

To All Shareholders:

Stock Code: 6645

May 24, 2017

**Yoshihito Yamada**  
Representative Director and President

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

**CONVOCAATION NOTICE FOR THE 80TH ORDINARY GENERAL  
MEETING OF SHAREHOLDERS**

Notice is hereby given that the 80th 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 Wednesday, June 21, 2017.

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

1. Date: Thursday, June 22, 2017, 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 80th Fiscal Year (April 1, 2016 to March 31, 2017)
    2. Financial Statements for the 80th Fiscal Year  
(April 1, 2016 to March 31, 2017)
  - B. Proposals
    - No. 1 Dividends from Retained Earnings
    - No. 2 Partial Change to the Articles of Incorporation
    - No. 3 Election of Eight (8) Directors
    - No. 4 Election of One (1) Audit & Supervisory Board Member
    - No. 5 Election of One (1) Alternate Audit & Supervisory Board Member
    - No. 6 Payment of Yearly Performance-linked Bonuses to Directors
    - No. 7 Determination of Amount and Details of Performance-linked and Share-based Incentive Plan for Directors

## REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposals and Reference Items

#### No. 1: Dividends from Retained Earnings

OMRON has set the objective of maximizing the Company's corporate value over the long term. Appropriate returns to shareholders and growth to expand earnings over the long-term are positioned as management priorities. Specifically, the Company will payout dividends of 30% of consolidated net income after securing internal capital resources for necessary R&D expenditures, capital investments and other investments in growth to increase its corporate value. This is based on the "payout ratio of 30%," which had been aimed in the medium-term management plan towards fiscal 2016.

Based on this policy, the Company plans to pay a year-end dividend of JPY 34 per share.

As the Company has paid an interim cash dividend of JPY 34 per share, total cash dividends for the fiscal year will be JPY 68 per share.

(1) Type of dividend assets:

Cash

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

JPY 34 per share of common stock. Total amount JPY 7,269,381,424

(3) Effective date of the dividend:

June 23, 2017

**No. 2: Partial Change to the Articles of Incorporation**

**1. Reasons for the Change**

The Company has decided to abolish Directors with title, except for the Chairman of the Board, who also serves as the Chairman of the Board of Directors Meeting, in order to further improve the oversight function of the Board of Directors. At the same time, the President, who is the Chief Executive Officer, will be positioned as an Executive Officer and be elected from among the Executive Officers in order to establish an optimum and flexible execution system.

Through these measures, the Company will further promote the separation of management oversight and business execution functions and clarify the responsibilities of each function, to move even closer to achieving the sustainable enhancement of corporate value.

Based on the above stance, the Company will make a partial change to the current Articles of Incorporation as detailed below.

- (1) Abolishing Directors with title, except for the Chairman of the Board, who also serves as the Chairman of the Board of Directors Meeting (Article 23 of the planned revision).
- (2) Clarifying the method of election and the roles of Executive Officers; positioning the President, who is the Chief Executive Officer, as an Executive Officer; and enabling the President to be elected from among the Executive Officers (Article 31 of the planned revision).
- (3) In connection with the above, changing the provisions regarding the person to convene General Meetings of Shareholders and the Chairperson thereof (Articles 15 and 16 of the planned change) and the method of election of Representative Director(s) (Article 24 of the planned revision).
- (4) In addition to the above, making other necessary changes, such as additions, deletions, or revisions of the wording as appropriate.

**2. Details**

Details of the change are as follows.

(Underlined text indicates change)

Current Article	Planned Revision
(Person to convene General Meetings of Shareholders) Article 15. Unless otherwise provided for in laws or ordinances, a General Meeting of Shareholders <u>shall be convened by the President Director</u> in accordance with the resolution of the Board of Directors; <u>however, in the event that the President Director is unable to act, another Director</u> in the order previously fixed by the Board of Directors <u>shall act in his place to convene such meeting</u> .	(Person to convene General Meetings of Shareholders) Article 15. Unless otherwise provided for in laws or ordinances, a General Meeting of Shareholders <u>shall be convened by a Director</u> in the order previously fixed by the Board of Directors, in accordance with the resolution of the Board of Directors.
(Chairperson) Article 16. General Meetings of Shareholders <u>shall be chaired by the President Director</u> ; <u>however, in the event that the President Director is unable to act, another Director</u> in the order previously fixed by the Board of Directors <u>shall act in his place</u> .	(Chairperson) Article 16. General Meetings of Shareholders <u>shall be chaired by a Director</u> in the order previously fixed by the Board of Directors.

Current Article	Planned Revision
CHAPTER 4 DIRECTORS <u>AND</u> BOARD OF DIRECTORS	CHAPTER 4 DIRECTORS, BOARD OF DIRECTORS <u>AND EXECUTIVE OFFICERS</u>
(Directors with title) Article 23. <u>By resolution of the Board of Directors, the Company may appoint one Chairman of the Board, one President Director, and a certain number of Vice Chairmen of the Board, Vice President Director, Senior Managing Director, Managing Director, and Corporate Advisor Director.</u>	<u>(Chairman of the Board)</u> Article 23. <u>The Board of Directors, by its resolution, may appoint one Chairman of the Board from among the Directors.</u>
(Representative Director) Article 24. <u>The President Director shall be Representative Director.</u> <u>2. In addition to the preceding paragraph, the Company, by resolution of the Board of Directors, may appoint Representative Director(s) from among the Directors with title set forth in the preceding Article.</u>	(Representative Director) Article 24. <u>The Board of Directors, by its resolution, shall appoint Representative Director(s) from among the Directors.</u>
(New)	<u>(Executive Officers)</u> <u>Article 31.</u> <u>The Board of Directors, by its resolution, may appoint Executive Officers and have them execute the business of the Company.</u> <u>2. The Board of Directors, by its resolution, may appoint one President and other Executive Officers with title from among the Executive Officers.</u>
Articles <u>31.</u> to <u>43.</u> (Omitted)	Articles <u>32.</u> to <u>44.</u> (Unchanged)

**No. 3: 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). In this election, the Company will appoint three (3) new Directors following the retirement of three (3) Directors.

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 6 to 14.

Candidate number	Name	Current position in the Company	Tenure as Director
1	<Reelection> Mr. Fumio Tateishi	Chairman of the Board	11 years
2	<Reelection> Mr. Yoshihito Yamada	Representative Director and President	6 years
3	<New candidate> Mr. Kiichiro Miyata	Newly nominated candidate	—
4	<Reelection> Mr. Koji Nitto	Director	3 years
5	<New candidate> Mr. Satoshi Ando	Newly nominated candidate	—
6	<Reelection> Mr. Eizo Kobayashi	<Outside Officer candidate> <Independent Officer candidate>	Director (Independent) 4 years
7	<Reelection> Ms. Kuniko Nishikawa	<Outside Officer candidate> <Independent Officer candidate>	Director (Independent) 2 years
8	<New candidate> Mr. Takehiro Kamigama	<Outside Officer candidate> <Independent Officer candidate>	Newly nominated candidate —

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: 11 years Attendance at the Board of Directors meetings during fiscal 2016: 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 in the Company:</i> Chairman of the Board of Directors Meeting Member of CEO Selection Advisory Committee</p> <p>&lt;Reasons nominated as a candidate&gt; 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>	1,214,154

Notes 1. There are no special interests between the Company and Mr. Fumio Tateishi.

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
2	<p>Mr. Yoshihito Yamada (November 30, 1961) Reelection Tenure as Director: 6 years Attendance at the Board of Directors meetings during fiscal 2016: 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 in the Company:</i> CEO</p> <p>&lt;Reasons nominated as a candidate&gt; Mr. Yoshihito Yamada appropriately supervises the corporate management as Representative Director and President. 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 as 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>	31,829

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) New candidate	<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 &amp; Intellectual Property H.Q. (to present)</p> <p>April 2017 Appointed Senior Managing Director (to present)</p> <p><i>Areas of responsibility in the Company:</i> Senior Managing Executive Officer CTO and Senior General Manager of Technology &amp; Intellectual Property HQ</p> <p>&lt;Reasons nominated as a candidate&gt; Mr. Kiichiro Miyata has served in the Company's Healthcare Business for many years, and contributed to improvements in the OMRON Group's corporate value as President of OMRON Healthcare Co., Ltd. after gaining business experience in the development and technical divisions. In addition, as CTO and Senior General Manager of Technology &amp; Intellectual Property H.Q., he 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 election as a new Director.</p>	9,476

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.



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: 3 years Attendance at the Board of Directors meetings during fiscal 2016: 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 in the Company:</i>  Senior Managing Executive Officer  CFO and Senior General Manager of Global Strategy H.Q.  Member of Compensation Advisory Committee</p> <p>&lt;Reasons nominated as a candidate&gt;  Mr. Koji Nitto appropriately supervises the corporate management based on a strategic perspective 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. Furthermore, as CFO and Senior General Manager of Global Strategy H.Q., he drafts and executes strategies, and practices planned and appropriate management of the Group by confirming the status of strategy implementation in each business.  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>	10,984

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) New candidate	<p>April 1977 Joined The Bank of Tokyo, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>July 2003 Appointed Branch Manager of Jakarta Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2007 Appointed Audit &amp; 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 &amp; Corporate Communications H.Q.</p> <p>April 2015 Appointed Managing Executive Officer</p> <p>&lt;Reasons nominated as a candidate&gt;</p> <p>Mr. Satoshi Ando has years of working experience in a financial institution as well as experience as an Audit &amp; Supervisory Board Member (Independent) of the Company. In addition, after retiring from the latter position, as Senior General Manager of Global Investor Relations &amp; Corporate Communication HQ, he has contributed to improvements in the OMRON Group's corporate value by continuing dialogues with shareholders coming from the perspective of stakeholders.</p> <p>Based on these factors, the Company believes that he is a suitable person for achieving sustained improvements in corporate value and therefore requests his election as a new Director.</p>	15,716

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.

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: 4 years Attendance at the Board of Directors meetings during fiscal 2016: 13/13 times (100%)	<p>April 1972 Joined ITOCHU Corporation June 2000 Appointed Executive Officer of ITOCHU Corporation April 2002 Appointed Managing Executive Officer of ITOCHU Corporation June 2003 Appointed Representative Director and Managing Director of ITOCHU Corporation April 2004 Appointed Representative Director and Senior Managing Director of ITOCHU Corporation June 2004 Appointed President and CEO of ITOCHU Corporation April 2010 Appointed Chairman and Representative Director of ITOCHU Corporation June 2011 Appointed Chairman of ITOCHU Corporation June 2013 Appointed Director (Independent) of the Company (to present) June 2016 Appointed Chairman of ITOCHU Corporation (to present)</p> <p><i>Areas of responsibility in the Company:</i> Chairman of Personnel Advisory Committee Chairman of Compensation Advisory Committee Vice Chairman of Corporate Governance Committee Member of CEO Selection Advisory Committee</p> <p><i>Significant concurrent positions:</i> Chairman 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. Outside Audit &amp; Supervisory Board Member of Asahi Mutual Life Insurance Company Chairman of ITOCHU Foundation Chairman of Japan Foreign Trade Council, Inc.</p> <p>&lt;Reasons nominated as a candidate&gt; 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 and 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>	5,467

- Notes 1. Mr. Eizo Kobayashi currently serves as Chairman of ITOCHU Corporation. While the OMRON Group has a business relationship with the ITOCHU Group including sales of products, such transactions in fiscal 2016 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 15 to 16.
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. 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: 2 years Attendance at the Board of Directors meetings during fiscal 2016: 13/13 times (100%)	<p>April 1986 Joined Citibank N.A. Feb. 1996 Joined A.T. Kearney, Inc. Sep. 2000 Appointed President &amp; CEO of Supernurse Co. Ltd. Aug. 2010 Established Firststar Healthcare Co. Ltd. Appointed President &amp; 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 in the Company:</i> Member of Personnel Advisory Committee Member of CEO Selection Advisory Committee Member of Compensation Advisory Committee Member of Corporate Governance Committee</p> <p><i>Significant concurrent positions:</i> President &amp; 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>&lt;Reasons nominated as a candidate&gt; 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 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 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 15 to 16.
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> New candidate	<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 &amp; Executive Vice President of TDK Corporation</p> <p>June 2006 Appointed President &amp; Representative Director of TDK Corporation</p> <p>June 2016 Appointed Chairman &amp; Representative Director of TDK Corporation (to present)</p> <p><i>Significant concurrent positions:</i> Chairman &amp; Representative Director of TDK Corporation</p> <p>&lt;Reasons nominated as a candidate&gt; Mr. Takehiro Kamigama has business experience in the technical division of the primary businesses of a global company, and superior insight into management thorough his experience in management positions in the said business and as a top executive for many years. 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 election as a new Director (Independent).</p>	0

Notes 1. Mr. Takehiro Kamigama currently serves as Chairman & Representative Director of TDK Corporation. While the OMRON Group has a business relationship with the TDK Group including sales of products, such transactions in fiscal 2016 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 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 15 to 16.

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.

