

# Integrated Report 2016

Year ended March 31, 2016

# OMRON



# The Omron Value Creation Story

Omron is guided by the Omron Principles. We reflect these principles in how we create numerous products and services that anticipate the needs of society, solving a variety of social issues. Omron will continue to improve lives and contribute to a better society through our businesses, generating sustainable corporate value.



**Automated Train Station System**  
 ▶ Reducing congestion at stations



**Blood Pressure Monitors**  
 ▶ Better health through blood pressure monitoring at home



**Electronic Power Steering Controllers**  
 ▶ Improved gas mileage



**Sensing and Control Equipment**  
 ▶ Improved manufacturing productivity and quality



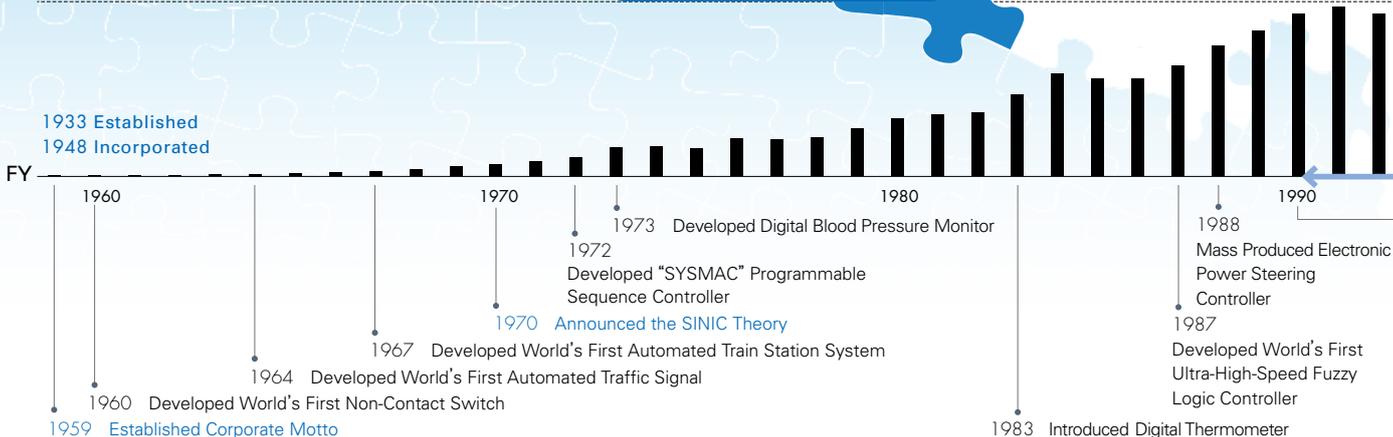
**Image Sensing**  
 ▶ Secure, safe living



**Safety Equipment**  
 ▶ Production floor safety



**PV Inverters**  
 ▶ Renewable energy



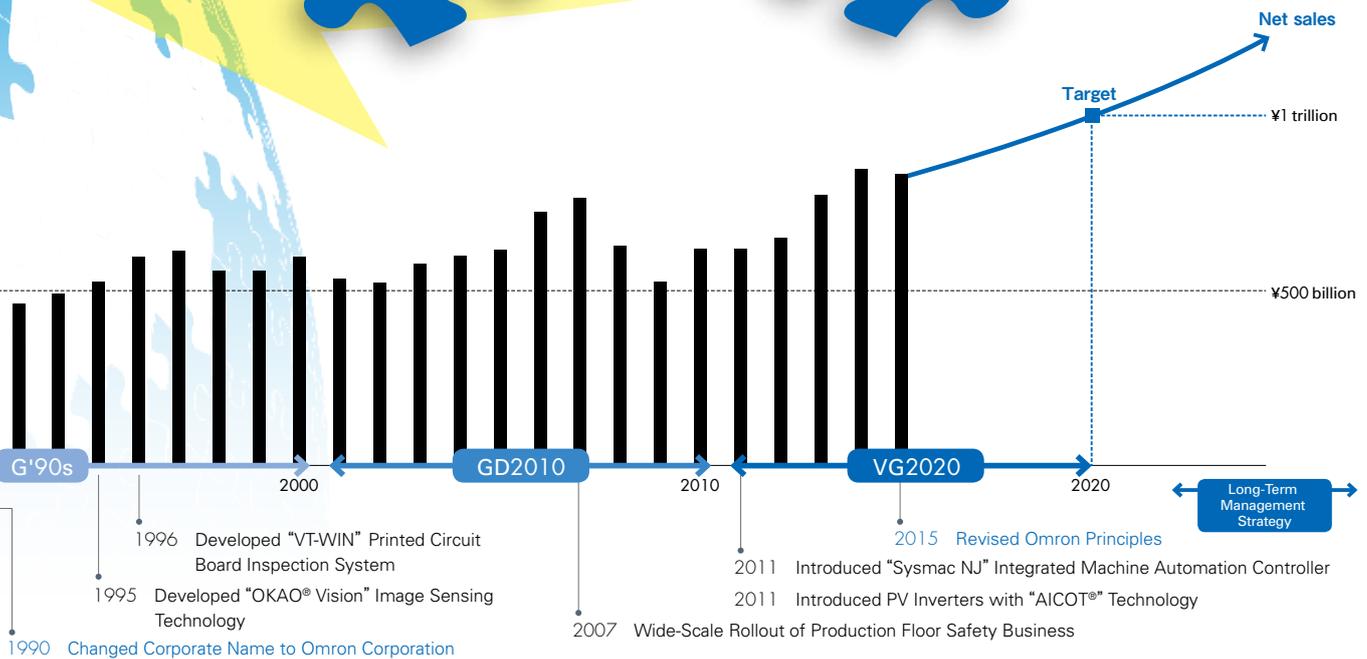
# Omron Principles

## 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.



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## Editorial Policy

The scope of this report covers the 185 companies of the Omron Group, consisting of 168 consolidated subsidiaries and 17 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2016).

Omron Corporation contributes to the creation of a sustainable society by offering solutions to social issues through our business and by engaging in responsible environmental, social, and governance (ESG) initiatives.

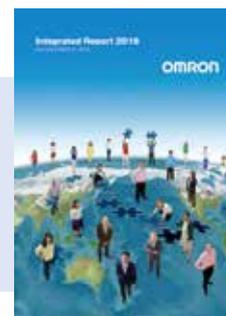
We voluntarily disclose the details of our business and ESG activities to our stakeholders. This integrated report conforms to the integrated reporting frameworks recommended by the International Integrated Reporting Council and the World Intellectual Capital Initiative. ESG-related disclosures have been written with reference to the G4 Sustainability Reporting Guidelines (core). See our CSR website for a comparative table. [http://www.omron.com/about/sustainability/guide\\_line/](http://www.omron.com/about/sustainability/guide_line/)

## Caution Concerning Forward-Looking Statements

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

### About the Cover

We are all charged with the task of ensuring the sustainability of our precious planet. Our cover concept this year imagines the Earth as a complex puzzle. Each puzzle piece is a solution to a social need. Team Omron is committed to innovation driven by social needs and to meeting all challenges with passion and courage.



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# Message from the CEO



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

*Y. Yamada*

Yoshihito Yamada

President and CEO  
July 2016



# 1. Fiscal 2015 Review and Issues

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

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

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

## Fiscal 2014/2015 Earnings and Fiscal 2016 Plans

(Billions of yen)

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

## Management Indicators

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

## Dividends

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

## 2. Fiscal 2016 Policies and Plans

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

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

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

At present, we are reviewing our

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

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

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



### 3. Medium- and Long-Term Growth

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

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

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

between humans and robots to foster flexibility and productivity.

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

<sup>\*2</sup> Adding communications functions not only to computers and information devices, but also in all manner of objects, creating two-way communication via the Internet for recognition, automation, remote measurements, etc.

<sup>\*3</sup> First-of-its kind wearable technology allowing continuous measurement of blood pressure for each heartbeat, taken from the wrist.

<sup>\*4</sup> Definition of the evolution in Omron core technologies adding "Think" (human intelligence) to Sensing & Control technologies.

#### Innovating Manufacturing Sites Through the Three "I"s

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



Testing blood pressures at a health center



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

## 4. Practicing Our Principles

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

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

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



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

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

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



## 5. Building Greater Corporate Value

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

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

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

# Material Management Issues and Major Initiatives

## ► Materiality Identification Process

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

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

<sup>\*1</sup> Convocation Notice for the 79th Ordinary General Meeting of Shareholders  
[http://www.omron.com/about/ir/shareholder/pdfs/convocation\\_notice\\_79th.pdf](http://www.omron.com/about/ir/shareholder/pdfs/convocation_notice_79th.pdf)

## ► Awareness of Current Situation

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

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

<sup>\*2</sup> Artificial intelligence

## ► Issues and Initiatives

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

Message from the CFO

# Portfolio Management: Evolution and Execution



A handwritten signature in black ink, appearing to read 'Yoshinori Suzuki'.

**Yoshinori Suzuki**

Executive Vice President and CFO  
July 2016



# 1. Advancing Portfolio Management

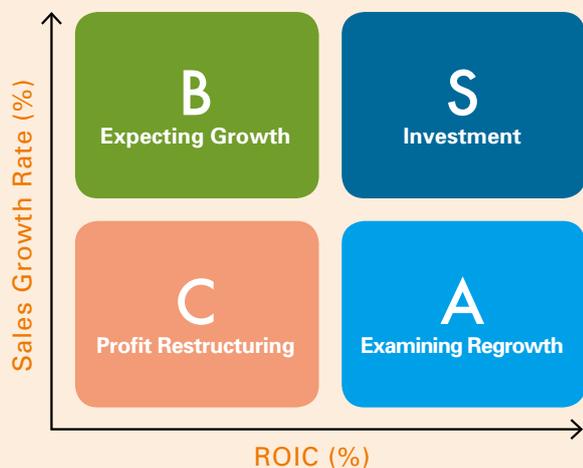
## 1.1. Evolution

Omron has divided its organization into approximately 90 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, Omron management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in Omron Group value.

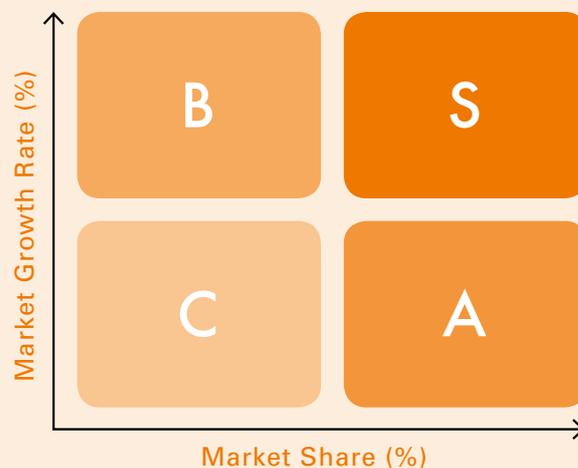
We recognize that both economic value and market value of a business must be

considered if we are to allocate limited resources in an optimal manner. As such, we incorporate a market value assessment according to our strength as a company (market share) and market attractiveness (market growth rate) as supplementary considerations in portfolio management. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources and generating greater business growth.

### Assessing Economic Value



### Assessing Market Value



### Portfolio Management Flow



## 1.2. Accelerating Business Growth

Our mid-term plan “EARTH-1 STAGE” calls for priority allocation of resources to accelerate growth in our Industrial Automation and Healthcare businesses. To set a foundation for growth, we acquired three companies over the past two fiscal years: NS Industria de Aparelhos Medicos (Brazilian nebulizer manufacturer), Delta Tau Data Systems (U.S.-based motion control manufacturer), and Adept Technologies (U.S.-based robot manufacturer). We intend to leverage the synergies each company brings to create new value for our customers and business partners.

Incidentally, the ¥40 billion used for

these three acquisitions came entirely from internal reserves. If Omron should require capital in excess of cash on hand for future mergers and acquisitions (M&A), we will raise capital through debt financing within a scope that allows us to maintain our current long-term credit rating\*. At present, we estimate that our debt capacity is ¥100 billion. We will actively leverage debt financing to pursue new growth opportunities if we encounter a promising investment target.

\*Rating and Investment Information, Inc. rating: AA-  
Standard & Poor’s rating: A  
(as of July 2016)

### Acquisitions

	Year of Acquisition	Company Overview	News Release URL
<b>NS Industria de Aparelhos Medicos Ltda.</b>	Fiscal 2014	Nebulizer manufacturer with No.1 share of the nebulizer market in Brazil	<a href="http://www.healthcare.omron.co.jp/english/news/2014/0905.html">http://www.healthcare.omron.co.jp/english/news/2014/0905.html</a>
<b>Delta Tau Data Systems, Inc.</b>	Fiscal 2015	U.S.-based manufacturer of motion controllers offering world-leading performance	<a href="http://www.omron.com/media/press/2015/07/c0730.html">http://www.omron.com/media/press/2015/07/c0730.html</a>
<b>Adept Technologies, Inc.</b>	Fiscal 2015	U.S.-based manufacturer of a wide range of industrial robot models	<a href="http://www.omron.com/media/press/2015/09/c0916.html">http://www.omron.com/media/press/2015/09/c0916.html</a>

## 1.3. Improving Capital Efficiency through Divestiture and Restructuring

Portfolio management not only accelerates business growth, but also serves as a tool for management decisions regarding business divestiture or restructuring. As CFO, I believe I should provide particular leadership in making decisions regarding business divestiture. Recently, we made the decision to sell Omron Oilfield & Marine, Inc. and Omron Colin Co., Ltd. We announced the sale of these companies in June 2016. In making this decision, we made a rational assessment from a corporate-wide perspective, projecting the

status of these businesses two-to-three years in the future. Based on this high-altitude view, we considered the negative factors and the positive factors to the company as a whole, eventually making a decision that was best for our entire organization. We also considered our customers, our employees, the acquiring companies, and a variety of other stakeholders, reaching an optimal solution for the benefit of all. We believe that these transactions generated significant value for both Omron (portfolio optimization) and the

purchasers (value growth).

Under our system of portfolio management, we generally set a cut-off term of two years for businesses we believe are struggling with significant issues. We begin restructuring these businesses as we formulate a policy for the future. In some cases, restructuring does not result in sufficient improvements, and synergies with other Group businesses remain weak. If, in our judgment, selling this business will result in greater value, we will investigate the potential for divestiture or other measures.

The essence of portfolio management is to reallocate limited resources for the purpose of maximizing overall value. As Omron CFO, I plan to continue promoting and exercising portfolio management for the benefit of our company. As we commit more resources to growth businesses, we will also restructure or shift resources to businesses that struggle with certain issues. In so doing, we will improve capital efficiency. At the same time, structuring an optimal business portfolio will improve the overall corporate value of the Omron Group.

#### ■ Divestments

	Company Overview	News Release URL
<b>Omron Oilfield &amp; Marine, Inc.</b>	U.S.-based manufacturer and seller of inverter control systems for drilling equipment, power houses, and related equipment	<a href="http://www.omron.com/media/press/2016/06/c0603.html">http://www.omron.com/media/press/2016/06/c0603.html</a>
<b>Omron Colin Co., Ltd.</b>	Japan-based seller of patient monitors, non-invasive vascular screening devices, and other medical equipment	<a href="http://www.omron.com/media/press/2016/06/h0609.html">http://www.omron.com/media/press/2016/06/h0609.html</a>



## 2. Improving Shareholder Returns

Following fiscal 2014, Omron conducted another share buyback during fiscal 2015 totaling ¥15 billion. This reflects our ongoing consideration for strengthening shareholder returns and improving capital efficiency. We subsequently retired all 3.44 million shares of treasury stock acquired, leaving a balance of 150,000 shares in treasury stock (less than 0.1% of shares outstanding). We are happy to announce that we met our fiscal 2016 goal of a 30%

payout ratio one year ahead of schedule. Our dividend payout ratio for fiscal 2015 was 31.1%, up from 25% in the prior fiscal year. Omron improved shareholder return, even while actively engaging in M&As and other growth investment policies.

We intend to continue to provide stable dividends and engage in strategic share buybacks, balanced by considerations related to earnings, financial status, and growth investments.

# Board of Directors and Auditors

As of June 23, 2016



Back row,  
from left:

## Kuniko Nishikawa

Outside Director  
Personnel Advisory Committee Member  
CEO Selection Advisory Committee Member  
Compensation Advisory Committee Member  
Corporate Governance Committee Member

## Eizo Kobayashi

Outside Director  
Chairman of the Personnel Advisory Committee  
Chairman of the Compensation Advisory Committee  
Vice Chairman of the Corporate Governance Committee  
CEO Selection Advisory Committee Member

## Kazuhiko Toyama

Outside Director  
Chairman of the CEO Selection Advisory Committee  
Chairman of the Corporate Governance Committee  
Personnel Advisory Committee Member  
Compensation Advisory Committee Member

Front row,  
from left:

## Koji Nitto

Director, Senior Managing Executive Officer  
Senior General Manager, Global Strategy HQ  
Compensation Advisory Committee Member

## Yoshinori Suzuki

Executive Vice President and CFO  
Personnel Advisory Committee Member

## Yoshihito Yamada

President and CEO



### Yoshifumi Matsumoto

Audit & Supervisory Board Member  
(Independent)  
Corporate Governance Committee  
Member

### Hideyo Uchiyama

Audit & Supervisory Board Member  
(Independent)  
Corporate Governance Committee  
Member

### Kiichiro Kondo

Audit & Supervisory Board Member

### Tokio Kawashima

Audit & Supervisory Board Member

### Fumio Tateishi

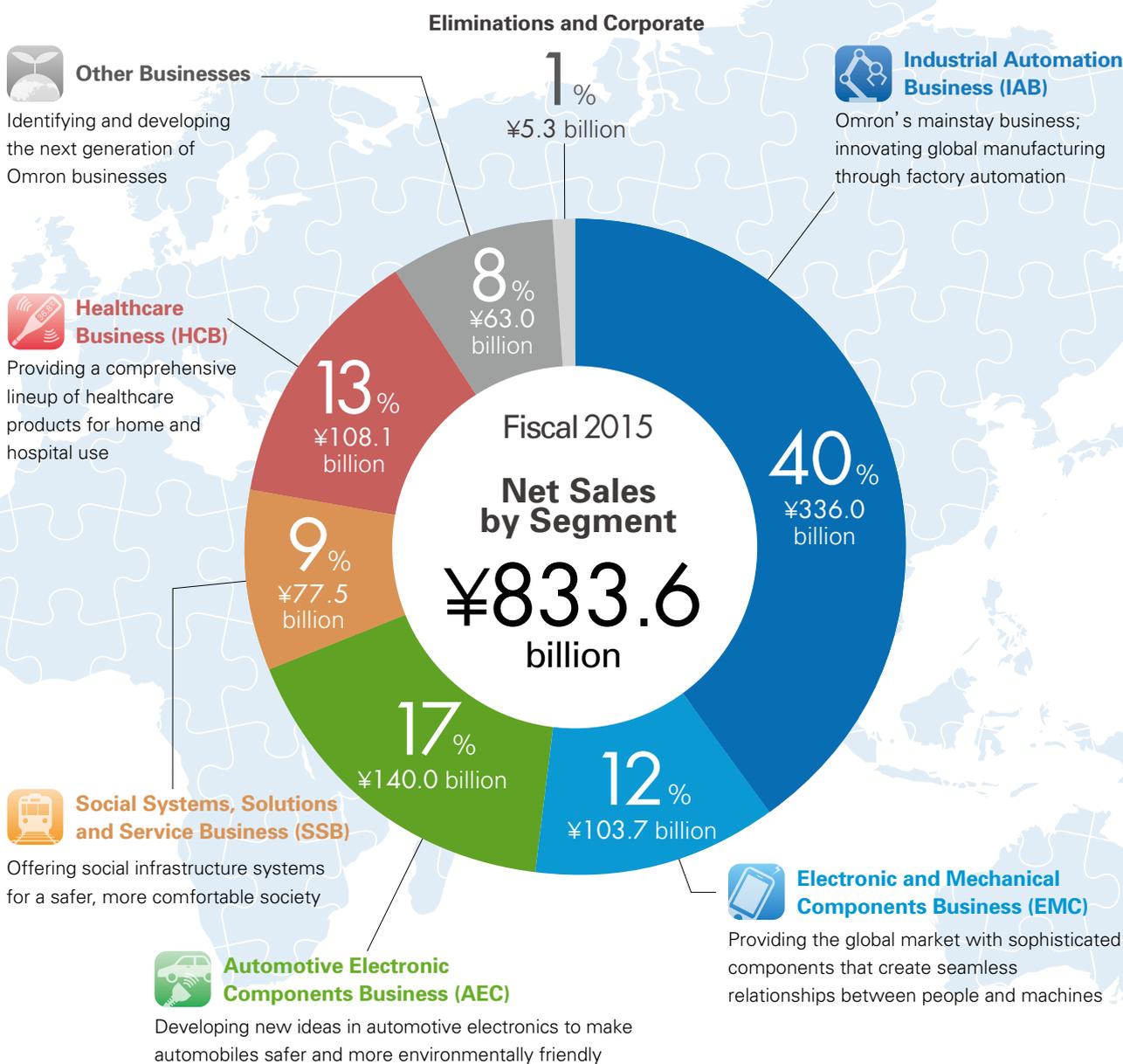
Chairman  
CEO Selection Advisory Committee Member

### Akio Sakumiya

Executive Vice President  
Vice Chairman of the Personnel Advisory Committee  
Vice Chairman of the CEO Selection Advisory Committee  
Vice Chairman of the Compensation Advisory Committee

# Making the World Smaller through Sensing

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, and healthcare.



## Fiscal 2015 Earnings by Business Segment

(Billions of yen)

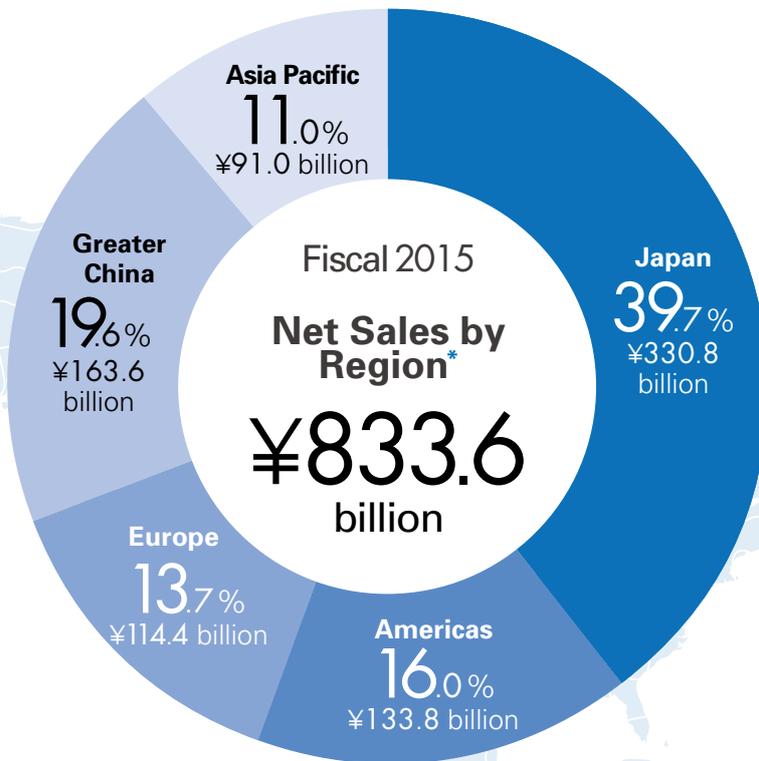
Business Segment	Net Sales	Operating Income	Operating Income Margin
Industrial Automation Business (IAB)	336.0	47.9	14.3%
Electronic and Mechanical Components Business (EMC)	103.7	8.5	8.2%
Automotive Electronic Components Business (AEC)	140.0	7.3	5.2%
Social Systems, Solutions and Service Business (SSB)	77.5	3.2	4.1%
Healthcare Business (HCB)	108.1	7.3	6.7%
Other Businesses	63.0	(4.1)	-
Eliminations and Corporate	5.3	(7.8)	-
<b>Total</b>	<b>833.6</b>	<b>62.3</b>	<b>7.5%</b>

# & Control + Think Technologies

Ratio of overseas sales to net sales

Approx.

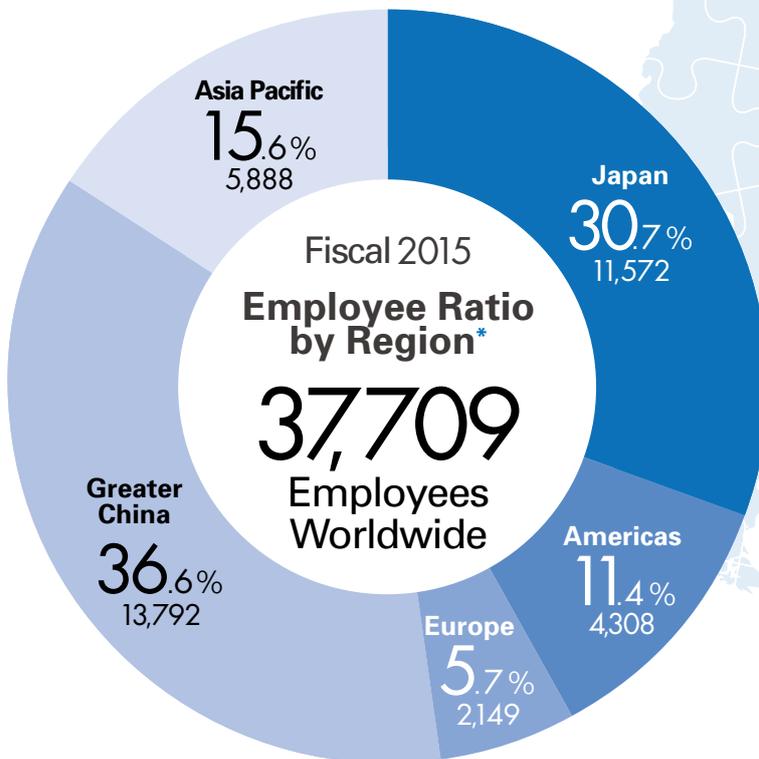
60%



Ratio of overseas employees to total employees

Approx.

