We are a company that improves lives and contributes to a better society

In 1959, Omron founder Kazuma Tateishi said, “A company is most valuable when it contributes to society beyond the simple pursuit of profits.” Based on this idea, Tateishi created our corporate motto stating, “With our day-to-day work, let’s improve lives and contribute to create a better society.” Since that time, the spirit of this motto has been a driving force behind our growth, binding us together as we create world-class innovations and contribute to higher standards of living through our businesses. In 1990, we created the Omron Principles, built on the foundation and spirit of our corporate motto. The Omron Principles have evolved in response to the changing times.

Today, our businesses are growing across the world faster than ever as we pursue the long-term vision outlined in our Value Generation 2020 (VG2020) plan. We continue to raise our corporate value by providing answers to many of the issues our world faces today. To achieve this vision toward 2020 and beyond, it is important for all Omron employees to act on the Omron Principles. This is why we have decided to revise the Omron Principles to be easier to understand and put into practice.

Omron continues to aim for a higher corporate value by being a pioneer in finding solutions to social needs through our business and by contributing to a better society.

Fumio Tateishi
Chairman
July 2015

Omron Principles represent our unchanging, unshakeable beliefs. The Omron Principles are the cornerstone of our decisions and actions. They are what binds us together, and they are the driving force behind Omron’s growth.

Our Mission

To improve lives and contribute to a better society

Our Values

- **Innovation Driven by Social Needs**
  Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**
  Pursue new challenges with passion and courage.
- **Respect for All**
  Act with integrity and encourage everyone’s potential.
Making the World Smaller through Sensing and Control Technologies

Omron manufactures and sells market-leading sensing and control products in over 110 countries around the world. Our products include control equipment, electronic components, automotive electronic components, social infrastructure, healthcare, and environmental solutions.

### Fiscal 2014 Earnings by Business Segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net sales (Billions of yen)</th>
<th>Operating income (Billions of yen)</th>
<th>Operating income margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Automation Business (IAB)</td>
<td>331.8</td>
<td>54.6</td>
<td>16.5%</td>
</tr>
<tr>
<td>Electronic and Mechanical Components Business (EMC)</td>
<td>103.9</td>
<td>10.2</td>
<td>9.8%</td>
</tr>
<tr>
<td>Automotive Electronic Components Business (AEC)</td>
<td>137.9</td>
<td>9.2</td>
<td>6.7%</td>
</tr>
<tr>
<td>Social Systems, Solutions and Service Business (SSB)</td>
<td>80.4</td>
<td>5.9</td>
<td>6.2%</td>
</tr>
<tr>
<td>Healthcare Business (HCB)</td>
<td>102.6</td>
<td>6.5</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other Businesses</td>
<td>87.4</td>
<td>8.4</td>
<td>9.6%</td>
</tr>
<tr>
<td>Total</td>
<td>847.3</td>
<td>86.6</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

*As of March 31, 2015
Note: Regional categories are defined as follows:
- Americas: North America, Central America, South America
- Europe: Europe, Russia, Africa, Middle East
- Greater China: China, Taiwan, Hong Kong
- Asia Pacific: Southeast Asia, Korea, India, Oceania

---

### Ratio of overseas sales to net sales

60%

### Ratio of overseas employees to total employees

70%
Challenging Ourselves to Make New Technologies that Create a New Era

Evolution in automation. Omron continues to challenge traditional ideas to create new and unique value for the market.

Omron sensing and control technologies determine what is necessary from various information, transforming it into valuable information for equipment control.

A robot that anticipates human movement

The table tennis-playing robot demonstrates a machine’s ability to sense its surroundings and make a correct decision. Using 3D image processing, our robot friend calculates movement and ball position to return a shot easy for its opponent to reach, keeping the volley going as long as possible. Technology that anticipates human movement and reacts properly will play a core role in future industrial, nursing, and in-home care settings.

3D Signage

Signage that uses spatial projection comes alive, expressing information in a way that can’t be done in two dimensions. How would you use a 2D arrow on a signboard to tell a visitor to turn around and go back up a flight of stairs? In three dimensions, however, the message is clear and easy to see. Signage made with light is much safer and more space efficient than traditional signage, to boot. You can probably imagine a number of creative ways spatial projection can be used in showrooms, display windows, and maybe even in your own home.

Real-Time Translation

Devices with embedded real-time translation technology interpret and display written characters for the user. Beyond simple translation, we are working to incorporate concierge technology that provides timely and useful suggestions as well.
Business Model

Omron consists of six main business segments, filled with talented, skilled, and dedicated professionals. These professionals leverage intellectual and physical capital to deliver products and services that make the world a better place.

In each of these business segments we collect information about human will and thoughts, specified data of a person or an object, etc., converting this information into products and services using sensing and control technologies. This is how we go about directly serving the needs of society. For example, our factory automation (FA) products and services support safer, higher quality of manufacturing work. Our accurate medical equipment contributes to society by assisting in the battle against lifestyle diseases. We take the compensation we receive from our customers and reinvest it into creating solutions for the next generation of issues to come—that’s the Omron style of value delivery.

- Human will and thoughts
- Location and conditions of a person or an object
- Specified data of a person or an object
- Human body data
- Natural environment

Plan / Develop / Manufacture / Sell

Sensing and Control Technologies

Information Useful for Solving Issues

Anticipate

Social Issues

Labor shortages
Factory safety and security
Quality
Station overcrowding, traffic congestion
Lifestyle diseases
Energy shortages, the environment

Omron

Manu-
factur-
ers

Electronics

Automotive

Food/Pharma

Infrastructure, Other

Railway/Roads

Pharmacies

Housing Construction, Other

PV Inverters Other

Station Equipment, Traffic Equipment, Maintenance and Services

Medical Equipment

FA Equipment

Electronic Components

Automotive Electronic Components

A better life through manufacturing

Station/road safety, security

Health

Environment (Energy)

Value Delivery

B to B

B to C

About Omron

Where We’re Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section
**Omron Products**

**Industrial Automation Business**

Control Equipment for Factory Automation

The IAB provides control equipment to automate production lines. Devices connected over open protocol enable high-speed, high-precision control contributing to quality, safety, and environmental conservation in the factory.

<table>
<thead>
<tr>
<th>Sensing Equipment</th>
<th>Control Equipment</th>
<th>Motion Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision Sensors</td>
<td>Programmable Controllers</td>
<td>Servo Motors and Servo Drives</td>
</tr>
<tr>
<td>Fiber Sensors</td>
<td>Temperature Controllers</td>
<td>Inverters</td>
</tr>
</tbody>
</table>

Safety Equipment

Emergency Stop Switches | Safety Light Curtains | Safety Controllers

**Electronic Components for Home Appliances and Other Industries**

Relays and switches for use in refrigerators, microwave ovens, air conditioners and more

Sensing Equipment

Surface-Mounted Switches

Control Equipment

Power Relay for Printed Circuit Boards

Motion Equipment

Printed Toner Sensors

**Electronic Automotive Components**

Electric power steering controllers for a smoother, enjoyable driving experience

Electric Power Steering Controllers

Power window switches with built-in safety features to prevent accidental injury

Power Window Switches

Passive entry and keyless push-button starters make driving a more enjoyable experience. The AEC provides components to make these features possible.

**Social Systems Solutions and Service Business**

Public Transportation

The SSB provides the technology behind the latest automated ticket gate and ticket vending machines to keep traffic moving efficiently through public transportation.

| Automated Ticket Gates | Ticket Vending Machines |

**Healthcare Business**

Healthcare and Medical Devices for Home Use

The HCB helps families stay healthy, offering health management and treatment products and services.

Body Composition Monitors | Thermometers | Blood Pressure Monitors |

**Other Businesses**

Environmental Solutions

PV inverters and other products for energy generation, storage, and savings

Backlights

LCD backlights for smartphones and other devices

Environmental Solutions

Uninterruptible Power Supply Units provide electricity during power outages or other emergencies.

Backlights

Uninterruptible Power Supply Units

**Road Traffic**

Central management systems for traffic flow and congestion management

**Healthcare and Medical Devices for Professional Use**

Medical devices and equipment that relieve symptoms of disease and reduce medical risks

Blood Pressure Monitors | Spots Check Monitors | Uninterruptible Power Supply Units

**Micro Devices**

Micro electro mechanical systems (MEMS) for emerging applications

**Medical Devices for Professional Use**

Medical devices and equipment that relieve symptoms of disease and reduce medical risks

Blood Pressure Monitors | Spots Check Monitors | Uninterruptible Power Supply Units

**Electronic Automotive Components Business**

Uninterruptible power supply units provide electricity during power outages or other emergencies.

**Other Businesses**

Micro electro mechanical systems (MEMS) for emerging applications

Uninterruptible Power Supply Units | MEMS Pressure Sensors
The Year in Review

Fiscal 2014 was a full and eventful year at Omron. We took strategic steps forward in creating a self-driven growth structure. We created a venture investment subsidiary to find and fund opportunities for future growth. We acquired a Brazilian company and partnered with others. In addition, our innovative management by ROIC program was recognized and awarded the Corporate Value Improvement Award by the Tokyo Stock Exchange.

Established Omron Ventures Co., Ltd. on July 1, 2014 as a corporate venture capital subsidiary

October 2014
Acquired NS Indústria de Aparelhos Médicos Ltda., the No.1 nebulizer manufacturing and sales company in the Brazilian market
http://www.omron.com/media/press/2014/10/c1010.html

November 2014
Opened the Hu-tech Environmental Laboratory. This building is a test case for completely new zero-energy building and energy concepts
- Reduced a building’s annual primary energy usage to zero through energy conservation and efficiency.

December 2014
Signed a letter of intent with Cyberdyne Inc. for a robotics business partnership

October–December 2014
First share buyback in six years (2.82 million shares; ¥15.0 billion) and share retirement
See P. 28 for more.

January 2015
Launched a joint project with JIN Co., Ltd. for the development of a new healthcare product; new product scheduled to be introduced to the market in spring 2016

Omron selected for the fifth consecutive year as a component of the DJSI Asia Pacific Index
http://www.djsi.com/press/2014/10/c1010.html

October 2014
Developed a first-of-its-kind spatial projection technology to project static 3D images using LED lights and a transparent plate
- September 2014 internal survey

Omron’s Table Tennis Robot awarded the U.S. Media Panel Innovation Award at CEATEC 2014
- Award given by U.S. electronics journalists to the most innovative technologies, products, and services exhibited at CEATEC JAPAN deemed to have a significant impact on the U.S. market
http://www.omron.com/media/press/2014/10/d1010.html

Omron’s absolute pressure sensor awarded Semiconductor of the Year 2014 in the semiconductor devices category

Omron introduced the Accumi V7000 Series, a patient monitor offering high operability and diverse functionality to support safe and efficient nursing care

Omron’s Table Tennis Robot awarded the U.S. Media Panel Innovation Award at CEATEC 2014
- Award given by U.S. electronics journalists to the most innovative technologies, products, and services exhibited at CEATEC JAPAN deemed to have a significant impact on the U.S. market
http://www.omron.com/media/press/2014/10/c1010.html

December 2014
Released vision sensing component, Human Vision Components-Consumer Model (recognizes the status of a person and sends information to a smartphone)
http://www.omron.com/media/press/2014/10/c1010.html

Cumulative production of KP Series PV inverters for solar power systems surpasses 1 million units

February 2015
Released HEM-7280C upper arm blood pressure monitor with communications feature and backlight

January 2015
Omron’s uninterruptible power supply system UPS won the BCN AWARD 2015 for the most outstanding product in the UPS division
* March 2015 internal survey
http://www.omron.com/media/press/2015/01/c0107.html

Omron selected for the fifth consecutive year as a component of the DJSI Asia Pacific Index
http://www.djsi.com/press/2014/10/c1010.html

October 2014
Modified current Japanese passive entity and engine start systems to meet needs in emerging economies; began marketing systems in India
See P. 8 for more.

Integrated Report 2015
Explaination of Cover

We are all charged with the task of ensuring the sustainability of our precious planet. Omron embarked on the EARTH STAGE in April 2014. In this stage, Team Omron will strive unceasingly to create social needs, tackling all challenges placed before it.
Financial Highlights

**ROIC**

- 13.4%
- Return on invested capital (ROIC)

**Gross Profit Margin**

- 39.3%

**Ratio of Overseas Sales to Total Net Sales**

- 60.1%

**Capital Expenditures**

- ¥38.1 billion

**Cash and Cash Equivalents**

- ¥102.6 billion

We prioritize cash allocation to growth investments designed to achieve our long-term vision (V2020) goals. We forecast a total of ¥100 billion in investments over the three years of our EARTH-1 STAGE plan.

**EPS**

- ¥283.9
- Earnings per share

Omron paid a record-high ¥71 per-share dividend for fiscal 2014. We expect to record a dividend payout ratio of 30% for fiscal 2015, achieving our stated commitment one year ahead of schedule.

**Omron Corporation**

We continue to see revenue growth in Greater China, Southeast Asia, and other emerging economies.

**Integrated Report 2015**

OMRON Corporation
Non-Financial Highlights

Practicing the Omron Principles (The Omron Global Awards: TOGA)

No. of Entries 3,651
No. of Participating Employees 32,751

Challenging ourselves, being pioneers, putting ourselves in the shoes of our customers. At Omron, we practice the Omron Principles as a means to solve social issues as well as to become a more valuable corporation. TOGA (The Omron Global Awards) recognizes teams from around the world that have worked together to rise to the challenge, delivering results that exemplify the Omron Principles.

For more about TOGA: http://www.omron.com/about/omron_vsr/idea/practice/

Ratio of Women in Managerial Roles (Japan)

1.9%

We believe that local management is the best management. This is why we emphasize having local staff in key positions in our local entities overseas. We will continue to train and appoint local staff to perform managerial roles at our offices around the world.

Ratio of Non-Japanese in Managerial Positions Overseas

42%

We are well aware that the low number of women in leadership roles in Japan is not only critical issue—it’s a lost opportunity. We plan to raise the number of women in managerial roles to 3% by the end of fiscal 2016 and to 5% by the end of fiscal 2018.

Global Net Sales to CO2 Emissions

3.78 million yen/ton-CO₂

17% Improvement vs. 2010

Environmental Contribution

880,000 ton-CO₂

See our website for more about how we calculate these figures.