## 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. 4: Election of One (1) Audit & Supervisory Board Member**

The term of office of the Audit & Supervisory Board Member Mr. Yoshifumi Matsumoto will expire at the close of this General Meeting of Shareholders. The Company therefore requests the election of one (1) new Audit & Supervisory Board Member.

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 Audit & Supervisory Board Member candidate is as follows:

Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions	Number of shares of the Company owned
Mr. Tadashi Kunihiro (November 29, 1955) <Outside Officer candidate> <Independent Officer candidate> New candidate	April 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)  <i>Significant concurrent positions:</i> 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.  <Reasons nominated as a candidate> Mr. Tadashi Kunihiro is an attorney specializing primarily in the Companies Act, Financial Instruments and Exchange Law, and Antimonopoly Act. He is also familiar with development of corporate crisis management and risk management systems and held prominent positions including as advisor to the Cabinet Office and the Consumer Affairs Agency. The Company expects Mr. Kunihiro to utilize his legal expertise for auditing of the Company and request his election as a new Audit & Supervisory Board Member (Independent). 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 Audit & Supervisory Board Member (Independent).	0

Notes 1. There are no special interests between the Company and Mr. Tadashi Kunihiro.

2. Mr. Tadashi Kunihiro is a candidate for Audit & Supervisory Board Member (Independent), and meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc. If Mr. Kunihiro'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 15 to 16.

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. Kunihiro's election is approved, the Company plans to form a limited liability agreement with Mr. Kunihiro 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.

(Reference)

If this item is approved and resolved as proposed, the members of the Audit & Supervisory Board will be as follows.

There is no change in the current number and composition of Audit & Supervisory Board Members (two full-time Audit & Supervisory Board Members and two Audit & Supervisory Board Members (Independent)).

Name	Position in the Company	Tenure as Audit & Supervisory Board Member
<Incumbent> Mr. Kiichiro Kondo	Audit & Supervisory Board Member (Full-time)	2 years
<Incumbent> Mr. Tokio Kawashima	Audit & Supervisory Board Member (Full-time)	6 years
<Incumbent> Mr. Hideyo Uchiyama <Outside Officer> <Independent Officer>	Audit & Supervisory Board Member (Independent)	1 year
<New candidate> Mr. Tadashi Kunihiro <Outside Officer> <Independent Officer>	Audit & Supervisory Board Member (Independent)	-

**No. 5: 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 General Meeting of Shareholders. To ensure that the Company will not lack the number of Audit & Supervisory Board Members stipulated by law, 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 law, and shall serve the remaining term of his predecessor.

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

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

(The procedure for nominating an Alternate Audit & Supervisory Board Member candidate is the same as that of an Audit & Supervisory Board Member as described in “Proposal No. 4: Election of One (1) Audit & Supervisory Board Member” on page 17.)

Name (Date of birth)	Career summary and significant concurrent positions	Number of shares of the Company owned
Mr. Toru Watanabe (February 2, 1966) <Alternate Audit & Supervisory Board Member candidate>	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)  <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.  <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.	0

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 15 to 16.
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. 6: Payment of Yearly Performance-linked Bonuses to Directors**

Based on the “Policy on Determining Amount of Compensation, etc., and Methods Used for Calculation” stated on pages 43 to 45 of this Convocation Notice, the Company requests shareholders to approve payment of a total of JPY 149,160,000 in yearly performance-linked bonuses to five (5) Directors as of March 31, 2017, 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. 7: Determination of Amount and Details of Performance-linked and Share-based Incentive Plan for Directors**

**1. Reasons for the Proposal and such Compensation Deemed as Appropriate**

Compensation for Directors (excluding Directors (Independent)); the same applies hereinafter) shall consist of a “base salary,” “yearly performance-linked bonuses,” and “medium-to-long-term, performance-linked compensation.” The Company seeks approval for introducing a performance-linked stock compensation plan for the Company’s Directors (the “Plan”) as the “medium-to-long-term, performance-linked compensation” in the medium-term management plan “VG2.0,” targeting the four years from fiscal 2017 through fiscal 2020.

The Company formulated the basic policy and method of determining compensation for Directors, as described on pages 43 to 45 of this Convocation Notice, but has decided to revise the compensation policy for Directors as described on page 26 of this Convocation Notice, subject to the approval of this proposal.

The Plan is intended to clarify the linkage between compensation for Directors and the shareholders’ value of the Company to heighten their motivation to attain performance targets specified in the medium-term management plan and to contribute to sustainably improving corporate value (shareholders’ value) through Directors’ ownership of the Company’s shares. The Company, therefore, sees the adoption of the Plan as appropriate. The revision of the compensation policy for Directors and the adoption of the Plan have already been discussed at the meeting of the Compensation Advisory Committee, composed of a majority of Directors (Independent) and chaired by a Director (Independent).

This proposal asks for approval of payment of stock compensation for Directors, separate from the maximum limit of the aggregate monthly compensation for Directors (JPY 35 million per month) approved at the 63rd Ordinary General Meeting of Shareholders held on June 27, 2000, and the bonuses asked for approval in the proposal No. 6 of this General Meeting of Shareholders.

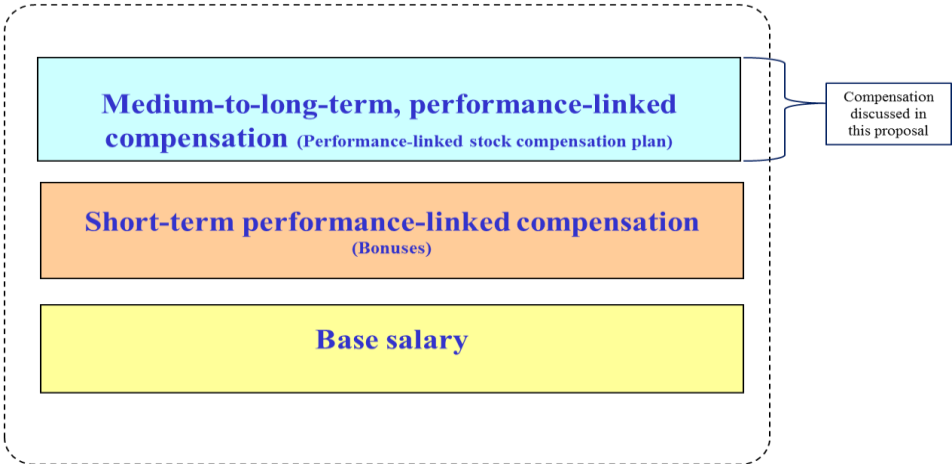
If proposal No. 3 “Election of Eight (8) Directors” is approved as originally proposed, five (5) Directors will be entitled under the Plan.

Subject to the approval of the adoption of the Plan at this General Meeting of Shareholders, the medium-term performance-linked bonuses and stock compensation, which had been employed during the three-years of the medium-term management plan covering fiscal 2014 through fiscal 2016 will be discontinued and new stock options will no longer be issued for the performance-linked stock acquisition rights (stock options with charge).

**[Reference]**

**<Chart of Structure of Compensation for Directors>**

Directors’ \*1 compensation structure\*2 is as follows, if this item is approved and resolved as proposed.



\* 1 Directors (Independent) are excluded.

\* 2 The chart above does not indicate the percentage of each compensation.

## 2. Amount and Details of Compensation under the Plan

### (1) Overview of the Plan

Under the Plan, as the stock compensation plan, the trust acquires shares of the Company using funds contributed by the Company for the compensation for Directors, and the Company's shares and the money equivalent to the Company's shares (the "Company's shares, etc.") are granted and paid ("grant(ing), etc.") to the Directors through such trust. ((2) and subsequent sections summarize the details.)

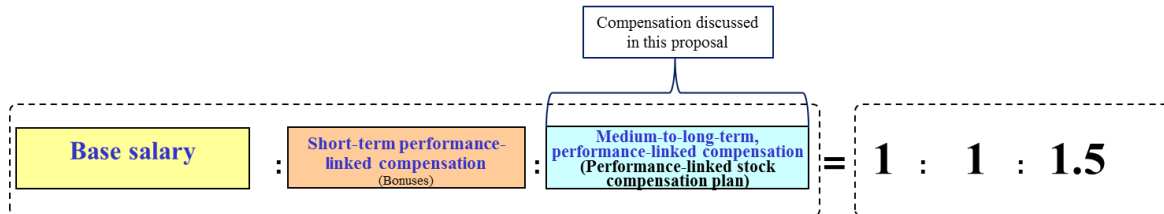
The Plan consists of the "performance-linked portion" in which the Company's shares, etc., shall be granted, etc. after the completion of the medium-term management plan and the "non-performance-linked portion" in which the Company's shares, etc., shall be granted, etc. when the Directors retire. The "performance-linked portion" is aimed at motivating the Directors to achieve the goals of the Company's medium-term management plan and strengthening the linkage of compensation for Directors with the medium-to-long-term corporate performance. The "non-performance-linked portion" in turn is intended to promote alignment of interests of the Directors with those of other shareholders of the Company through ownership of the Company's shares. The "performance-linked portion" and the "non-performance-linked portion" account for 60% and 40%, respectively.

1) Persons eligible for the grant, etc., of the Company's shares, etc., under this proposal	<ul style="list-style-type: none"> <li>The Directors (excluding Directors (Independent)) of the Company</li> </ul>	
2) Impact of the Company's shares under this proposal on the total number of shares issued		
Maximum limit of money to be contributed by the Company for the acquisition of the Company's shares subject to granting, etc. to Directors (as described in (2) below)	<ul style="list-style-type: none"> <li>Amount calculated by multiplying JPY 600 million by the number of years of the covered period, and the maximum limit for four fiscal years of the initial covered period will be JPY 2.4 billion. (The initial covered period shall be four fiscal years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2021.)</li> </ul>	
Method of acquisition of the Company's shares (as described in (2) below) and the maximum limit of the number of the Company's shares, etc. subject to granting, etc. to Directors (as described in (3) below)	<ul style="list-style-type: none"> <li>The number of shares calculated by multiplying 150,000 shares by the number of years of the covered period, and the maximum limit of the total number of the Company's shares, etc., subject to granting, etc. to Directors for four fiscal years of the initial covered period is 600,000 shares.</li> <li>The average number of above maximum limit of the Company's shares, etc. to be granted per fiscal year, 150,000 shares, accounts for about 0.07% of the Company's total number of shares issued (after deducting treasury stock as of March 31, 2017)</li> <li>The Trust will acquire the Company's shares from the stock market.</li> </ul>	
3) Details of performance achievement conditions (as described in (3) below)	<ul style="list-style-type: none"> <li>The performance-linked portion varies between 0% and 200% depending on the degree of the achievement of performance targets, etc., in the medium-term management plan. Indicators that evaluate the degree of the achievement of performance targets, etc., include consolidated net sales, earnings per share (EPS), return on equity (ROE), and sustainability indexes based on the surveys of third party organizations.</li> </ul>	
4) Timing of the granting, etc., of the Company's shares, etc., to Directors (as described in (4) below)	Performance-linked portion (Composition ratio: 60%)	After the end of the covered period
	Non-performance-linked portion (Composition ratio: 40%)	Upon the Director's retirement

## [Reference]

### <Composition Ratio of Compensation for Representative Director and President>

Composition ratio\* of base salary, short-term performance-linked compensation (bonuses), and medium-to-long-term, performance-linked compensation (performance-linked stock compensation plan) for Representative Director and President is as follows.



\* This ratio is based on the assumption that this item and the item regarding short-term performance-linked compensation (bonuses) are approved and resolved as proposed, and that performance targets are set as 100% for short-term performance-linked compensation (bonuses) and medium-to-long-term, performance-linked compensation (performance-linked stock compensation plan).

#### (2) Maximum Limit of Money to be Contributed by the Company

The period covered by the Plan shall be the fiscal years that correspond to the fiscal years covered by the medium-term management plan formulated by the Company (“covered period”). The initial covered period shall be four fiscal years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2021.

In each covered period, the Company shall contribute the trust money whose amount is calculated by multiplying JPY 600 million by the number of years of the relevant covered period (JPY 2.4 billion for four fiscal years of the initial covered period) and establish a trust (“the Trust”) for the period equivalent to the covered period wherein Directors who meet the beneficiary requirements are beneficiaries. The Trust shall acquire the Company’s shares from the stock market in one lump sum using the trust money, in accordance with the instructions of the trust administrator. The Company shall award points to Directors during the covered period (as described in (4) below), and the Trust shall grant, etc. the Company’s shares, etc. corresponding to the points awarded during a certain period determined in advance.

Upon expiry of the trust period, the Company may continue the Trust by making amendments to the trust agreement and making additional contributions instead of establishing a new Trust. In such a case, the trust period will be extended further with respect to the number of years corresponding to the subsequent medium-term management plan established at that time. The Company will make additional contributions for each extended trust period within the amount calculated by multiplying JPY 600 million by the number of years of such new covered period. In such cases where such additional contributions are to be made when there are any Company’s shares (excluding Company’s shares, etc., equivalent to points awarded to Directors that are yet to be granted, etc.) and money still remaining in the trust property (“the “residual shares, etc.”) at the last day of the trust period prior to the extension, then the sum of the amount of such residual shares, etc. and additional trust money to be contributed by the Company shall be within the amount calculated by multiplying JPY 600 million by the number of years of the new covered period.

