

# A History of Creating Value

Since our founding, OMRON has pursued innovation driven by social needs, leading the world in innovative ideas. We will continue to improve lives and contribute to a better society by creating value for the future. This section introduces some leading examples of OMRON's innovation driven by social needs.

## 1. Opening Up the Automation Market (1955-)

In the 1950s, Japan built the foundations to recover from World War II and entered a full-scale growth phase. In 1955, Japan's real Gross National Product per capita exceeded the prewar level, and its national life entered the era of electrification represented by 3 essential tools for modern life: TV, electric washing machine, and electric refrigerator, which were called *Sanshu no Jingi* (known as "Three Sacred Treasures").

OMRON was among the first in Japan to develop relays, timers, switches, and other components essential for the automatic operation of manufacturing machines. In this way, OMRON has supported the spread of home appliances, automobiles, and other products that enrich people's lives through the automation of manufacturing processes. At that time, little was known about the concept of automation in Japan, and OMRON pioneered a new market of automation in the country through the publication of enlightening newspapers such as Automation News and the holding of Technical Fair. Consequently, human labor was replaced by machines in Japanese manufacturing settings, reducing errors that had been caused by long working hours, and improving work efficiency and safety. At the same time, OMRON built the foundation for manufacturing in all processes, production stages, management systems, and quality control. In addition, OMRON developed the world's first non-contact switch, contributing to the creation of advanced machines capable of mass production without failure or wear. Mass production has brought an abundant supply of products to markets and made them more readily available to consumers.

For the past 65 years, OMRON has delivered relays, switches, sensors, controllers, robots, testing apparatus, and other device that help advance manufacturing processes, thereby contributing to increased productivity in the global manufacturing industry and helping enrich people's lives.

With technology and solutions centered on the industry's broadest range of control devices, OMRON continues to address increasingly serious issues in manufacturing settings, such as soaring labor costs and the shortage of skilled technicians.

### Social Issues

### Solutions OMRON has been providing

#### 1950s

Automation enabled mass production during the high-growth period



1943  
Japan's first microswitch



1960  
World's first non-contact switch

#### Now

Address soaring labor costs, shortage of skilled technicians, and advanced manufacturing



2015  
World's first high performance smart camera with multi-color light



2016  
World's first SCARA robot with predictive maintenance functions



2020  
World's first robotic integrated controller

## 2. The Challenge of Developing an Unmanned Train Station System (1964-)

In Japan in the mid-1960s, economic development posed new social challenges. Commuting rush hour in urban areas due to population concentration was one of them. At ticket counters and gate areas at stations, station workers had to sell and check a large number of passengers tickets by hand, resulting in long waiting lines.

Since the early 1960s, OMRON has challenged solving this issue and has continued research and development by applying its cybernation technology cultivated through the development of vending machines, automated traffic signals, and other products. Cybernation is a combination of computers and automation using automatic control technology incorporating a feedback function. In 1964, OMRON began to develop automatic ticket gates for commuter passes in cooperation with Kintetsu Railway Co., Ltd. In January 1966, a prototype was completed, and a practical trial began. After that, OMRON attempted to introduce an automated ticket gate system for commuter and ordinary tickets at Kita-senri Station (Senri line), which was planned to be constructed by Hankyu Corporation. After repeated research and development, prototype testing, and adjustments, OMRON finally succeeded in developing the system in 1967, 3 years before the EXPO'70, and commenced full-scale operation. The world's first unmanned automated station system was realized with a lineup of ticket vending machines, commuter pass punchers, bill exchangers, and automated ticket gates.

For more than 50 years, OMRON has been providing automated ticket gates, ticket vending machines, and maintenance and operation services, and thereby contributing to creating safe, secure, and comfortable stations to support the growth of Japan.

In Japan, station workers are required to provide increasingly wider and more complex services, including responding to various inquiries from passengers about train connections, station precincts, and vicinities, as well as assistance with boarding and alighting from trains. In addition, it is becoming more difficult to secure human resources due to a decline in the working population resulting from the falling birthrate and the aging population. OMRON works with railway companies to automate their station operations in order to provide safe, secure, comfortable, and user-friendly station services. In 2019, OMRON began offering multi-functional service robots capable of cleaning, guarding, and guiding, and initiated demonstration experiments of a station guide robot equipped with voice-interactive artificial intelligence.

### Social Issues

### Solutions OMRON has been providing

**1960s**

**Congestion in urban public transportation**



1967  
World's first unmanned train station system  
(Kita-senri Station, Hankyu Corporation)



**Now**

**Wider and more complex services provided by station workers**



2019  
Multi-functional service robots



2019  
Station guide robot equipped with voice-interactive artificial intelligence

### 3. Wider use of home blood pressure monitors (1973-)

OMRON's efforts to develop home blood pressure monitors originated from the concept of Health Engineering in the early 1960s for the first time in the world. Health Engineering was conceived by OMRON founder Kazuma Tateishi from factory automation system at that time. Health Engineering is a concept that views the human body as a tissue engineering-based aggregate of numerous automatic control systems and uses automation technology to manage health, diagnose diseases, and treat diseases.

Based on this unique theory, we began research on health medical devices at the Central Laboratory in 1961. Since then, we have pursued the development of home blood pressure monitors to contribute to health through measurement technology based on the OMRON principles, "business should create value for society through its key practices." In 1973, OMRON released its first electronic blood pressure monitor, Manometer-typed Manual Blood Pressure Monitor (HEM-1). In 1978, OMRON's first digital blood pressure monitor, Digital Blood Pressure Monitor for Home Use (HEM-77) was developed.