Note: The seven non-financial indices presented here have been reviewed by Deloitte Tohmatsu Evaluation and Certification Organization, an independent evaluation entity.
## 11-Year Financial and Non-Financial Highlights

**OMRON Corporation and Subsidiaries (As of and for the years ended March 31)**

### Operating Results:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥589,727</td>
<td>¥616,002</td>
<td>¥723,886</td>
</tr>
<tr>
<td>Gross profit</td>
<td>245,298</td>
<td>246,642</td>
<td>278,241</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (incl. R&amp;D expense)</td>
<td>141,185</td>
<td>149,274</td>
<td>164,167</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>49,441</td>
<td>50,501</td>
<td>52,028</td>
</tr>
<tr>
<td>Operating income (Note 2)</td>
<td>54,872</td>
<td>60,782</td>
<td>82,046</td>
</tr>
<tr>
<td>EBITDA (Note 3)</td>
<td>83,314</td>
<td>91,607</td>
<td>95,986</td>
</tr>
</tbody>
</table>

### Per Share Data:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>61,076</td>
<td>51,699</td>
<td>40,539</td>
</tr>
<tr>
<td>Operating income (Note 2)</td>
<td>48,099</td>
<td>51,384</td>
<td>41,300</td>
</tr>
<tr>
<td>EPS (Note 2)</td>
<td>38,835</td>
<td>40,088</td>
<td>71,021</td>
</tr>
</tbody>
</table>

### Financial Section:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>61,076</td>
<td>51,699</td>
<td>40,539</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>24,904</td>
<td>27,408</td>
<td>32,456</td>
</tr>
<tr>
<td>Net cash (used in) financing activities</td>
<td>245,298</td>
<td>246,642</td>
<td>278,241</td>
</tr>
</tbody>
</table>

### Financial Position:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>585,429</td>
<td>589,061</td>
<td>630,337</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>61,469</td>
<td>54,182</td>
<td>52,028</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>23,203</td>
<td>2,468</td>
<td>19,988</td>
</tr>
</tbody>
</table>

### Long-Term Management Strategy

**Grand Design 2010** (GDP2010)

<table>
<thead>
<tr>
<th>FY2004 – FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Stage Establish a Profit Structure</td>
</tr>
<tr>
<td>Concentrate on cost structure reform and restructure the Company as a profit-generating business</td>
</tr>
<tr>
<td>Achievements <strong>ROE</strong> over 15%</td>
</tr>
<tr>
<td>Withdraw from unprofitable business, spun off Healthcare Business</td>
</tr>
<tr>
<td>Raised the level of corporate governance to the global standard</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2004 – FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Stage Balance Growth and Earnings</td>
</tr>
<tr>
<td>Reinforce business foundations through aggressive business strategies, including M&amp;A, and cost reduction</td>
</tr>
<tr>
<td>Achievements Increased earnings per share from ¥110.7 (FY2003) to ¥185.9 (FY2007)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2004 – FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd Stage Achieve a Growth Structure</td>
</tr>
<tr>
<td>Fortify growth businesses (high profitability)</td>
</tr>
</tbody>
</table>

### Value Generation 2020 (VG2020)

**GLOBE**

<table>
<thead>
<tr>
<th>FY2014 – FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish profit and growth structures on a global basis</td>
</tr>
<tr>
<td>Net sales over ¥1 trillion</td>
</tr>
<tr>
<td>Gross profit margin over 35%</td>
</tr>
</tbody>
</table>

**EARTH-1 STAGE**

<table>
<thead>
<tr>
<th>FY2011 – FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish self-driven growth structure</td>
</tr>
<tr>
<td>Net sales over ¥900 billion</td>
</tr>
</tbody>
</table>

**EARTH-2 STAGE**

<table>
<thead>
<tr>
<th>FY2014 – FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin over 35%</td>
</tr>
<tr>
<td>Operating profit margin over 10%</td>
</tr>
<tr>
<td>ROE approx. 15%</td>
</tr>
<tr>
<td>EPS approx. ¥200</td>
</tr>
</tbody>
</table>

### Notes

2. Operating income for fiscal 2005 includes an ¥11,915 million gain recorded on 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
5. Dividends per share represent the amounts applicable to the respective year, including dividends to be paid at the end of the fiscal year
6. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to shareholders (does not include repurchases of equity
7. ROE = Net income attributable to shareholders / Total shareholders' equity
8. Patent information is as of March 15.
9. Environmental contribution = Volume of CO2 emissions reduction contributed by society's use of the Omron Group's energy-saving, storage, or generation products and services.
10. CO2 emissions volumes calculated based on fuel consumption and electricity purchase volumes by the Company.

### Financial Highlights summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥750.0 billion</td>
<td>¥773.0 billion</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥100.0 billion</td>
<td>¥68.1 billion</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>¥245.2 billion</td>
<td>¥223.9 billion</td>
<td></td>
</tr>
</tbody>
</table>

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**About Omron**

Where We’re Headed

Corporate Value Initiatives

Corporate Value Foundation

**11-Year Financial and Non-Financial Highlights**
Message from the CEO

Our Mission:

To improve lives and contribute to a better society

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

Yoshihito Yamada
President and CEO
July 2015

Material Management Issues and Major Initiatives

In 2011, Omron published Value Generation 2020 (VG2020), a plan that outlined a 10-year vision for our company. VG2020 put us on the path toward becoming a company that delivers global value in terms of both volume and quality. Under this plan, we set a goal and defined specific activities to achieve net sales of ¥1 trillion with an operating income margin of 15% for fiscal 2020. Fiscal 2015 represents the second year of the EARTH-1 STAGE of this plan. We have identified the following matters as important management issues and initiatives to address moving forward.

▶ EARTH-1 STAGE Policies

Establish a self-driven growth structure to grow in any operating environment

▶ Material Issues and Major Initiatives

<table>
<thead>
<tr>
<th>Issues</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve 3 Powers</td>
<td>Drama Power: Dramatic growth in Asia</td>
</tr>
<tr>
<td></td>
<td>Innovate to roll out new businesses more quickly</td>
</tr>
<tr>
<td></td>
<td>Grow more quickly through acquisitions and partnerships</td>
</tr>
<tr>
<td>Earning Power</td>
<td>Exercise ROIC- and ROE-centric management and matrix management to improve gross profit margins (ability to earn)</td>
</tr>
<tr>
<td>Power to Deal with Challenge</td>
<td>Manage Omron as a business portfolio to allocate resources to growth businesses</td>
</tr>
<tr>
<td></td>
<td>Improve integrated global risk management</td>
</tr>
<tr>
<td>Global Human Resources</td>
<td>Globalize management by promoting talented individuals versed in global business</td>
</tr>
<tr>
<td></td>
<td>Increase the ratio of women in managerial roles (particularly in Japan)</td>
</tr>
</tbody>
</table>

In light of our long-term VG2020 strategies, and after considerable discussion at board meetings and other venues, we determine our most pressing issues with respect to our Growth Power, Earning Power, and Power to Deal with Challenge. We value the feedback we receive from shareholders, investors, and other stakeholders, communicating this information throughout our company. Every year we conduct an internal review of important matters, disclosing our results* to the public.

1. Revised Principles and Created Management Philosophy

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

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

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

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

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

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

Management Philosophy

We believe a business should create value for society through its key practices. We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision in our business practices to create solutions to society’s needs.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

“Driving corporate value through the Omron Principles”

2. Return on Invested Capital

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

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

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

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

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

3. FY2014 Results

Fiscal 2014 was our third consecutive year of higher revenues and profits, as well as our second consecutive year of record earnings. Our mainstay Industrial Automation Business...
In terms of shareholder value, we made a significant repurchase of shares for the first time in six years. During fiscal 2014, we purchased 2.82 million shares, after which we retired a total of 9.72 million shares including treasury stock. Our dividends were a record ¥71 per share.

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

4. Future Goals

We have set fiscal 2015 targets for net sales and operating income of ¥900 billion and ¥90 billion, moving our EARTH-1 STAGE goals up by 12 months. We project earnings per share to exceed our interim goal of ¥906 per share. Similarly, we have set a target for dividend payout ratio of 30% for fiscal 2015, 12 months ahead of our original plan.

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

1. Achieve EARTH-1 STAGE goals one year earlier than planned
2. Sustain efforts toward higher profitability (GP%)
3. Increase sales and profits in all business segments

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

5. Building a Better Governance Structure

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

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

The business environment changes dynamically and on a global scale. Geopolitical risk, labor health and safety, procurement risk, employee safety, and other business issues are becoming more complex. So, with the many new and evolving issues we face, we have decided to place risk management and legal affairs directly under the office of the president to assure that proper attention is given to these matters.

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

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

We moved our plan for EARTH-1 STAGE goals forward by 12 months”
**OMRON Corporation**

**Grand Prix Winner of the TSE Corporate Value Improvement Award for FY2014**

Tokyo Stock Exchange, Inc.

**Message from the CFO**

**Aiming for Corporate Value Improvement through Portfolio Management**

We manage the Omron Group as a portfolio of businesses. The purpose of portfolio management at Omron is to support correct decisions in response to changes in the business environment.

We make opportunistic management decisions for M&A, growth acceleration, restructuring, and new lines of business to generate growth for our company.

Our cash on hand is another effective tool we use to invest in growth opportunities and to return profits to our shareholders.

**Why Omron?**

- Investor-oriented management goals
- In-depth business portfolio management
- Down-Top ROIC tree approach shared throughout the organization
- Management initiatives resulting in measurable improvements

**Corporate Value Improvement Award**

The award was established by TSE to encourage management toward enhancing corporate value and contribute to raising the quality and profile of the Japanese equities market. Selected from the entire TSE market of about 3,400 candidates, companies are recognized for raising the appeal of the market by improving corporate value through efforts that consider capital cost and other investor concerns.

**Message from Japan Exchange Group, Inc.**

The Corporate Value Improvement Award is a conscious and open effort by TSE to encourage management toward raising capital productivity. The award recognizes outstanding initiatives by public companies aimed at improving corporate value.

For FY2014, we have selected OMRON Corporation for the Grand Prix award. Omron is a truly worthy winner, demonstrating excellent management through an ROIC approach with a strong emphasis on capital productivity. We look forward to the continued growth of the company as it steadily pursues its highly commendable approach toward business management.

**Yoshinori Suzuki**

Executive Vice President and CFO

July 2015
1. Management of a Portfolio of 100 Businesses

Omron consists of six business segments made up of nearly 100 distinct business units. We consider these business units to be our portfolio of investments. So, how do we measure the results of our portfolio? First, we create an index with return on invested capital (ROIC) as the X axis and revenue growth as the Y axis. Next, we categorize each of our businesses under one of four headings: S, A, B, or C. Businesses we consider to be an S demonstrate promise for strong, sustainable growth. These are the businesses to which we give priority investment. We pay close attention to these businesses to drive even more growth where we see the opportunity for robust, ongoing earnings.

Some businesses we categorize as C (target for profit restructuring). For these businesses, we focus on creating and executing plans to restructure their revenue bases. In some cases, we pull out from the business entirely. Over the past few years, we have been active in exiting businesses, closing factories, or otherwise restructuring businesses that fall under this category.

Not every one of our business units is necessarily large. As a matter of fact, you could say that Omron is a collection of many small- and medium-sized businesses. The important take-away here is that Omron produces highly competitive products based on sensing and control technologies, marketed globally in nearly 100 different business sectors. This large number of businesses is precisely why we have to exercise effective portfolio management. The type of detailed portfolio control we conduct allows us to optimize the allocation of our resources to create more strength within each business unit, leading to higher levels of corporate value.

2. Growth through Investment

As part of our strategy to rapidly grow in emerging economies, Omron acquired NS Indústria de Aparelhos Médicos Ltda. in October 2014. NS is a top manufacturer of nebulizers in Brazil, and this acquisition has vaulted our Healthcare Business to the top share of the global nebulizer market. At the same time, this new sales channel within Brazil took us to the number one share for blood pressure monitors in that market during fiscal 2014. Prior to our investment, the Brazilian market had presented challenges in marketing our blood pressure monitors. We have increased the pace of investment in our Backlights Business to win a greater share of growing demand. Our EARTH-1 STAGE (FY2014–FY2016) defined the establishment of a self-driven growth structure as the medium-term goal for our company. To achieve this goal, management has budgeted ¥100 billion in growth investments for the Company as a whole, and we intend to continue to invest in our future for sustained growth.

3. Improving Shareholder Return

Between October and November 2014, we took the opportunity to address shareholder return and our capital structure by buying back almost 2.82 million shares of stock for a total of nearly ¥15 billion. In December, we retired approximately 9.72 million shares of new and existing treasury stock, leaving us with a balance of approximately 140,000 treasury shares.

In terms of dividends, we committed in our EARTH-1 STAGE plan to increase our dividend payout ratio to 30% by FY2016. We are happy to announce that we have moved the timing up by one year, with a scheduled 30% payout ratio for FY2015. While we have not changed our basic stance in placing the highest priority on growth investments, we believe offering stronger shareholder return is another way to make efficient use of our capital.
Management by ROIC 2.0

Takayoshi Oue
Executive Officer
Senior General Manager,
Global Finance and Accounting HQ

1. Why Management by ROIC 2.0?

At Omron Corporation, Management by ROIC consists of two main components: Down-Top ROIC Tree and Portfolio Management. ROIC is an excellent measure for fairly assessing business performance across a number of businesses that have different characteristics. We began Management by ROIC in earnest three years ago, making significant ROIC gains since that time. I am confident that, at this point, every member of management is at least aware of the concept of ROIC and its importance as a performance indicator at Omron.

On the other hand, I am sure there are many who have yet to link ROIC with their own day-to-day duties. ROIC is a relatively easy concept for those in our strategic, accounting, and finance departments to relate to. For our employees in sales or development, this financial management concept is both unfamiliar and difficult to internalize. Understanding this, we have decided to provide a qualitative interpretation that tells the story of ROIC in more relatable terms. This is Management by ROIC 2.0.

2. Case Study

Our Electronic and Mechanical Components Business is a good case study to illustrate ROIC Reverse Tree Management. This is a business that involves significant capital investment in production equipment, which means that production facilities turnover is an important performance indicator.

Production volume for relay equipment, for example, varies according to seasonality and demand in the home electronics market. In the past, we have had trouble matching equipment investment with this changing demand, adding equipment too late, thereby decreasing our return on facilities ratios.

This business requires that we minimize wasted investment in equipment, while responding correctly to changes in demand. Accordingly, we have focused on downsizing our production equipment, or in other words, reducing production equipment by a factor of 1/n.

Our first concern was to reduce Necessary Management Resources (N) for relays and other mechanical components. This has proven to be a much more efficient approach to investing in capital equipment for the Electronic and Mechanical Components Business. As one example, we have reduced the number of equipment investment with this changing demand, adding equipment too late, thereby decreasing our return on facilities ratios.

This has proven to be a much more effective approach to investing in capital equipment for the Electronic and Mechanical Components Business. As one example, we have reduced floor space requirements to one-fifth of the space needed just 10 years ago. We are using this 1/n reduction factor in a number of other areas as well, including other types of capital equipment, manufacturing, and energy usage.

The following chart presents the ROIC formula and our own interpretation. The simple logic is this: Add the Necessary Management Resources (N) and generate greater levels of Value to Customers (V), while reducing Loss-Making Management Resources (L).

Incidentally, we define loss-making resources as those that involve Muri, Muda, Mura (waste, unevenness, overburden).

ROIC Reverse Tree Formula and Interpreted Formula

Omron’s ROIC Reverse Tree Formula

\[
ROIC = \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Invested Capital}} = \frac{\text{Sales}}{(\text{Working Capital} + \text{Fixed Assets})}
\]

Interpreted Formula

\[
\text{Value to Customers (Stakeholders)} (V) = S + C + B + A = \text{Added Value (N)} + \text{Fixed Manufacturing Costs %} + \text{Customer Margin %} + \text{Necessary Management Resources (N)}
\]

\[
\text{ROIC (N)} = \frac{\text{Necessary Management Resources (N)}}{\text{Loss-Making Management Resources (L)}}
\]
In February 2015, we started a new program to spread awareness of Management by ROIC 2.0. This program, called the ROIC Dojo, sends ROIC Ambassadors to visit Omron employees where they work, encouraging an awareness and proper understanding of how we measure our progress using return on invested capital as an indicator. Through communicating with these Ambassadors front-line workers are able to gain a deeper appreciation of how their day-to-day activities affect delivery of value to the customer.

Honestly speaking, even when we understand the ROIC concept intellectually, we tend to focus our efforts on incremental improvements or the idea of reduction. That is why the ROIC Dojo isn’t just about one-way communications. It’s about getting everyone to use this knowledge to make leaps ahead in our business.

Moving forward, we must focus on profitability if we are to make significant ROIC gains. At the same time, we have decided to restructure our processes for more efficient

development, production, and logistics. At the same time, we are looking at shifting production ratios between our Chicago plant and our new plant in Mexico (opened in 2012) to maximize our ability to compete in North America. More specifically, we plan on assigning production to each plant according to product type, based on production cost structures and the particular strengths in each location.

The automobile industry will only demand more from its suppliers in the future. Developments in automated driving and fuel efficiency will require high-tech, highly accurate controllers. This presents a unique opportunity for Omron and our core sensing and control technologies. Working closely with our customers in the U.S. and the EU, our AEC Business will be in a position to create value and maximize investment returns through ROIC-based management practices.

