

## Message from the CEO

Our Mission:

# To improve lives and contribute to a better society

The spirit of this mission, first defined by our founder Kazuma Tateishi, lives on in the Omron Principles and in our own beliefs. The Omron Principles are the cornerstone of our decisions and actions. They are what binds us together, and they are the driving force behind Omron's growth. Through our businesses, we help solve social issues and strengthen our corporate value.



Yoshihito Yamada  
President and CEO

July 2015



# 1. Revised Principles and Created Management Philosophy

To succeed and grow at the highest levels, a company must have a clear mission and inspiring values. But, it's not enough to simply have a mission and values. Every employee must believe in what the company is trying to accomplish, putting their commitment into everyday practice.

In 1959, our founder created our Corporate Motto. In the half-century since that time, the line of successive Omron leadership has held true to the spirit of this Corporate Motto, relying on the Omron Principles to bind the company together and to guide our management decisions. For Omron, our Principles drive us to become a stronger, better company, while at the same time they serve as the engine that supports our ongoing growth.

In May 2015, we revised the Omron Principles for the first time in nine years.

We believe this revision now clearly communicates Our *Mission* and Our *Values* in a way that resonates with and inspires every employee worldwide. This revision reaches out to the very front lines of our businesses to help us all focus on the same goals, working together to achieve the long-term vision outlined in our Value Generation 2020 (VG2020) business plan.

We view this as an opportunity to make a deeper connection with our roots, while looking forward to sustained growth toward 2020 and beyond. At the same time, we have created our *Management Philosophy*, declaring to our stakeholders our stance and approach in carrying out our business based on the Omron Principles.

As always, our ultimate mission remains: To improve lives and contribute to a better 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.**

“Driving corporate value through the Omron Principles”



## 2. Return on Invested Capital

Return on invested capital (ROIC) is an important indicator that shows how effectively a company uses its capital to offer value to society. This indicator also shows how well a company meets the expectations of its shareholders.

At Omron, our businesses operate across a wide range of formats, from business-to-business to business-to-consumer. Using ROIC as a yardstick provides an effective, fair means for management to measure the performance of these diverse businesses. Today, we manage Omron as a portfolio of businesses, each responsible for delivering return on invested capital. The Down-Top ROIC Tree is the tool we use to establish and execute on key performance indicators tied directly to the front lines of our businesses. As a result, we achieved an ROIC in excess of 13% for fiscal 2014, delivering our fiscal 2016 target two years ahead of schedule.

In January 2015, the Tokyo Stock Exchange recognized Omron for this initiative, honoring us as the Grand Prix recipient of the Corporate Value Improvement Award. This award is the highest recognition given by the Tokyo Stock Exchange, which selects only one firm each year from among the 3,400 publicly traded

companies on the exchange.

Our next challenge is to deliver even higher levels of quality through our front-line activities. We must communicate our values more effectively to all employees, regardless of their place in the company or knowledge of financial management concepts.

During February 2015, we began a company-wide education project led by our accounting and finance department. Management by ROIC 1.0 was the original name we gave to this quantitative approach using Down-Top ROIC Tree. Now we are operating under Management by ROIC 2.0<sup>\*1</sup>, upgrading and accelerating this program of management by key indicators. We believe this approach will help us continue to improve at the front lines of our businesses.

<sup>\*1</sup> See P. 32 for more.



Corporate Value Improvement Award Presentation Ceremony

## 3. FY2014 Results

Fiscal 2014 was our third consecutive year of higher revenues and profits, as well as our

second consecutive year of record earnings. Our mainstay Industrial Automation Business

### ■ FY2014 Results (Management Indicators)

	FY2013 Actual	FY2014 Actual	Change
Net sales (¥ billion)	773.0	847.3	+9.6%
Gross profit margin	38.5%	39.3%	+0.8P
Operating income margin	8.8%	10.2%	+1.4P
ROIC	11.3%	13.4%	+2.1P
ROE	11.6%	13.5%	+1.9P
EPS (¥)	209.8	283.9	+74.1
USD rate (¥)	100.1	110.0	+9.9
EUR rate (¥)	134.0	138.7	+4.7