Since then, OMRON has worked with healthcare professionals to promote home blood pressure monitoring. The April 2014 revision of the Japanese Society of Hypertension Guidelines for the Management of Hypertension stated that if a difference is noted between clinic and home blood pressure measurements, the latter should be preferred. Thus, home blood pressure is now an essential component in the treatment of hypertension. In this way, OMRON has created a culture of home medical care.

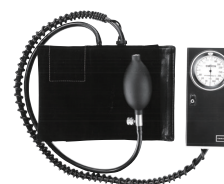
Today, the prevalence of lifestyle-related diseases is increasing rapidly around the world with the aging of the population in developed countries and changes in dietary habits associated with economic growth in emerging countries. In addition, the accompanying increase in medical care costs has become a new social issue. OMRON continues to contribute to the health and well-being of people by delivering home blood pressure monitors and other healthcare device to approximately 120 countries and regions around the world, as well as offering services tailored to the social infrastructure and healthcare system in each country. In 2018, OMRON launched the world's first wearable blood pressure monitor & watch that makes it possible to measure blood pressure easily anywhere at any time. In 2019, we released the world's first home blood pressure monitor with an electrocardiograph (EKG) that enables users to take an EKG easily at home. OMRON continues to bring out innovative devices.

#### Social Issues

#### Solutions OMRON has been providing

**1970s**

**Rising concern for personal health resulting from changes in lifestyle**



1973  
Digital blood pressure monitors

**Now**

**Medical care costs increased by a surge in lifestyle-related diseases around the world**


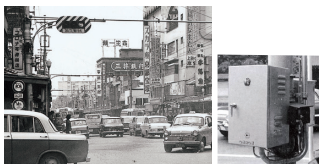



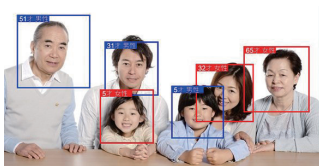





2018  
World's first wearable blood pressure monitor & watch



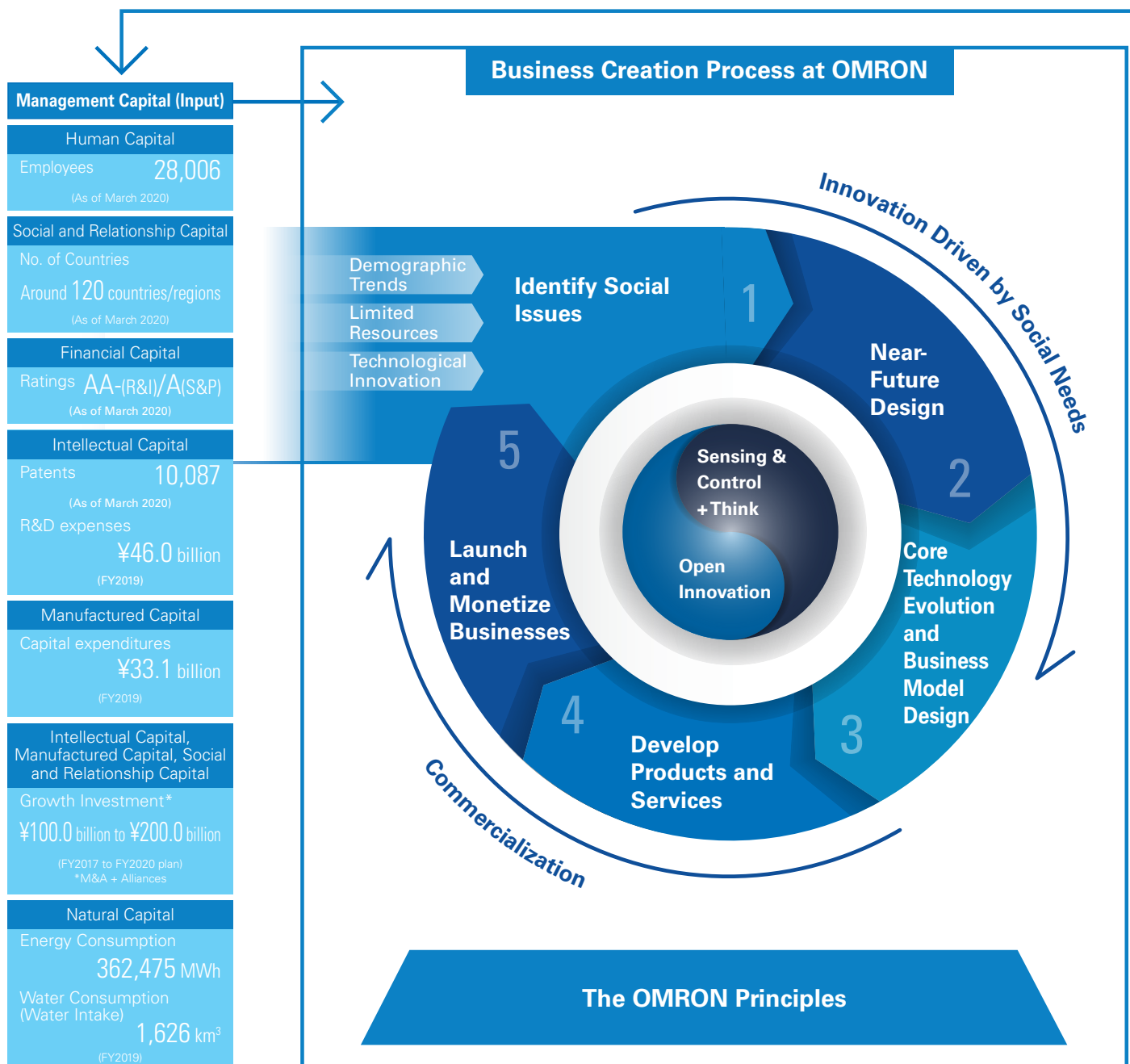
2019  
World's first blood pressure monitor with an EKG

In addition to the examples above, OMRON has been providing society with a multitude of world's first, Japan's first, or industry's first solutions that contribute to creating a better society.