OMRON Corporation Integrated Report 2015
Toward Effective Corporate Governance

Omron Corporation and Corporate Governance: A Path, Not a Destination

Fiscal 2014 was a year in which many public companies looked to corporate governance as a means to rebuild their earnings capacity. Following Japan’s Corporate Governance Code, issued on June 1, 2015, we met with Mr. Fumio Tateishi, Chairman of the Board of Omron Corporation, and Mr. Kazuhiko Toyama, president and CEO of Industrial Growth Platform, Inc. and outside member of the Omron Board of Directors to discuss Omron’s corporate governance.

— Can you give us a brief history of corporate governance at Omron Corporation?

Tateishi: We can trace the roots of governance at Omron back to 1996. At the time, our chairman Nobuo Tateishi was a member of the management advisory group of the Organization for Economic Cooperation and Development (OECD). His service with the OECD instilled in him the importance of corporate governance, and under his guidance Omron established the Personnel Advisory Committee in 1996. In 1999, we reduced the number of Omron board directors from 30 to 7, and adopted an executive officer system at the same time. This was the key turning point for Omron as a company. Since then, we embarked on a path of improved corporate governance. In 2001 we brought in our first outside director, and in 2003 we separated the positions of chairman of the board and CEO. We also established the Compensation Advisory Committee at that time, chaired by an outside director. In 2006, we set up the CEO Selection Advisory Committee, also chaired by an outside director. And, in 2008, we established the Corporate Governance Committee, which is a committee that consists entirely of outside directors as members. Beginning fiscal 2014, we adopted medium-term performance bonuses. The past 20 years has truly been a path and process of Omron Corporation building a better and stronger corporate compliance structure. The Omron you see today is the cumulative result of our steady efforts to enhance long-term corporate value over the years.

— Toyama-san, as a member of the Council of Experts Concerning the Corporate Governance Code, and Tateishi-san, from your perspective as a corporate leader, what do you believe is the significance of the new Japan’s Corporate Governance Code to Japan’s public companies?

Toyama: Governance is a means to improving a company, and not an end objective in itself. The first consideration of corporate management is the long-term growth of their company. The Corporate Governance Code offers one model for this, but it isn’t necessarily something that needs to be implemented verbatim. At the end of the day, it’s the responsibility of the company to build corporate value. As long as they can do that—with or without the Code—they have accomplished their duty. They don’t necessarily have to comply with the Code as long as they can explain what they do. In the same vein, corporate governance isn’t a silver bullet. It’s something you need to address honestly and work on over the course of time.

Tateishi: As I mentioned earlier, Omron Corporation has been engaged in a 20-year process of improving governance to build sustained corporate value. We saw the publication of the Corporate Governance Code as another chance for us to examine and systematize our own corporate governance initiatives, and we view the Code as a helpful guide in this process. The system we formalized is what we published on June 24 in the Omron Corporate Governance Policies. Every member of our board of directors participated in the deliberations and decisions leading up to the announcement of this policy. It provided us an opportunity to stand before our shareholders and stakeholders and proudly present our beliefs about corporate governance at Omron.

Toyama: I don’t think Omron could have hoped for better timing than revising the Omron Principles and introducing the Corporate Governance Policies.

Tateishi: We officially announced the revised Omron Principles in May 2015. As you say, it was very good timing. At the time that President Yamada took over in 2011, we all felt that our employees had come to interpret our corporate philosophy as simply doing things correctly. We needed more awareness of creating solutions to social needs and challenging ourselves, which lie at the roots of the foundation of Omron as a company. So, in January 2014, the board of directors began discussing how to best go about improving
“Omron Principles are the basis that connects oversight and supervision all the way through to business execution”

Fumio Tateishi

sustainable value at Omron. We identified several issues, one of which was the conclusion that a solely defensive approach to governance was insufficient. We needed to employ a more active style of governance and create even higher levels of corporate value. As our internal and external environment changes, I understand that governance is not something that is ever “finished.” We need to humbly keep working to move forward and build higher levels of value. I believe that one of the issues Omron is facing is the globalization and diversification of our board of directors. As the first step, we were privileged to welcome Kuniko Nishikawa as the first-ever female outside director at Omron in 2015. Obviously, we will continue to address this issue in more ways in the future.

Toyama: In terms of oversight and supervision, my role is almost entirely in the sphere of monitoring. However, since Omron is a company with an audit and supervisory board, I am involved in several important areas that affect the company’s continuation as a corporation. Other than that, I essentially keep out of the business of executive decision-making. The CEO Selection Advisory Committee, where I serve as the chair, makes decisions about the current CEO’s performance as a manager, as well as about appropriate future candidates for the CEO position. I have the chance to form my own impressions of different individuals through interaction with candidates outside formal board meetings. I had no reservations when we selected Yamadasan as the next president of Omron. From my own personal dealings, I knew he was a person blessed with generous talents and a well-suited personality. I do echo Tateishi-san in saying that board of director diversity is an issue for Omron. People of different genders and nationalities bring different opinions to the debate, which I believe can only lead to a new, heightened awareness. Diversity among executive officers is another challenge. A lack of diversity on the board and among executive officers results in less-constructive discussions than could be generated otherwise. Diversity sharpens deliberations and decisions. I am sure that people of different nationalities, cultures, and histories interpret the Omron Principles in different ways. Reconciling and understanding different social values creates a certain kind of conflict that results in better ideas. If Omron Corporation is to grow as a global company, diversity on the board and among executives is of particular importance.

Tateishi: No matter how much time and effort you put into writing guidelines and policies, they won’t function in practice without an essential underlying spirit or soul. The Omron Principles are the heart and soul of Omron as a company. As we put true spirit into policies and rules, we increase our value as a corporation. This is what makes Omron the company that it is, and I believe this is one of our unique strengths.

Toyama: It’s the management structure, decisions, and activities as a company that determine whether corporate policies are just for show or whether they are truly a part of the company. Rules for the sake of rules, true intent, formalities, and reality all have a reciprocal relationship. Decisions that are mostly formality combined with integrity of action can create a cycle that ties directly to a company’s ability to earn. This cycle results in policies and principles that ultimately become a true part of the company. I think this cycle is working very effectively at Omron today. But companies should always innovate and reform, constantly monitoring this cycle. In my opinion, Omron has been innovating and reforming in terms of corporate governance for nearly 20 years. The ability to constantly evolve is perhaps the most value intangible asset a company has. We tend to let down our guard when the money is rolling in, but companies that relax when things are going well will inevitably backslide.

Tateishi: Omron will continue to focus on enhancing corporate value looking toward our 100th anniversary and well beyond. We will continue to work hard to earn the ongoing support and trust of our shareholders and other stakeholders.
Factory Tour

Industrial Automation Business Kusatsu Plant

The Omron Kusatsu offices opened in Japan’s Shiga Prefecture in 1961. The campus includes the Kusatsu Plant, which produces high-function industrial controllers and sensors. Besides production, this plant also develops new core technologies, standardizes production expertise across our organization, and plays a major role as a source of information for Omron global development.

Small-Lot Production for

More than 4,000 Products

The ongoing goal of the Kusatsu Plant is to match machine and human in optimal ways for production line efficiency. One example of this technology is automated delivery of components to the workers. Sensors detect whether correct parts have been selected or if parts have been overlooked by the assembly workers. This kind of automation allows workers to maximize their skills, while letting the plant respond flexibly to the frequent process and demand changes that accompany this type of low-volume, highly diversified production.

Printed Circuit Board Installation

Programmable controllers include printed circuit boards. During the mounting process, workers install electronic components and memory onto the circuit boards.

Assembly

Printed circuit boards and other components are assembled to create a programmable controller. Workers operate in a compact U-shaped production line with tools and components all within easy reach.

Omron Improves Productivity through Information and Communications Technology

Today, we’re relying on Big Data for further productivity and quality improvements, providing greater visibility into our production process. We’ve installed a system that uses our own controllers to send continuous production line updates and the status of individual products directly to a database.

This new system lets us collect much more detailed information for greater insights into our production process. Traditionally, we relied on worker experience and intuition to improve production efficiencies. Today, however, we have made dramatic leaps forward in assessing efficiency, cutting the time we take from issue identification to improvement implementation by more than 80%. In some areas, we have seen as much as 30% gains in actual productivity on our lines.

Big Data still holds plenty of future potential for us. Moving forward, we plan to collect and analyze all manner of data to address issues before they happen. Eventually, we hope to create a non-stop, perpetual production line.
### At a Glance

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<tr>
<th>Segment</th>
<th>Net Sales/Operating Income/Operating Income Margin</th>
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<tr>
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<td><strong>Electronic and Mechanical Components Business (EMC)</strong></td>
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<td><strong>Other Businesses</strong></td>
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#### Notes:
1. During fiscal 2013, certain divisions of the EMC were included in the IAB due to a change in management categorizations. Segment information for fiscal 2012 and earlier has been restated to reflect this change.
2. Fiscal 2015 forecasts are those as originally disclosed on April 27.

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<td><strong>Company President,</strong> <strong>Senior Managing Executive Officer</strong></td>
<td>Katsuhiro Wada</td>
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<td><strong>President and CEO,</strong> <strong>Managing Executive Officer</strong></td>
<td>Katsuhiro Wada</td>
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<td><strong>Managing Executive Officer</strong></td>
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Overseas, we project slowing growth in China and lower sales growth in that region. We saw major growth in sales particularly in the electronic components market. Operating income kept pace with net sales increases for the year. A weak yen, combined with sales of higher value-added products to emerging economies, contributed to higher overall revenue and profit gains compared to the prior fiscal year.

We have set a target of ¥345 billion for fiscal 2015 net sales (4% year-on-year gain), with operating income scheduled to reach ¥57 billion (4.4% increase). These figures will represent another record for our revenues and profits. In Japan, we expect to see strength in the automobiles, electronic components, and semiconductor sectors. Overseas, a weaker yen resulted in solid earnings performance in all regions. In the Americas, demand in the U.S. automobile industry and growth in the oil and gas business contributed to higher revenues. A gradual economic recovery in Europe helped push growth in that region. We saw major growth in sales to the electronic component industries in Asia, despite currency weaknesses in certain Asian nations. Greater China was another source of significant growth, particularly in the electronic components market. The advanced nations of the world aren’t the only ones struggling with labor problems. Lately, even emerging economies are dealing with worker shortages and rising demands for safer, higher-quality manufacturing. The market is changing, and we believe that automation is going to be the long-term answer. The Industrial Automation Business leverages our expansive product line and global business infrastructure and services network to deliver valuable products and services to our customers around the world. We grow by helping our customers grow.

**Fiscal 2015 Forecast and Strategies**

**Push toward record earnings**

We have set a target of ¥345 billion for fiscal 2015 net sales (4% year-on-year gain), with operating income scheduled to reach ¥57 billion (4.4% increase). These figures will represent another record for our revenues and profits. In Japan, we expect to see strength in the automobiles, electronic components, and semiconductor sectors. Overseas, we project slowing growth in China and lower demand in the oil and gas business due to low crude prices. On the other hand, we forecast higher capital spending for automobiles and electronic components, as well as more investment in manufacturing among emerging countries. The advanced nations of the world aren’t the only ones struggling with labor problems. Lately, even emerging economies are dealing with worker shortages and rising demands for safer, higher-quality manufacturing. The market is changing, and we believe that automation is going to be the long-term answer. The Industrial Automation Business leverages our expansive product line and global business infrastructure and services network to deliver valuable products and services to our customers around the world. We grow by helping our customers grow.

**We Solve Societal Issues**

**How to deal with global labor shortages**

The automobile, electronic components, and food industries are relying more and more on vision sensors to perform automated inspection work. Emerging economies have traditionally relied on manual inspections in their manufacturing processes. But labor shortages and demands for higher quality mean that even these nations are looking to use vision sensors in more cases. Drawbacks in the manual inspection process include worker exhaustion, human error, and difficulty in detecting minor variances. On the other hand, vision sensors can conduct highly precise inspections non-stop, 24 hours a day. Vision sensors can easily track high-speed manufacturing lines, which would be impossible for the human eye to follow. By providing advanced products, we will contribute to the future development of production lines.

**Earnings and Projections**

<table>
<thead>
<tr>
<th></th>
<th>FY2011*</th>
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<th>FY2014</th>
<th>FY2015 (Provisional)</th>
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* See notes on P. 43.
OMRON Corporation Integrated Report 2015

We forecast significant growth in the industries of China and the Americas.

Sales and winning more demand in the automobile sector. Over the year, reflecting sluggishness in certain sectors. Over-year. Higher consumption tax rates placed downward pressure on demand for consumer electronics and automobiles.

Overseas, favorable exchange rates continued to have a positive impact on segment earnings. In particular, we leveraged new projects to expand our share of the Greater China consumer electronics market, reporting strong earnings in the consumer and commercial products sector. Sales to the consumer and commercial products sector in the Americas and Europe were likewise strong, while steady demand for products in the automobile industry also contributed significantly to earnings in Asia.

Higher revenues and ongoing cost-reduction measures, along with favorable exchange rates, helped push operating income higher.

Fiscal 2014 in Review

Strong performance in sales to the consumer and commercial products, automobile industries

In Japan, revenues underperformed prior-year levels. With the exception of consumer electronics, sales of products and services to the consumer and commercial products market were level year on year. Higher consumption tax rates placed downward pressure on demand for consumer electronics and automobiles.

Overseas, favorable exchange rates continued to have a positive impact on segment earnings. In particular, we leveraged new projects to expand our share of the Greater China consumer electronics market, reporting strong earnings in the consumer and commercial products sector. Sales to the consumer and commercial products sector in the Americas and Europe were likewise strong, while steady demand for products in the automobile industry also contributed significantly to earnings in Asia.

Higher revenues and ongoing cost-reduction measures, along with favorable exchange rates, helped push operating income higher.

Fiscal 2014 Forecast and Strategies

New businesses in new markets

We have set a target of ¥109 billion for fiscal 2015 net sales (4.9% year-on-year gain), with operating income scheduled to reach ¥11.2 billion (10.1% increase). Although we have several new projects in the pipeline, we expect earnings in Japan to be level with the prior year, reflecting sluggishness in certain sectors. Overseas, we plan on higher environment-related relay sales and winning more demand in the automobile industries of China and the Americas.

We forecast significant growth in the industries

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<th>Earnings and Projections</th>
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<td>Capital expenditures</td>
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Global Shipments of Electronic Components

- EMC consumer electronics sales (right)
- Global shipments (left)

We Solve Societal Issues

A lifetime in times of emergency

Making gas appliances safer and more secure

Japanese laws require the installation of intelligent gas meters that automatically turn off the flow of gas after a leak or major earthquake is detected. Pressure gas switches that detect gas leaks and vibration sensors that detect earthquakes are two critical components that make using gas safer. These components also play an important role in preventing secondary damages after an earthquake or other disaster. The Electronic and Mechanical Components Business has manufactured pressure switches and vibration sensors for more than 30 years—ever since these safety laws were introduced. We boast a 100% share of the domestic pressure switch market, having sold more than 50 million units on a cumulative basis, and we continue to develop technologies that improve the capability of pressure switches and vibration sensors to detect dangerous events. This is just one way that we speed the recovery process and provide a lifeline to citizens in times of emergency.

1 Internal survey

We Solve Societal Issues

Making gas appliances safer and more secure

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1 Internal survey

Earnings and Projections

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<th>Fiscal 2014 Forecast</th>
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<td>R&amp;D expenses</td>
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<td>Depreciation and amortization</td>
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<td>Capital expenditures</td>
<td>¥8.9</td>
<td>¥10.9</td>
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</table>

Global Shipments of Electronic Components

- EMC consumer electronics sales (right)
- Global shipments (left)

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<thead>
<tr>
<th>Global Shipments of Electronic Components</th>
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<tbody>
<tr>
<td>Global shipments</td>
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<tr>
<td>EMC consumer electronics sales (right)</td>
<td>¥11.2 billion</td>
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Sales by Product (Fiscal 2014)

- Other Electronic Components
  - (Amusement Equipment, Image Sensing, etc.)

