Integrated Report 2014
Year ended March 31, 2014

Sensing tomorrow™
Omron has its own predictive theory called the SINIC theory. Recognizing society’s potential needs promptly; creating numerous products and services that help industry, society, and people’s lives; and solving social issues problems through business—this is Omron’s value creation story. “Working for the benefit of society”—the aspiration of “creating a better society” implied in this corporate philosophy is being passed on throughout the Company, and Omron is aiming to remain “a company that people around the world require, with high expectations” and will continue its sustainable growth in the years to come together with greater society.

Omron’s “Unwavering Corporate Spirit” Flows to Its Management Roots

Corporate Motto
At work for a better life, a better world for all

Management’s Compass = The SINIC Theory*
Omron announced this predictive theory at the First Future Research World Congress in April 1970.
From the 1990s onward, Omron has set a long-term management vision based on this predictive theory formulated every 10 years with the aim of achieving sustainable growth from a long-term perspective.

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Integrated Report 2014
Editorial Policy
The scope of this report covers the 166 companies of the Omron Group, consisting of 156 consolidated subsidiaries and 10 non-consolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2014). Through its environmental and governance-related activities, Omron is contributing to the development of a sustainable society. Since 2012, we have included in our annual reports information on activities that had previously only been available in the CSR report.

Caution Concerning Forward-Looking Statements
Statements in this integrated report with respect to Omron’s plans, strategies, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in Omron’s markets, which are primarily Japan, Americas, Europe, Asia Pacific, and Greater China; demand for and competitive pricing pressure on Omron’s products and services in the marketplace; Omron’s ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

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Global Business Expansion

Having established bases in 35 countries and regions across the globe, including Japan, Omron is expanding its business with a community-oriented approach. The Omron Group has more than 36,000 employees, 69.1% of whom are overseas employees. Employees mutually express their own values and recognize others and are strongly bonded toward realizing creative innovations.

Business Areas

Businesses United by Core Technologies

Focusing on its mainstay Industrial Automation business, Omron fully utilizes its core “Sensing and Control” technologies and will continue to contribute to the sustainable development of society.

Global Business Expansion

Having established bases in 35 countries and regions across the globe, including Japan, Omron is expanding its business with a community-oriented approach. The Omron Group has more than 36,000 employees, 69.1% of whom are overseas employees. Employees mutually express their own values and recognize others and are strongly bonded toward realizing creative innovations.
Safety Equipment
Safety equipment contributes to the creation of a safe workplace environment by automatically sounding an alarm or safely shutting down machinery when a worker enters a defined danger zone.

Facial Image Sensing Technologies
Image sensing technologies are utilized to recognize peoples’ faces, and confirm people’s identities, estimate age, and determine gender. They are also capable of recognizing and finger movements, thus enabling device control without the need of a remote controller.

Engine Power Steering Controllers
Electric power steering controllers enable smoother steering and help achieve energy savings and better mileage.

Environmental Equipment for Home Use
Omron supplies services related to the development and consignment production of industrial embedded computers and electronic systems as well as uninterruptible power supply units.

Automated Optical Inspection Devices
Automated optical inspection devices use visual cameras and other means to detect defective products, thereby helping production processes to be automated.

High-Precision Control, Contributing
and Display and Operating Devices
Motion Devices for Optimal Control;
Levels, Location, Speed, and Other
Vibration, Temperature and Humidity
Environment.

Automated Ticket Gates
SSB offers total solutions for generating, storing, and saving energy in one-stop service.

Traffic and Road Management Systems
In addition to systems that centralize control of traffic volumes and conditions, SSB is developing next-generation traffic safety systems designed to prevent accidents.

Traffic and Road Management Systems

Automated Optical Inspection Devices

Integrated Report 2014
Omron Corporation

PV Inverters for Solar Power Generation Systems
Used to convert the DC electricity generated by solar panels into AC electricity usable in the home, these PV inverters are contributing to the spread of renewable energy.

Other
PV Inverters for Outdoor Installation

Omron Corporation

Integrated Report 2014
### 11-Year Financial and Non-Financial Highlights

#### Operating Results (for the year):

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (¥)</th>
<th>Gross profit (¥)</th>
<th>Operating income (¥)</th>
<th>Net income (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>7,702,866</td>
<td>2,306,652</td>
<td>1,414,584</td>
<td>150,705</td>
</tr>
<tr>
<td>FY2014</td>
<td>7,819,461</td>
<td>2,438,505</td>
<td>1,532,583</td>
<td>215,401</td>
</tr>
<tr>
<td>FY2015</td>
<td>7,450,461</td>
<td>2,201,187</td>
<td>1,322,576</td>
<td>137,906</td>
</tr>
<tr>
<td>FY2016</td>
<td>7,825,461</td>
<td>2,545,678</td>
<td>1,721,567</td>
<td>268,578</td>
</tr>
<tr>
<td>FY2017</td>
<td>8,050,461</td>
<td>2,667,890</td>
<td>1,824,789</td>
<td>301,457</td>
</tr>
</tbody>
</table>

#### Non-Financial Data:

- **Total assets**: FY2003 - 26,811, FY2013 - 49,397
- **Net cash provided by (used in) financing activities**: FY2003 - (16,298), FY2013 - 3,333
- **EBITDA margin**: FY2003 - 40.9%, FY2013 - 66.2%
- **Net income (loss) attributable to shareholders**: FY2003 - (19,012), FY2013 - 49,397

#### Notes:

2. Operating income includes “gains” associated with the return of pension assets to the government.
3. EBITDA = Operating income + Depreciation and amortization
4. Free cash flow = Net cash provided by operating activities - Net cash used in investing activities

### Notes on Key Achievements:

- **Value Generation 2020** (VG2020):
  - **All stages at time of VG2020 announcement**
  - **Total return ratio (Note 6)**
  - **EBITDA margin (Note 3)**
  - **Net income (loss) attributable to shareholders (basic) (EPS)**

- **Grand Design 2010 (GD2010)**:
  - **First Stage**: Establishing a Profit Structure
  - **Second Stage**: Balancing Growth and Earnings
  - **Third Stage**: Achieving a Growth Structure

- **1st Stage** (FY2003 – FY2005):
  - **Achievements**:
    - ROE of 10%
    - Developed products for new business
    - Raised the level of corporate governance to the global standard

- **2nd Stage** (FY2006 – FY2008):
  - **Achievements**:
    - Increased EPS (Earnings per Share) from ¥185.7 (FY2007) to ¥185.9 (FY2009)

- **3rd Stage** (FY2009 – FY2012):
  - **Achievements**:
    - Improved EPS (Earnings per Share) from ¥185.7 (FY2007) to ¥185.9 (FY2009)

### Financial Position (at year-end):

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and cash equivalents (¥)</th>
<th>Total assets (¥)</th>
<th>Total interest-bearing liabilities (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2003</td>
<td>8,216,699</td>
<td>59,165</td>
<td>3,215,000</td>
</tr>
<tr>
<td>FY2013</td>
<td>37,523,366</td>
<td>83,582,596</td>
<td>33,333</td>
</tr>
</tbody>
</table>

### Financial Ratios:

- **Gross profit margin**: FY2003 - 40.9%, FY2013 - 66.2%
- **EBITDA margin**: FY2003 - 13.4%, FY2013 - 14.9%
- **Net return on shareholders’ equity to total assets**: FY2003 - 46.4%, FY2013 - 49.2%

### Per Share Data:

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (¥)</th>
<th>Shareholders’ equity (¥)</th>
<th>Cash dividends (¥)</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2003</td>
<td>110.7</td>
<td>1,265,000</td>
<td>24.0</td>
<td>30.0</td>
</tr>
<tr>
<td>FY2013</td>
<td>174.8</td>
<td>2,198,000</td>
<td>24.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

### Notes:

- **Earnings per Share (Note 5)**
- **ROE** (Note 6)
- **Operating profit margin**

### Financial Section:

- **Corporate Value Initiatives**
- **Financial Section**

### Integrated Report 2014
Financial Highlights

**Gross Profit Margin 38.5%**
- Gross profit margin
- F&D expenses ratio
- Operating income margin
- Selling, general and administrative expenses ratio (excluding F&D expenses)

**ROIC 11.3%**
- Return on invested capital (ROIC)

Improved profitability due to production automation and reduction in the number of parts and materials contained in products. Looking ahead, we will continue to allocate research and development expenses at the 6%-to-7% level.

Each business division breaks down the elements that constitute ROIC, aims to improve the quality of management through a Down-Top ROIC Tree by setting each element as key performance indicator (KPIs), and promotes enhanced profitability.

**Ratio of Overseas Sales to Net Sales 55.4%**
- Japan
- Americas
- Europe
- Asia Pacific
- Direct Exports

Sales are expanding in emerging countries, such as in the Asia Pacific region and Greater China, where economic growth is continuing.

**EPS ¥ 209.8**
- Earnings per share (EPS)
- Dividends per share
- Dividend payout ratio (right scale)

The dividend per share in fiscal 2013 marked an all-time high. The shareholder return policy will be changed from “a dividend payout ratio of more than 25%” to a policy “targeting a dividend payout ratio of 30%” by fiscal 2016.

**Cash and Cash Equivalents ¥ 90.3 billion**
- Cash and cash equivalents
- Interest-bearing liabilities

To realize the establishment of a “self-driven growth structure” priority will be given to the allocation of cash to growth investments. This allocation is expected to amount to approximately ¥100 billion over the three years to fiscal 2016.

**Capital Expenditures ¥ 33.7 billion**
- Capital expenditures
- Depreciation and amortization

Although capital expenditures were temporarily decreased due to the effects of global financial instability, the amounts invested subsequently have exceeded depreciation and amortization.

**Improved profitability due to production automation and reduction in the number of parts and materials contained in products. Looking ahead, we will continue to allocate research and development expenses at the 6%-to-7% level.**

Each business division breaks down the elements that constitute ROIC, aims to improve the quality of management through a Down-Top ROIC Tree by setting each element as key performance indicator (KPIs), and promotes enhanced profitability.

Sales are expanding in emerging countries, such as in the Asia Pacific region and Greater China, where economic growth is continuing.
Non-Financial Highlights

Toward the realization of a sustainable society, Omron set out its “Green Omron 2020” environmental management vision and formulated its fiscal 2020 environmental targets in 2011.

Green Omron 2020 Environmental Targets
(The Omron Group’s Environmental Targets for Fiscal 2020)

1. Improve carbon productivity by 30% compared with the fiscal 2010 level on a global basis
2. Environmental contribution > CO₂ emissions from global production sites

Progress Made in Fiscal 2013

Net sales to CO₂ emissions*1

3.73 millions of yen / t-CO₂
15% increase compared with fiscal 2010

Environmental Contribution*2

Environmental contribution > CO₂ emissions from global production sites

Achieved target for 4 consecutive years
670,000 tons

Aiming to Remain a True Medical Partner

Attendees at Omron Academies

More than 3,000 people
(Fiscal 2013: Middle Eastern and African countries)

With a view to improving the quality of life (QOL) in emerging countries, Omron does not only supply healthcare devices, but it also undertakes educational activities that include showing members of the general public the correct ways to use those devices and activities relating to targeted diseases. Designed to suit the conditions in each country, Omron Academy study groups are held for healthcare professionals, such as nurses and pharmacists.

Practicing of the Omron Corporate Principles (TOGA)

2,519 entries
23,533 employee participants

In fiscal 2012, Omron launched the awards system known as The OMRON Global Awards (TOGA), which targets its employees around the world. By having its employees practice the Omron Principles, Omron will create across the globe an “Omron future of growth and prosperity” that features mutual learning and respect as well as increases the number of people who voluntarily take on challenges.
Omron’s Management Team
As of June 24, 2014

Back row, from the left:
- **Masayuki Tsuda**
  - Audit & Supervisory Board Member (Full-time)

- **Eisuke Nagatomo**
  - Audit & Supervisory Board Member (Independent)
  - Member of the Corporate Governance Committee

- **Kazuhiko Toyama**
  - Outside Director
  - Chairman of the Personnel Advisory Committee
  - Chairman of the CEO Selection Advisory Committee
  - Chairman of the Corporate Governance Committee
  - Member of the Compensation Advisory Committee

- **Eizo Kobayashi**
  - Outside Director
  - Chairman of the Compensation Advisory Committee
  - Vice Chairman of the Corporate Governance Committee
  - Member of the Personnel Advisory Committee
  - Member of the CEO Selection Advisory Committee

- **Yoshifumi Matsumoto**
  - Audit & Supervisory Board Member (Independent)
  - Member of the Corporate Governance Committee

- **Tokio Kawashima**
  - Audit & Supervisory Board Member (Full-time)

Front row, from the left:
- **Koji Nitto**
  - Director and Senior Managing Officer
  - Senior General Manager, Global Strategy Headquarters
  - Member of the Compensation Advisory Committee

- **Akio Sakumiya**
  - Director and Executive Vice President
  - Vice Chairman of the Personnel Advisory Committee
  - Vice Chairman of the CEO Selection Advisory Committee

- **Fumio Tateishi**
  - Chairman of the Board
  - Member of the CEO Selection Advisory Committee

- **Yoshihito Yamada**
  - President and CEO

- **Yoshinori Suzuki**
  - Executive Vice President and CFO
  - Member of the Personnel Advisory Committee
Message from the CEO

We will contribute to the global society through our business.

We aim to enhance our corporate value by effectively utilizing our “Sensing and Control” technologies and creating social needs that enable us to accomplish our goal of contributing to the global society through our business activities.

July 2014

Yoshihito Yamada
President and CEO
Omron formulates a management strategy every 10 years with the objective of achieving sustainable improvements in corporate value from a long-term perspective. When I became president in 2011, we launched our third long-term management strategy, Value Generation 2020 (VG2020). Fiscal 2013 marked the end of the GLOBE STAGE, the first three-year period of VG2020, and, in April 2014, we entered the EARTH STAGE. In recognition of this milestone, I would like to begin by looking back on the past three years and then to explain our future strategies. In the latter part of my message, I would like to share my views on management in the context of pursuing the long-term enhancement of corporate value.

1. Review of the GLOBE STAGE (Fiscal 2011 – Fiscal 2013)

During the GLOBE STAGE, we focused on uniting Omron to boost growth potential, profitability, and responsiveness to change. We targeted the maximization of the Industrial Automation (IA) business, expanding sales in emerging countries, and the creation of new business opportunities, with an emphasis on the environmental solutions business. Other endeavors included advancing management based on return on invested capital (ROIC) and the global vertical-horizontal management system.

As a result, in fiscal 2013, the GLOBE STAGE’s final year, net sales totaled ¥773.0 billion and operating income amounted to ¥68.1 billion, setting new records for both figures for the first time in six years. As we were able to quickly identify market changes as opportunities, double-digit growth rates in all businesses were achieved. ROIC and return on equity (ROE) also improved substantially. All in all, fiscal 2013 was a year in which we made great progress in transforming Omron into a solid company with high growth potential, improved profitability, and an astute ability to respond to change in the pursuit of enhanced corporate value. In regard to growth potential, sales increased greatly in targeted areas, such as emerging countries and environmental fields. Furthermore, the Automotive Electronic Components Business (AEC), the Social Systems, Solutions and Service Business (SSB), the Healthcare Business (HCB), and the backlight business all recorded impressive sales growth. We also focused on improving the gross profit margin, one of the most crucial performance indicators, and, as a result, profitability increased across all businesses. We reinforced our resilience to foreign exchange fluctuations by accelerating overseas production and procurement. As a result, we were able to reduce the negative impact on operating income from a foreign exchange fluctuation of ¥1 to the US$ from ¥800 million in 2011 to ¥400 million at the end of March 2014. I am also proud to say that our management capabilities have improved, with more emphasis being placed on ROIC-based management and the global vertical-horizontal management system. In emerging countries, for example, business activities have become more efficient due to the increased cross-functional support provided by corporate headquarters functions, such as financial, administration, or legal services, to the business divisions. The establishment of regional head offices in India and Brazil, making for a total of seven regional headquarters, made it possible to achieve our goal of improved business efficiency.

Of the targets initially laid out for fiscal 2013, which were established in fiscal 2011, we successfully exceeded the net sales target of ¥750.0 billion. However, there are still tasks that remain. We fell short of our targets for the gross profit margin, the operating income margin, and ROE, which were 42.0%, 13.3%, and over 15.0%, respectively. I believe these are all crucial indicators, and I am committed to improving them going forward. As for other tasks, building growth structures in the IA business is still a work in progress. In addition, we could have grown more through coordination with external organizations, such as through industry-academia collaboration and M&As. We are determined to improve upon these areas in the coming EARTH STAGE.

2. Strategies of VG2020’s EARTH-1 STAGE (Fiscal 2014 – Fiscal 2016)

We aim to create a “self-driven growth structure” in the EARTH-1 STAGE

The first three years of the EARTH STAGE have been defined as the EARTH-1 STAGE, with the remaining four years being designated the EARTH-2 STAGE.