69%



\* As of March 31, 2016

Note: Regional categories are defined as follows:

Americas: North America, Central America, South America

Europe: Europe, Russia, Africa, Middle East

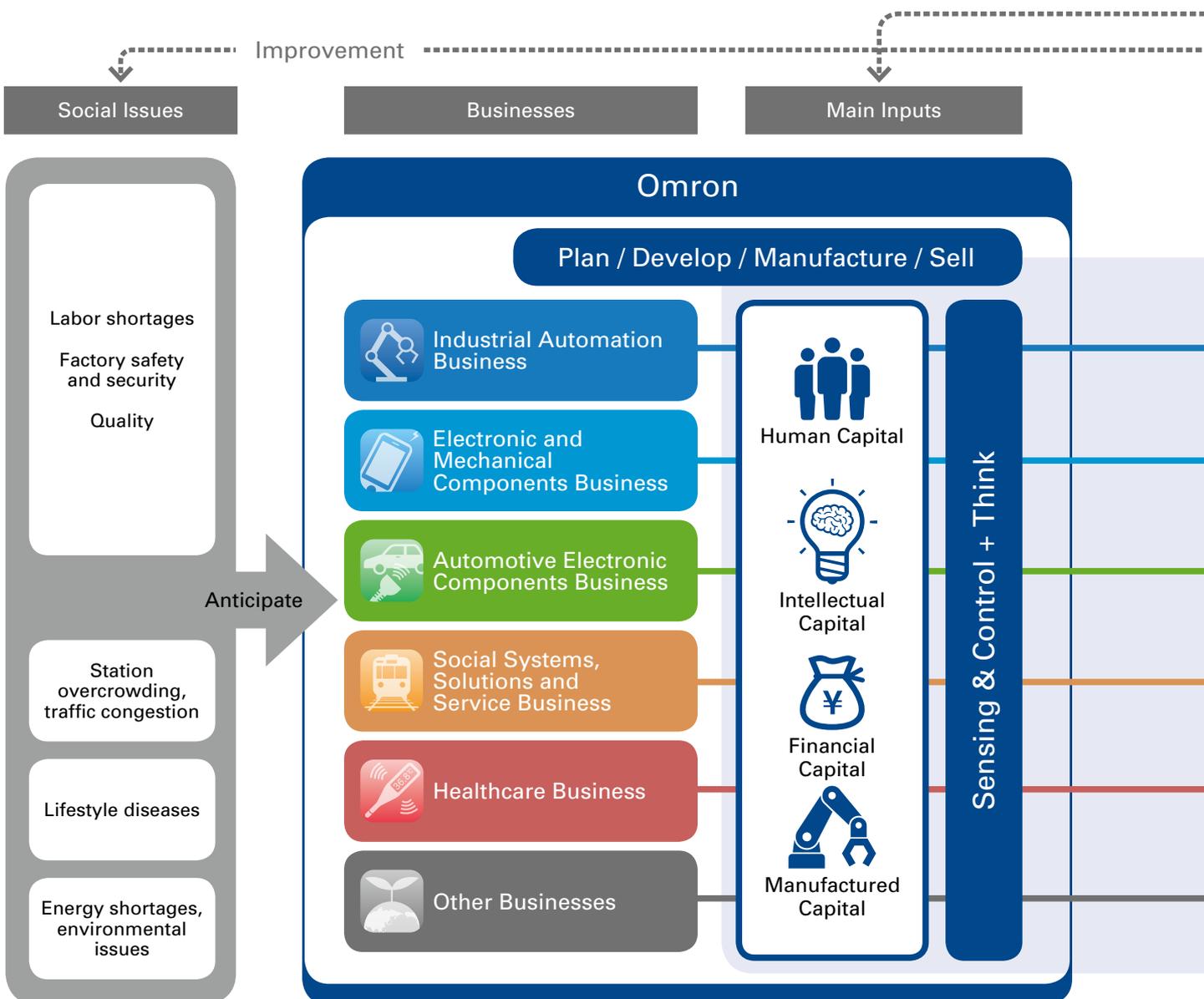
Greater China: China, Taiwan, Hong Kong

Asia Pacific: Southeast Asia, Korea, India, Oceania

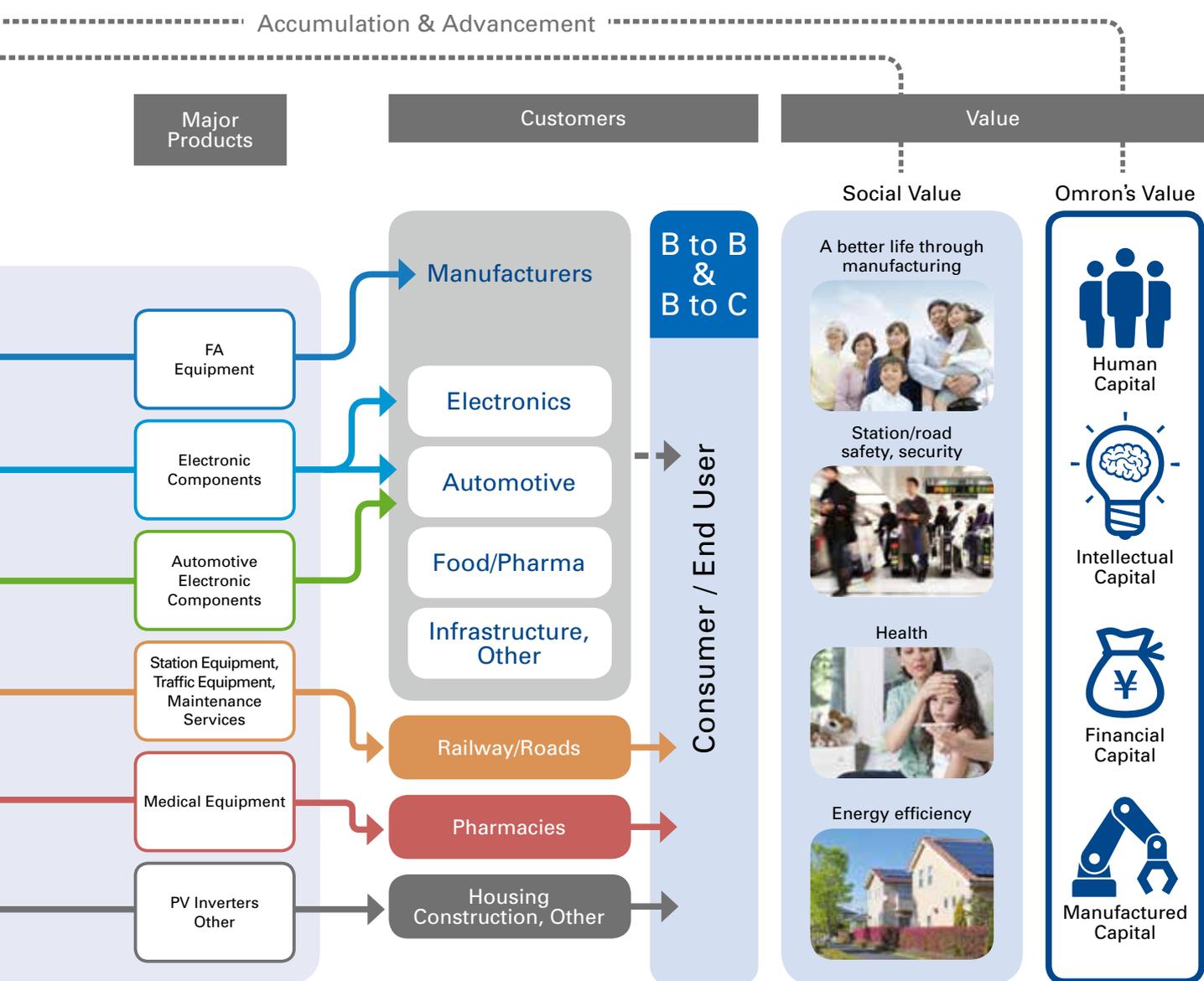
# Business Model

Omron uses a variety of capitals to build corporate value. These resources are a particular strength of Omron Corporation, and they include human capital (people who share the values of the Omron Principles), intellectual capital (leading-edge technologies), and manufactured capital (advanced equipment and factories capable of small lot production for a wide array of products).

We use these resources to anticipate social needs and to deliver products and services that make the world a better place. Our employees are dedicated to their work and are excited to take on new challenges, unified by the Omron Principles. These talented professionals approach their daily duties looking to solve the issues that stand in the way of our customers' success. From among all the information available to us, we extract only that which is necessary for our purposes. We use our proprietary technologies to convert this information into smarter products and services that



offer new value according to our Sensing & Control + Think value model. Where production centers struggle with insufficient labor, we deliver sensors, controllers, products, and technological services for automation that support more efficient, safer, higher-quality manufacturing. Where lifestyle diseases are on the rise, we deliver highly accurate medical devices that capitalize on our expertise gained through patented technologies and clinical experience to contribute to a healthier, happier human race. The compensation we earn by creating value and the knowledge we earn through our business activities are long-term resources we use to reinvest in product development and services to provide solutions for the next generation of social issues. Through this cycle, Omron Corporation builds corporate value, invests efficiently in solutions for emerging social issues, and delivers new value for the world.



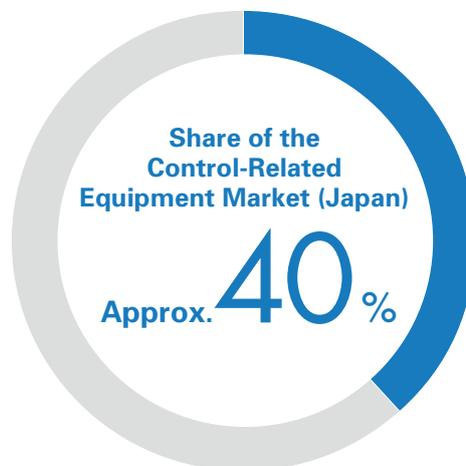
# Omron Products (Market Share and Sales by Product)



## Industrial Automation Business

### Strengths

- Extensive product lineup
- Global infrastructure and services network



Source: Nippon Electric Control Equipment Industries Association



## Electronic and Mechanical Components Business

### Strengths

- Consultative sales approach
- Global delivery of high-quality products; superior manufacturing capabilities



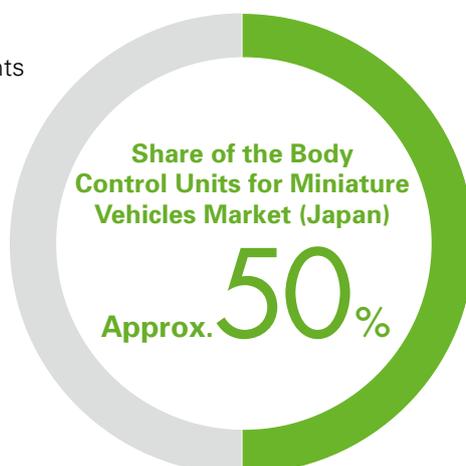
Source: Internal survey



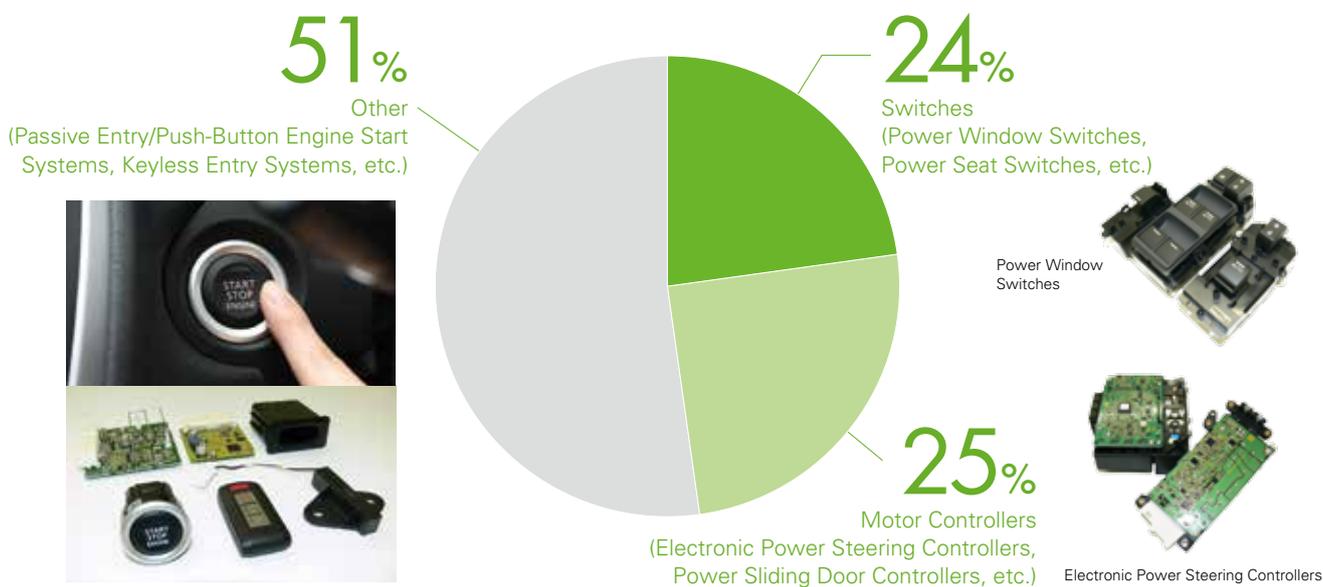
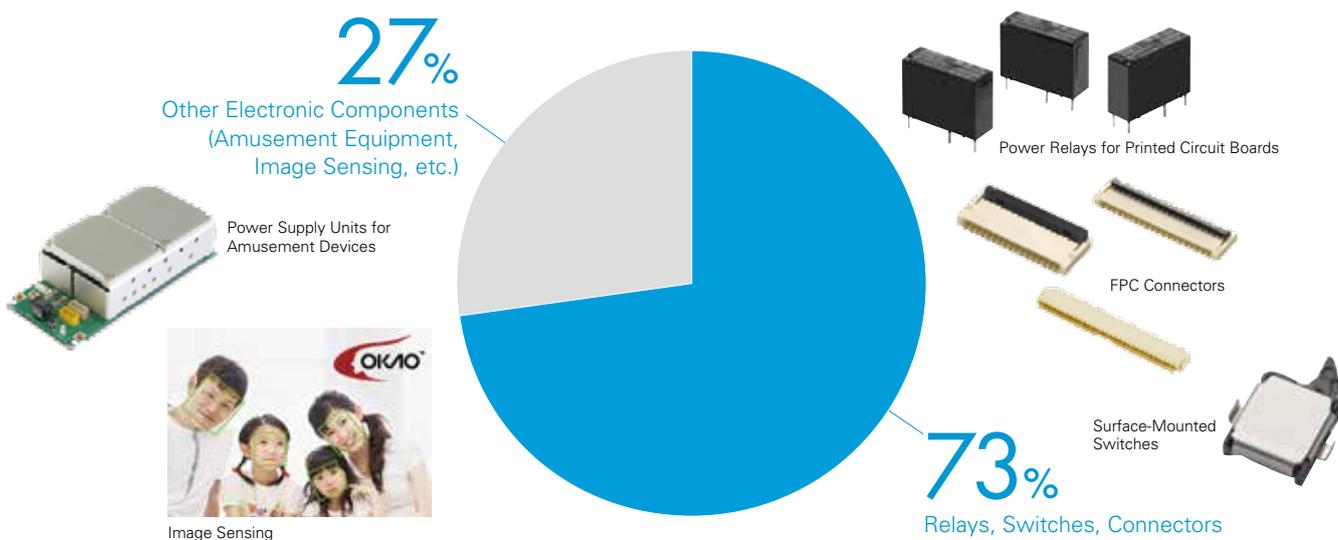
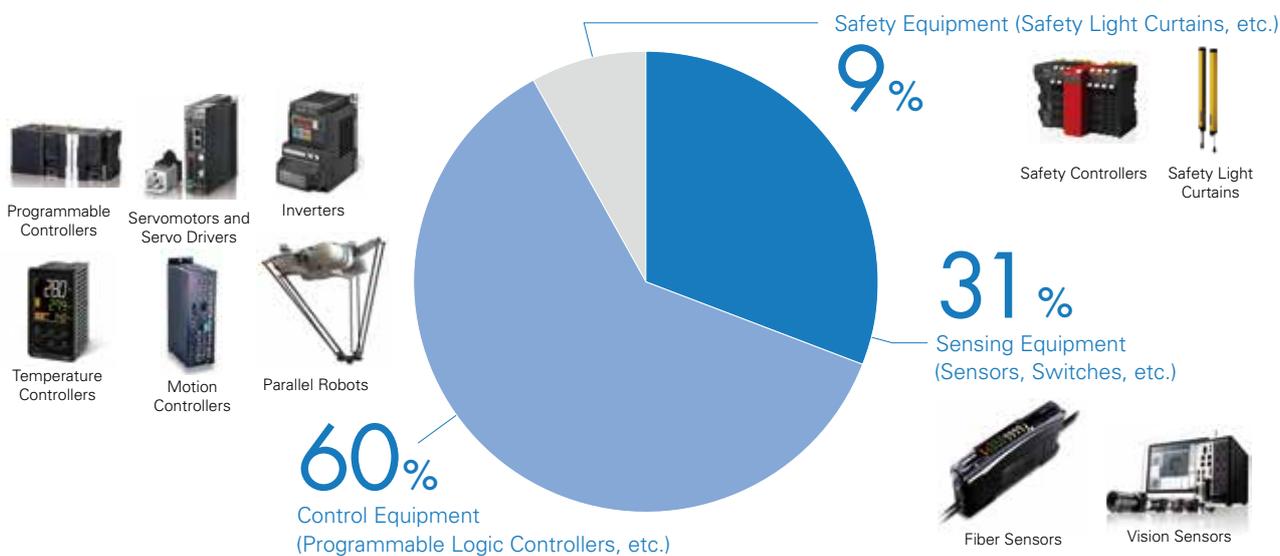
## Automotive Electronic Components Business

### Strengths

- Global development and delivery of high-quality electronic components
- Trusted independent supplier to a diverse customer base
- Work with customers to develop products that anticipate market needs



Source: Internal survey

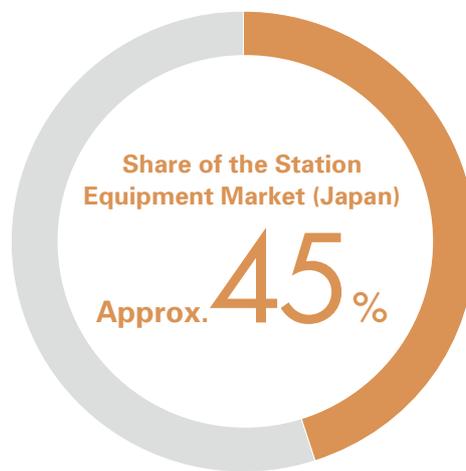




## Social Systems, Solutions and Service Business

### Strengths

- One-stop solutions  
(Component, system development, software development, and engineering services)



Source: Internal survey



## Healthcare Business

### Strengths

- Recognized brand, trusted by medical and research institutes
- Compliance with regulations

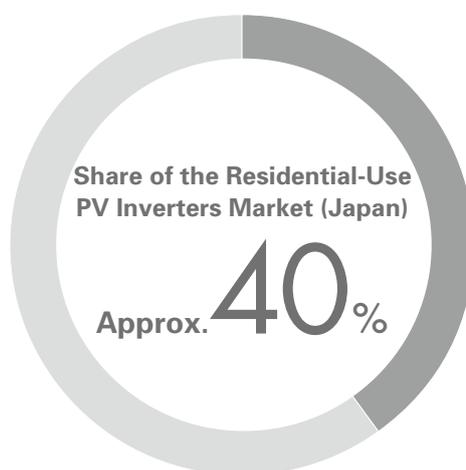


Source: Internal survey

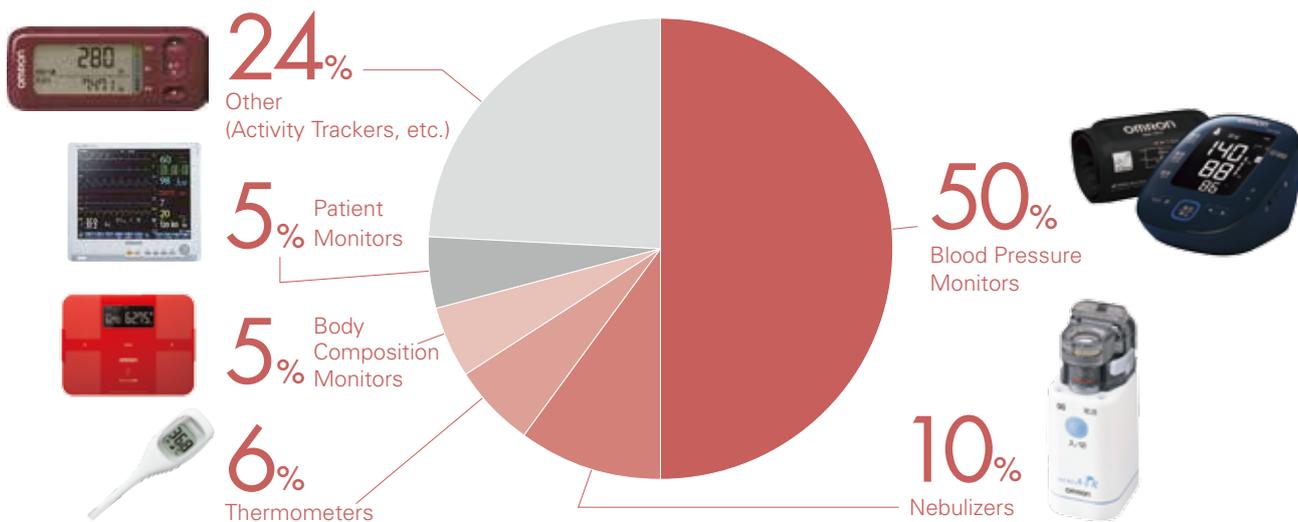
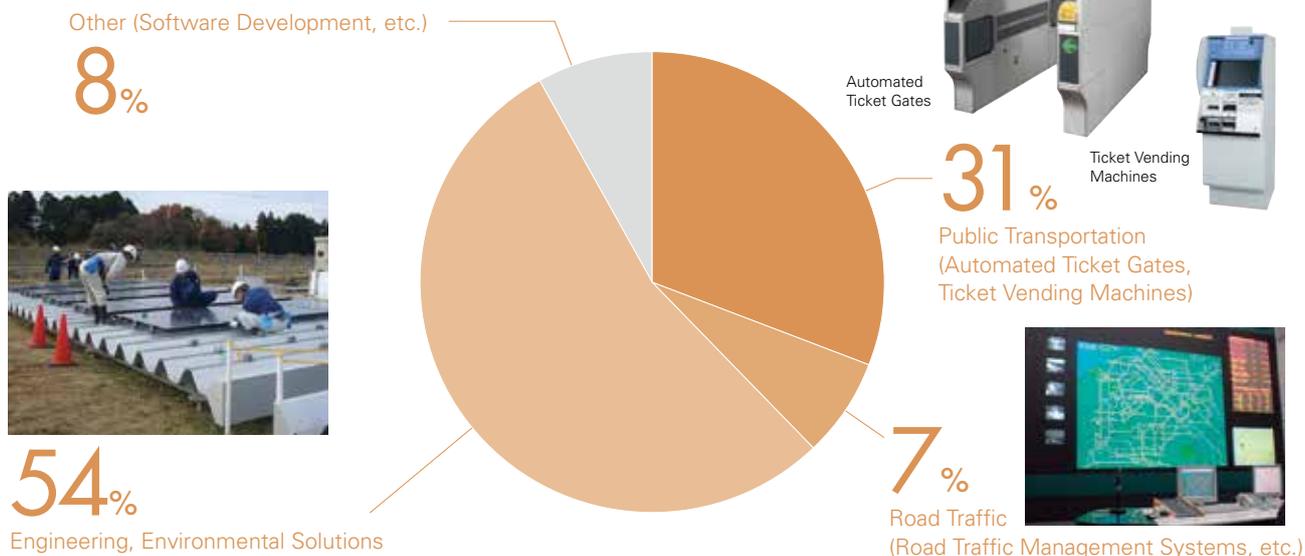


## Other Businesses

Headquarters is responsible for overseeing business development/support, as well as managing projects to research and develop new businesses.



Source: Internal survey



**Environmental Solutions**

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



Hybrid Storage System for Solar Power

**Backlights**

LCD backlights for smartphones and other devices



LCD Backlights

**Electronic Systems and Equipment**

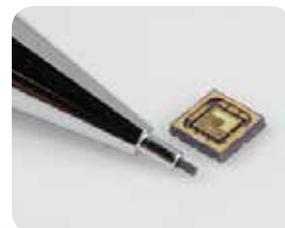
Uninterruptible power supply units for providing electricity during power outages or other emergencies



Uninterruptible Power Supply Units

**Micro Devices**

Micro electro mechanical systems (MEMS) for emerging applications



MEMS Pressure Sensors

# The Year in Review

For Omron, fiscal 2015 was a year for accelerating our goal of maximizing the Industrial Automation Business, one of our EARTH-1 STAGE basic strategies. Our progress included the acquisitions of motion control and robotics manufacturers in the United States. For the first time in nine years, we revised the Omron Principles to support our goals of sustainable corporate value growth and stronger management.

**Management and Business**

**April 2015**

Omron received the Minister of Economy, Trade and Industry Award for Achievement in the Field of Intellectual Property  
<http://www.omron.com/media/press/2015/04/c0410.html>

**May 2015**

Revised the Omron Principles in support of sustainable corporate value growth and stronger management  
<http://www.omron.com/media/press/2015/05/c0508.html>

**June 2015**

Established the Omron Corporate Governance Policies—Seeking Sustainable Enhancement of our Corporate Value  
<http://www.omron.com/media/press/2015/06/c0624.html>

**September 2015**

Acquired U.S.-based Delta Tau Data Systems, Inc., a world-leading developer and manufacturer of motion controllers  
[See P47 for more.](#)

2015

April–May	June	July	August	September	October
-----------	------	------	--------	-----------	---------

**Products and Services**

**September 2015**

Introduced a new network camera sensor to the market; detects human activity and sends the results wirelessly to a smartphone or other connected device

**October 2015**

Delivered the latest in automated ticket gate technology for the Kita Kyushu Urban Monorail; allows use of both QR code and IC card tickets

Awarded the Health Medical Science 2015 Award for our upper arm blood pressure monitor series

 Industrial Automation Business (IAB)

 Electronic and Mechanical Components Business (EMC)

 Automotive Electronic Components Business (AEC)

 Social Systems, Solutions and Service Business (SSB)

 Healthcare Business (HCB)

 Other Businesses

October 2015

 Acquired U.S.-based Adept Technologies, Inc., a leader in industrial robot control and vision sensor technologies

See P47 for more.

**adept**



October 2015 - January 2016

Stock buyback (3.44 million shares for ¥15 billion); retired all repurchased shares in January  
<http://www.omron.com/about/ir/irlib/news/pdfs/20151201e.pdf>

March 2016

Established an open innovation venture fund in partnership with several companies

2016

November

December

January

February

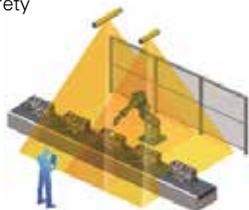
March

April

November 2015



Developed 3D safety sensing technology for production floor safety



Developed a camera to detect in real-time the direction of a driver's face, their line of sight, and whether their eyes are open or closed



February 2016



Awarded the 2015 Nikkei Business Daily Award for Superiority, Superior Products and Services category for the NX701 Machine Automation Controller



Introduced the HV-F320 electronic pulse massager; warms and uses low frequency vibrations to relieve pain



April 2016



Introduced the KPT-A□ three-phase rooftop PV inverter for industrial solar power generation

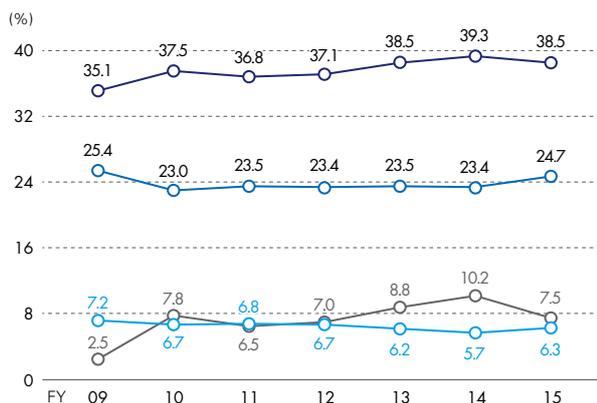


# Financial Highlights

## Gross Profit Margin

- Gross profit margin
- Selling, general and administrative expenses ratio (excluding R&D expenses)
- R&D expenses ratio
- Operating income margin

# 38.5%



Lower profitability due to downturns in external factors. Omron will continue to invest for the future, including making increases to R&D expenses.

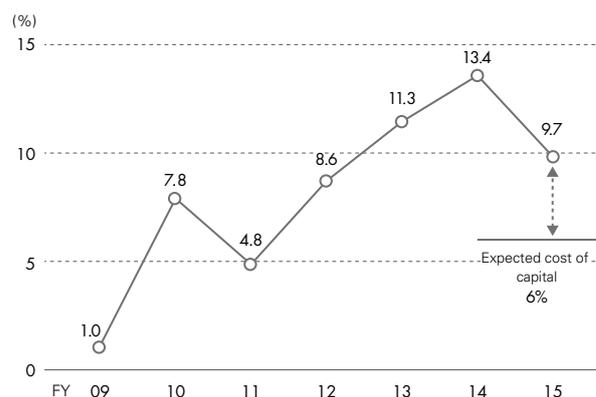
## ROIC

- Return on invested capital (ROIC)

$$\text{ROIC} = \frac{\text{Net Income}}{\text{Invested Capital}^*} = \frac{\text{Net Income}}{\text{Net Assets} + \text{Interest-Bearing Debt}}$$

\* Invested capital represents the average of prior year-end result and current year quarterly results

# 9.7%

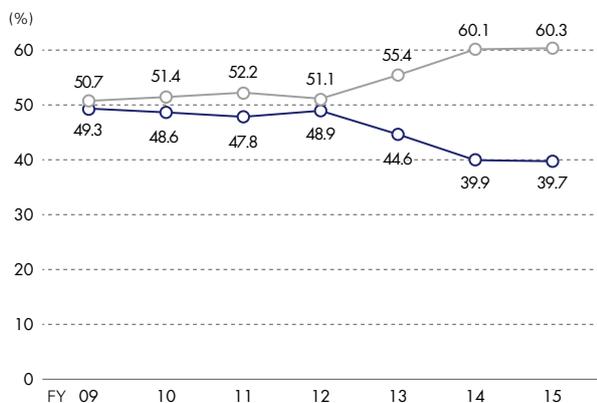


Achieved ROIC in excess of the Company's expected cost of capital of 6% under EARTH-1 STAGE.

## Ratio of Overseas Sales to Total Net Sales

- Overseas total
- Japan

# 60.3%



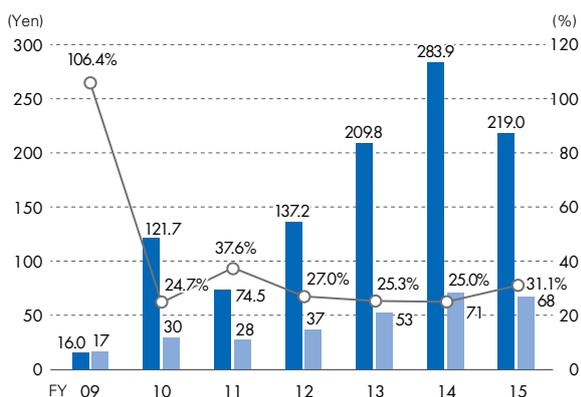
Ratio of overseas revenues continued to grow, particularly in Southeast Asia and other emerging economies.