- Power Units for Amusement Equipment

- FPC Connectors

- Power Relays for Printed Circuit Boards

- Surface-Mounted Switches

- Image Sensing

We Solve Societal Issues

Making gas appliances safer and more secure

- Japanese laws require the installation of intelligent gas meters that automatically turn off the flow of gas after a leak or major earthquake is detected. Pressure gas switches that detect gas leaks and vibration sensors that detect earthquakes are two critical components that make using gas safer. These components also play an important role in preventing secondary damages after an earthquake or other disaster. The Electronic and Mechanical Components Business has manufactured pressure switches and vibration sensors for more than 30 years—ever since these safety laws were introduced. We boast a 100% share of the domestic pressure switch market, having sold more than 50 million units on a cumulative basis, and we continue to develop technologies that improve the capability of pressure switches and vibration sensors to detect dangerous events. This is just one way that we speed the recovery process and provide a lifeline to citizens in times of emergency.

1 Internal survey

Fiscal 2014 Forecast and Strategies

New businesses in new markets

We have set a target of ¥109 billion for fiscal 2015 net sales (4.9% year-on-year gain), with operating income scheduled to reach ¥11.2 billion (10.1% increase). Although we have several new projects in the pipeline, we expect earnings in Japan to be level with the prior year, reflecting sluggishness in certain sectors. Overseas, we plan on higher environment-related relay sales and winning more demand in the automobile industries of China and the Americas.

We forecast significant growth in the industries...
Fiscal 2014 in Review

Strong earnings in North America; growth in China/Asia despite economic slowdown

Revenues in Japan were down year on year, mainly due to higher consumption taxes and slow demand among certain customers.

Overseas, favorable exchange rates contributed to sharply higher earnings compared to the prior fiscal year. A strong U.S. economy drove revenues in North America, while a more gradual recovery in Europe still supported revenue growth in that region.

We found revenue gains in China and the nations of Asia, pushed by slightly weaker—but still positive—economic growth.

Revenue growth and the weakness of the yen were two major factors contributing to significant operating income gains overseas.

Fiscal 2015 Forecast and Strategies

Focus on North America and emerging economies; new business projects for greater growth

We have set a target of ¥140 billion for fiscal 2015 net sales (1.5% year-on-year growth), with operating income scheduled to reach ¥9.3 billion (0.8% growth).

We expect domestic revenues to decline, mainly due to bearish automobile demand. Looking overseas, we forecast overall growth, supported by strong North American markets. At the same time, it is difficult to predict the direction of the economies of China and other Asian nations with any certainty.

To drive growth under the EARTH-2 STAGE (FY2017-2020) plan, we will focus on developing products that solve new needs arising in our car society. We will also look beyond products that answer the stated needs of our clients, actively seeking answers to future car society issues.

We intend to answer the challenges presented by the goals set in Omron’s long-term vision (VG2020), winning new projects and building a foundation for a new stage of growth.

We Solve Societal Issues

A more environmentally responsible car society

Idle-off for better fuel efficiency

Stricter CO₂ laws and rising consumer awareness of their own carbon footprint have driven improvements in automobile fuel efficiency. One example is the popular idle-off function that has become a more visible feature over the past few years. This function reduces the use of fuel when a driver stops their car, leading to expected fuel efficiency gains of 5% to 10%, depending on individual driving patterns. However, electric vehicles and hybrids can experience a dramatic drop in voltage once the car is restarted. This can interfere with car audio and other electrical systems. To solve this problem, we invented a compact, high-function DC/DC converter that provides stable voltage when starting after idle-off. Our business also produces a number of other products that contribute to fuel efficiency and smaller carbon footprints, including electronic power steering controllers, fuel pump modules, high-output DC/DC converters for hybrid vehicles, and more.

Earnings and Projections

<table>
<thead>
<tr>
<th>Earnings and Projections</th>
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<td>Operating income margin</td>
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* Source: IHS Automotive
* See note on p. 43

Sales by Product (Fiscal 2014)

<table>
<thead>
<tr>
<th>Sales by Product (Fiscal 2014)</th>
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<tbody>
<tr>
<td><strong>Switches</strong> (Power Window Switches, Power Seat Switches, etc.)</td>
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<td><strong>Motor Controllers</strong> (Electronic Power Steering Controllers, Power Sliding Door Controllers, etc.)</td>
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<td><strong>Electronic Power Steering Controllers</strong></td>
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<td><strong>Power Window Switches</strong></td>
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<td><strong>Idle-off for better fuel efficiency</strong></td>
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<tr>
<td><strong>Fuel efficiency gains from idle-off technology</strong></td>
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</table>
Fiscal 2014 in Review

Strength overall; but weak capital spending results in lower revenues and profits

While our public transportation business experienced lower demand in the wake of last year’s spending rush prior to Japan’s consumption tax increase in Japan, we recorded strong revenue growth related to station equipment upgrades. As a result, this business reported overall net sales level with the prior fiscal year. We struggled to move the needle higher for traffic and road management system revenues, as weak capital spending resulted in lower revenues year on year. Second-half demand for environmental solutions business products and services was weak among some customers. However, sales of solar power generation-related products remained strong throughout the year, leading to higher year-on-year revenues for environmental solutions.

Operating income was down year on year, mainly due to lower revenues.

Fiscal 2015 Forecast and Strategies

Provide answers to needs for safety, security, and the environment

We have set a target of ¥85 billion for fiscal 2015 net sales and ¥5.5 billion for operating income, representing year-on-year increases of 5.7% and 10.2%. We expect that rising demand for safety and security in transportation hubs (stations, etc.) will drive higher revenues for our public transportation business. Customers of our expressway business products are also calling for more safety and security features, which has led us to forecast higher revenues in our traffic and road management systems business as well. In our environmental solutions business, we anticipate growing demand for solar power generation-related products to drive performance higher compared to fiscal 2014.

We plan to capture a greater share of new demand for safety, security, and the environment by offering unparalleled components and systems development, software development, and engineering services capabilities.

Segment Information

Social Systems, Solutions and Service Business (SSB)

Solutions and services for a safer, comfortable, more secure society

We Solve Societal Issues

Business continuity planning systems

Integrated power systems for energy savings and emergency backup

We offer integrated power systems that combine solar power, storage batteries, and bidirectional chargers for electric vehicles. These systems offer customers the minimum power necessary to keep their businesses up and running in the event of a power outage or other unexpected event. During normal operations, power created by solar power systems is stored in batteries that power a company’s electricity needs. This allows for both energy savings and a reduction in carbon footprint. A company can control electricity discharge at certain power levels from their storage batteries during summer peak usage, generating significant savings. However, our systems assist in something even more important than business continuity. Using our systems, companies can turn their facilities into a disaster shelter for use by the local community. As you can see, business continuity is just one way in which we plan to contribute to a safer, more secure society.

Sales by Product (Fiscal 2014)

58% Engineering, Environmental Solutions

12% Other (Software Development, etc.)

25% Public Transportation (Automated Ticket Gates, Ticket Vending Machines)

5% Road Traffic (Road Traffic Management Systems, etc.)

Rush prior to Japan Fiscal 2015 Forecast and Strategies

More secure society

Solutions and services for a safer, comfortable, more secure society

R&D expenses

Operating income margin

Operating income

Depreciation and amortization

Capital expenditures

Station Equipment (Japan) Approx. 45%

Source Internal Survey

Market Growth Drivers

Increasing social needs for safety, security

Strengths

All-in-one solutions through our components and systems development, software development, and engineering services capabilities
Fiscal 2014 in Review
Introduction of new products and health awareness in emerging countries drive higher revenues

Net sales in Japan increased year on year overall, despite higher consumption taxes on medical equipment and lower medical reimbursements. For home-use health and medical devices, massagers, and other new products—as well as in-store promotions—were all factors that contributed to strong earnings.

Overseas net sales increased sharply for the year, due in part to a weaker yen on the global currency markets. While revenues in Europe struggled to reach parity with the prior fiscal year, the North American market provided strong demand for our transcutaneous electrical nerve stimulation equipment and other new products. The emerging economies have been showing increasing interest in personal health, which has been a factor aiding revenue growth in those nations.

Despite revenue gains for the year, operating income underperformed prior-year levels, mainly due to advanced investment activity and dramatic fluctuations in exchange rates during the second half of the fiscal year.

Fiscal 2015 Forecast and Strategies
Expand our sales network in emerging economies

We have set a target of ¥111 billion for fiscal 2015 net sales and ¥7.8 billion in operating income. At the same time, we expect to see major revenue gains in China and other Asian markets.

In newly emerging economies, changes in lifestyle customs will mean rising levels of lifestyle-related disease. While we cannot applaud the development, we do expect this trend to drive higher demand for lifestyle disease-related products and services. We also plan to expand the number of outlets for our global products in Asia, China, India, and Brazil. We intend to grow from 380,000 outlets currently to 450,000 outlets by the end of fiscal 2016.

We Solve Societal Issues
Treating respiratory diseases

Acquisition of Brazilian nebulizer maker extends our reach to respiratory patients throughout South America

In recent years, we have seen more cases of asthma, chronic obstructive pulmonary disease, and other respiratory diseases in emerging countries due to pollution and smoking. We have been focused on nebulizers for respiratory patients as the next core business after our blood pressure monitors. In October 2014, Omron acquired Brazilian nebulizer manufacturer NS Industria de Aparelhos Medicos Ltda., leapfrogging to the top share of the global market. Moving forward, we plan to speed up the process by which we supply products to Brazil and throughout South America.

The acquisition of NS has made the manufacturing approval process much quicker and easier. In the future, we plan to shift more product development and manufacturing to Brazil, including that of our blood pressure monitors and other products. We believe Omron expertise combined with NS facilities will give us a strong competitive advantage. We also intend to expand our sales channels in emerging countries, delivering more health and medical equipment to customers around the world.

<table>
<thead>
<tr>
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<th>(Billions of yen)</th>
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<td>6.6</td>
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<tr>
<td>FY2015 (Forecast)</td>
<td>8.0</td>
</tr>
<tr>
<td>Greater China</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>8.6</td>
</tr>
<tr>
<td>FY2012</td>
<td>11.1</td>
</tr>
<tr>
<td>FY2013</td>
<td>17.3</td>
</tr>
<tr>
<td>FY2014</td>
<td>22.4</td>
</tr>
<tr>
<td>FY2015 (Forecast)</td>
<td>26.0</td>
</tr>
<tr>
<td>Direct Exports</td>
<td></td>
</tr>
<tr>
<td>FY2014</td>
<td>0.9</td>
</tr>
<tr>
<td>FY2013</td>
<td>0.7</td>
</tr>
<tr>
<td>FY2012</td>
<td>0.4</td>
</tr>
<tr>
<td>FY2011</td>
<td>0.5</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>2.9</td>
</tr>
<tr>
<td>FY2012</td>
<td>4.4</td>
</tr>
<tr>
<td>FY2013</td>
<td>7.5</td>
</tr>
<tr>
<td>FY2014</td>
<td>6.5</td>
</tr>
<tr>
<td>FY2015 (Forecast)</td>
<td>7.8</td>
</tr>
<tr>
<td>Operating income margin</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>4.7%</td>
</tr>
<tr>
<td>FY2012</td>
<td>6.2%</td>
</tr>
<tr>
<td>FY2013</td>
<td>8.5%</td>
</tr>
<tr>
<td>FY2014</td>
<td>6.5%</td>
</tr>
<tr>
<td>FY2015 (Forecast)</td>
<td>7.0%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>5.1</td>
</tr>
<tr>
<td>FY2012</td>
<td>5.0</td>
</tr>
<tr>
<td>FY2013</td>
<td>5.2</td>
</tr>
<tr>
<td>FY2014</td>
<td>5.5</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>1.5</td>
</tr>
<tr>
<td>FY2012</td>
<td>1.9</td>
</tr>
<tr>
<td>FY2013</td>
<td>2.3</td>
</tr>
<tr>
<td>FY2014</td>
<td>3.3</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td></td>
</tr>
<tr>
<td>FY2011</td>
<td>2.8</td>
</tr>
<tr>
<td>FY2012</td>
<td>3.1</td>
</tr>
<tr>
<td>FY2013</td>
<td>3.9</td>
</tr>
<tr>
<td>FY2014</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Japanese Blood Pressure Monitor Market (Electronics)

- Omron
- Competitors

Source: GfK

Slight weakening during fiscal 2014 due to higher consumption taxes on sales.
During fiscal 2014, we reported wide revenue gains as a whole. On the other hand, operating income was down year on year, mainly due to significant advanced investment activity.

Despite some weakness during the second half of the year, demand in the Japanese market for PV inverters sold by our Environmental Solutions Business remained strong—a reflection of this nation’s growing interest in renewable energy. Accordingly, Environmental Solutions reported higher year-on-year revenues overall.

Our Backlights Business likewise reported higher revenues, owing to our ability to capture new demand for thin, high-function backlights used in smartphones. This product is the subject of increasing demand in Greater China and other regions.

Our Electronic Systems & Equipment Business recorded revenue gains due to strong sales of uninterruptible power supply units and industrial-use built-in computers, as well as for contract development and manufacturing services.

Our Micro Devices Business experienced revenue gains as well, citing high demand for smartphone microphones.

Fiscal 2015 Forecast and Strategies

Sharply higher earnings and profits driven by energy and smartphones

We have set a target of ¥105 billion for fiscal 2015 net sales and ¥10 billion in operating income, representing year-on-year increases of 20.2% and 19.5%.

We plan to grow our Environmental Solutions Business by generating demand and capturing market share for solar power hybrid storage systems and monitoring products. We intend to move ahead to become a total energy solutions business that helps society generate, store, and use energy intelligently.

We plan to make capital investments in our Backlights Business to expand our production capacity. We also intend to reinforce specialists who will boost our development capacity and productivity. Given the strong demand in the market for thin backlights used in high-spec smartphones, we expect to see significant growth in this business.

We Solve Societal Issues

A new energy era

Hybrid storage systems for solar power offer energy efficiency

Since its introduction in 2012, the feed-in tariff scheme has driven major revenue growth in the solar power generation market. Today, the energy-related markets in Japan are going through even more changes.

Energy laws promulgated in January 2015 have been revised to deal with output restrictions, and we will see the complete deregulation of electricity retailing during 2016. We expect the future to bring more balanced energy supply and demand, as well as calls for even higher levels of energy-efficient operations. Here, the Environmental Solutions Business has responded by extending our PV inverter lineup and introducing a hybrid storage system for solar power.

This system lets customers consume or sell electricity generated during the daylight hours. It also allows them to store extra electricity to use during the night or in case of emergency. We have created the lightest, most compact storage unit in the world, tailored specifically to the Japanese housing market. This unit offers an optimal balance between supply and demand. We are truly meeting the needs of a new energy era.

In the Electronic Systems & Equipment Business, we plan to grow sales by expanding our uninterruptible power supply lineup.

Our Micro Devices Business should see higher revenues as well, driven by growing demand for smartphone microphones and pressure sensors.
**Intellectual Property Strategy**

**Omron Wins the 2015 Intellectual Property Achievement Award**

Japan’s Ministry of Economy, Trade and Industry and the Japan Patent Office honored Omron with the Intellectual Property Achievement award for fiscal 2015. We plan to continue to leverage our intellectual property activities to enhance our corporate value and contribute to the advancement of society.

**Strategies to Use Intellectual Property for Competitive Advantage**

Omron follows a specific policy for our intellectual property activities, based on the Omron Principles. We see intellectual property as the third rail of our business, coordinating intellectual property activities with our businesses and research & development divisions. Our business divisions work closely with intellectual property staff to plan business and technology strategy for patent filings and other intellectual property activities.

