



Installment and
maintenance service for
PV Power Generation System

Healthcare (HCB)

Manufacture, sales and services related to home-use/institutional healthcare and medical devices

% of Total Sales

13%

*FY2016



Market Share*
Home-Use Blood Pressure Monitors
50%

Supporting the health of people around the world

Nebulizers



Digital Blood Pressure Monitors



Low-frequency Therapy Equipment



Body composition Analyzers



Activity Monitors



Thermometers



Business under the Direct Control of HQ (Other) **OMRON**

% of Total Sales

8%

*FY2016



Market Share*
Residential-Use
PV Inverters (Japan)
40%

Mainly incubating OMRON's next generation of businesses

Environmental Solutions



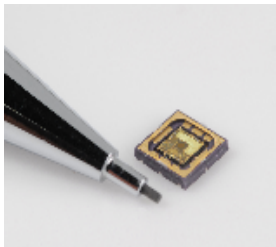
Solar Power Generation Systems

Backlights



LCD Backlights

Micro Device



MEMS (Micro Electro Mechanical Systems)

Electronic Systems & Equipment

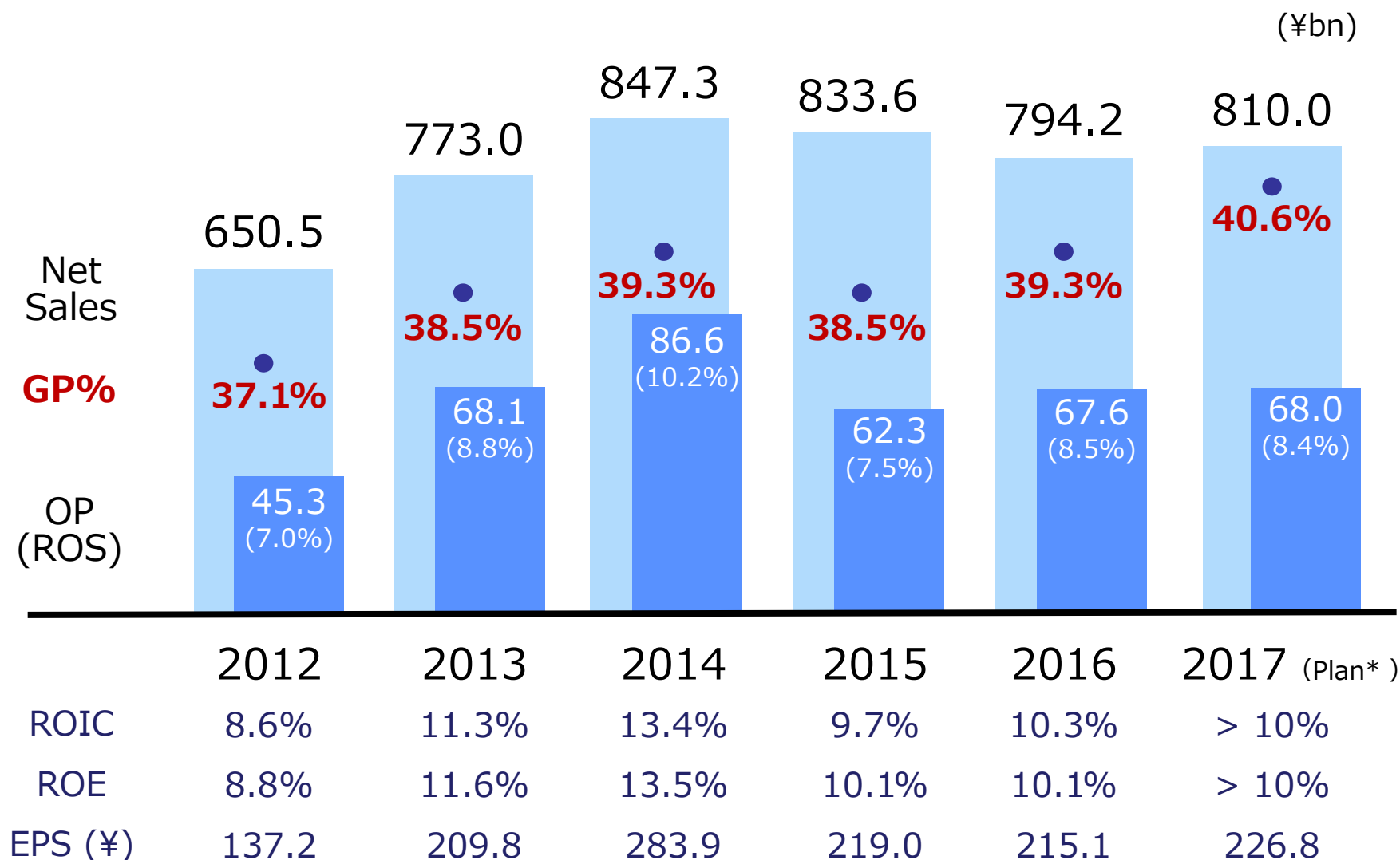


Uninterruptible
Power Supply Units



Embedded Mini-
CPU Boards

Earnings (Results & Forecasts)



