

Message from the CEO



**Achieving growth through
a stronger earnings structure.
Solving social issues through
new technologies and
innovative concepts.**

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1. Fiscal 2015 Review and Issues

For fiscal 2015, Omron Corporation recorded net sales of ¥833.6 billion, operating income of ¥62.3 billion, net income of ¥47.3 billion, and operating income margin of 7.5%. This marked the first time in seven years that Omron Corporation reported year-over-year declines in revenues and profit, owing mainly to a slowing Chinese economy, a drop in oil prices, and other factors beyond what we anticipated. We saw a particularly sharp decrease in revenues for our Backlights Business and our PV Inverter Business, overseen by our Other Businesses segment. Declines in these and other businesses particularly sensitive to

changes in the external environment had an overall negative impact on corporate earnings. During the second half of the year, we reviewed our fixed costs and investments, while also taking other actions to improve our earnings structure for these business lines. We are aware that we could not anticipate the changes in the external environment on time.

Meanwhile, we made two acquisitions in our Industrial Automation Business (IAB), securing advanced robotics and motion control technologies. We believe these acquisitions will provide an even stronger foundation for growth in our IAB.

Fiscal 2014/2015 Earnings and Fiscal 2016 Plans

(Billions of yen)

	FY2014	FY2015	FY2016 plan
Net Sales	847.3	833.6	820.0
Gross Profit (Gross Profit Margin)	332.6 (39.3%)	320.8 (38.5%)	322.0 (39.3%)
Operating Income (Operating Income Margin)	86.6 (10.2%)	62.3 (7.5%)	63.0 (7.7%)
Net Income Attributable to Shareholders	62.2	47.3	47.5
USD Rate (¥)	110.0	120.2	110.0
EUR Rate (¥)	138.7	132.2	125.0

Management Indicators

	FY2014	FY2015	FY2016 plan
Gross Profit Margin	39.3%	38.5%	39.3%
Operating Income Margin	10.2%	7.5%	7.7%
ROIC	13.4%	9.7%	10%
ROE	13.5%	10.1%	10%
EPS (¥)	283.9	219.0	222.2

Dividends

	FY2014	FY2015	FY2016 plan
Payout Ratio (Dividends per Share (¥))	25.0% (71.0)	31.1% (68.0)	30.6% (68.0)

2. Fiscal 2016 Policies and Plans

Given the projected slowdown in the Chinese economy, Britain's exit from the EU, and a strong Japanese yen, the global economy for fiscal 2016 does not inspire an overly optimistic outlook. We have set fiscal 2016 goals of ¥820 billion in net sales, ¥63 billion in operating income, and ¥47.5 billion in net income (assuming exchange rates of ¥110 to the U.S. dollar and ¥125 to the Euro). For fiscal 2015, our dividend payout ratio rose to 30%. We intend to maintain this level for fiscal 2016 as well.

Our corporate focus for fiscal 2016 is to rebuild our earnings structure and create an engine for self-driven growth. Learning from the lessons of last year, we will keep a close watch on the external environment, preparing for risks, while investing in growth for the future.

First, we will create a complete structure to strengthen our earnings ability. We are also determined to increase profits through organization-wide initiatives to revise our fixed cost structure and improve gross profit margins. In addition to company-wide cost-saving initiatives, we plan to grow sales in our high-profit businesses and related products. Further, we will embark on rebuilding our operating structure, which will include reorganizing smaller subsidiaries and locations.

At present, we are reviewing our

business portfolio based on ROIC indicators. In May, we sold all shares of Omron Oilfield & Marine, Inc. (North American subsidiary providing control systems for oil excavation equipment) to Schlumberger Limited, a global leader in oil field services. We recently announced a business tie-up with Fukuda Denshi Co., Ltd., a leading manufacturer of medical equipment in Japan, in the fields of home-use healthcare and nursing care products^{*1}. In conjunction with this tie-up, we decided to sell all shares in Omron Colin Co., Ltd. (Healthcare Business subsidiary dealing in medical equipment) to Fukuda Denshi.

As we rebuild our earnings structure through improved gross profit margins, restructured operations, and a review of our business portfolio, we will create new resources. With these new resources, we will reinvest in future growth. Despite challenges in the external environment, we plan to continue concentrated investment in our Industrial Automation and Healthcare Businesses, where we expect to see future growth. Investment in these businesses and leading-edge technology development will help create an engine for self-driven growth.

^{*1} Signed a concurrent business tie-up agreement to build a cooperative structure for product development, manufacturing, sales, and maintenance. The companies will establish a mutually beneficial relationship moving forward.