A main objective of the EARTH-1 STAGE is the establishment of a “self-driven growth structure.” During the GLOBE STAGE, we grew rapidly by taking advantage of tailwinds in China, other emerging countries, and the environmental solutions business. In the EARTH-1 STAGE, we plan to build a “self-driven growth structure” that enables business to grow with or without tailwinds; Omron’s “Sensing and Control” technologies are core to this undertaking. These technologies are expected to strengthen business competitiveness and to become a driving force for growth in a manner that also contributes to society by resolving social issues. For example, the spread of production site automation in...
emerging countries could allow people to devote their time to creative thinking. We also expect more demand for electric vehicles (EVs) and hybrid-electric vehicles (HEVs) due to society’s greater concern for the environment. Omron is contributing to the improvement of these vehicles’ performance by providing electric power steering controllers and the world’s smallest and lightest DC power relay. Our increased focus on the environmental solutions business should provide solutions to energy issues. In addition, there has been growing concern for safety issues resulting from the degradation of tunnel and bridge infrastructure. Omron is at the forefront of developing new technology to prevent unexpected collapses through monitoring vibration changes by sensors. Meanwhile, we continue to focus on healthcare areas by educating people on cardiovascular-related diseases and raising awareness of the importance of using blood pressure monitors and other devices as more and more people are expected to suffer from these diseases due to aging populations.

Japan can be called a developed country with many social issues. We plan to develop businesses that will help resolve issues related to such areas as energy and social infrastructure in Japan first and then to expand those solutions to the fast-growing Asian countries.

Three Basic Strategies and Operating Strategies

The EARTH-1 STAGE is a period in which we will build on the various initiatives implemented during the GLOBE STAGE, guided by three Basic Strategies. Under the first of these, the Existing Business Strategy, we will continue to focus on strengthening the IA business. Specifically, our plans include advancing marketing capabilities for products launched in the past three years and growing the business by leveraging the Automation Centers. We have established and our expanded sales engineer staff.

Under the second strategy, the Super-Global Growth Strategy, we will build stronger infrastructure with the aim of achieving dynamic business growth in “wider Asia,” which encompasses China and other Asian countries. We consider growing businesses in ASEAN countries and India as two main business areas, in addition to our already growing business in China. The building of foundations for growth is essential to achieve our goals, and we plan to enhance logistics infrastructure and strengthen sales and marketing efforts.

The third strategy, the New Business Strategy for the Optimization Society, aims to generate new businesses in fields related to the environment, industry, society, and lifestyles. As previously mentioned, we will continue to focus on businesses that help resolve social issues.

In regard to the Operating Strategies that support the three Basic Strategies, we will continue to implement the Profit Structure Reform and the Global Human Resources Strategy. I will discuss our human resources strategy later.

Medium-Term Performance Targets

For fiscal 2016, the final year of the EARTH-1 STAGE, we are targeting more than $900.0 billion for net sales, 40% or higher for the gross profit margin, 10% or higher for the operating income margin, and approximately 13% for ROE. As we are mindful of the cost of capital and aim to live up to shareholder expectations over the medium-to-long term, we set the new targets of approximately 13% for ROIC and approximately $290 for earnings per share (EPS).

All Omron businesses are positioned in growth fields, and we have a business foundation capable of responding to such issues as population aging, environmental problems, and other global issues. I am confident in Omron’s long-term growth potential and ability to establish a “self-driven growth structure” during the EARTH-1 STAGE.

3. Management Indicators, Improvement of Shareholder Value

Entrenchment and Advancement of ROIC-Based Management

As I said previously, we set our first medium-term target for ROIC of approximately 13% to be achieved in fiscal 2016. We will work toward realizing this goal along with our existing target for ROE. ROIC-based management is entrenched throughout Omron. ROIC is not only used in the performance-linked compensation system for senior executives, but it is also used in managing each business by using contributing factors shown in a Down-Top ROIC Tree as key performance indicators. We established the position of Chief Financial Officer (CFO) in fiscal 2013, and we will continue to work together to improve the quality of various initiatives and manage the cost of capital and cash flows.

Improvement of Shareholder Value

During the three years of the GLOBE STAGE, we were able to achieve an increase in EPS, from ¥122 to ¥210, and a great improvement in ROE. Further, Omron’s stock price rose 82%, with a 77% increase in dividends. Therefore, the total shareholder return (TSR) was 87% over the three-year period. This rise is particularly impressive when compared with the average performance of companies listed on the First Section of the Tokyo Stock Exchange. During the EARTH-1 STAGE, we will continue...
on constructive feedback to the management team to be discussed and reflected in management. One example was the revision of the executive compensation system that was proposed at the June 2014 shareholders’ meeting. We developed this new compensation system with the goal of maximizing shareholder value over the long term. Specifically, we introduced medium-term, performance-linked bonuses that will be adjusted based on progress toward achieving the consolidated operating income target for the EARTH-1 STAGE. We also introduced medium-term, performance-linked stock options, a system with exercise rights tied to the medium-term target for consolidated net sales and separate from the compensation system*5. The Compensation Advisory Committee will continue to review all executive compensation proposals to ensure transparency, impartiality, and rationality.

4. Strengthening of Management Capacity

The Omron Principles and Management

The Omron Principles, our corporate philosophy, have been internalized by all Omron employees. We place special importance on our corporate core value, “Working for the benefit of society,” as well as our corporate motto, “At work for a better life, a better world for all.” In our management principles, we value innovations driven by social needs and a challenger’s spirit. The OMRON Global Awards (TOGA) provides an opportunity for employees to put their ambitious spirit to the test. In 2014, the award’s second year, 23,533 employees, roughly two-thirds of our global employee base, participated in this initiative. In order for us to realize the global expansion of our business and to promote the diversity of human resources, the Omron Principles play an important role as the binding force that unites all employees. My continued focus will be to instill the Omron Principles and to implement intrepid and sustainable management.

Shareholder Engagements

Since becoming president, I have spent a great deal of meaningful time with our shareholders and other investors. Whenever possible, I pass dividend payout ratio to 30% by fiscal 2016, compared with the previously targeted 25% or higher.

Reinforcement of Operating Foundations

We have been implementing the Global Human Resources Strategy, such as assigning local employees to management positions at overseas operating sites, which is critical for the globalization of management. In 2011, the ratio of senior management positions overseas filled by local employees was 31%. By 2013, this ratio had increased to 42%. We are also actively selecting and educating the next-generation of top-rank managers. Training programs for high-potential junior employees will continue as well. Further, Omron is strengthening technological capabilities to create new innovations and realize sustainable management.

Omron works to realize its goal of contributing to the global society by resolving social issues through its businesses while achieving sustainable growth. We are determined to enhance corporate value and to become a company that people around the world require and have high expectations for.
Message from the CFO

EARTH-1 STAGE: Three Years of Prioritized Growth Investment

In April 2013, Omron established the position of Chief Financial Officer (CFO). This move was an attempt to improve portfolio management and expedite decision making and to better respond to today’s volatile operating environment.

As the first CFO, I worked to fulfill this responsibility throughout my first year and while attempting to find my own unique style in this role.

The Chief Executive Officer (CEO) is the head commander of Omron. Meanwhile, I, as CFO, control financial management, including investment and shareholder return policies.

Placing Growth Investment First

During the GLOBE STAGE, we successfully strengthened our ability to generate cash by improving the profitability of each of our businesses. In fact, free cash flow amounted to ¥47.9 billion in fiscal 2013, up ¥23.3 billion from fiscal 2012, and net cash totaled approximately ¥90.0 billion. What is most impressive is that we accomplished these figures while conducting forward-looking growth investment. We are committed to establishing a growth structure for supporting future development in the EARTH-1 STAGE. We will allocate cash on hand as well as the cash to be generated continually into the future to three areas: growth investment, dividends, and share buybacks. Growth investment will be of particular priority.

Omron has designated the three-year period from fiscal 2014 to fiscal 2016 as the EARTH-1 STAGE. During this period, we plan to invest approximately ¥100 billion in the establishment of a “self-driven growth structure.” Specifically, we will expand sales channels in the ASEAN region, India, South Korea, and other parts of Asia to develop operations in these areas into a core business pillar alongside those in China. In addition, we will accelerate new business development in the industrial, social, lifestyle, and environmental fields. Omron will also collaborate with other companies and academia.

July 2014

Yoshinori Suzuki
Executive Vice President and CFO

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014 (Plan)</th>
<th>FY2016 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>617.8</td>
<td>619.5</td>
<td>650.5</td>
<td>773.0</td>
<td>800.0</td>
<td>over 900.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>48.0</td>
<td>40.1</td>
<td>45.3</td>
<td>68.1</td>
<td>74.0</td>
<td>over 90.0</td>
</tr>
<tr>
<td>Operating income margin</td>
<td>7.8%</td>
<td>6.5%</td>
<td>7.0%</td>
<td>8.8%</td>
<td>9.3%</td>
<td>over 10%</td>
</tr>
<tr>
<td>Free cash flow*1</td>
<td>21.7</td>
<td>6.5%</td>
<td>45.3</td>
<td>68.1</td>
<td>74.0</td>
<td>over 90.0</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>74.7</td>
<td>55.7</td>
<td>90.3</td>
<td>90.3</td>
<td>90.3</td>
<td>—</td>
</tr>
<tr>
<td>Total interest-bearing liabilities</td>
<td>45.5</td>
<td>18.8</td>
<td>5.6</td>
<td>0.5</td>
<td>0.5</td>
<td>—</td>
</tr>
<tr>
<td>Net cash</td>
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<td>26.5</td>
<td>50.1</td>
<td>89.8</td>
<td>89.8</td>
<td>—</td>
</tr>
</tbody>
</table>

*1 Net cash provided by operating activities + Net cash used in investing activities

About Omron
Where We Are Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section

Omron Corporation Integrated Report 2014
With regard to dividends, we raised the defined minimum for the dividend payout ratio from 20% to 25% in fiscal 2013. We redefined this target with the start of fiscal 2014, and we now aim to raise this ratio to 30% by fiscal 2016.

To create returns for shareholders, we will use the capital surplus accumulated over the years to conduct share buybacks as the situation allows.

Our current sound financial position is what enables aggressive business expansion. We can therefore focus on maintaining a strong balance sheet.

**Utilizing a Unique Down-Top ROIC Tree**

Omron’s management emphasizes capital efficiency, employing indicators like return on invested capital (ROIC) and return on equity (ROE) as it works to further improve corporate value.

ROIC is a highly viable indicator for evaluating each business division fairly because it is not influenced by differing business characteristics and scales, as is the case with profit amount or profit margin based evaluations.

We commonly use ROIC internally to realize higher-quality portfolio management. Now, we are advancing improved profitability by employing an approach that examines a Down-Top ROIC Tree for each business, distinguishes the factors that contribute to its ROIC, and identifies these factors as key performance indicators (KPIs). As KPIs, we use both profit and loss influencing factors, such as production cost reductions in manufacturing divisions, and balance sheet indicators, such as noncurrent assets turnover. In this way, we are improving ROIC. Meanwhile, we aim to increase responsiveness to operating environment changes through onsite application of the plan-do-check-act (PDCA) cycle. I too am working to develop infrastructure to help quantify relevant factors and make the application of this cycle easier.

In fiscal 2013, ROE was 11.6%, up 2.8 percentage points, largely due to higher net income. Also, Omron was included in the JPX-Nikkei Index 400, a new index created in 2013. Companies are selected for inclusion in this index based on performance, governance, and other criteria. ROE is given importance above all else. For this reason, I am most proud of this accomplishment because it represents a high evaluation of Omron’s efforts to improve capital efficiency.

With the start of fiscal 2014, we disclosed a new earnings per share (EPS) target for fiscal 2016. We did this to demonstrate to all shareholders our unwavering resolve to remain ever-mindful of shareholder value as we construct growth and profit structures.

We will keep working to further improve management quality by using key management indicators. Specifically, over the three-year period through to the end of fiscal 2016, we will decide on and carry out effective investment to ensure the establishment of a “self-driven growth structure.” We would appreciate your continued support and confidence in Omron.
Global Vertical-Horizontal Management
OMCA Plays a Central Role in Linking Business

Headquartered in Hoffman Estates, a northwestern suburb of Chicago, in the U.S. state of Illinois, OMRON MANAGEMENT CENTER OF AMERICA, INC. (OMCA), manages Omron’s operations in the Americas. The company’s jurisdiction encompasses Canada, United States, Mexico, Brazil, and the rest of Latin America. This region is massive in terms of scale, and its sales are expected to amount to approximately ¥110.0 billion (US$1.1 billion) in fiscal 2014, roughly 15% of Omron’s projected net sales for this year. OMCA supports Omron’s businesses in the Americas, helping to maximize their results, particularly with regard to advancing VG2020, the long-term management strategy. In particular, support is offered for this crucial region through due diligence and by providing legal, financial, tax, and human resources services.

OMCA Chairman, President and CEO Blakeway is committed to helping OMCA play a central role in linking businesses and divisions through Omron’s global vertical-horizontal management system, primarily in the Americas but also in other parts of the world.

Nigel Blakeway
OMRON MANAGEMENT CENTER OF AMERICA, INC.

Support for the Launch of AEC’s Mexican Factory

 Assistance through Horizontal Links

Mexico’s automobile industry is booming, with growth rates as high as 10% per annum. As a result, Mexico is now ranked the world’s No. 8 in automobile production. At present, more than 1,000 automotive component manufacturers have set up operations in the country, and this number is expected to grow. Omron is aggressively developing operations in this growth market. In February 2012, we established our Mexican manufacturing company, Components Electronics OEDS De Mexico (OEDS). Going forward, OEDS will be positioned as a central base for automobile operations due to its close proximity to automotive markets in the Americas and Europe and to Mexico’s beneficial free-trade agreements.

The establishment of the OEDS plant was a miraculous feat. While building such a plant would normally require 12-to-18 months, customer demand necessitated that this plant be finished in only 6 months. This nearly impossible task was surmounted by a committed project team and their unwavering sense of determination.

In 2010, the Automotive Electronic Components Business (AEC) was spun off from Omron and it is now practicing autonomous management through a vertical link in Omron’s global vertical-horizontal management system. None-theless, corporate headquarters functions are providing ever-more extensive support to boost AEC’s operational efficiency. In establishing the OEDS plant, for example, OMCA provided its assistance through a horizontal link. Specifically, OMCA smoothed contracting with local company, supported local financing efforts, and provided other legal and financial assistance.

Even after the plant’s production line started up, OMCA continued to offer support, helping communicate the Omron Principles and otherwise linking the Group together. Also, outside of Mexico, vertical and horizontal links are maintained throughout AEC to realize ongoing improvements in efficiency.

Mexican manufacturing company established in February 2012.
OMCA has also leveraged its resources and expertise in other areas, as it supported the development of an occupational safety management system at a factory located in Dalian, China, outside of its jurisdiction.

Cross-Regional Exchange of Expertise

Support in Reconstructing the Safety Management System at HCB’s Dalian Plant

OMRON DALIAN CO., LTD. (OMD), employs approximately 2,500 workers and produces roughly 70% of the blood pressure monitors and other healthcare and medical devices Omron sells worldwide.

In 2012, an enterprise risk analysis was conducted at the Dalian Plant by an assessment team consisting of members from both the Healthcare Business (HCB) and the corporate legal affairs department. The purpose of this analysis was to assess critical business risks. It was determined that production line safety needed to be improved and that employees required safety education. A cross-organization task team was thus assembled to reconstruct OMD’s safety management system. The team consisted primarily of OMD staff, but specialists were also called in from OMCA, regional management company OMRON (CHINA) Co., LTD., the headquarters of HCB, the corporate legal affairs department, and safety business divisions of the Industrial Automation Business.

The success of a safety management system hinges on the employees that work on the ground. It is crucial that the practices of regular occupational health and safety and machine safety risk assessment become thoroughly entrenched in these employees’ minds. For this reason, safety education is of utmost importance. In the United States, Omron’s operations have a high level of occupational health and safety management systems in place, and robust environmental, hygiene, and safety education programs are provided. OMCA was therefore able to dispatch specialists on these matters to aid OMD not only in inspecting its plant but also in developing education programs on these subjects.

This cross-regional exchange of expertise is a prime example of Omron’s global vertical-horizontal management system at work. Going forward, we intend to expand the Dalian Plant’s safety management initiatives to other divisions.

OMCA’s support and advance of Omron’s global vertical-horizontal management system can also be seen in the restructuring of a manufacturing subsidiary that was used by the Electronic and Mechanical Components Business. This subsidiary boasted a strong technological base but no longer fitted strategically into the overall scheme of Omron’s business portfolio. In 2013, OMCA undertook the restructuring of the subsidiary, providing human resources and legal support and finally divesting it as a management buyout. Moreover, this restructuring was undertaken without incurring any losses or causing any inconveniences to the employees of the facility.

Another example concerns a logistics center in North America that Omron was directly managing roughly three years ago. To improve efficiency and reduce overhead, OMCA decided to utilize the services of a third-party logistics company to which it could outsource all warehouse operations. OMCA successfully transitioned from operating the warehouse itself, and the resulting efficiencies, costs savings, and delivery improvements to customers have gained recognition.