Social Issues / Customer Issues	Solutions OMRON has been providing	
<b>1963</b>  <b>Automated meal ticket vending machines in restaurants that were crowded and understaffed only during certain times of day</b>		Japan's first multifunctional meal ticket vending machine
<b>1964</b>  <b>Reduced road traffic congestion due to population concentration in urban areas</b>		World's first fully automated traffic signal
<b>1971</b>  <b>Realized a cashless society where carrying a cash card instead of cash</b>		World's first online automated cash dispenser
<b>1972</b>  <b>Independence of the disabled in Japan</b>		Opened the welfare factory OMRON Taiyo Co., Ltd and Japan Sun Industries (Taiyo no ie), as the first attempt in Japan
<b>1987</b>  <b>Developed machines capable of complex control, not just on and off</b>		World's first ultra-high-speed fuzzy logic controller
<b>1997</b>  <b>Technology speeding the wider use of digital devices</b>		OKAO® vision image sensing technology
<b>2011</b>  <b>Wider adoption of renewable energy in Japan</b>		Industry's first PV inverter for photovoltaic power generation equipped with the anti-islanding control technology (AICOT®), which prevents islanding conditions in multiple photovoltaic power generation systems
<b>2016</b>  <b>Realized safe autonomous driving technology</b>		World's first on-vehicle sensor using cutting-edge artificial intelligence
<b>2019</b>  <b>Ensuring means of mobility for residents in depopulated and aging local cities in Japan</b>		Japan's first Mobility as a Service (MaaS) application combining private vehicle-for-hire by residents and public transportation such as bus and taxi

# Value Creation Model

OMRON value creation is anchored to future social needs as we work toward our vision of a better society. Innovation driven by social needs means creating new value through inspired solutions to social issues. At OMRON, we base value creation on the OMRON Principles and the SINIC Theory (future predictive model). We commercialize innovations as products and services for our customers, contributing to a better society as these solutions are put into use. Our value creation model results in business growth and sustainable corporate value improvement. As we grow, we generate larger amounts of management capital for use in creating innovation driven by new social needs.



## Business Creation Process at OMRON

### Innovation Driven by Social Needs

#### ① Identify Social Issues

Identify signs of change in the world and search for social issues (including customer issues) in key areas of focus.

#### ② Near-Future Design

Develop near-future design for the next three to ten years, anchored to our future vision of social issues, technological innovation, and developments in science.

#### ③ Core Technology Evolution and Business Model Design

Evolve core technologies and design business models necessary for achieving our vision of the near future.

### Commercialization

#### ④ Develop Products and Services

Develop products and services for customers and society.

#### ⑤ Launch and Monetize Businesses

Incubate and grow businesses to solve social issues, while identifying new and emerging social issues.



## Message from the CEO

# Overcoming the COVID Crisis Through Selection and Decentralization Management Based on the OMRON Principles to Survive and Thrive in the New Normal Era

September 2020  
President and CEO

**Yoshihito Yamada**

In 2020, 12 years after the global financial crisis of 2008, the world was suddenly beset by a new threat in the form of the novel coronavirus, COVID-19. President and CEO Yoshihito Yamada believes that OMRON will continue to survive and thrive in the new normal era, when the unforeseen has become the norm.

Mr. Yamada has heralded a new concept, Selection and Decentralization for a unique OMRON style of management based on the OMRON Principles. We spoke to him about his resolve to open the way to the future.

(Interviewer: Integrated Report Production Team)

## What is Needed to Overcome this Unprecedented Crisis

— **Editor: The global COVID-19 pandemic has dealt a more devastating blow to the global economy than the 2008 global financial crisis. What is your view of the situation?**

When the spread of the novel coronavirus reached global pandemic proportions, demand fell around the world, and this has cast a shadow over all industries. I am prepared for the likelihood that the damage to the global economy will be further intensified going forward. Employment will become unstable and personal consumption will be adversely affected. Businesses may also be plunged into even more dire straits. We have truly entered an age of the “survival of the fittest.” On the other hand, the crisis has also resulted in major leaps forward. Take healthcare, for example. Progress in telehealth had previously been hampered by various regulations, but it has now advanced considerably on a global scale. In production settings, there are growing needs for new kinds of labor-saving through collaboration between human workers and robots, to ensure social distancing and protect the health of workers. In this way, we are seeing two changes occurring simultaneously—a decline in total demand and a stirring of new demand. OMRON will address these changes head-on and continue to survive and thrive in this age of survival of the fittest.

— **Most of us have heard of the term, “selection and concentration,” but you recently signaled an interesting new concept of “selection and decentralization.” What meanings and aims are embedded in this concept?**

This concept of selection and decentralization is something that OMRON has been pursuing for some time. For OMRON, *selection* refers to choosing those business areas in which we can leverage our core technologies, based on the OMRON Principles. In the course of that selection, we clearly distinguish domains in which OMRON itself will engage and areas in which OMRON seeks to work together with collaborators and partners. *Decentralization*, on the other hand, means to establish multiple “pillar businesses,” instead of relying on a single particular business, customer, or country. In today’s highly uncertain environment, dependence on just one particular business, customer, or country increases risk. With multiple pillar businesses that are independent of each other, we can diversify risk, and, by connecting these pillar businesses organically, we can create a more resilient organization. Ordinarily, the global deployment of multiple businesses would adversely affect efficiency. However, OMRON has the OMRON Principles,

which are our common values, so even with the individual organizations acting independently, they can still create synergy. Decentralization also includes the concept of diversity. What to select, how to decentralize, and how to incorporate diversity. These questions are constantly on our minds as we work to bring resilience to our business portfolio.

