

Material Management Issues and Major Initiatives

▶ Materiality Identification Process

In light of our long-term strategies, and after considerable discussion at board meetings and other venues, we determine our most pressing issues with respect to our Growth Power, Earning Power, and Power to Deal with Change. More specifically, we identify materiality in terms of everything from the Omron Principles, corporate governance, globally integrated risk management, long-term vision, and technology

strategy to medium- and long-term business plans and investor returns. We value the feedback we receive from shareholders, investors, and other stakeholders, communicating this information throughout our company. Every year we conduct an internal review of important matters, disclosing our results^{*1} to the public.

*1 Convocation Notice for the 79th Ordinary General Meeting of Shareholders
http://www.omron.com/about/ir/shareholder/pdfs/convocation_notice_79th.pdf

▶ Awareness of Current Situation

In 2011, Omron published Value Generation 2020 (VG2020), a plan that outlined a 10-year vision for our company. VG2020 put us on the path toward becoming a company that delivers global value in terms of both volume and quality. Under this plan, we set a quantitative goal and defined specific activities to achieve net sales of ¥1 trillion with an operating income margin of 15% for fiscal 2020.

At the same time, we are well aware that we have not yet achieved our EARTH-1 STAGE goal of establishing a self-driven structure to grow in any operating environment. The digital revolution embodied in AI^{*2}, IoT, and other developments drives technological innovation that will change the current structure of manufacturing. This change is a major opportunity for Omron. At present, we are creating our medium-term management plan for fiscal 2017 and beyond anticipating that these changes will occur in future.

*2 Artificial intelligence

▶ Issues and Initiatives

| Issues | | Initiatives |
|--|---|--|
| Improve Three Powers: Growth Power, Earning Power, Power to Deal with Change | ① Rebuild our earnings structure | (1) Initiatives to improve gross profit margin (2) Initiatives to improve productivity in back-office departments |
| | ② Create an engine for self-driven growth | Engage in concentrated investment in the Industrial Automation and Healthcare businesses, which represent our future growth drivers. This includes investment in businesses and innovations at headquarters technology departments that accelerate growth in Industrial Automation and Healthcare. |