In cases where the Company will not make amendments to the trust agreement and make no additional contributions of each Trust and Directors who may possibly meet the beneficiary requirements remain in office at the expiry of the trust period, the Company will not award points to the said Directors. However, the trust period may be extended until the said Directors retire and the granting, etc. of the Company’s shares, etc. is completed.

(3) Method of Calculation and Maximum Number of the Company's Shares, etc. to be Granted, etc. to Directors

The Company's shares, etc. will be granted, etc. according to the number of points awarded to each Director. The points are calculated by the following formulas. One point shall be equivalent to one share of the Company. If, however, the number of the Company's shares under the Trust increases or decreases because the Company's stock is subject to a share split or share consolidation, or allotment of shares without contribution, etc., the Company will adjust the number of the Company's shares, etc. to be granted, etc. for each point according to the percentage of increase or decrease of the Company's shares.

(Point calculation formula)

1) Performance-linked portion

The points calculated by dividing the individual compensation amount, which has been determined in advance with respect to each executive position by the stock price at the time when the Trust acquired the Company's shares, will serve as the base ("base points"). Based on the base points, single fiscal-year points shall be calculated by the following formula, and awarded to Directors who hold office on the last day of each fiscal year of the covered period. After the end of the covered period, the number of performance-linked points is calculated by adding up single fiscal-year points granted to Directors, and then multiplying the cumulative total by the performance-linked coefficient that is determined by the degree of achievement of performance targets, etc. specified in the medium-term management plan.

Calculation formula for single fiscal-year points : Base Points x 60%

Calculation formula for performance-linked points :  $\frac{\text{Sum of single fiscal-year points during the covered period} \times \text{Performance-linked coefficient}^{*1 *2}}$

\*1 The performance-linked coefficient varies between 0% and 200% depending on the degree of achievement of performance targets for consolidated net sales, EPS, and ROE, specified according to the medium-term management plan and sustainability indexes based on the evaluation rating of third-party organizations.

\*2 If a Director passes away before the end of the covered period (including cases in which the Director passes away before the end of the covered period after resigning due to expiry of term of office or other reasons), the number of performance-linked points shall be calculated by adding up the number of single fiscal-year points granted up to the time of passing, and assuming that the performance-linked coefficient is 100%.

2) Non-performance-linked portion

The non-performance-linked points, calculated by the following formula based on the base points, will be awarded to Directors who hold office on the last day of each fiscal year of the covered period. The cumulative total (hereinafter referred to as "cumulative total non-performance-linked points") will be calculated by adding up non-performance-linked points awarded for each fiscal year.

Calculation formula for non-performance-linked points : Base Points x 40%

The maximum limit of the number of points to be awarded to Directors during the trust period of the Trust is calculated by multiplying 150,000 points by the number of years of the covered period, and the maximum limit of the number of the Company's shares, etc. to be granted, etc. to Directors from the Trust during the trust period will be equivalent to such maximum limit of the number of points (the "maximum limit of the number of shares to be granted"). Therefore, the maximum limit of the number of shares to be granted for the initial covered period that covers four fiscal years shall be 600,000 shares (if one point shall be equivalent to one share of the Company). Taking into account the maximum limit of money to be contributed by the Company as stated in (2) above, the Company determines the maximum limit of the number of shares to be granted with reference to the stock price range. If the Company continues the Trust pursuant to (2) above, the maximum limit of the number of



shares to be granted during the extended trust period shall be corresponding to the number of points calculated by multiplying 150,000 points by the number of years of new covered period.

(4) Method and Timing for Granting, etc. the Company's Shares, etc. to Directors

1) Performance-linked portion

The Company's shares, etc. relating to the performance-linked portion are granted, etc. after the end of the covered period. The Directors who meet beneficiary requirements shall receive the Company's shares corresponding to 50% of the number of their performance-linked points (odd-lot shares shall be rounded off), and receive money equivalent to the Company's shares corresponding to the number of remaining performance-linked points that are converted into cash under the Trust. In principle, Directors who have received the Company's shares shall continue to hold them while they are in office. If a Director passes away before the end of the covered period (including cases in which the Director passes away before the end of the covered period after resigning due to expiry of term of office or for other reasons), the legal heir(s) of the said Director shall receive money equivalent to the number of the Company's shares corresponding to the number of performance-linked points that are converted into cash under the Trust.

If a Director does not have a securities brokerage account that handles Japanese shares, he or she shall receive money equivalent to the Company's shares corresponding to the number of performance-linked points that are converted into cash under the Trust.

2) Non-performance-linked portion

The Company's shares, etc. relating to the non-performance-linked portion are granted, etc. to Directors covered by the Plan after their resignation.

The Directors who meet beneficiary requirements shall receive the Company's shares corresponding to 50% of the cumulative total non-performance-linked points accumulated before they resign (odd-lot shares shall be rounded off), and receive money equivalent to the Company's shares corresponding to remaining cumulative total non-performance-linked points that are converted into cash under the Trust. If a Director passes away while holding office, the legal heir(s) of the said Director shall receive money equivalent to the number of the Company's shares corresponding to the number of non-performance-linked points accumulated before his or her passing that are converted into cash under the Trust.

If a Director does not have a securities brokerage account that handles Japanese shares, he or she shall receive money equivalent to the Company's shares corresponding to the number of cumulative total non-performance-linked points that are converted into cash under the Trust.

(5) Exercising Voting Rights Related to the Company's Shares under the Trust

To ensure the neutrality for the Company's management, voting rights shall not be exercised for the Company's shares held in the Trust during the trust period.

(6) Treatment of Dividends of the Company's Shares under the Trust

Dividends related to the Company's shares under the Trust will be paid to the Trust, and allocated to trust fees and trust expenses. If, after the allocation to trust fees and expenses, residual assets remain at the expiry of the Trust, such assets will be donated to organizations with no interest in the Company.

(7) Other details of the Plan

Other details of the Plan shall be determined by the Board of Directors on each occasion, such as the establishment of the Trust, changes to the trust agreement, and additional contributions to the Trust.

(Reference)

For further details of the Plan, please refer to the Timely Disclosure as of April 27, 2017 titled "Performance-linked and Share-based Incentive Plan for Directors, etc."

(URL : <http://www.omron.com/about/ir/irlib/news/pdfs/20170427e.pdf>)

(Reference) Policy on Compensation for Directors Pertaining to Proposal No. 7

If proposal No.7 is approved at this General Meeting of Shareholders, the Company will revise the policy on the compensation for Directors as follows. The revision of this policy shall be decided by the resolution of the Board of Directors through discussion by the Compensation Advisory Committee.

[Policy on Compensation for Directors]

(1) Basic policy

- The Company shall pay compensation sufficient to recruit exceptional personnel as Directors who are capable of implementing the OMRON Principles.
- The compensation structure shall motivate Directors to achieve sustained improvements in corporate value.
- The compensation structure shall maintain a high level of transparency, fairness and rationality that 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 performance.
- Compensation for Directors (Independent) 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 according to the roles and responsibilities of each Director on account of the levels of other companies surveyed by a specialized outside organization.

(4) Performance-linked compensation

- The Company shall pay bonuses linked to yearly performance indicators and the degree of the achievement of performance targets, as short-term performance-linked compensation.
- The Company shall pay stock compensation linked to the achievement of the medium-term management plan and the enhancement of shareholders' value as medium-to-long-term, performance-linked compensation.
- 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.

(5) Governance of compensation

- All the compensation for Directors shall be determined by the resolution of the Board of Directors based on the discussion by and recommendations from the Compensation Advisory Committee.

# Business Report (Consolidated)

(April 1, 2016 to March 31, 2017)

## 1. Current State of the OMRON Group

### (1) Consolidated Results

#### General Overview

In fiscal 2016 (ended March 31, 2017), net sales of the OMRON Group decreased compared with the previous fiscal year, mainly due to the negative impact of currency translation following the appreciating yen. At the same time, operating income increased due to the growth in our Industrial Automation Business and a stronger Group-wide profit structure and other factors that led to improved earnings ability.

The OMRON Group's perception of the economic environment in fiscal 2016 is as follows.

#### Economic and Market Conditions by Region

Japan:	Personal consumption in Japan experienced a moderate recovery, and capital investment recovered as well.
The Americas:	The economy of the United States continued to expand, driven by improvements in the labor market and steady growth in consumer spending.
Europe:	While the economy in Europe continued to experience a moderate recovery, uncertainty in the outlook remained.
China:	Expanded government investment in Greater China has created a temporary pause in regional economic deceleration.
Asia:	While certain sectors in South Korea are experiencing a recovery, uncertainty remains in Thailand.

#### Conditions in the OMRON Group's Primary Related Markets

Automotive-related:	Demand in <i>keijidosha</i> (a class of small automobiles defined by Japanese standards) market has recovered mildly, while automotive-related demand has slightly decelerated in the United States and Europe.
Semiconductor-related:	Demand for capital investment was robust both in Japan and overseas.
Machine tool-related:	Demand for capital investment has started to recover recently both in Japan and overseas.
Home appliance and electronic component-related:	Demand for capital investment remained solid, while demand for components recovered slightly.
Healthcare equipment-related:	Personal consumption continued to recover in Japan, and spending remained firm among the emerging markets.

Net sales	JPY 794,201 million, 4.7 percent decrease year on year
Operating income	JPY 67,566 million, 8.5 percent increase year on year
Income before income taxes	JPY 65,492 million, 0.3 percent decrease year on year
Net income attributable to shareholders	JPY 45,987 million, 2.8 percent decrease year on year

Average exchange rates for fiscal 2015:

USD 1 = JPY 108.9                      EUR 1 = JPY 119.4

The average exchange rates for the year ended March 31, 2017 were USD 1 = JPY 108.9 (11.3 yen less than the previous fiscal year) and EUR 1 = JPY 119.4 (12.8 yen less than the previous fiscal year).

We sincerely thank all of our shareholders for their support and cooperation.

## **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, inspection systems, safety devices, industrial robots, precision laser processing equipment, control devices

In Japan, the IAB segment saw growth in digital industry sales and sales to other focus sectors, resulting in higher year-on-year sales in Japan.

Overseas, while sales in the Americas decreased due to the sale of an oil-related business, demand was solid among the automotive-related industries. Sales increased in Europe year on year, due to the contributions of U.S.-based subsidiary acquired by the OMRON Group. The weak euro also led to strong demand for export company products. In Greater China, demand was strong in the digital, infrastructure, and environmental-related industries. Increased digital industry investment in South Korea helped spur greater sales in Asia. Unfortunately, the added negative impact of currency translation following the appreciating yen drove overseas sales down year on year.

Despite the negative impact of currency translation as caused by the strong yen, promotions of our competitive products resulted in improved gross profit margin, leading to higher year-on-year operating income.

As a result, segment sales for the fiscal year totaled JPY 330,959 million, a decrease of 1.5 percent compared with the previous fiscal year, and operating income totaled JPY 52,005 million, an increase of 8.5 percent compared with the previous fiscal year.

### **EMC: Electronic and Mechanical Components Business**

#### Outline of business

Provides built-in control components for commercial and 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, sensors for consumers, face recognition software, image sensing component (HVC: human vision component)

In Japan, lower demand in the domestic amusement industry resulted in lower sales compared with the previous fiscal year.

Overseas, inventory adjustments among our customers in the automotive-related industries in the Americas resulted in lower demand in the region. In Europe, demand in automotive-related industries was strong. In Greater China, demand in the professional/consumer-use markets decreased while demand was solid in the automotive-related industries. In Asia, demand was strong in both the professional/consumer-use markets and the automobile-related industries. However, with the negative impact of currency translation following the appreciating yen, overseas sales for the fiscal year were significantly lower compared with the previous fiscal year.

Despite a decrease in sales and the negative impact of currency translation following the appreciating yen, operating income increased significantly compared with the previous fiscal year as a result of efforts in productivity improvements carried out during the previous fiscal year.

As a result, segment sales for the fiscal year totaled JPY 93,938 million, a decrease of 9.4 percent compared with the previous fiscal year, and operating income totaled JPY 9,428 million, an increase of 11.0 percent compared with the previous fiscal year.

## **AEC: Automotive Electronic Components Business**

### Outline of business

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, power conversion units and voltage monitoring units for electric vehicles

In Japan, affected by declining sales of *keijidosha*, sales in Japan for the fiscal year decreased compared with the previous fiscal year.

The solid U.S. economy contributed to expanded demand in the Americas. In Greater China, demand expanded, supported by strong sales of automobiles backed by government tax reduction measures.

Unfortunately, the negative impact of the yen appreciation drove overseas sales down year on year.

Operating income decreased compared with the previous fiscal year, mainly due to lower sales and the negative impact of currency translation following the appreciating yen.