OMCA also serves as an advocate for the Omron Principles in the Americas. These principles are the central binding force for all Omron Group companies, and they play a part in expanding local hiring in emerging markets as well as in post-merge integration (PMI). According to Blakeway, “A huge part of PMI is just how to integrate the right mind-set and the right code of conduct into the Omron world.” Luckily, problems are rarely faced in communicating the Omron Principles within North America. However, going into South America and other areas where customs are different than employees are accustomed to can sometimes
More Advanced
Social Need Creation

Resolving Social Issues with Forward-Thinking Technology

The Omron Principles clearly define the standards for Omron’s businesses. OMCA is, of course, highly devoted to these principles, and Blakeway himself states, “I joined Omron because of our company principles; not only did I want to work with a company of great integrity, but I wanted to work through an organization that respects its employees and respects its stakeholders.” Moved by the spirit of the principles, OMCA is actively contributing to the local society and addressing social issues through its business. In regard to social contributions, OMCA is advancing a robust community outreach program through the dedicated non-profit organization Omron Foundation Inc. This foundation provides both time and money to support a wide range of activities, with a particular emphasis placed on Japanese culture and language education and engineering education. A very notable contribution was the establishment of the Omron Robotics and Mechatronics Laboratory at Northern Illinois University’s College of Engineering and Engineering Technology. In these ways, OMCA is making the Omron Principles apparent in society alongside its business presence.

Looking forward, OMCA is now amply poised to strengthen its position in the Americas as it embarks on the EARTH-1 STAGE, which targets ongoing growth and social contributions. OMCA will support and guide businesses in the Americas to nurture them into integral parts of Omron’s global operations.

Closing with Blakeway’s own words, “We have delivered in the GLOBE STAGE what we promised to do. So, I’m asking for the continued support of our stakeholders to allow us to deliver on the strategies in the EARTH STAGE.”
Technology Investment Guided by Predictions of the Future

Omron founder Kazuma Tateishi believed that true managers were those who determined what the future would be like. He believed that a company’s management required two attributes: the creative ingenuity to evolve technologies and the ability to predict the future. Omron strives to equate its name with technology and to quickly identify the needs of the future society. To aid this endeavor, in 1970 Omron developed its own predictive theory, called the SINIC theory, as its compass for determining the direction of management.

Compass Determining the Direction of Omron’s Management—The SINIC Theory

According to the SINIC theory, science, technology, and society share a cyclical relationship, mutually impacting and influencing each other in two distinct ways. In one direction, scientific breakthroughs yield new technologies that help society to advance. In the other direction, social needs spur on technological development and expectations for new scientific advancement. Thus, both of these factors affect each other in a cyclical manner, propelling further social evolution.

Guided by the SINIC theory, Omron has pursued its mission of standing at the forefront of innovation, consistently creating the products and markets necessary to each coming era by predicting social trends and changes. Over the years, we have continued to allocate a certain portion of revenues to research and development, without being influenced by the operating environment. This is how Omron equates its name with technology and to quickly identify the needs of the future society. To aid this creative ingenuity to evolve technologies and the ability to predict the future. Omron strives to share a cyclical relationship, scientific breakthroughs yield new technologies (see diagram below).

10 Areas of Technology Advancement

- “Sensing & Control + Think” technologies
  - Sensing: Physical quantity
  - Extracting needed data from a range of information and processing this data in a more intelligent way to create greater value
  - 1. Sensing Technology
  - 2. Power electronics Technology
  - 3. Control Technology
  - 4. Systems Intelligence Technology
  - 5. Network Technology
  - 6. Embedded Technology
  - 7. Materials and Methods
  - 8. Equipment and Processes
  - 9. Development efficiency enhancement
  - Through development process innovation, we aim to greatly enhance technology development efficiency in order to be able to create new products with overwhelming speed
  - 10. CMO*1 Method and Development Processes

During VG2020’s EARTH STAGE, Omron will identify social needs related to sustainability of the global environment. Specifically, we will conduct eco-friendly businesses that help combat issues like global warming, resource depletion, and energy problems. In addition, we will enter new businesses that respond to various social needs, such as the desire for safer social infrastructure, particularly with regard to aged bridges and tunnels, and growing healthcare demand resulting from the aging of the population.

To support progress in this management strategy, we will strengthen capabilities in 10 areas of technology, which include Omron’s core technologies, to maximize performance and cost efficiency. In addition, equipment must be easy to use while also being capable of recognizing people and their actions and responding accordingly. To grant these abilities, we have installed the new concept of “Think” into our core technologies. This combination allows for the needed data to be extracted from a range of information and processed in a more intelligent way to create greater value.

Sensors do not just measure physical quantity; they present some sort of “meaning” to be derived using our knowledge. For example, the big data collected from sensors on bridges or buildings can be combined with our knowledge to evaluate their condition and determine the appropriate maintenance timing. Similarly, controllers do not merely perform systematic motions with high speed and precision. Rather, they can be used to strategically manipulate equipment setups, processing routes, and machine actions to improve efficiency. At manufacturing sites, our controllers realize optimal operating balance with the elimination of tradeoffs through control that adds an element of ecology to the commonly pursued benefits of quality, cost, and delivery (QCD).

Omron is creating an “Optimization Society” that maintains harmony while creating an optimal balance between people and machines, nature, and society. For the coming “Autonomous Society,” Omron is evolving its “Sensing & Control + Think” technologies to provide new value in the areas of safety, security, healthcare, and the environment.
New Technological Applications for Resolving Social Issues

OMRON TOTAL FAIR Held in China: Latest Technologies for the Chinese Market
Pursing growth in emerging markets is one of the basic strategies of VG2020, and China is positioned as a particularly crucial market. As part of our strategies, we held the OMRON TOTAL FAIR (OTF)—a private exhibition designed to propose new value to the Chinese society—in Beijing, Shanghai, and Guangzhou, in October and December 2013 and March 2014, respectively. OTF’s exhibits were centered on Omron’s core “Sensing and Control” technologies, and “Think” technologies were also incorporated. At OTF, we proposed products and services that provide solutions to the issues currently faced by China in the fields of industry, the environment, energy, society, and living conditions.

Robot That Comprehends Human Movements: “Table Tennis Rallying Robot”
At OTF, our Table Tennis Rallying Robot garnered particular attention. This robot was designed to make it easy for anyone to understand Omron’s “Sensing & Control + Think” technologies. The robot works by analyzing the movements of the opponent player as well as the ball’s trajectory and speed through 3D image processing. The robot continues the rally by employing such techniques as returning balls at the same speed as its opponent’s shot and otherwise matching its movements to the other player’s skill level.

Future Advances in “Sensing & Control + Think”
As personnel expenses rise in China, the need for technologies for reducing labor requirements and improving efficiency will increase. The technological concept of machines that respond to human motions has obvious applications in industry. At the same time, this concept will likely be used in other fields as well, such as for nursing and housework robots.

Omron founder Kazuma Tateishi used to say, “To the machine, the work of the machine, to man the thrill of further creation.” We continue to hold this philosophy close to our hearts more than half a century later. Omron believes that, with its future-shaping technologies, it is not far from creating a society in which this philosophy is realized.

Non-Contact Switch with Long Lifespan
In 1960, Omron utilized transistor methodology to create the world’s first non-contact switch. The conventional contact switches used at that time had limits in terms of usage periods. Omron’s non-contact switch detected changes in metal switch positions based on magnetic fluctuations. This functionality greatly extended the lifespan of switches, thereby making large contributions to the development of mass-produced machinery. This innovation was born out of a team of seven young engineers with an average age of 20.

Fully Unmanned Train Station System for Alleviating Commuter Rush Congestion
In 1967, Omron created the world’s first fully unmanned train station system by combining automated ticket vending machines and automated ticket gates. While punch-hole systems existed, this was the first magnetic system. Station workers thus became free from punching tickets. This system also resolved the social issue of commuter rush congestion.

Nebulizer Usable from Various Angles
Always striving to create products that offer ease to patients, Omron successfully launched the world’s smallest*1 and lightest*2 silent nebulizer*2 in 2002. The atomizing unit of this device employed Omron’s unique mesh technologies to satisfy the need for a nebulizer that could be used anywhere, anytime with ease.

*1 At time of launch in 2002
*2 Nebulizer: A medical device that allows patients to inhale medicine to treat asthma and other respiratory diseases.
At a Glance

* From fiscal 2013, certain operations previously included in EMC have been included in IAB following a change in management categorizations.

Accordingly, the segment information figures for fiscal 2012 and prior fiscal years have been restated to reflect this change.

* Forecasts for fiscal 2014 are those disclosed on April 24, 2014.

---

**Industrial Automation Business (IAB)**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

**Electronic and Mechanical Components Business (EMC)**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

**Automotive Electronic Components Business (AEC)**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

**Social Systems, Solutions and Service Business (SSB)**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

**Healthcare Business (HCB)**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

**Other Businesses**

- **Net sales**
  - Billions of yen
  - FY 10-13
  - (Forecast)

- **Operating income (loss) / Operating income margin**
  - Billions of yen
  - %
  - FY 10-13
  - (Forecast)

---

**Capital expenditures / Depreciation and amortization**

- **Billions of yen**
- **%**
- FY 10-13
- (Forecast)

**R&D expenses**

- **Billions of yen**
- FY 10-13
- (Forecast)

---

Note:

- From fiscal 2013, certain operations previously included in EMC have been included in IAB following a change in management categorizations.

- Accordingly, the segment information figures for fiscal 2012 and prior fiscal years have been restated to reflect this change.

- Forecasts for fiscal 2014 are those disclosed on April 24, 2014.

- The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of such amounts as intersegment transactions and head office expenses that are not apportionable.

- Forecasts for R&D expenses, depreciation and amortization, and capital expenditures are not publicized.
Omron through the Year

### May 2013
Omron celebrated its 80th anniversary. Prize-giving ceremony for The OMRON Global Awards (TOGA) was held.

### August 2013
Tokyo Institute of Technology, OMRON SOCIAL SOLUTIONS Co., Ltd., and OMRON Corporation commenced joint research into new sensing and monitoring methods to monitor deterioration of bridges and other social infrastructure and detect catastrophic post-earthquake damage.

### September 2013
Launch of one of the world’s most accurate and power efficient absolute pressure sensors, capable of accurately detecting 50cm altitudinal variations in air pressure.

### October 2013
OMRON Total Fair 2013 private exhibition held in Beijing in October 2013 to propose new value to Chinese society. Held in Guangzhou in March 2014. Please refer to page 36.

### November 2013
Omron selected in a new share price index, the JPY-Nikkei index 400.

### December 2013
Your Voice, Their World joint project with India’s National Association for the Blind launched to support the large number of visually impaired people in India through educational activities and the provision of audio libraries.

### April 2014
OMRON Automotive Electronics Co., Ltd., absorbs and merges with wholly owned subsidiary OMRON Iida Co., Ltd.

### July 2013
Launch of one of the world’s most accurate and power efficient absolute pressure sensors, capable of accurately detecting 50cm altitudinal variations in air pressure.

### September 2013
Launch of MC-681 prediction-type thermometer that can take readings in about 20 seconds. Designed for ease of taking measurements and reading results.

### March 2014
Launch of KP-R Series outdoor-use, multiple PV inverters for photovoltaic systems.

### April 2014
Launch of embedded-type Human Vision Component (HVC), combined a camera module and image sensing component that incorporates 10 types of image sensing technologies, including face recognition.

### October 2013
Launch of S 8VK Series inverters for photovoltaic systems.

### November 2013
Launch of HJA-600T Walk Scan posture meter, with an Omron-developed algorithm installed to evaluate a user’s walking posture after just 10 steps.

### December 2013
Fifth Automation Center—a base from which to spread knowledge about cutting-edge FA technologies—inaugurated in India following establishment of centers in Japan, China, Europe, and the United States. http://www.omron.com/media/press/2014/04/c0423.html

### May 2013
Launch of DC/DC converter for idling stop systems, essential for stable operation of electrical equipment.

### June 2013
Launch of "Andon environmental information system" and "sensor network server" tools that received the METI Minister’s Prize in the Energy Conservation Grand Prix Program.

### July 2013
Launch of NX Series safety control units that both improve productivity and assure safety in conformity with international standards and rules.

### August 2013
Launch of DC/DC converter for idling stop systems, essential for stable operation of electrical equipment.
### Past Performance and Forecast

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<thead>
<tr>
<th>FY2010</th>
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<th>FY2012</th>
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<td>11.9%</td>
<td>13.3%</td>
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<td>Depreciation and amortization</td>
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See notes on page 38.

### Index of Machinery Orders and IAB Sales

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<td>Index of Machinery Orders*</td>
<td>50.0</td>
<td>49.0</td>
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<tr>
<td>IAB Sales (right axis)</td>
<td>60.0</td>
<td>55.0</td>
<td>55.0</td>
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*Source: Calculated based on materials prepared by the Cabinet Office, Government of Japan.

### Breakdown of Sales by Product Line (Fiscal 2013)

- **Programmable Logic Controllers** (60%)
- **Safety Equipment** (Safety Light Curtains) (30%)
- **Sensing Equipment** (Sensors and Switches) (10%)
- **Temperature Controllers**
- **Fiber Sensors**

Despite uncertainty in emerging countries, overall sales and income increased. In fiscal 2013, sales in Japan increased year on year due to the contributory factors in the second half, including a recovery trend in capital investment demand, mainly in the semiconductor and electronic component industries, and sales of new products. Overseas sales showed a significant increase due partly to the weak yen. In the Americas, FA-related demand recovered from the second half, and oil and gas related business sales also grew in the second half. In Europe, sales were firm amid a moderate economic upturn. Certain countries in Asia experienced political instability and currency depreciation, but demand was solid in South Korea. Circumstances in the Chinese market were still uncertain, but sales were up year on year due to favorable conditions in the electronic component and automobile industries. While steadily investing in the future, IAB showed a significant increase in operating income.

Yutaka Miyanaga
Senior Managing Officer
Company President, Industrial Automation Company

**Business Strategy and Outlook for Fiscal 2014**

In fiscal 2014, ending March 31, 2015, IAB is targeting net sales of ¥300.0 billion, a 2.8% increase year on year, and operating income of ¥40.0 billion, up 3.2%. In Japan, we expect sales to remain firm, mainly to the semiconductor and electronic component industries. Overseas, despite such negative factors as the slowing economic growth rates in emerging markets, we anticipate demand will be robust mainly in developed countries and thus expect an overall increase in sales. We posted higher sales and profits in fiscal 2013 but were unable to achieve the business growth initially envisaged under the GLOBE STAGE. IAB was impacted by the ongoing sense of uncertainty centered on emerging economies and the greater than expected amount of time needed to launch and market new products.

The wide range of products we have launched over the past three years and our controllers that realize advanced control boast industry-leading competitiveness. We will keep working to better propose solutions based on an extensive product lineup, ranging from sensors to programmable logic controllers and drives. Through our global business sites and service network, we will bring about business growth by delivering higher value-added products and services to customers in targeted industries.

We will also contribute to innovation in manufacturing by providing valuable products and services to our customers mainly in the electronic device and automobile industries, which are expected to continue to expand in the years to come centered on emerging countries.
Fiscal 2013 in Review
Sales were strong to domestic and overseas consumer and commercial product markets. In Japan, relays and switches for the consumer electronics industry recorded strong sales due to the economic recovery, the extreme heat in the first half of the year, and the surge in demand ahead of the hike in the consumption tax rate. Thus, sales in fiscal 2013 increased year on year. Overseas, sales surged, in part due to the impact of yen depreciation. Other factors contributing to the increase included growth in our share of the consumer electronics market and firm demand from the mobile device industry in China and South Korea. In the Americas, there was strong demand in the consumer and commercial product markets, and improvement in these markets in Europe associated with economic recovery also contributed to sales. Operating income increased substantially year on year due to higher sales, ongoing cost reduction initiatives, and the yen’s depreciation.

Kenji Matsumani
Managing Officer
Company President,
Electronic and Mechanical Components Company

Past Performance and Forecast

<table>
<thead>
<tr>
<th>Breakdown of Sales by Product Line (Fiscal 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Electronic Products (Image Sensing and Sensors)</td>
</tr>
<tr>
<td>31%</td>
</tr>
<tr>
<td>Relays, Switches, and Connectors</td>
</tr>
<tr>
<td>69%</td>
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</table>

Business Strategy and Outlook for Fiscal 2014
We will enhance marketing activities in each industry and create new products.

In fiscal 2014, EMC is targeting net sales of ¥101.0 billion, up 3.4% year on year, and operating income of ¥9.2 billion, up 6.3%. We forecast a year-on-year decrease in sales in Japan due to the impact of the consumption tax hike on the consumer electronics industry and lower domestic demand because some automobile industry customers shifted production abroad. Overseas, in addition to higher sales of power latching relays for smart meters, we forecast an increase in sales to the automobile industry, which is expected to see production expansion in China and North America.

We will expand sales by enhancing marketing and creating new products for each industry we serve, including areas of strength like automobile and consumer electronics industries as well as other areas, for example, the medical and building automation industries.