**A Stronger Stance for Global Intellectual Property**

To respond to business globalization, Omron is active in securing intellectual property rights in important markets. We anticipate the direction of technology and business models in these markets to secure more freedom for our businesses to operate. In addition to Japan, we also work with local staff to pursue intellectual property rights in China, the United States, Europe, and Singapore.

**Worldwide Intellectual Property Rights**

<table>
<thead>
<tr>
<th>Type of Intellectual Property</th>
<th>Total No. of Intellectual Properties (As of March 31, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark Rights</td>
<td>12,259</td>
</tr>
<tr>
<td>Design Rights</td>
<td>12%</td>
</tr>
<tr>
<td>Patents held</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Intellectual Property Data (No. of Patents)**

<table>
<thead>
<tr>
<th>FY</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sustainability Management**

**Environmental, Social, and Governance Initiatives**

Omron is an active agent for sustainable business through environmental, social, and governance initiatives (ESG). We engage in clearly defined ESG programs in areas that have a direct and significant impact on our businesses. Our selection criteria for ESG issues are based partly on discussions with socially responsible investment research and investment companies and other outside stakeholders.

**Environmental - Manufacturing**

- Providing products and services that contribute to the global environment
  - Key Performance Indicator (KPI): Environmental contribution
  - Adopting measures to combat global warming
    - KPI: Global net sales to CO2 emissions
    - Target: 30% improvement by fiscal 2020 (fiscal 2010 baseline)

**Social - Diversity**

- Supporting career advancement for women
  - Key Performance Indicator (KPI): Ratio of women in managerial roles

**Governance - Risk Management**

- Adapting measures against significant Group risks

**Socially Responsible Investment Index References**

Omron’s sustainability initiatives are highly regarded by and included in some of the leading global socially responsible investment indices:
Omron Corporation is committed to fulfilling our corporate social responsibility (CSR) as a global organization. We created the Omron Group CSR Practice Guidelines, referencing the Universal Declaration of Human Rights, the United Nations Global Compact, ISO 26000, the OECD Guidelines for Multinational Enterprises, and other international CSR standards and guidelines.

In 2008, we declared our support for the Ten Principles of the United Nations Global Compact (UNGC). These principles are universally accepted standards for human rights, labor standards, environmental impact, and anti-corruption practices. Currently, Omron is a member of the local UNGC chapters in Japan and China. We intend to continue our commitment to international CSR policies, building strong relationships of trust through responsible engagement with our stakeholders.

Fumio Tateishi
Chairman
Omron Corporation
July 2015

CSR Activities and Policies

Omron contributes to social sustainability through a CSR policy incorporating three main concepts. Please see our website for more.

http://www.omron.com/about/csr/

- 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.

Human Resources Management

Sustainability through Superior People

Global human resources strategy is a critical component of the Omron long-term vision, defined in VG2020. In the end, our people are the thing that assures our growth in the EARTH-1 STAGE. Finding and training our next generation of leaders is more important than ever.

Personnel System Reform in Japan

During 2012, we revised our management-level human resources structure. Our goal was to put the best person in the right position from an overall group perspective. To that point, Omron had been a typically Japanese company, rewarding seniority as the primary factor in employment. Under our new system, rewards are commensurate with the importance of the role played, without regard to age and length of employment with Omron. From FY15, we use the same concept for non-managerial positions, to make compensation and rewards based solely on role and contribution. For this step, we eliminated pre-qualification categories for supervisors and managers. By introducing a standardized system, we have opened the door for younger or new employees to advance rapidly, while providing motivation for all to aspire to more challenging work and central roles within our company.

A System to Identify and Develop the Next Generation of Omron Leaders

In order for Omron to continuously identify and develop the talent of those who will become the next generation of leaders, we created a succession program for key group positions, providing training, practical experience, and career planning. As a global company, we have been focusing on having local staff in key positions at local entities*. Our growth drives a critical need for more talented managers, and we are constantly looking for new ways to identify and develop candidates to take over and lead future generations at Omron.

* See P. 16 for more.
**Selected as a Best Company in the U.S.**

In December 2014, Omron Electronics LLC in the U.S. (Industrial Automation Business) was selected as one of the Best and Brightest Companies to Work for. This award recognized Omron Electronics as an excellent company in terms of staff utilization and training. Omron Electronics was one of 101 companies from among 702 candidates selected for the honor. The company credits its dedication to open and active communications, work-life balance, employee training, and workforce diversity as reasons why it was selected. Omron Electronics plans to continue to build an enjoyable work environment and culture for its employees, improving productivity and contributing to society through Omron products and services.

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**Developing Global Monozukuri Human Resources**

One of our goals at Omron is to be the world’s best manufacturing company which delivers pioneering high-quality products globally. To continue to fulfill this mission, we must develop Monozukuri human resources from a long-term perspective. This is why strengthening our global human resources is such an important part of our VG2020 strategy.

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**Omron Class Started in Partnership with Chinese Universities**

The Omron Class is a program for educating talented Chinese students on Omron’s Monozukuri. We launched this program in 2010 in cooperation with the Shaanxi Polytechnic Institute, and started the second program in 2014 at Guangxi Technological College of Machinery and Electricity. This program has made a significant contribution to modern production education in China, and has given us an inside track to find and hire skilled human resources. To date, more than 400 Omron Class students have graduated to become part of the Omron family in China.

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**Developing Monozukuri Human Resources in China**

China is a region of increasing strategic importance. Therefore, in 2010, we established the Monozukuri Human Resource Development Department in OMRON Management Center of China to respond to the predicted Monozukuri human resource shortage. To date, this department has trained more than 400 managers and more than 1,000 production and development human resources. Increased automation in China creates the need for securing and developing production engineers. In order to meet this need, we have placed even more emphasis on quickly developing line leaders and production engineers.

---

*Monozukuri: Manufacturing*
Environmental Management

The Omron Group Will Contribute to Realizing a Sustainable Society through Our Businesses

When we updated the Omron Principles, we also took the opportunity to revise the Green Omron 2020 environmental policy to better align with our long-term vision (VG2020). We interpret the phrase “better society” in Our Mission as our duty to help create an environmentally sustainable society through our businesses.

New Environmental Policy

In line with Omron Principles, we will contribute to realizing sustainable societies, globally, by providing eco-friendly products or services that can contribute to the global environment and by making efficient use of management resources.

1. Provide Eco-Friendly Products or Services that can Contribute to the Global Environment: Contribution through business activities
2. Prevent Global Warming: Reduce greenhouse gas emissions throughout the entire value chain
3. Use Resources Efficiently: Efficient use of all resources needed in our manufacturing processes
4. Co-Existence with Nature: Prevention of water, air or soil pollution including conservation activities
5. Implement Environmental Management: Continual improvement in environmental activities and legal compliance

A Sustainable Society: A society that is low-carbon, recycling oriented, and co-exists with nature.

New Environmental Targets (FY2020 Goals)

Contributing to the Global Environment through Business Activities

- **Greater Volume of Environmental Contribution**
  - We intend to further reduce the CO₂ emissions of the Omron Group products and services used by society (environmental contribution). Our goal is to generate an environmental contribution in excess of our CO₂ emissions as of the end of fiscal 2020.

- **Reduced Usage of Toxic Substances**
  - Our goal here is to remove 80 tons of harmful mercury from the environment as of the end of fiscal 2020. We intend to do this by replacing mercury-based equipment with digital thermometers and blood pressure monitors.

Reduce Impact of Business Activities on the Global Environment

- **Prevent Global Warming**
  - Reduce CO₂ emissions through efficient electricity usage, improving our net sales to CO₂ emissions at least 30% as of the end of fiscal 2020 (compared to fiscal 2010).

- **Use Resources Efficiently**
  - Achieve zero emissions*2 at our global production sites, aiming for 98% or greater recycling as of the end of fiscal 2020.

- **Co-Existence with Nature**
  - To conserve water, air, and soil, and prevent their pollution, we intend to reduce the amount of water usage per employee, as well as reduce the volume and number of chemicals used in our production process.

*2 Zero emissions: Completely recycles and reuse waste products of the production process to eliminate the need for external waste disposal.

Note: See P. 17 for more on Omron global net sales to CO₂ emissions and environmental contribution for fiscal 2014.

Products and Services Useful to Society

- (Grow our businesses that have a positive impact on the global environment)

Greater Volume of Environmental Contribution

Greater Contribution

Greater Efficiency

Greater Volume of Environmental Impact

Ecosystems and Environmental Impact

Ecosystems and Environmental Impact

Climate Change and Energy/Resources

Climate Change and Ecosystems

A Sustainable Society

Low-Carbon

Recycling

Co-Existence with Nature

Wasted Resources

Global Warming

Ecosystem Destruction

Climate Change and Ecosystems

Omron Corporation

Integrated Report 2015
**Reducing Toxic Substances in Thailand**

Mercury usage around the globe is a major hazard—toxic to both humans and the environment. The government of Thailand has announced a plan to make that nation mercury-free within 10 years; however, many hospitals still rely heavily on mercury-based blood pressure monitors. Here, Omron Healthcare (Thailand) Co., Ltd. has started a digital blood pressure monitor program to solve this social issue. During fiscal 2014, we replaced 1,000 old mercury-based monitors with new digital ones. Moving forward, we have set a goal of replacing more than 10,000 monitors by fiscal 2018.

**Independent Assurance of Greenhouse Gas Emissions**

To understand the global volume of greenhouse gas emissions from Omron businesses, Omron management began using the Greenhouse Gas Protocol (GHG Protocol) during fiscal 2013. The GHG Protocol is an international standard for calculating the generation of gases designated as having a greenhouse effect.

We hired an independent assurance organization to confirm the accuracy of our data and calculations for the following categories of emissions.

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Calculation</th>
<th>Fiscal 2014 Emissions (ton-CO2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct combustion emissions and 5-gas*1 emissions</td>
<td>Volume used for combustion, 5-gas emissions, each multiplied by a CO2 emission factor for production</td>
<td>62,636</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Emissions from electricity usage</td>
<td>Multiply electricity usage by the CO2 emission factor for production of the electricity</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Other indirect emissions</td>
<td>Multiply purchase amount of product and services components by the CO2 emission factor for production of those components</td>
</tr>
<tr>
<td>Category 1</td>
<td>Purchased goods and services</td>
<td></td>
</tr>
<tr>
<td>Category 2</td>
<td>Capital goods</td>
<td>Multiply the total investment in capital goods by the CO2 emission factor for production of those goods</td>
</tr>
<tr>
<td>Category 3</td>
<td>Fuel/energy-related activities</td>
<td>Multiply the fuel/energy usage by the CO2 emission factor for production for each energy type</td>
</tr>
<tr>
<td>Category 4</td>
<td>Business travel</td>
<td>Multiply total employee business travel costs by the CO2 emission factor for the method of travel</td>
</tr>
<tr>
<td>Category 5</td>
<td>Employee commuting</td>
<td>Multiply total employee commuting costs paid by the CO2 emission factor for the method of travel</td>
</tr>
</tbody>
</table>

**Corporate Governance**

**Omron Continually Reviews and Improves Our Corporate Governance Structures Supporting Sustainable Value Creation**

The Omron Corporate Governance Policies—Seeking Sustainable Enhancement of Our Corporate Value. These policies reflect the spirit of the Omron Principles, revised in May 2015. They define our attitude and beliefs of how we put the Omron Principles into practice through our business activities.

In 1996, we established the Management Personnel Advisory Committee (presently the Personnel Advisory Committee) as our first major step toward improving management transparency and fairness. Since then, we have continued to improve on these important principles at the core of management accountability. We brought in outside directors, separated the duties of chairman of the board and corporate CEO, established the CEO Selection Advisory Committee, and set up other committees and systems that make Omron a leading example of governance among Japanese companies. Our Corporate Governance Policies formalize the framework we have developed over the past 20 years, and we intend to pursue the path of ongoing corporate governance improvement.

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**Note:**

See the Omron website for more about the independent assurance report. The major categories of greenhouse gas emissions have been presented above. See the Omron website for more about the independent assurance report. The major categories of greenhouse gas emissions have been presented above.

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* http://www.omron.com/in_management/pdfs/20150623_governance_policies_e.pdf
Corporate Governance Framework

Omron has elected to be a company with an Audit & Supervisory Board under the provisions of the Companies Act. The Omron Board of Directors is made up of eight members to ensure substantive discussion and deliberation about important corporate matters. Omron has also separated the management oversight and business execution functions with the company, creating a system whereby the majority of board directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one third of the total number of directors on the Board. To increase objectivity on behalf of the Board of Directors, the titles and roles of Chairman of the Board and President (CEO) are separated. The Chairman serves as chair of the Board of Directors, without direct corporate representational authority.

Omron has established several advisory committees to assist the Board of Directors. These committees include the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The Personnel Advisory Committee, the CEO Selection Advisory Committee, and the Compensation Advisory Committee are all chaired by outside directors, with at least half of the committee members being outside directors. The chair and members of the Corporate Governance Committee are outside directors and outside corporate auditors, which offers yet another layer of transparency and objectivity onto its decision-making process.

In these policies, we have created a hybrid governance framework, combining the best features of a Company with an Audit & Supervisory Board and a Company with a Nominating Committee.

Audit Functions

The Audit & Supervisory Board performs compliance and validity audits related to director performance and Board of Director supervisory duties. The Audit & Supervisory Board works to provide a basis ensuring the practicability of these audits. The Global Internal Auditing HQ, which reports to the Superintendents of Risk Management, sees the execution of business operations; conducts audits of day-to-day business activities, including those performed by directors.

Selection of Outside Directors and Auditors

The Omron Board of Directors nominates and selects outside directors and outside Audit & Supervisory Board members as a means to oversee business operations as a representative of Omron shareholders and stakeholders. Outside directors are selected based on predefined standards of independence.

In addition to the requirements under the Companies Act, Omron has established other rules for governing the independence of outside directors in compliance with independence standards set by the relevant stock exchanges.

Based on these standard of independence, three of Omron’s eight members of the Board of Directors are outside directors, and two of the four members of the Audit & Supervisory Board are likewise outside members. Omron has submitted filings to the relevant stock exchanges designating these individuals as outside independent directors.

![Corporate Governance Structure Diagram]

- **Number of Major Meetings Held and Rates of Attendance (Fiscal 2014)**

| Meetings of the Board of Directors | 13 |
| Meetings of the Audit & Supervisory Board | 13 |
| Outside Director attendance at board of director meetings | 92.3% |
| Outside Audit & Supervisory Board member attendance at board of director meetings | 100% |
| Outside Audit & Supervisory Board member attendance at Audit & Supervisory Board meetings | 100% |

---

**Advisory Committee Composition**

<table>
<thead>
<tr>
<th>Title</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</td>
<td>Fumi Takeda</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>President and CEO</td>
<td>Yoshihito Yamada</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Executive Vice President and CFO</td>
<td>Yoshinori Suzuki</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>Akio Sakuma</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Director</td>
<td>Koji Noto</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Kazuhiko Tawara</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Eriko Kobayashi</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Kuniko Nakashima</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member</td>
<td>Kichiro Kondo</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member</td>
<td>Tokio Kawashima</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Independent)</td>
<td>Etsuko Nagatomi</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Independent)</td>
<td>Yoshitami Matsumoto</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Note: ☐ Committee Chair ○ Committee Vice Chair □ Committee Member
Financial Incentives for Directors and Audit & Supervisory Board Members

The Company has introduced medium-term performance-linked bonuses from fiscal 2014 and issued performance-linked stock acquisition rights in an effort to give directors incentive to achieve the medium-term management targets and to strengthen the governance of compensation. In response to the introduction of the new structure, the governance system regarding compensation of directors, etc., consists of: (1) base salary, (2) yearly performance-linked bonuses, and (3) medium term performance-linked bonuses, stock compensation, and performance-linked stock acquisition rights. By introducing the new structure, the Company aims for encouraging directors to continually enhance corporate value by positively achieving short-, medium-, and long-term management targets. Fundamental principles and policy for the compensation for directors and policy 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 mission and corporate principles (the Omron Principles).
- The Company shall pay compensation that enables it to recruit, hire, and retain talented personnel as officers.
- The compensation structure shall contribute to long-term maximization of corporate value by providing motivation for directors and executive officers.
- The compensation structure shall maintain a high level of transparency, fairness, and rationality, to ensure accountability 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 that enable it to recruit, hire, and retain talented personnel capable of implementing the Company’s mission 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 (stock value).