* Announced in April 2017

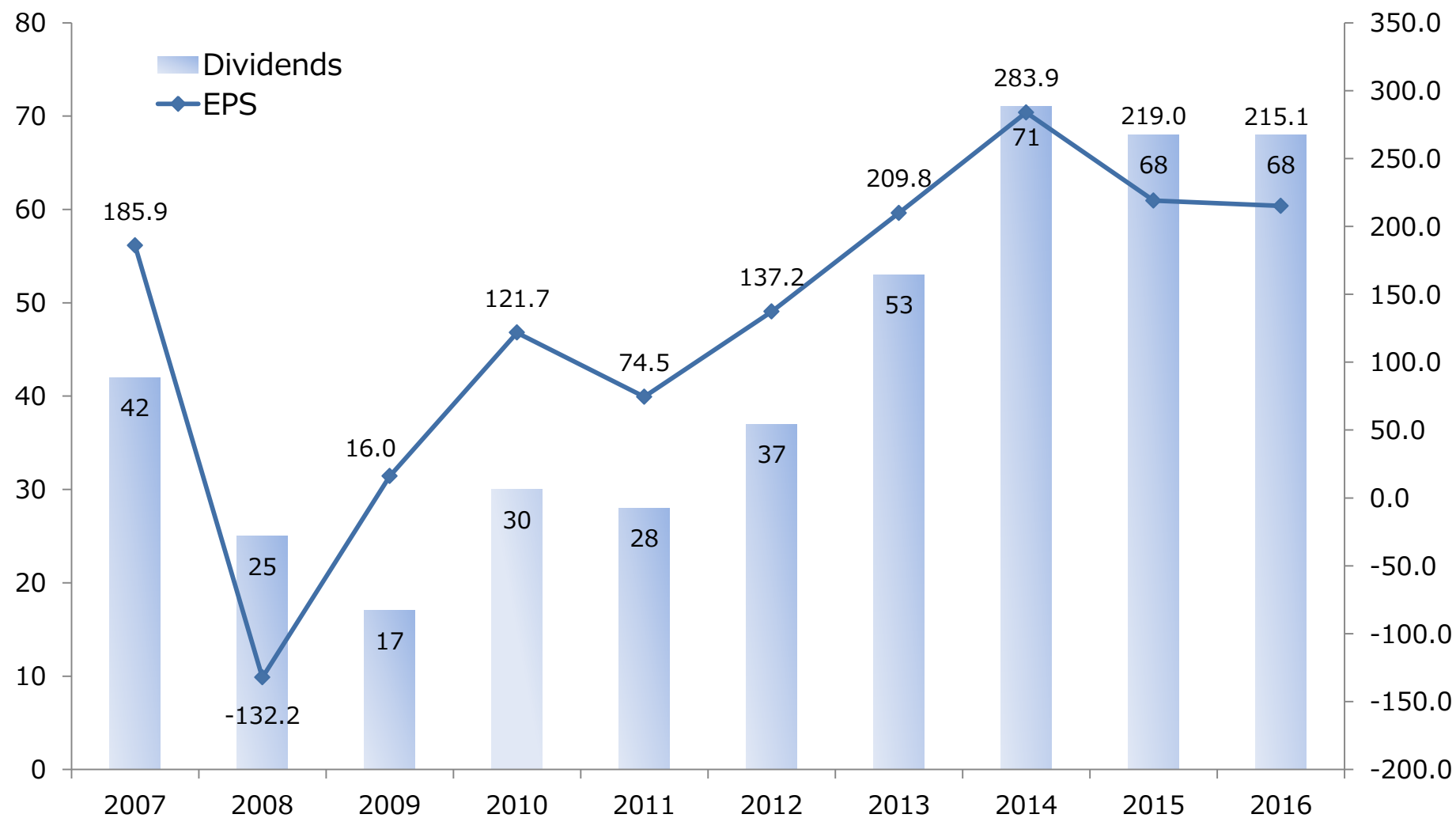
Basic Policy for Distribution of Profits

- (1) Aiming for sustainable corporate value growth, OMRON prioritizes investment necessary for the future growth, including R&D, capex, and M&A.**
- (2) Annual dividends are based on consolidated earnings, payout ratio, and DOE, to provide stable and sustainable profit distribution to shareholders.
For VG2.0 (FY2017 - FY2020), annual dividends are decided based on a guideline of approx. 30% payout ratio and approx. 3% DOE.
- (3) Accumulated retained earnings over a long period will be distributed to shareholders through strategic share repurchases and other measures.