As a result, segment sales for the fiscal year totaled JPY 132,060 million, a decrease of 5.6 percent compared with the previous fiscal year, and operating income totaled JPY 7,127 million, a decrease of 2.9 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 the public transportation system business, the demand cycle for upgrading station equipment reached a low point during fiscal 2016. As such, sales decreased significantly compared with the previous fiscal year.

In the traffic and road control systems business, demand for both upgrades to traffic-related terminals and investment in expressways was weak. As a result, sales for the year decreased compared with the previous fiscal year.

In the environmental solutions business, weak demand in the solar power generation-related market resulted in a substantial decrease in sales of this business for the year.

Despite lower sales for the year, operating income was significantly higher, mainly due to initiatives in productivity improvement.

As a result, segment sales for the fiscal year were JPY 67,129 million, a decrease of 13.4 percent compared with the previous fiscal year, and operating income totaled JPY 4,008 million, an increase of 25.3 percent compared with the previous fiscal year.

## **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.

### Major products/services

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

In Japan, despite steady growth in sales of online healthcare equipment for household use, demand for these products was weak at big home appliance retailers in suburban areas. The sales for equipment for medical institutions decreased mainly due to the transfer of shares of a medical equipment subsidiary. As a result, domestic sales for the year decreased compared with the previous fiscal year.

Overseas, in the Americas, sales of blood pressure monitors remained strong in Brazil. Sales of new blood pressure monitors remained strong in Russia, and the expansion of dealer networks throughout Europe contributed to ongoing solid performance throughout the region. In Greater China, the online market continued to expand while demand in pharmacies and other store channels was weak. Demand was strong in Asia. Unfortunately, the strong negative impact of currency translation following the appreciating yen contributed to lower sales for the year.

Despite the negative impact of currency translation following the appreciating yen, operating income increased substantially compared with the previous fiscal year, reflecting productivity improvement initiatives.

As a result, segment sales for the fiscal year were JPY 101,295 million, a decrease of 6.3 percent compared with the previous fiscal year, and operating income totaled JPY 8,535 million, an increase of 17.2 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 pressure sensors, MEMS thermal sensors, MEMS flow sensors, MEMS microphones, analog ICs, contract chip manufacturing services  
(MEMS: Micro-Electro-Mechanical Systems)

##### \*Backlight Business

High-quality backlight units for LCDs

In the environmental business, while demand remained weak in the solar power generation-related market, sales were higher compared with the previous fiscal year. This improvement in performance was mainly due to our expanded lineup of power storage systems.

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 with the previous fiscal year.

In the micro devices business, due to weak demand for smartphone microphones, sales decreased compared with the previous fiscal year.

In the backlight business, sales decreased substantially compared with the previous fiscal year, mainly due to falling prices in the smartphone market and weak demand for high-end smartphones in Greater China.

Operating loss was kept low compared with the previous fiscal year, thanks to the efficient management of fixed expenses, even when there was the negative impact of currency translation due to the stronger yen.

As a result, segment sales were JPY 63,264 million, an increase of 0.4 percent compared with the previous fiscal year, and operating loss totaled JPY 2,175 million.

## Sales by Division (Consolidated) (OMRON Group)

Division	Amount (JPY millions)	Share of total (%)	Year-on-year comparison (%)
Industrial Automation Business	330,959	42	99
Electronic and Mechanical Components Business	93,938	12	91
Automotive Electronic Components Business	132,060	16	94
Social Systems, Solutions and Service Business	67,129	8	87
Healthcare Business	101,295	13	94
Businesses under direct control of headquarters (Other Businesses)	63,264	8	100
Eliminations & Corporate	5,556	1	105
Total	794,201	100	95

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, in response to the sense of uncertainty in the business environment including the negative impact of currency translation following the appreciating yen, cautiously conducted capital investments by carefully screening each case. As a result, total capital investment was JPY 25,692 million, a 30.3% decrease from the previous fiscal year.

Capital investment amounts by division were as shown below.

Division	Amount (JPY millions)
Industrial Automation Business	4,546
Electronic and Mechanical Components Business	6,513
Automotive Electronic Components Business	5,241
Social Systems, Solutions and Service Business	1,393
Healthcare Business	2,209
Businesses under direct control of headquarters (Other Businesses)	1,376
Eliminations & Corporate	4,414
Total	25,692

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.

As the second stage of VG2020, the EARTH-1 STAGE for the three years from fiscal 2014 to fiscal 2016 sets forth a policy of “Establishing a ‘self-driven’ growth structure” that can grow based on its own power in any operating environment.

[Results for fiscal 2016 and summary of EARTH-1 STAGE]

Fiscal 2016 was the last year of EARTH-1 STAGE. During the year, our goals were “to rebuild our profit structure” and “to create an engine for self-driven growth.” We worked to strengthen our profit structure, as well as to generate businesses and innovations that drive growth. The strong yen and other factors combined to drive net sales down for fiscal 2016. Meanwhile, significant growth in our mainstay Industrial Automation Business and steady growth in our earnings ability driven by improved gross profit margin led to year-on-year growth in operating income.

During the three years of EARTH-1 STAGE, we concentrated on Existing Business Strategy, Super-Global Growth Strategy, and New Business Strategy for the Optimization Society. The following is a review of our progress.

In terms of executing Existing Business Strategy, we focused on maximizing the strength of our Industrial Automation Business. We improved our ability to provide technologies to solve customer issues by expanding our mainstay businesses in four focus industries and launching automation centers. We also acquired US-based motion controller and robot manufacturing companies, and we took on other initiatives to accelerate the creation of new value and build a foundation for future business growth. As a result, we accomplished our EARTH-1 STAGE sales target for our Industrial Automation Business.

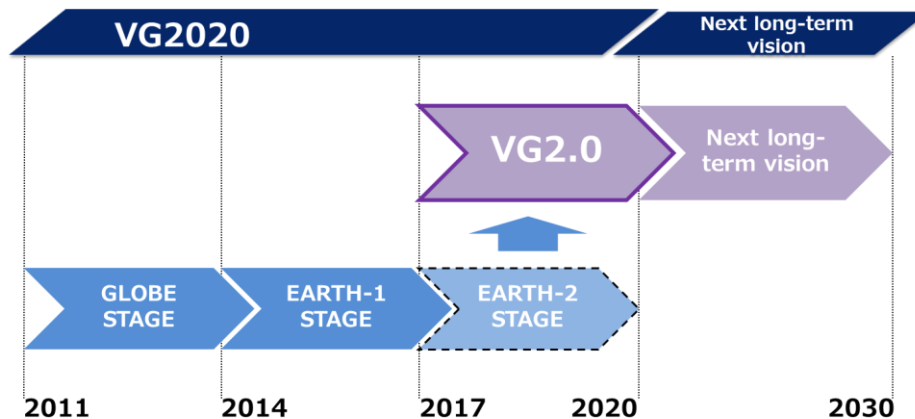
In pursuit of our Super-Global Growth Strategy, we achieved high growth rates in our Industrial Automation Business and our Healthcare Business, particularly in China and Asia. The entire OMRON organization came together to support the OMRON Total Fair we held in Thailand and Indonesia, which led to a large number of new business discussions. In our Healthcare Business, we acquired a Brazilian nebulizer company and engaged in other measures to grow sales steadily throughout Central and South America. Further, we strengthened our business foundation by bolstering our production centers in Mexico and Indonesia and by hiring and training core human resource to lead our businesses in Asia.

As for New Business Strategy for the Optimization Society, we pursued industry-academic partnerships, alliances with other companies and collaboration with external resources to take on the challenge to generate new businesses. However, we have not successfully created new businesses with the scale and growth of our Environmental Solutions Business yet. We recognize that we have issues requiring further work.

The initiatives above were our main means to improve our earnings ability in the EARTH-1 STAGE through higher gross profit margins. At the same time, we accelerated our transition to a business foundation for sustained revenue growth. We were also able to put our Industrial Automation Business on a new growth path. At the same time, due to the impact of changes in the business environment and other factors, we did not achieve either of our initial quantitative goals of JPY 900 billion in sales and operating income margin of at least 10%. We believe that we are on our way to establishing a self-driven growth structure, hence our next medium-term management plan will continue this theme.



## Stepping up growth with “VG2.0” in lieu of the LAST STAGE of VG2020



[VG2.0 and the Fiscal 2017 Plan]

With the conclusion of EARTH-1 STAGE, fiscal 2017 marks the start of our next medium-term management plan (through fiscal 2020). Our intent is not to merely make EARTH-2 STAGE as an extension of EARTH-1 STAGE. Instead, we have created a new medium-term management plan, VG2.0. The business environment surrounding the OMRON Group today has changed significantly compared to 2010, when we created our VG2020 plan. In particular, new technologies such as Artificial Intelligence (AI), Internet of Things (IoT) and robotics have evolved far beyond what anyone could have imagined back in 2010. These technologies are changing our society in many ways. The evolution of these technologies is an exact reflection of the Sensing & Control + THINK, our core technologies that we have pursued. This is an opportunity for us to create new value that solves social issues. VG2.0 is an opportunity for us to look ahead as far as the year 2030, challenging ourselves to create new value for the world. Our qualitative goal under this plan remain the same as VG2020: to become a “global value-creating group that is qualitatively and quantitatively superior.” Our quantitative goals are to reach JPY 1 trillion in sales and JPY 100 billion in operating income. To achieve these goals, we must integrate technological innovation and evolve our core technologies. We actively engage in growth investment (mainly research and development) as we pursue our corporate-wide policy of achievement of self-driven growth by creating innovation originated by technological evolution. VG2.0 includes three basic strategies:

### 1) Defining focused domains

Under VG2.0, we have defined four focused domains which we believe leverage our strengths: Factory Automation, Healthcare, Mobility, and Energy Management. We will not work separately at individual divisions, but cooperate among business divisions or head office functional divisions to enhance or rebuild our underlying businesses for each of these four domains.

### 2) Advancing the business model

Under this strategy, we do not intend to deliver products or services individually. Instead, we plan to create new value by combining IoT, AI, and other new technologies into products and services to build total solutions of “Products + Information + Services.” By doing this, we believe we will provide more comprehensive solutions to social issues with greater speed.

### 3) Strengthening our core technology

Since our founding, the OMRON Group has created unique products and businesses from customer-centric point of view. Under VG2.0, we intend to identify cross-divisional and individual division-owned core technologies (AI, robotics, etc.), and continue refining them through Group-wide efforts. We intend to repeat cycles of trial and error to provide technology as a means to solve the larger social issues based on our customer needs.

To accelerate the achievement of these pivotal strategies, we actively promote cooperation with external partners on a global scale, including customers, universities and research institutes, and companies from other industries. Fiscal 2017 represents the first year of operating under our VG2.0 medium-term management plan. Our basic management policy for the year is defined as ~Start up VG2.0~ A Firm First Step Toward Innovation. Our quantitative goals for the year will be sales of JPY 810 billion, gross profit margin of 40.6%, operating income of JPY 68 billion, net income attributable to shareholders of JPY 48.5 billion, and ROIC of 10% or greater. We will come together as a united OMRON Group, working diligently to achieve three basic scenarios: Group growth driven by focused domains; Profit creation through improved Group-wide earnings ability; and Stronger investment in growth fields and technologies.

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

(JPY millions)

	76th term (April 1, 2012 to March 31, 2013)	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)
Net Sales	650,461	772,966	847,252	833,604	794,201
Operating Income	45,343	68,055	86,591	62,287	67,566
Income before Income Taxes	41,237	62,007	87,388	65,686	65,492
Net Income Attributable to Shareholders	30,203	46,185	62,170	47,290	45,987
Basic Net Income Attributable to Shareholders per Share (JPY)	137.20	209.82	283.89	218.95	215.09
Total Assets	573,637	654,704	711,011	683,325	697,701
Shareholders' Equity	366,962	430,509	489,769	444,718	469,029
Shareholders' Equity per Share (JPY)	1,667.04	1,956.06	2,254.37	2,079.98	2,193.72
Return on Equity (%)	8.8	11.6	13.5	10.1	10.1

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)

	76th term (April 1, 2012 to March 31, 2013)	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)
Net Sales	199,988	240,167	275,060	263,593	269,083
Ordinary Income	18,882	24,306	45,157	34,993	41,963
Net Income	6,654	19,432	31,697	32,659	29,652
Net Income per Share (JPY)	30.23	88.28	144.74	151.21	138.69
Total Assets	358,833	381,438	406,711	427,278	448,158
Net Assets	227,055	240,133	257,499	249,743	260,124
Net Assets per Share (JPY)	1,031.46	1,091.07	1,185.23	1,167.90	1,216.64

**(6) Principal Subsidiaries**

(As of March 31, 2017)

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) 6,890	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 164 consolidated subsidiaries and 16 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, 2017)

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, 2017)

Number of employees	Change from March 31, 2016
36,008	Decrease of 1,701 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, 2017)

Japan	The Americas	Europe	China	Southeast Asia and others	Total
11,414	4,147	2,173	12,257	6,017	36,008
31.7%	11.5%	6.0%	34.1%	16.7%	100.0%

**(9) Major Lenders**

There were no major lenders at the end of the fiscal year ended March 31, 2017.