In fiscal 2019, OMRON made the significant decision to sell off its Automotive Electronic Components Business. This was the result of *selecting*, as our engines for future growth, our Industrial Automation Business (IAB), Healthcare Business (HCB), and Social Systems, Solutions and Service Business (SSB), as well as the Electronic and Mechanical Components Business (EMC), which supports these three businesses. The vision we are aiming for is to make firm profits with these four (3+1) pillar businesses. Our vision is not one of a core business being leant on by other businesses. That is not what we are striving for. Having *selected* our business areas, we are now *decentralizing* our pillar businesses. Should one of our businesses face adversity, the other businesses will be able to compensate for the impact of that adversity and hold the entire company steady.

[Refer to Selection and Decentralization table on p.13 →](#)

[P69 Message from the Chairman →](#)

— **Amidst this crisis of the COVID-19 pandemic, how has OMRON been able to protect its employees and achieve the continuation of its business? Has the selection and decentralization concept worked in this situation as well?**

Of course, it functioned very effectively. At OMRON, the protection of our employees’ health is our top priority. In late January, when the pandemic was in its early stages, we established a framework for gathering information from various locations around the world in real time and in an integrated manner. At the same time, we issued directions for flexible responses in each area, including temporary shutting down factories and shifting to work-from-home, instead of having people come into the office. Our mission was to protect employees’ health while maintaining business operations, to fulfill our supply responsibilities. This act of balancing these two missions, more than anything, is the responsibility of executive management.

OMRON has diversified its risk by establishing a tri-polar framework for our supply chain between Japan, China, and Southeast Asia, in which each pole complements the others organically. In the early stages of the pandemic, production in China was shut down but, thanks to back-up from production centers in Japan and southeast Asia, we were able to overcome the crisis without disrupting the flow of supply. What made this possible was our groundwork in decentralizing and organically linking independent organizations. Specifically, it

was the result of smooth transition of production and sharing of production technology based on a framework of independent complementarity. In this way, selection and decentralization is achieved by independent organizations connecting with each other and having the ability to back each other up.

[P17 Responses to COVID-19 Pandemic](#) →

## OMRON Principles Unleash the Passion of Our Employees

— We understand that, even in this time of crisis, the OMRON Principles were put into practice in various locations in the world. Could you give us some specific examples?

Many challenges were pursued in various parts of the world. What made me particularly happy was that the employees took the initiative to think about what they could do themselves and pursued these challenges voluntarily.

For example, our engineers in the Industrial Automation Business in Europe voluntarily participated in an external project for the development of ventilators, and in the United States and Asia, our people worked with partners to develop unmanned sanitizing robots equipped with UV. At the height of the pandemic, our production centers in the Healthcare Business in China and Italy responded to requests from governments to manufacture critical products for treatment of COVID-19, such as thermometers, nebulizers, and medical suction equipment. There are many other examples of local employees showing initiative and putting the OMRON

Principles into practice.

The term “instilling” in an organization is often used in terms of corporate principles, but I take a different view. My image is of “unleashing,” or “releasing” employees’ will to implement those principles, not instilling them. If they are able to take personal ownership of innovation driven by social needs, as stated in the OMRON Principles, our employees will think and act of their own volition. The implementation of the OMRON Principles by employees will resonate with their colleagues around them, generating a great movement to change the world. Each and every employee will take a step forward to realize a better society. It is my belief that management based on the OMRON Principles is what will unleash our employees’ passion.

[P60 People](#) →

## Fiscal 2019 Review and Fiscal 2020 Outlook

— In fiscal 2019, we were rocked greatly by the intensifying confrontation between the United States and China and the COVID-19 pandemic. What is your view of our business results in fiscal 2019?

It was a harsh year. We were unexpectedly beset by the COVID crisis in the fourth quarter of this year, but even before then, the geopolitical risk from the trade friction between the United States and China had been weighing heavily on the company. With the Industrial Automation Business significantly affected by the negative spiral in trade