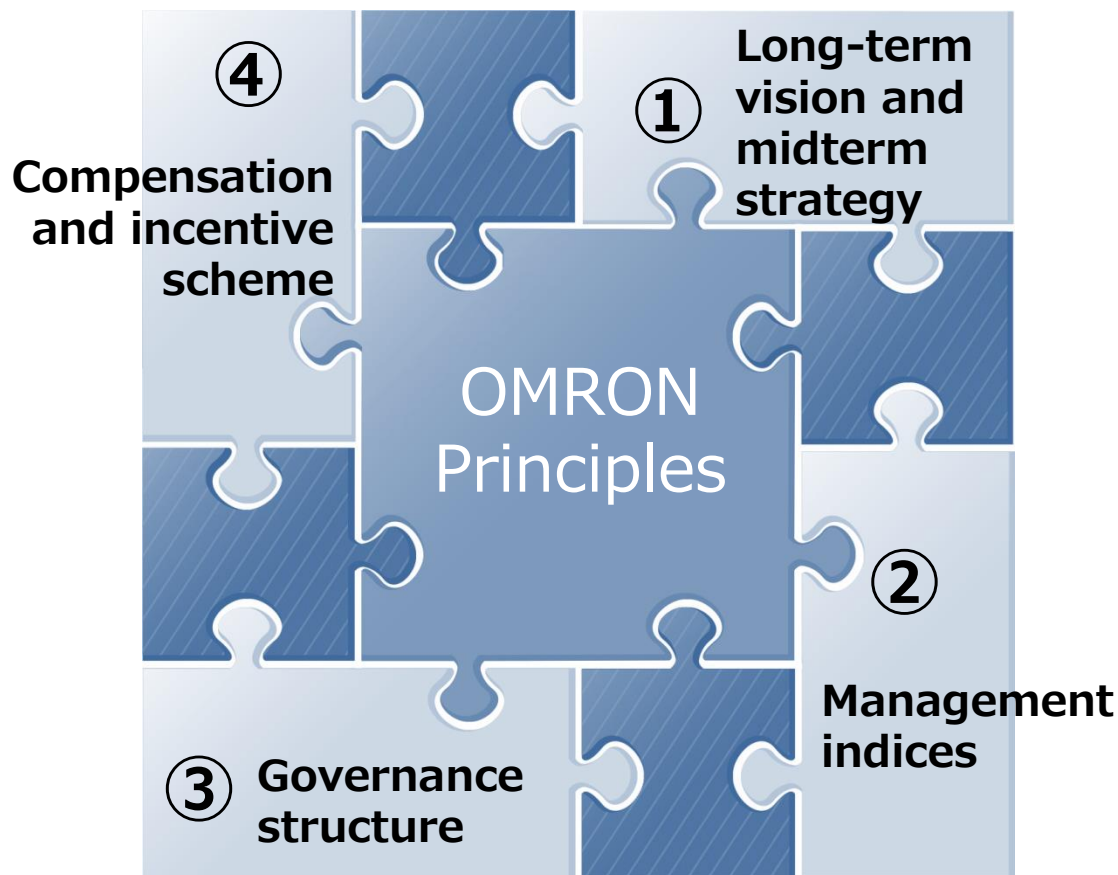
Dividends & EPS

Dividends (¥)

EPS (¥)

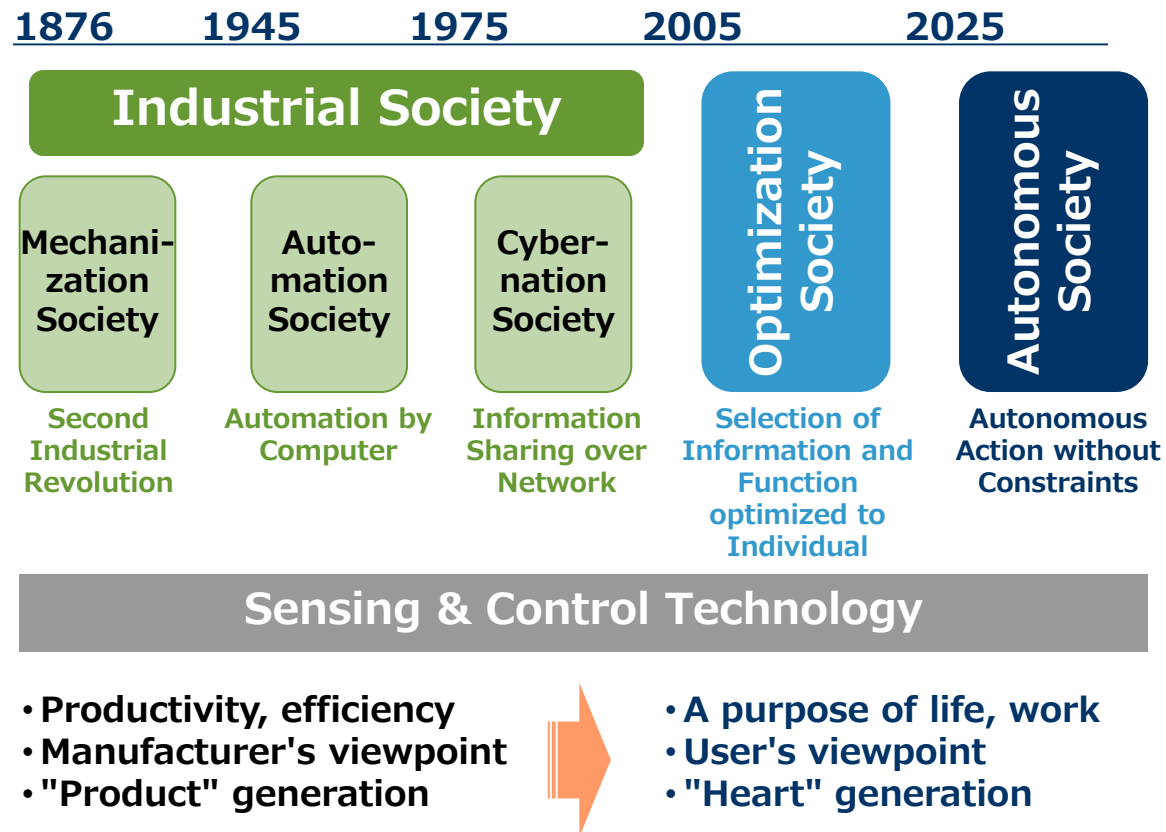


Factors that support sustainable corporate value creation



SINIC as a management compass → 10-year long-term vision

<SINIC theory – predicting the future>



*SINIC: **S**eed-**I**nnovation to **N**eed-**I**mpetus **C**yclic Evolution

Announced the 3rd long-term vision, Value Generation 2020, on July 13, 2011
(1st: Golden '90s, 2nd: Grand Design 2010)