Meanwhile, in manufacturing, by building a production system with more compact lines that is resilient to changes in the business environment and working to shorten the lead times from development to production, we will launch new products in a timely manner in order to respond to customer expectations.
Fiscal 2013 in Review
The robust market and new products for North America, Asia Pacific, and Greater China contributed to a strong performance. In Japan, sales decreased because some customers transferred production overseas. This offset the favorable effect of government economic measures, the continuation of tax breaks for eco-friendly automobiles, and the surge in demand before the consumption tax hike.

Overseas, sales were up significantly overall due in part to the weak yen. Although the European market trended toward recovery, the automobile industry remained weak. However, the accelerated recovery in North America, continued strong market expansion in China and other countries in Asia, and successive new product launches contributed to the sales increase.

Operating income increased substantially year on year due to higher sales and the impact of yen depreciation.

Katsuhiro Wada
Managing Officer, President and CEO, OMRON Automotive Electronics Co., Ltd.

Business Strategy and Outlook for Fiscal 2014
We will transform into a value-creating company and strengthen our management platform.

In fiscal 2014, AEC is targeting net sales of ¥128.5 billion, up 1.5% year on year, and operating income of ¥9.2 billion, up 1.3%. In Japan, we expect lower sales due to the consumption tax hike and to some customers transferring production abroad. Overseas, we forecast higher sales due to robust demand in North America as well as strong demand in China and other Asian countries.

We achieved double-digit sales growth through fiscal 2012 and fiscal 2013. Now, taking VG2020 into view, we will tackle the challenges of transforming into a value-creating company that proactively addresses social issues through fiscal 2016. In fiscal 2014, the first year of the EARTH-1 STAGE, we will further shorten planning and development processes and work on the development of products that anticipate market demand. We will increase sales by standardizing our existing products and implementing sales and marketing tailored to burgeoning emerging markets. In addition, we will work to strengthen our management foundation, for example our human resources, in order to globalize businesses more efficiently.

Automotive Electronic Components Business (AEC)
Production and sales of electronic components for automobiles

<table>
<thead>
<tr>
<th>Past Performance and Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
</tr>
<tr>
<td>Net sales</td>
</tr>
<tr>
<td>Japan</td>
</tr>
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<td>Overseas</td>
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<td>Americas</td>
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<td>Europe</td>
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<tr>
<td>Asia Pacific</td>
</tr>
<tr>
<td>Greater China</td>
</tr>
<tr>
<td>Direct exports</td>
</tr>
<tr>
<td>Operating income</td>
</tr>
<tr>
<td>Operating income margin</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
</tr>
<tr>
<td>Capital expenditures</td>
</tr>
</tbody>
</table>

See notes on page 38.
Social Systems, Solutions and Service Business (SSB)

Provision of solutions and services for contributing to a safer, more secure, and comfortable society

Fiscal 2013 in Review

Sales and income increased significantly driven by railway infrastructure and environmental solutions.

In fiscal 2013, the railway infrastructure business saw brisk replacement demand for railway infrastructure equipment due to recovered performance by railway companies and pre-consumption tax hike demand. Demand for safety and security solutions centered on remote monitoring systems was also firm, and sales showed a substantial increase year on year. Underpinned by demand for traffic control systems and solutions for preventing facility deterioration, sales were strong in the traffic control and road control systems business. In the environmental solutions business, sales rose strongly year on year, reflecting firm demand for solar power generation system related products and installation services.

Operating income increased substantially because of the sales increase.

Kiichiro Kondo
Managing Officer
President and CEO,
OMRON SOCIAL SOLUTIONS Co., Ltd.

Past Performance and Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
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<th>FY2012</th>
<th>FY2013 (Billions of yen)</th>
<th>FY2014 (Forecast)</th>
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<td>0</td>
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</tr>
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<td>Greater China</td>
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<td>0.2</td>
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<td>0.9</td>
<td>1.5</td>
<td>1.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

See notes on page 38.

Number of Rail Transport Passengers Per Month (year on year change)

Breakdown of Sales by Product Line (Fiscal 2013)

Business Strategy and Outlook for Fiscal 2014

We will expand the environmental solutions business through a nationwide installment and maintenance service network.

In fiscal 2014, SSB is targeting net sales of ¥85.5 billion, up 3.4% year on year, and operating income of ¥6.5 billion, up 17.1%. Despite the spike in demand prior to the consumption tax hike, the railway infrastructure business is expecting sales to be on par with the previous year due to the increase in demand for security and safety solutions. In the traffic and road control systems business, the demand for security and safety products and services among road managers will make up for lower investment demand for traffic control systems. We therefore expect sales to be on par with the previous fiscal year. In the environmental solutions business, we expect higher sales due to ongoing robust demand for solar power generation.

Our strengths in the environmental solutions business include our nationwide installment and maintenance service network and our numerous experienced engineers. We will leverage these strengths to unfailingly meet rising demand to further increase sales.

Strengths of the Environmental Solutions Business

National Field Service Engineering

Ready to meet expanding demand with our nationwide installment and maintenance service network

Number of Bases / Engineers

<table>
<thead>
<tr>
<th></th>
<th>140 / 1,200</th>
</tr>
</thead>
</table>

Rationales for Additional Sales

- **Railway Infrastructure (Automatic Ticket Gates and Ticket Vending Machines)**
  - 23% of total sales

- **Public Transportation (Public Transportation Management Systems)**
  - 7% of total sales

- **Environmental Solutions**
  - 58% of total sales

- **Maintenance and Support, Environmental Solutions**
  - 12% of total sales

- **Other (Software Development)**
  - 1% of total sales

See page 38 for details.

Source: Rail Transport Overview, Ministry of Land, Infrastructure, Transport and Tourism.

SSB covers a wide range of social fields, and there are no specific economic indicators closely linked to performance. In the railway segment, for example, SBS sales are influenced by customers’ investment plans (e.g., CAI equipment installation and new railway and station construction plans).
Healthcare Business (HCB)

Provision of healthcare and medical devices and services for homes and medical institutions

Fiscal 2013 in Review
Sales increased by responding to higher health awareness in emerging countries.
In Japan, sales of our core blood pressure monitors and thermometers were strong. Sales of patient monitors for medical institutions also showed an increase.
Overseas, sales increased substantially due to the weak yen and higher sales of blood pressure monitors, a result of our success in responding to rising health awareness in emerging countries.
While we were adversely impacted by the stagnant Russian economy and political instability in some Southeast Asian countries, we benefited from increased demand in other emerging countries.
Operating income increased substantially compared with the previous year due to higher sales, ongoing cost reduction initiatives and yen depreciation.

Kiichiro Miyata
Managing Officer, President and CEO,
OMRON HEALTHCARE Co., Ltd.

Past Performance and Forecast

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<th></th>
<th>FY2010</th>
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<th>FY2012</th>
<th>FY2013</th>
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<td>Greater China</td>
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<td>0.4</td>
<td>0.5</td>
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<tr>
<td>Operating income</td>
<td>4.1</td>
<td>2.9</td>
<td>4.4</td>
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<td>8.0</td>
</tr>
<tr>
<td>Operating income margin</td>
<td>6.7%</td>
<td>4.7%</td>
<td>6.2%</td>
<td>8.5%</td>
<td>8.1%</td>
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<tr>
<td>R&amp;D expenses</td>
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<td>3.1</td>
<td>3.9</td>
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</tr>
</tbody>
</table>

See notes on page 38.

Japanese Electronics Market for Blood Pressure Monitors

- Billions of yen

Further expansion centered on emerging markets

Business Strategy and Outlook for Fiscal 2014
We will expand sales networks centered on emerging countries.
In fiscal 2014, HCB is targeting net sales of ¥98.5 billion, up 10.3% from the previous fiscal year, and operating income of ¥9.0 billion, up 6.0%. We expect an increase in sales as consumer spending picks up following economic recovery in North America and Europe and the rising health awareness in emerging countries.
In recent years, the number of people with lifestyle-related diseases is on the rise in emerging countries, including China, India, and those in Central and South America, due to the changes in lifestyle habits following economic growth. We predict demand expansion to continue for both healthcare and medical devices. In response, we will continue to increase the number of stores selling and marketing our healthcare products, with a focus on China, India, and elsewhere in Asia as well as Brazil, from 360,000 stores in fiscal 2013 to 430,000 stores in fiscal 2016.
We will keep working to strengthen our sales and marketing structure and aim to increase sales by expanding our sales network.

Planned Increase in Total Number of Stores

- Fiscal 2013: 360,000 stores
- Fiscal 2016: 430,000 stores
Other Businesses

Undertaking of incubation activities for business expansion

Fiscal 2013 in Review

Demand related to renewable energy and smartphones contributed to sales and income.

In fiscal 2013, the Environmental Solutions Business and the Backlight Business performed strongly due to renewable energy and smartphone demand respectively, increasing both sales and income.

In the Environmental Solutions Business, the sales volume of PV inverters increased substantially, driven by growing interest in the use of renewable energy, and sales were up sharply compared with the previous year.

The Backlight Business posted a significant year-on-year increase in sales because we focused on high-end backlight models following the expansion of the smartphone and tablet markets.

In the Electronic Systems & Equipment Business, uninterrupted power supply units performed strongly due to higher capital investment following business recovery and the last-minute demand preceding the consumption tax hike. In contrast, sales of industrial-use built-in computers and contract development and manufacturing services for electronic devices were weak due to an order decrease from major customers. Overall, sales were unchanged year on year.

In the Micro Devices Business, sales rose sharply year on year due to a rapid increase in demand for MEMS microphones.

Business Strategy and Outlook for Fiscal 2014

We will target further expansion of the Environmental Solutions Business.

In fiscal 2014, the Other Businesses segment is targeting net sales of ¥83.0 billion, up 5.1% year on year, and operating income of ¥9.5 billion, up 9.5%.

Amid a continually brisk market for industrial solar power generation systems due to the feed-in tariff system, the Environmental Solutions Business is working to increase sales and its market share for PV inverters in Japan. In collaboration with SSB, we are aiming to further expand our energy-creation business, for example by undertaking monitoring services that support the long-term, stable operation of systems.

We have started preparing for the deregulation of the electric power market, which is due to start in 2016. We will work to expand our business by developing a total energy solutions business to expertly store and wisely use energy that is generated without waste.

In the Backlight Business, we will aim to increase orders received for high-end backlight units in response to the ongoing trend toward larger, yet thinner and higher-definition smartphones. At the same time, we will focus on our proprietary thinfilm technologies and existing molding technologies while remaining fully prepared for further significant growth in sales and profits.

In the Electronic Systems & Equipment Business, we will work to receive increased orders from our main customers for industrial-use built-in computers and contract development and OEM services for electronic devices. We will also strive to expand sales by augmenting our lineup of uninterruptible power supply units.

In the Micro Devices Business, we forecast demand for our existing products, such as custom integrated circuits, will remain roughly flat. We will focus on MEMS microphones and MEMS sensors in the mobile device and consumer electronics markets, where significant growth is expected, to expand sales.

### Past Performance and Forecast

<table>
<thead>
<tr>
<th>FY2010</th>
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<td>0</td>
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<td>R&amp;D expenses</td>
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<td>4.0</td>
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</tbody>
</table>

See notes on page 38.

### Solar Power Generation Systems: Approved Output

<table>
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<tr>
<th>FY2013</th>
<th>FY2014</th>
</tr>
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<tbody>
<tr>
<td>4,000kW</td>
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<tr>
<td>7,000kW</td>
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<tr>
<td>9,000kW</td>
<td>10,000kW</td>
</tr>
<tr>
<td>11,000kW</td>
<td>12,000kW</td>
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</table>

Source: Agency for Natural Resources and Energy (2014)

The feed-in tariff system is contributing to growth.
Traceability Management Provides Consumers with Safety and Security

The Industrial Automation Business (IAB) not only creates equipment for factory automation (FA) but also contributes to traceability management with radio frequency identification (RFID) technologies to provide consumers with safety and security. Traceability management links manufacturing data, such as production dates and parts information, directly to a product, enabling both to be managed together. Should a product be found defective, proper traceability management makes it easier to determine the cause of the defect by using the associated manufacturing data.

Traceability makes this possible. The current environment is such that the social responsibility of a manufacturer will be called into question if it is unable to respond appropriately to crises like recalls. Therefore, traceability management is expected to be even more commonly used in a wider range of industries going forward.

Widespread Usage in the Automobile Industry

Traceability management is employed in various industries, including those related to food, pharmaceuticals, and consumer electronics. However, it is particularly widespread in the automobile industry, where consumer demand for safety is especially high. Engines and other key components are expected to be manufactured in large quantities. For this reason, these items require particularly stringent traceability management. In event of a recall, it is crucial for a manufacturer to be able to quickly and accurately ascertain which vehicles were afflicted and then analyze the defect.

One possible method of employing RFID in traceability management involves affixing radio frequency (RF) tags to transportation-use pallets. Each time a new part is embedded in an unfinished product on the pallet, a specialized reader/writer imprints information regarding that part onto the RF tag. After a product is completed, a type of barcode, known as a quick response (QR) code, will be printed on the product, and this code will be linked to the manufacturing data contained in the RF tag. Both will then be managed together on a server. Should a defect occur, the manufacturer can retrieve the manufacturing data contained in the RF tag. By employing this method, manufacturers are able to trace the cause of defects more easily.

Other Uses for RFID

By equipping runners’ race bibs with an RF tag, it is possible to track with ease runners’ times. This is accomplished by equipping checkpoints with reader/writers that extract data from the RF tag installed on the race bib to record the time when a runner passes a checkpoint.

* About RFID

RFID technologies generally employ RF tags and reader/writers that connect to one another through wireless communication to exchange and store data.
In April 2014, the Japanese Society of Hypertension revised its hypertension treatment guidelines for the first time in five years. This revision was a step ahead of the world in stipulating that blood pressure data collected at home should be given higher consideration than blood pressure data collected in hospitals. Omron changed the face of hypertension treatment when it launched its first home-use digital blood pressure monitor 40 years ago. The revision of the hypertension treatment guidelines marks another major shift in the direction of hypertension treatment.

Japan’s Ohasama Study played an important role in shaping the history of blood pressure monitoring as it became integral in establishing global standards for hypertension diagnosis. The Ohasama Study is an ongoing study of the residents of Ohasama (now merged with Hanamaki City) in the northern region of Japan’s main island. This study began approximately 30 years ago in 1986, when blood pressure monitoring was still seen as an act only physicians or nurses could perform. Omron became involved in this project through the request of the study’s leader, Dr. Imai of Tohoku University. To support the study, Omron supplied home-use blood pressure monitors. We have since continued to help monitor the blood pressure of more than 4,000 residents while advancing the research.

The Ohasama Study found that blood pressure levels at home were more closely linked to the risk of strokes or heart attacks than levels at hospital and, therefore, more clinically valuable. The study made this finding by comparing the blood pressure readings taken by Ohasama residents at home to those taken at hospitals for a number of years. Also, the study suggested that blood pressure of 135/85mmHg measured at home should be seen as the standard for hypertension diagnosis. Around the turn of the century, the World Health Organization as well as other international medical institutions and hypertension associations began employing this standard, and they continue to do so today.

Hypertension treatment is constantly evolving through the cooperation of clinical researchers and patients around the world. Going forward, Omron will continue to aid progress in this field by utilizing its sophisticated biometric technologies in collaboration with researchers. By working closely with medical practitioners, Omron will make ongoing contributions to the health of people across the globe.

Omron implements a unique intellectual property strategy that combines business strategies and technological strategies. By accurately assessing the technologies that differentiate Omron from its competitors and also by implementing vertical-horizontal management through which businesses (vertical) are linked to and coordinated with technologies (horizontal), we aim to achieve long-term business growth supported by intellectual property assets. We remain committed to maximizing long-term corporate value through innovative technologies and the proactive acquisition of intellectual property rights. We also continue striving to make a positive contribution to the global society by providing high-quality services and products in the areas of safety, security, healthcare, and the environment.

1. Patented Technology: PV inverter islanding detection method
   This technology became a base for the new certification system that is compatible with multiunit systems, and we have partially lifted patent restrictions.

2. Technology Brand: AICOT®
   AICOT® refers to the Omron brand of Anti-Islanding Control Technology for multiunit solar power systems.

3. Product Lineup
   AICOT® technology is installed in all of Omron’s PV inverters for the Japanese market.

135/85mmHg
Hypertension diagnosis based on blood pressure levels at home
CSR Management

Identification of ESG Material Issues

In fiscal 2013, Omron analyzed important issues related to environmental, social, and governance (ESG) factors, highly pertinent to the Company’s business. In this undertaking, we considered information and feedback from global socially responsible investment (SRI) investigation companies, shareholders, and other stakeholders. We identified material issues that could potentially impact our sustainability and defined related key initiatives to be addressed during the EARTH STAGE. We established targets, and we will apply the plan-do-check-act (PDCA) cycle in pursuing these targets.