## 2. Stock Information (As of March 31, 2017)

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

(2) Total Number of Shares Issued 213,958,172 shares (including 152,836 shares of treasury stock)

(3) Number of Shareholders 36,277

### (4) Major Shareholders (Top Ten Shareholders)

Shareholder	Number (thousands of shares)	Percentage Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	12,059	5.64
State Street Bank & Trust Company 505223	11,430	5.34
The Master Trust Bank of Japan, Ltd. (trust account)	7,770	3.63
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,713	3.60
The Bank of Kyoto, Ltd.	7,069	3.30
State Street Bank & Trust Company	5,248	2.45
JP Morgan Chase Bank 385632	4,016	1.87
Japan Trustee Services Bank, Ltd. (trust account 5)	3,905	1.82
Nippon Life Insurance Company	3,640	1.70
The Bank of New York Mellon SA/NV 10	3,462	1.61

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

2. On October 6, 2016, BlackRock Japan Co., Ltd. filed an amendment to the major shareholding status report, that is open to public, stating that its ten (10) group companies held 14,383 thousand shares of the Company (representing 6.72% of the total number of shares issued) as of September 30, 2016. However, OMRON has not been able to confirm the number of shares currently possessed by the company as of the end of the fiscal year under review, and therefore these shares are not included in major shareholders stated above.

3. On February 2, 2017, Harris Associates, L.P. filed an amendment to the major shareholding status report, that is open to public, stating that it held 9,953 thousand shares of the Company (representing 4.65% of the total number of shares issued) as of January 31, 2017. However, OMRON has not been able to confirm the number of shares currently possessed by the company 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	107	36	350	660 (15)	31,198	32,351	—
Number of shares owned (units)	712,806	23,411	121,130	1,015,613 (72)	264,153	2,137,113	246,872 shares
Percent of total (%)	33.35	1.10	5.67	47.52 (0.00)	12.36	100.00	—

Notes: 1. Of the 152,836 shares of treasury stock in the shareholder register as of March 31, 2017, 152,800 shares are included in the “Individuals and Others” column, and 36 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

(1) Overview of the description of stock acquisition rights, etc. granted to officers of the Company at the end of the fiscal year under review as compensation for the execution of duties assigned to them  
None applicable.

(2) Overview of the description of stock acquisition rights, etc. granted to the employees of the Company, and officers and employees of subsidiaries in the fiscal year under review as compensation for their execution of duties  
None applicable.

(3) Other significant matters concerning stock acquisition rights, etc.

Based on the resolutions of the Board of Directors' meetings, the Company issued performance-linked stock acquisition rights with charge to Directors in order to increase their motivation to meet the performance goals in the medium-to-long-term management plan "EARTH-1 Stage," and to create shareholder value in the medium-to-long-term so as to encourage Directors to own shares of the Company. The details of the stock acquisition rights as of March 31, 2017 are as follows.

	Resolution date of issuance	Persons to be allotted the stock acquisition rights	Number of stock acquisition rights to be allotted	Class and number of shares subject to be issued upon exercise of the stock acquisition rights (100 shares per right)	Amount to be paid for exercise of stock acquisition rights (per right)	Amount to be contributed upon exercise of the stock acquisition rights (per share)	Stock acquisition rights exercisable period
7th stock acquisition rights	June 24, 2014	5 Directors excluding Directors (Independent)	173	Common stock 17,300 shares	JPY 28,000	JPY 4,335	From July 1, 2017 to June 30, 2019
8th stock acquisition rights	June 23, 2015	5 Directors excluding Directors (Independent) and 23 Executive Officers	470	Common stock 47,000 shares	JPY 64,200	JPY 5,780	From July 1, 2017 to June 30, 2020
9th stock acquisition rights	June 23, 2016	5 Directors excluding Directors (Independent) and 22 Executive Officers	743	Common stock 74,300 shares	JPY 31,000	JPY 3,615	From July 1, 2017 to June 30, 2021

Note: The holders of the above stock acquisition rights can exercise these rights to the extent of the number of rights corresponding to the exercisable ratio in the table below on the basis of the consolidated net sales for the fiscal year ended March 31, 2017, stated in the Annual Securities Report to be submitted in June 2017 pursuant to the Financial Instruments and Exchange Act. Other conditions regarding the exercise of the rights are defined by the agreements made and entered into between the Company and the holder of stock acquisition rights. The number of exercisable rights is finally determined based on consolidated net sales for fiscal 2016; net sales recorded in the consolidated statements of income on page 61 were JPY 794,201 million. Therefore, no allotted rights will be expected to be exercisable.

Consolidated net sales for the fiscal year ended March 31, 2017	Exercisable ratio
When net sales exceed JPY 800 billion	33%
When net sales exceed JPY 850 billion	50%
When net sales exceed JPY 900 billion	67%
When net sales exceed JPY 925 billion	75%
When net sales exceed JPY 950 billion	84%
When net sales exceed JPY 975 billion	92%
When net sales exceed JPY 1 trillion	100%



## 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
Chairman of the Board	Fumio Tateishi	Chairman of the Board of Directors Meeting Member of the CEO Selection Advisory Committee
Representative Director and President	Yoshihito Yamada	CEO
Representative Director and Executive Vice President	Yoshinori Suzuki	CFO Member of the Personnel Advisory Committee
Director and Executive Vice President	Akio Sakumiya	Vice Chairman of the Personnel Advisory Committee Vice Chairman of the CEO Selection Advisory Committee Vice Chairman of the Compensation Advisory Committee
Director	Koji Nitto	Senior Managing Executive Officer Senior General Manager of Global Strategy H.Q. Member of the Compensation Advisory Committee
Director (Independent)	Kazuhiko Toyama [Outside Officer] [Independent Officer]	Chairman of the CEO Selection Advisory Committee Chairman of the Corporate Governance Committee Member of the Personnel Advisory Committee (retired from the position of Chairman in June 2016) Member of the Compensation Advisory Committee CEO of Industrial Growth Platform, Inc. Outside Director of PIA Corporation Outside Director of Panasonic Corporation
Director (Independent)	Eizo Kobayashi [Outside Officer] [Independent Officer]	Chairman of the Personnel Advisory Committee Chairman of the Compensation Advisory Committee Vice Chairman of the Corporate Governance Committee Member of the CEO Selection Advisory Committee Chairman of ITOCHU Corporation (retired from the position of Director in June 2016) 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 Chairman of ITOCHU Foundation Chairman of Japan Foreign Trade Council, Inc.

Title	Name	Areas of Responsibility and Significant Concurrent Positions
Director (Independent)	Kuniko Nishikawa [Outside Officer] [Independent Officer]	Member of the Personnel Advisory Committee Member of the CEO Selection Advisory Member of the Compensation Advisory Committee Member of the Corporate Governance Committee President & CEO of Firststar Healthcare Co. Ltd. President of Benesse MCM Corp. (retired in March 2017) Non-Executive Director and Member of the Regional Economy Vitalization Committee of Regional Economy Vitalization Corporation of Japan

Title	Name	Significant Concurrent Positions
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo	
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima	
Audit & Supervisory Board Member (Independent)	Yoshifumi Matsumoto [Outside Officer] [Independent Officer]	Partner of Miyake & Partners, Attorney at Law
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama [Outside Officer] [Independent Officer]	Executive Advisor of ASAHI Tax Corporation

Notes: 1. For Directors (Independent) Kazuhiko Toyama, Eizo Kobayashi and Kuniko Nishikawa, and Audit & Supervisory Board Members (Independent) Yoshifumi Matsumoto and Hideyo Uchiyama, 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 15 to 16.

2. Mr. Kazuhiko Toyama currently serves as President and CEO of Industrial Growth Platform, Inc. (IGPI). While the Group has concluded a consulting contract with the IGPI Group, transaction accounts for less than 1% of the consolidated net sales of the Group and those of the IGPI Group. In addition, Mr. Toyama concurrently serves as an Outside Director of Panasonic Corporation. While the Group has a business relationship that includes sales of products, such transactions account for less than 1% of the consolidated net sales of the Group and those of the Panasonic Group.

3. Mr. Eizo Kobayashi serves as Chairman of ITOCHU Corporation (“ITOCHU”), 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.

4. There are no special relationships between the Company and significant concurrent employers of other Outside Officers.

5. Audit & Supervisory Board Member (Full-time) Kiichiro Kondo has work experience in financial institutions, and has considerable knowledge regarding finance and accounting.

6. Audit & Supervisory Board Member (Full-time) Tokio Kawashima has years of work experience in financial institutions, and has considerable knowledge regarding finance and accounting.

7. 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.

8. Changes in Directors’ and Audit & Supervisory Board Members’ positions in the fiscal year under review are as follows.

(Appointment) At the 79th Ordinary General Meeting of Shareholders held on June 23, 2016, Mr. Hideyo Uchiyama was newly elected and appointed as Audit & Supervisory Board Member.

(Retirement) At the close of the 79th Ordinary General Meeting of Shareholders held on June 23, 2016, Mr. Eisuke Nagatomo retired from the position of Audit & Supervisory Board Member due to the expiry of his term.

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

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

Based on a resolution of the Board of Directors, the Company has a Compensation Advisory Committee to increase objectivity and transparency with respect to the compensation of Directors and Audit & Supervisory Board Members. The Compensation Advisory Committee is composed of five (5) members, excluding the Chairman of the Board and President of the Company, and is chaired by a Director (Independent) on the Board of Directors, and sets the Company's fundamental principles for compensation of officers.

For the compensation of Directors, the Compensation Advisory Committee is consulted and discusses the compensation of each individual, then makes recommendations based on the Company's compensation principles. Upon the recommendations, the amount of compensation for each Director is determined by resolution of the Board of Directors, within the scope of the aggregate compensation amounts for all Directors set by resolution of the General Meeting of Shareholders.

In addition, the Company has introduced medium-term performance-linked bonuses and issued performance-linked stock acquisition rights in an effort to give Directors incentive to achieve the medium-term management targets and to strengthen the governance of compensation.

In response to these, the governance system regarding compensation of Directors, etc. consists of: (1) base salary, (2) yearly performance-linked bonuses, and (3) medium-term performance-linked bonuses, stock compensation and performance-linked stock acquisition rights. Through this governance system regarding compensation, etc., the Company aims for encouraging Directors to continually enhance corporate value by positively achieving short, medium and long-term management targets.

The amount of compensation for each Audit & Supervisory Board Member is determined by discussions among the Audit & Supervisory Board Members, within the scope of the aggregate compensation amounts for all Audit & Supervisory Board Members set by resolution of the General Meeting of Shareholders.

Fundamental principles and basic policies for the compensation of Company's Officers are as described on page 45.

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

(JPY millions)

Title	Number (Persons)	Base Salary	Yearly Performance-Linked Bonuses	Medium-term Performance-Linked Bonuses	Aggregate Compensation
Directors	8	380	149	59	588
[Directors (Independent)]:	[3]	[36]	[—]	[—]	[36]
Audit & Supervisory Board Members	5	82	—	—	82
[Audit & Supervisory Board Members (Independent)]:	[3]	[18]	[—]	[—]	[18]
Total	13	462	149	59	670
[Outside Officers (Independent) included in total]:	[6]	[54]	[—]	[—]	[54]

Notes: 1. The above amounts include compensation paid to one (1) Audit & Supervisory Board Member (Independent) who retired at the close of the 79th Ordinary General Meeting of Shareholders held on June 23, 2016.

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).

4. The above yearly performance-linked bonuses are the amounts that the Company plans to pay, provided that the proposal No. 6 "Payment of Yearly Performance-Linked Bonuses to Directors" at this Ordinary General Meeting of Shareholders is approved and resolved as originally proposed.

5. The maximum limit of the total payment of medium-term performance-linked bonuses was set at JPY 600 million at the 77th Ordinary General Meeting of Shareholders held on June 24, 2014. The medium-term performance-linked bonuses are planned to be paid based on the consolidated operating income for the fiscal year ended March 31, 2017, which is the final year of the medium-term management plan targeting the three years from fiscal 2014 through fiscal 2016.
6. No Directors of the Company received any employee wages other than their compensation as Directors.

### **Basic Principles of Compensation for Officers**

- Compensation for Directors and Executive Officers shall be based on the implementation of the Company's motto and corporate principles (the Omron Principles).
- The Company shall pay compensation sufficient to recruit, hire and maintain exceptional personnel as officers.
- The compensation structure shall contribute to long-term maximization of corporate value by providing motivation for Directors and Executive Officers.
- The compensation structure shall maintain a high level of transparency, fairness and rationality, to ensure account ability to shareholders and other stakeholders.
  - To ensure transparency, fairness and rationality in the compensation for individuals, each Director / Executive Officer's compensation shall be set by consultation with the Compensation Advisory Committee.
- The purpose of compensation shall be made clear, and a compensation plan shall be created according to the roles and responsibilities of each Director / Executive Officer.