Vision

Sense, Think, and Control.
For a Brighter Future for People & the Earth.

Goal

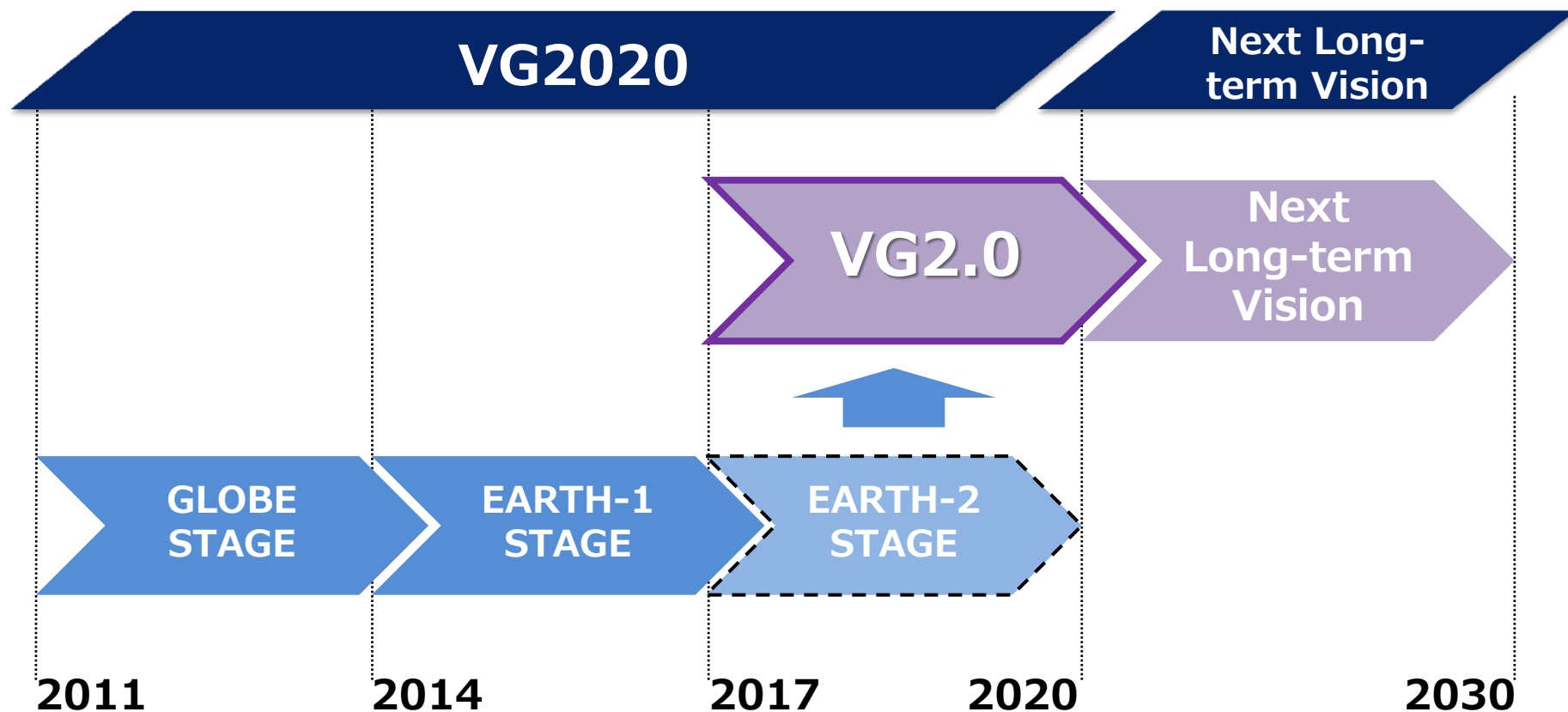
Qualitative

A global value-creating group that is qualitatively and quantitatively superior

Quantitative

Sales: Over 1 trillion yen
Operating profit margin: 15%

Take **VG2.0** as the last stage of VG2020, to achieve discontinuous growth



VG2.0 Goals