### ■ EPS

- Earnings per share
- Cash dividends per share
- Dividend payout ratio

# ¥219.0

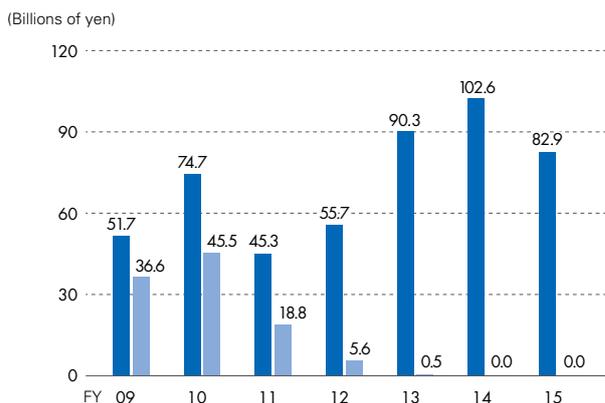


Achieved a dividend payout ratio of 31.1%, up from 25.0% in fiscal 2014; reached 30% payout ratio one year ahead of plan.

### ■ Cash and Cash Equivalents

- Cash and cash equivalents
- Total interest-bearing liabilities

# ¥82.9 billion

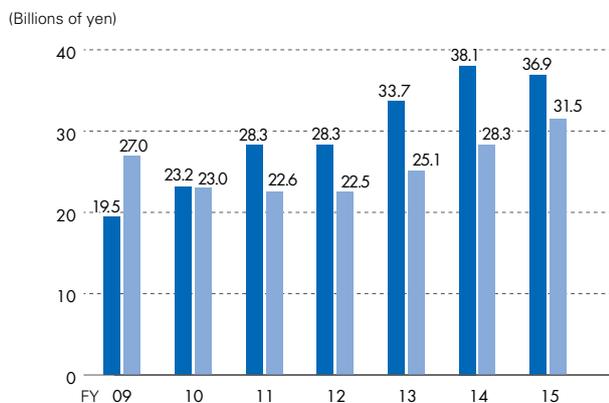


Maintained a zero balance for interest-bearing debt. The Company may use interest-bearing debt to finance future growth investments, if necessary.

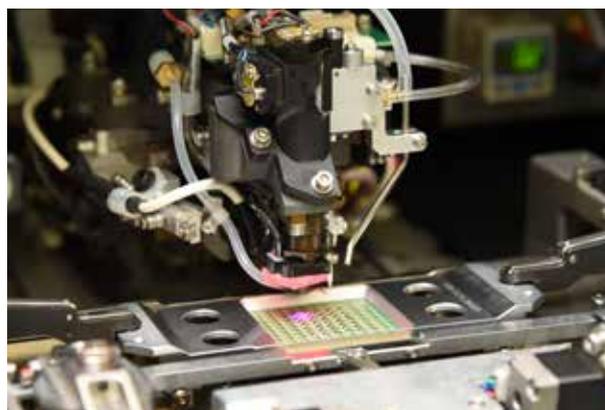
### ■ Capital Expenditures

- Capital expenditures
- Depreciation and amortization

# ¥36.9 billion



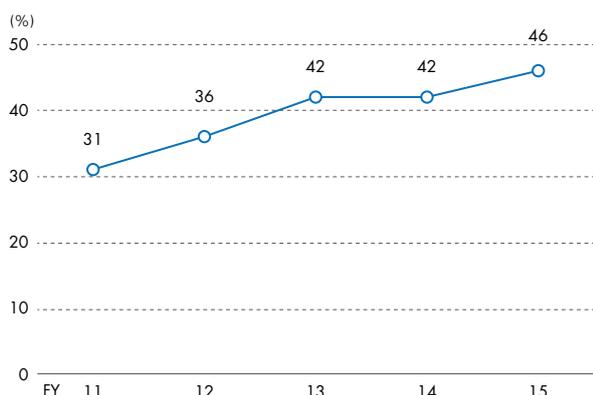
The Company has continued to invest in infrastructure and productivity improvements for future growth.



# Non-Financial Highlights

## Ratio of Non-Japanese in Managerial Positions Overseas\*1

46%



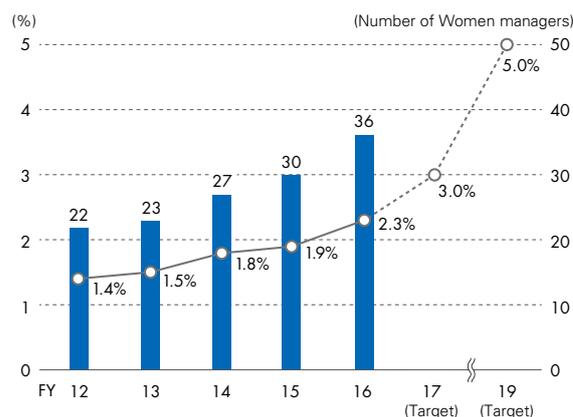
We believe that local management is the best management. This is why we emphasize having local staff in key positions in our local entities overseas. We will continue to train and appoint local staff to perform managerial roles at our offices around the world.

\*1 A position deemed crucial for executing VG2020. The CEO must approve the hiring/transfer of the person assigned this role.

## Ratio of Women in Managerial Roles Omron Group (Japan)

2.3%

○ Ratio of women in managerial roles  
■ No. of women in managerial roles



We are well aware that the low number of women in leadership roles in Japan is not only a critical issue, it's also a lost opportunity. We plan to raise the number of women in managerial roles to 3.0% by the end of fiscal 2016 and to 5.0% by the end of fiscal 2018.

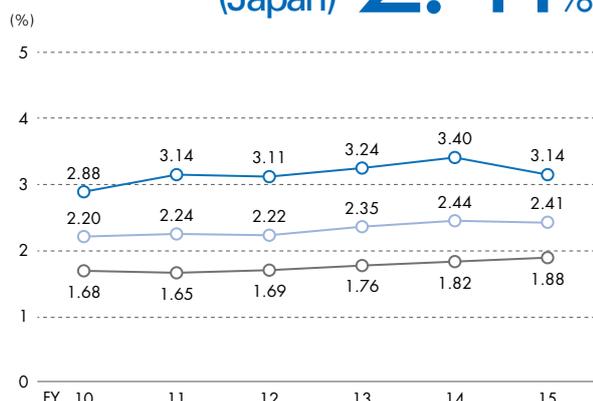
Note: Figures represent results as of April 20.

## Ratio of Employees with Disabilities

○ Employees with disabilities at Omron Corporation (Japan)  
○ Omron Group (Japan)  
○ Japanese national average

Omron Corp. (Japan) 3.14%

Omron Group (Japan) 2.41%



Note: Ratio of employees with disabilities (including special subsidiaries) as of June 30 each year.



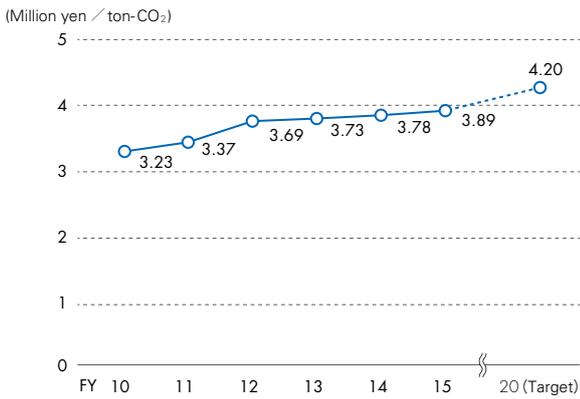
Employees of Omron Taiyo

Since founding Omron Taiyo Co., Ltd. (special subsidiary of Omron) in 1972, Omron has continued to create jobs and expand opportunities for the disabled. Through these activities, Omron is helping to create a society in which the disabled feel the joy and satisfaction of making a positive contribution through work.

Note: The five non-financial indices presented here have been reviewed by Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd., an independent evaluation entity.

## Global Net Sales to CO<sub>2</sub> Emissions\*<sup>2</sup>

**¥3.89** / million ton-CO<sub>2</sub>  
20% Improvement vs. 2010



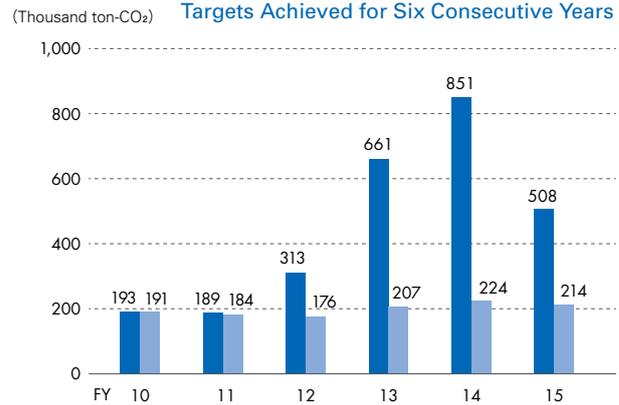
At Omron, we take pride in knowing that our businesses contribute to a sustainable society. We track and improve global net sales to CO<sub>2</sub> emissions and environmental contribution as two important indicators of corporate value.

\*<sup>2</sup> Global Net sales to CO<sub>2</sub> emissions = Global Net sales per one ton of CO<sub>2</sub> emissions

## Environmental Contribution\*<sup>3</sup>

■ Environmental contribution ■ CO<sub>2</sub> emissions of global production sites

**508** thousand ton-CO<sub>2</sub>  
Environmental Contribution > CO<sub>2</sub> Emissions of Global Production Sites  
Targets Achieved for Six Consecutive Years



A decrease in sales of power conditioners for solar power generation led to a 508 thousand ton-CO<sub>2</sub> reduction in environmental contribution. However, this year marked the sixth consecutive year in which Omron's environmental contribution exceeded the CO<sub>2</sub> emissions of the Group's global manufacturing centers (214 thousand ton-CO<sub>2</sub>).

\*<sup>3</sup> Environmental Contribution = Volume of CO<sub>2</sub> emissions reduction contributed by society's use of the Omron Group's energy generation and savings products and services. As we have changed our method for calculating Environmental Contribution, we revised figures from prior years for purposes of comparison.

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

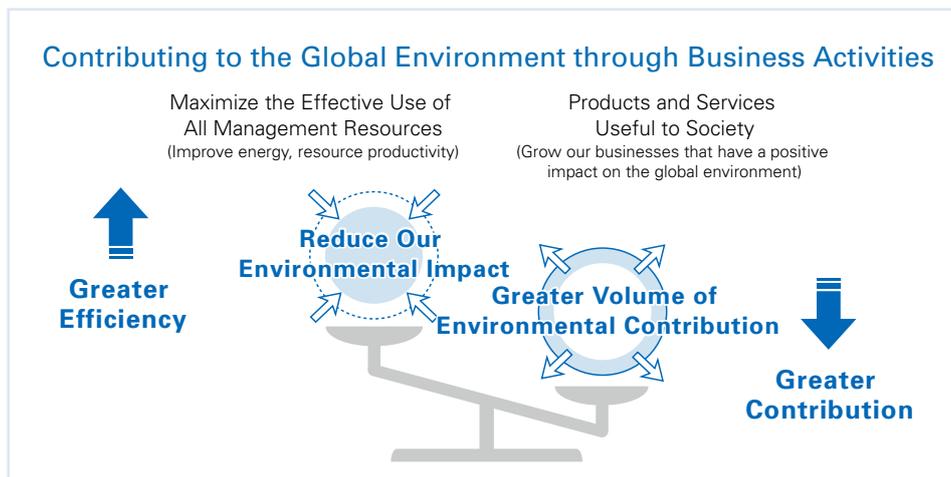
### ▶ Environmental Contribution

[http://www.omron.com/about/csr/environ/eco\\_products/eco\\_contribution/](http://www.omron.com/about/csr/environ/eco_products/eco_contribution/)

### ▶ CO<sub>2</sub> Emissions of Global Production Sites

[http://www.omron.com/about/csr/environ/eco\\_fac\\_off\\_lab/co2\\_discharge/data\\_co2exhaust\\_volume.html](http://www.omron.com/about/csr/environ/eco_fac_off_lab/co2_discharge/data_co2exhaust_volume.html)

## Environmental Management at Omron



# 11-Year Financial and Non-Financial Highlights

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

	FY2005	FY2006	FY2007	FY2008
<b>Operating Results:</b>				
Net sales	¥616,002	¥723,866	¥762,985	¥627,190
Gross profit	248,642	278,241	293,342	218,522
Selling, general and administrative expenses (excl. R&D expenses)	149,274	164,167	176,569	164,284
R&D expenses	50,501	52,028	51,520	48,899
Operating income (Note 1)	60,782	62,046	65,253	5,339
EBITDA (Note 2)	91,607	95,968	101,596	38,835
Net income (loss) attributable to shareholders	35,763	38,280	42,383	(29,172)
<b>Cash Flows:</b>				
Net cash provided by operating activities	51,699	40,539	68,996	31,408
Net cash used in investing activities	(43,020)	(47,075)	(36,681)	(40,628)
Free cash flow (Note 3)	8,679	(6,536)	32,315	(9,220)
Net cash provided by (used in) financing activities	(38,320)	(4,697)	(34,481)	21,867
<b>Financial Position:</b>				
Total assets	589,061	630,337	617,367	538,280
Cash and cash equivalents	52,285	42,995	40,624	46,631
Total interest-bearing liabilities	2,468	19,988	18,179	52,970
Total shareholders' equity	362,937	382,822	368,502	298,411
<b>Per Share Data:</b>				
Net income (loss) attributable to shareholders (EPS)	151.1	165.0	185.9	(132.2)
Shareholders' equity	1,548.1	1,660.7	1,662.3	1,355.4
Cash dividends (Note 4)	30.0	34.0	42.0	25.0
Dividend payout ratio	19.9%	20.6%	22.6%	—
<b>Financial Indicators:</b>				
Gross profit margin	40.4%	38.4%	38.4%	34.8%
Operating income margin	9.9%	8.6%	8.6%	0.9%
EBITDA margin	14.9%	13.3%	13.3%	6.2%
Return on invested capital (ROIC)	10.1%	9.9%	10.4%	(7.6%)
Return on equity (ROE)	10.7%	10.3%	11.3%	(8.7%)
Ratio of shareholders' equity to total assets	61.6%	60.7%	59.7%	55.4%
Total return ratio (Note 5)	47.8%	49.7%	74.7%	—
Capital expenditures	40,560	44,447	37,072	36,844
Depreciation and amortization	30,825	33,922	36,343	33,496
Ratio of overseas sales	43.4%	47.3%	52.1%	49.7%
<b>Non-Financial Data</b>				
Number of employees	27,408	32,456	35,426	32,583
Ratio of overseas employees to total employees	61.1%	64.9%	65.7%	63.4%
Number of patents held (Note 6)	4,538	5,206	5,717	5,205
Environmental contribution (thousand ton-CO <sub>2</sub> ) (Note 7)				
CO <sub>2</sub> emissions of global production sites (thousand ton-CO <sub>2</sub> ) (Note 8)				

Notes: 1. Operating income for fiscal 2005 includes an ¥11,915 million gain recorded on the return of pension assets to the government.

2. EBITDA = Operating income + Depreciation and amortization

3. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

4. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

5. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to shareholders (does not include repurchases of less than one trading unit)

6. Patent information is as of March 15.

## Long-Term Management Strategy

### Grand Design 2010 (GD2010)

FY2001 – FY2003

#### 1st Stage Establish a Profit Structure

Concentrate on cost structure reform and restructure the Company as a profit-generating business

##### Achievements

- ROE of 10%
- Withdrew from unprofitable business, spun off Healthcare Business
- Raised the level of corporate governance to the global standard

FY2004 – FY2007

#### 2nd Stage Balance Growth and Earnings

Reinforce business foundations through aggressive investment in growth areas, including M&A, and cost reduction

##### Achievements

- Increased earnings per share from ¥110.7 (FY2003) to ¥185.9 (FY2007)

FY2008 – FY2010

#### 3rd Stage Achieve a Growth Structure

Fortify growth businesses (high profitability)

Revival Stage (February 2009 to March 2011)

Revised 3rd-stage targets due to an abrupt change in the business environment, implemented cost reductions, and spun off Automotive Electronic Components Business and Social Systems, Solutions and Service Business

(Millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	¥524,694	¥617,825	¥619,461	¥650,461	¥772,966	¥847,252	¥833,604
	184,342	231,702	227,887	241,507	297,208	332,607	320,812
	133,426	142,365	145,662	152,676	181,225	198,103	205,735
	37,842	41,300	42,089	43,488	47,928	47,913	52,790
	13,074	48,037	40,136	45,343	68,055	86,591	62,287
	40,088	71,021	62,753	67,795	93,144	114,930	93,747
	3,518	26,782	16,389	30,203	46,185	62,170	47,290
	42,759	41,956	31,946	53,058	79,044	77,057	84,207
	(18,584)	(20,210)	(26,486)	(28,471)	(31,125)	(39,517)	(67,116)
	24,175	21,746	5,460	24,587	47,919	37,540	17,091
	(20,358)	3,333	(33,492)	(18,550)	(16,298)	(29,303)	(31,550)
	532,254	562,790	537,323	573,637	654,704	711,011	683,325
	51,726	74,735	45,257	55,708	90,251	102,622	82,910
	36,612	45,519	18,774	5,570	488	0	0
	306,327	312,753	320,840	366,962	430,509	489,769	444,718

(Yen)

	16.0	121.7	74.5	137.2	209.8	283.9	219.0
	1,391.4	1,421.0	1,457.5	1,667.0	1,956.1	2,254.4	2,080.0
	17.0	30.0	28.0	37.0	53.0	71.0	68.0
	106.4%	24.7%	37.6%	27.0%	25.3%	25.0%	31.1%
	35.1%	37.5%	36.8%	37.1%	38.5%	39.3%	38.5%
	2.5%	7.8%	6.5%	7.0%	8.8%	10.2%	7.5%
	7.6%	11.5%	10.1%	10.4%	12.1%	13.6%	11.2%
	1.0%	7.8%	4.8%	8.6%	11.3%	13.4%	9.7%
	1.2%	8.7%	5.2%	8.8%	11.6%	13.5%	10.1%
	57.6%	55.6%	59.7%	64.0%	65.8%	68.9%	65.1%
	106.7%	25.2%	37.7%	27.0%	25.3%	49.1%	62.7%
	19,524	23,192	28,341	28,285	33,653	38,143	36,859
	27,014	22,984	22,617	22,452	25,089	28,339	31,460
	50.7%	51.4%	52.2%	51.1%	55.4%	60.1%	60.3%
	36,299	35,684	35,992	35,411	36,842	37,572	37,709
	68.1%	67.8%	67.7%	67.4%	69.1%	69.7%	69.3%
	5,218	5,452	5,959	6,448	6,635	7,194	7,686
		193	189	313	661	851	508
		191	184	176	207	224	214

7. Environmental contribution = Volume of CO<sub>2</sub> emissions reduction contributed by society's use of the Omron Group's energy-generation or saving products and services.

The calculation method has been revised since fiscal 2016. Accordingly, the figures for fiscal 2015 and prior years have been restated.

8. CO<sub>2</sub> emissions volumes calculated based on fuel consumption and electricity purchase volumes by the Company.

#### Operating Income

Omron applies the single step presentation of income under U.S. GAAP (that is, the various levels of income are not presented) in its consolidated statements of income. For comparison with other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

#### Discontinued Operations

Figures for FY2006 and prior years have been restated to account for businesses discontinued in FY2007.

### Value Generation 2020 (VG2020)

FY2011 – FY2013

#### GLOBE STAGE

Establishment of profit and growth structures on a global basis

	Initial Target <sup>*1</sup>	FY2013 Result
Net sales	¥750.0 billion	¥773.0 billion
Operating income	¥100.0 billion	¥68.1 billion
Gross profit margin	42.0%	38.5%
Operating income margin	13.3%	8.8%
ROE	over 15%	11.6%

\*1 Announced July 2011

FY2014 – FY2016

#### EARTH-1 STAGE

Establish self-driven growth structure

	Initial Target <sup>*2</sup>	FY2016 Plan <sup>*3</sup>
Net sales	over ¥900 billion	¥820 billion
Gross profit margin	over 40%	39.3%
Operating margin	over 10%	7.7%
ROIC	approx. 13%	10%
ROE	approx. 13%	10%
EPS	approx. ¥290	¥222.2

\*2 Announced April 2014

\*3 Announced April 2016

FY2017 – FY2020

#### EARTH-2 STAGE

FY2020 Targets<sup>\*4</sup>

- Net sales over ¥1 trillion
- Operating profit margin 15%

\*4 Announced July 2011



Special Feature: 1

# Evolution of Our Technology

## CTO Message

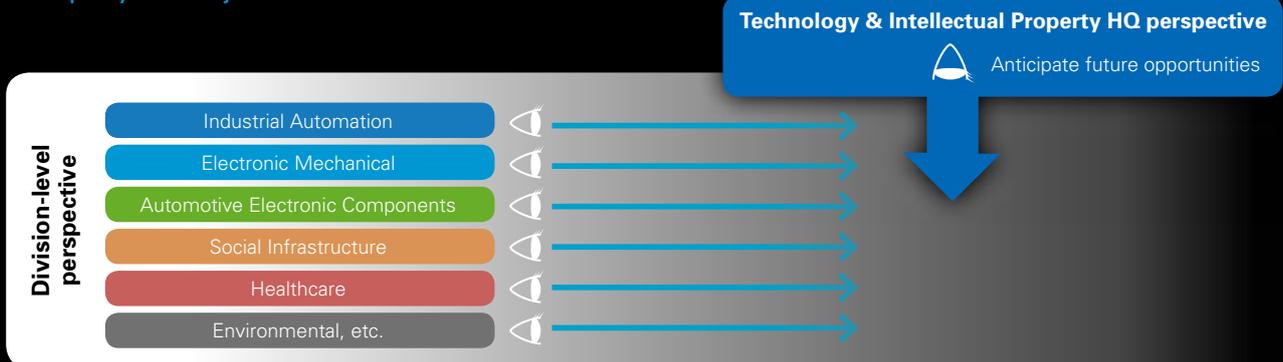
I was named the first Chief Technology Officer (CTO) at Omron Corporation when it instituted the position in April 2015. As Omron CTO, my main role is to plan and execute our technology strategy from a management standpoint. Beyond strengthening our core technologies, my responsibilities include building value for our future through new technologies stemming from open innovation and cross-organizational initiatives.

### 1. The CTO and the Role of the Technology & Intellectual Property HQ

Particularly after adopting an internal company system in 1999, Omron pursued corporate technology strategy on a division-by-division basis. We experienced a significant jump in the sophistication of our division technologies under this structure. However, we realized that adapting to a rapidly changing world required more flexibility. We needed to be able to uncover needs that existed in the spaces between the borders of our businesses. We needed a company-wide, cross-organizational approach to technology strategy. As CTO and head of the Technology & Intellectual

Property HQ, I am responsible for this cross-organizational strategy. I am also responsible for seeing future opportunities through the lens of technology over a frame of reference even longer than that addressed in our divisions. Since assuming my current position, I have been working to formulate medium- and long-term technology strategies and manage cross-organizational initiatives that encompass the entire Omron Group. In performing these duties, I will continue to promote open innovation through cooperative relationships between Omron and outside entities.

#### Technology & Intellectual Property HQ Projects





**K. MIYATA**

**Kiichiro Miyata**

CTO and Senior General Manager,  
Technology & Intellectual Property HQ  
July 2016

## 2. Evolving Core Technologies

To date, our core technologies have focused on Sensing & Control. The idea of this concept is to use technology to detect the status of a situation, process that information, and then perform an appropriate control. At present, we are evolving this concept by adding *Think*. This *Think* represents human intelligence.

In humans, intelligence is gained by analyzing volumes of information (data) and learning. In the market today, we see a flood of new business models that use IoT, AI, or other mechanisms to analyze and learn from a cumulative store of data. Adding *Think* to Sensing & Control will make a significant contribution to the growth of these business models. For example, we can

incorporate the concept of *Think* into controllers for manufacturing equipment and robots in factories. This takes us beyond giving instructions for pre-programmed routine movements into a world of systems that combine machine tasks with the condition of experienced human workers on the production floor. Another example is from the healthcare field. Here, *Think* means that we can do more than simply measure someone's blood pressure. When an irregularity is detected, we can provide more health-related indicators and important information that the individual may want. By strengthening our core technologies, we can produce even greater technological growth over the medium and long term in our businesses.

### 3. Creating Value for Our Future

Today, our technology development work looks ahead to the year 2030. Our major fields of focus are in manufacturing, healthcare, and mobility. By operating a multiple number of businesses, we have created a large storehouse of technologies across a variety of specialty fields. Cross-organizational initiatives between and among our business divisions generates amazing technology and application synergies. Allow me to introduce some specific examples.

At Omron, we have an initiative to redesign production by combining manufacturing and healthcare technologies. Under this project, we are working to integrate manufacturing technology and expertise with biological information sensing technologies from our healthcare business. The integration of these technologies allows manufacturing equipment to sense the health and movement of their human partners, providing appropriate controls in response. In this way, we provide an environment in which humans can work safely and efficiently in harmony with robots. Through systems like this, we can eliminate human error (careless mistakes, unplanned production stoppages, etc.) and offer greater efficiency for production activities.

Another initiative is our work in developing

new technologies in the growing field of driver assistance and sensing. During fiscal 2016, we developed an on-board sensor equipped with technology that senses the degree of driver concentration and determines whether the driver is capable of safely operating the vehicle<sup>\*1</sup>. This system combines first-of-its kind image sensing technology with leading-edge AI technology (time-series deep learning<sup>\*2</sup>). Integrating biological information sensing technologies from our healthcare business will allow us to go even further in sensing detailed information about a driver's state of health and consciousness. Omron will continue to conceive and develop new technologies in the large and growing field of automated driving.

Look for even more innovations from Omron in the future, as we continue to integrate expertise and technology to create new and surprising value.

\*1 Related news release:

<http://www.omron.com/media/press/2016/06/c0606.html>

\*2 Time-series deep learning: A type of deep learning technology. In general, deep learning technology has demonstrated extremely high performance in recognizing static images, while experiencing degraded performance in recognizing time-series events. Omron has successfully introduced independent improvements to Recurrent Neural Network technology, a mechanism that retains past information internally. This modified technology is capable of detecting the status of a driver and other time-series information with high precision.

#### ■ Cross-Organizational Initiatives



# Intellectual Property Strategy

## Omron Wins the 13th Distinguished Service in Industry Award

Omron was awarded the 2016 Distinguished Service in Industry Award by the Intellectual Property Association of Japan (IPAJ). Each year, the IPAJ gives this award to an organization that demonstrates outstanding achievement in the field of intellectual property (IP). Omron was recognized for our IP activities\*<sup>1</sup>, our successful efforts under ROIC Management 2.0\*<sup>2</sup> to focus on and invest in IP, and our effective program of external communications related to IP.



\*<sup>1</sup> IP activities under unified business and technology programs

\*<sup>2</sup> Investing in patent applications and IP education for engineers to make IP a tool for business growth. See our website for ROIC 2.0: [http://www.omron.com/about/rr/riib/pdfs/ar15e/ar15e\\_17.pdf](http://www.omron.com/about/rr/riib/pdfs/ar15e/ar15e_17.pdf)

## Building an Advantage through Intellectual Property by the Year 2030

### Strategies for Using IP as a Global Competitive Advantage

Omron IP activities reflect an integration of business, technology, and IP strategies.

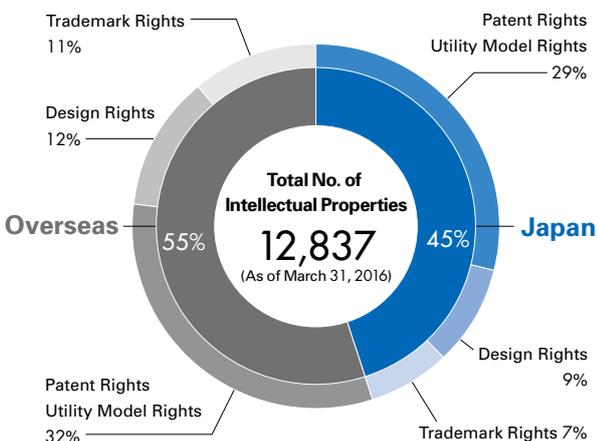
Today, we look across the landscape toward the year 2030, anticipating future technologies that carry beyond our current business framework. We envision a number of technology scenarios for that future, creating and protecting medium-, long-term, and core technologies that align with our vision. Omron is pushing forward to build a stronger

capacity for IP creation both today and tomorrow.

Toward further globalization, we are stepping up our program of IP rights acquisition in countries that represent our most important markets. This program will secure greater degrees of freedom for our businesses in our major markets around the world.

Finally, Omron will be tenacious in protecting our IP rights, defending and enhancing the Omron Brand.