### Selection and Decentralization Approaches

Approaches	Outcomes	Opportunities
<b>Business Domains</b>	<ul style="list-style-type: none"> <li>Establishment of three domains + one business positioned in growth areas</li> <li>Establishment of IAB, HCB, and SSB, as well as EMC, which supports those three businesses, as focus businesses</li> <li>Building ROIC mechanisms into management to enable the automatic review of areas of focus</li> </ul>	<ul style="list-style-type: none"> <li>Create new businesses as future pillars</li> <li>Expand profit from service business</li> </ul>
<b>Business Centers</b>	<ul style="list-style-type: none"> <li>Establishment of global management framework through Overseas Headquarters (six locations)</li> <li>Localization of managerial positions overseas (70% of positions localized in FY2019 against FY2020 target of 66%)</li> <li>Transfer of overseas HR function to Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen functions of Overseas Headquarters</li> <li>Strengthen governance function to respond to bloc economy trend and geopolitical risk</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Development of technologies with Sensing &amp; Control + Think</li> <li>Acceleration of initiatives for creating innovation with external partners by OSX*</li> <li>Acquisition of technology through investment in external ventures by OVC*</li> </ul>	<ul style="list-style-type: none"> <li>Implement advanced technologies in society</li> </ul>
<b>Production Frameworks</b>	<ul style="list-style-type: none"> <li>Establishment of global tri-polar production framework between Japan, China, and Southeast Asia (IAB: Japan (Kusatsu/Ayabe), China (Shanghai), Indonesia) (HCB: Japan (Matsusaka), China (Dalian), Vietnam)</li> </ul>	<ul style="list-style-type: none"> <li>Decentralize production centers in line with local production/local consumption strategy (Europe, US, etc.)</li> <li>Further reinforce individual production centers’ alternative production functions</li> </ul>
<b>Purchasing function</b>	<ul style="list-style-type: none"> <li>Ensured outstanding QCD based on group purchase volumes through central purchasing</li> <li>Realized stable procurement during pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce product competitiveness through adoption of advanced materials</li> <li>Reduce procurement costs through optimization of logistics</li> </ul>
<b>Diversity</b>	<ul style="list-style-type: none"> <li>Recruitment of mid-career personnel (99 in FY2019, alongside 174 new-graduate recruits)</li> <li>Recruitment of people with different skills through a job scheme</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen personnel mobility and rebuild HR systems</li> <li>Increase percentage of female managers in Japan</li> <li>Diversity in the Board of Directors (foreign nationals)</li> </ul>

\* OSX: OMRON SINIC X Corporation \* OVC: OMRON Ventures Co., Ltd.

and capital expenditures, our whole-company results fell sharply by ¥54.6 billion compared with the previous year. While sales were significantly down, we were able to minimize the decline in our profit.

This is the result of being able to improve our gross profit (GP) margin (gross profit on net sales), which indicates our capacity to earn profits. Generally, a decline in sales leads to a decline in GP margin, but at OMRON, our GP margin rose by 0.4 percentage points over the previous year to 44.8%, our highest on record. We achieved this through our ongoing ROIC Management efforts, such as a shift to solution sales and the introduction of competitive new products.

This increase in GP margin could be described as evidence that our earning ability is not hindered by change. We are also seeing a definite strengthening of our financial position. This is clear from a comparison of the figures for fiscal 2008, the year of the global financial crisis, with the figures for fiscal 2019, when the COVID crisis struck. Our GP margin in fiscal 2019 was 10 percentage points higher than fiscal 2008's 34.8%. Cash and deposits, borrowings, and shareholders' equity ratio have all also improved substantially.

On the other hand, in terms of growth power, which is the ability to withstand trials in business conditions and push up sales, challenges still remain. From the viewpoint of establishing a self-driven growth structure, we are still lacking strength. Going forward, we will band together across the entire company to strive for "ambidextrous management"\* as a way to build up the power to achieve self-driven growth. Ambidexterity in management means companies striving to achieve perpetual growth by

simultaneously exploiting existing businesses and exploring and establishing new businesses in a well-balanced manner. The growth of our existing businesses alone will not be enough to achieve dramatic growth in sales. We will strive to create new business areas through OMRON's mission, that is, innovation driven by social needs.

[P24 Message from the CFO →](#)

[P53 Message from the CTO →](#)

\* From *Lead and Disrupt: How to Solve the Innovator's Dilemma* (2016), O'Reilly, Charles A., III, and Tushman, Michael L.

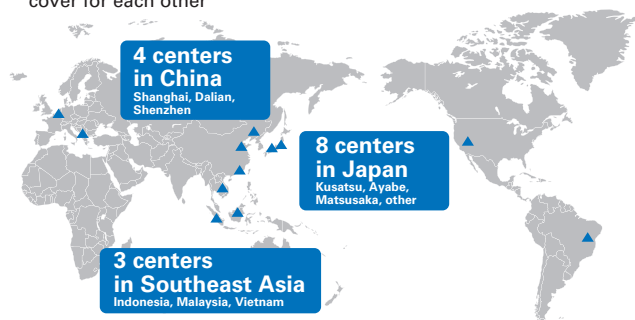
### — With further adversity anticipated, how will OMRON survive fiscal 2020? What is your outlook for fiscal 2020 based on the first-quarter results?

I do not believe that the catastrophe wreaked by COVID-19 will end in a year. The decline in final demand will continue to weigh heavily. Our highest priority will be to endure this era of the survival of the fittest.

Thanks to our responsiveness to change, even in this unprecedented crisis brought about by COVID-19, our first-quarter results showed a significant increase in profit compared with the previous year, despite a decline in net sales. There were three main reasons for this result. Firstly, we were able to curb the extent of the sales decline from our initial projections by firmly capturing unforeseen demand that emerged from the pandemic, such as a sharp rise in demand in digital industries, increased demand for production of personal protective equipment such as masks, and increased demand for thermometers. Secondly, we further improved our gross profit margin by continuing to engage in various initiatives such as strengthening our product lineup, reducing variable costs, and implementing structural reforms. Thirdly,

### BCP Framework in Supply Chain (Major Production Centers)

Operations based on a tri-polar production framework, building a production framework in which production centers are able to cover for each other



### Changes in Financial Position (Billions of yen)

	FY2008	FY2019	Difference
GP margin	34.8%	44.8%	+ 10.0%pt
Cash and deposits	46.6	185.5	398.0%
Borrowings	54.4	1.7	3.1%
Shareholders' equity ratio	55.4%	70.0%	+ 14.6%pt

### FY 2019 Results (Billions of yen)

	FY2019 Results	Y/Y
Net Sales	678.0	- 7.5%
Gross Profit	303.7	- 6.7%
Operating Income	54.8	- 18.6%
Net Income*	74.9	+ 37.9%
Gross Profit Margin	44.8%	+ 0.4%pt

\* Net income includes net income from discontinued business (Automotive Electronic Components Business) (including profit from sale).