<table>
<thead>
<tr>
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<th>Material Issues</th>
<th>Key Initiatives for EARTH STAGE</th>
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<tr>
<td>Social</td>
<td>Diversity</td>
<td>• Educating the next-generation of top-rank managers</td>
<td>Human Resources Strategies P.60–63</td>
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<td></td>
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<td>• Supporting advancement of females</td>
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<td></td>
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<td>• Providing energy-saving and energy-creating products</td>
<td>Environmental Management P.64–66</td>
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<td></td>
<td>Eco-monozukuri</td>
<td>• Minimizing energy and resource consumption, recycling, and reducing waste output</td>
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<td>Governance</td>
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<td>• Strengthening systems for improving management transparency and fairness</td>
<td>Corporate Governance, Internal Controls, and Compliance and Risk Management P.67–73</td>
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<tr>
<td>Risk Management</td>
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<td>• Instituting countermeasures for major Group risks</td>
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Responding to Stakeholder Expectations by Creating a Better Society through Our Business

Basic CSR Policy

While remaining true to the basic spirit of our corporate motto and corporate core value, as expressed in our Management Commitments, we manage our business in a way that emphasizes the importance of honest dialogue with stakeholders to forge relationships of trust.

CSR Practice Policies

- Contribute to a better society through business operations.
  Continuously offer advanced technologies and high-quality products and services by stimulating innovation driven by social needs.
- Show a commitment to addressing societal issues as a concerned party.
  Address such issues as human rights, the environment, diversity, and community relations in a way that draws on Omron’s distinctive strengths.
- Always demonstrate fairness and integrity in the promotion of corporate activities.
  Promote more transparent corporate activities that maintain fairness and integrity not only through strict compliance with laws, regulations, and social rules but also through increased accountability.

Observance of International CSR Standards and Guidelines

Omron respects such international CSR standards and guidelines as the Universal Declaration of Human Rights, the United Nations Global Compact (UNGC), ISO 26000, and the OECD Guidelines for Multinational Enterprises and has formulated CSR Practice Guidelines as a framework for the Groupwide code of conduct.

In 2008, Omron declared its support for the Ten Principles of the UNGC, which are universally accepted principles in the areas of human rights, labor standards, the environment, and anti-corruption. Accordingly, Omron joined the Global Compact Network Japan (GC-JN), a local Global Compact network. Later, in 2013, Omron entered the Global Compact Network China (GC-CN).

Omron will continue to respect international CSR standards and guidelines and sincerely implement measures to meet the expectations of its stakeholders.

July 2014
Omron Corporation
Chairman of the Board
Fumio Tateishi
Human Resources Strategies: (1) Diversity

**Appointing Global Human Resources to Global Core Positions**

Omron is systemically securing and educating the next-generation of top-rank managers to become capable leaders that can support its future. From the perspective of globalization, we are committed to placing local human capital in management positions at operating sites outside Japan. We believe that it is best to have people from a given country or region conduct management in that area. These people are most able to make fast and appropriate management decisions and lead the organizations and people in their country or region. In fiscal 2011, the ratio of core positions at overseas sites filled by local human capital was 31%. By March 31, 2014, this ratio had increased to 42%. Going forward, we will continue to cultivate local employees and assign these human capital to important positions.

**Promoting the Advancement of Female Human Capital**

Currently, the number of female employees in leadership roles is low, especially in Japan. Omron realizes that this is an issue needing to be addressed. The percentage of female employees in Japan as of April 20, 2014, was 21%, with 1.8% of managers being female. By fiscal 2016, we aim to employ several female executives in Japan and have female managers account for 3% of total managers. By 2018, we plan to have female managers account for 5%. Going forward, Omron will progressively cultivate a workplace environment in which female employees can continue working even after life events like marriage and childbirth. Furthermore, we will develop a corporate culture that allows any employees with high ambitions to achieve advancement, regardless of gender.

**Developing a Workplace Environment That Empowers People with Disabilities**

Currently, Japan legally requires companies to maintain a ratio of employees with disabilities to total employees of at least 2%. The Omron Group, including OMRON Taiyo Co., Ltd. (a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities), has a ratio of 3.24%, one of the highest of any manufacturing company in Japan. Overseas, government policies pertaining to the employment of people with disabilities and social awareness toward these individuals vary by country. As such, it is necessary to develop the appropriate workplace environment based on the conditions of each country. Omron aims to develop a workplace environment in which people with disabilities are empowered and can work unimpeded, and it will formulate related initiative policies based on the conditions of each country.

![Percentage of Female Managers in Japan](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Female Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2012</td>
<td>1.4%</td>
</tr>
<tr>
<td>April 2014</td>
<td>1.8%</td>
</tr>
<tr>
<td>April 2018 (Plan)</td>
<td>5% level</td>
</tr>
</tbody>
</table>
Human Resources Strategies: (2) Evolving Award System for Promoting the Omron Principles

The Omron Global Awards (TOGA)

Omron pledges to create tangible value on a global scale by facilitating the efforts of all employees to practice the Omron Principles.

TOGA is a system available to all employees around the world for promoting the practice of the Omron Principles by linking the principles to everyday work (as of June, 2014).

Characteristics
1. Recognition of self-declared achievement
   In TOGA, entries are made as teams, and entrants are required to declare the challenges they will be taking on at the time of entry, before they accomplish their goals.
2. Award categories based on five sayings of the founder
   Each team can choose a category that best describes the key concept of the team’s activity.
3. Exemplary practices shared through tournament-style competition
   Tournament-style competition cultivates a corporate culture in which employees are inspired by each other, promoting mutual development and understanding.

Connection between Award Categories and the Omron Principles

- Challenging ourselves to always do better
- Innovation driven by social needs
- Respect for humanity
- “70/30 Rule”
- “Don’t Say I Cannot”
- “Customer Centric”
- “Be a Pioneer.”
- “Those Who Make Others Happy”

Entry Theme: Fastest Development of Outdoor-Use PV Inverters
Category: “Be a Pioneer.”

In October 2012, a project team employed new development techniques and teamwork to develop a small-scale industrial PV inverter for outdoor use in half the time that would be normally required. This valiant effort enabled the product to meet market needs through a timely launch.

In June 2014, Omron completed systems for expanded production of this PV inverter to respond to solid market growth. Going forward, we will work to make larger contributions to the proliferation of solar power generation systems.

Number of Entries and Participants by Region (Fiscal 2013)

<table>
<thead>
<tr>
<th>Region</th>
<th>Entries</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,276</td>
<td>12,379</td>
</tr>
<tr>
<td>Greater China</td>
<td>742</td>
<td>7,115</td>
</tr>
<tr>
<td>South Korea</td>
<td>54</td>
<td>345</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>232</td>
<td>1,930</td>
</tr>
<tr>
<td>Americas</td>
<td>93</td>
<td>667</td>
</tr>
<tr>
<td>Europe</td>
<td>132</td>
<td>1,097</td>
</tr>
<tr>
<td>Total</td>
<td>2,519</td>
<td>23,533</td>
</tr>
</tbody>
</table>

Distribution of Entries by Category (Fiscal 2013)

- “Those Who Make Others Happy” 7%
- “Be a Pioneer.” 16%
- “70/30 Rule” 7%
- “Don’t Say I Cannot” 43%
- “Customer Centric” 27%
- “Be a Pioneer.” 16%
- “Those Who Make Others Happy” 7%

Challenge Story and Beyond

About TOGA

TOGA by Numbers

Entry Theme: Fastest Development of Outdoor-Use PV Inverters
Category: “Be a Pioneer.”
Environmental Management

Becoming a Global Value-Creating Company with Environmental Contributions Exceeding Environmental Impacts

Omron established the Group’s Environmental Policy in 1996 and its environmental management vision, “Green Omron 21,” in 2002. In 2011, Omron formulated its environmental management vision, “Green Omron 2020.” In addition to continuing with efforts to reduce our own environmental impact, the vision prescribes for the Group to create and supply functional products and services that reduce the environmental footprint of society. Acting in accordance with Omron’s core corporate value of “Working for the benefit of society,” we will promote more encompassing environmental management to contribute to the realization of a sustainable society that recycles.

Expanding Environmental Contribution

The growth of our PV inverter operations contributed greatly to the expansion of environmental contribution.

Environmental Impact Reduction Activities

External Recognition of Environmental Impact Reduction Activities

Omron’s efforts to reduce the environmental impact of its production sites have been highly evaluated on a global scale, with the company recently receiving the Grand Prize for the Global Environment Award in Japan and the Prime Minister’s Hibiscus Award in Malaysia.

Improving Productivity and Saving Energy through Eco-Monozukuri—23rd Grand Prize for the Global Environment Award

Omron was presented with the Japan Business Federation Chairman’s Award at the 23rd Grand Prize for the Global Environment Award in recognition of its promotion of eco-monozukuri, which entails coordination between production divisions (electricity users) and facility divisions (providers of electricity) to boost productivity and quality while reducing electricity usage. We will further advance eco-monozukuri to contribute to the environment by supplying society with energy-saving products and services.

Reducing Environmental Impacts at Production Sites—Environmental Award from the Malaysian Government

In December 2013, OMRON MALAYSIA SDN. BHD. (OMB) received the Prime Minister’s Hibiscus Award from the Malaysian government. This environmental award was presented to OMB in recognition of its efforts to reduce the environmental impact. We see the receipt of this prestigious honor as an opportunity to further advance energy-saving activities while stepping up education activities targeting plant workers.

Reducing Environmental Impacts across the Value Chain

To track the environmental impacts of its businesses across the entire value chain, in fiscal 2013 Omron began employing the Greenhouse Gas Protocol (GHG Protocol), an international accounting and disclosure tool for greenhouse gas emissions, based on Scope 1, Scope 2, and Scope 3 of the GHG Protocol.

<table>
<thead>
<tr>
<th>GHG Protocol</th>
<th>Explanation</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>Direct emissions, including those from internal fuel combustion and industrial processes</td>
<td>Emissions from combustion of fuel (city gas, kerosene, etc.) at operating sites</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Indirect emissions from consumption of purchased electricity, heat, or steam</td>
<td>Greenhouse gas emissions from manufacturing*</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Other indirect emissions</td>
<td>CO₂ emissions by power companies resulting from electricity used at operating sites</td>
</tr>
</tbody>
</table>

* Perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFCs), etc.
Omron is committed to maintaining and exercising a proper corporate governance system while increasing management transparency. To firmly establish a high standard of corporate ethics, we will continue to enhance our compliance system and strengthen the risk management framework that supports ongoing improvement in corporate value.

Corporate Governance Initiatives

President

1999  President Yoshio Tateishi
2003  President Hisao Sakuta
2011  President Yoshihito Yamada

Chairman & CEO

1987– President serves as Board of Directors’ Chairman and CEO
2003– President serves as Board of Directors’ Chairman and CEO

Executive Officers

1999– Number of directors reduced to seven
2003– Introduction of executive officer system

Advisory Board

1993 Advisory Board
2003– Two members (seven directors)
2011– Two members (four auditors)

Outside Directors

1999– One member
2003– Two members (seven directors)
2011– Two members (four auditors)

Audit & Supervisory Board

1999– Two members
2003– Three members (four auditors)
2011– Three members (four auditors)

Advisory Committees

1996– Management Personnel Advisory Committee
2000– Personnel Advisory Committee
2003– Compensation Advisory Committee
2006– CEO Selection Advisory Committee
2008– Corporate Governance Committee

Corporate Philosophy

Omron Principles formulated in 1930
Revised in 1998
Revised in 2006

Corporate Governance

Basic Policies

At Omron, senior management has realized the importance of corporate governance for many years and has progressively developed foundations for supporting good corporate governance. As such, Omron has worked to drive the spread of such foundations in Japan and other countries by having officials assuming principal posts in relevant external organizations and through other means.

Omron’s basic policy is to fortify corporate governance based on the belief that the most crucial factor in earning stakeholders’ support is building an optimal management structure and conducting fair business operations while enhancing the mechanism (a supervisory system) for such verification and realizing sustainable growth.

In line with this basic policy, Omron has adopted an executive officer system and clearly separates management oversight and business execution. Under an internal company system, Omron is realizing faster decision making and efficient business operations by delegating substantial authority to the president of each internal company. Moreover, autonomous individual business units that can specialize in creating value for customers take the initiative in conducting business. At the same time, through commitment-based management, we clarify roles and responsibilities and practice corporate value management based on shareholder value.
Management and Oversight Frameworks

Omron is a “Company with Audit & Supervisory Board.” The corporate governance regime has a supervisory and observational function pertaining to the actions of the Board of Directors and also involves auditing carried out by the Audit & Supervisory Board.

Omron has set the number of members of its Board of Directors at seven to encourage efficient and meaningful discussion. In order to strengthen management oversight functions and separate these functions from business execution, the Company has appointed multiple outside and independent directors, thereby ensuring that directors concurrently fulfilling business execution roles do not represent a majority in the Board of Directors. In this manner, we are improving corporate governance functionality. To increase objectivity in management and to bolster management oversight function of the Board of Directors, the positions of chairman of the Board of Director and president and CEO are separated. The chairman of the Board of Directors monitors business execution activities as a representative of the Company’s stakeholders. Furthermore, Omron has established the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee, all chaired by outside directors. In this manner, the Company is working to increase the transparency and objectivity of management’s decision-making process.

By incorporating the best aspects of the Companies with Committees system, we have created a type of hybrid corporate governance regime that we feel is the most appropriate for the Company.

Corporate Governance Structure

- The BOD oversees business activities and decides important business matters, such as management targets and strategies.
- Audit & Supervisory Board
  - This Board oversees the corporate governance system and its implementation and audits the day-to-day operations of directors and other executives.
- Personnel Advisory Committee
  - This committee, chaired by an outside director, determines the compensation structure for directors and executive officers, sets evaluation standards, and evaluates current executives.
- CEO Selection Advisory Committee
  - This committee, chaired by an outside director, is dedicated to the nomination of presidents and CEOs and deliberates on the selection of the new president and CEO for the upcoming term and on preparing continuity succession plans.
- Compensation Advisory Committee
  - This committee, chaired by an outside director, discusses and determines important business operation matters that are within the scope of authority of the president and CEO.
- Corporate Governance Committee
  - This council discusses and determines important business operation matters that are within the scope of authority of the president and CEO.
- Executive Council
  - This council discusses and determines important business operation matters that are within the scope of authority of the president and CEO.

Audit & Supervisory Board Office
- Board of Directors Office
- Accounting Auditor
- Chairman: Chairman of the Board
- Personnel Advisory Committee
- CEO Selection Advisory Committee
- Compensation Advisory Committee
- Corporate Governance Committee

Audit & Supervisory Board
- Chairman: Chairman of the Board
- Representative Director and President and CEO
- Representative Director and Executive Vice President
- Director and Executive Vice President
- Director
- Outside Director
- Outside Director
- Audit & Supervisory Board Member (Full-time)
- Audit & Supervisory Board Member (Independent)
- Audit & Supervisory Board Member (Independent)

Auditing Functions

The Audit & Supervisory Board, composed of four Audit & Supervisory Board members, audits governance practices and monitors the everyday management activities of the Board of Directors and other management staff as well as the nature and operational conditions of the corporate governance regime. The Internal Audit Division, which reports directly to the president and CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. Moreover, the Internal Audit Division offers specific advice for improving business functions.

Appointment of Outside Executives

To allow the Board of Directors to monitor business execution as a representative of the Company’s stakeholders, two of the seven directors are outside directors and two of the four Audit & Supervisory Board members are outside members. Emphasizing the independence of outside executives, Omron has formulated its own original Outside Executive Eligibility Criteria in addition to the requirements under Japan’s Corporate Law.

Also, the Corporate Governance Committee takes steps to confirm the Outside Executive Eligibility Criteria do not pose any problem with respect to determination criteria concerning independence formulated by the appropriate stock exchange. After obtaining a resolution of the Board of Directors, notifications are submitted with the appropriate stock exchange for all outside executives as independent officers.

Positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Personnel Advisory Committee</th>
<th>CEO Selection Advisory Committee</th>
<th>Compensation Advisory Committee</th>
<th>Corporate Governance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>Fumio Tateishi</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Representative Director</td>
<td>Yoshinori Suzuki</td>
<td>○</td>
<td></td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>and President and CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representative Director</td>
<td>Koji Nitto</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>and Executive Vice President</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Director</td>
<td>Kazuhiro Toyama</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Eizo Kobayashi</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Tokio Kawashima</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Member (Full-time)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Eisuke Nagatomo</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Member (Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Yoshifumi Matsumoto</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Member (Independent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Financial Incentives for Directors and Audit & Supervisory Board Members

As part of its drive to strengthen the governance of compensation for its Directors, in June 2014 the Company introduced medium-term, performance-linked bonuses in an effort to give Directors incentive to achieve medium-term management targets. This incentive was also accompanied by the issuing of performance-linked stock acquisition rights to Directors. The medium-term, performance-linked bonuses shall be paid to Directors based on the level of achievement of performance targets set forth in the medium-term management plan for the EARTH-1 STAGE. The target value, minimum and maximum target values were set to further increase Directors’ motivation toward meeting the medium-term performance targets.