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

¥1 trillion in Net Sales

¥100 billion in OP

OMRON Group Policy

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

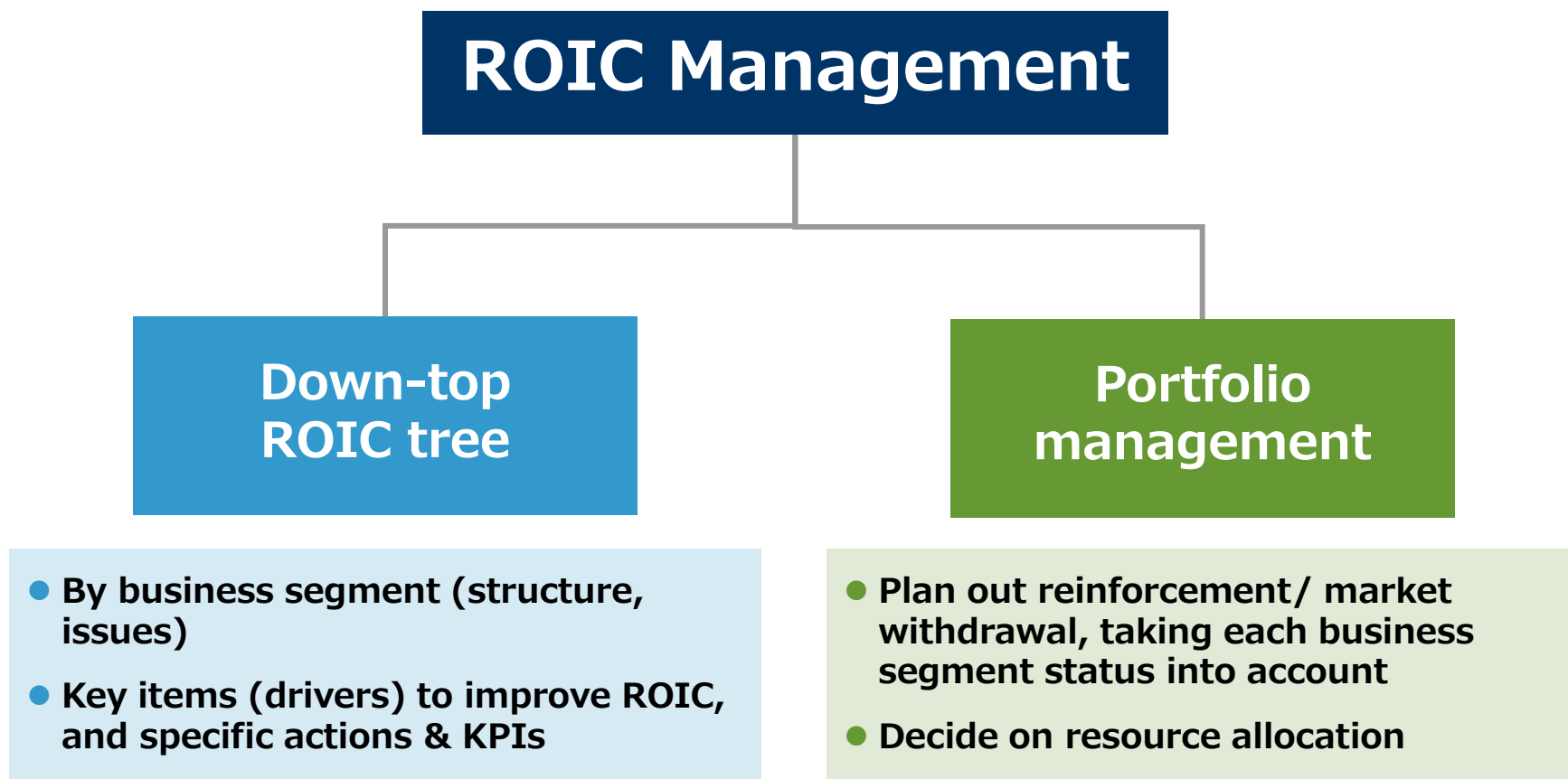
VG2.0 Pivotal Strategies

- 1) Redefine focus domains and maximize the strengths of businesses
- 2) Evolve business model
- 3) Reinforce core technologies