### Q1 FY2020 Results (Billions of yen)

	FY2019 Q1 Result	FY 2020 Q1 Result	YOY change
Net Sales	160.0	146.5	- 8.5%
Gross Profit (Gross profit margin)	71.5 (44.7%)	66.4 (45.3%)	- 7.2% (+ 0.6pt)
Operating Income (Operating income margin)	10.0 (6.3%)	12.5 (8.5%)	+ 24.2% (+ 2.2pt)
Net Income in Quarterly Period	8.5*	9.7	+ 13.5%

\* Includes quarterly net income from discontinued business (Automotive Electronic Components Business).

there was a curbing of fixed costs, through the progress made as planned in the cuts decided at the beginning of the fiscal year, and through the restriction of business activities due to COVID-19. We achieved better results than expected for the first quarter, but with the pandemic showing signs of prolonging, we anticipate that the market environment will remain uncertain. Therefore, on the premise that the harsh business conditions will continue at least until the end of the fiscal year, we have selected a conservative scenario that eliminates factors of high uncertainty as much as possible, and set a full-fiscal-year forecast of falls in sales and profit. Of course, we do not believe that this is all we need to do. We will continue to seize business opportunities firmly and aim to enhance our performance. The business environment is uncertain, but we will continue to make investments that will be essential for future growth in the post-COVID era.

[P25 Table: FY2020 Plan →](#)

**— The two years of fiscal 2020 and 2021 have been designated as a period of preparation and transformation in anticipation of the post-COVID era.**

I expect the with-COVID era to continue for some time. The impact of the pandemic is also bound to have a significant impact on future society. Accordingly, we have designated those two years as our critical response period, in which we will place top priority on responding to the crisis to ensure the continuation of our business and secure profits. At the same time, we will proceed with preparations and reforms for the post-COVID era and work on developing our next long-term vision. The next long-term vision will commence in fiscal 2022, after that two-year period. Although the COVID crisis has been a tremendous trial, it has also given OMRON a clearer outline of the innovation driven by the social needs of the near future that we should seek to achieve. People's values, business models, and the image of society are all on the verge of enormous change. Over those two years, OMRON will seize those changes and accelerate our transformation, so we can continue to be a pioneer in creating inspired solutions to future social needs.

**Demonstrating OMRON's Raison d'Être in an Era of Major Transformation**

**— As the major transformation of society proceeds, how will OMRON transform its business and demonstrate its own raison d'être in the next long-term vision?**

Basically, our plan to make the Industrial Automation, Healthcare, and Social Systems, Solutions and Service businesses, and the Electronic and Mechanical Components Business

that support these three businesses, our engines for future growth will not change. However, we will work on the following three challenges within that plan.

The first is the deepening of existing businesses in response to new needs. This includes, for example, businesses that deal with telehealth, and Industrial Automation Business such as robots for further labor saving. In the post-COVID society, there will be more and more progress in automation. It is vital that we address this potential firmly.

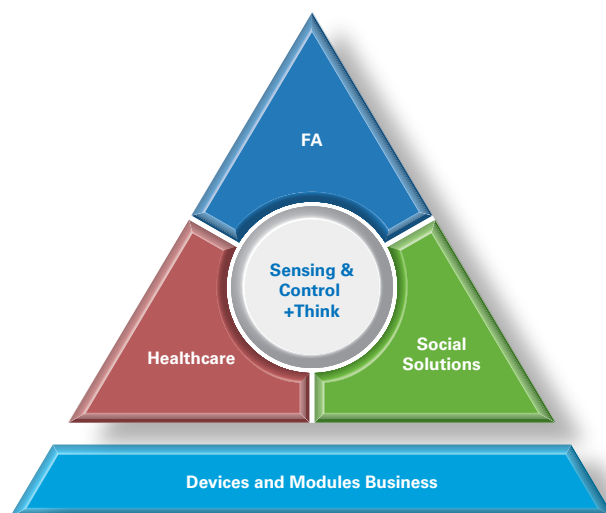
The second is to establish new businesses.

Examples include service-based businesses and recurring businesses, in line with the significant trend away from goods toward services. In the IAB, we will leverage the knowledge and data we have acquired to date to realize the ultimate in production lines that will generate no defective products. We will establish service-based and recurring businesses by leveraging our proprietary technologies, such as the world's first AI-equipped controller and industry's first image processing system that uses AI technology to detect flaws and defects without the need to learn enormous volumes of data.

In the HCB, we have launched telehealth services in the United States with the aim of achieving Zero Events of cardiac infarction and cerebral stroke. Our target for this service is to have 100,000 users and a business scale of ¥5 billion or more over the next five years.

The third challenge, the overhaul of operations and digitalization, is one that underpins the entirety of OMRON's business. For the past several years, we have been pursuing a project to introduce a new main information system. In order to establish new businesses and to realize service-based and recurring businesses, this new main system must be well suited to these businesses. Further, we will address reforms of our HR systems to enable us to assign the most appropriate people from around the world to projects that will find solutions to new social issues, thus allowing our people to reach

**■ OMRON Focus Domains**



their full potential. These three challenges represent OMRON's challenge for its own self-transformation.