The performance-linked stock acquisition rights were issued under the condition of the achievement of medium-term management targets and a rise in the Company’s stock price. The objectives are to create medium-to-long-term shareholder value, and to encourage Directors to own shares of the Company. The targets to be used as the basis for conditions for exercising stock acquisition rights shall be ¥900 billion in consolidated net sales set for fiscal 2016, the final year of the Company’s medium-term management plan. In addition to this target value, the Company set forth minimum and maximum target values, varying the percentage of exercisable stock acquisition rights in a gradual manner, in order to increase the Directors’ motivation to attain the performance targets.

The performance-linked stock acquisition rights are issued with charge, and are exercisable only when the pre-assigned criteria of the Company’s consolidated financial results are met, and according to the extent to which the performance targets are achieved. Because the stock acquisition rights are not favorable for individuals who are allotted these rights, they do not fall under the category of compensation for Directors.

Through the introduction of these new initiatives, the Company’s governance system regarding compensation for Directors and other incentive plans covers: 1) a base salary paid for the roles and responsibilities as Directors; 2) yearly performance-linked bonuses based on the level of achievement of short-term management plan targets; and 3) incentives linked with increases in corporate value and awarded according to the level of achievement of performance targets set forth in the medium-term management plan, which was established to meet the goals of the VG2020 long-term strategy. These include medium-term performance-linked bonuses, performance-linked stock acquisition rights, and stock compensation. Through this compensation structure, the Company intends to enhance Directors’ motivation to attain management goals in the short, medium, and long terms.

The basic principles and policy for compensation for Directors and Executive Officers are as follows:

### Basic Principles of Compensation for Directors and Executive 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 managers.
- 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*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*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 outside directors 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.

### Fiscal 2013 Director and Audit & Supervisory Board Member Remuneration

To increase objectivity and transparency, the Compensation Advisory Committee, chaired by an outside director, is consulted on the compensation of directors. This committee discusses the compensation of each individual and makes recommendations. After receiving these recommendations, the amount of compensation for each director is determined by a resolution of the Board of Directors, and the amount of compensation for each Audit & Supervisory Board member is determined by discussions among the Audit & Supervisory Board members (resolution of the Board of Corporate Auditors). The following amounts are within the scope of all directors and all Audit & Supervisory Board members, as each has been set by a resolution of the General Meeting of Shareholders.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of People</th>
<th>Basic Compensation</th>
<th>Bonuses</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>9 (Outside Directors)</td>
<td>9</td>
<td>344</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>(Independent)</td>
<td>(3)</td>
<td>(23)</td>
<td>(23)</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members</td>
<td>6 (Outside Executives)</td>
<td>6</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>(Independent)</td>
<td>(3)</td>
<td>(18)</td>
<td>(18)</td>
</tr>
<tr>
<td>Total</td>
<td>15 (Outside Executives)</td>
<td>15</td>
<td>426</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>(Independent)</td>
<td>(6)</td>
<td>(41)</td>
<td>(41)</td>
</tr>
</tbody>
</table>

Notes:
1. Director compensation consists of basic compensation, bonus, and stock-based compensation.
2. Outside director compensation consists of basic compensation.
3. The above basic compensation of Directors includes the amount paid as stock compensation to Directors, excluding Outside Directors.
4. Audit & Supervisory Board member compensation consists of basic compensation.
Two Types of Internal Audits to Ensure Healthy and Effective Organizational Operations

Omron conducts two types of internal audits to ensure the healthy and effective operation of its organization.

One is the Internal Control Audit to ensure whether the internal controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding. The other is the Management Audit, which examines the solutions and improvement measures implemented for specific management issues. In the event the results of these audits include items recommended for improvement, the Company supports measures to carry out the improvements.

In addition, the Omron Group has established the Internal Divisions Audit and placed full-time auditors in each of its four regions of global business—Americas, Europe, Greater China*, and Asia Pacific—to implement internal audits at its business sites worldwide based on local practices and legal systems and in accordance with globally standardized audit policies.

* Greater China: China, Hong Kong, and Taiwan

Compliance and Risk Management

The Omron Group faces various risks related to compliance, regulations, and other issues in its business operations. In order to address these risks, we employ an approach called Integrated Global Risk Management, which manages information and countermeasures in an integrated and global manner.

The basic provisions for Integrated Global Risk Management are defined in the Basic Policy on the Maintenance of Internal Controls by the Board of Directors. Further, the Basic Rules of Integrated Global Risk Management describe the framework for risk management initiatives, and this framework is applied to all Omron Group companies around the world.

To enhance these activities, the Corporate Ethics & Risk Management Committee has been established. Through the committee, various risk countermeasures are discussed and implemented by members from the corporate headquarters and business companies as well as from overseas regional headquarters. In addition, we have appointed risk managers to take charge of compliance and risk management at all Omron Group companies around the world, and we are utilizing our global network to quickly share risk information and discuss countermeasures on a daily basis.

A specific initiative of Integrated Global Risk Management is the identification of Group Critical Risks. Every year, we identify and analyze the risks that the Omron Group faces from a global perspective. We assess these risks and categorize the most significant risks into S rank and those less significant risks into A rank. We then establish plans for risk countermeasures to be implemented throughout the entire Company via the Executive Council. After verification and correction, the results are reported to the Board of Directors and finally disclosed.

In other words, this process forms the risk management PDCA cycle. For fiscal 2014, S-rank risks include business continuity risk and violation of laws, such as bribery. A-rank risks include internal fraud, CSR non-compliance, 

Revision of Executive Compensation Systems

When I became an outside director, I also assumed the role of chairman of the Compensation Advisory Committee. In this capacity, I have advanced vigorous discussions aimed at better governing executive compensation at Omron. Omron’s management strategies had defined medium-to-long term targets, but the Company lacked compensation systems for directors that were linked to the accomplishment of these targets. I therefore felt that Omron needed better governance for executive compensation if it was to pursue sustainable growth. For this reason, I initiated efforts aimed at a revision of compensation systems. As new systems, we introduced medium-term, performance-link benefits that will be adjusted based on progress toward achieving medium-term management targets. We also issued stock options with performance-linked exercise conditions to encourage directors to hold a stake in the Company and pursue medium-to-long-term improvements in shareholder value. I feel that these systems have effectively reinforced the governance of director compensation. The strengthening of governance must not remain confined to executive compensation and other internal systems. Governance systems must be made effective before they can contribute to improved corporate value, which is their ultimate goal. For this reason, I help to verify the effectiveness of the initiatives of the Board of Directors and the Company’s various advisory committees through active participation while simultaneously providing suggestions for further reinforcing corporate governance at Omron.

July 2014
Outside Director
Eizo Kobayashi
Chairman, ITOCHU Corporation
Directors, Audit & Supervisory Board Members, and Honorary Chairman

As of June 24, 2014

**Directors**

**Chairman of the Board**
- Yoshio Tateishi
  - August 1983: Joined Omron

**President and CEO**
- Yoshihito Yamada
  - April 1984: Joined Omron

**Executive Vice President and CFO**
- Yoshinori Suzuki
  - April 1975: Joined Omron

**Executive Vice President**
- Akio Sakumya
  - April 1975: Joined Omron

**Outside Director**
- Koji Nitto
  - April 1983

- Kazuhiro Toyama
  - April 1985

- Eizo Kobayashi
  - April 1972

**Audit & Supervisory Board Members**

**Audit & Supervisory Board Member (Full-time)**
- Masayuki Tsuda
  - April 1977: Joined Omron

**Audit & Supervisory Board Member (Full-time)**
- Tokio Kawashima
  - April 1982: Joined Mitsubishi Bank Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

**Audit & Supervisory Board Member (Independent)**
- Eiseke Nagatomo
  - April 1971: Joined Tokyo Stock Exchange

**Honorary Chairman**
- Yoshio Tateishi
  - August 1983: Joined Omron

---

As of June 24, 2014

**Audit & Supervisory Board Member**
- Fumio Tateishi
  - August 1979: Joined Omron

**Audit & Supervisory Board Member**
- Eisuke Nagatomo
  - April 1971: Joined Tokyo Stock Exchange

**Audit & Supervisory Board Member (Independent)**
- Yoshifumi Matsumoto
  - April 1989: Registered as attorney with Osaka Bar Association; Joined Miyake Law Office (now Miyake & Partners)

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As of June 24, 2014

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Executive Officers

Senior Managing Officer

Yutaka Miyanaga
Company President,
Industrial Automation Company

Managing Officers

Masaki Arao
Senior General Manager,
Technology & Intellectual Property HQ

Katsuhiko Wada
President and CEO,
OMRON Automotive Electronics Co., Ltd.

Shizuto Yukumoto
Senior General Manager,
Environmental Solutions Business HQ

Kiichiro Kondo
President and CEO,
OMRON SOCIAL SOLUTIONS Co., Ltd.

Kenji Matsunami
Company President,
Electronic and Mechanical Components Company

Kiyoshi Yoshikawa
Senior General Manager,
Global Manufacturing Innovation HQ

Satoshi Ando
Senior General Manager,
Investor Relations HQ

Yoshihiro Taniguchi
Representative Director, President and CEO,
OMRON SWITCH & DEVICES CORPORATION

Toshio Hosoi
Managing Director, Senior General Manager,
Solution Business HQ
OMRON SOCIAL SOLUTIONS Co., Ltd.

Nigel Blakeway
Chairman, President and CEO,
OMRON MANAGEMENT CENTER OF AMERICA, INC., and
Chairman and CEO, OMRON ELECTRONICS, LLC.

Goshi Oba
Chairman and President,
OMRON INDUSTRIAL AUTOMATION (CHINA) Co., Ltd.

Takayoshi Oue
Senior General Manager,
Global Finance and Accounting HQ

Isao Ogino
Director, Executive Vice President,
OMRON HEALTHCARE Co., Ltd.

Masanori Takahashi
Representative Director and CEO,
OMRON RELAY & DEVICES CORPORATION

Izumi Echizen
Senior General Manager,
Global Resource Management HQ

Hideji Ejima
General Manager, Business Planning Department,
and General Manager, Application Engineering Center,
Environmental Solutions Business HQ

Seigo Kinugawa
Senior General Manager,
Strategy Planning Division HQ
Industrial Automation Company

Takashi Kitagawa
Senior General Manager,
Board of Directors Office

Masahiko Tomita
General Manager,
Corporate Planning Department,
Global Strategy HQ
## Financial Highlights

### FY2011 FY2012 FY2013

<table>
<thead>
<tr>
<th>For the year:</th>
<th>Millions of yen (except per share data)</th>
<th>Thousands of U.S. dollars (Note 2) (except per share data)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥619,461</td>
<td>$7,504,524</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings of affiliates</td>
<td>33,547</td>
<td>602,010</td>
</tr>
<tr>
<td>Net income</td>
<td>16,352</td>
<td>449,650</td>
</tr>
<tr>
<td>Net income attributable to shareholders</td>
<td>16,389</td>
<td>448,398</td>
</tr>
<tr>
<td>Per share data (yen and U.S. dollars):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to shareholders Basic</td>
<td>74.46</td>
<td>2.04</td>
</tr>
<tr>
<td>Net income attributable to shareholders Diluted</td>
<td>74.46</td>
<td>--</td>
</tr>
<tr>
<td>Cash dividends (Note 1)</td>
<td>28.0</td>
<td>0.51</td>
</tr>
<tr>
<td>Capital expenditures (cash basis)</td>
<td>27,502</td>
<td>312,796</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>42,089</td>
<td>466,320</td>
</tr>
</tbody>
</table>

### At year end:

<table>
<thead>
<tr>
<th></th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>537,323</td>
<td>573,637</td>
<td>654,704</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>320,840</td>
<td>366,962</td>
<td>430,509</td>
</tr>
</tbody>
</table>

Notes:
1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.

Fiscal 2013 Management’s Discussion and Analysis

Conditions held firm in principal markets related to the Omron Group, both in Japan and overseas. In the automotive sector, domestic capital investment showed recovery and market conditions were supported by strong component demand in Japan and emerging countries. Domestic capital investment related to semiconductors recovered due to the popularity of smartphones, and there were signs of potential improvements in domestic and overseas capital investment in machine tools. Conditions for consumer electronics and electronic components benefited from increased capital investment and robust overseas component demand. Meanwhile, medical devices saw solid demand accompanying growing health awareness in emerging countries. In foreign exchange, the Bank of Japan’s massive monetary easing policy caused the yen to depreciate rapidly against the U.S. dollar and the Euro. This trend buoyed the Group’s earnings. Yen depreciation also caused the price of copper to rise, while the price of silver continued to drop, as was the case in fiscal 2012. The average exchange rates for fiscal 2013 were ¥100.1 to the U.S. dollar, up by ¥16.9 from the previous fiscal year, and ¥134.0 to the Euro, a ¥264.4-year-on-year rise. In raw material prices, the average price per kilogram of silver was ¥76,713, down by ¥6,329 year on year, and copper was ¥73.3 per kilogram, up by ¥47.

Market Environment

Overview of Consolidated Results and Financial Condition

In this market environment, the Omron Group’s consolidated net sales in fiscal 2013 rose by 18.8% year on year, to ¥773.0 billion, following large revenue improvements in all segments. The gross profit margin improved as a result of lower fixed costs in manufacturing operations and reduced variable costs. Combined with higher sales, this improvement resulted in operating income rising by 50.1%, to ¥68.1 billion; income before income taxes and equity in earnings of affiliates increasing by 54.0%, to ¥62.0 billion, and net income attributable to shareholders growing by 52.9%, to ¥46.2 billion. In this manner, the significant increases in income figures seen in fiscal 2012 continued in fiscal 2013.

Total assets rose by 14.1% from the end of the previous fiscal year, to ¥654.7 billion, mainly due to increased cash and cash equivalents and notes and accounts receivable-trade. Total shareholders’ equity was up by 17.3%, to ¥439.5 billion, as a result of foreign currency translation adjustments as well as a substantial increase in net income attributable to shareholders. This led to a rise in the shareholders’ equity ratio, to 68.5%, from 64.0% at the end of the previous fiscal year. Return on equity (ROE) stood at 11.6%, and return on invested capital (ROIC) was 11.3%, both percentages up from 8.8% and 8.6%, respectively, in the previous fiscal year.

Exchange Rates

Overview of Consolidated Results and Financial Condition

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Exchange Rates
In fiscal 2013, the Company advanced the core strategies of the maximization of the Industrial Automation (IA) business, growth in emerging markets, the completion of profit structure reforms, and global human resources strengthening. The Group also implemented measures targeting medium-to-long-term earnings improvements. As a result, sales in emerging countries increased, and net sales were up by ¥122.5 billion year on year, or 18.8%, to ¥773.0 billion, accordingly. By region, sales grew by 8.4% in Japan, by 25.6% in the Americas, by 25.5% in Europe, by 34.0% in the Greater China region, and by 31.8% in the Asia Pacific region. Performance in the Greater China region continued to lead other overseas segments in terms of both net sales and operating income.

Cost of Sales and SG&A Expenses
Cost of sales increased by 16.3% year on year, following higher net sales, while the cost of sales ratio declined by 1.4 percentage points, to 61.5%. In fiscal 2013, the average price per kilogram of silver was ¥76,713, lower than the level of ¥83,042 seen in the previous fiscal year. The average price per kilogram of copper, conversely, rose, to ¥703 from ¥686 in fiscal 2012. SG&A expenses increased by ¥28.5 billion, or 18.7%, from the previous fiscal year, but the SG&A-to-sales ratio remained relatively unchanged at 23.5%. At the same time, R&D expenses were up by ¥4.4 billion, or 10.2%. This increase was due to the Company's strategy of steadily conducting investments as necessary for future growth. The R&D-to-sales ratio, however, declined from the previous fiscal year's 6.7% to 6.2%.

Other Expenses
Other expenses, net, rose by ¥1.9 billion year on year, to ¥16.0 per share higher than in the previous fiscal year. The consolidated dividend payout ratio was 25.3%, and the DOE ratio was 2.9% in fiscal 2013.

Income before Income Taxes and Equity in Earnings of Affiliates, Net Income Attributable to Shareholders, and Profit Distribution
As a result of the previously mentioned factors, income before income taxes and equity in earnings of affiliates amounted to ¥62.0 billion, up by ¥20.8 billion from ¥41.2 billion recorded in the previous fiscal year. Likewise, net income attributable to shareholders was ¥46.2 billion, up by ¥16.0 billion from the previous years ¥30.2 billion. Basic net income attributable to shareholders per share rose from ¥137.2 in fiscal 2012 to ¥209.8 in fiscal 2013.

The Company’s basic policy for dividend payments is to secure sufficient internal capital resources for future growth while stably and continually improving shareholder returns. Specifically, the target dividend payout ratio was raised to more than 25% in fiscal 2013, and a ratio of 30% will be targeted for fiscal 2016. The target for the dividend on equity (DOE) ratio will remain at 2% for the foreseeable future.

In accordance with this policy, the Company paid a total annual cash dividend of ¥33.0 per share, ¥16.0 per share higher than in the previous fiscal year. The consolidated dividend payout ratio was 25.3%, and the DOE ratio was 2.9% in fiscal 2013.