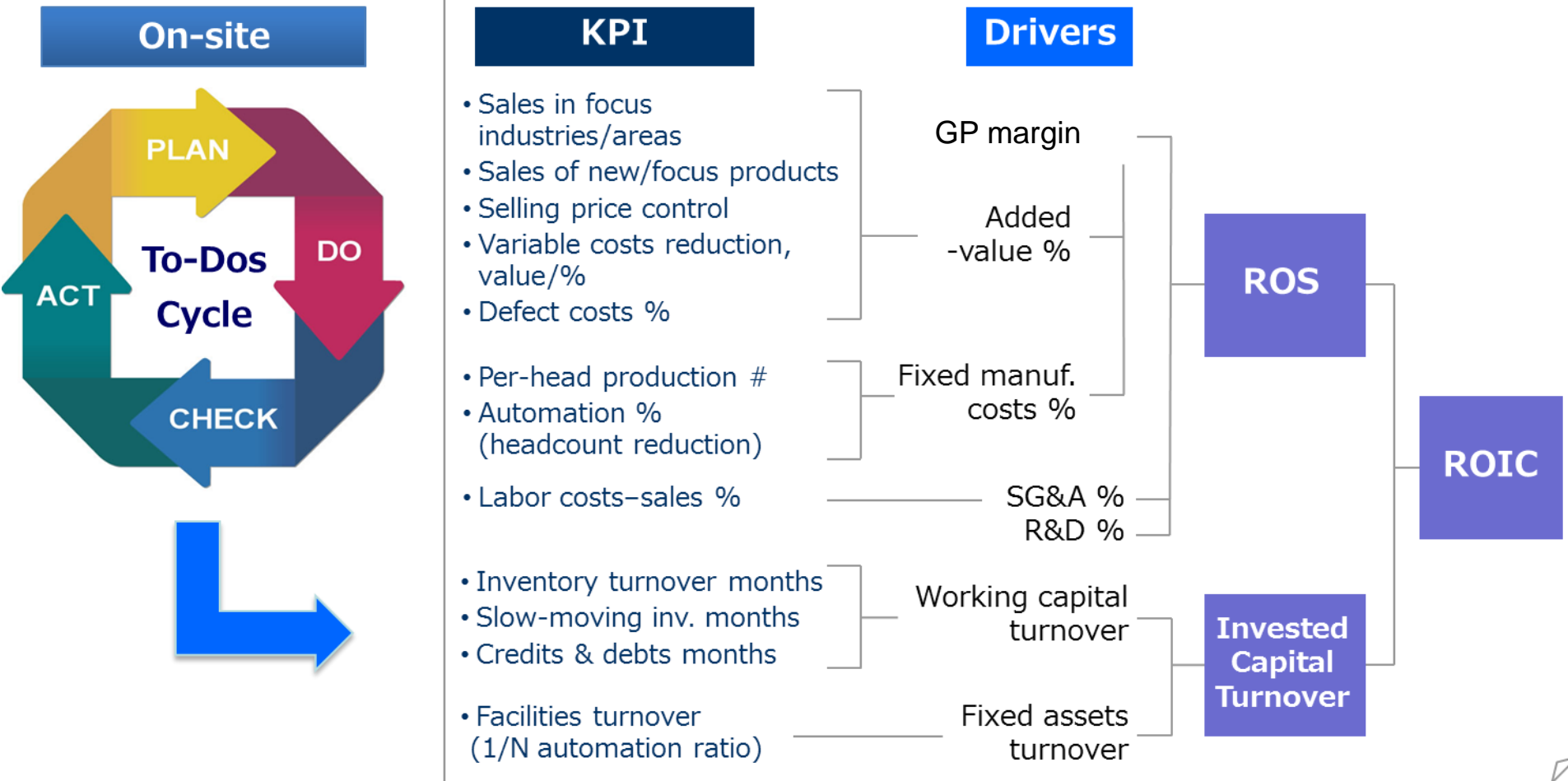
Strengthen collaborative creations with partners

Set management indices as decision making tools to achieve midterm targets



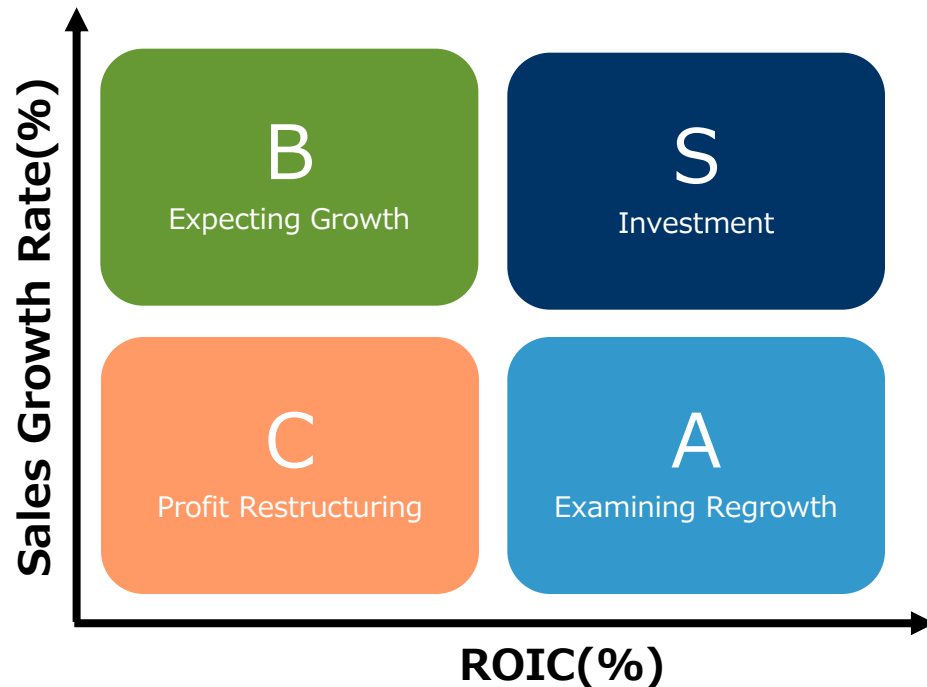
Management Indices (Down-Top ROIC Tree)