--- 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 enable to recruit, hire, and retain talented personnel.

- No retirement bonuses shall be paid.
- The level of compensation shall be determined by taking into account the levels of other companies, based on a survey conducted by an independent compensation consultant.

--- Fiscal 2014 Director and Audit & Supervisory Board Member Remuneration ---

To promote greater objectivity and transparency, the Compensation Advisory Committee, chaired by an outside director, offers advice, conducts deliberations, and makes recommendations regarding director compensation. This recommendation is presented before the annual general shareholders’ meeting, which votes on the total scope of compensation for members of the Board of Directors and members of the Audit & Supervisory Board. Within this scope, the Board of Directors determines compensation for each director according to Board resolution, as well as compensation for individual Audit & Supervisory Board members pursuant to discussion and negotiation.


--- Footnotes ---

*1 The guidelines for stock compensation shall consist of a fixed amount of compensation given each month to directors, who will use it to make monthly purchases of the Company’s stock through the officers’ stockholding association and hold the stock during their term of office.

*2 The performance-linked stock acquisition rights are issued with charge at a price equivalent to the fair value of the stock acquisition rights, thus the amount to be paid in exchange for stock acquisition rights is not necessarily favorable for individuals who are allotted the stock acquisition rights. Because of this, the stock acquisition rights do not fall under the category of compensation for directors, and thus they shall be issued via a resolution by the Company’s Board of Directors.
Compliance and Risk Management

Responding to Global Change through Stronger Integrated Global Risk Management
New Global Risk Management and Legal Headquarters placed under office of the President and CEO

The Omron Group faces a wide range of risks related to compliance and legal issues. We employ Integrated Global Risk Management as the basis of our activities to collect information and make plans related to risk.

Omron’s basic policies for Integrated Global Risk Management are defined in the Board of Director Basic Policy on Maintenance of Internal Control System. The Omron Group Rules for Integrated Risk Management provide the framework for risk management engagement. This framework is in effect at all Omron locations around the world.

Integrated Global Risk Management Vision

1. We will integrate and carry out risk-related activities from a global perspective for the purpose of securing the continued existence of the Companies and enabling them to achieve their targets and fulfill their corporate social responsibilities.

2. Based on the Basic Rules of Integrated Global Risk Management, we will endeavor to avoid, reduce, and transfer losses by collecting risk information, conducting risk analyses, and implementing countermeasures against risks.

3. We will identify critical risks to the Group and enable Groupwide responses through the Executive Council.

4. In a time of crisis, we will make reports in accordance with established procedures and form response teams necessary to address the crisis.

Advancement Framework

The Global Risk Management and Legal HQ acts as the managing office administering the operations of the Corporate Ethics and Risk Management Committee. This committee deliberates and carries out measures in coordination with Omron global headquarters, domestic business divisions, and overseas headquarters. The Company has appointed risk managers charged with compliance and risk management in Group locations around the world. These risk managers use our global network to communicate risk information and quickly organize to take action in response to risk.

Fiscal 2014 Initiatives

The Omron risk matrix is one specific example of how we deal with risk across our organization.

Each year, we identify and analyze global risks. We evaluate these risks and categorize them according to the gravity of the issue. S-rank risks are the most significant, while less-significant risks are categorized as A-rank risks. Next, the Executive Council discusses and proposes measures to deal with risks that affect the Company as a whole. Omron uses the PDCA cycle (Plan, Do, Check, Act) to confirm execution and take any corrective actions. Finally, we report our results to the Board of Directors and to external shareholders/stakeholders.

Looking toward fiscal 2015, we identified several S-rank risks. These risks include business continuity, violation of international laws (bribery, etc.), and information/IT security. As A-rank risks, we identified employee safety, internal fraud, conformance with the Electronic Industry Advancement Framework, conflict minerals, occupational health and safety, and global product safety regulations.

During fiscal years 2013 and 2014, we conducted business continuity training to prepare against a possible disaster at our business headquarters locations. In terms of how we handle personal information, we continue to perform reviews and provide training based on a defined plan to reduce associated risks.

During fiscal 2015, we will upgrade our use of the PDCA cycle in integrated global risk management, incorporating this practice as a more critical component of our management activities in this area. In particular, we intend to refocus our efforts overseas, giving our global area headquarters more responsibility and authority to lead risk management in a manner appropriate to their local circumstances.
Cultivating Strong Relationships through Responsible Engagement

Omron takes advantage of a number of opportunities to receive feedback and opinions from shareholders, customers, and stakeholders at large. We then communicate this information to top management. Our evolution in ROIC management and revised director compensation are just a few of the ways Omron has taken this feedback to heart to improve management efficiency and transparency, creating even stronger relationships of trust.

Engagement with Shareholders

At our last annual shareholders’ meeting, President Yamada reported on the state of our business and progress toward our long-term vision. Shareholders asked questions about Omron technologies, share prices, the role of women in our company, and outside directors, receiving thoughtful answers from our president and executives on stage.

Engagement with Customers

The Omron Total Fair is an event showcasing the Omron Group’s technologies, products, and services. We greet thousands of customers at every fair, looking forward to this valuable opportunity to hear from them directly.

Our December 2014 event in Jakarta, Indonesia, attracted more than 5,500 visitors.

Engagement with Suppliers

Each year we invite major suppliers to discuss our purchasing policies and group business strategies. Suppliers are important strategic partners in our success. We strive to continually improve supplier relationships through open and frank communications.

Engagement with Employees

Omron executives travel hundreds of thousands of miles every year to meet with employees around the globe. This kind of in-person communication is invaluable for creating a shared sense of purpose and understanding.

Engagement with Communities

Omron takes an active part in our communities, working together with local groups and citizens. The Tateisi Science and Technology Foundation, the Kyoto Omron Community Fund, and the Omron Foundation in the United States are just a few ways that we support the sciences, technological development, and social welfare.

Fiscal 2014 Shareholder/Investor Engagement

<table>
<thead>
<tr>
<th>With Individual Investors</th>
<th>June 24, 2014 Shareholders’ Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Events</td>
<td>32</td>
</tr>
<tr>
<td>Total No. of Participants</td>
<td>3,245</td>
</tr>
<tr>
<td>Attendees</td>
<td>591</td>
</tr>
<tr>
<td>Ratio of Voting Rights Exercised</td>
<td>84.6%</td>
</tr>
</tbody>
</table>

Market Intelligence

- President’s visits to institutional investors
- IR officers’ one-on-one interviews and telephone conferences
- Plant tours and technology seminars
- We collect and analyze questions received during institutional investor interviews to help us understand changes in the market and interest trends among investors.
- We report this information to management and share data with related business divisions to promote our two-way communications between Omron and our shareholders.

Investor relations events, including corporate information sessions and investor fairs

With Institutional Investors

Direct Talks 1,051 times

− President’s visits to institutional investors
− IR officers’ one-on-one interviews and telephone conferences
− Plant tours and technology seminars

Market Intelligence

- We collect and analyze questions received during institutional investor interviews to help us understand changes in the market and interest trends among investors.
- We report this information to management and share data with related business divisions to promote our two-way communications between Omron and our shareholders.

Investor relations events, including corporate information sessions and investor fairs
Directors, Audit & Supervisory Board Members, and Honorary Chairman

As of June 23, 2015

Directors

Chairsman

Fumi Tateishi
Apr. 1984 Joined Omron
Honorary Chairman

Jun. 1997 Director
Jun. 2000 Senior General Manager, Corporate Strategy Planning HQ
Jun. 2003 Executive Officer and Executive Vice President, President, Industrial Automation Company
Jun. 2008 Executive Vice Chairman
Jun. 2013 Chairman (to present)

Yoshinori Suzuki
Apr. 1986 Joined Omron
Apr. 1990 Executive Vice President
Jun. 2003 Representative Director and Chairman of the Board
Apr. 2007 Executive Officer
Apr. 2011 President and CEO, OMRON Healthcare Co., Ltd.
Jun. 2013 Senior Managing Director
Jun. 2015 Audit & Supervisory Board Member, OMRON (to present)

Yoshio Tateishi
Apr. 1989 Registered as attorney with the Osaka Bar Attorneys Association

Yoshifumi Matsumoto
Apr. 1986 Established Corporate Director Co., Ltd.
Apr. 2001 Managing Director, Corporate Director Co., Ltd.
Apr. 2003 President and CEO, Corporate Director Co., Ltd.
Jun. 2007 Outside Director, OMRON (to present)

Koji Nitto
Apr. 1983 Joined Omron
Mar. 2011 Executive Officer
Mar. 2013 Managing Executive Officer, Global Strategy HQ
Apr. 2013 Managing Executive Officer, Global Strategy HQ (to present)
Apr. 2014 Managing Director, Global Strategy HQ (to present)
Jun. 2014 Director (to present)

Kazuhiko Toyama
Apr. 1985 Joined Boston Consulting Group, Inc.
Mar. 1993 Director, Corporate Director Co., Ltd.
Apr. 2000 Managing Director, Corporate Director Co., Ltd.
Apr. 2001 President and CEO, Corporate Director Co., Ltd.
Apr. 2003 CDO & Executive Managing Director, Industrial Revitalization Corporation of Japan (IRCJ)
Apr. 2007 President and CEO, Industrial Growth Platform, Inc. (to present)
Jun. 2007 Outside Director, OMRON (to present)

Eizo Kobayashi
Apr. 1972 Joined TOCHU Corporation
Jun. 2000 Executive Officer
Apr. 2002 Managing Executive Officer
Jun. 2003 Representative Director and Managing Director
Apr. 2004 Representative Director and Senior Managing Director
Jun. 2004 President and CEO
Jun. 2010 Managing Director and CFO
Jun. 2011 Outside Director, OMRON (to present)
Jun. 2013 Outside Director, OMRON (to present)

Kuniko Nishikawa
Apr. 1986 Joined Citibank N.A.
Sep. 2000 President and CEO, Superunise Co. Ltd.
Aug. 2010 Established Fristar Healthcare Co., Ltd.
Jun. 2013 President, Benesse MCM Corp. (to present)
Jun. 2015 Outside Director, OMRON (to present)

Koji Nitto
Apr. 1983 Joined Omron
Mar. 2011 Executive Officer
Mar. 2013 Managing Executive Officer, Global Strategy HQ
Apr. 2013 Managing Executive Officer, Global Strategy HQ (to present)
Apr. 2014 Managing Director, Global Strategy HQ (to present)
Jun. 2014 Director (to present)

Executive Vice President and CFO

Yoshinori Suzuki
Apr. 1975 Joined Omron
Jun. 2003 Executive Officer and Senior General Manager, Corporate Strategy Planning HQ
Jun. 2006 Senior General Manager, Global Resource Management HQ
Jun. 2011 Managing Executive Officer
Jun. 2013 Senior Managing Executive Officer
Apr. 2013 Senior Managing Director
Apr. 2015 Senior General Manager, Innovation HQ
Apr. 2016 Director (to present)

Akio Sakumiya
Apr. 1975 Joined Omron
Jun. 2003 Executive Officer, President and CEO, OMRON Ichinomiya Co., Ltd. (now OMRON Mechanical Components Co., Ltd.)
Jun. 2009 Managing Executive Officer
Jun. 2011 Senior Managing Director
Jun. 2014 Executive Vice President and CFO (to present)

Outside Director

Kazuhiko Toyama
Apr. 1985 Joined Boston Consulting Group, Inc.
Mar. 1993 Director, Corporate Director Co., Ltd.
Apr. 2000 Managing Director, Corporate Director Co., Ltd.
Apr. 2001 President and CEO, Corporate Director Co., Ltd.
Apr. 2003 CDO & Executive Managing Director, Industrial Revitalization Corporation of Japan (IRCJ)
Apr. 2007 President and CEO, Industrial Growth Platform, Inc. (to present)
Jun. 2007 Outside Director, OMRON (to present)

Koji Nitto
Apr. 1983 Joined Omron
Mar. 2011 Senior General Manager, Global Resource Management HQ
Jun. 2011 Executive Officer
Mar. 2013 Managing Executive Officer, Global Strategy HQ
Apr. 2013 Managing Executive Officer, Global Strategy HQ (to present)
Apr. 2014 Managing Director, Global Strategy HQ (to present)
Jun. 2014 Director (to present)

Executive Vice President

Akio Sakumiya
Apr. 1975 Joined Omron
Jun. 2003 Executive Officer, President and CEO, OMRON Ichinomiya Co., Ltd. (now OMRON Ichinomiya Co., Ltd.)
Jun. 2009 President, Electronic and Mechanical Components Company
Jun. 2010 Managing Executive Officer
Jun. 2011 Senior Managing Director
Jun. 2014 Executive Vice President (to present)

Outside Director

Kuniko Nishikawa
Apr. 1986 Joined Citibank N.A.
Sep. 2000 President and CEO, Superunise Co. Ltd.
Aug. 2010 Established Fristar Healthcare Co., Ltd.
Jun. 2013 President, Benesse MCM Corp. (to present)
Jun. 2015 Outside Director, OMRON (to present)

Audit & Supervisory Board Members

Kichiro Kondo
Apr. 1977 Joined Mitsui Ocean Development & Engineering Co., Ltd.
Apr. 1999 Joined Omron
Apr. 2007 Senior General Manager, Public Solutions Business Department, Social Systems Solutions and Service Business Company
Jun. 2007 Executive Officer
Apr. 2011 President and CEO, OMRON Social Solutions Co., Ltd.
Jun. 2011 Managing Executive Officer
Jun. 2015 Audit & Supervisory Board Member, OMRON (to present)

Tokio Kawashima
Apr. 1982 Joined Mitsubishi Bank Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Sep. 2008 Regional Head for Germany and General Manager, Duisboerft Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Apr. 2011 Joined Omron
Jun. 2011 Audit & Supervisory Board Member (to present)

Audit & Supervisory Board Member (Independent)

Eisuke Nagatomo
Jun. 2003 Managing Director
Jun. 2007 Advisor
Oct. 2007 Representative Director, EN Associates Co., Ltd. (to present)
Jun. 2008 Audit & Supervisory Board Member (Independent), OMRON (to present)

Audit & Supervisory Board Member (Independent)

Yoshifumi Nagato
Apr. 1989 Registered as attorney with the Osaka Bar Attorneys Association, joined Miyake Law Office (now Miyake & Partners)
Jan. 1996 Partner, Miyake & Partners (to present)
Jun. 1997 Registered as patent attorney with the Japan Patent Attorneys Association
Jun. 2013 Audit & Supervisory Board Member (Independent), OMRON (to present)

Honorary Chairman

Yoshio Tateishi
Apr. 1963 Joined Omron
May 1973 Director
Jun. 1976 Managing Director
Jun. 1983 Senior Managing Director
Jun. 1987 President and CEO
Jun. 2003 Representative Director and Chairman of the Board
May 2007 Chairman, Kyoto Chamber of Commerce and Industry (to present)
Jun. 2011 Honorary Chairman (to present)
Executive Officers

Senior Managing Executive Officer

Koji Nitto
Senior General Manager, Global Strategy HQ

Yutaka Miyanaga
Company President, Industrial Automation Company

Managing Executive Officers

Shigeki Fujimoto
Senior General Manager, Business Development HQ

Kenji Matsunami
Company President, Electronic and Mechanical Components Company

Kiichiro Miyata
CTO and Senior General Manager, Technology & Intellectual Property HQ

Satoshi Ando
Senior General Manager, Global Investor Relations & Corporate Communications HQ

Katsuhito Oba
President and CEO, OMRON Automotive Electronics Co., Ltd.