3. Medium- and Long-Term Growth

The advent of the Internet of Things (IoT)^{*2} is changing manufacturing in a major way. As represented in the concepts underlying Industry 4.0, the manufacturing line is becoming more computerized, more networked, and more roboticized. The manufacturing industry itself is changing and evolving. These changes represent an enormous opportunity for our Industrial Automation Business. Having added computer functions necessary for all devices, we have set our sights on computerizing the manufacturing line itself, working to create new value that responds to these changes. We are facilitating innovative manufacturing through new, unique automation technology that integrates robots and machine control. We call this concept **innovative-Automation**.

Under **innovative-Automation**, we are moving the manufacturing industry forward in the following three areas.

- 1 **Evolution in control**: Simple automation of ultra-high-precision processing, ultra-high-precision assembly, and ultra-high-speed delivery.
- 2 **Intelligence developed through ITC**: Sensors located throughout the manufacturing floor collect and analyze an enormous volume of data. The results lead to new ideas and expertise in productivity and quality not obvious to even the most experienced production engineers.
- 3 **New harmonization between humans and machines**: Side-by-side interaction

between humans and robots to foster flexibility and productivity.

Further technology innovation is required to make this evolution possible. One such example is the need for advancement in biological information sensing technology on the manufacturing floor. Biological information sensing is technology that captures the health and activity status of human beings. This is truly critical technology for humans and robots to work together safely. In the course of growing our Healthcare Business, we have developed a number of biological information sensing technologies. Today, we are working to prevent diseases that affect the brain and cardiovascular system. We have made progress and continue to innovate in beat-by-beat blood pressure monitoring technology^{*3} for use in wearable blood pressure monitors. We are devising ways to use this technology on the manufacturing floor and in a number of other fields. In this way, we are expanding across a number of markets, combining different technologies and expertise in a way few companies can. In these and other core technologies, we will strive for advancement in **Sensing & Control + Think**^{*4}, enhancing our ability to compete.

^{*2} Adding communications functions not only to computers and information devices, but also in all manner of objects, creating two-way communication via the Internet for recognition, automation, remote measurements, etc.
^{*3} First-of-its kind wearable technology allowing continuous measurement of blood pressure for each heartbeat, taken from the wrist.
^{*4} Definition of the evolution in Omron core technologies adding "Think" (human intelligence) to Sensing & Control technologies.

Innovating Manufacturing Sites Through the Three "I"s

Concept	innovative-Automation Innovating manufacturing through solutions unique to Omron	
Direction of Evolution	Evolution in control	integrated
	Intelligence developed through ITC	intelligent
	New harmonization between humans and machines	interactive



Testing blood pressures at a health center



Employees from the Healthcare Business (Philippines) sharing their experience at the TOGA Global Conference

4. Practicing Our Principles

The Omron Principles bind us together and serve as the driving force behind our growth. To strengthen our global implementation of these principles, we continue to hold The Omron Global Awards (TOGA). Through TOGA, we share examples of the Omron Principles put into action by our employees worldwide, celebrating our victories over daunting challenges. This year, employees from around the world submitted a total of **38,100** entries to TOGA (16% increase over last year), with **4,173** different entry categories (14% increase). The cumulative number of participants now numbers close to our total employee workforce, and each year the entries are more impressive than ever. In May, we held the global TOGA conference in Kyoto to

highlight the best cases, selected from around the world. Allow me to share one example here today. This example comes out of Healthcare Business in the Philippines.

As a nation, the Philippines struggles with high mortality rates associated with high blood pressure. As digital blood pressure monitors are not popular, citizens have few opportunities or facilities for checking blood pressure, and awareness of high blood pressure is low. Our employees in the Philippines have been engaged in activities to educate the nation through free blood pressure testing at temporary clinics held in **300** communities so far. The government of the Philippines has recognized our efforts, which has resulted in Omron becoming a trusted



partner in health policies for the nation, and we have had the opportunity to bid on Department of Health projects. As of this writing, we have installed 126,000 digital blood pressure monitors in nearly 44,000 health centers across the country. In many regions, citizens can now test their own blood pressure. This has raised

awareness of high blood pressure and health in the Philippines, helping put the nation on a path toward solving this health issue.

This is just one example of how practicing the Omron Principles in our business leads to new solutions that improve lives and contribute to a better society.



5. Building Greater Corporate Value

Omron Corporation is committed to fulfilling our duties in corporate governance, balancing management integrity and sustainable growth. In particular, we intend to practice ROIC management over the upcoming year to put Omron back on a path to growth, rebuilding our earnings structure while also making the investments required for future growth. The Omron Principles serve as the starting point of our management. I believe that putting these principles into practice will help to solve social

issues, to grow our business, and to overcome the challenges that lie ahead. We will work for long-term growth, with each Omron employee taking positive action on their own initiative. I will take the lead myself, taking on new challenges, while at the same time determined to engage in improving corporate value.

Look forward to a brighter future, as Omron improves lives and contributes to a better society. Thank you for your continued support.