### Worldwide Intellectual Property Rights



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

FY	2012	2013	2014	2015
<b>Applications</b>	1,084	1,040	1,129	1,108
<b>Approvals</b>	1,172	949	856	866
<b>Patents held</b>	6,448	6,635	7,194	7,686



Special Feature: 2

# Manufacturing Capability

## Linking Strong Manufacturing Capability to Sustainable Gross Profit Margin Growth

**Kiyoshi Yoshikawa**

Managing Executive Officer  
Senior General Manager, Global Manufacturing Innovation HQ



We view gross profit margin (a measure of our ability to earn) as one of our most important key performance indicators. We implemented cost reduction activities and other internal measures between fiscal 2011 and 2014 to improve our gross profit margin. Owing to these measures and favorable foreign exchange, we raised our gross profit margin to 39.3%. Unfortunately, gross profit margin decreased to 38.5% for fiscal 2015, mainly due to a slowing Chinese economy, foreign exchange fluctuations, and other external

factors that drove down revenues. To achieve our VG2020 goals for fiscal 2020, we must be able to withstand external influences to create sustainable growth in gross profit margin. Here, we plan to improve our overall Group business mix, restructure variable costs, restructure fixed manufacturing costs, and strike a balance in our currency composition. As the lead of Omron manufacturing, we believe that stronger manufacturing capabilities translate directly to an improved ability to earn.

### Net Sales, Gross Profit Margin



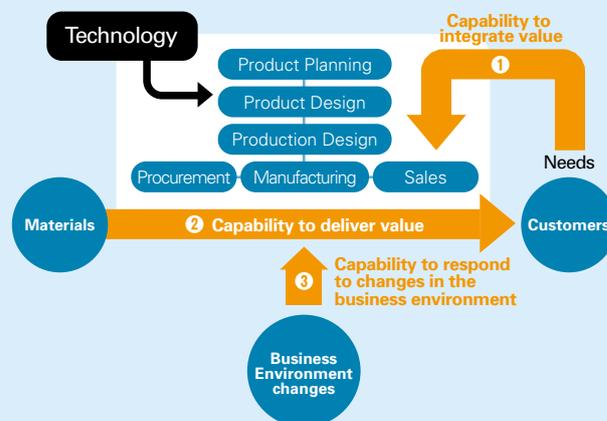
### Major Initiatives for Improving Gross Profit Margin

<b>Improve Business Mix</b>	<ul style="list-style-type: none"> <li>Accelerate growth of highly profitable businesses</li> <li>Portfolio management</li> </ul>
<b>Restructure Variable Costs</b>	<ul style="list-style-type: none"> <li>Promote component standardization</li> </ul>
<b>Restructure Fixed Manufacturing Costs</b>	<ul style="list-style-type: none"> <li>Improve productivity at overseas production bases</li> </ul>
<b>Balance Currency Composition</b>	<ul style="list-style-type: none"> <li>Balance currency composition to sales, purchase costs</li> </ul>

# 1. Strong Manufacturing Capabilities

At Omron, we have a three-part definition for strong manufacturing capabilities: (1) Capability to integrate value; (2) Capability to deliver value; and (3) Capability to respond to changes in the business environment. As our businesses grow globally, we believe that our capability to deliver value to our customers is particularly important. We do this through optimal procurement of components and materials, optimal manufacturing processes, and optimal logistics. We have two specific measures to increase our capability in these areas. The first is to restructure our variable costs, mainly through standardized components. The second is to restructure our fixed manufacturing costs to improve productivity for optimal production processes and logistics. These

## Strong Manufacturing Capabilities



measures will allow us to strengthen our capability to deliver value, improving our gross profit margin at the same time.

# 2. Restructuring Variable Costs

## Improving Component Standardization

To date, we have made progress in standardizing parts, mainly in general electronic components. In the future, we plan to adopt standardization for more components in other product lines for resin molded components, printed circuit boards, and more. Naturally, we select standard components based on cost and quality. However, we also promote standardization by using the Omron Master Guide. This guide provides rules enforced during the design phase, as well as guidelines for component specifications. Under these measures, we are at nearly 100% adoption of standard components for new products. As our products advance along their lifecycles, we project an increase in purchases of standard components (as a percentage of materials costs) to rise from

15% in fiscal 2015 to 60% by fiscal 2020. We plan to accelerate corporate-wide initiatives to achieve this goal by working closely with our business divisions, convincing them of the importance of this target.

Costs and quality are not the only factors that influence our decision when selecting standard components. Our first priority is to determine whether the supplier is a potential long-term partner for Omron. Once that decision is made, then we look at cost and quality. Standard components offer several advantages compared to non-standard components. These advantages include cost savings, lower defect rates, and higher on-time delivery, among others. We also find another number of benefits by working

## Benefits of Standard Materials/Components

	Indicator	Standard Components	Non-Standard Components
Cost	Cost Reduction Ratio	High	Low
Quality	Defect Rate	Low	High
Delivery	On-Time Delivery Rate	High	Low
Environment	Regulated Chemicals/Environmental Management	Reduce environmental risk based on guarantees related to environmentally hazardous substances	
Services	Payment Terms	Cash flow improvement through standard payment terms	
Technology	Advanced Technology Exchange	Coordinate technology road maps, perform joint development	

closely in partnership with our suppliers. Strong relationships reduce environmental risk by promoting the proper management of regulated chemical substances, improve cash flow based

on standard payment terms, and allow joint development through sharing the latest technologies.

### 3. Restructuring Fixed Manufacturing Costs

#### Improving Global Productivity

Today we produce 40% of our total in Japan, 30% in China, 10% in Southeast Asia, and 20% in Europe, the Americas, and other regions. We are making advances in automating our own production floors, particularly in China and Southeast Asia. However, soaring labor costs mean that improving productivity is still an urgent issue for us (and every manufacturer). To address this issue, we plan to accelerate restructuring of fixed manufacturing costs, focusing our efforts mainly in China. Specifically, we are working toward improving productivity through three initiatives:

##### 1 Quality Assurance in Manufacturing Processes

We plan to move away from quality assurance based on manual post-process inspection to a system that ensures quality has been built into the process from the beginning. Standardizing components is one way that will help us be more efficient in receiving inspections. We will use information technology to share data with our supply partners for greater visibility and stronger relationships. We also plan to bring more visibility to inspection data and manufacturing process changes that affect quality. We will incorporate more information technology into our own production lines to

visualize data related to process quality, quickly identifying changes in quality on the production floor and repeating the cycle of improvement to continually raise the level of our manufacturing processes.

##### 2 Standardizing Manufacturing Technology Processes

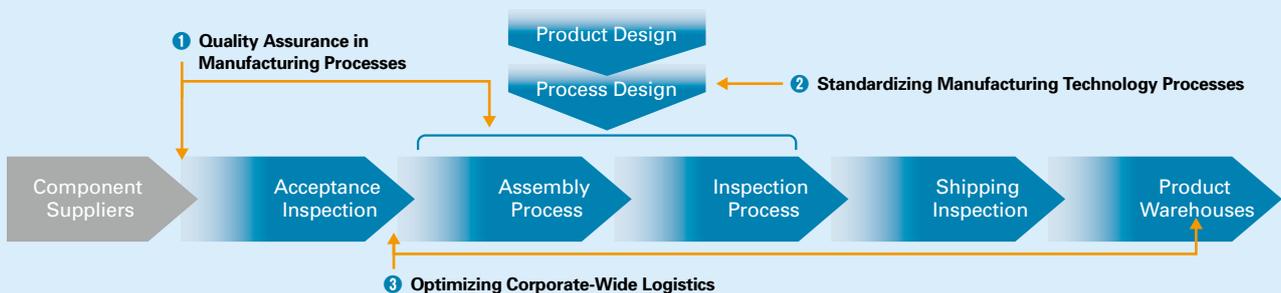
We will reduce the time needed to launch mass production by standardizing our manufacturing technology processes in all stages, from design to mass production. We also plan to accelerate visibility to the production line, allowing production floor leaders to proactively manage equipment maintenance and other operations.

##### 3 Optimizing Corporate-Wide Logistics

Working from a corporate-wide perspective, we plan to optimize the logistics networks for products and components developed separately under each business and division. We will also drive greater efficiencies in warehouse management operations as we convert from manual processes to a digital format.

Moving forward, we will continue to strengthen our capability to integrate value, our capability to deliver value, and our capability to respond to changes in the business environment. We also plan to improve gross profit margins not impacted by factors in the external environment.

#### Initiatives for Productivity Improvements



# Manufacturing Policy

During fiscal 2015, we created the Omron Manufacturing Policy. This policy formalized guidelines for practicing the Omron Principles in our manufacturing activities. As every employee involved in manufacturing learns and practices this policy, we will create greater value for customers and better solutions to social issues. And, as we communicate our policy to customers, suppliers, and partners, we will create a foundation of mutual trust and understanding. These long-term mutually cooperative relationships we build will lead to even greater advancements in our manufacturing capabilities.

## 1 ▶ Quality first

Our top priority is delivering products to customers at the promised levels of quality. The accepted convention is that a trade-off exists between cost and quality. At Omron, we don't believe in trade-offs; we believe in keeping our promises and delivering products of the highest quality to our customers.

## 2 ▶ 3F (Front-loading, Flowing & Flexible)

By front-loading, we mean integrating customers' demands for value into our earliest stages of product development. We imbue our products and services with this value, delivering what our customers need, in the volumes they need, when they need it (Flowing & Flexible).

## 3 ▶ H&E (Human-oriented & Eco-manufacturing)

We conduct Human-oriented manufacturing, rather than the type of manufacturing in which people become subservient to machines. By seamlessly integrating the relationship between human and machine, we create higher levels of productivity and an advanced production floor in which everyone involved in manufacturing can contribute their talents, intuition, and experience. Materials, water, electricity, land, buildings, and other resources are in finite supply. Omron believes in sustainable Eco-manufacturing that uses these resources with respect. Omron Eco-manufacturing technology provides the world with an example of how to conserve materials and energy, while producing high-quality products.

# Healthcare Business Matsusaka Factory

The Omron Matsusaka Factory was built in Japan's Mie Prefecture in 1973. At this factory, Omron manufactures products that aid in the prevention, improvement, or management of lifestyle diseases and respiratory diseases. Products made here run the range from blood pressure monitors, nebulizers, and other in-home care items to medical devices for measuring arteriosclerosis and visceral fat. In addition, the Matsusaka Factory serves as the mother factory of the Healthcare Business.



## Delivering Health to More than 110 Countries Worldwide

Through four major locations around the globe, the Omron Healthcare Business supplies products to more than 110 countries around the world. As the leader of Healthcare Business manufacturing, the Matsusaka Factory is responsible for developing new methods and production technologies. These developments ensure that production takes place at the same level of quality and cost at any location and for any product. The factory works in concert with the Global Manufacturing Innovation HQ to reduce assembly time and the number of components required, as well as to introduce new automation technologies in the assembly line.



### Look at This!

#### Best Quality in the World

As a factory producing health and medical equipment, the Matsusaka Factory must meet the highest levels of reliability anywhere in the world. The factory satisfies international standards related to quality and medical equipment, demonstrating world-leading levels of quality.

Wrist blood pressure monitors



Upper arm blood pressure monitors



Nebulizers

## The Return of “Made in Matsusaka” Blood Pressure Monitors

During the 1990s, the Matsusaka Factory produced more than 1 million blood pressure monitors annually. As production shifted to China and Vietnam, the rate of production fell to 260,000 units. More recently, however, an increase in inbound tourist demand in Japan and a greater focus on quality both in Japan and throughout Asia has given rise to greater demand for products labeled “Made in Japan.” Such products include blood pressure monitors and other health and medical equipment where demand is high for items made in Japan.

To respond to this dramatic shift in demand, the Matsusaka Factory has built a production system that delivers stable output. This system features new technologies to reduce assembly time, a higher ratio of domestic component procurement, and other means to maintain a competitive cost structure. The factory ramped up production during fiscal 2014, forecasting total production of 1.7 million blood pressure monitors in fiscal 2016. This increase in production has much to do with this year’s adoption of the world’s first automated assembly line for blood pressure monitors. By automating processes that used to require several people to accomplish, the factory has more than doubled per-person productivity. In addition to adding more manufacturing technology to increase production in Japan, the Matsusaka Factory is training technical staff who can supervise production overseas. These individuals will introduce technologies proven at Matsusaka at overseas production centers, which will lead to further productivity gains for the Healthcare Business.



### Blood Pressure Monitor Production Line

#### Manual Assembly

Emphasis on production efficiency for a cost structure competitive with overseas manufacturers. Freely changing the number of workers and processes allows the factory to handle changes in product type and production numbers.



#### Automated Assembly

Advances in technology led to the world’s first automated assembly line for blood pressure monitors. Robots replace human workers to deliver greater productivity and quality in component, module, and finished product assembly.



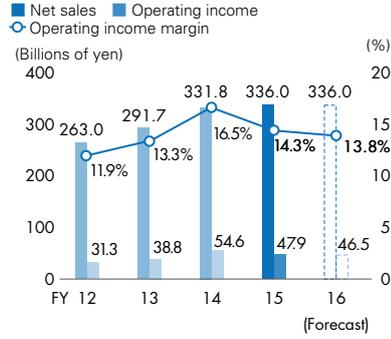
# At a Glance

**Industrial Automation Business (IAB)**

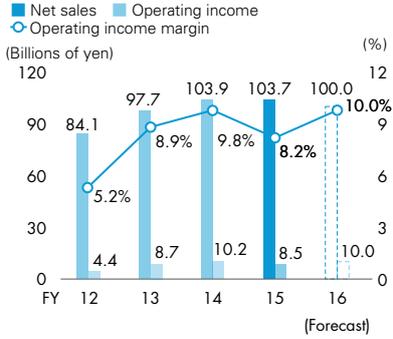
**Electronic and Mechanical Components Business (EMC)**

**Automotive Electronic Components Business (AEC)**

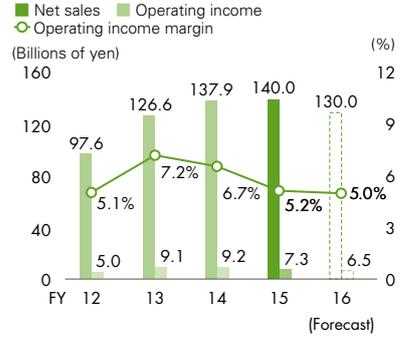
## Net Sales/Operating Income/Operating Income Margin



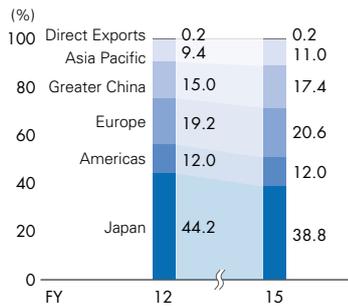
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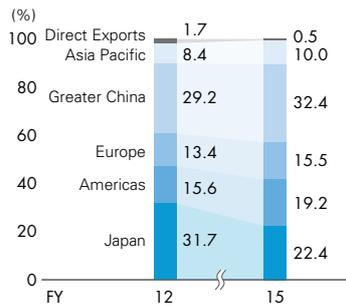
## Net Sales/Operating Income/Operating Income Margin



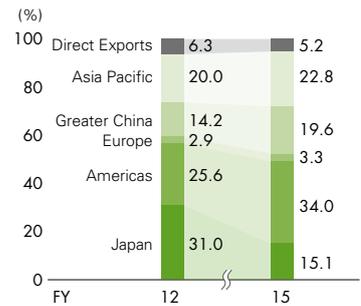
## Ratio of Net Sales by Region



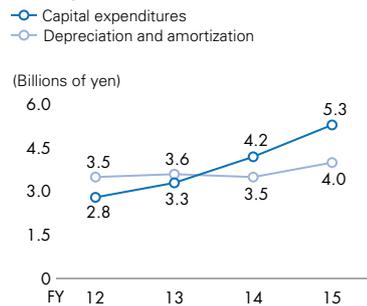
## Ratio of Net Sales by Region



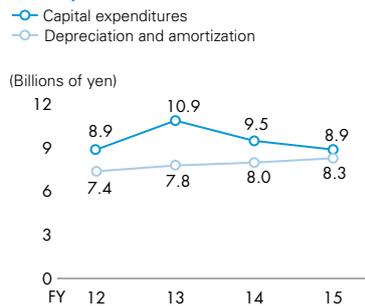
## Ratio of Net Sales by Region



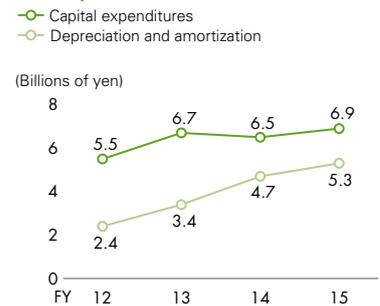
## Capital Expenditures/Depreciation and Amortization



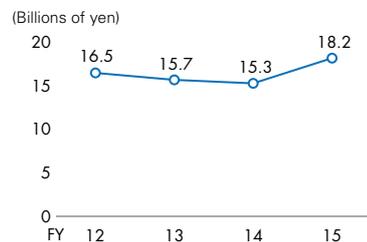
## Capital Expenditures/Depreciation and Amortization



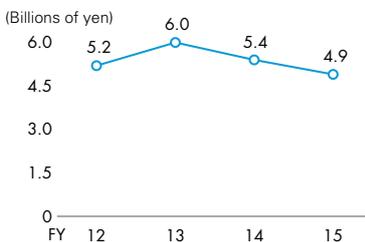
## Capital Expenditures/Depreciation and Amortization



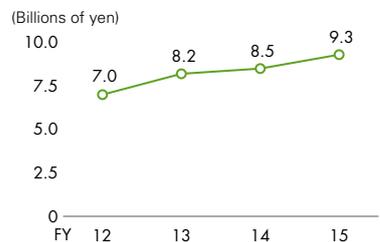
## R&D Expenses



## R&D Expenses



## R&D Expenses



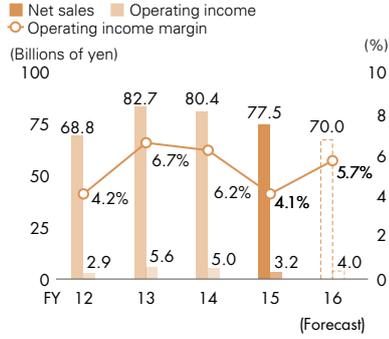
Notes: 1. During fiscal 2013, certain divisions of the EMC were included in the IAB due to a change in management categorizations. Segment information for fiscal 2012 and earlier has been restated to reflect this change.  
 2. Fiscal 2016 forecasts are those as originally disclosed on April 27, 2016.  
 3. For more information about net sales by region, please refer to Page 85-88.

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

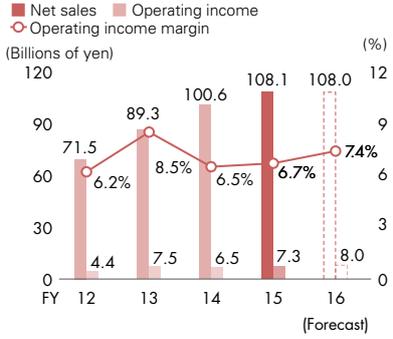
**Healthcare Business (HCB)**

**Other Businesses**

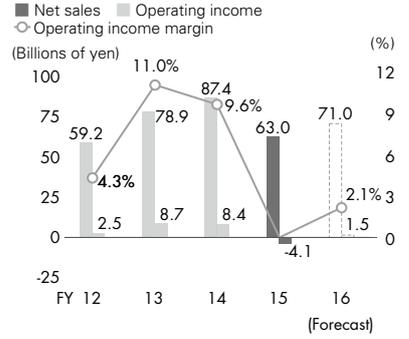
**Net Sales/Operating Income/Operating Income Margin**



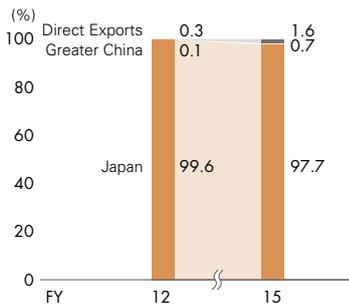
**Net Sales/Operating Income/Operating Income Margin**



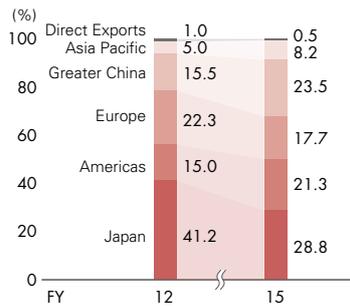
**Net Sales/Operating Income/Operating Income Margin**



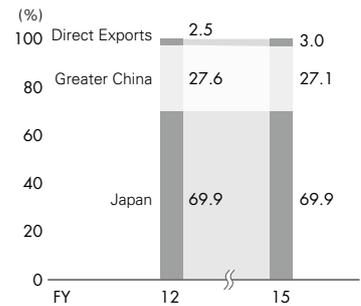
**Ratio of Net Sales by Region**



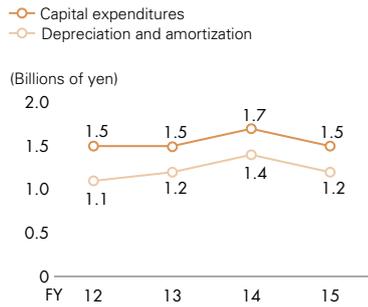
**Ratio of Net Sales by Region**



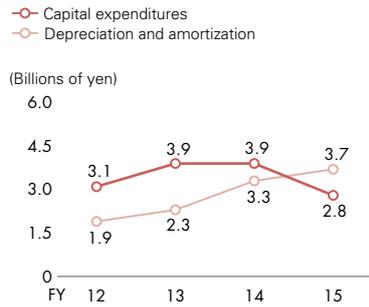
**Ratio of Net Sales by Region**



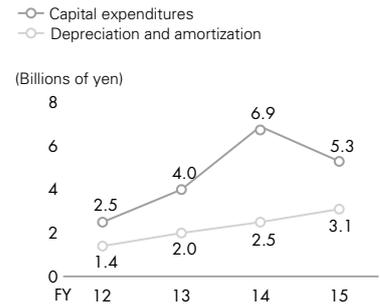
**Capital Expenditures/Depreciation and Amortization**



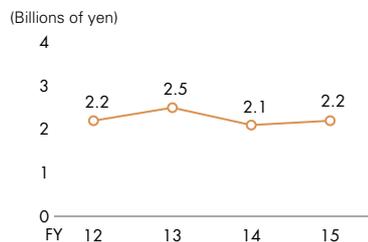
**Capital Expenditures/Depreciation and Amortization**



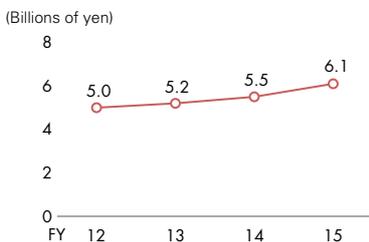
**Capital Expenditures/Depreciation and Amortization**



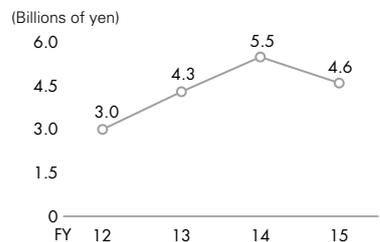
**R&D Expenses**



**R&D Expenses**



**R&D Expenses**





## Industrial Automation Business (IAB)

Manufacture and sales of factory automation equipment

### Vision

## Bring Innovation to Manufacturing by Automation to Enrich the Lives of People All over the World

The Industrial Automation Business leverages Omron technologies to create innovations in manufacturing. These innovations advance the world's manufacturing industry and improve productivity on the production floor.

Our mission, today and tomorrow, is to contribute to better living standards in the world through manufacturing. In accomplishing this mission, we combine our lineup of unique products in creative ways to provide industry solutions that cannot be imitated by our competitors.



**Yutaka Miyanaga**

Senior Managing Executive Officer  
Company President  
Industrial Automation Company

### Toward Sustainable Growth

## Accelerating “innovative-Automation”

To achieve sustainable growth, we focus our efforts in markets most likely to experience major growth in the future. These markets include automobiles, smartphones and other digital devices, food and beverages, social infrastructure. We rely on our global sales organization to continue making inroads in these large and growing sectors.

To show the entire world Omron's unique solutions and to maximize our growth potential, we are accelerating **innovative-Automation** to introduce new products and solutions to the market.

In April of this year, we released 49 new

robot models to the market. The Industrial Automation Business regularly introduces new sensors and high-performance controllers. These products incorporate communications devices that answer today's rising needs for using Big Data analysis and the IoT on factory floors around the world.

We will continue to create new innovations in industrial automation, growing as a business as we provide solutions to save labor and create harmony between humans and machines—solutions only Omron can deliver.

## Business Acquisitions

During fiscal 2015, Omron acquired Delta Tau Data Systems, Inc. and Adept Technologies, Inc. In so doing, Omron has obtained access to motion controllers for high-speed, high-precision equipment and robotics that will play a major role on production floors in the future. We will add these technologies to our existing lineup of products, continuing to introduce innovations to manufacturing as a **true automation company** in every sense.

### Delta Tau Data Systems, Inc.



Founded in 1976 in the U.S., Delta Tau Data Systems is a leading provider of high-performance motion controllers. Delta Tau's controllers are used by thousands of manufacturers and research institutes in applications ranging from semiconductor production equipment, to medical devices, packaging equipment, and more. Delta Tau continues to develop technologies that help customers secure competitive advantage in their respective markets.



Motion Controllers  
Built-In Driver Model



Motion Controllers  
Circuit Board Model

### Adept Technologies, Inc.



Adept Technologies, founded in the U.S. in 1983, has become a leading provider of industrial robots. The company's innovative robots are used in a variety of manufacturing applications, including inspection and assembly. More recently, Adept Technologies has designed products tailored to human movement, resulting in automated transport robots capable of easy adoption across a wide range of industries.



Parallel Robots



Automated Mobile Robots



## Electronic and Mechanical Components Business (EMC)

Manufacture and sales of electronic components for consumer electronics, automobiles, mobile devices, and amusement equipment

### Vision

## Enhancing the Quality and Lifestyle of People in the World by Providing Components that Satisfy Customer Needs

The Electronic and Mechanical Components Business produces relays and switches for use in finished products such as home appliances, automobiles, communications equipment, machine tools, and more. The finished products we support now reach markets throughout the world with the growth of the emerging economies.

We listen to our customers and observe social issues to uncover needs, creating components that help improve the value of finished products.



**Kenji Matsunami**

Managing Executive Officer  
Company President  
Electronic and Mechanical Components Company

### Toward Sustainable Growth

## Contributing to the Development of Smarter Societies

As our smartphones, smart cars, and other devices become even smarter,\* components used in these products must provide ever-higher levels of performance and electronic sophistication. We view this social change as a market need. As such, we offer components that leverage both mechanical technologies and sensing technologies (sensing people, things, and the environment), contributing to the development of the smart society.

As one example, we are involved in smart energy projects to bring better efficiency to electric power industries in Asia and other emerging countries. In India, which is beset by chronic power shortages, electricity theft and the illegal use of electricity is a

major social issue. This issue has a tremendously negative impact on India's national economy. Combining a number of different Omron technologies, we have developed a sensor that detects electricity theft. Now, we are working with the government and power companies to spread adoption of this sensor.

We will continue to accelerate our initiatives in renewable energy and electric vehicles for use in housing and automotive markets. We also intend to engage in growth fields, where we will contribute solutions for the Earth's environmental issues.

\*Embedding communications technology to facilitate advanced information processing and management.



## Automotive Electronic Components Business (AEC)

Development, manufacture, and sales of on-board automobile electronic components

### Vision

## Solving the Social Needs of the Car Society

Today, we see significant and growing needs for new technologies spurred by the rising popularity of electric vehicles, advancements in autonomous driving, and the integration of communications technologies. Here, we are using Omron's core technologies to contribute solutions for these needs.

We view these changes as an opportunity to meet the challenge to create solutions answering new social needs in the car society. We will base our efforts on technologies related to smart entry systems and other radio wave mechanisms, body cooperative control systems, electronic power steering and anti-pinching power window control systems, and other motor control technologies.



**Katsuhiro Wada**

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

### Toward Sustainable Growth

## Seamless Interaction between Humans and Cars

Over the past few years, the relationship between humans and cars has undergone an amazing change. Very soon, car society will enter a dramatic period of transition. The speed of change is remarkable, and automotive component makers must demonstrate both foresight in anticipating the evolution of car society and technological capabilities for guiding and executing on market opportunities. Our commitment is to work closely with customers from the earliest stages of internal planning, uncovering social issues quickly, and creating solutions that answer customer needs.

One example is related to the recent dramatic rise in demand for automated driving and advanced

driving support systems. Integrating Omron face detection, AI, and biological information sensing technologies, we are leading the world in developing an advanced sensor module capable of sensing the status of a driver. Beyond automobile driving support, we believe this technology will have applications in preventing accidents arising from driver health issues or driver error (more frequently, error on the part of senior drivers).