Toshio Hosoi
President and CEO, OMRON SOCIAL SOLUTIONS Co., Ltd.

Shizuto Yukumoto
Senior General Manager, Environmental Solutions Business HQ

Isao Ogino
President and CEO, OMRON HEALTHCARE Co., Ltd.

Executive Officers

Koji Doi
President, OMRON (CHINA) Co., LTD.

Takashi Ikezoe
Senior General Manager, Product Business Division HQ, Industrial Automation Company

Kiyoshi Yoshikawa
Senior General Manager, Global Manufacturing Innovation HQ

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

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

Munenori Odake
Senior General Manager, Sales & Marketing Division HQ, Industrial Automation Company

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Senior General Manager, Environmental Solutions Business HQ

Isao Ogino
President and CEO, OMRON HEALTHCARE Co., Ltd.
### Six-Year Summary

#### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets</th>
<th>Total Shareholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥532,254</td>
<td>¥306,327</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥562,790</td>
<td>¥312,753</td>
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<tr>
<td>FY2011</td>
<td>¥537,323</td>
<td>¥320,840</td>
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<tr>
<td>FY2012</td>
<td>¥573,637</td>
<td>¥366,962</td>
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<tr>
<td>FY2013</td>
<td>¥654,704</td>
<td>¥430,509</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥711,011</td>
<td>¥489,769</td>
</tr>
</tbody>
</table>

#### Consolidated Statements of Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Costs and Expenses</th>
<th>Income before Income Taxes and Equity in Earnings of Affiliates</th>
<th>Income from Continuing Operations</th>
<th>Net Income (Loss)</th>
<th>Net Income Attributable to Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥203,917</td>
<td>¥340,352</td>
<td>¥10,195</td>
<td>¥3,621</td>
<td>¥103</td>
<td>¥3,518</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥271,894</td>
<td>¥386,123</td>
<td>¥41,693</td>
<td>¥27,016</td>
<td>¥234</td>
<td>¥26,782</td>
</tr>
<tr>
<td>FY2011</td>
<td>¥270,835</td>
<td>¥391,574</td>
<td>¥33,547</td>
<td>¥16,352</td>
<td>(37)</td>
<td>¥16,389</td>
</tr>
<tr>
<td>FY2012</td>
<td>¥262,983</td>
<td>¥408,954</td>
<td>¥41,237</td>
<td>¥30,203</td>
<td>(86)</td>
<td>¥30,249</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥291,739</td>
<td>¥475,758</td>
<td>¥62,007</td>
<td>¥46,314</td>
<td>129</td>
<td>¥46,543</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥331,840</td>
<td>¥514,645</td>
<td>¥87,388</td>
<td>¥62,432</td>
<td>262</td>
<td>¥62,709</td>
</tr>
</tbody>
</table>

#### Per share data (yen):

- **Income from continuing operations**
  - **Basic**
    - FY2009: ¥16.0
    - FY2010: ¥121.7
    - FY2011: ¥74.5
    - FY2012: ¥137.2
    - FY2013: ¥209.8
    - FY2014: ¥283.9
  - **Diluted**
    - FY2009: ¥16.0
    - FY2010: ¥121.7
    - FY2011: ¥74.5
    - FY2012: ¥137.2
    - FY2013: ¥209.8
    - FY2014: ¥283.9

#### Financial indicators:

- **Gross profit margin (%):**
  - FY2009: 35.1
  - FY2010: 37.5
  - FY2011: 36.8
  - FY2012: 37.1
  - FY2013: 38.5
  - FY2014: 39.3

- **Operating income margin (%):**
  - FY2009: 2.5
  - FY2010: 7.8
  - FY2011: 6.5
  - FY2012: 7.0
  - FY2013: 8.8
  - FY2014: 10.2

- **Income before tax / Net sales (%):**
  - FY2009: 1.9
  - FY2010: 6.7
  - FY2011: 5.4
  - FY2012: 6.3
  - FY2013: 8.0
  - FY2014: 10.3

- **Return on sales (%):**
  - FY2009: 0.7
  - FY2010: 4.3
  - FY2011: 2.6
  - FY2012: 4.6
  - FY2013: 6.0
  - FY2014: 7.3

- **ROIC (Return on invested capital) (%):**
  - FY2009: 1.0
  - FY2010: 7.8
  - FY2011: 4.8
  - FY2012: 8.6
  - FY2013: 11.3
  - FY2014: 13.4

- **ROE (Return on equity) (%):**
  - FY2009: 1.2
  - FY2010: 8.7
  - FY2011: 5.2
  - FY2012: 8.8
  - FY2013: 11.6
  - FY2014: 13.5

- **ROA (Return on asset) (%):**
  - FY2009: 1.9
  - FY2010: 7.6
  - FY2011: 6.1
  - FY2012: 7.4
  - FY2013: 10.1
  - FY2014: 12.8

- **Asset turnover (times):**
  - FY2009: 1.0
  - FY2010: 1.1
  - FY2011: 1.1
  - FY2012: 1.2
  - FY2013: 1.3
  - FY2014: 4.8

- **Debt / Shareholders’ equity ratio (times):**
  - FY2009: 0.73
  - FY2010: 0.80
  - FY2011: 0.67
  - FY2012: 0.56
  - FY2013: 0.52
  - FY2014: 0.45

Notes:
1. During fiscal 2010, the PV inverter business in the Industrial Automation Business was transferred to Other. Segment information figures for prior years have been restated to conform to the current year presentation.
2. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

For more information, please refer to the Company’s audited annual financial report: [http://www.omron.com/ir/irlib/annual.html](http://www.omron.com/ir/irlib/annual.html)
Fiscal 2014 Management’s Discussion and Analysis

Market Environment

Many economies around the world appear to be in recovery to one degree or another. The Japanese economy continued to improve throughout the fiscal year, despite the negative impact of higher consumption taxes on certain sectors. The European economy was essentially flat for the year, while the U.S. continued to recover, showing greater corporate activity and higher personal consumption. China remains a powerhouse of capital investment, mainly in the electronics components industry. Both Thailand and Indonesia trended to a moderate recovery, with the economy of Korea likewise in recovery.

The Omron Group deals in many major markets around the world. During fiscal 2014, the global automobile market experienced strong capital investment particularly so for components in markets outside Japan. The machine tools and the smartphone markets continue to grow, driving recovery in demand for capital investment in these sectors, as well as for semiconductors. We have also seen a gradual recovery in capital investment for the consumer electronics and electronic components markets, and strong demand for related components in the world’s emerging economies. While the medical devices market has struggled somewhat due to the slowdown in the Russian economy, demand from other emerging economies remains strong.

Turning toward the currency markets, we saw that the weakened yen contributed to the Group’s revenue growth for the year. The average exchange rate for the fiscal year was ¥110.0 to the U.S. dollar (a 9.9% increase), and ¥138.7 to the Euro (4.7% increase). The average per-kilo price for silver was ¥65,260, a ¥5,396 decrease compared to the prior fiscal year. Copper cost an average of ¥766 per kilo, which was a ¥9 increase compared to the prior fiscal year.

Overview of Consolidated Results and Financial Condition

Net Sales and Income before Income Taxes and Equity in Earnings of Affiliates

The Omron Group recorded ¥847.3 billion in net sales for the year, which represented a ¥74.3 billion (9.6%) gain year on year. Among the goals we set in our EARTH-1 STAGE medium-term business plan, we made particularly notable progress in the Existing Business Strategy (strengthening of IA business), the Super-Global Growth Strategy, and the New Business Strategy for Optimization Society.

Looking at our performance by region, we see that Greater China once again reported the greatest gains in net sales and operating income. Japan struggled to a 2.1% year-on-year decrease, mainly due to the impact of higher consumption taxes on first-half performance. On the other hand, the Americas, Europe, Greater China, and Asia Pacific all reported higher revenues, with year-on-year gains of 22.3%, 7.4%, 27.0%, and 14.9%.

Cost of Sales and SG&A Expenses

The Omron Group saw cost of sales rise 8.2% for the fiscal year. This increase was mainly in line with revenue gains, coming in at 60.7% in cost of sales ratio, just 0.8-points lower than the prior fiscal year. The average per-kilo price of silver fell to ¥65,260 (compared to ¥766 per kilo (compared to ¥750 for the prior year).

Net Income Attributable to Shareholders and ROE

The Omron Group reported income before income taxes and equity in earnings of affiliates ¥62.2 billion, representing a ¥16.0 billion increase compared to the prior fiscal year. The average per-kilo price of silver fell to ¥65,260 (compared to ¥766 per kilo). Copper prices averaged ¥70,655 for the prior year, while copper prices averaged ¥766 per kilo (compared to ¥750 for the prior year).

Income before Income Taxes and Equity in Earnings of Affiliates, Net Income Attributable to Shareholders, and Profit Distribution

The Omron Group reported income before income taxes and equity in earnings of affiliates ¥87.4 billion, representing a ¥25.4 billion gain year on year. Net income attributable to shareholders amounted to ¥62.2 billion, a ¥16.0 billion increase compared to the prior fiscal year.

Note: Segment operating income is prepared using the single-step method (which does not show individual income levels) based on U.S. GAAP. For inter-company comparisons, we have defined operating income as gross profit minus selling, general, and administrative (SG&A) expenses and research and development (R&D) expenses.
The Company's basic policy for dividend payments is to secure sufficient internal capital resources for future growth while at the same time providing consistent shareholder returns. More specifically, our target for fiscal 2014 was a dividend payout ratio of 25% or greater. Given these policies, the Group was pleased to report an annual dividend of ¥71 for fiscal 2014, ¥18 per share higher than the prior fiscal year. Our consolidated dividend payout ratio was 25.0%, with a dividend on equity result of 3.4%. We project a ¥92 per share divided for fiscal 2015.

### Costs, Expenses, and Income as Percentages of Net Sales

<table>
<thead>
<tr>
<th>Segment Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
</tr>
<tr>
<td>Net sales 100.0%</td>
</tr>
<tr>
<td>Cost of sales 62.5%</td>
</tr>
<tr>
<td>Gross profit 37.5%</td>
</tr>
<tr>
<td>Selling, general and administrative expenses 23.0%</td>
</tr>
<tr>
<td>Research and development expenses 6.7%</td>
</tr>
<tr>
<td>Other expenses (income), net 1.1%</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings of affiliates 6.7%</td>
</tr>
<tr>
<td>Income taxes 2.3%</td>
</tr>
<tr>
<td>Net income attributable to shareholders 4.3%</td>
</tr>
</tbody>
</table>

### 1. Review of Operations by Business Segment

#### Industrial Automation Business (IAB)

Our Industrial Automation Business recorded net sales of ¥331.8 billion for fiscal 2014, a 12.7% gain year on year. Higher revenues and production efficiencies resulted in a 40.9% increase in operating income, up to ¥54.6 billion.

Japan experienced a gradual economic recovery throughout the year, with demand particularly strong for capital investment in the automobile and electronics components fields. Overseas, the weakened yen contributed to greater sales in every region. Of particular note was the growth in the Americas, supported by strong demand in automobiles and oil and gas. Greater China again proved to be a strong growth market for electronics components. The segment experienced a gradual recovery in Europe, while demand for electronics components in Asia was strong, driven in part by the devalued yen.

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

The Electronic and Mechanical Components Business recorded net sales of ¥103.9 billion, representing a 6.4% year-on-year gain. Operating income was higher by 17.5% year on year, reaching ¥10.2 billion.

In Japan, demand in the consumer electronics market and automobile industries was slow due to the increase in consumption tax rates. While demand in the consumer and commercial product industries other than consumer electronics remained level with the prior year, net sales decreased. Meanwhile, the weakened yen helped push net sales overseas significantly higher. In the Americas and Europe, demand for consumer and commercial products was strong, while new customers in Greater China—and our growth in consumer electronics in that market in particular—led to overall favorable results for the segment. In Asia as well, we saw growth in demand in the automobile-related industries.

#### Other Businesses

Other Businesses reported net sales of ¥87.4 billion, a year-on-year increase of 10.7%. Operating income came in at ¥8.4 billion, which was a decrease of 3.6% year on year, mainly due to investment activity.

Despite falling demand among certain Environmental Solutions Business customers during the second half of the year, increasing interest in renewable energy pushed domestic demand for PV inverters higher, resulting in strong demand during the year overall. The Electronic Systems & Equipment Business experienced demand for uninterruptible power supply units, industrial-use computers, and development and contract production services for electronic devices. Strong markets for smartphone microphones also helped drive earnings growth in our Micro Devices Business. A growing market for smartphones in Greater China has driven demand for thin, high-performance backlights in our Backlights Business.

### Growth in Net Sales by Business Segment

#### Composition of Net Sales by Business Segment

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB</td>
<td>40.4%</td>
<td>37.7%</td>
</tr>
<tr>
<td>EMC</td>
<td>12.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>AEC</td>
<td>15.0%</td>
<td>16.4%</td>
</tr>
<tr>
<td>SSB</td>
<td>10.6%</td>
<td>10.7%</td>
</tr>
<tr>
<td>HCB</td>
<td>11.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Other</td>
<td>9.1%</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

Note: The composition of net sales is based on the classifications reported under Six-Year Summary on P. 79.
2. Review of Operations by Region

Japan
Total net sales for Japan came in at ¥337.7 billion, representing a 2.1% year-on-year decline. Operating income, however, grew a healthy 17.2% to ¥55.6 billion, due mainly to productivity and added value ratio improvements.

During the fiscal year, the Japanese market experienced strong demand for capital investment in the automobile and electronic components sectors. This demand helped push earnings growth in our Industrial Automation Business. In our Healthcare Business, sales of home-use healthcare and medical devices and other new products made a significant contribution to earnings. Meanwhile, the impact of higher consumption taxes was seen widely across our businesses in Japan, causing challenges in growing our Electronic and Mechanical Components Business, Automotive Electronic Components Business, and our Social Systems, Solutions and Service Business.

Americas
Our businesses in the Americas reported net sales of ¥123.5 billion, a 22.3% improvement year on year. Operating income was ¥12.4 billion, reaching ¥1.7 billion.

These results are the result of our efforts in the Americas to strengthen the customer relationship and improve the sales situation within the region. In our Healthcare Business during the fiscal year, improving consumer spending supported growth in our Electronic and Mechanical Components Business. At the same time, growth in the oil and gas sectors pushed demand for our Industrial Automation Business, while consumer and commercial product demand resulted in gains for our Electronic and Mechanical Components Business. Recovering consumer spending supported growth in our Healthcare Business during the fiscal year.

Europe
In Europe, our businesses reported net sales of ¥108.4 billion, representing a 7.4% increase year on year. Operating income came in at ¥7.9 billion, representing an 11% gain.

Despite the slowdown in the Russian economy and political instability in Ukraine, the European economy overall showed indications of a gradual recovery, with demand essentially level with the prior fiscal year. While our Healthcare Business in Russia and surrounding regions had been growing, we experienced slower growth in this region this year. However, earnings were supported by strong demand for products in our Industrial Automation Business and Electronic and Mechanical Components Business.

Greater China
Our businesses in Greater China reported net income of ¥181.0 billion, 27% higher than the prior fiscal year. Operating income amounted to ¥19.7 billion, representing 9.8% year-on-year growth. This result for revenues and profits was the highest of any of our regions.

Experts cited concerns of a slowdown in certain sectors of the Chinese economy during the fiscal year. Even so, we experienced significant earnings growth for our Industrial Automation Business, driven by higher demand in the electronic components market and steady capital investment. This region is demonstrating growing interest in mobile communications, home electronics, and electronic components for automobiles. As well, rising interest in personal health has spurred growth in our healthcare and medical equipment.

Asia Pacific
Our businesses in Asia Pacific reported net income of ¥83.1 billion, 14.9% higher than the prior year. Operating income came in at ¥7.9 billion, representing an 11% gain.