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

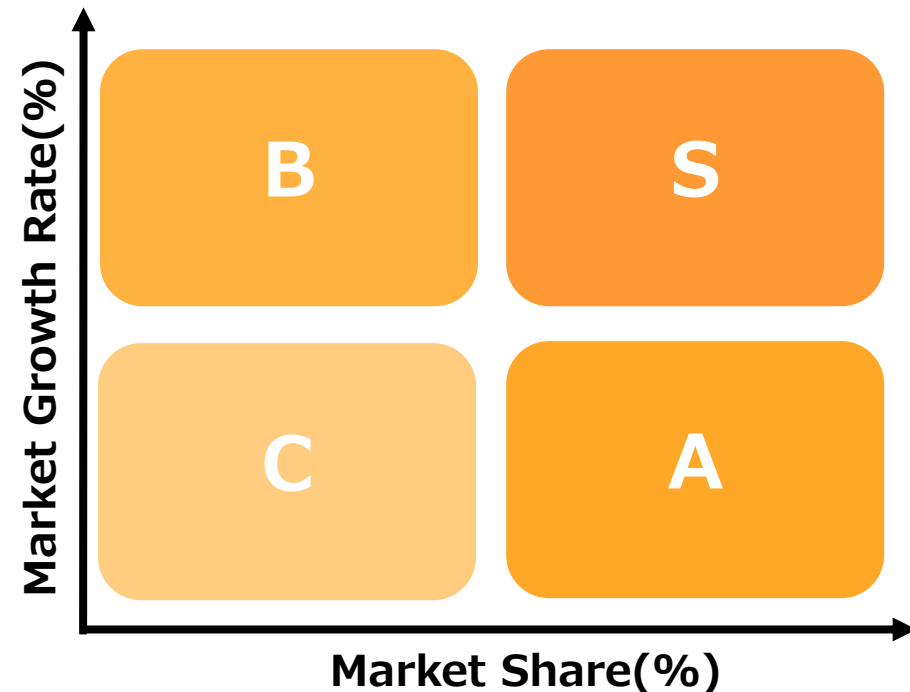


After assessing economic and market value, allocate investment resources in an optimal manner

■ Assessing Economic Value



■ Assessing Market Value



Upgrading ROIC management to encourage an awareness and better understanding on ROIC

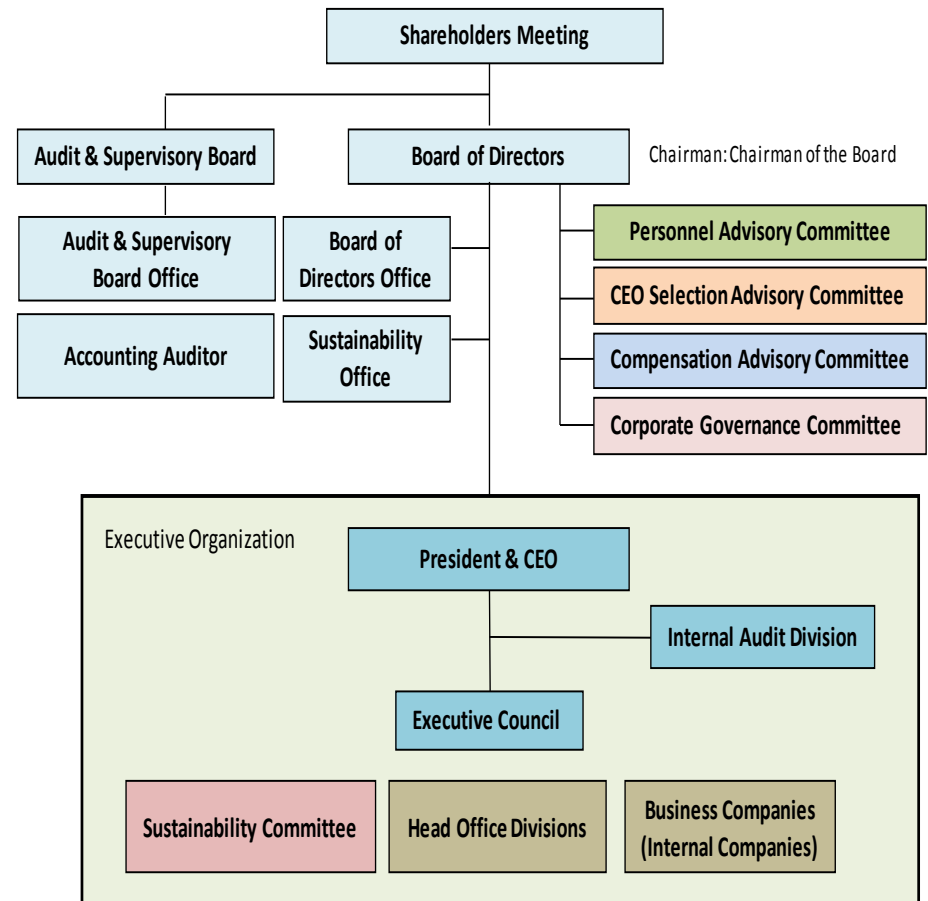
<ROIC Interpreted Formula>

$$\text{ROIC} \equiv \frac{\text{Value to Customers (stakeholders) (V)} \uparrow \uparrow}{\underbrace{\text{Necessary Management Resources (N)} \uparrow}_{\text{Goods, Money, Time}} + \underbrace{\text{Loss-Making Management Resources (L)} \downarrow}_{\text{Muri, Muda, Mura (waste, unevenness, overburden)}}$$

- (1) Increase investments in Necessary Management Resources (N) for growth based on growth strategies
- (2) Raise (V) more than (N)
- (3) Reduce Loss-Making Management Resources (L) to shift to/invest in (N)