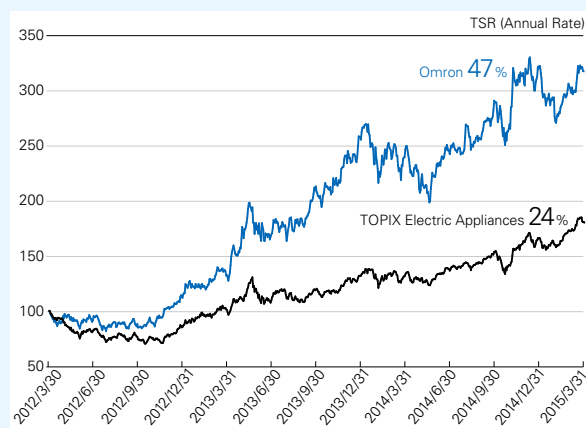


reported strong results, driving overall performance to reach net sales of ¥847.3 billion and operating income of ¥86.6 billion. Operating income margin came in at 10.2%, surpassing the 10% level for the first time in 25 years. We are steadily building a more self-driven growth structure, particularly in our Industrial Automation Business. At the same time, we are building more earnings capacity, creating a stronger portfolio of businesses. ROIC jumped 2.1 points over the prior fiscal year, reaching 13.4%.

In terms of shareholder value, we made a significant repurchase of shares for the first time in six years. During fiscal 2014, we purchased 2.82 million shares, after which we retired a total of 9.72 million shares including treasury stock. Our dividends were a record ¥71 per share.

Total shareholder return (TSR) compared to fiscal 2013 was up 29%. Over the past three years, our TSR has been 47%, outperforming the TOPIX average of 24% for the electric appliances sector.

#### ■ Three-Year Total Shareholder Return Comparison<sup>\*2</sup>



<sup>\*2</sup> Three-year stock trend after dividend adjustments  
(March 30, 2012 = 100)  
Source: Internal data; Bloomberg

## 4. Future Goals

We have set fiscal 2015 targets for net sales and operating income of ¥900 billion and ¥90 billion, moving our EARTH-1 STAGE goals up by 12 months. We project earnings per share to exceed our interim goal of ¥306 per share. Similarly, we have set a target for dividend payout ratio of 30% for fiscal 2015, 12 months ahead of our original plan.

During fiscal 2015, we plan to work even harder on our self-driven growth engine and numerical targets:

- (1) Achieve EARTH-1 STAGE goals one year

# “We moved our plan for EARTH-1 STAGE goals forward by 12 months”

- earlier than planned
- (2) Sustain efforts toward higher profitability (GP%)
- (3) Increase sales and profits in all business segments

Our goals for VG2020 (fiscal 2020) are net sales of over ¥1 trillion and an operating income margin of 15%. Ongoing investment will be key in accomplishing these goals.

We will increase the size of our growth investments, primarily in our Industrial Automation Business and Healthcare Business. We also plan to increase capital investment in our Backlights Business, where the market is growing at a tremendous clip. Omron builds a self-driven growth structure not affected by the ups and downs of external market changes.

## 5. Building a Better Governance Structure

We believe that Omron can help solve social issues through technology and innovation. This is one reason why we established the new position of chief technology officer (CTO) in April 2015. The mission of Omron's CTO is to (1) strengthen our core technologies, (2) promote open innovation by working with outside entities, and (3) develop new technologies looking toward fiscal 2020 and beyond.

Kiichiro Miyata, formerly president of Omron Healthcare, is serving as our CTO. Together with CFO Yoshinori Suzuki—himself an experienced corporate leader—and I as CEO, we plan to guide the Omron Group as a unified team.

The business environment changes dynamically and on a global scale. Geopolitical risk, labor health and safety, procurement risk, employee safety, and other business issues are becoming more complex. So, with the many new and evolving issues we face, we have decided to place risk management and

legal affairs directly under the office of the president to assure that proper attention is given to these matters.

We published the new *Omron Corporate Governance Policies* in response to the June 2015 enactment of *Japan's Corporate Governance Code*. As a company, we continue to observe and improve our stance regarding governance as a good corporate citizen should.

We want Omron to be a company valued and appreciated by the people of the world. To do this, we must build a strong corporate culture that combines growth, profits, and the ability to respond to change. Our long-term management vision looks ahead to the year 2020 and far beyond. For Omron to be a company valued by the people of the world, we must continue to endeavor. I ask you for your continued support as we pursue this vision.

### ■ FY2015 Management Indicators

	FY2014 Actual	FY2015 Plan	EARTH-1 STAGE Goals (FY2016)*3
Net sales (¥ billion)	847.3	900	> 900
Gross profit margin	39.3%	39.6%	> 40%
Operating income margin	10.2%	10.0%	> 10%
ROIC	13.4%	> 13%	approx. 13%
ROE	13.5%	> 13%	approx. 13%
EPS (¥)	283.9	306.1	approx. 290
USD rate (¥)	110.0	115.0	100.0
EUR rate (¥)	138.7	130.0	135.0

\*3 Published April 24, 2014