We will spare no effort to develop products that answer the future needs of the car society, providing seamless interaction between humans and cars.



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

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

### Vision

## Creating the Future

We have continued to anticipate and solve numerous social needs, just as when we introduced the world's first automated traffic signal. Our automated passenger ticket gates and other station systems have resulted in the safe and comfortable use of train stations by hundreds of millions of passengers. In the future, an increasing number of visitors from around the world coming to the Tokyo Olympics, Paralympics, and other events will experience these systems for themselves. We have developed new services and equipment that guide passengers smoothly through stations.

We will continue to offer solutions that integrate equipment and support to solve future issues and create a new future in transportation.



**Toshio Hosoi**

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

### Toward Sustainable Growth

## Contributing to Safe, Secure Social Infrastructure

In addition to our storehouse of technological assets and expertise, we aim to leverage the IoT to make even greater contributions to safe, secure social infrastructure.

Our work in predictive controls is one such example. The Social Systems, Solutions and Service Business has developed predictive controls that reduce the risk of traffic accidents. These controls use advanced sensing technology to capture real-time information about unusual pedestrian or road conditions, analyzing conditions in correlation with data based on past information.

If the results of this analysis indicate a potential

accident, traffic signal controls and other measures are used as needed to avoid dangerous conditions. The world still struggles with the social issues of traffic congestion and accidents. Our mission is to develop solutions to these issues for a safer, more secure society. There are still many social needs that have yet to be identified.

The Social Systems, Solutions and Service Business is committed to discovering these needs and offering solutions through unique technologies. We invite you to watch as we take on new and important challenges to improve lives and contribute to a better society.



## Healthcare Business (HCB)

Manufacture, sales, and services related to home-use / institutional healthcare and medical devices

### Vision

## All for Healthcare. To Help Realize Healthy and Comfortable Lives for People around the World

The Healthcare Business enjoys the No. 1 share of the global blood pressure monitor market (internal survey). We deliver these and other products and services to the world to help prevent, improve, and manage lifestyle diseases. As the world has become wealthier, the number of people suffering from lifestyle diseases has started to skyrocket. This trend is particularly remarkable among the emerging economies.

Through advanced sensing technologies and many years of clinical research, we have gained the trust of numerous medical and research institutes. Leveraging this trust, we will continue to create innovative products and services to help realize healthy and comfortable lives for people around the world.



**Isao Ogino**

Managing Executive Officer  
President and CEO  
OMRON HEALTHCARE Co., Ltd.

### Toward Sustainable Growth

## Imagine a World with Zero Heart Attacks, Zero Strokes

Death due to heart attack and stroke caused by high blood pressure is on top of the list. In many cases, the onset of these diseases have a major impact on healthy life expectancies, reducing patients to bed confinement, causing speech impediments, or even worse. Accordingly, detecting and preventing the onset is an extremely important mission. We are engaged in business realizing zero cerebral and cardiovascular events.

Accurate blood pressure monitoring is a critical part of detecting the risk of disease onset. To allow as many people as possible access to blood pressure monitors, we are expanding our sales network

among emerging economies. As more people track their blood pressure, we will begin to see more details about types of high blood pressure (e.g. rapid increase of blood pressure in the morning). We believe this information will lead to better drug management, dosage timing, and even lifestyle recommendations tailored more specifically to each individual.

We plan to accelerate the speed of our projects to eradicate the onset of cerebral and cardiovascular disease, growing our businesses by helping realize healthy and comfortable lives for people around the world.



## Other Businesses

Our Environmental Solutions and Backlights businesses experienced a significant decline in sales for the year, mainly due to major changes in the business environment. We reallocated resources to new growth fields within these businesses, rebuilding our earnings structure. While the business environment is expected to remain challenging throughout fiscal 2016, we will continue to reform our business structure for growth and profit.

### Review of Operations

#### Environmental Solutions Business



Hybrid Storage System for Solar Power

- Fiscal 2015: Slack demand in the solar power generation market led to a significant decrease in revenues.
- Fiscal 2016: We forecast higher revenues driven by demand for both existing products and new systems that integrate storage batteries.

#### Backlights Business



LCD Backlights

- Fiscal 2015: Decrease in demand in the Chinese smartphone market resulted in sharply lower revenues.
- Fiscal 2016: Despite slowing growth in the smartphone market, we forecast higher revenues as we capture demand by responding to changes in customer needs.

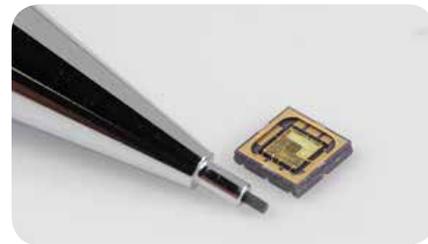
#### Electronic Systems and Equipment Business



Uninterruptible Power Supply Units

- Fiscal 2015: Higher revenues due to strong demand for uninterruptible power supply units and contract development and production services for electronic devices.
- Fiscal 2016: We forecast higher revenues as we expand our lineup of uninterruptible power supply units.

#### Micro Devices Business



MEMS Pressure Sensors

- Fiscal 2015: Decrease in demand for smartphone microphones resulted in lower revenues.
- Fiscal 2016: We forecast revenue growth due to expected demand for smartphone microphones and absolute pressure sensors.

# Expanding IoT through Image Sensing Technologies

In 1995, Omron began development on our proprietary OKAO® Vision image sensing technology. This technology uses facial recognition to detect detailed changes in expression and mannerisms to estimate the gender and age of a person. As IoT connects all manner of objects through networks, we will begin to use this technology to create new social needs.

## Simple Image Sensors Anyone Can Use

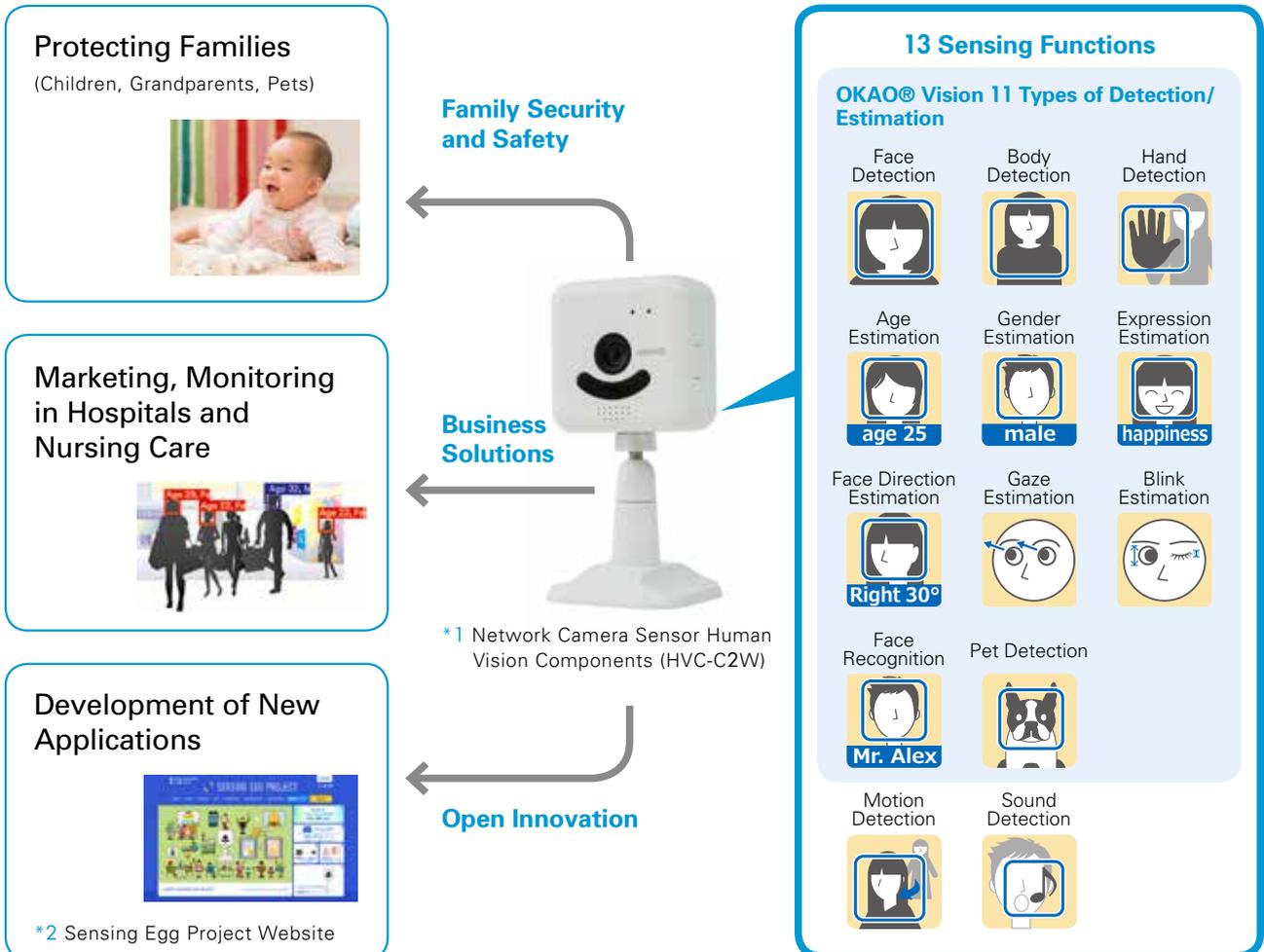
In September 2015, Omron introduced a consumer product using network camera sensors<sup>\*1</sup> equipped with OKAO® Vision. This marked the advent of user-friendly image sensors—technology that used to require a high level of skill and knowledge to operate.

Now, families can use this product to remotely monitor children, grandparents, pets, and more. Businesses can use this technology in marketing, hospitals, nursing care, and even simple security applications.

## Open Innovation

Developers who have purchased this product for personal or commercial use have free access to the Sensing Egg Project<sup>\*2</sup>, Omron's open innovation website. This platform offers a variety of information necessary for application development. User needs are becoming more varied and diverse. As manufacturers shift to developing applications and systems from the user's perspective, we will see an amazing leap forward in the potential for new uses of image sensors.

### ■ The Expanding Role of Omron Image Sensing Technologies in Society



## Helping Prevent Cerebral and Cardiovascular Diseases

Estimates suggest that nearly 1 billion people—or roughly 13% of the planet's population\*<sup>1</sup> have high blood pressure. In 2012, 17.5 million people\*<sup>2</sup> died from cerebral and cardiovascular diseases caused by high blood pressure. Omron is applying our unique technologies in a new fight to realize zero cerebral and cardiovascular events.

### Technology that Measures Blood Pressure with Every Heartbeat

Our blood pressure goes through significant changes throughout the day. To fully understand our risk of disease, we must monitor our blood pressure on a continual basis. Traditional blood pressure monitors squeeze the upper arm or wrist tightly, temporarily stopping the flow of blood. This discomfort associated with measuring blood pressure makes it difficult for users to measure with frequency.

To resolve this issue, Omron developed the world's first wrist-wearable blood pressure monitor that uses the tonometry method\*<sup>3</sup>. With this technology, patients only need place the monitor on their wrist to measure their blood pressure health. If this type of comfortable blood pressure monitor becomes a practical everyday product, users will be able to track blood pressure variations in a way not possible with current monitors. In particular, this development will allow users to monitor their blood pressure during sleep. Dramatic spikes in blood pressure during sleep have been tied to an increased risk of heart attacks and strokes.

Continuously measuring blood pressure at every heartbeat lets a user track variations in blood pressure that could indicate the onset of cerebral and cardiovascular diseases. This in turn can aid in preventing sickness, as users can be prompted to take measures against lifestyle diseases and high blood pressure.

### New Technology Creates New Value in the Blood Pressure Business

Using this technology, our first step is to create a product for clinical use by the end of 2017. At present, blood pressure monitors account for 50% of the ¥100 billion in annual Healthcare Business sales. We will deliver new value to customers, who will be able to predict their risk of heart attacks and strokes by detecting fluctuations in their blood pressure. At the same time, this new technology will serve as the foundation for our sustainable growth over the next 10 to 20 years.

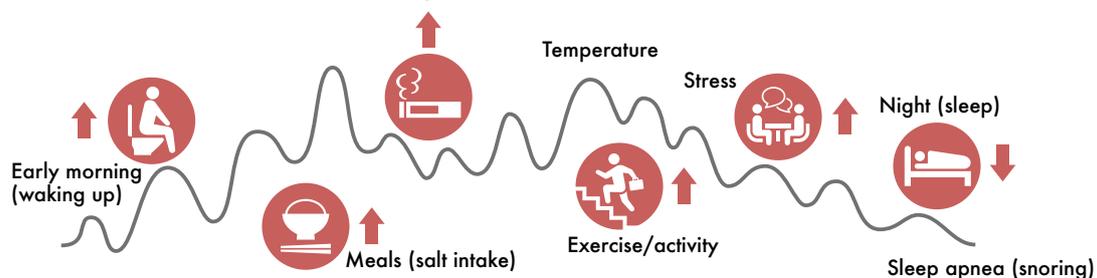
\*1 Source: WHO 2013 Report

\*2 Source: WHO 2015 Report

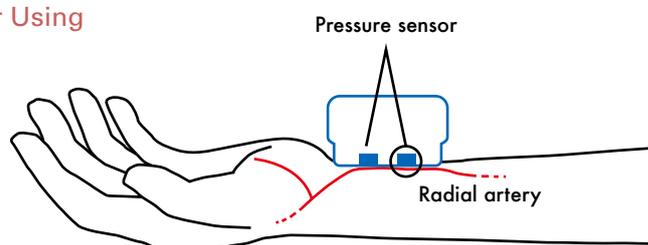
\*3 Method to measure blood pressure by pressing a pressure sensor on the radial artery.

† News release: <http://www.healthcare.omron.co.jp/english/news/2016/0418.html>

### ■ Blood Pressure Varies Widely throughout the Day



### ■ Diagram of Blood Pressure Monitor Using New Technology (on Radial Artery)



## Evolving as a Pioneer in Train Station Solutions

**In 1967, we developed the world's first automated train station system, combining automated ticket vending machines with automated ticket gates. In nearly 50 years since that time, we have evolved our train station systems to meet the needs of railroad companies, passengers, and society at large.**

In 2015, we delivered a new automated ticket gate system to Kitakyushu Urban Monorail Co., Ltd. (Kitakyushu Monorail). This system allows the use of both QR Code tickets\* and IC card tickets.

### Responding to the Changing Times

Omron established a position as a leader in high-precision mechatronics for moving magnetic tickets quickly and smoothly through automated ticket gates. As the use of IC card tickets has become widely popular, we developed non-contact ticket gates that do not involve complicated mechanical movements. At the same time, many passengers still prefer not to use IC card tickets for their travel. These customers require automated ticket gates that still work with paper-based magnetic tickets.

The automated ticket gate we delivered for the Kitakyushu Monorail uses QR Code tickets, rather than magnetic tickets. This eliminates the need for complex mechanics inside the ticket gate. QR Code tickets, however, demand new answers for security, which we solved by developing new

technologies. Specifically, we created a multi-layered security system to prevent copying or counterfeiting QR Codes. This is an issue because QR Code technology is widely available to the public. We also created a system that can determine whether a particular QR Code has been used, preventing unauthorized access to the train platforms.

### Eco-Friendly Tickets

Magnetic tickets are coated with iron powder on one side, which means these tickets must be painstakingly separated from other trash before recycling. In contrast, QR Code tickets need no magnetic processing, making them easily recyclable and eco-friendly.

We will continue to anticipate new social needs in the future, creating new products and services for a more secure, safer, more comfortable society.

\* Paper ticket with a printed QR code (2D code).  
QR Code is a registered trademark of Denso Wave Incorporated.



† Image courtesy of Kitakyushu Urban Monorail Co., Ltd.

### Benefits of QR Code Tickets to Railroad Companies

- ① Reduced investment in station equipment, lower maintenance costs, and less incidence of equipment failure
- ② Eco-friendly (easily recyclable)

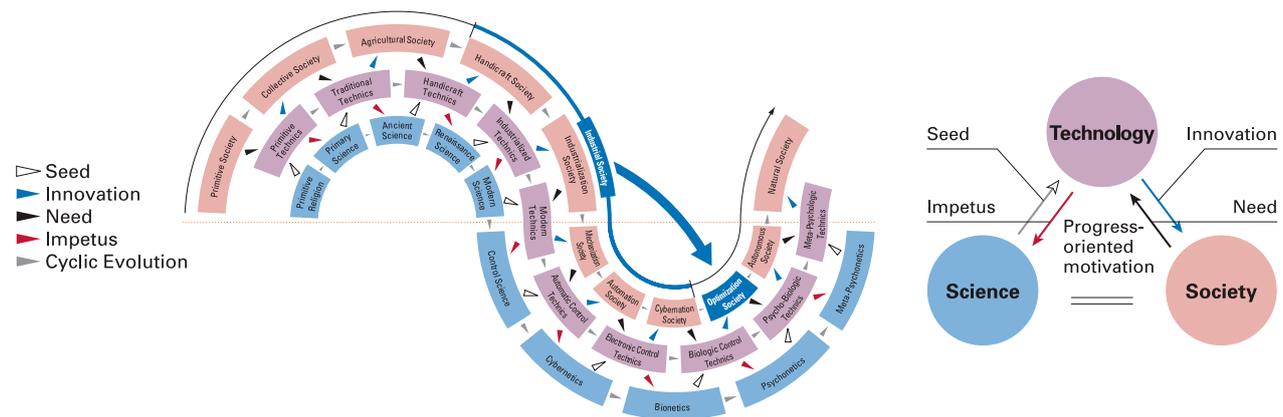
New Automated Ticket Gate System  
Compatible with both QR Code tickets and IC card tickets

# Management Compass

## The SINIC Theory

Our founder, Kazuma Tateishi, believed that to solve social issues through business and create a better society required the ability to anticipate future social needs. He believed that a company needed a compass to help predict the future. As our compass, Mr. Tateishi formulated the SINIC predictive theory, which projects the future based on the cycle of interrelationships between Science, Technology, and Society. Omron first announced this predictive theory to the world at the International Future Research World Congress in 1970. Since then, the SINIC Theory has been our compass for projecting into the future.

Note: See <http://www.omron.com/about/principles/sinic/> for more.



### From an Optimization Society to an Autonomous Society

According to the SINIC Theory, we are presently living in the Optimization Society<sup>\*1</sup>. In the preceding Industrial Society, the world emphasized the values of efficiency, productivity, physical goods, and groups. The Autonomous Society is the next stage in which the world values higher-level pursuits of spiritual and emotional development. These values focus on contentment and individual lifestyle.

The Optimization Society is a repeated cycle of destruction and creation in the gaps that exist between these two social values. Today, we are experiencing a period of chaos in the advancement of optimization. We predict that the Autonomous Society will arrive in 10 years or so. This society will be a more mature one in which individuals can experience the joy of self-actualization, deciding their own values and living their own lifestyle without outside interference.

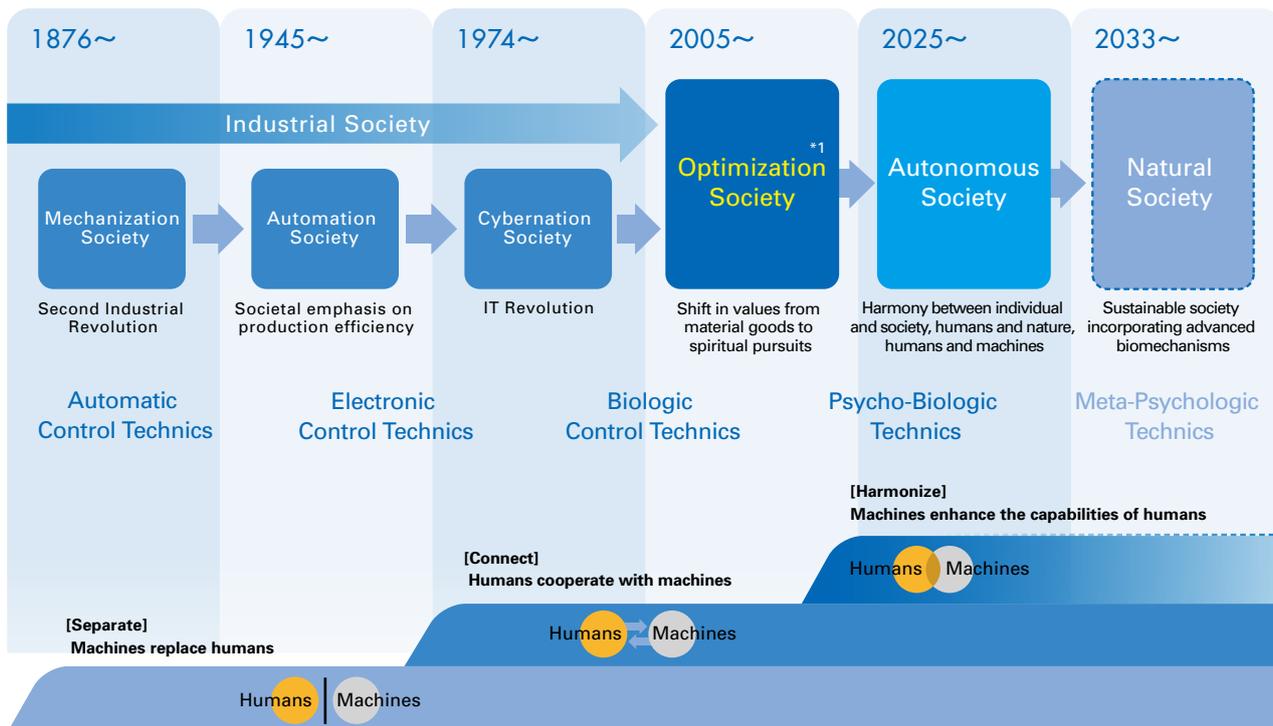
Over time, we will experience a shift away from physical goods toward an increase in collective wisdom, emotional intelligence, and the capacity to concern ourselves with others.

These changes will require advancements in science and technology related to human intellect, sensitivity, and other human virtues. The Internet of Things and Artificial Intelligence are ushering in the Fourth Industrial Revolution, a development that confirms the predictive model of the SINIC Theory.

### The Evolving Relationship between Humans and Machines

This change in society is inextricably tied to the changing nature of the relationship between humans and machines. The relationship between humans and machines develops across three stages. The first stage is one of separating humans and machines, having the machine take over certain tasks from the human. This was the beginning of automation: using machines to replace humans to do work that does not require human intervention. The Omron history mirrors this history, as we introduced factory automation, automated ticket gates, and other inventions.

The second stage in this relationship is one of connecting humans and machines in a cooperative relationship. An example of this is a



\*1 While this addresses the period of change coming to advanced nations in the future, the pace of change among emerging nations will be much faster and far more dramatic.

production line where humans and robots work together, each performing the most suitable task to increase productivity. Another example is the Omron collision-prevention technology that supports our vision of a collision-free mobile society. Here, humans and machines work together to ensure peace of mind, safety, and comfort.

The third stage in this relationship is harmony between humans and machines. Here, harmony enhances the capabilities of the human worker. As machines become a more integral part of society, humans will enjoy machine support in a number of new and different ways that extend the potential of human capabilities. We are already seeing the practical implementation of these technologies. Wearable devices that monitor human biological information and robot suits that detect and aid human intent are just a few examples.

### Automating Our Way to the Future

Looking forward to a new future in human and machine interaction, Omron is taking up the challenge to create new forms of automation in

this era of the Internet of Things. More specifically, our approach to automation will follow three concepts: (1) Evolution in control (integrated); (2) Intelligence developed through ICT (intelligent); and (3) New harmonization between humans and machines (interactive). Our sights are set beyond industrial applications, as we look to introduce automation in the agricultural and services industries as well. To accomplish our goals, we are developing new technologies for use in applications such as cognitive sciences, neuroscience, and artificial intelligence.

Since our founding, we have continued to anticipate social needs, develop technologies to solve social issues, and contribute to a better society through our businesses. The good we have brought to society is based on the future-predictive SINIC Theory and our basic founding philosophy: “To the machine, the work of the machine; to humankind, the thrill of unfettered creativity.” Guided by our vision of the future of automation, Omron will continue to develop technologies and carry out businesses that contribute to a better society.

# Sustainability Management

## Supporting International Initiatives

In 2008, we declared our support for the Ten Principles of the United Nations Global Compact (UNGC). These are universally accepted principles for human rights, labor, environmental impact, and anti-corruption practices. Currently, Omron is a member of the local UNGC chapters in Japan and China.

In September 2015, the United Nations adopted *Transforming our world: the 2030 Agenda*

for Sustainable Development. This agenda includes 17 goals and 169 associated targets, described as Sustainable Development Goals. Omron is determined to promote the achievement of these goals through our businesses.

We intend to continue to support this and other international initiatives, contributing to the creation of a sustainable society through responsible engagement with our stakeholders.



Fumio Tateishi  
Chairman

July 2016

## SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



## Environmental, Social, and Governance Initiatives

Omron is an active agent for sustainable business through environmental, social, and governance initiatives (ESG). Supporting this stance, we announced the formation of a

platform to incorporate and practice ESG policies within the fiscal 2016 policy for the operation of the Board of Directors.

At present, we are identifying ESG issues and starting programs in areas likely to directly affect sustainable growth at Omron.

### ■ Important ESG Issues

ESG	Issue	Important Initiatives	Related Pages
Social	<b>Diversity</b>	<ul style="list-style-type: none"> <li>● <b>Educating the next generation of top-rank managers</b> KPI: Ratio of non-Japanese in managerial positions overseas</li> <li>● <b>Promoting career advancement for women</b> KPI: Ratio of women in managerial roles</li> </ul>	Non-Financial Highlights P30-P31
Environment	<b>Eco-Manufacturing</b>	<ul style="list-style-type: none"> <li>● <b>Providing products and services that contribute to the global environment</b> KPI: Environmental contribution</li> <li>● <b>Adopting measures to combat global warming</b> KPI: Global net sales to CO<sub>2</sub> emissions Target: 30% improvement by fiscal 2020 (fiscal 2010 baseline)</li> </ul>	Non-Financial Highlights P30-P31
Governance	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>● <b>Strengthening systems to improve transparency, fairness</b> (Board diversity, compensation)</li> </ul>	Corporate Governance P70-P75
	<b>Risk Management</b>	<ul style="list-style-type: none"> <li>● <b>Adopting measures against significant Group risks</b></li> </ul>	Compliance and Risk Management P60-P63

## Coverage in Socially Responsible Investment Indexes

Recognizing our commitment to sustainability, several socially responsible indexes (SRIs) now include Omron as a constituent member. Overseas, we have been included for the sixth consecutive year in the Dow Jones

Sustainability Asia/Pacific Index. We have also been included for the second consecutive year in the MSCI Global Sustainability Indexes, and have been newly selected this year for inclusion in the FTSE4Good Index Series. In Japan, we are covered under the Morningstar Socially Responsible Investment Index.



# Integrated Risk Management

Engaging in more global, speedier activities to contribute to the Group's ability to respond to change

## Omron Risk Management Activities and Annual Cycle

At the time we launched our Long-term Vision VG2020 business plan in 2011, we also took the opportunity to review our risk management activities. As a result of this review, we initiated a program of **integrated risk management**.

At the time, our president charged us with two tasks: (1) Identify global risks to be able to respond with speed, and (2) Have every employee in the Group view risk as a seed of opportunity and seize upon these opportunities for growth. With these instructions, we

established three main activities related to integrated global risk management.

- 1 Conduct an annual global risk analysis to identify important risks and establish appropriate responses
- 2 Establish crisis response measures when a risk is identified
- 3 Promptly report and share important risk information among affected parties (risk information management)



**Shuji Tamaki**

Executive Officer  
Senior General Manager  
Global Risk Management and  
Legal HQ

We view compliance with laws and statutes as a legal risk, which is included in our integrated risk management program.

We have clearly defined our activity framework to promote efficiency and effectiveness in our global activities. This framework is formalized in the **Omron Group Rules for Integrated Risk Management**.

This activity cycle for integrated risk management begins every autumn with a risk analysis. The Executive Council (consisting of the president and division managers) determines important risks, while the Board of Directors evaluates these activities. Next, risk response plans are determined and related budgets are set. Finally, these measures are carried out and the results are published through our integrated report and website.

### Integrated Risk Management Framework



### Activity Cycle for Integrated Risk Management



## Omron Group Important Risks and Risk Information Management —

We assign a **rank of “S”** to the most critical management risks that threaten the existence of the Group or call into question important issues of corporate social responsibility. We assign a **rank of “A”** to risks that may impede important Group goals. These ranks are determined annually by the Executive Council after discussion in the Corporate Ethics & Risk Management Committee.