### **Compensation Policy for Directors**

- Compensation for Directors shall consist of a base salary, yearly performance-linked bonuses, and medium-to-long-term, performance-linked compensation.
  - The Company shall provide base salaries sufficient to recruit, hire and maintain exceptional personnel capable of implementing the Company's motto and the Omron Principles.
  - The Company shall provide yearly performance-linked bonuses as performance incentives with emphasis on yearly results.
    - The amount of yearly performance-linked bonuses shall be based on a standard amount for each position, and shall be determined according to the degree of achievement and growth rate for evaluation indicators for bonuses, including income before income taxes, return on invested capital (ROIC), net income attributable to shareholders, and cash dividends per share.
  - To ensure thorough implementation of the Company's long-term management plan, the Company shall provide the following two types of compensation linked to medium-to-long-term performance as incentives for meeting medium-term management targets.
    - The Company shall pay medium-term, performance-linked bonuses depending on the achievement of medium-term management targets.
    - The Company shall grant stock compensation (Note 1) as compensation linked to maximization of corporate value (shareholders' value).
- Separate from the compensation stated above, the Company shall issue performance-linked stock acquisition rights. (Note 2)
  - Performance-linked stock acquisition rights shall be issued under the condition of the achievement of medium-term management targets by Directors and a rise of the Company's stock price. The objectives are to create medium-to long-term shareholder value and encourage Directors to own shares of the Company.
- Compensation for Directors (Independent) shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- No retirement bonuses shall be paid.
- The level of compensation shall be determined by taking into account the levels of other companies surveyed by a specialized outside organization.

### **Compensation Policy for Audit & Supervisory Board Members**

- Compensation for Audit & Supervisory Board Members shall consist only of a base salary that reflects their roles. It shall be sufficient to recruit, hire and maintain excellent personnel.
- No retirement bonuses shall be paid.
- The level of compensation shall be determined by taking into account the levels of other companies surveyed by a specialized outside organization.

- Notes: 1. The guidelines for stock compensation shall consist of a fixed amount of compensation given each month to Directors, who will use it to make monthly purchases of the Company's stock (through the officers' stockholding association) and hold this stock during their term of office.
2. The performance-linked stock acquisition rights are issued with charge at a price equivalent to the fair value of the stock acquisition rights, thus the amount to be paid in exchange for stock acquisition rights is not favorable for individuals who are allotted the stock acquisition rights. Because of this, the stock acquisition rights do not fall under the category of compensation for Directors, and thus they shall be issued via a resolution by the Company's Board of Directors.

### (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.”

#### 2) Main Activities in the Past Fiscal Year

	Name	Main Activities
Directors (Independent)	Kazuhiko Toyama	Attended 12 of the 13 Board of Directors meetings held during the period (attendance rate: 92.3%), and made statements as necessary mainly from his perspective as a manager with abundant experience. He currently serves as Chairman of the CEO Selection Advisory Committee and Corporate Governance Committee.
	Eizo Kobayashi	Attended all 13 of the 13 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 Chairman of the Personnel Advisory Committee and 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.
Audit & Supervisory Board Members (Independent)	Yoshifumi Matsumoto	Attended 12 of the 13 Board of Directors meetings (attendance rate: 92.3%) 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 an attorney.
	Hideyo Uchiyama	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 a certified public accountant.

Note: Mr. Hideyo Uchiyama was newly elected and appointed as Audit & Supervisory Board Member at the 79th Ordinary General Meeting of Shareholders held on June 23, 2016, and therefore his attendance figures are stated for the Board of Directors meetings and the Audit & Supervisory Board meetings held on and after June 23, 2016.

#### 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, 2017

1)	Total amount of compensation to be paid to the Accounting Auditor by the Company and its subsidiaries	JPY 235 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 235 million
3)	Of the total amount in 2), amount of compensation as Accounting Auditor to be paid by the Company	JPY 185 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 OMRON Group has set forth the corporate governance policies (the "Policies") as the foundation for the Group's pursuit of continuous improvement of its corporate governance.

### **[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 deliberates on and establishes the Compensation Policy for Directors and 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, yearly performance-linked bonuses, medium-term performance-linked bonuses, and stock compensation. The amount of yearly performance-linked bonuses and medium-term performance-linked bonuses will be determined according to the degree of achievement of management targets.
  - Separate from medium-term performance-linked bonuses and stock compensation, performance-linked stock acquisition rights shall be issued as one of the medium- to long-term incentives.
  - Compensation for Directors (Independent) shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- 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

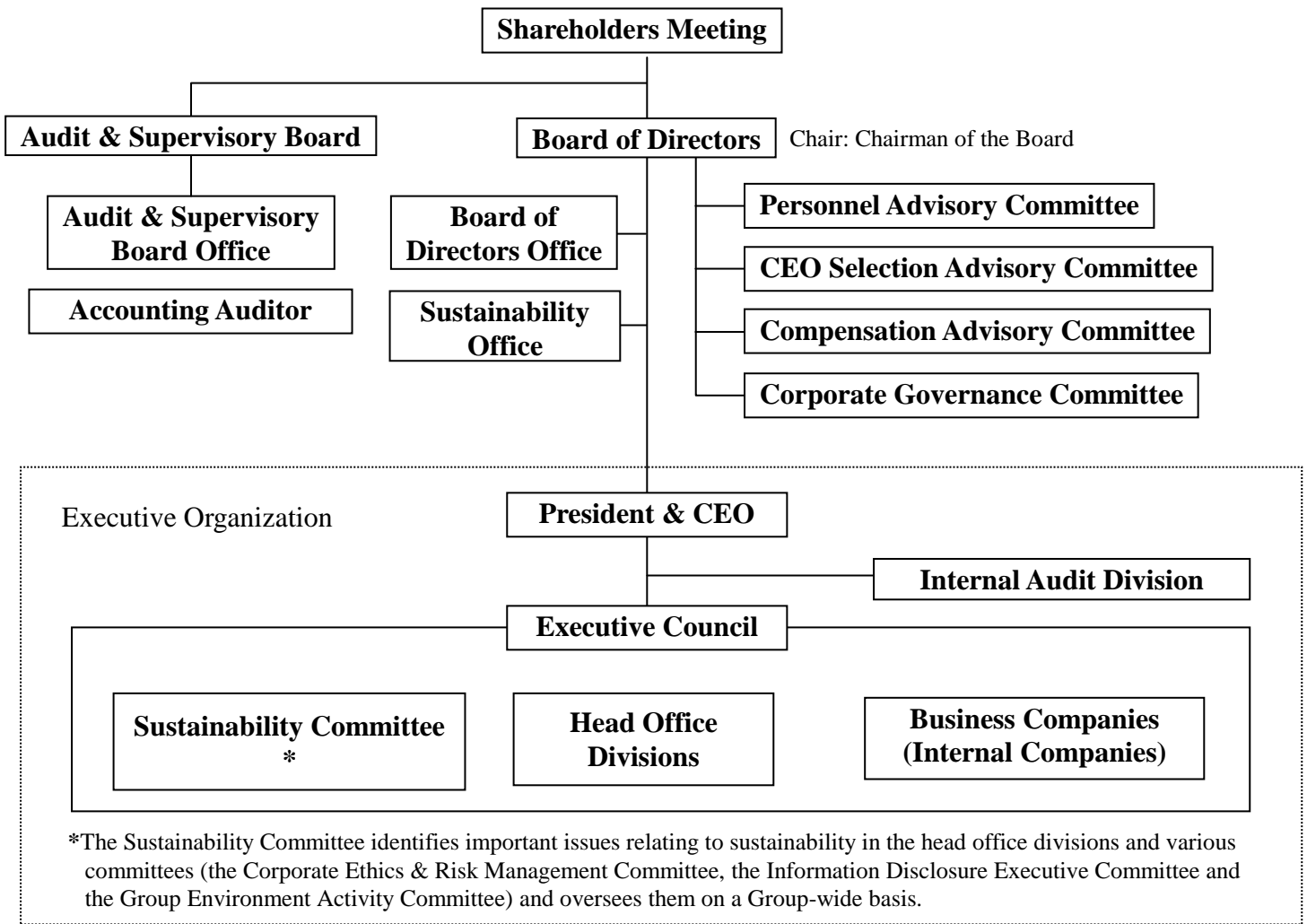
In accordance with the relevant rules, the Corporate Governance Committee is intended to enhance the transparency and fairness of management practices from the standpoint of all stakeholders and continuously take steps to enhance corporate governance.

- 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/governance/organization/>

# 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 50 to 51.

**【The Personnel Advisory Committee】**

A committee to set criteria and policies relating to the selection of Directors 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

Position	name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		□		
Representative Director and President	Yoshihito Yamada				
Representative Director and Executive Vice President	Yoshinori Suzuki	□			
Director and Executive Vice President	Akio Sakumiya	○	○	○	
Director	Koji Nitto			□	
Director (Independent)	Kazuhiko Toyama*	□	◎	□	◎
Director (Independent)	Eizo Kobayashi*	◎	□	◎	○
Director (Independent)	Kuniko Nishikawa*	□	□	□	□
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Yoshifumi Matsumoto*				□
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama*				□

◎ Chairperson ○ Vice-Chairperson □ Committee Member

\* Independent Officer

## **Overview of the Results of the Evaluation of the Board of Directors' Effectiveness**

The Company conducts analysis and evaluation of the Board's effectiveness so that the members of the Board will enhance the function and the effectiveness of the Board to realize the sustained improvements in corporate value by recognizing, sharing and improving the direction to be taken by the Board and the issues arising from such direction.

### **[Method of evaluation of the Board's effectiveness]**

Evaluation on 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).

In conducting the evaluation of the Board's effectiveness, following on from the previous year, all Directors comprising the Board of Directors and Audit & Supervisory Board Members were asked to complete an anonymous self-evaluation questionnaire. This year's topics included evaluation of the policy for the operation of the Board of Directors, which was formulated in fiscal 2016, and the specific initiatives taken based on the said policy, in addition to such topics as the details of deliberation by the Board and its operation methods.

The Chairman of the Board of Directors Meeting also conducted individual interviews with each of the Directors and exchanged opinions on improving the effectiveness of the Board.

The Corporate Governance Committee analyzed the results of the self-evaluations and the interviews with the Chairman of the Board of Directors Meeting, sorted out the issues and reported the results of the evaluation of the Board's effectiveness to the Board of Directors.

Based on these evaluation results, the Board of Directors formulated the policy for the operation of the Board of Directors for fiscal 2017.

### **[Results of evaluation of the Board's effectiveness]**

The Corporate Governance Committee confirmed that the governance system currently adopted by the Company and the operation of the system worked properly without any problems.

Additionally, the Committee confirmed regarding the status of the initiatives based on the Board's operation policy formulated in FY2016 and future issues, as described below:

Initiatives based on the policy for the operation of the Board of Directors for fiscal 2016:

- The Board of Directors discussed medium-to-long-term management strategies and approved "VG2.0," the medium-term management plan, which includes specific initiatives and the attainment targets.
- The Board of Directors formulated a policy for Group-wide efforts toward ESG (\*) (sustainability policy), and developed a system for overseeing underlying materiality in the policy and initiatives to address the materiality.
- The Board of Directors, regarding the delegation of authorities to executive organizations, revised the Board of Directors Rules and delegated its authorities relating to certain matters to be deliberated.

(\*) ESG is an acronym for Environment, Social and Governance.

Future issues

- Demonstrating the oversight function of the Board of Directors toward the achievement of "VG2.0," the medium-term management plan.

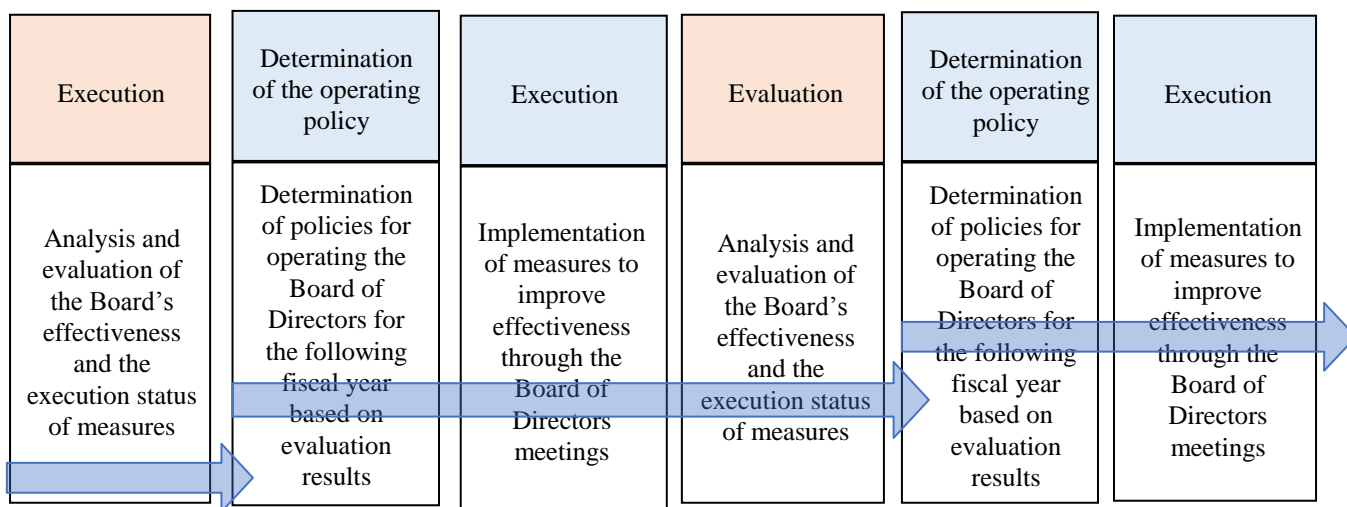
### **[Policy for the operation of the Board of Directors for the following fiscal year]**

Based on the evaluation results by the Corporate Governance Committee, 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.