P33 Business1 →

**— In the future, the world may enter an age of frequent risks, with different crises, such as epidemics of unknown infectious diseases, large-scale natural disasters, and increased geopolitical risks, occurring simultaneously. Under such circumstances, how will OMRON grow on the global stage while solving social issues?**

When the unforeseen becomes the norm. That is the very definition of the "new normal" era. Besides infectious diseases and natural disasters, there is also likely to be disruptive technological innovations. That is why our only option is to manage our business on the assumption of uncertainty and sudden change. So, how do we achieve that? I believe that our only option is management based on the OMRON Principles. This entails first understanding the essence of our own raison d'être and of the value that we should offer to society. Then, so that we can respond flexibly according to the circumstances closer to the front line, our management must collaborate with the people supporting the front line and make swift decisions. If things do not go according to plan, we should then correct our course immediately and try again. This cycle of actions should be repeated at high speed. This is the only style of management that will allow us to respond to change. Therefore, to ensure that everyone is moving forward in the same direction, it is important to have something that can be shared, something that will resonate. For OMRON, that something is the OMRON Principles. In terms of overcoming the trials of the COVID crisis, I believe now is when management based on the OMRON Principles and management that resonates will demonstrate their full strength.

**— In response to the COVID crisis, one after the other, international organizations and institutional investors released statements in which they called on industry to implement serious ESG management. OMRON possesses many non-financial intangible assets, such as intellectual property, human resources, environment, and governance. How will you link those assets to future corporate value and accelerate management based on the OMRON Principles?**

Various social issues raised in the SDGs (Sustainable Development Goals), such as poverty and climate change, already existed before COVID-19. Far from being resolved, these issues are only getting worse. What can companies do under such circumstances? How should they manage their business? All stakeholders, not only

investors, are casting an increasingly severe eye on companies, and companies' level of commitment is being called into question. In response to these expectations from society, OMRON will set specific sustainability challenges, shed light on them, and bring in external parties to help solve them, and repeat those actions in a constant cycle. These efforts will resonate out and attract excellent people to OMRON. Together with those people, we will solve social issues through business, which will lead to the expansion and regeneration of our business.

Besides our sustainability initiatives, OMRON has the OMRON Principles, our core technologies cultivated over many years, effective governance, and most important of all, employees who are passionate about solving social issues. Combining the power of all these things, we will engage forthrightly in our mission to solve social issues through business. That is because such an endeavor means, no more and no less, putting OMRON Principles into practice.

P31 Sustainability Initiatives: Progress →

**— Could you tell us your own intentions and resolve, as president, toward the new normal era?**

The COVID-19 pandemic is not yet over. Firstly, we need to survive and thrive in this era of the survival of the fittest. The key to achieving this will lie in how, while continuing our business with the health of our employees remaining our top priority, we can sow seeds for future growth in the post-COVID era. Looking back, OMRON successfully sowed the seeds for future growth during the global Financial crisis, when OMRON's financial position was even weaker than it is today. Those seeds have since blossomed into business models such as the Industrial Automation Business's "innovative-Automation" and have become the driving force for growth today. Our actions in times of adversity are what will determine our future.

In that respect, M&As and alliances are also forms of seeding that are necessary for future growth, and the current adverse conditions represent an opportunity in this regard. By combining our own strengths with new capabilities from outside the company, including M&As and alliances, we will steadily advance our preparations for a major leap toward the next era.

Our goal is to become a corporate group that people can always depend on, and an organization that continues to live up to the high expectations of people from all over the world. In the new normal era, we will continue to contribute to a better society and realize sustainable growth.

# Our Response to the Spread of Coronavirus Disease (COVID-19)

COVID-19 has continued to spread throughout the world since it was first discovered in December 2019. OMRON had been making various efforts to solve the social issues caused by the global spread of COVID-19, placing a high priority on ensuring the safety of all stakeholders, including customers, business partners, our employees and their families, and preventing the spread of infection.

## OMRON's Responses to the Corona crisis

### January

- Chinese Headquarters directed all employees in the region to implement infection prevention measures (1/21–)
- A-Rank Emergency Headquarters is established at OMRON Headquarters (1/27) [P19 →](#)
- Business travel to all parts of China is restricted (1/31–)

### February

- Operations are suspended at all factories in China (2/3–12)  
Note: Healthcare Business's factory in Dalian resumes some operations on Feb. 4
- Employees in Japan are directed to implement infection prevention measures (2/20–)
- S-Rank (highest possible rank) Company-Wide Emergency Headquarters is established at OMRON Headquarters (2/25)

### March

- Business travel to Italy, other specified areas of Europe, and Korea is banned (3/1–)
- Operations are suspended at the Healthcare Business's factory in Italy (3/9)
- Operations are suspended at the Industrial Automation Business's two factories in the United States (3/17–4/7)
- Operations are suspended at the Electronic and Mechanical Components Business's factory in Malaysia (3/18–23)
- Operations are suspended at the Electronic and Mechanical Components Business's factory in Italy (3/23–5/4)

### April

- In response to the declaration of a state of emergency by the Japanese Government, employees are directed to work from home in principle (4/8–5/26)

### May

- With the lifting of the declaration of a state of emergency by the Japanese Government, transitioned to "With-COVID19" mode for co-existence with the virus while balancing the spread of infection with social and economic activities (5/26)

## Initiatives to Solve Social Issues Caused

### Measures for Combating COVID-19 Through Our Business

Even while COVID-19 continued to spread, to fulfil its corporate responsibility to society, OMRON maintained its supply of the products and services needed to prevent the spread of the virus and maintain people's lifestyles.