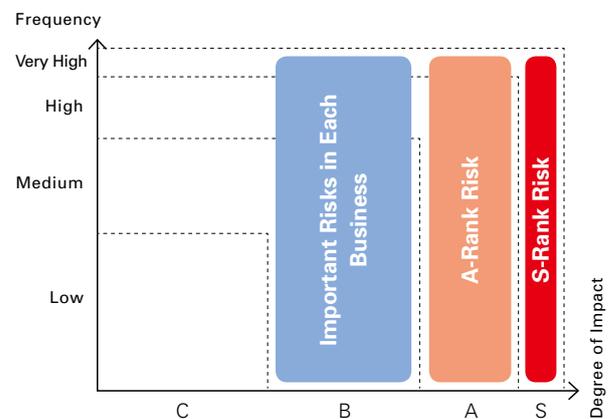
We have selected nearly 100 sources of information from within Japan and around the world to monitor important trends in external risk. Each day we check risk information, promptly sharing any important developments with the appropriate individuals.

As a rule, important risks identified within the Group are reported to headquarters within **24** hours. In the event of a major disaster or accident, for example, we will immediately confirm the safety of local Group employees. The results of this investigation are immediately forwarded to the Global Risk Management and

Legal HQ by telephone or email.

Our network of employees and their response to risk management play a critical role in accomplishing this task. For this reason, **risk managers** are selected within each headquarters department, each business division, each overseas region, and within each Group company.

### ■ Omron Group Important Risks



## Compliance Initiatives

One example of our compliance structure is our whistleblower hotline, an effective means to prevent corruption within the Group. We are setting up this program at regional headquarters throughout the world, with systems already completed in Japan, the Americas, Europe, Asia, and China. During fiscal 2012, we received six reports with the only overseas hotline existing in the Americas (compared to 20 reports in Japan). In fiscal 2015, we received 21 reports across the five regions

listed above (31 reports in Japan). With the consultation of attorneys, we discreetly investigated each report, taking measures to prevent recurrence when necessary.

Every October, we hold the Corporate Ethics Month in Japan. During this month, we conduct training, publish a special message from the president, and conduct other activities. Beginning this year, the Corporate Ethics Month will be a global event for Omron.

## Risk Management and ESG

In our global risk analysis last autumn, we noted rising demands for ESG, and concluded that an improper response to ESG matters could result in a number of issues. Emerging economies in particular have started to introduce stricter laws as they struggle with national issues related to pollution, bribery and corruption, and labor conditions. Early on, we identified Group risks related to the environment, labor safety,

and corruption. Although we have measures in place to respond to these risks, we believe we must strengthen related activities. For example, we have held regular training related to corruption prevention at our locations throughout the world. Moving forward, we plan to introduce more detailed controls according to the situation within each Group company.

## Business Risk and Operating Risk

We defined comparatively short-term financial risks as **business risk** and longer-term non-financial risks related to earnings and corporate value as **operating risk**. The activities we have described thus far have mainly been related to operating risk.

In addition to risk management, I also have responsibility for legal affairs, which relates to business risk in terms of important contracts and issues arising during the course of conducting our business. In these cases, I communicate with business divisions about both legal risks and important business risks, offering advice regarding any needed measures. However, I believe we must look for risk and provide advice much earlier in the business process, during product development, individual business and

transaction planning, and so forth.

In our M&A activity as well, we must instill in our new members a commitment to the Omron Principles, our rules, and our integrated operations aligned with business strategy. I am convinced that failure to do so will mean failure of the acquisition. I believe this is a clear example of business risk, as well as **active risk management** in the integration post-merger/acquisition. We studied the risks involved in the companies we acquired during fiscal 2014 and 2015, taking steps to address the risks identified in our integration plan. We must raise our skill level in analyzing risk and planning efficient/effective measures if we are to respond correctly to M&A involving any type of company in any country around the world.

## Future Issues and Initiatives

As discussed above, we plan to instill an understanding of risk management in each Group company as we engage in more activity across the world. Our vision is that each locale becomes capable of analyzing their own risks, taking effective action quickly while the risks are still small and manageable. This will accelerate the

speed of our business at the Group company level, as well as for the Omron Group as a whole.

We are committed to advancing integrated risk management activities that promote greater globalization and speed, helping strengthen the ability of the Omron Group to respond to change.

# Human Resources Management

## Promoting Greater Roles for Women

Diversity drives Omron growth.

Y. Yamada

President and CEO



At Omron, Respect for All is an important part of how we define Our Values included in the Omron Principles.

We strive to be a company that allows individuals from a variety of backgrounds the chance to express their individuality and talents without regard to nationality, religion, marriage status, gender, sexual orientation, or disabilities.

I sincerely believe that a diverse employee base working as one can generate amazing and creative innovations that solve social issues through our businesses.

To be a company valued by the people of the world, Omron must continue to be active in promoting diversity.

## Expanding the Role of Women in Japan

### Participation in the Council of Male Leaders Promoting Women's Roles in Society

In May 2016, I began participating in the Council of Male Leaders Promoting Women's Roles in Society, sponsored by the Cabinet Office. Promoting the active role of women in Japan is one of the most important issues facing Japan. At the same time, women are an indispensable part of the Omron push for diversity. The Council issued a declaration based on three concepts: (1) Taking the lead in promoting the role of women; (2) Disrupting the status quo; and (3) Developing networks of like-minded leaders. This declaration closely resembles how Omron is supporting diversity in

our company. Moving forward, I will continue to take opportunities to spread the message of diversity both inside our company and in public. I hope to help foster an environment in which every individual can exercise their own initiative and develop their own potential.

行動宣言

輝く女性の活躍を加速する  
男性リーダーの会



## Action Plan for Promoting the Role of Women

The Act on Promotion of Women's Participation and Advancement in the Workplace came into effect on April 1, 2016. In response, Omron created a set of specific goals and an action plan for promoting the role of women, based on the circumstances within each Omron Group company. We have formally published these goals and our action plan for public reference.

Through this initiative, we hope to further expand the role of women within the Omron Group. At the same time, we hope to foster an awareness and build a culture in which any employee can excel, growing as an individual together with the Omron Group.

2016/March/29<sup>th</sup>

### ***Omron Corporation Diversity Action Plan***

Omron Corporation established the following action plan to promote women's career activities.

- 1. Plan Period**  
April 1, 2016 - March 31, 2019
- 2. Issues at Omron Corporation**
  - (1) We must increase the ratio of women in key management positions.
  - (2) We must offer more flexible work styles for a diverse range of human resources (including female employees), allowing every individual an opportunity to fully exercise their talents.
- 3. Goals and Plan Details/Implementation Period**

**Goal 1:**  
**Increase the number of women in key management positions to 5% or greater.**

**Plan Details**  
● April 2016 –

  - 1) Provide leadership training, career counseling, and networking opportunities for female employees.
  - 2) Develop a plan to train women in leadership; hold regular follow-up training sessions.
  - 3) Train key managers in employee development skills.
  - 4) Increase female mid-career hires from outside.

**Goal 2:**  
**Offer more work style options to provide each employee a fulfilling, rewarding workplace.**

**Plan Details**  
● April 2016 –

  - 1) Provide more work style options.
    - Develop new management approaches for greater productivity.
    - Use indicators to promote raised awareness and change in attitude among managers (vacate the office by 8:00pm; limit overtime to two hours per day).
    - New work styles will result in employees gaining extra personal time.
 Adopt policies to support employees in their personal development, health promotion, and in spending more quality time with family.
  - 2) Create systems for and encourage work-life balance.



# Human Resources Management

## Promoting Diversity and Team Management

The Omron Principles include the idea of Respect for All. We recognize that it benefits both our company and our people when a diverse base of employees can express their personalities and talents freely without regard to nationality, gender, or disabilities. Our nearly 38,000 employees worldwide are what support sustainable growth at Omron.

## Each Person Plays a Starring Role

### The Joy and Satisfaction of Making a Positive Contribution through Work

Omron Taiyo\* manufactures electronic components. Among its workforce, the company includes 32 individuals with varying degrees of disabilities. To offer more opportunities for the disabled, this manufacturing plant strives to provide a work environment in which anyone can accomplish tasks tailored to their temperament and capabilities. For example, the plant has improved the picking process to make in-plant delivery of components much easier.

In the past, the plant had used a set allotment system to deliver only the necessary components in the necessary numbers to a work station. At first, management attempted to make the set allotment system more efficient by providing easy-to-see information about which components stored on which racks should be delivered to which production lines. They soon understood, however, that certain disabilities prevented individuals from dealing effectively with large integers, detailed fractions, or complex computer operations.

In response, management shifted to the *kanban* method, which provided instructions for replacing a supply of components after a certain volume has been used. This method relies more on rounded numbers (for example, units of 500), eliminating the need for detailed counting. In the past, picking work required significant time as disabled workers read part numbers out loud several times to verify they were retrieving the correct components. The new *kanban* system incorporates bar codes and bar code readers, making part number verification a matter of seconds. This has resulted in much greater efficiency for our disabled workers and the virtual elimination of part picking mistakes.

Omron will continue to use our creativity and imagination to build accessible work environments in which any employee can be proud to work side by side, without regard to disability or capability.

\* Omron Taiyo: Located in Oita Prefecture, the company employs a total of 61 workers (as of March 2016).



Omron Taiyo introduced barcode readers for more efficient part picking

## Team-Based Solutions

### Delivering Pharmaceutical Serialization Solutions

OMRON Electronics GmbH (OEE-D) sells control equipment in Germany. More recently, this company has been creating solutions for pharmaceutical serialization\* to fight counterfeit medicines and the potential harm these illegal substances can cause.

According to the World Health Organization, as much as 24% of pharmaceutical drugs on the global market are counterfeit. Each year, counterfeit medicines cost the lives of 1 million people. The EU has put regulations into place requiring serial numbers to be printed on the exterior of pharmaceutical packaging to help identify genuine products.

The OEE-D is working with packaging companies, printing companies, equipment vendors, and data processing companies to deliver a solution to trace the movement of medicine through the entire supply chain, from manufacturer to end consumer. This solution incorporates the use of a drug verification

database provided by the EU government. This system, which relies on Omron image sensors, is a product of the combined efforts of our sales, marketing, and application development professionals. The OEE-D also turned to the European product support team and the development division at Japan's Kusatsu Plant to round out the project team.

This serialization system has promising applications in other industries as well, including foods, beverages, and cosmetics. Other nations and regions around the world are also looking to introduce regulations for tracking the movement of medicines. These include Russia, Brazil, the United States, Saudi Arabia, and South and Central America.

We believe there are a number of other business opportunities ahead for expanding this solution to neighboring industries.

\* Serialization Solution: System for managing the flow of individual products throughout an entire supply chain



Mandated serial number display on exterior packaging for medicines



# Global IT Strategy 2020

Through fiscal 2014, our IT strategy in support of the Omron VG2020 long-term vision consisted mainly of restructuring enterprise applications. At the same time, however, we recognized that most of these initiatives were the adoption of IT tools having little connection to management strategy or business process improvements. To address this situation, we created the Global IT Strategy in fiscal 2015. Under this strategy, we will make more effective use of strategic information and strengthen our IT governance.

## Global IT Strategy 2020 Overview



## Business Process Restructuring through Information Technology –

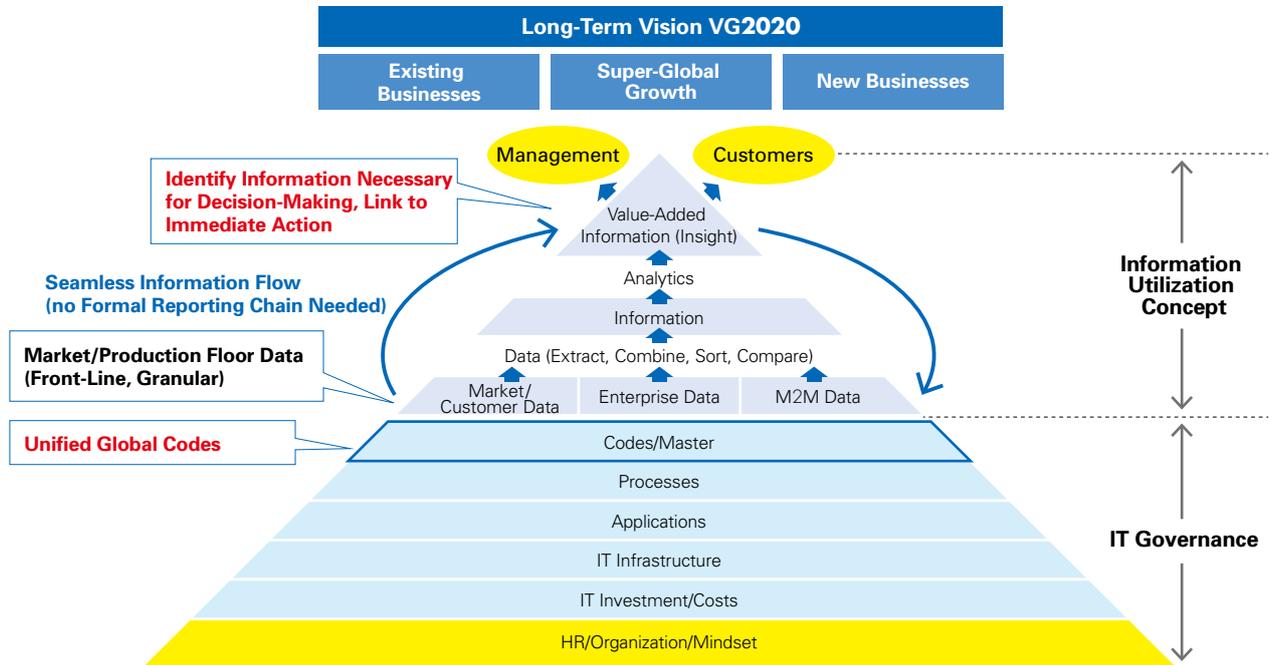
We intend to use IT to restructure our sales processes in a way that automates a seamless flow of information throughout our organization without the need for a formal report chain. We believe this restructuring will lead to improved accuracy in projecting global trends, letting Omron take decisive action while others wait. This new system will reduce the current lead time required for information to pass through our reporting chain, moving information quickly from the front lines of our business up to our decision makers.

We also plan to leverage IT to give us a competitive advantage in our sales activities. Using IT to visualize market and customer information in each sector, we can perform

cross-region analyses to avoid missed sales and identify new sales opportunities on a global scale. For example, we could take successful solutions for customers in Europe and implement them for customers in Asia through cross-region collaboration.

To achieve this goal, we plan to accelerate our adoption of a unified code system to create a master customer database. By managing customers through a unified global code system, we can cross-reference manufacturing processes and issues across our entire customer base. This will allow us to strategically approach customers based on region, as well as potential products and services, leading to much more effective business development.

Global IT Strategy 2020 Framework



## MES<sup>\*1</sup> as Global Standard for Production Floor Visibility

At Omron, we developed a proprietary manufacturing execution system (MES) in use at 13 factories worldwide. Greater visibility to the production floor is driving productivity improvement at each of these factories. The Kusatsu Factory<sup>\*2</sup> provides one case in point. Here, we have seen productivity gains by combining real-time production line information with greater visibility. Sequential analysis of production line variables, such as labor hours, production volume, and defects provides a clear picture of the impact that variances in labor hours by station and product have on productivity. Now, managers can identify areas for improvement without having to rely on the intuition and experience of floor workers. Since adopting this system in 2011, we have achieved an 80% improvement in productivity (as of fiscal 2015).

Future plans include incorporating IoT technology to capture an even wider range of production data. Using our own factories as a

test bed, we plan to create new value by providing managers with production floor information that even the most experienced workers would not be able to identify or communicate efficiently.

\*1 MES: Manufacturing Execution System. Information system for capturing and managing manufacturing process information, providing guidance and support to floor workers.

\*2 Kusatsu Factory: Manufacturing facility for the Industrial Automation Business and Social Systems, Solutions and Service Business. IAB manufactures FA controllers and other products.



Total visibility on one screen. See production line information at a glance. Red line indicates production line delays.

# Corporate Governance

Omron continually reviews and improves our corporate governance structures supporting sustainable value creation

## Basic Stance for Corporate Governance of the Company

At the OMRON Group, corporate governance is defined as the system of processes and practices based on the Omron Principles and the Omron Management Philosophy. The system is intended to ensure transparency and fairness in business and speed up management decisions and practices. This is done by connecting the entire process from oversight and supervision all the way to business execution in order to boost the OMRON Group's competitive edge. Omron's corporate governance also involves building such a system and maintaining its proper function. The ultimate objective is to achieve sustained enhancement of corporate value by earning the support of all stakeholders.

## Omron Corporate Governance Policies

Omron Corporation established the Omron Corporate Governance Policies based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent nearly 20 years in formalizing and strengthening

our systems of corporate governance. We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

OMRON Corporate Governance Policies  
[http://www.omron.com/about/governance/governance/pdfs/20160329\\_governance\\_policies\\_e.pdf](http://www.omron.com/about/governance/governance/pdfs/20160329_governance_policies_e.pdf)

### Corporate Governance Initiatives

	1999	2003	2011
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Chair of the Board of Directors / CEO	President served as both		Chairman serves as chair of the Board of Directors; president serves as CEO
Separation of management oversight and business execution	30 directors	1999: Revised articles of incorporation, setting number of board members to 10 or fewer	
		1999: Adopted executive officer system	
Advisory Board	1999: Advisory Board		
Outside Directors		2001: One outside director	2003: Two outside directors (seven directors)
Audit & Supervisory Board (Outside Members)	1998: One member	1999: Two members	2003: Three members (four auditors)
Advisory and Other Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee
			2003: Compensation Advisory Committee
			2006: CEO Selection Advisory Committee
			2008: Corporate Governance Committee
Corporate Philosophy	1959: Corporate Motto	1990: Omron Principles	1998: Revised
Omron Corporate Governance Policies			2006: Revised
			2015: Revised
			2015 Established

# 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 separated the management oversight and business execution functions within 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.

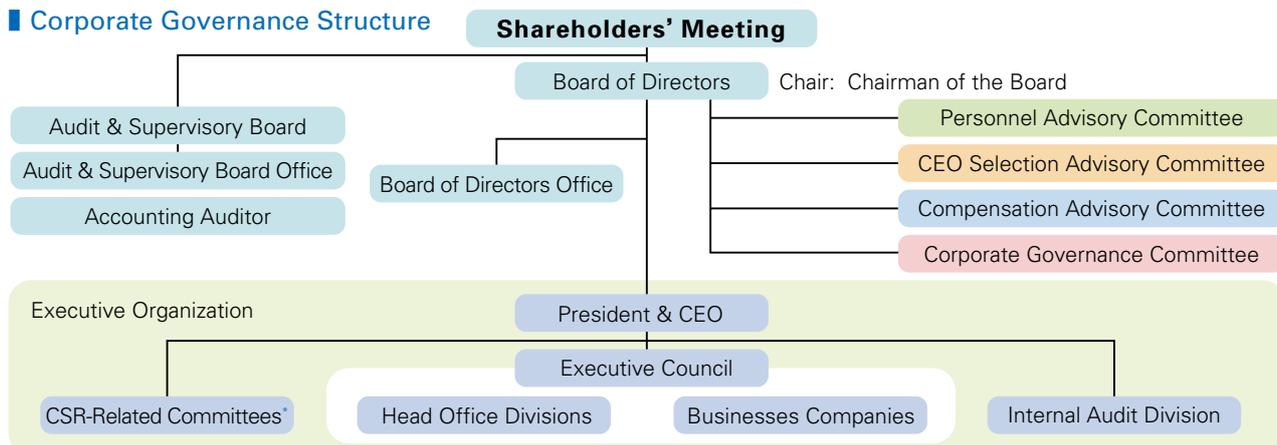
To increase objectivity on behalf of the Board of Directors, the titles and roles of Chairman of the Board and President (CEO) are separated. The Chairman serves as chair of the Board of Directors, without direct corporate representational authority.

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.

## Corporate Governance Structure



\* Includes Corporate Ethics & Risk Management Committee, Information Disclosure Executive Committee, and Group Environment Activity Committee

### Board of Directors

Makes decisions related to performance targets and strategies; oversees the execution of business operations.

### Audit & Supervisory Board

Oversees corporate governance structure and execution business operations; conducts audits of day-to-day business activities, including those performed by directors.

### Personnel Advisory Committee

Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; selects candidates and evaluates performance of current directors and executive officers.

### CEO Selection Advisory Committee

Deliberates and nominates candidates for corporate president & CEO; deliberates succession candidates in the event of an emergency.

### Compensation Advisory Committee

Sets policies for director and executive officer compensation; evaluates compensation levels, deliberates specific compensation packages.

### Corporate Governance Committee

Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

### Executive Council

Deliberates and makes decisions regarding important operational matters within the scope of the authority of the president and CEO.

## 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 for ensuring the practicability of these audits. The Global Internal Auditing HQ, which reports directly to the president and CEO,

periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and business company. Internal audits are more than just a tool to confirm compliance; they are also a valuable means for providing feedback and advice for operational improvement.

## 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 other 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.

### Number of Major Meetings Held and Rates of Attendance (Fiscal 2015)

Meetings of the Board of Directors .....	13
Meetings of the Audit & Supervisory Board .....	13
Outside Director attendance at Board of Director Meetings .....	97.2%
Outside Audit & Supervisory Board member attendance at Board of Director Meetings .....	100%
Outside Audit & Supervisory Board member attendance at Audit & Supervisory Board meetings .....	96.2%

### Advisory Committee Composition

Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman	Fumio Tateishi		□		
President and CEO	Yoshihito Yamada				
Executive Vice President and CFO	Yoshinori Suzuki	□			
Executive Vice President	Akio Sakumiya	○	○	○	
Director	Koji Nitto			□	
Outside Director	Kazuhiko Toyama <sup>†</sup>	□	◎	□	◎
Outside Director	Eizo Kobayashi <sup>†</sup>	◎	□	◎	○
Outside Director	Kuniko Nishikawa <sup>†</sup>	□	□	□	□
Audit & Supervisory Board Member	Kiichiro Kondo				
Audit & Supervisory Board Member	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Yoshifumi Matsumoto <sup>†</sup>				□
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama <sup>†</sup>				□

Note: ◎Chairman ○Vice Chairman □Committee Member

<sup>†</sup> Independent Officer

## Financial Incentives for Directors and Audit & Supervisory Board Members

The Company established the Compensation Advisory Committee to enhance objectivity and transparency related to director remuneration\*. This committee is chaired by an outside director and consists of five directors, none of whom can be the Company's chairman or president.

The Compensation Advisory Committee conducts deliberations and makes recommendations regarding director compensation. These recommendations are presented before the annual general meeting of shareholders, where shareholders vote on the total amount of compensation for members of the Board of Directors. The Company's Board of Directors then determines director compensation within the scope set by the shareholders.

The Company has introduced medium-term performance-linked bonuses and performance-linked stock acquisition rights in an effort to give directors incentives to achieve medium-term management targets and to strengthen governance over

compensation.

Under this structure, the governance system for director compensation incorporates three components: (1) base salary; (2) yearly performance-linked bonuses; and (3) medium-term performance-linked bonuses, stock compensation, and performance-linked stock acquisition rights. With this compensation structure, the Company aims to motivate directors to achieve short-, medium-, and long-term targets and to generate sustainable corporate value.

Total compensation for members of the Audit & Supervisory Board is determined by a vote at the annual general meeting of shareholders. The members of the Audit & Supervisory Board then consult and determine their compensation within the scope set by the shareholders.

\* Compensation of Directors and Audit & Supervisory Board Members  
[http://www.omron.com/about/ir/shareholder/pdfs/convocation\\_notice\\_79th.pdf](http://www.omron.com/about/ir/shareholder/pdfs/convocation_notice_79th.pdf)  
 (Convocation Notice for The 79th Ordinary General Meeting of Shareholders P34-36)

## Evaluating the Effectiveness of the Board of Directors

The Company conducts analysis and evaluation on the effectiveness of the Board of Directors so that the members of the Board will enhance the function and the effectiveness of the Board

to realize the sustained improvements in corporate value by recognizing, sharing, and improving the direction to be taken by the Board and the issues arising from such direction.

### Method for Evaluating the Effectiveness of the Board of Directors

Evaluation on the effectiveness of the Board of Directors is conducted mainly by the Corporate Governance Committee chaired by a director (independent) and comprising directors (independent) and Audit & Supervisory Board members (independent).

As an initial process in evaluating the effectiveness of the Board of Directors, all directors comprising the Board of Directors and Audit & Supervisory Board members were asked to complete an anonymous self-evaluation

questionnaire. The Corporate Governance Committee analyzed the contents of the self-evaluation, sorted out the issues and reported the results of evaluating the effectiveness of the Board of Directors to the Board of Directors.

The Board of Directors verified the evaluation results, discussed measures to enhance the effectiveness of the Board and formulated the Board's operating policy for the following fiscal year.

## Fiscal 2015 Results of Evaluating the Effectiveness of the Board of Directors

As a result of analysis and evaluation on the effectiveness of the Board, it was confirmed that the governance system currently adopted by the Company and the operation of the system were appropriate. The evaluation indicated that an open atmosphere conducive to active discussions pervaded the Board of Directors and the Advisory Committees and that oversight over management

in general was being appropriately conducted through constructive discussions.

Meanwhile, the necessity to reinforce the oversight functions of the Board of Directors through expanded discussion of medium-to long-term management strategies was pointed out as an issue going forward.

## Fiscal 2016 Bord of Director Operating Policy

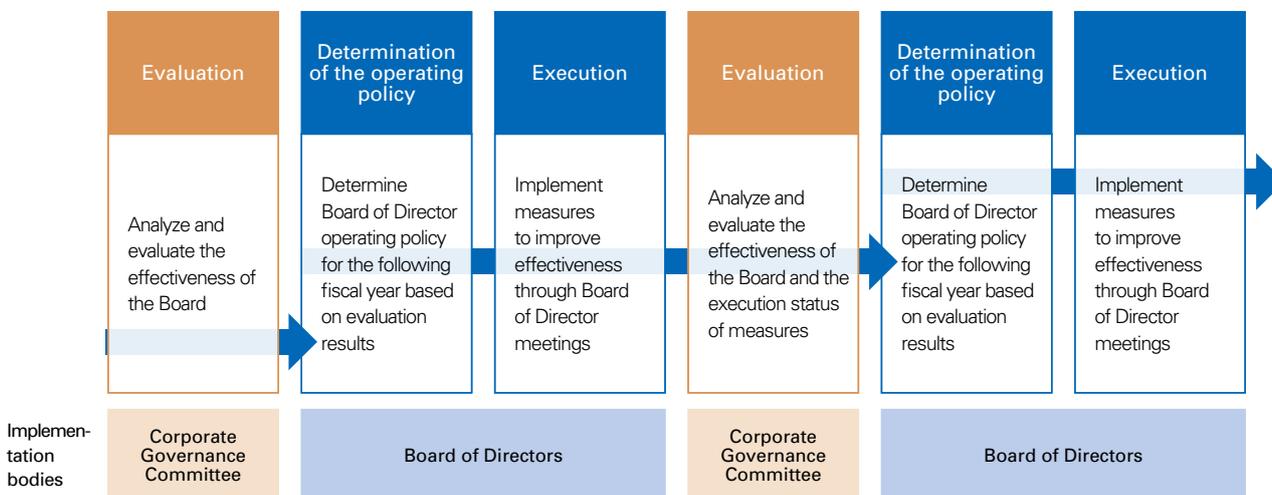
In light of the evaluation results by the Corporate Governance Committee as well as the recent changes in the environment, the Board of Directors shall continue to delegate its authorities to executive organizations, and in addition to existing initiatives, further expand its discussions on medium-to-long term management strategies to reinforce the oversight functions of the Board of Directors through the following initiatives.

- The Board of Directors shall expand discussions of the medium-term management plan based on medium-to long-term management strategies in preparation for the formulation of the next medium-term management plan for fiscal 2017

forward, as well as to enhance its oversight functions.

- As ESG has become a topic of growing interest among institutional investors and society in general, the Board of Directors shall coordinate ESG policies (from a standpoint of meeting social responsibilities) and build a system to put these policies into practice.
- The Board of Directors shall continue to delegate its authorities related to the execution of measures for short-term issues to the executive organizations and build a structure to reinforce oversight function for medium-to long-term management issues.

### Initiatives towards Improving the Effectiveness of the Board of Directors



## Message from an Outside Director

### Evaluating the Effectiveness of the Board of Directors

In launching this initiative, we began building a framework based on discussions within the Corporate Governance Committee, which is made up of outside directors. These discussions addressed by whom and how such evaluations would be conducted, as well as how we would link the results of evaluations to improving the effectiveness of the Board of Directors.

While objectivity is important, evaluations that solely emphasize form and numerical data will not lead to substantial and autonomous improvements in effectiveness. To ensure both effectiveness and objectivity, we asked all members of the Board of Directors to complete a self-evaluation. Based on the results of these evaluations, the Corporate Governance Committee performed an evaluation of the effectiveness of the Board. This evaluation focused on areas having room for reform and improvement.

The committee then submitted a report to the Board of Directors. This report included frank opinions and proposals for solving the issues. The report was framed as the result of an evaluation from outside directors and auditors familiar with Omron and intimately involved in Omron management oversight. As such, we believe our Board of Directors accepted the feedback earnestly and sincerely.