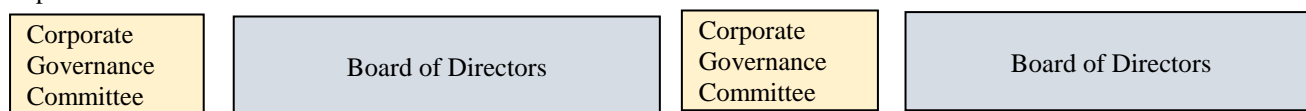
- Confirming the progress of the short-term management plan
- Human resources strategies and technical strategies that are the key to medium-term management strategies
- Initiatives to address materiality which have been identified based on the sustainability policy

The Company makes ongoing efforts in enhancing the Board’s effectiveness to achieve sustained improvements in corporate value.

**Initiatives towards improving the Board of Directors’ effectiveness**



**Implementation bodies**



**(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 by globally expanding the activities of the Corporate Ethics Month, which had been carried out in Japan.

#### **(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 revising the business continuity plan, rearranging the reporting and response procedures at the time of crisis, and other measures.

## **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 incorporating IT systems into the decision-making processes and revising decision-making authority.

## **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, officers for the periodic interviews were expanded to the managers of divisions relating to internal controls, except Executive Officers. In addition, a council for discussions and the exchange of opinions were arranged for Audit & Supervisory Board Members, the Accounting Auditors and the internal control departments, in an effort to strengthen coordination among the three parties.

## **(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. In terms of the annual dividends for the fiscal year ended March 31, 2017, the Company has applied the payout ratio of 30%, as per the previous policy.

## **(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/governance/organization/>

# Consolidated Financial Statements

## Consolidated Balance Sheets

(JPY millions)

Item	80th term (As of March 31, 2017)	(Reference) 79th term (As of March 31, 2016)	Item	80th term (As of March 31, 2017)	(Reference) 79th term (As of March 31, 2016)
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current Assets:</b>	<b>435,904</b>	<b>389,609</b>	<b>Current Liabilities:</b>	<b>172,081</b>	<b>162,663</b>
Cash and cash equivalents	126,026	82,910	Notes and accounts payable — trade	89,362	82,606
Notes and accounts receivable — trade	169,210	165,093	Accrued expenses	39,354	37,975
Allowance for doubtful receivables	(1,320)	(1,654)	Income taxes payable	6,994	6,890
Inventories	109,404	107,267	Other current liabilities	36,371	35,192
Deferred income taxes	19,123	18,469	<b>Deferred Income Taxes</b>	<b>763</b>	<b>660</b>
Other current assets	13,461	17,524	<b>Termination and Retirement</b>		
<b>Property, Plant and Equipment:</b>	<b>127,615</b>	<b>146,565</b>	<b>Benefits</b>	<b>43,708</b>	<b>62,289</b>
Land	25,550	26,376	<b>Other Long-Term Liabilities</b>	<b>10,392</b>	<b>10,679</b>
Buildings	141,527	146,412	<b>Total Liabilities</b>	<b>226,944</b>	<b>236,291</b>
Machinery and equipment	189,286	204,499	<b>NET ASSETS</b>		
Construction in progress	6,104	6,142	<b>Shareholders' Equity:</b>	<b>469,029</b>	<b>444,718</b>
Accumulated depreciation	(234,852)	(236,864)	Common stock	64,100	64,100
<b>Investments and Other Assets:</b>	<b>134,182</b>	<b>147,151</b>	Capital surplus	99,138	99,101
Goodwill	30,385	30,253	Legal reserve	17,813	15,194
Investments in and advances to affiliates	25,303	25,048	Retained earnings	346,000	317,171
Investment securities	27,006	37,055	Accumulated other comprehensive income (loss):	(57,363)	(50,204)
Leasehold deposits	6,907	6,758	Foreign currency translation adjustments	(6,327)	2,541
Deferred income taxes	21,101	22,080	Pension liability adjustments	(56,571)	(64,525)
Other assets	23,480	25,957	Unrealized gains on available- for-sale securities	5,765	11,884
			Net gains (losses) on derivative instruments	(230)	(104)
			Treasury stock, at cost	(659)	(644)
			<b>Noncontrolling Interests</b>	<b>1,728</b>	<b>2,316</b>
<b>Total Assets</b>	<b>697,701</b>	<b>683,325</b>	<b>Total Net Assets</b>	<b>470,757</b>	<b>447,034</b>
			<b>Total Liabilities and Net Assets</b>	<b>697,701</b>	<b>683,325</b>

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

## Consolidated Statements of Income

(JPY millions)

Item	80th term (April 1, 2016 to March 31, 2017)	(Reference) 79th term (April 1, 2015 to March 31, 2016)
Net sales	794,201	833,604
Cost of sales	482,399	512,792
Gross profit	311,802	320,812
Selling, general and administrative expenses	193,539	205,735
Research and development expenses	50,697	52,790
Other expenses (income), net	2,074	(3,399)
Income before income taxes and equity in loss (earnings) of affiliates	65,492	65,686
Income taxes	19,882	20,043
Current	19,871	17,760
Deferred	11	2,283
Equity in loss (earnings) of affiliates	(712)	(2,039)
Net income	46,322	47,682
Net income attributable to noncontrolling interests	335	392
Net income attributable to shareholders	45,987	47,290

Notes: 1. The amounts above are rounded to the nearest million JPY.

2. Income taxes for the 79th term include the reversal of deferred tax assets of JPY 1,274 million, following the enactment of the law concerning reduction of income tax rates, etc.

(Reference)

**Consolidated Statements of Comprehensive Income (Loss)**

(JPY millions)

	80th term (April 1, 2016 to March 31, 2017)	79th term (April 1, 2015 to March 31, 2016)
Net income	46,322	47,682
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(9,010)	(23,916)
Pension liability adjustments	7,954	(28,039)
Unrealized gains (losses) on available-for-sale securities	(6,119)	(10,594)
Net gains (losses) on derivative instruments	(126)	(288)
Other comprehensive income (loss)	(7,301)	(62,837)
Comprehensive income (loss)	39,021	(15,155)
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	193	248
Comprehensive income (loss) attributable to shareholders	38,828	(15,403)

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 78th term	64,100	99,070	13,403	301,174	12,489	(467)	489,769	2,325	492,094
Net income				47,290			47,290	392	47,682
Cash dividends paid to OMRON Corporation shareholders				(14,656)			(14,656)		(14,656)
Cash dividends paid to noncontrolling interests							—	(256)	(256)
Equity transactions with noncontrolling interests and other							—	(1)	(1)
Transfer to legal reserve			1,791	(1,791)			—		—
Foreign currency translation adjustments					(23,772)		(23,772)	(144)	(23,916)
Pension liability adjustments					(28,039)		(28,039)		(28,039)
Unrealized gains (losses) on available-for-sale securities					(10,594)		(10,594)		(10,594)
Net gains (losses) on derivative instruments					(288)		(288)		(288)
Acquisition of treasury stock						(15,023)	(15,023)		(15,023)
Sale of treasury stock		0				0	0		0
Retirement of treasury stock				(14,846)		14,846	—		—
Issuance of stock acquisition rights		31					31		31
Balance, end of the 79th term	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	64,100	99,138	17,813	346,000	(57,363)	(659)	469,029	1,728	470,757

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

(Reference)

## Consolidated Statements of Cash Flows

(JPY millions)

Item	80th term (April 1, 2016 to March 31, 2017)	79th term (April 1, 2015 to March 31, 2016)
<b>I Operating Activities:</b>		
1. Net income	46,322	47,682
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	28,966	31,460
(2) Net loss (gain) on sales and disposals of property, plant, and equipment	705	(485)
(3) Loss on impairment of long-lived assets	12,998	463
(4) Net gain on sales of investment securities	(3,764)	(1,499)
(5) Loss on impairment of investment securities	558	68
(6) Gain on contribution of securities to retirement benefit trust	(7,004)	(4,140)
(7) Termination and retirement benefits	2,863	698
(8) Deferred income taxes	11	2,283
(9) Equity in loss (earnings) of affiliates	(712)	(2,039)
(10) Gain on sale of business	(3,686)	—
(11) Changes in assets and liabilities	902	8,130
(12) Other, net	(284)	1,586
Total adjustments	31,553	36,525
<b>Net cash provided by operating activities</b>	<b>77,875</b>	<b>84,207</b>
<b>II Investing Activities:</b>		
1. Proceeds from sales or maturities of investment securities	4,606	2,214
2. Purchase of investment securities	(3,274)	(330)
3. Capital expenditures	(25,816)	(37,903)
4. Decrease (increase) in leasehold deposits, net	(145)	115
5. Proceeds from sale of property, plant and equipment	2,278	2,239
6. Decrease (increase) in investment in and loans to affiliates	30	(20)
7. Proceeds from sale of business, net of cash paid	7,187	—
8. Acquisition of business, net of cash acquired	—	(33,448)
9. Other, net	93	17
<b>Net cash used in investing activities</b>	<b>(15,041)</b>	<b>(67,116)</b>
<b>III Financing Activities:</b>		
1. Net repayments of short-term debt	155	2
2. Dividends paid by the Company	(14,539)	(16,077)
3. Dividends paid to noncontrolling interests	(297)	(256)
4. Payments for equity transactions with noncontrolling interests	(470)	—
5. Acquisition of treasury stock	(16)	(15,023)
6. Other, net	155	(196)
<b>Net cash used in financing activities</b>	<b>(15,012)</b>	<b>(31,550)</b>
<b>IV Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(4,706)</b>	<b>(5,253)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>43,116</b>	<b>(19,712)</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>82,910</b>	<b>102,622</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>126,026</b>	<b>82,910</b>

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 164 subsidiaries.

##### 2. Application of Equity Method

Investments in the Company's 16 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. Fixed assets are depreciated by the following methods:

Property, plant and equipment:	Principally on a declining-balance method
Goodwill and other intangible fixed assets:	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.)

##### 7. 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).

##### 8. Accounting Treatment of Consumption Taxes

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

## Notes Related to Consolidated Balance Sheets

Pledged assets

Assets pledged as collateral

Investment securities

Total

JPY 200 million

JPY 200 million

## Notes Related to Consolidated Statements of Income

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

Loss on impairment of property, plant and equipment	JPY 12,998 million
Structural reform expenses	JPY 1,340 million
Net loss on sales and disposals of property, plant, and equipment	JPY 705 million
Loss on impairment of investment securities	JPY 558 million
Gain on sale of business	JPY (3,686) million
Net gain on sales of investment securities	JPY (3,764) million
Gain on establishment of retirement benefit trust	JPY (7,004) 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, 2017 (80th consolidated account settlement date), fair value and differences are as follows.

	Balance Sheet Amount (*)	Fair Value (*)	Difference
(1) Investment securities	19,551	19,551	—
(2) Derivatives			
Other current assets	248	248	—
Other current liabilities	(3,141)	(3,141)	—

(JPY millions)

(\*) 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 7,455 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 215.09
2. Net income attributable to shareholders per share, diluted	JPY 215.09
3. Shareholders' equity per share	JPY 2,193.72

## Subsequent Events

No significant event took place since March 31, 2017.