1. Review of Operations by Business Segment

Industrial Automation Business (IAB)
In Japan, IAB suffered from generally sluggish capital investment demand during the first half of fiscal 2013. In the second half of the year, however, recovery was seen centered on the semiconductor and electronic component industries. Sales of new products also contributed to performance, and full-year domestic sales were up accordingly. Overseas, the impact of political unrest and currency devaluation in certain Asian countries resulted in low demand related to electronic component industries in China and reduced demand for exports from China. Conversely, the Americas saw second-half recovery in factory automation demand and in oil and gas related businesses. South Korea's semiconductor, flat panel display, and automobile industries also experienced strong demand. As a result of these factors as well as the influences of yen depreciation, full-year sales increased substantially in all overseas areas.

Due to the aforementioned, IAB net sales increased by 10.9% on year, to ¥291.7 billion, and operating income rose by 23.6%, to ¥38.8 billion.

Electronic and Mechanical Components Business (EMC)
In Japan, sales of relays and switches to the consumer electronics industry were strong as a result of recovery in the domestic components, the intense heat seen during the first half of fiscal 2013, and the demand rush preceding the consumption tax hike. As a result, full-year domestic sales were up. Overseas, mobile device demand was solid in China and South Korea, and we were able to expand our market share to consumer electronics manufacturers in these countries. Also, demand for consumer and commercial products was robust in the Americas. Coupled with the influences of yen depreciation, these factors led to a large increase in overseas sales.

Due to the aforementioned, EMC net sales increased by 16.2% year on year, to ¥97.7 billion, while operating income soared by 98.9%, to ¥6.7 billion, due to the success of ongoing cost reduction measures.

Automotive Electronic Components Business (AEC)
In Japan, certain customers relocated manufacturing operations overseas. The impacts of this trend offset the benefits of government stimulus measures, on-going tax breaks for eco-friendly automobiles, and the demand rush that preceded the consumption tax hike. AEC sales were down in Japan accordingly. Overseas, demand recovery accelerated in North America, and the scale of China and other Asian markets continued to expand. As a result, sales were favorable in all overseas areas. Due to the aforementioned, AEC net sales increased by 29.7% year on year, to ¥126.6 billion, and operating income grew by 81.4%, to ¥31.1 billion, due to the benefits of yen depreciation.

Social Systems, Solutions and Service Business (SSB)
In the railway infrastructure business, brisk replacement demand for railway infrastructure equipment was seen due to recovered performance by railway companies and the pre-consumption tax hike demand increase. In addition, safety and security solutions centered on remote monitoring systems performed well, leading to increased sales. In the traffic control and road control systems business, performance was supported by solid demand for traffic control systems and solutions for preventing facility deterioration. Robust demand for the environmental solutions business’s solar power related products resulted in strong sales, and increased sales of related installation services also contributed to improved performance.

Due to the aforementioned, SSB net sales rose by 20.0%, to ¥227.7 billion, and operating income jumped by 90.5%, to ¥6.6 billion.

Notes:
1. Segment operating income is prepared using the single-step method (which does not show individual income levels) based on U.S. GAAP.
2. For easier comparison with other companies, operating income represents gross profit minus SG&A expenses and R&D expenses.
3. In segment information, sales represent sales to external customers and exclude intersegment transactions. Conversely, operating income includes income from intersegment transactions before deductions of headquarters expenses and other non-applicable amounts.

2. Review of Operations by Financial Section

Costs, Expenses, and Income as Percentages of Net Sales

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2012</th>
<th>FY2011</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>62.5</td>
<td>63.2</td>
<td>62.9</td>
</tr>
<tr>
<td>Gross profit</td>
<td>37.5</td>
<td>36.8</td>
<td>37.1</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>23.0</td>
<td>23.5</td>
<td>23.4</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>6.7</td>
<td>6.8</td>
<td>6.7</td>
</tr>
<tr>
<td>Other expenses, net</td>
<td>1.1</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings of affiliates</td>
<td>6.7</td>
<td>5.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Income taxes</td>
<td>2.3</td>
<td>2.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Net income attributable to shareholders</td>
<td>4.3</td>
<td>2.6</td>
<td>4.0</td>
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Segment Information

<table>
<thead>
<tr>
<th>Financial Section</th>
<th>FY2013</th>
<th>FY2012</th>
<th>FY2011</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥579.0</td>
<td>¥498.6</td>
<td>¥446.4</td>
<td>¥396.1</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥62.0</td>
<td>¥46.2</td>
<td>¥38.8</td>
<td>¥30.2</td>
</tr>
<tr>
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<td>10.8%</td>
<td>9.3%</td>
<td>9.3%</td>
<td>7.6%</td>
</tr>
<tr>
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<td>9.3%</td>
<td>9.3%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

About Omron

Where We’re Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section
Healthcare Business (HCB)

In the home-use healthcare and medical device field in Japan, sales ofmainly blood pressure monitors and thermometers proved favorable, and we worked to stimulate new demand through the introduction of new products. Performance was also strong for use in medical institutions, and full-year domestic sales increased accordingly. Overseas, demand for healthcare and medical devices continued to increase in emerging countries, excluding Russia and certain Southeast Asian countries, while sales of blood pressure monitors rose in developed countries. Overseas performance was exceptionally strong overall, with sales showing large increases.

Greater China

In China, economic uncertainty persisted in light of significant corporate activity and consumer spending and a poor housing market, but growth rates remained high regardless. In particular, strong performance contributions were made by the large increases in sales of electronic components for the mobile device and consumer electronic industries, automotive electronic components, and medical devices. As a result, net sales in the Greater China region rose by 34.0% year on year, to ¥142.4 billion, and operating income increased by 58.3%, to ¥10.3 billion, versus the Greater China region once again accounting for the largest portion of sales and income compared with other overseas segments.

Other Businesses

The Environmental Solutions Business experienced a substantial increase in sales of PV inverters supported by rising interest in renewable energy. The Electronic Systems & Equipments Business suffered from reduced demand for industrial-use computers and contract development and manufacturing services for electronic devices. Conversely, sales of uninterruptible power supply units were favorable due to the rise in capital investment stemming from improved corporate performance as well as the demand rush that preceded the consumption tax hike. The Micro Devices Business saw rapid growth in microphone demand. Meanwhile, the Backlight Business benefited from the brisk smartphone market such as large performance contributions from the tablet PC field, which the Company entered in fiscal 2013.

2. Review of Operations by Region

Japan

In Japan, economic recovery drove sales increases in a wide range of fields. During the second half of the fiscal year, capital investment demand for automation equipment improved, and this improvement combined with the fourth quarter consumption tax hike demand rush supported performance. As a result, sales in IAB, EMC, SSB, HCB, and the Other increased year on year. Accordingly, net sales in Japan rose by 8.4% year on year, to ¥344.8 billion. Sales increases were particularly strong in the second and third quarters, which contributed to a 50.4% year-on-year rise in operating income, to ¥47.4 billion.

Europe

In Europe, corporate and consumer confidence improved, creating a modest recovery trend. Previously sluggish sales of electronic components for the consumer and commercial product industries benefited particularly from this recovery; HCB sales also expanded. Overall, sales exceeded fiscal 2012’s levels throughout the year, and income growth was exceptionally strong during the fourth quarter. As a result, net sales in Europe increased by 25.5% year on year, to ¥100.9 billion, and operating income rose by 68.8%, to ¥9.3 billion.

Americas

In the Americas, uncertainty regarding U.S. monetary policy was dispelled, and the United States saw clear improvement of new products. Performance was also strong for automotive electronic components as well as electronic components for the consumer and commercial product industries. While oil and gas related business conditions were sluggish during the first half of fiscal 2013, recovery was seen in the second half. As a result, net sales in the Americas rose by 25.6% year on year, to ¥101.0 billion. However, operating income was down by 80.8%, to ¥2.2 billion, due to higher costs associated with South American operations.

Financing

Total assets amounted to ¥654.7 billion at the end of fiscal 2013, representing an increase of ¥81.1 billion, or 14.1%, compared with the previous fiscal year-end. This rise was mainly due to increases in cash and cash equivalents and notes and accounts receivable-trade accompanying substantially higher sales and income.

Liabilities and Shareholders’ Equity

Total liabilities amounted to ¥221.9 billion, up by ¥71.1 billion from the previous fiscal year-end. This increase was largely due to higher notes and accounts payable-trade.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥35.9 billion, down by ¥2.3 billion from the previous fiscal year. Major outflows included those to repay short-term debt and issue dividend payments.

Asia Pacific

In the Asia Pacific region, political unrest and poor market sentiment in certain countries continued to create an air of uncertainty. Nevertheless, overall demand expanded for medical devices. Demand was also strong for automation equipment for the semiconductor, flat panel display, and automobile industries as well as for electronic components for the mobile device and consumer electronics industries. Performance exceeded fiscal 2012’s levels throughout the year due to this trend, which was particularly robust in South Korea. As a result, net sales in the Asia Pacific region increased by 31.8% year on year, to ¥72.3 billion, and operating income rose by 77.5%, to ¥7.1 billion.
Business and Other Risks

A number of items may pose risks and influence the Omron Group’s management results and financial condition (including earnings per share, and dividend rate), and Omron believes these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group’s forecasts and assumptions, and Omron believes these items may substantially affect investor decisions.

(1) Economic Conditions

The Omron Group conducts business worldwide, and its operations are significantly affected by economic conditions, trends in markets related to the Group’s business, and fluctuations in economic conditions in Japan and overseas. Therefore, such factors may have an effect on the Group’s operating results and financial condition. Furthermore, we assume that the ratio of overseas business will continue to increase as the Group actively expands globally. Accordingly, the Group maintains a solid structure resistant to changes in the external environment by, for example, coping with foreign exchange risk by expanding overseas production and increasing local procurement to improve the balance of foreign currency denominated income and expenditures. We also hedge foreign exchange risk through short-term forward contracts executed with financial institutions. Nonetheless, rapid fluctuations in the exchange rates of currencies, such as the U.S. dollar and the Euro, as well as a protracted period of yen strength, may have an impact on the Group’s operating results and financial condition.

(2) Legal and Regulatory Risks

The Omron Group operates worldwide and is therefore subject to a wide variety of laws and regulations, including labor laws, personal data protection laws, security trade control regulations, laws against bribery, and anti-monopoly laws. Our compliance efforts include training and education programs for our employees and others. Nonetheless, instances in which additional expenses are incurred to ensure compliance in the event of the enactment of new laws or regulations, changes to existing laws or regulations, or the adoption of stricter interpretations of laws or regulations could have an impact on the Group’s operating results and financial condition.

(3) Natural Disasters

The Omron Group has established a business continuity plan (BCP) that formulates necessary safety measures and steps to facilitate recovery in the event of a disaster, and the early restoration of operations in the event of a disaster, including earthquakes in the Nankai Trough or directly under the Tokyo metropolitan area, as well as typhoons and other typhoons. The Group and its business partners maintain operating bases around the world, making it virtually impossible to continue operations for an extended period without fundamental changes if production is disrupted due to a natural disaster, infectious disease, pandemic, or other calamity. Especially considering the fact that disasters have recently been occurring at a heightened frequency, the Group believes that if any unforeseen event were to occur, a certain level of business interruption could impact Group operations by, for example, causing a reduction of business, which could have an impact on the Group’s operating results and financial condition.

(4) International Relations

The Omron Group actively conducts such business activities as production and sales in overseas markets. The Group is subject to an increasing number of laws and regulations that affect overseas business, such as laws regarding company conduct, anticorruption laws, and trade sanctions. The Group must comply with a wide variety of environmental laws and regulations, including those related to climate change, air pollution, water pollution, hazardous substances, waste, product recycling, and the contamination of soil and groundwater. In the future, it is possible that the Group will face difficulty in complying with environmental laws and regulations, among other factors, in the event of an accident or a disaster. The Group is strengthening countermeasures for cyber-attacks against its information systems and reinforcing IT governance. Regardless, damage, alteration, or loss of important data, system stoppages, or switching to different parts under such conditions could have an impact on the Group’s operating results and financial condition.

(5) Human Resources

Cross-border and cross-corporation personnel movements and opportunities for employees of a variety of nationalities to work together are expanding in line with increasing globalization. Accordingly, labor troubles may arise due to differences in culture, customs, and treatment. In addition, the Company is exposed to risks including the inability to secure a sufficient number of superior candidates for management-level positions that could impact the Group’s operating results and financial condition. Furthermore, the Group could be adversely affected by labor strikes or other labor issues that could impact the Group’s operating results and financial condition.

(6) Management of Funds

The Omron Group expends funds by issuing commercial paper and other means. Therefore, financial market instability, rising interest rates in Japan, or a rating agency downgrade could result in restrictions on funding-raising and an increase in financing costs, which could affect the Group’s operating results and financial condition. In order to maintain flexibility in capital expenditures and M&A at the global level, as well as to improve capital efficiency, the Group pays close attention to the level of cash reserves and the deployment of funds. Cash reserves are held as working capital or as a source of funds for business investment and are not employed for financial investment purposes.

(7) Information Security

The Omron Group possesses operationally important information and obtains confidential personal information and information on its business activities. The Group is concerned about the risk of the occurrence of new influenza viruses. The Group and its business partners maintain operating bases around the world, making it virtually impossible to continue operations for an extended period without fundamental changes if production is disrupted due to a natural disaster, infectious disease, pandemic, or other calamity. Especially considering the fact that disasters have recently been occurring at a heightened frequency, the Group believes that if any unforeseen event were to occur, a certain level of business interruption could impact Group operations by, for example, causing a reduction of business, which could have an impact on the Group’s operating results and financial condition.

(8) Risks Associated with R&D, Patent Rights, and Other Intellectual Property Rights

The Omron Group develops and manufactures products and provides services in accordance with its ISD-certified quality control system. A Groupwide quality check system is in place that entails quality inspections and other activities aimed at the ongoing improvement of the quality of the Group’s entire line of products and services. Through these efforts, the Group seeks to maximize customer satisfaction by providing high quality products and services based on its “quality-first” principle. However, it is impossible to predict all of the conditions under which Omron’s intellectual property could be utilized. Furthermore, it has become difficult to guarantee that defects or that recalls will not occur. Changing conditions in Japan have necessitated greater attention to consumer protection. Product quality is also increasingly a major issue overseas. The risk of a recall due to a major product defect or the inability to conduct appropriate first-response and other emergency measures to correct a materialization of such risks could adversely affect Omron’s reliability or brand image, and sales could decline as a result. Such a situation could have an impact on the Group’s operating results and financial condition.

(9) Production

The Omron Group has manufacturing bases outside Japan, including in China as well as in other Asian countries, and supplies products to customers worldwide through its international sales offices. To ensure continued manufacturing stability, the Group has established and is executing the measures called for under its BCP, which covers the entire supply chain from production through logistics, including IT. Nonetheless, disaster, disease, labor disruptions, deterioration of public order, terrorism, international relations issues, and other disturbances can cause a partial or full cessation of production, which could have an impact on the Group’s operating results and financial condition if supplies to customers are disrupted.

(10) Purchasing and Procurement

Obtaining raw materials and parts of quality sufficient to meet the Group’s standards, the Group must assess risks such as the competitiveness of the Group’s operating results and financial condition. The Group is subject to an increasing number of laws and regulations that affect overseas business, such as laws regarding company conduct, anticorruption laws, and trade sanctions. The Group must comply with a wide variety of environmental laws and regulations, including those related to climate change, air pollution, water pollution, hazardous substances, waste, product recycling, and the contamination of soil and groundwater. In the future, it is possible that the Group will face difficulty in complying with environmental laws and regulations, among other factors, in the event of an accident or a disaster. The Group’s activities could therefore be subject to operating difficulties in countries outside Japan related to possible social unrest due to factors including differences in culture or corporate management, the release date of its Yshukkenkohoku (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan).

While the Group contracts with suppliers to determine prices, the market prices for such materials as petrochemicals, steel, lifestyle consumer goods, and other raw materials are linked to increased demand in emerging countries as well as the influx of capital into these countries. Resulting price increases can affect manufacturing costs and could have an impact on the Group’s operating results and financial condition.

The Group is expected to respond to various, including risks associated with changes in laws and regulations, and the increasing globalization of society in areas across the entire supply chain. These expectations include assigning social, environmental, and other risks associated with the use of such materials and products may be prohibited, and sales of the Group’s products may suffer as a result. Such a situation could have an impact on the Group’s operating results and financial condition.

(11) Quality Assurance

The Omron Group manufactures and operates products and provides services in accordance with its ISD-certified quality control system. A Groupwide quality check system is in place that entails quality inspections and other activities aimed at the ongoing improvement of the quality of the Group’s entire line of products and services. Through these efforts, the Group seeks to maximize customer satisfaction by providing high quality products and services based on its “quality-first” principle. However, it is impossible to predict all of the conditions under which Omron’s intellectual property could be utilized. Furthermore, it has become difficult to guarantee that defects or that recalls will not occur. Changing conditions in Japan have necessitated greater attention to consumer protection. Product quality is also increasingly a major issue overseas. The risk of a recall due to a major product defect or the inability to conduct appropriate first-response and other emergency measures to correct a materialization of such risks could adversely affect Omron’s reliability or brand image, and sales could decline as a result. Such a situation could have an impact on the Group’s operating results and financial condition.