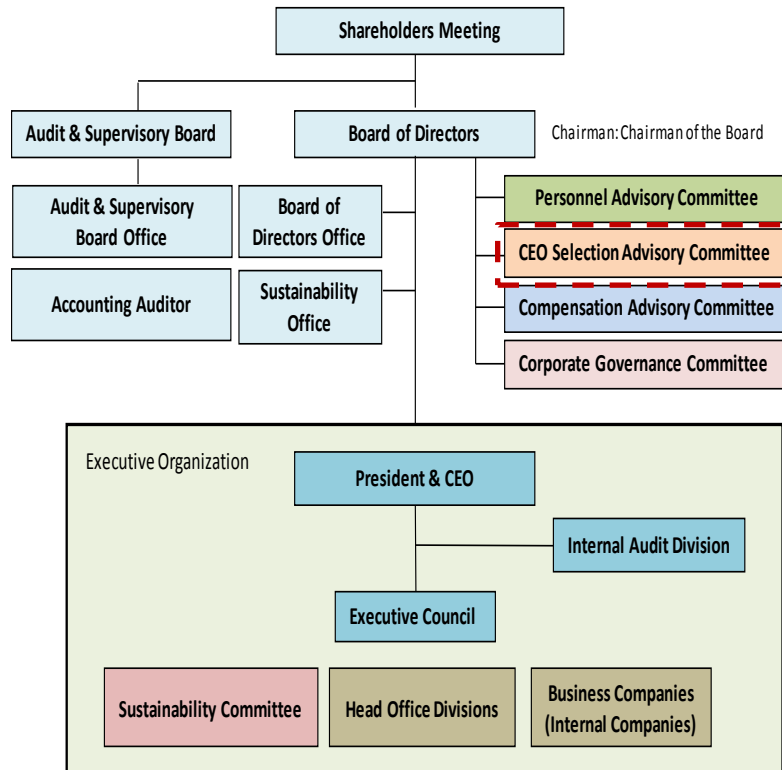
OMRON has highly transparent and effective corporate governance scheme as a basis for sustainable value creation

- ✓ **Separation of management oversight and business execution**
 - Separate position: Chairperson of the BoD and CEO
 - Of 8 directors, 3 are independent, with majority being non-executive
 - Larger authority given to business company presidents for swifter decision-making
- ✓ **Personnel/ CEO selection/ compensation advisory committees and corporate governance committee**
 - While OMRON is a company with an audit & supervisory board under Japan's Companies Act, it has 3 advisory committees and 1 committee
 - The four chaired by independent directors
 - President does not belong to any of the committees



CEO Selection Advisory Committee

- As specialized in president's selection, discussing the next president personnel and the succession candidate when an emergency has formed
- Independent director is chaired, two of four commissioners are independent directors, all members are non-executive



[Special Feature 3] Dialogue: Corporate Governance



*Annual Report 2011, Page 49-53

**Motivation towards mid to long-term value creation
= directors' interests aligned with shareholders'**

Director Compensation^{*1}

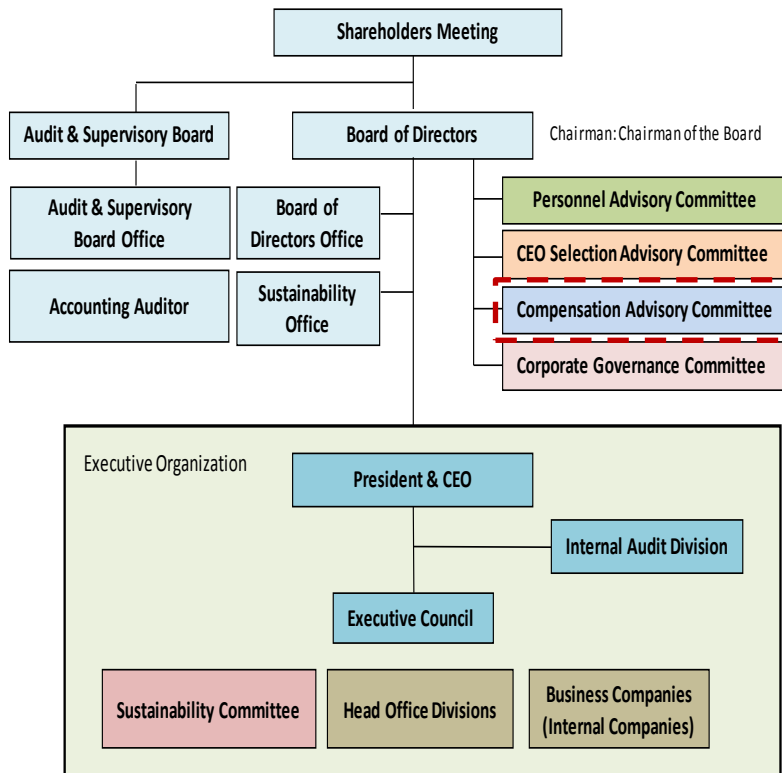
Base (fixed) compensation

+ Short-term performance-lined bonuses

+ Medium- to long-term performance-lined bonuses (performance-linked and share-based incentive)^{*2}

^{*1} Compensation for outside directors consists of a base salary only.

^{*2} The new performance-linked and share-based incentive plan is resolved to be submitted for approval at the 80th Ordinary General Meeting of Shareholders to be held in June 2017.





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