After receiving the evaluation results, the Board of Directors promptly set about implementing operating policies. I believe that this evaluation of the effectiveness of our Board of Directors has served as an impetus for change, and that the Board of Directors will serve as an even more robust platform for decision-making, which will be proven as the Corporate Governance Committee continues to gauge our progress.



**Kazuhiko Toyama**

Outside Director

Chairman of the Corporate Governance Committee  
President and CEO, Industrial Growth Platform, Inc.

July 2016

# Cultivating Strong Relationships through

Omron furthers mutual understanding with our stakeholders through engagement conducted by management and division representatives. We incorporate the feedback received through engagement to improve our management, our transparency, and our reliability. We will continue to engage responsibly with our stakeholders, reflecting our interactions through improved corporate value.

## Engagement with Shareholders and Investors

### General Meeting of Shareholders



The 78th Ordinary General Meeting of Shareholders

### Institutional Investors

Beyond interviews and teleconferences with global institutional investors, Omron also sponsors factory tours and technology seminars throughout the year.

During fiscal 2015, Omron held an investor relations event in Chicago that combined a presentation on business strategy with a factory tour.

A technology seminar was also held, where attendees were able to inspect factory automation equipment of the Industrial Automation Business. The seminar helped investors understand more about the superiority of our products, which translates into competitive market advantage for the Industrial Automation Business.

### ■ Fiscal 2015 Engagement

Direct Talks ..... **941** times



Event for institutional investors in North America



Factory automation technology seminar

At our last general meeting of shareholders, President Yamada addressed our progress toward our long-term vision. President Yamada and Omron executives then provided thoughtful answers to shareholder questions related to cooperative relationships with other companies, policies for appointing non-Japanese and women employees to management positions, and numerous other topics.

### ■ The 78th Ordinary General Meeting of Shareholders (June 23, 2015)

Attendees ..... **822**

Ratio of Voting Rights Exercised - **82.0%**

### Individual Investors

Omron holds a number of information sessions during the year, providing opportunities to engage directly with many individual investors. We are also unique in that we hold joint information sessions with other companies.

### ■ Fiscal 2015 Engagement

No. of Events ..... **10**

Total No. of Participants ..... **566**

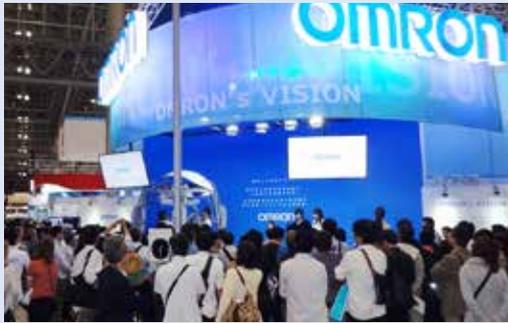


A joint information session with another company (for individual investors)

# Responsible Engagement

## Engagement with Customers

We engage with numerous customers through our technology and products. At CEATEC JAPAN 2015, we let customers experience the latest in Omron technologies through our exhibit, “Omron: An Evolution in Harmony between Humans and Machines.”



CEATEC JAPAN 2015

## Engagement with Suppliers

Each year we invite major suppliers to discuss our purchasing policies. Suppliers are an important part of our success, and it is important that they understand our purchasing policies and long-term strategies.



Discussing purchasing policies with suppliers

## Engagement with Communities

Omron engages with communities through activities deeply rooted in local traditions. For instance, as a company headquartered in Kyoto, Omron has been a special sponsor of the Kyoto Marathon since its inception. Omron employees volunteer at water stations, cheer runners along the course, and do other work to make the Kyoto Marathon a success for participants and fans alike.



Kyoto Marathon 2016

## 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 engagement is invaluable for creating a shared sense of purpose and understanding of the Omron Principles among global employees.



President Yamada visiting a production plant in Shanghai

# Directors, Audit & Supervisory Board

As of June 23, 2016

## Directors

### Chairman **Fumio Tateishi**

Aug. 1975 Joined Omron  
 Jun. 1997 Director  
 Jun. 1999 Managing Executive Officer  
 Jun. 2001 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)



### Director, Senior Managing Executive Officer **Koji Nitto**

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



### President and CEO **Yoshihito Yamada**

Apr. 1984 Joined Omron  
 Jun. 2008 Executive Officer; President and CEO, OMRON Healthcare Co., Ltd.  
 Mar. 2010 Senior General Manager, Corporate Strategy Planning HQ  
 Jun. 2010 Managing Executive Officer  
 Jun. 2011 President and CEO (to present)



### Outside Director **Kazuhiko Toyama**

Apr. 1985 Joined Boston Consulting Group, Inc.  
 Apr. 1986 Established Corporate Direction Co., Ltd.  
 Mar. 1993 Director, Corporate Direction Co., Ltd.  
 Apr. 2000 Managing Director, Corporate Direction Co., Ltd.  
 Apr. 2001 President and CEO, Corporate Direction Co., Ltd.  
 Apr. 2003 COO & 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)



### 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 Managing Executive Officer  
 Mar. 2007 President, Automotive Electronic Components Company  
 May 2010 President and CEO, OMRON Automotive Electronics Co., Ltd.  
 Apr. 2013 Senior Managing Executive Officer and CFO  
 Jun. 2013 Senior Managing Director and CFO  
 Jun. 2014 Executive Vice President and CFO (to present)



### Outside Director **Eizo Kobayashi**

Apr. 1972 Joined ITOCHU 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  
 Apr. 2010 Chairman and Representative Director  
 Jun. 2011 Chairman  
 Jun. 2013 Outside Director, Omron (to present)  
 Jun. 2016 Chairman, ITOCHU Corporation (to present)



### Executive Vice President **Akio Sakumiya**

Apr. 1975 Joined Omron  
 Jun. 2003 Executive Officer; President and CEO, OMRON Ichinomiya Co., Ltd. (now OMRON Amusement Co., Ltd.)  
 Mar. 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.  
 Feb. 1996 Joined A.T. Kearney, Inc.  
 Sep. 2000 President and CEO, Supernurse Co. Ltd.  
 Aug. 2010 Established Firststar Healthcare Co. Ltd., President & CEO (to present)  
 Jun. 2013 President, Benesse MCM Corp. (to present)  
 Jun. 2015 Outside Director, Omron (to present)



# Members, and Honorary Chairman

## Audit & Supervisory Board Members

Audit & Supervisory Board Member

### Kiichiro Kondo

- Apr. 1977 Joined Mitsui Ocean Development & Engineering Co., Ltd.
- Jan. 1988 Joined Mitsui Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)
- 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)



Audit & Supervisory Board Member

### 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, Düsseldorf Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- Apr. 2011 Joined Omron
- Jun. 2011 Audit & Supervisory Board Member, Omron (to present)



Audit & Supervisory Board Member (Independent)

### Yoshifumi Matsumoto

- Apr. 1989 Registered as attorney with the Osaka Bar 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)



Audit & Supervisory Board Member (Independent)

### Hideyo Uchiyama

- Nov. 1975 Joined Arthur Young & Company
- Dec. 1979 Joined Asahi Accounting Company (now KPMG AZSA LLC)
- Mar. 1980 Registered as Certified Public Accountant
- July 1999 Representative Partner of KPMG AZSA LLC
- May 2002 Board Member of KPMG AZSA LLC
- Jun. 2006 Executive Board Member of KPMG AZSA LLC
- Jun. 2010 Managing Partner of KPMG AZSA LLC, Chairman of KPMG Japan
- Sep. 2011 Chairman of KPMG Asia Pacific
- Oct. 2013 CEO of KPMG Japan
- Sep. 2015 Executive Advisor of ASAHI Tax Corporation (to present)
- Jun. 2016 Audit & Supervisory Board Member (Independent), Omron (to present)



## Honorary Chairman

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 Officers

### 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



### Satoshi Ando

Senior General Manager, Global  
Investor Relations & Corporate  
Communications HQ



### Kiichiro Miyata

CTO and Senior General Manager,  
Technology & Intellectual  
Property HQ



### Toshio Hosoi

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



### Katsuhiko Wada

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



### Isao Ogino

President and CEO,  
OMRON HEALTHCARE Co., Ltd.



### Shizuto Yukumoto

Senior General Manager,  
Environmental Solutions  
Business HQ



### Kiyoshi Yoshikawa

Senior General Manager,  
Global Manufacturing Innovation HQ



### Kenji Matsunami

Company President,  
Electronic and Mechanical  
Components Company



### Nigel Blakeway

Senior General Manager, Robotics Business  
Development Project, Industrial  
Automation Company, and  
Chairman and CEO, OMRON  
ADEPT TECHNOLOGY INC., and  
Chairman, President and CEO,  
OMRON MANAGEMENT  
CENTER OF AMERICA, INC.



## Executive Officers

### Goshi Oba

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

### Masahiko Tomita

General Manager, Corporate Planning Department, Global Strategy HQ

### Takayoshi Oue

Senior General Manager, Global Finance and Accounting HQ

### Munenori Odake

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

### Izumi Echizen

Senior General Manager, Global Human Resources and Administration HQ

### Kenji Sugawa

Director, Executive Vice President, and Senior General Manager, Global Sales and Marketing Group HQ, OMRON HEALTHCARE Co., Ltd.

### Hideji Ejima

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

### Shuji Tamaki

Senior General Manager, Global Risk Management and Legal HQ

### Seigo Kinugawa

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

### Ken Tanikawa

President and CEO, OMRON PRECISION TECHNOLOGY Co., Ltd.

### Takashi Kitagawa

Senior General Manager, Board of Directors Office

### Makoto Ota

President and CEO, OMRON RELAY & DEVICES Corporation

# Financial Section (U.S. GAAP)

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Fiscal 2016 forecast figures shown here are plan figures as published on April 27, 2016. Forecasts use exchange rates of ¥110 to the U.S. dollar and ¥125 to the Euro. The impact of the British exit from the EU and exchange rate trends occurring after July 2016 have not been incorporated into these forecasts.

For more information, please refer to the Company's audited annual financial report:  
<http://www.omron.com/ir/irlib/annual.html>

# Six-Year Summary

OMRON Corporation and Subsidiaries  
Years ended March 31

Millions of yen (except per share data)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net Sales:</b>						
Industrial Automation Business (IAB)	¥271,894	¥270,835	¥262,983	¥291,739	¥331,840	¥335,959
Electronic and Mechanical Components Business (EMC)	81,216	83,002	84,107	97,699	103,946	103,681
Automotive Electronic Components Business (AEC)	84,259	85,027	97,643	126,620	137,883	139,966
Social Systems, Solutions and Service Business (SSB)	63,846	57,200	68,754	82,695	80,410	77,538
Healthcare Business (HCB)	60,629	62,446	71,520	89,275	100,615	108,121
Other Businesses	49,672	53,535	59,240	78,949	87,382	63,028
Eliminations and Corporate	6,309	7,416	6,214	5,989	5,176	5,311
<b>Net Sales by Region</b>						
Japan	311,906	307,649	328,470	356,342	351,321	342,824
Americas	74,397	74,820	80,427	100,992	123,496	130,968
Europe	84,511	83,561	80,453	100,929	108,427	109,147
Greater China	97,012	101,074	106,283	142,444	180,954	162,508
Asia Pacific	49,999	52,357	54,828	72,259	83,054	88,157
(Total)	617,825	619,461	650,461	772,966	847,252	833,604
<b>Costs and Expenses:</b>						
Cost of sales	386,123	391,574	408,954	475,758	514,645	512,792
Selling, general and administrative expenses (excl. R&D expenses)	142,365	145,662	152,676	181,225	198,103	205,735
R&D expenses	41,300	42,089	43,488	47,928	47,913	52,790
Other expenses (income), net	6,344	6,589	4,106	6,048	(797)	(3,399)
(Total)	576,132	585,914	609,224	710,959	759,864	767,918
Income before income taxes and equity in earnings of affiliates	41,693	33,547	41,237	62,007	87,388	65,686
Income taxes	14,487	17,826	14,096	19,475	28,893	20,043
Equity in loss (earnings) of affiliates	190	(631)	(2,976)	(3,782)	(3,937)	(2,039)
Net income (loss)	27,016	16,352	30,117	46,314	62,432	47,682
Net income (loss) attributable to noncontrolling interests	234	(37)	(86)	129	262	392
Net income attributable to shareholders	26,782	16,389	30,203	46,185	62,170	47,290
<b>Per Share Data (yen):</b>						
Income from continuing operations						
Basic	121.7	74.5	137.2	209.8	283.9	219.0
Diluted	121.7	74.5	137.2	—	283.9	219.0
Cash dividends (Note)	30.0	28.0	37.0	53.0	71.0	68.0
Capital expenditures (cash basis)	21,647	27,502	30,383	32,218	37,123	37,903
Total assets	562,790	537,323	573,637	654,704	711,011	683,325
Total shareholders' equity	312,753	320,840	366,962	430,509	489,769	444,718
<b>Financial Indicators:</b>						
Gross profit margin	37.5%	36.8%	37.1%	38.5%	39.3%	38.5%
Operating income margin	7.8%	6.5%	7.0%	8.8%	10.2%	7.5%
Return on sales	4.3%	2.6%	4.6%	6.0%	7.3%	5.7%
ROIC (Return on invested capital)	7.8%	4.8%	8.6%	11.3%	13.4%	9.7%
ROE (Return on equity)	8.7%	5.2%	8.8%	11.6%	13.5%	10.1%
Asset turnover (times)	1.1	1.1	1.2	1.3	1.2	1.2
Inventory turnover (times)	4.7	4.4	4.5	5.0	4.8	4.6
Shareholders' equity ratio	55.6%	59.7%	64.0%	65.8%	68.9%	65.1%

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

# Fiscal 2015 in Review

## Consolidated Results

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Omron Group net sales for fiscal 2015 amounted to ¥833.6 billion, a 1.6% decline compared to fiscal 2014. Operating income amounted to ¥62.3 billion, a decline of 28.1%. Operating income margin fell to 7.5% (2.7-point decline), while net income attributable to shareholders amounted to ¥47.3 billion, a 23.9% drop-off.

The global economy benefited during the first half of fiscal 2015 from strong demand for capital investment, particularly in the U.S. and the EU. During the second half of the year, however, the Chinese economic slowdown and rapid appreciation of the yen led to concerns about the future direction of world economics. Reflecting this environment, our Industrial Automation Business, Automotive Electronic

Components Business, and Healthcare Business recorded ongoing revenue growth. On the other hand, we experienced significant revenue declines in our Other Businesses segment. Looking toward long-term, sustainable growth, our mainstay Industrial Automation Business acquired two companies during the year. We believe these companies will provide a springboard for future expansion. At the same time, the segment incurred higher R&D expenses and other costs related to up-front investments for the future. These transactions had an impact on overall profits for the Group. This performance marked a year-on-year decline in revenues and profits for the first time in seven years.

## Review of Consolidated Statement of Income

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### Net Sales

Omron Group net sales for fiscal 2015 fell to ¥833.6 billion, down ¥13.6 billion from the prior year (1.6%). This decrease was due to several dramatic changes in the business environment, including slowing demand in the solar power and smartphone markets and weak growth in the Chinese economy. By region, net sales in Greater China amounted to ¥162.5 billion, an ¥18.4 billion (10.2%) decrease. This decline was a significant drag on overall Group revenues. On the other hand, stable growth in the Americas led to strong demand for capital investment in the automobile and other industries. Southeast Asia and other emerging economies also showed strengthening demand for capital investment, as well as ongoing growth in markets for healthcare and medical devices. The strength in these regions combined to support overall revenue performance throughout the year.

### Gross Profit Margin, SG&A Expenses and R&D Expenses

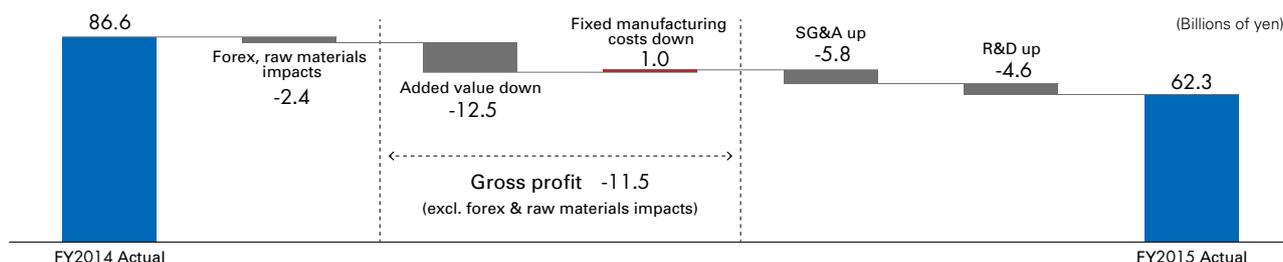
Gross profit margin for fiscal 2015 was down 0.8 point to 38.5%. This decline was mainly due to the impact of a stronger U.S. dollar, a weaker Euro, and weaker currencies among emerging economies. Controlling for these external factors shows that gross profit margin would have actually improved year-on-year. Selling, general and administrative expenses were ¥205.7 billion, up ¥7.6 billion from the prior year (1.3-point increase in comparison to net sales). This increase was mainly due to acquisitions and post-acquisition costs incurred to integrate these new entities into the Omron Group. R&D expenses amounted to ¥52.8 billion, up ¥4.9 billion (0.6-point increase in comparison to net sales). This increase was mainly due to up-front investment for future growth on the part of the Industrial Automation Business.

## Operating Income, Income before Income Taxes, and Net Income Attributable to Shareholders

Omron Group operating income for the year was ¥62.3 billion (28.1% decrease), with an operating income margin of 7.5% (2.7-point decrease).

Income before income taxes amounted to ¥65.7 billion (24.8% decrease), while net income attributable to shareholders came in at ¥47.3 billion for the year (23.9% decrease).

### Consolidated Operating Income Analysis (YoY)



Note: SG&A and R&D expenses do not reflect foreign exchange or material costs. Accordingly, these figures do not match prior-year comparative figures on P84.

## Review of Operations by Business Segment

### Industrial Automation Business (IAB)

Our Industrial Automation Business recorded domestic net sales of ¥130.5 billion for fiscal 2015, a 2.9% gain year on year. This growth was mainly due to strong demand for capital investment in the automobile and electronic components fields. Revenues were lower overseas, primarily due to lower demand in the petroleum industry of the Americas. Europe reported revenue gains based on slightly improving business conditions in the region. The slowdown of the Chinese economy during the second half of the year resulted in overall sluggish demand. However, the positive impact of foreign

exchange rates led to higher sales in the region. Weakening market conditions and currency weakness in Asia led to revenue declines in the ASEAN markets. Korea, however, experienced strong demand for electronic components, pushing revenues higher in that nation. As a result, overseas net sales amounted to ¥205.5 billion, an increase of 0.2% compared to fiscal 2014. While the segment reported higher revenues as a whole, investments for future growth resulted in increased R&D expenses, driving operating income down to ¥47.9 billion (12.2% year-on-year decline) for the year.

	(Billions of yen)					
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	270.8	263.0	291.7	331.8	336.0	336.0
Japan	123.1	116.3	119.4	126.7	130.5	136.0
Overseas	147.7	146.7	172.3	205.1	205.5	200.0
Americas	29.3	31.6	36.9	47.6	40.4	37.5
Europe	55.3	50.4	61.9	67.8	69.3	71.0
Greater China	36.8	39.4	43.8	55.0	58.3	55.0
Asia Pacific	25.3	24.7	28.9	34.1	36.9	36.0
Direct Exports	1.0	0.6	0.8	0.7	0.6	0.5
Operating income	35.4	31.3	38.8	54.6	47.9	46.5
Operating income margin	13.1%	11.9%	13.3%	16.5%	14.3%	13.8%
R&D expenses	15.4	16.5	15.7	15.3	18.2	
Depreciation and amortization	4.2	3.5	3.6	3.5	4.0	
Capital expenditures	3.8	2.8	3.3	4.2	5.3	

## Electronic and Mechanical Components Business (EMC)

Domestic net sales for the segment were down 2.8% to ¥23.2 billion. Despite strong demand in the Japanese consumer and commercial product markets, the April 2015 tax hike on mini vehicles (*kei* cars) had a negative impact on the automobile industry. Overseas net sales rose 0.5% to ¥80.4 billion. The Americas, with strong demand in the automobile industries, and Europe, with strong demand in the consumer and commercial product industries, drove overseas revenue performance.

The increasing economic slowdown in China led to weak demand in the automobile and consumer and commercial products industries, resulting in lower revenues in that region. However, the added factors of a strong U.S. dollar and the positive impact of exchange rates for the Chinese yuan contributed to overall revenue growth overseas. While segment net sales were level with the prior year as a whole, investments in productivity improvements drove operating income down 16.5% to ¥8.5 billion.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	83.0	84.1	97.7	103.9	103.7	100.0
Japan	25.3	26.7	28.1	23.9	23.2	23.5
Overseas	57.7	57.4	69.6	80.0	80.4	76.5
Americas	13.2	13.1	16.6	18.1	19.9	18.0
Europe	12.9	11.3	14.7	15.9	16.1	15.5
Greater China	22.7	24.6	28.7	35.0	33.6	32.0
Asia Pacific	7.6	7.1	8.7	10.1	10.4	11.0
Direct Exports	1.3	1.4	0.9	0.9	0.5	0.0
Operating income	5.1	4.4	8.7	10.2	8.5	10.0
Operating income margin	6.2%	5.2%	8.9%	9.8%	8.2%	10.0%
R&D expenses	5.5	5.2	6.0	5.4	4.9	
Depreciation and amortization	7.2	7.4	7.8	8.0	8.3	
Capital expenditures	9.9	8.9	10.9	9.5	8.9	

## Automotive Electronic Components Business (AEC)

Domestically, net sales were down 18.5% to ¥21.1 billion. This was mainly the result of the tax hike on mini vehicles resulting in significantly lower auto production. Overseas sales amounted to ¥118.9 billion, which was a 6.1% increase year on year. While inventory adjustments among our

Chinese customers resulted in lower demand, favorable business conditions in North America drove continued growth in demand, raising overseas segment net sales. Overall segment operating income was down 20.5% on the year to ¥7.3 billion. Despite growth in overseas revenues, lower domestic sales and higher R&D expenses combined for this result.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	85.0	97.6	126.6	137.9	140.0	130.0
Japan	28.9	30.2	28.4	25.9	21.1	17.5
Overseas	56.1	67.4	98.2	112.0	118.9	112.5
Americas	21.5	25.0	33.3	39.3	47.6	44.5
Europe	2.4	2.8	3.3	3.6	4.6	4.0
Greater China	9.5	13.9	25.4	29.9	27.4	27.0
Asia Pacific	16.2	19.5	29.2	32.2	31.9	30.5
Direct Exports	6.5	6.2	7.2	7.1	7.3	6.5
Operating income	2.7	5.0	9.1	9.2	7.3	6.5
Operating income margin	3.2%	5.1%	7.2%	6.7%	5.2%	5.0%
R&D expenses	6.6	7.0	8.2	8.5	9.3	
Depreciation and amortization	2.1	2.4	3.4	4.7	5.3	
Capital expenditures	5.2	5.5	6.7	6.5	6.9	

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

Total segment net sales amounted to ¥77.5 billion for the year (3.6% decrease), while operating income was ¥3.2 billion (36.0% decrease). The public transportation business reported significantly higher sales for the year, driven mainly by demand for updated station equipment. Our traffic and road

management system business also experienced significant growth, mainly due to strong capital investment resulting in higher volumes of sales in terminals for use in traffic-related applications. Meanwhile, slow demand for solar power and related markets led to significantly lower revenues in our environmental solutions business products and services.

	(Billions of yen)					
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	57.2	68.8	82.7	80.4	77.5	70.0
Japan	56.9	68.5	82.4	79.1	75.7	69.0
Overseas	0.3	0.3	0.3	1.3	1.8	1.0
Americas	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0	0.0
Greater China	0.0	0.1	0.2	0.3	0.6	0.5
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0
Direct Exports	0.3	0.2	0.1	1.1	1.2	0.5
Operating income	0.1	2.9	5.6	5.0	3.2	4.0
Operating income margin	0.2%	4.2%	6.7%	6.2%	4.1%	5.7%
R&D expenses	2.2	2.2	2.5	2.1	2.2	
Depreciation and amortization	1.1	1.1	1.2	1.4	1.2	
Capital expenditures	0.9	1.5	1.5	1.7	1.5	

## Healthcare Business (HCB)

Net sales for the Healthcare Business segment amounted to ¥108.1 billion, representing an increase of 7.5%. Operating income was up 11.9% to ¥7.3 billion. Domestic net sales fell slightly to ¥31.1 billion (1.0% decrease). We reported sales growth for home-use healthcare and medical devices. This growth came mainly from captured inbound tourist demand, the introduction of new blood pressure monitors and other new products, and stronger in-store promotions of massagers and

other products. On the other hand, slack capital investment among medical institutions led to lower demand for institutional equipment. Overseas sales increased by a significant margin, up 11.3% to ¥77.0 billion. Sales in the Americas were driven by synergies with one of our Brazilian subsidiaries acquired in fiscal 2014 and strong demand for nebulizers (inhalers to treat respiratory diseases) in South America. At the same time, demand for medical devices continued to grow in China and Asia.

	(Billions of yen)					
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	62.4	71.5	89.3	100.6	108.1	108.0
Japan	27.2	29.5	30.8	31.4	31.1	32.5
Overseas	35.2	42.0	58.5	69.2	77.0	75.5
Americas	9.8	10.8	14.3	18.6	23.1	22.0
Europe	13.0	15.9	21.0	21.2	19.2	19.0
Greater China	8.6	11.1	17.3	22.4	25.4	25.0
Asia Pacific	2.9	3.5	5.5	6.6	8.9	9.0
Direct Exports	0.9	0.7	0.4	0.5	0.5	0.5
Operating income	2.9	4.4	7.5	6.5	7.3	8.0
Operating income margin	4.7%	6.2%	8.5%	6.5%	6.7%	7.4%
R&D expenses	5.1	5.0	5.2	5.5	6.1	
Depreciation and amortization	1.5	1.9	2.3	3.3	3.7	
Capital expenditures	2.8	3.1	3.9	3.9	2.8	

## Other Businesses

The Other Businesses segment recorded net sales of ¥63.0 billion, down 27.9% year on year. The segment recorded an operating loss of ¥4.1 billion. With the decrease in demand in the Chinese smartphone market, revenues for the Backlights Business decreased by a significant margin. In the meantime, slow demand in the solar power market drove revenues down in our Environmental

Solutions Business. Net sales in our Electronic Systems and Equipment Business outperformed the prior year, driven higher by strong demand for uninterruptible power supply units and development/contract production services for electronic devices. On the other hand, revenues were lower in our Micro Devices Business due to slow demand for smartphone microphones.

	(Billions of yen)					
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecast)
Net sales	53.5	59.2	78.9	87.4	63.0	71.0
Japan	29.5	41.4	51.0	45.8	44.0	42.0
Overseas	24.0	17.8	27.9	41.6	19.0	29.0
Americas	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0	0.0
Greater China	22.6	16.3	25.6	38.2	17.1	25.5
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0
Direct Exports	1.4	1.5	2.3	3.4	1.9	3.5
Operating income	(3.6)	2.5	8.7	8.4	(4.1)	1.5
Operating income margin	—	4.3%	11.0%	9.6%	—	2.1%
R&D expenses	2.8	3.0	4.3	5.5	4.6	
Depreciation and amortization	0.9	1.4	2.0	2.5	3.1	
Capital expenditures	2.1	2.5	4.0	6.9	5.3	

## Review of Financial Condition

Total assets at the end of the period amounted to ¥683.3 billion, which was ¥27.7 billion lower than the end of the prior fiscal year. This decrease was mainly due to decreases in cash and cash equivalents used for share buybacks. In addition, we established a retirement benefit trust designed for more efficient pension reserves. As we have transferred a portion of investment securities to this retirement benefit trust, the balance of investment securities decreased ¥20.1 billion compared to the end of the prior fiscal year. Total liabilities amounted to ¥236.3 billion, which was a ¥17.4 billion increase. The main factor in this increase was a

¥31.9 billion increase in allowance for retirement benefits due to a major reduction in the discount rate used for calculating benefit obligations. Total net assets amounted to ¥447.0 billion, which was a decrease of ¥45.1 billion. Pension liability adjustments, affected by low interest rates, and foreign currency translation adjustments, impacted by a strong yen, contributed to other comprehensive loss of ¥50.2 billion. This decreased shareholders' equity by ¥45.1 billion compared to the end of the prior fiscal year. Shareholders' equity ratio fell by 3.8 points to 65.1%, while the debt equity ratio increased 0.08 points to 0.53.