Despite currency weaknesses, the economies of Thailand, Indonesia, and Korea were generally strong throughout the year. Our Industrial Automation Business was supported by strong demand in the electronic components industry. Electronic components for automobiles and consumer health and medical equipment likewise experienced strong demand.
## Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2014 and 2015

### LIABILITIES AND SHAREHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>¥ 488</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Notes and accounts payable-trade</td>
<td>85,218</td>
<td>92,702</td>
<td>722,517</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>39,697</td>
<td>41,942</td>
<td>349,517</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>6,340</td>
<td>3,680</td>
<td>39,667</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>30,764</td>
<td>38,438</td>
<td>320,317</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>162,707</td>
<td>176,762</td>
<td>1,473,018</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>2,167</td>
<td>697</td>
<td>5,808</td>
</tr>
<tr>
<td>Termination and Retirement Benefits</td>
<td>50,683</td>
<td>30,393</td>
<td>253,275</td>
</tr>
<tr>
<td>Other Long-Term Liabilities</td>
<td>6,369</td>
<td>11,065</td>
<td>92,208</td>
</tr>
<tr>
<td>Shareholders’ Equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, no par value:</td>
<td>Authorized: 487,000,000 shares in 2013 and 2014</td>
<td>Issued: 217,397,872 shares in 2014</td>
<td>64,100</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>227,121,372 shares in 2013</td>
<td>227,121,372 shares in 2013</td>
<td>64,100</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>99,067</td>
<td>99,070</td>
<td>825,583</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11,196</td>
<td>13,403</td>
<td>111,692</td>
</tr>
<tr>
<td>Other assets</td>
<td>22,712</td>
<td>6,319</td>
<td>55,158</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>345,157</td>
<td>382,609</td>
<td>3,188,468</td>
</tr>
<tr>
<td>Noncontrolling Interests</td>
<td>20,918</td>
<td>6,366</td>
<td>53,050</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>135,566</td>
<td>151,452</td>
<td>1,262,100</td>
</tr>
<tr>
<td>Total ¥654,704</td>
<td>¥711,011</td>
<td>$ 5,925,092</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2015, of ¥120 = U.S. $1.
### Consolidated Statements of Income

**OMRON Corporation and Subsidiaries**

**Years ended March 31, 2013, 2014 and 2015**

**Consolidated Statements of Income**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥650,461</td>
<td>¥772,966</td>
</tr>
<tr>
<td><strong>Costs and Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>408,954</td>
<td>475,758</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>152,676</td>
<td>181,225</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>43,488</td>
<td>47,528</td>
</tr>
<tr>
<td>Other expenses (income), net</td>
<td>4,106</td>
<td>6,048</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>609,224</td>
<td>710,959</td>
</tr>
</tbody>
</table>

**Income before Income Taxes and Equity in Earnings of Affiliates**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td></td>
</tr>
<tr>
<td>Income Taxes</td>
<td>41,237</td>
<td>62,007</td>
</tr>
<tr>
<td>Equity in Loss (Earnings) of Affiliates</td>
<td>(2,976)</td>
<td>(3,782)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>30,117</td>
<td>46,314</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Attributable to Noncontrolling Interests</strong></td>
<td>(86)</td>
<td>129</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Shareholders</strong></td>
<td>¥30,203</td>
<td>¥46,185</td>
</tr>
</tbody>
</table>

**Per Share Data:**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income Attributable to Shareholders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥137.20</td>
<td>¥209.82</td>
</tr>
<tr>
<td>Diluted</td>
<td>137.20</td>
<td>209.82</td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2015, of ¥120 = U.S. $1.

### Consolidated Statements of Comprehensive Income

**OMRON Corporation and Subsidiaries**

**Years ended March 31, 2013, 2014 and 2015**

**Consolidated Statements of Comprehensive Income**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>¥30,117</td>
<td>¥46,314</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss), Net of Tax:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments arising during the year</td>
<td>22,523</td>
<td>18,946</td>
</tr>
<tr>
<td>Reclassification adjustment for the portion realized in net income</td>
<td>(43)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>22,480</td>
<td>18,945</td>
</tr>
<tr>
<td>Pension liability adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension liability adjustments arising during the year</td>
<td>(21)</td>
<td>326</td>
</tr>
<tr>
<td>Reclassification adjustment for the portion realized in net income</td>
<td>(894)</td>
<td>1,375</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>(915)</td>
<td>1,701</td>
</tr>
<tr>
<td>Unrealized gains (losses) on available-for-sale securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gains (losses) arising during the year</td>
<td>2,317</td>
<td>10,002</td>
</tr>
<tr>
<td>Reclassification adjustment for losses on impairment realized in net income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification adjustment for net gains on sale realized in net income</td>
<td>(425)</td>
<td>(1,116)</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>2,585</td>
<td>8,886</td>
</tr>
<tr>
<td>Net gains (losses) on derivative instruments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gains (losses) arising during the year</td>
<td>(455)</td>
<td>(1,409)</td>
</tr>
<tr>
<td>Reclassification adjustment for net gains (losses) realized in net income</td>
<td>549</td>
<td>1,249</td>
</tr>
<tr>
<td><strong>Net unrealized gain (loss)</strong></td>
<td>94</td>
<td>1,249</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss)</strong></td>
<td>24,244</td>
<td>29,372</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>¥54,361</td>
<td>¥75,686</td>
</tr>
<tr>
<td><strong>Comprehensive Income (Loss) Attributable to Noncontrolling Interests</strong></td>
<td>74</td>
<td>314</td>
</tr>
<tr>
<td><strong>Comprehensive Income attributable to shareholders</strong></td>
<td>¥54,287</td>
<td>¥75,372</td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2015, of ¥120 = U.S. $1.
<table>
<thead>
<tr>
<th>Years ended March 31, 2013, 2014 and 2015</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Statements of Shareholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY2012</td>
<td>FY2013</td>
</tr>
<tr>
<td>Net income</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>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22,452</td>
<td>25,089</td>
</tr>
<tr>
<td>Net loss on sales and disposals of property, plant and equipment</td>
<td>578</td>
<td>1,146</td>
</tr>
<tr>
<td>Loss on impairment of long-lived assets</td>
<td>3,265</td>
<td>804</td>
</tr>
<tr>
<td>Net gain on sale of investment securities</td>
<td>(677)</td>
<td>(1,714)</td>
</tr>
<tr>
<td>Loss on impairment of investment securities</td>
<td>1,086</td>
<td>501</td>
</tr>
<tr>
<td>Loss on impairment of goodwill</td>
<td>153</td>
<td>—</td>
</tr>
<tr>
<td>Termination and retirement benefits</td>
<td>(4,433)</td>
<td>(4,417)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>3,762</td>
<td>2,170</td>
</tr>
<tr>
<td>Equity in loss (earnings) of affiliates</td>
<td>(3,976)</td>
<td>(3,762)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable-trade</td>
<td>(5,827)</td>
<td>(6,613)</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>8,641</td>
<td>(325)</td>
</tr>
<tr>
<td>Decrease (increase) in other assets</td>
<td>21</td>
<td>(32)</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable-trade</td>
<td>(5,927)</td>
<td>5,824</td>
</tr>
<tr>
<td>Increase (decrease) in income taxes payable</td>
<td>3,121</td>
<td>2,277</td>
</tr>
<tr>
<td>Increase in accrued expenses and other current liabilities</td>
<td>1,519</td>
<td>10,883</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>22,941</td>
<td>32,730</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>53,058</td>
<td>79,044</td>
</tr>
<tr>
<td><strong>Investing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale or maturities of investment securities</td>
<td>1,658</td>
<td>2,840</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(0)</td>
<td>(2,179)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(30,383)</td>
<td>(32,218)</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents, net</td>
<td>457</td>
<td>75</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>836</td>
<td>794</td>
</tr>
<tr>
<td>Decrease (increase) in investment in and loans to affiliates</td>
<td>(1,884)</td>
<td>209</td>
</tr>
<tr>
<td>Proceeds from sale of business</td>
<td>90</td>
<td>26</td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>141</td>
<td>(671)</td>
</tr>
<tr>
<td>Purchase of noncontrolling interests</td>
<td>(10)</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>624</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(28,471)</td>
<td>(31,125)</td>
</tr>
<tr>
<td><strong>Financing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net repayments of short-term debt</td>
<td>(13,273)</td>
<td>(5,136)</td>
</tr>
<tr>
<td>Dividends paid by the Company</td>
<td>(6,164)</td>
<td>(10,566)</td>
</tr>
<tr>
<td>Dividends paid to noncontrolling interests</td>
<td>(2)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from equity transactions with noncontrolling interests</td>
<td>819</td>
<td>22</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>(9)</td>
<td>(161)</td>
</tr>
<tr>
<td>Other, net</td>
<td>79</td>
<td>(458)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(18,550)</td>
<td>(16,298)</td>
</tr>
<tr>
<td><strong>Effect of Exchange Rate Changes on Cash and Cash Equivalents</strong></td>
<td>4,414</td>
<td>2,922</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>10,451</td>
<td>34,543</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents at Beginning of the Year</strong></td>
<td>¥ 55,708</td>
<td>¥ 90,251</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents at End of the Year</strong></td>
<td>¥ 66,159</td>
<td>¥ 124,794</td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2015, of ¥120 = U.S. $1.

**Consolidated Statements of Cash Flows**

<table>
<thead>
<tr>
<th>Years ended March 31, 2013, 2014 and 2015</th>
<th>¥ millions</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, March 31, 2014</strong></td>
<td>227,132,372</td>
<td>2,308,412</td>
</tr>
<tr>
<td><strong>Change in Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>30,117</td>
<td>242,674</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22,452</td>
<td>25,089</td>
</tr>
<tr>
<td>Net loss on sales and disposals of property, plant and equipment</td>
<td>578</td>
<td>1,146</td>
</tr>
<tr>
<td>Loss on impairment of long-lived assets</td>
<td>3,265</td>
<td>804</td>
</tr>
<tr>
<td>Net gain on sale of investment securities</td>
<td>(677)</td>
<td>(1,714)</td>
</tr>
<tr>
<td>Loss on impairment of investment securities</td>
<td>1,086</td>
<td>501</td>
</tr>
<tr>
<td>Loss on impairment of goodwill</td>
<td>153</td>
<td>—</td>
</tr>
<tr>
<td>Increase in accrued expenses and other current liabilities</td>
<td>1,519</td>
<td>10,883</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22,941</td>
<td>32,730</td>
</tr>
<tr>
<td><strong>Change in Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>26</td>
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</tr>
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<td>(277)</td>
</tr>
<tr>
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<td>(16,298)</td>
</tr>
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<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
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Independent Practitioner’s Assurance

Omron believes the independent assurance process is important to improve the accuracy and objectivity of its Integrated Report 2015. The following information contained in the Integrated Report was reviewed by an independent third party.


**Scope of Independent Practitioner’s Assurance Report**
- Number of employees (P. 18–19)
- Ratio of overseas employees to total employees (P. 18–19)
- Ratio of non-Japanese in managerial positions overseas (P. 16)
- Ratio of women in managerial roles (Japan) (P. 16)
- Ratio of employees with disabilities (P. 17)
- Number of TOGA entries and participants (P. 16)
- Number of patents held (P. 18–19, 56)
- CO2 emissions of global production sites (P. 17, 18–19)
- Global net sales to CO2 emissions (P. 17)
- Environmental contribution (P. 17, 18–19)

**From the Editor-in-Chief**

Omron began planning for integrated reporting during fiscal 2011, issuing our first Integrated Report in 2012, combining our financial and non-financial CSR report. In both 2013 and 2014, we received the Award for Excellence in Integrated Reporting from the World Intellectual Capital Initiative Japan, a partner with the International Integrated Reporting Council (IIRC). Nikkei Inc., publisher of the Nikkei Shimbun, likewise honored Omron as the 2014 winner of the Nikkei Annual Report Awards Grand Prix, as well as the most outstanding company in the integrated reporting category. The Tokyo Stock Exchange singled out Omron from among 3,400 publicly traded firms to receive their highest recognition, the Corporate Value Improvement Award. The award has recognized Omron for our earnings capacity, made possible through our management professionalism and information disclosure practices.

We believe that issuing integrated reports over the past three years has led us to better practice our management philosophy: Provide the products and services that society requires, thereby contributing to the development of global society while growing as a company.

At the same time, writing these reports has helped deepen our critical integrated thinking. It has helped us manage with an eye fixed on long-term, sustainable corporate value improvement.

Our Integrated Report 2015 conforms to the integrated reporting framework recommended by the IIRC and the World Intellectual Capital Initiative Japan. At the same time, we worked harder on our coverage of materiality (important management issues) and connectivity (between financial and non-financial information). Specifically, we have described our process for selecting material information to disclose, as well as visualizing our business model. Now, we can tell a much more effective story of how Omron keeps creating unique corporate value.

We have also taken steps to improve reliability by contracting an independent assurance to prove how important management indicators are related to non-financial information. This is in answer to the call of the IIRC for providing more assurance in this area.

As the editor-in-chief of this Integrated Report, I can assure the reader of the validity of the process by which it was created, as well as the accuracy of the content herein.

At Omron, we will continue to lead the way in integrated reporting in Japan. I encourage you to help us in this endeavor by sharing your frank opinions and ideas with us.

Satoshi Ando
Managing Executive Officer
Senior General Manager
Global Investor Relations &
Corporate Communications HQ
July 2015

Omron Integrated Report 2014: Awarded for Excellence

Omron Integrated Report 2014 was selected winner of the Award for Excellence in Integrated Reporting from the World Intellectual Capital Initiative Japan. Our integrated reporting has also been recognized by Nikkei Inc., as the winner of the Nikkei Annual Report Awards 2014 Grand Prix, as well as most outstanding in the integrated reporting category.
Corporate Information / Stock Information
As of March 31, 2015

Date of Formation
May 10, 1933
Date of Establishment
May 19, 1949
Paid-in Capital
¥64,100 million
Number of Employees (Consolidated)
37,672
Common Stock Issued
217,398 thousand shares
Trading Unit
100 shares
Number of Shareholders
34,832

Stock Listings
Tokyo Stock Exchange, Frankfurt Stock Exchange

Securities Code
6645
Fiscal Year-End
March 31
Annual Shareholders’ Meeting
June
Custodian of Register of Shareholders
Mitsubishi UFJ Trust and Banking Corporation
Depositary and Transfer Agent for American Depositary Receipts
JP Morgan Chase Bank, N.A.
Head Office
Shiokoji Horikawa, Shimogyo-ku, Kyoto 600-8530, Japan
Tel: +81-75-344-7000 Fax: +81-75-344-7001

Stock Price and Daily Trading Volume
Tokyo Stock Exchange and Osaka Securities Exchange

Notes:
1. Share index (2005/3E = 100)
2. Stock price and trading volume information is for the 1st section of the Osaka Securities Exchange before July 16, 2013, and for the 1st section of the Tokyo Stock Exchange thereafter.
3. TSR (Total Shareholder Return): Total investment return, combining capital gains and dividends

TSR Holding Period Indexed to March 2015

OMRON Corporation

OMRON MANAGEMENT CENTER OF EUROPE (The Netherlands)
OMRON MANAGEMENT CENTER OF AMERICA (Illinois)
OMRON MANAGEMENT CENTER OF BRAZIL (São Paulo)
OMRON MANAGEMENT CENTER OF ASIA PACIFIC (Singapore)
OMRON MANAGEMENT CENTER OF INDIA (Hyderabad)

OMRON MANAGEMENT CENTER OF CHINA (Shanghai)

For more information, please visit our website.

Website

Management Compass—The SINIC Theory

OMRON announced this predictive theory at the First Future Research World Congress in April 1970. From the 1990s onward, OMROM 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.

OMRON Corporation

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Board of Directors Office
Corporate Social Responsibility Department
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INQUIRIES