## Non-consolidated Financial Statements

### Non-consolidated Balance Sheets

(JPY millions)

Item	80th term (As of March 31, 2017)	(Reference) 79th term (As of March 31, 2016)	Item	80th term (As of March 31, 2017)	(Reference) 79th term (As of March 31, 2016)
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current Assets:</b>	<b>160,562</b>	<b>130,903</b>	<b>Current Liabilities:</b>	<b>165,011</b>	<b>151,522</b>
Cash and time deposits	55,163	28,653	Notes payable - trade	1,508	1,302
Notes receivable - trade	2,021	1,338	Accounts payable - trade	27,206	23,526
Accounts receivable - trade	52,686	45,897	Short-term borrowings from affiliated companies	103,522	99,887
Securities	25	25	Lease liabilities	829	837
Finished products	11,638	10,815	Other payables	11,253	8,573
Materials	3,672	3,732	Accrued expenses	9,904	9,328
Work in process	4,522	4,644	Income taxes payable	4,998	2,651
Supplies	579	535	Advances received	29	34
Short-term loans receivable	30	50	Deposits received	956	917
Short-term loans to affiliates	19,364	23,291	Accrued bonus to officers	208	118
Other accounts receivable	4,397	3,141	Other current liabilities	4,598	4,349
Other receivable	3,639	3,260	<b>Long-term Liabilities:</b>	<b>23,023</b>	<b>26,013</b>
Deferred income taxes	4,674	4,188	Long-term borrowings from affiliated companies	16,616	20,400
Other current assets	1,963	4,267	Lease liabilities	1,247	1,396
Allowance for doubtful receivables	(3,811)	(2,933)	Accrued bonus to officers	—	102
<b>Fixed Assets:</b>	<b>287,596</b>	<b>296,375</b>	Deferred tax liabilities related to revaluation	1,205	1,205
<b>Property and equipment:</b>	<b>35,673</b>	<b>36,289</b>	Other long-term liabilities	3,955	2,910
Buildings	16,149	16,389	<b>Total Liabilities</b>	<b>188,034</b>	<b>177,535</b>
Structures	885	967	<b>NET ASSETS</b>		
Machinery and equipment	1,249	1,543	<b>Shareholders' Equity:</b>	<b>256,886</b>	<b>241,788</b>
Vehicles and delivery equipment	1	3	<b>Common stock</b>	<b>64,100</b>	<b>64,100</b>
Tools, furniture and fixtures	1,907	1,721	<b>Capital surplus</b>	<b>88,771</b>	<b>88,771</b>
Land	13,167	13,167	Additional paid-in capital	88,771	88,771
Lease assets	1,934	2,084	<b>Retained earnings</b>	<b>104,674</b>	<b>89,561</b>
Construction in progress	381	415	Legal reserve	6,774	6,774
<b>Intangible fixed assets:</b>	<b>5,166</b>	<b>6,056</b>	Other retained earnings:	97,900	82,787
Software and others	5,166	6,056	Reserve for dividends	3,400	3,400
<b>Investments and other assets:</b>	<b>246,757</b>	<b>254,030</b>	Non-restrictive reserve	73,500	73,500
Investment securities	22,203	30,584	Retained earnings unappropriated	21,000	5,887
Investments in affiliated companies	146,379	151,194	<b>Treasury stock, at cost</b>	<b>(659)</b>	<b>(644)</b>
Contribution to affiliated companies	20,918	20,918	<b>Valuation and Translation</b>		
Long-term advances to affiliates	28,401	30,256	<b>Adjustments:</b>	<b>3,238</b>	<b>7,920</b>
Leasehold deposits	4,495	4,496	Unrealized gains on available-for- sale securities	7,766	12,264
Prepaid pension cost	16,608	10,912	Deferred hedge gain (loss)	(205)	(21)
Deferred income taxes	4,833	2,965	Land revaluation difference	(4,323)	(4,323)
Other	2,979	2,765	<b>Stock acquisition rights</b>	<b>—</b>	<b>35</b>
Allowance for doubtful receivables	(59)	(60)	<b>Total Net Assets</b>	<b>260,124</b>	<b>249,743</b>
<b>Total Assets</b>	<b>448,158</b>	<b>427,278</b>	<b>Total Liabilities and Net Assets</b>	<b>448,158</b>	<b>427,278</b>

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

## Non-consolidated Statements of Income

(JPY millions)

Item	80th term (April 1, 2016 to March 31, 2017)	(Reference) 79th term (April 1, 2015 to March 31, 2016)
<b>Net sales</b>	<b>269,083</b>	<b>263,593</b>
Cost of sales	156,333	150,514
<b>Gross profit</b>	<b>112,750</b>	<b>113,079</b>
Selling, general and administrative expenses	90,520	92,600
<b>Operating income</b>	<b>22,230</b>	<b>20,479</b>
<b>Non-operating income:</b>	<b>22,002</b>	<b>17,047</b>
Interest and dividends received	18,709	14,505
Other non-operating income	3,293	2,542
<b>Non-operating expenses:</b>	<b>2,269</b>	<b>2,533</b>
Interest paid	1,020	967
Cash discount on sales	700	709
Quality handling expenses	432	444
Other non-operating expenses	117	413
<b>Ordinary income</b>	<b>41,963</b>	<b>34,993</b>
<b>Extraordinary gains:</b>	<b>8,215</b>	<b>4,918</b>
Gain on sales of property and equipment	1	313
Gain on sales of investment securities	3,620	1,034
Gain on establishment of retirement benefit trust	4,536	3,571
Other extraordinary gains	58	0
<b>Extraordinary losses:</b>	<b>11,388</b>	<b>175</b>
Loss on sales and disposal of property, equipment and intangible fixed assets	444	99
Impairment loss	1,102	—
Loss on valuation of shares of affiliated companies	8,871	—
Loss on liquidation of affiliated companies	—	64
Other extraordinary losses	971	12
<b>Income before income taxes:</b>	<b>38,790</b>	<b>39,736</b>
Income taxes - current	9,600	5,927
Income taxes - deferred	(462)	1,150
<b>Net income</b>	<b>29,652</b>	<b>32,659</b>

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

**Non-consolidated Statements of Changes in Shareholders' Equity**  
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.

## Non-consolidated Statements of Changes in Shareholders' Equity (Reference)

79th Term: April 1, 2015 — March 31, 2016

(JPY millions)

	Shareholders' equity								
	Common stock	Capital surplus			Legal reserve	Retained earnings			Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings			
						Reserve for dividends	Non-restrictive reserve	Retained earnings unappropriated	
Balance at April 1, 2015	64,100	88,771	0	88,771	6,774	3,400	73,500	4,032	87,706
Changes during the year ended March 31, 2016									
Dividends paid				—				(16,077)	(16,077)
Net income				—				32,659	32,659
Acquisition and sale of treasury stock			0	0					—
Retirement of treasury stock			(0)	(0)				(14,850)	(14,850)
Reversal of land revaluation difference				—				123	123
Net change in items other than shareholders' equity during the year				—					—
Total changes during the fiscal year	—	—	(0)	(0)	—	—	—	1,855	1,855
Balance at March 31, 2016	64,100	88,771	—	88,771	6,774	3,400	73,500	5,887	89,561

	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, 2015	(471)	240,106	21,613	14	(4,239)	17,388	5	257,499
Changes during the year ended March 31, 2016								
Dividends paid		(16,077)				—		(16,077)
Net income		32,659				—		32,659
Acquisition and sale of treasury stock	(15,023)	(15,023)				—		(15,023)
Retirement of treasury stock	14,850	—				—		—
Reversal of land revaluation difference		123			(123)	(123)		—
Net change in items other than shareholders' equity during the year		—	(9,349)	(35)	39	(9,345)	30	(9,315)
Total changes during the fiscal year	(173)	1,682	(9,349)	(35)	(84)	(9,468)	30	(7,756)
Balance at March 31, 2016	(644)	241,788	12,264	(21)	(4,323)	7,920	35	249,743

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. 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.
10. The Company uses deferred hedge accounting as its hedge accounting method.
11. 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.
12. The Company applies the consolidated taxation system.

## Supplemental Information

Application of the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

From the fiscal year under review, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016).

### Notes to Non-consolidated Balance Sheets

1. Accumulated depreciation for property and equipment (Note: Includes accumulated impairment loss.)	JPY 72,047 million
2. Pledged assets	
Assets pledged as collateral	
Investment securities	<u>JPY 200 million</u>
Total	<u>JPY 200 million</u>
3. Guarantees	
Guaranteed parties	
OMRON ELETRONICA DO BRASIL LTDA.	<u>JPY 47 million</u>
Total	<u>JPY 47 million</u>
4. Financial Credits and Debts with Regard to Affiliates	
Short-term credits due from affiliated companies	JPY 61,622 million
Long-term credits due from affiliated companies	JPY 28,401 million
Short-term liabilities due to affiliated companies	JPY 129,320 million
Long-term liabilities due to affiliated companies	JPY 17,957 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, 2017, 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 3,884 million.



## Notes to Non-consolidated Statements of Income

Transactions with affiliated companies:

Sales to subsidiaries:	JPY 148,740 million
Purchases from subsidiaries:	JPY 115,781 million
Other transactions:	JPY 17,112 million
Non-operating transactions:	JPY 22,195 million

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

1. Number of shares issued and outstanding as of March 31, 2017:

Common stock 213,958,172 shares

2. Number of shares of treasury stock as of March 31, 2017:

Common stock 152,836 shares

3. Dividends

(1) Dividends paid

Resolution	Total amount (JPY millions)	Dividend per share (JPY)	Record date	Effective date
June 23, 2016 General Meeting of Shareholders	7,269	34.00	March 31, 2016	June 24, 2016
October 27, 2016 Board of Directors Meeting	7,269	34.00	September 30, 2016	December 2, 2016

(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 22, 2017 General Meeting of Shareholders	7,269	34.00	March 31, 2017	June 23, 2017

## 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 1,200 million
Inventories	JPY 785 million
Investment securities	JPY 2,033 million
Investments in affiliated companies	JPY 10,152 million
Accrued bonuses	JPY 2,150 million
Retirement benefit trust	JPY 5,266 million
Unspecified debt	JPY 1,334 million
Depreciable assets	JPY 2,281 million
Others	<u>JPY 1,592 million</u>
Deferred tax assets, Subtotal	JPY 26,793 million
Valuation Allowance	<u>JPY (8,599) million</u>
Deferred tax assets, Total	JPY 18,194 million
Deferred tax liabilities	
Unrealized gains on securities	JPY 3,476 million
Prepaid pension cost	JPY 5,149 million
Others	<u>JPY 62 million</u>
Deferred tax liabilities, Total	JPY 8,687 million
Net deferred tax assets	<u>JPY 9,507 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 Payment of interest <sup>2,4</sup>	5,829 19	Affiliate short-term borrowings Accrued expenses	6,503 —
Subsidiary	OMRON Amusement Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest <sup>2,4</sup>	5,504 18	Affiliate short-term borrowings Accrued expenses	5,873 —
Subsidiary	OMRON Field Engineering Co., Ltd.	Indirect ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest <sup>2,4</sup>	13,617 45	Affiliate short-term borrowings Accrued expenses	13,369 —
Subsidiary	OMRON Relay & Devices Corporation	Direct ownership, 100%	Purchase of products Borrowing Dispatch of Directors	Purchase of components for electronic devices <sup>1</sup>	27,663	Accounts payable – trade	2,916
				Borrowing Payment of interest <sup>2,4</sup>	6,679 22	Affiliate short-term borrowings Accrued expenses	7,251 —
Subsidiary	OMRON Automotive Electronics Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest <sup>2,4</sup>	5,651 17	Affiliate short-term borrowings Accrued expenses	7,211 —
Subsidiary	OMRON Finance Co., Ltd.	Direct ownership, 100%	Lending Dispatch of Directors	Lending Receipt of interest <sup>3,4</sup>	7,138 38	Affiliate short-term loans Accounts receivable	7,359 —
Subsidiary	OMRON Social Solutions Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest <sup>2,4</sup>	6,763 21	Affiliate short-term borrowings Accrued expenses	6,576 —
Subsidiary	OMRON PRECISION TECHNOLOGY Co., Ltd.	Direct ownership, 100%	Lending Dispatch of Directors	Lending Receipt of interest <sup>3,4</sup>	3,594 18	Affiliate short-term loans Accounts receivable	5,995 —
Subsidiary	OMRON Healthcare Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Borrowing Payment of interest <sup>2,4</sup>	4,605 15	Affiliate short-term borrowings Accrued expenses	8,602 —
Subsidiary	OMRON Management Center of America, Inc.	Direct ownership, 100%	Lending Dispatch of Directors	Lending Recovery of funds	544 10,923	Affiliate long-term loans	23,533
				Receipt of interest <sup>4</sup>	426	Accounts receivable	415

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	Sales of control devices <sup>1</sup>	22,917	Accounts receivable – trade	4,879
				Borrowing Payment of interest <sup>4</sup>	8 44	Affiliate short-term borrowings Accrued expenses	21,802 29
Subsidiary	OMRON Asia Pacific Pte. Ltd.	Direct ownership, 100%	Borrowing	Borrowing Payment of interest <sup>4</sup>	48 88	Affiliate short-term borrowings Accrued expenses	5,166 85
Subsidiary	OMRON (China) Co., Ltd.	Direct ownership, 100%	Borrowing Dispatch of Directors	Payment of interest <sup>4</sup>	555	Affiliate long-term borrowings Accrued expenses	16,616 255

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.

**Per Share Information**

1. Net assets per share JPY 1,216.64
2. Net income per share JPY 138.69

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 10, 2017

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, 2017 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, 2016 to March 31, 2017, 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, 2017, 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 10, 2017

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, 2017 of OMRON Corporation (the "Company"), and the related statements of income and changes in net assets for the 80th fiscal year from April 1, 2016 to March 31, 2017, 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, 2017, 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 80th business year (from April 1, 2016 to March 31, 2017), 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 its report is 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 15, 2017

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

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