## Capital Expenditures

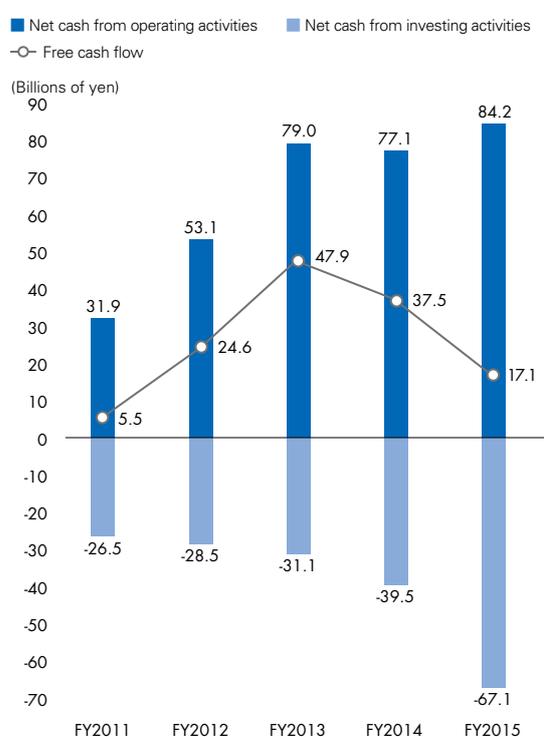
During fiscal 2015, the Omron Group made a total capital investment of ¥36.9 billion, which was a 3.4% decrease compared to fiscal 2014. Our Industrial Automation Business engaged in active capital investment in infrastructure and productivity improvements to serve as the basis

for future growth. On the other hand, the Other Businesses segment revised its investments in response to dramatic changes in the external environment. As a whole, the Group spent ¥1.3 billion less in capital investment than the prior year.

## Cash Flows

Cash and cash equivalents at the end of fiscal 2015 amounted to ¥82.9 billion, a decrease of ¥19.7 billion compared to the end of the prior fiscal year. Net cash provided by operating activities amounted to ¥84.2 billion for fiscal 2015. This was an increase of ¥7.2 billion over the prior year, resulting mainly from increased depreciation and amortization and decreases in accounts receivable and inventories. Net cash used in investing activities amounted to ¥67.1 billion, an increase of ¥27.6 billion year over year. While we maintained capital expenditures (¥37.9 billion) at the same level as fiscal 2014, we also spent ¥33.4 billion in cash for mergers and acquisitions. Free cash flow based on net cash provided by operating activities and used in investing activities amounted to ¥17.1 billion, which was a decrease of ¥20.4 billion. Net cash used in financing activities increased ¥2.2 billion over the prior year, reaching ¥31.6 billion. The Omron Group paid ¥16.1 billion in dividends (¥3.1 billion increase over fiscal 2014) and ¥15.0 billion for stock buybacks (nearly level with prior year).

### Cash Flows



## Capital Policies (Dividends, Share Buybacks and Cancellations)

Our policy for profit distribution is to secure sufficient internal capital for future growth, while at the same time providing consistent shareholder returns. In fiscal 2015, we applied our medium-term business plan target for fiscal 2016 of a payout ratio of 30% a year earlier.

Our actual payout ratio for fiscal 2015 was 31.1% (6.1-point increase compared to fiscal 2014), which translated into a ¥68 per share dividend for the year. Our dividend on equity ratio was 3.1%, which was a 0.3-point decrease compared to the prior year.

# Outlook for Fiscal 2016

## Consolidated Earnings

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While the global economy is expected to gradually improve during fiscal 2016, we believe our business will continue to face challenges in the external environment. These challenges include the continued slowdown in Chinese economic growth and the impact of the strong yen on our domestic businesses. Based on these assumptions, the Omron Group has enacted a company-wide policy to rebuild our earnings structure and create an engine for self-driven growth. While we are engaged in improving our earnings structure, we will also be active in using our capital for growth investments, pushing forward to create an engine for self-driven growth. We have set fiscal 2016 targets for net sales and operating income growth at 4% and 23% (excluding foreign exchange adjustments). We will accomplish this by continuing to invest in growth and rebuild our earnings structure. Considering the impact of foreign exchange and recent currency trends, however, we have forecast fiscal 2016 net sales of ¥820.0 billion, a 1.6% decrease compared to fiscal 2015. We estimate operating income of ¥63.0 billion (1.1% increase year on year) and net income attributable to shareholders of ¥47.5 billion (0.4% increase). By rebuilding our earnings structure, we believe we will improve gross profit margin to 39.3% (0.8-point increase), while setting a target for ROIC and ROE, two of our major management indicators, to 10%. These improvements will be the result of dedicated company-wide efforts.

### Industrial Automation Business (IAB)

The IAB forecasts (Note 1) overall fiscal 2016 segment net sales of ¥336.0 billion (level with fiscal 2015) and operating income of ¥46.5 billion (3.0% decrease year on year). Domestically, we expect continued strong demand for capital investment in automobile-related industries to drive revenue growth. Overseas, we project steady demand for capital investment, as well as demand for automation and labor-saving systems. However, the likely negative impact of foreign exchange has led us to forecast lower revenues for the year compared to

fiscal 2015. Our continued commitment to investing in future growth will be reflected in higher research and development expenses, leading to a fiscal 2016 operating income forecast lower than fiscal 2015 results.

(Note 1) Fiscal 2016 forecasts do not include the impact of the May 31, 2016 sale of Omron Oilfield and Marine, Inc. in North America.

### Electronic and Mechanical Components Business (EMC)

The EMC forecasts overall fiscal 2016 segment net sales of ¥100.0 billion (3.6% decrease year on year) and operating income of ¥10.0 billion (17.7% increase). Domestically, we forecast slight gains of 1.1% to ¥23.5 billion. While we expect demand for consumer and commercial products to weaken, demand among automobile-related industries should continue to be strong. Overseas, we forecast net sales of ¥76.5 billion, a 4.9% year-on-year decrease. Despite the positive impact of introducing new products to the Chinese automobile-related industries, slower growth will likely drive lower demand for consumer and commercial products. The negative impact of a strong yen in major markets such as the Americas and Europe is another factor we considered in our revenue forecast. Despite downward pressure on revenues, we forecast higher profits due to cost reductions and productivity improvements.

### Automotive Electronic Components Business (AEC)

The AEC forecasts domestic and overseas net sales of ¥17.5 billion (17.1% decrease year on year) and ¥112.5 billion (5.4% decrease). We expect operating income for the segment as a whole to amount to ¥6.5 billion (11.5% decrease). Domestically, we expect net sales to underperform prior year due to a slowdown in demand for mini vehicles (*kei* cars). Despite continued strength in the North American market slowing growth among the emerging economies and the negative impact of the strong yen have

led us to forecast lower overseas net sales compared to fiscal 2015. Our forecast of lower operating income for fiscal 2016 is mainly a reflection of soaring labor expenses among the emerging economies. We intend to rise to the challenge for real revenue and profit growth (excluding the impact of foreign exchange) by creating more high-value-added products and improving operations efficiencies.

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

The SSB forecasts overall fiscal 2016 segment net sales of ¥70.0 billion (9.7% decrease year on year) and operating income of ¥4.0 billion (25.1% increase). We forecast lower revenues for our train station solutions business due to a low point in the demand cycle for upgraded station equipment. At the same time, we forecast sales in our traffic and road management systems business to be level with the prior year, as we do not expect significant changes in capital investment trends. We do, however, project continued strong demand for system computer terminal upgrades. Due to continued weakness in the solar power and related markets, we forecast fiscal 2016 environmental solutions business revenues lower than fiscal 2015.

### Healthcare Business (HCB)

The HCB forecasts overall fiscal 2016 segment net sales of ¥108.0 billion (0.1% decrease year on year), consisting of ¥32.5 billion (4.4% increase) in domestic sales and ¥75.5 billion (1.9% decrease) in overseas sales. We expect operating income for the segment as a whole to amount to ¥8.0 billion (9.8% increase).

Domestically, we expect an increase in lifestyle diseases associated with aging and greater health consciousness to create strong demand for our products. Overseas, we anticipate economic growth among emerging economies in Asia that will result in lifestyle changes and a greater health consciousness in those markets. We also expect

a recovery in demand in Russia, where consumer spending has been weak.

Considering, however, the negative impact of foreign exchange, we forecast a slight decrease in overseas revenues, resulting in lower overall revenues for the segment (Note 2). Despite lower revenue projections, we forecast higher profits for fiscal 2016. While we remain committed to making up-front investments for future growth, we will also review our fixed cost structure and make efforts in productivity improvements.

(Note 2) Fiscal 2016 forecasts do not include the impact of our business tie-up with Fukuda Denshi Co., Ltd. or the pending sale of subsidiary Omron Colin Co., Ltd. as announced on June 9, 2016.

### Other Businesses

The Other Businesses segment forecasts overall fiscal 2016 segment net sales of ¥71.0 billion (12.6% increase year on year) and operating income of ¥1.5 billion. We project recovery in our Backlights Business, despite slowing growth in the smartphone market. We plan to grow by capitalizing on capturing demand in response to changing consumer needs in the market. In our Environmental Solutions Business, we expect to create greater demand in the solar power market for our current solar panels, as well as for new systems that integrate storage batteries. We plan on building out our lineup of uninterruptible power supply units within our Electronic Systems and Equipment Business. At the same time, we expect to see growing demand for smartphone microphones and absolute pressure sensors.

# Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2015 and 2016

(Millions of yen)

ASSETS	FY2014	FY2015
<b>Current Assets:</b>		
Cash and cash equivalents	¥ 102,622	¥ 82,910
Notes and accounts receivable - trade	178,775	165,093
Allowance for doubtful receivables	(1,624)	(1,654)
Inventories	116,020	107,267
Deferred income taxes	19,941	18,469
Other current assets	18,362	17,524
<b>Total current assets</b>	<b>434,096</b>	<b>389,609</b>
<b>Property, Plant and Equipment:</b>		
Land	26,721	26,376
Buildings	147,120	146,412
Machinery and equipment	202,149	204,499
Construction in progress	6,619	6,142
Total	382,609	383,429
Accumulated depreciation	(231,157)	(236,864)
<b>Net Property, Plant and Equipment</b>	<b>151,452</b>	<b>146,565</b>
<b>Investments and Other Assets:</b>		
Goodwill	8,776	30,253
Investments in and advances to affiliates	24,318	25,048
Investment securities	57,106	37,055
Leasehold deposits	6,971	6,758
Deferred income taxes	6,366	22,080
Other assets	21,926	25,957
<b>Total Investments and Other Assets</b>	<b>125,463</b>	<b>147,151</b>
<b>Total</b>	<b>¥ 711,011</b>	<b>¥ 683,325</b>

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2014	FY2015
<b>Current Liabilities:</b>		
Notes and accounts payable - trade	¥ 92,702	¥ 82,606
Accrued expenses	41,942	37,975
Income taxes payable	3,680	6,890
Other current liabilities	38,438	35,192
<b>Total Current Liabilities</b>	<b>176,762</b>	<b>162,663</b>
<b>Deferred Income Taxes</b>	<b>697</b>	<b>660</b>
<b>Termination and Retirement Benefits</b>	<b>30,393</b>	<b>62,289</b>
<b>Other Long-Term Liabilities</b>	<b>11,065</b>	<b>10,679</b>
<b>Total Liabilities</b>	<b>218,917</b>	<b>236,291</b>
<b>Shareholders' Equity:</b>		
Common stock, no par value:		
Authorized: 487,000,000 shares in 2015		
487,000,000 shares in 2014		
Issued: 213,958,172 shares in 2015		
217,397,872 shares in 2014	64,100	64,100
Capital surplus	99,070	99,101
Legal reserve	13,403	15,194
Retained earnings	301,174	317,171
Accumulated other comprehensive income (loss)	12,489	(50,204)
Treasury stock, at cost: 149,398 shares in 2015		
144,467 shares in 2014	(467)	(644)
<b>Total Shareholders' Equity</b>	<b>489,769</b>	<b>444,718</b>
<b>Noncontrolling Interests</b>	<b>2,325</b>	<b>2,316</b>
<b>Total Net Assets</b>	<b>492,094</b>	<b>447,034</b>
<b>Total</b>	<b>¥711,011</b>	<b>¥ 683,325</b>

# Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2014, 2015 and 2016

(Millions of yen)

	FY2013	FY2014	FY2015
<b>Net Sales</b>	¥772,966	¥847,252	¥833,604
<b>Costs and Expenses:</b>			
Cost of sales	475,758	514,645	512,792
Selling, general and administrative expenses	181,225	198,103	205,735
Research and development expenses	47,928	47,913	52,790
Other expenses (income), net	6,048	(797)	(3,399)
<b>Total</b>	<b>710,959</b>	<b>759,864</b>	<b>767,918</b>
<b>Income before Income Taxes and Equity in Earnings of Affiliates</b>	<b>62,007</b>	<b>87,388</b>	<b>65,686</b>
<b>Income Taxes</b>	<b>19,475</b>	<b>28,893</b>	<b>20,043</b>
<b>Equity in Loss (Earnings) of Affiliates</b>	<b>(3,782)</b>	<b>(3,937)</b>	<b>(2,039)</b>
<b>Net Income</b>	<b>46,314</b>	<b>62,432</b>	<b>47,682</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>129</b>	<b>262</b>	<b>392</b>
<b>Net Income Attributable to Shareholders</b>	<b>¥ 46,185</b>	<b>¥ 62,170</b>	<b>¥ 47,290</b>

(Yen)

	FY2013	FY2014	FY2015
<b>Per Share Data:</b>			
<b>Net Income Attributable to Shareholders</b>			
Basic	¥ 209.82	¥ 283.89	¥ 218.95
Diluted	—	283.89	218.95

# Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2014, 2015 and 2016

(Millions of yen)

	FY2013	FY2014	FY2015
<b>Net Income</b>	<b>¥46,314</b>	<b>¥62,432</b>	<b>¥ 47,682</b>
<b>Other Comprehensive Income (Loss), Net of Tax:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	18,946	21,846	(23,916)
Reclassification adjustment for the portion realized in net income	(1)	—	—
Net unrealized gain (loss)	18,945	21,846	(23,916)
Pension liability adjustments:			
Pension liability adjustments arising during the year	326	227	(29,525)
Reclassification adjustment for the portion realized in net income	1,375	1,316	1,486
Net unrealized gain (loss)	1,701	1,543	(28,039)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	10,002	7,074	(5,776)
Reclassification adjustment for the portion realized in net income	(1,116)	(3,062)	(4,818)
Net unrealized gain (loss)	8,886	4,012	(10,594)
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(1,409)	(656)	658
Reclassification adjustment for the portion realized in net income	1,249	975	(946)
Net unrealized gain (loss)	(160)	319	(288)
<b>Other Comprehensive Income (Loss)</b>	<b>29,372</b>	<b>27,720</b>	<b>(62,837)</b>
<b>Comprehensive Income (Loss)</b>	<b>75,686</b>	<b>90,152</b>	<b>(15,155)</b>
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>314</b>	<b>331</b>	<b>248</b>
<b>Comprehensive Income (Loss) Attributable to Shareholders</b>	<b>¥75,372</b>	<b>¥89,821</b>	<b>¥(15,403)</b>

# Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries  
Years ended March 31, 2014, 2015 and 2016

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling interests	Total net assets
<b>Balance, March 31, 2013</b>	227,121,372	¥ 64,100	¥ 99,066	¥ 10,876	¥ 253,654	¥ (44,349)	¥ (16,385)	¥ 366,962	¥ 1,801	¥ 368,763
Net income					46,185			46,185	129	46,314
Cash dividends paid to OMRON Corporation shareholders, ¥53 per share					(11,666)			(11,666)		(11,666)
Equity transaction with noncontrolling interests and other								—	154	154
Transfer to legal reserve				320	(320)			—		—
Other comprehensive income (loss)						29,187		29,187	185	29,372
Acquisition of treasury stock							(161)	(161)		(161)
Sale of treasury stock			1				1	2		2
<b>Balance, March 31, 2014</b>	227,121,372	64,100	99,067	11,196	287,853	(15,162)	(16,545)	430,509	2,269	432,778
Net income					62,170			62,170	262	62,432
Cash dividends paid to OMRON Corporation shareholders, ¥71 per share					(15,513)			(15,513)		(15,513)
Cash dividends paid to noncontrolling interests								—	(277)	(277)
Equity transaction with noncontrolling interests and other								—	2	2
Transfer to legal reserve				2,207	(2,207)			—		—
Other comprehensive income (loss)						27,651		27,651	69	27,720
Acquisition of treasury stock							(15,054)	(15,054)		(15,054)
Sale of treasury stock			0				1	1		1
Retirement of treasury stock	(9,723,500)		(2)		(31,129)		31,131	—		—
Issuance of stock acquisition right			5					5		5
<b>Balance, March 31, 2015</b>	217,397,872	64,100	99,070	13,403	301,174	12,489	(467)	489,769	2,325	492,094
Net income					47,290			47,290	392	47,682
Cash dividends paid to OMRON Corporation shareholders, ¥68 per share					(14,656)			(14,656)		(14,656)
Cash dividends paid to noncontrolling interests								—	(256)	(256)
Equity transaction with noncontrolling interests and other								—	(1)	(1)
Transfer to legal reserve				1,791	(1,791)			—		—
Other comprehensive income (loss)						(62,693)		(62,693)	(144)	(62,837)
Acquisition of treasury stock							(15,023)	(15,023)		(15,023)
Sale of treasury stock			0				0	0		0
Retirement of treasury stock	(3,439,700)				(14,846)		14,846	—		—
Issuance of stock acquisition right			31					31		31
<b>Balance, March 31, 2016</b>	213,958,172	¥ 64,100	¥ 99,101	¥ 15,194	¥ 317,171	¥ (50,204)	¥ (644)	¥ 444,718	¥ 2,316	¥ 447,034

# Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries  
Years ended March 31, 2014, 2015 and 2016

(Millions of yen)

	FY2013	FY2014	FY2015
<b>Operating Activities:</b>			
Net income	¥ 46,314	¥ 62,432	¥ 47,682
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,089	28,339	31,460
Net loss (gain) on sales and disposals of property, plant, and equipment	1,146	3,432	(485)
Loss on impairment of long-lived assets	804	137	463
Net gain on sale of investment securities	(1,714)	(4,337)	(1,499)
Loss on impairment of investment securities	501	166	68
Gain on contribution of securities to retirement benefit trust	—	—	(4,140)
Termination and retirement benefits	(4,417)	(17,427)	698
Deferred income taxes	2,170	11,938	2,283
Equity in loss (earnings) of affiliates	(3,782)	(3,937)	(2,039)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	(6,613)	3,384	9,436
Decrease (increase) in inventories	(325)	(10,671)	6,061
Decrease (increase) in other assets	(32)	(2,828)	1,003
Increase (decrease) in notes and accounts payable - trade	5,824	1,658	(7,189)
Increase (decrease) in income taxes payable	2,277	(3,127)	3,433
Increase (decrease) in accrued expenses and other current liabilities	10,883	6,318	(4,614)
Other, net	919	1,580	1,586
Total adjustments	32,730	14,625	36,525
Net cash provided by operating activities	79,044	77,057	84,207
<b>Investing Activities:</b>			
Proceeds from sale or maturities of investment securities	2,840	5,274	2,214
Purchase of investment securities	(2,179)	(603)	(330)
Capital expenditures	(32,218)	(37,123)	(37,903)
Decrease in leasehold deposits, net	75	118	115
Proceeds from sale of property, plant, and equipment	794	768	2,239
Decrease (increase) in investment in and loans to affiliates	209	(30)	(20)
Proceeds from sale of business	26	—	—
Acquisition of business, net of cash acquired	(672)	(8,003)	(33,448)
Other, net	—	82	17
Net cash used in investing activities	(31,125)	(39,517)	(67,116)
<b>Financing Activities:</b>			
Net repayments of short-term debt	(5,135)	(853)	2
Dividends paid by the Company	(10,566)	(12,985)	(16,077)
Dividends paid to noncontrolling interests	—	(277)	(256)
Proceeds from equity transactions with noncontrolling interests	22	—	—
Acquisition of treasury stock	(161)	(15,054)	(15,023)
Other, net	(458)	(134)	(196)
Net cash used in financing activities	(16,298)	(29,303)	(31,550)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>2,922</b>	<b>4,134</b>	<b>(5,253)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>34,543</b>	<b>12,371</b>	<b>(19,712)</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>55,708</b>	<b>90,251</b>	<b>102,622</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>¥ 90,251</b>	<b>¥ 102,622</b>	<b>¥ 82,910</b>

# Corporate Information / Stock Information As of March 31, 2016

**Established**  
May 10, 1933

**Incorporated**  
May 19, 1948

**Capital**  
¥64,100 million

**Number of Employees (Consolidated)**  
37,709

**Common Stock Issued**  
213,958 thousand shares  
Trading Unit  
100 shares  
Number of Shareholders  
44,787

**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

**Depository and Transfer Agent for American Depository Receipts**  
JPMorgan Chase Bank, N.A.

**Head Office**  
Shiokoji Horikawa,  
Shimogyo-ku, Kyoto  
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Fax: +81-75-344-7001

## Overseas Headquarters

**North America**  
OMRON MANAGEMENT CENTER OF AMERICA (Illinois)

**Brazil**  
OMRON MANAGEMENT CENTER OF BRAZIL (São Paulo)

**Europe**  
OMRON MANAGEMENT CENTER OF EUROPE (The Netherlands)

**Greater China**  
OMRON MANAGEMENT CENTER OF CHINA (Shanghai)

**Asia Pacific**  
OMRON MANAGEMENT CENTER OF ASIA PACIFIC (Singapore)

**India**  
OMRON MANAGEMENT CENTER OF INDIA (Haryana)

**Major Manufacturing & Development, Sales & Marketing, and Research & Development Centers in Japan**

**Manufacturing & Development**  
Kusatsu Office  
Ayabe Office  
Yasu Office

**Research & Development**  
Keihanna Technology Innovation Center  
Okayama Office

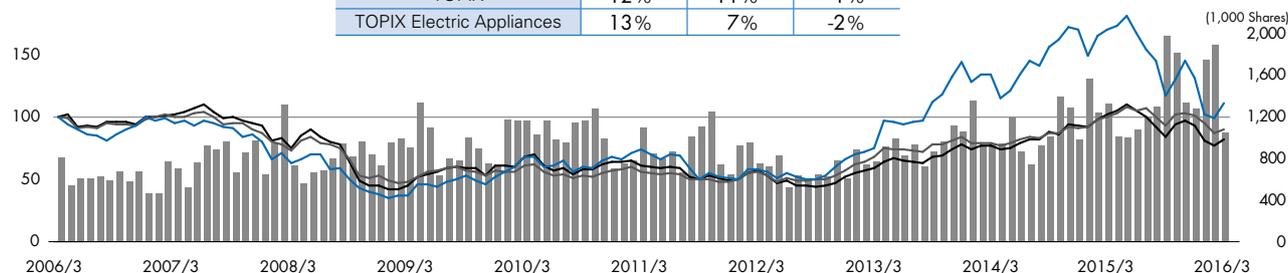
**Sales & Marketing**  
Tokyo Office  
Mishima Office  
Nagoya Office  
Osaka Office

## Total Shareholder Return (TSR<sup>\*1</sup>) Tokyo Stock Exchange and Osaka Securities Exchange

(Index) ■ Daily Trading Volume  
— Omron  
— TOPIX  
— TOPIX Electric Appliances

TSR (annualized rate)

Holding Period <sup>*2</sup>	3 years	5 years	10 years
Omron	15%	9%	1%
TOPIX	12%	11%	-1%
TOPIX Electric Appliances	13%	7%	-2%



Notes: 1. Share index (2006/3E = 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.

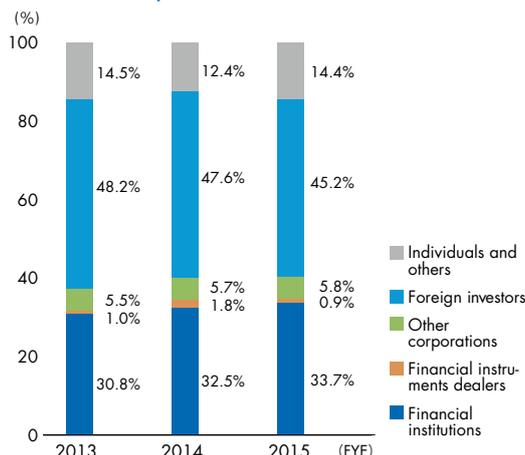
\*1 TSR: Total investment return, combining capital gains and dividends  
\*2 TSR holding period indexed to March 2016

## 52-Week High/Low, Volatility<sup>\*3</sup>

FY	High (¥)	Low (¥)	Volatility (%)
2006	3,590	2,615	27.1
2007	3,510	1,950	36.3
2008	2,385	940	52.4
2009	2,215	1,132	35.9
2010	2,418	1,749	34.7
2011	2,357	1,381	36.5
2012	2,478	1,436	29.9
2013	4,730	2,213	39.7
2014	5,800	3,365	30.9
2015	5,900	2,742	40.0

\*3 Volatility: Price fluctuation risk, expressed in standard deviations

## Ownership and Distribution of Shares



# Independent Practitioner's Assurance

Omron believes the independent assurance process is important to improve the accuracy and objectivity of its Integrated Report 2016. The following information contained in the Integrated Report was reviewed by an independent third party\*. The process leading to issuance of the Independent Practitioner's Assurance Report was as follows:

\* Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd.: A related company of Deloitte Touche Tohmatsu LLC, a member firm of Deloitte Touche Tohmatsu Limited.

## Independent Practitioner's Assurance Process



## Scope of Independent Practitioner's Assurance Report

- Ratio of non-Japanese in managerial positions overseas (P30)
- Ratio of women in managerial roles (OMRON Group in Japan) (P30)
- Ratio of employees with disabilities (P30)
- Global net sales to CO<sub>2</sub> emissions (P31)
- Environmental contribution (P31, 32-33)



# From the Editor-in-Chief

This Integrated Report 2016 represents the fifth Omron Corporation integrated report since our first publication in 2012.

We consider the integrated report an important tool for disclosing information to our stakeholders. We believe that we can accomplish our duty of corporate governance by practicing diligent management in combination with sustainable corporate value improvement. This belief is also embodied in the Omron Corporate Governance Policies, formulated in June 2015, which organized lessons learned from our 20-plus years of focused commitment to strengthening corporate governance.

We are pleased that these efforts have been recognized by outside institutions. The Japan Investor Relations Association awarded Omron the fiscal 2015 Best IR Award. As well, our Integrated Report 2015 received the Award for Excellence in Integrated Reporting from the World Intellectual Capital Initiative Japan, a partner with the International Integrated Reporting Council for the third consecutive year, and the Nikkei Annual Report Awards Second Prize from Nikkei Inc., publisher of the Nikkei Shimbun.

We created the Integrated Report 2016 with particular focus on our overall value creation story. Human resources (source of corporate value) and technology (source of

sustainable growth) are emphasized as two important capitals at Omron in this report.

Continuing last year's effort, we have been taking steps to improve reliability by contracting an independent assurance organization to confirm our main non-financial indicators.

At the opening of this report, our Chief Executive Officer and Chief Financial Officer each issued messages under their signatures as representatives of management. As Chief Communications Officer with responsibility for this integrated report, I assure the reader of the validity of the report creation process, as well as the accuracy of the content herein.

We will strive to communicate with our stakeholders about our path of corporate value creation. I encourage you to support us in this endeavor by sharing your frank opinions and ideas with us.



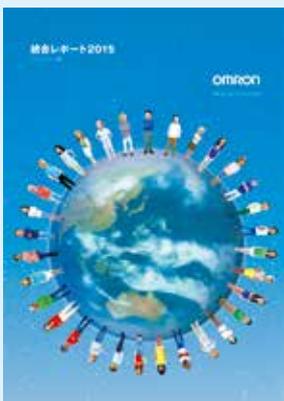
**Satoshi Ando**

Managing Executive Officer  
Senior General Manager,  
Global Investor Relations &  
Corporate Communications HQ

July 2016



## Omron Integrated Report 2015: Awarded for Excellence



The Omron Integrated Report 2015 was selected winner of the Award for Excellence in Integrated Reporting from the World Intellectual Capital Initiative Japan. This report was also awarded Second Prize in the Nikkei Annual Report Awards sponsored by Nikkei, Inc.

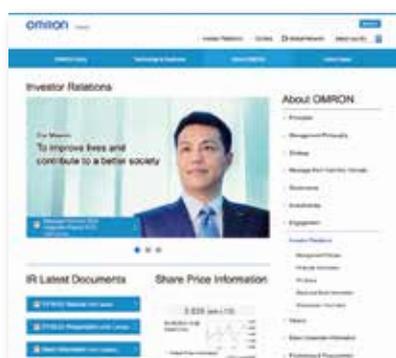


## OMRON Global Site

<http://www.omron.com/>

### Financial Information

<http://www.omron.com/about/ir/>



### Non-Financial Information

<http://www.omron.com/about/sustainability/>



### Integrated Report

<http://www.omron.com/about/annual/index.html>

### Financial Results

<http://www.omron.com/about/ir/irlib/presen/>

## INQUIRIES

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Corporate Social Responsibility Department

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