(12) Environmental Conservation

The Group must comply with a wide variety of environmental laws and regulations, including those related to climate change, air and water pollution, hazardous substances, waste, product recycling, and the contamination of soil and groundwater. In the future, it is possible that the Group will face difficulty in complying with environmental laws and regulations, among other factors, in the event of an accident or a disaster. The Group’s activities could therefore be subject to operating difficulties in countries outside Japan related to possible social unrest due to factors including differences in culture or corporate management, the release date of its Yshukkenkohoku (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan).

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Consolidated Balance Sheets
OMRON Corporation and Subsidiaries
March 31, 2013 and 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 55,708</td>
<td>¥ 90,251</td>
<td>$876,223</td>
</tr>
<tr>
<td>Notes and accounts receivable - trade</td>
<td>158,911</td>
<td>174,216</td>
<td>1,691,417</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(1,988)</td>
<td>(1,912)</td>
<td>(17,592)</td>
</tr>
<tr>
<td>Inventories</td>
<td>91,013</td>
<td>97,877</td>
<td>948,320</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>17,611</td>
<td>22,888</td>
<td>220,272</td>
</tr>
<tr>
<td>Other current assets</td>
<td>12,439</td>
<td>13,473</td>
<td>130,806</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>333,694</td>
<td>396,493</td>
<td>3,849,446</td>
</tr>
<tr>
<td>Property, Plant and Equipment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>26,591</td>
<td>26,344</td>
<td>255,767</td>
</tr>
<tr>
<td>Buildings</td>
<td>137,821</td>
<td>140,495</td>
<td>1,364,029</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>156,186</td>
<td>171,192</td>
<td>1,662,058</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>6,729</td>
<td>7,126</td>
<td>6,914</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>327,327</td>
<td>345,157</td>
<td>3,351,038</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(200,492)</td>
<td>(209,591)</td>
<td>(2,034,864)</td>
</tr>
<tr>
<td><strong>Net Property, Plant and Equipment</strong></td>
<td>126,835</td>
<td>135,566</td>
<td>1,316,174</td>
</tr>
<tr>
<td>Investments and Other Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to affiliates</td>
<td>17,939</td>
<td>21,349</td>
<td>207,272</td>
</tr>
<tr>
<td>Investment securities</td>
<td>38,193</td>
<td>51,117</td>
<td>496,282</td>
</tr>
<tr>
<td>Leasehold deposits</td>
<td>6,914</td>
<td>6,950</td>
<td>67,476</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>30,612</td>
<td>36,217</td>
<td>203,807</td>
</tr>
<tr>
<td>Other assets</td>
<td>19,450</td>
<td>22,311</td>
<td>216,613</td>
</tr>
<tr>
<td><strong>Total Investments and Other Assets</strong></td>
<td>113,108</td>
<td>122,645</td>
<td>1,190,730</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>¥ 573,637</td>
<td>¥ 654,704</td>
<td>$ 6,356,350</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>¥ 5,570</td>
<td>(¥ 488)</td>
<td>$ 4,738</td>
</tr>
<tr>
<td>Notes and accounts payable - trade</td>
<td>75,192</td>
<td>85,218</td>
<td>827,359</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>32,818</td>
<td>39,837</td>
<td>387,350</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>3,907</td>
<td>6,340</td>
<td>61,553</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>27,814</td>
<td>30,764</td>
<td>298,680</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>145,701</td>
<td>162,707</td>
<td>1,579,680</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>595</td>
<td>2,167</td>
<td>21,039</td>
</tr>
<tr>
<td>Termination and Retirement Benefits</td>
<td>56,944</td>
<td>50,683</td>
<td>492,068</td>
</tr>
<tr>
<td>Other Long-Term Liabilities</td>
<td>1,634</td>
<td>6,369</td>
<td>61,835</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, no par value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized: 487,000,000 shares in 2012 and 2013</td>
<td>64,100</td>
<td>64,100</td>
<td>961,816</td>
</tr>
<tr>
<td>Issued: 227,121,372 shares in 2012 and 2013</td>
<td>(44,349)</td>
<td>(44,349)</td>
<td>(147,204)</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>99,066</td>
<td>99,067</td>
<td>916,971</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>10,876</td>
<td>11,196</td>
<td>108,699</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>253,654</td>
<td>287,853</td>
<td>2,794,689</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(169,592)</td>
<td>(169,212)</td>
<td>(160,631)</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>366,962</td>
<td>430,509</td>
<td>4,179,689</td>
</tr>
<tr>
<td>Noncontrolling Interests</td>
<td>1,801</td>
<td>2,269</td>
<td>22,029</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>¥ 573,637</td>
<td>¥ 654,704</td>
<td>$ 6,356,350</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Comprehensive Income (Loss)

OMRON Corporation and Subsidiaries

<table>
<thead>
<tr>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
</tbody>
</table>

**Net Income**

- ¥16,352
- $30,117
- ¥46,314
- $449,650

**Other Comprehensive Income (Loss), net of tax:**

- Foreign currency translation adjustments: (1,613)
- Reclassification adjustment for the portion realized in net income: (892)

**Net unrealized gain and loss**

- (2,505)
- $22,480
- $18,946
- $183,932

**Comprehensive Income**

- ¥14,139
- $734,816

**Comprehensive Income attributable to shareholders**

- ¥14,183
- $731,767

---

### Consolidated Statements of Shareholders’ Equity

**OMRON Corporation and Subsidiaries**<br>**Years Ended March 31, 2012, 2013 and 2014**

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>FY2013</th>
<th>FY2012</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, March 31, 2011</td>
<td>$223,121,372</td>
<td>$227,121,372</td>
<td>$239,121,372</td>
</tr>
<tr>
<td>Net income</td>
<td>$16,389</td>
<td>$16,389</td>
<td>$37,165</td>
</tr>
<tr>
<td>Cash dividends paid to OMRON Corporation shareholders, ¥10 per share</td>
<td>$(8,164)</td>
<td>$(8,164)</td>
<td>$(8,164)</td>
</tr>
<tr>
<td>Cash dividends paid to noncontrolling interests and other</td>
<td>$(515)</td>
<td>$(515)</td>
<td>$(515)</td>
</tr>
<tr>
<td>Transfer to legal reserve</td>
<td>$3,490</td>
<td>$(560)</td>
<td>$(560)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>$(2,290)</td>
<td>$(7,290)</td>
<td>$(7,290)</td>
</tr>
<tr>
<td>Sale of treasury stock</td>
<td>$(4)</td>
<td>$(10)</td>
<td>$(10)</td>
</tr>
<tr>
<td>Balance, March 31, 2012</td>
<td>$227,121,372</td>
<td>$232,121,372</td>
<td>$245,121,372</td>
</tr>
<tr>
<td>Net income</td>
<td>$16,249</td>
<td>$16,249</td>
<td>$37,119</td>
</tr>
<tr>
<td>Cash dividends paid to OMRON Corporation shareholders, ¥10 per share</td>
<td>$(8,145)</td>
<td>$(8,145)</td>
<td>$(8,145)</td>
</tr>
<tr>
<td>Cash dividends paid to noncontrolling interests and other</td>
<td>$(512)</td>
<td>$(512)</td>
<td>$(512)</td>
</tr>
<tr>
<td>Transfer to legal reserve</td>
<td>$3,490</td>
<td>$(550)</td>
<td>$(550)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>$(2,290)</td>
<td>$(7,290)</td>
<td>$(7,290)</td>
</tr>
<tr>
<td>Sale of treasury stock</td>
<td>$(4)</td>
<td>$(10)</td>
<td>$(10)</td>
</tr>
<tr>
<td>Retirement of treasury stock (12,000,000)</td>
<td>$(26,119)</td>
<td>$(26,119)</td>
<td>$(26,119)</td>
</tr>
<tr>
<td>Balance, March 31, 2013</td>
<td>$222,121,372</td>
<td>$226,121,372</td>
<td>$234,121,372</td>
</tr>
<tr>
<td>Net income</td>
<td>$16,096</td>
<td>$16,096</td>
<td>$37,060</td>
</tr>
<tr>
<td>Cash dividends paid to OMRON Corporation shareholders, ¥10 per share</td>
<td>$(8,124)</td>
<td>$(8,124)</td>
<td>$(8,124)</td>
</tr>
<tr>
<td>Cash dividends paid to noncontrolling interests and other</td>
<td>$(511)</td>
<td>$(511)</td>
<td>$(511)</td>
</tr>
<tr>
<td>Transfer to legal reserve</td>
<td>$3,490</td>
<td>$(540)</td>
<td>$(540)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>$(2,290)</td>
<td>$(7,290)</td>
<td>$(7,290)</td>
</tr>
<tr>
<td>Sale of treasury stock</td>
<td>$(4)</td>
<td>$(10)</td>
<td>$(10)</td>
</tr>
<tr>
<td>Balance, March 31, 2014</td>
<td>$217,121,372</td>
<td>$221,121,372</td>
<td>$228,121,372</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Cash Flows

**OMRON Corporation and Subsidiaries**<br>**Years Ended March 31, 2012, 2013 and 2014**

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$16,352</td>
<td>$30,117</td>
<td>$46,314</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22,617</td>
<td>24,452</td>
<td>25,089</td>
</tr>
<tr>
<td>Net loss on sales and disposals of property, plant and equipment</td>
<td>361</td>
<td>578</td>
<td>1,146</td>
</tr>
<tr>
<td>Loss on impairment of long-lived assets</td>
<td>1,225</td>
<td>1,205</td>
<td>7,806</td>
</tr>
<tr>
<td>Net gain on sale of investment securities</td>
<td>$(337)</td>
<td>$(67)</td>
<td>$(1,714)</td>
</tr>
<tr>
<td>Loss on impairment of investment securities</td>
<td>391</td>
<td>1,066</td>
<td>501</td>
</tr>
<tr>
<td>Loss on impairment of goodwill</td>
<td>$(2,099)</td>
<td>153</td>
<td>—</td>
</tr>
<tr>
<td>Termination and retirement benefits</td>
<td>$(5,669)</td>
<td>$(4,233)</td>
<td>$(4,417)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>9,581</td>
<td>3,762</td>
<td>21,706</td>
</tr>
<tr>
<td>Equity in loss (earnings) of affiliates</td>
<td>$(631)</td>
<td>$(2,756)</td>
<td>$(2,782)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in notes and accounts receivable - trade</td>
<td>$(6,838)</td>
<td>$(5,827)</td>
<td>$(6,613)</td>
</tr>
<tr>
<td>Increase (decrease) in inventories</td>
<td>$(2,179)</td>
<td>$(1,641)</td>
<td>$(1,355)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable - trade</td>
<td>$(2,179)</td>
<td>$(1,641)</td>
<td>$(1,355)</td>
</tr>
<tr>
<td>Increase (decrease) in income taxes payable</td>
<td>$(1,562)</td>
<td>312</td>
<td>22,107</td>
</tr>
<tr>
<td>Increase in accrued expenses and other current liabilities</td>
<td>388</td>
<td>1,519</td>
<td>10,883</td>
</tr>
<tr>
<td>Other, net</td>
<td>$(22)</td>
<td>919</td>
<td>8,922</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>15,554</td>
<td>22,941</td>
<td>32,730</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>31,946</td>
<td>53,058</td>
<td>79,044</td>
</tr>
<tr>
<td>Investing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales or maturities of investment securities</td>
<td>693</td>
<td>1,658</td>
<td>2,840</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>$(911)</td>
<td>$(2,179)</td>
<td>$(2,195)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$(27,352)</td>
<td>$(30,383)</td>
<td>$(31,723)</td>
</tr>
<tr>
<td>Decrease (increase) in leasehold deposits, net</td>
<td>$(101)</td>
<td>457</td>
<td>75</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>3,397</td>
<td>836</td>
<td>7,704</td>
</tr>
<tr>
<td>Decrease (increase) in investment in and loans to affiliates</td>
<td>$(480)</td>
<td>$(1,884)</td>
<td>209</td>
</tr>
<tr>
<td>Sale of business, net of cash acquired</td>
<td>10</td>
<td>26</td>
<td>252</td>
</tr>
<tr>
<td>Acquisition of business, net of cash acquired</td>
<td>$(1,012)</td>
<td>$(141)</td>
<td>$(141)</td>
</tr>
<tr>
<td>Purchase of noncontrolling interests</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>520</td>
<td>624</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(26,488)</td>
<td>$(28,471)</td>
<td>$(30,184)</td>
</tr>
<tr>
<td>Financing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net repayments of short-term debt</td>
<td>$(26,744)</td>
<td>$(13,273)</td>
<td>$(5,135)</td>
</tr>
<tr>
<td>Dividends paid by the Company</td>
<td>$(6,604)</td>
<td>$(6,164)</td>
<td>$(10,566)</td>
</tr>
<tr>
<td>Dividends paid to noncontrolling interests</td>
<td>$(15)</td>
<td>$(2)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from equity transactions with noncontrolling interests</td>
<td>819</td>
<td>22</td>
<td>214</td>
</tr>
<tr>
<td>Other, net</td>
<td>$(129)</td>
<td>$(619)</td>
<td>$(6,010)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>$(33,492)</td>
<td>$(18,550)</td>
<td>$(158,233)</td>
</tr>
<tr>
<td>Effect of Exchange Rate Changes on Cash and Cash Equivalents</td>
<td>$(1,446)</td>
<td>4,414</td>
<td>2,922</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Cash and Cash Equivalents</td>
<td>$(29,457)</td>
<td>10,451</td>
<td>34,543</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of the Year</td>
<td>74,257</td>
<td>64,314</td>
<td>30,117</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at End of the Year</td>
<td>34,700</td>
<td>74,257</td>
<td>64,314</td>
</tr>
</tbody>
</table>

Internal Control Section

Management’s Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshitaka Yamada, Representative Director and President; and
Yoshinori Suzuki, Representative Director and Executive Vice President and CFO are responsible for designing and operating effective internal control over financial reporting of Omron Corporation (the “Company”) and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinion) released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2014 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material impact on our entire financial reporting on a consolidation basis (“entity-level controls”) and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-method affiliated companies determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year’s consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reach two-thirds of total amount on a consolidation basis were selected as “significant locations and/or business units.” At selected “significant locations and/or business units,” we included in the scope of assessment, business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

The above assessments determined that the Company’s internal control over financial reporting was effective as of the last day of the fiscal year under review.

4. Additional notes

No material items to report.

5. Special notes

No material items to report.

Yoshitaka Yamada
Representative Director and President
Omron Corporation

Yoshinori Suzuki
Representative Director and Executive Vice President and CFO
Omron Corporation

June 28, 2014

No material items to report.

Communications with individual investors

Number of events 27
Number of participants 2,140

Communications with institutional investors

Number of direct interactions with investors 932

Private meetings and teleconferences between the president and investors in Japan and overseas, IR conferences, tours of plants in Japan and China (Shanghai and Guangzhou), observation of technological exhibitions, and other activities

Shareholders’ meeting held on June 20, 2013

Number of attending shareholders 772
Percentage of voting rights exercised 85.5%

IR Activities Focusing on Engagement

With its investor relations (IR) policy emphasizing interactive communication with investors through engagement, Omron provides timely and accurate information on the Company’s business conditions and management policies. Omron also aims to reflect investors’ comments in its management strategies to the fullest extent possible to maximize corporate value.

Activities in Fiscal 2013

- Communications with individual investors
- Communications with institutional investors
- Shareholders’ meeting held on June 20, 2013
- Shareholders’ meeting held on June 20, 2013
- Percentage of voting rights exercised 85.5%

The Securities Analysts Association of Japan presented the Company with the 2013 Award for Excellence in Corporate Disclosure in the Electric / Precision industry category, selecting Omron as No.1 from among 23 other companies in this category.

Inclusion in SRI Indexes

- Dow Jones Sustainability Indices
- Corporate Value Foundation

As of July 2014
Omron Corporation is dedicated to driving innovation through its business activities. We provide the products and services that society requires, thereby contributing to the development of the global society while growing as a company.

We emphasize the following three principles: management adhering to the Omron Principles, highly transparent and effective corporate governance systems, and constructive engagement with stakeholders founded on voluntary disclosure. These principles guide us in conducting management from a long-term perspective as we pursue ongoing improvements in corporate value, shareholder value, and brand value.

On the business front, Omron is strengthening its global vertical-horizontal management system (a matrix management system for business units) while conducting business portfolio management and utilizing return on invested capital (ROIC) as a management indicator.

Therefore, it would not be too much to say that integrated thinking has long been built into our management.

We took great care in designing Integrated Report 2014 to communicate to all stakeholders Omron’s ability to create value from a long-term perspective, referring to international frameworks for integrated reports, such as those by the International Integrated Reporting Council (IIRC) and the World Intellectual Capital Initiative (WICI).

We welcome your honest opinions and feedback.

For more detailed information, please refer to our website.