- Maintained and increased production of healthcare equipment to support people's health, including thermometers and artificial aspirators (China, Italy, etc.: Feb.–)
- Provided solutions to customers' sites for the manufacture of products for the control of the virus such as masks and testing kits, and products for the maintenance of people's lifestyles, including food and daily essentials (China, Germany, etc.: Feb.–)
- Provided repairs and maintenance services to customers operating transport facilities that support people's lives, such as railways and public transport operators (Japan: Feb.–)
- Supported ongoing treatment of hypertension through the provision of online consultations for patients for whom coronavirus has made it difficult to attend clinics or hospitals (Japan, United States, etc.: May–)
- Prevention of spread of infection during disinfection operations through the provision of UV-equipped robots to hospitals and public sector facilities (At least 10 countries, including France and Italy: June–)

### Contribution to Coronavirus Infection Control Through Community Service Activities and Employees' Volunteer Activities

OMRON made donations of health equipment in response to the increased demand for temperature taking in various countries as a result of COVID-19. OMRON employees also volunteered in a development project for ventilators, which have been in short supply.

- Donated electric thermometers in various parts of Japan and China (February–)
- OMRON Employees in Spain joined an open ventilator development project (March–)
- Employees in various countries participated in volunteer production of face shields (April–)
- Made donations to local charities through the OMRON Foundation in the United States (Apr. 21)
- Joined the IP Open Access Declaration Against COVID-19 (May 18)
- Donated 10,000 non-contact forehead thermometers to National Governors' Association in Japan (June 8)
- Donated 500 non-contact forehead thermometers to the Cabinet Office in Japan (July 3)
- Donated 7.85 million yen to the iPS Cell Research Fund through the shareholder special benefit program (September 9)

On May 26, 2020, we shifted from “emergency response” mode, which prioritized preventing the spread of infection and the continuation of business under the state of emergency declaration, to “With-COVID-19” mode, in which we will co-exist with the virus, balancing prevention of the spread of infection with social and economic activities. In With-COVID-19 mode, while continuing with the prevention measures that we have employed to date, we will push forward with transformation and devote all our strengths to solving the social issues that become apparent as we move toward the new normal era, in which people’s values will change greatly.

## by COVID-19

### Development of Remote Healthcare Consultation Services that Will Enable Ongoing Diagnosis and Treatment Even in With-Corona Times



Due to the spread of COVID-19, it is believed that many patients with hypertension have hesitated to attend their hospitals or clinics due to concerns about the risk of infection when traveling to or while attending the hospital or clinic. OMRON uses blood pressure monitors, electrocardiographs (EKG), body composition monitors, and other devices to measure patients’ vital data in the home. The vital data is then shared with the patient’s doctor in a timely manner. We are engaged in the development of telehealth services that will enable patients to receive appropriate diagnosis and treatment from their doctors, no matter where they are, either in the home or at the hospital or clinic.

### OMRON Employees in Spain joined an open ventilator development project



After witnessing the sharp rise in cases and the many deaths in their own country of Spain, three employees of the Industrial Automation Business in the European region joined an open ventilator development project conducted by a non-profit organization. The ventilators developed at a rapid pace in this project were donated to Spanish hospitals. With the coronavirus also ravaging South American countries, trial models are being introduced in various countries, so the NPO donated more than 50 machines to Ecuador.

## Toward the New Normal Era

As we pass through the COVID crisis into a new normal era, in which people’s values will change, OMRON will respond to the ever increasing needs for telehealth services and for the establishment of public-sector facilities and production lines in manufacturing sites that avoid the Three Cs (closed spaces, crowded places, and close-contact settings).

### Initiatives by Individual Businesses

#### Industrial Automation Business

Provision of innovative products, such as robotic integrated controllers to assist with the establishment of production lines in manufacturing sites that avoid the Three Cs and with the digital transformation of San Gen Shugi (principle of three realities), which is the great principle of manufacturing activity

P33 →

#### Electronic and Mechanical Components Business

Response to growing needs for smarter equipment, such as non-contact temperature detection systems and devices that operate without manually activating a switch

P41 →

#### Social Systems, Solutions and Service Business

Provision of service automation, such as check-in terminals at hotels and other facilities of a highly public nature to achieve labor saving and contactless services.

P45 →

#### Healthcare Business

Development of remote consultation services and roll-out of services in Japan, the United States, Europe, and Asia

P49 →

## Integrated Risk Management During COVID-19

OMRON's Risk Management Policy stipulates that "We will identify critical risks to the Group and enable Groupwide responses through the Executive Council" and "In a time of crisis, we will make reports in accordance with established procedures prescribed in the OMRON Rules for Integrated Risk Management and form response teams necessary to address crisis." Based on this policy and rules, we have responded to the recent COVID-19 pandemic. On January 27, when COVID-19 began spreading in countries and regions outside China, OMRON declared the COVID-19 pandemic a Grade A Crisis that would hinder the achievement of the OMRON Group's important goals. We launched the Pandemic Response Headquarters headed by Nitto, Director, Senior Managing Executive Officer, CFO and Senior General Manager, Global Strategy HQ, taking measures to ensure the safety of employees and business continuity.

As COVID-19 then began sweeping the globe, President and CEO Yamada deemed it necessary to upgrade risk management to deal with a Grade S Crisis, which represents the highest risk, and appointed himself the director-general of the emergency headquarters. Since then, we have worked with all OMRON Group companies around the world to strengthen measures against COVID-19. Putting our top priority on ensuring the health and safety of employees, as well as preventing the spread of the disease in regions where the companies operate. We have arranged to deliver relief goods to employees working in regulated areas and are preparing IT infrastructure and other measures to expand telecommuting. Based on the assumption of living COVID-19, we will continue to ensure the safety and peace of mind of employees and prevent the spread of the disease in communities, and we will play our role in ensuring the supply to our customers and fulfilling social responsibilities.

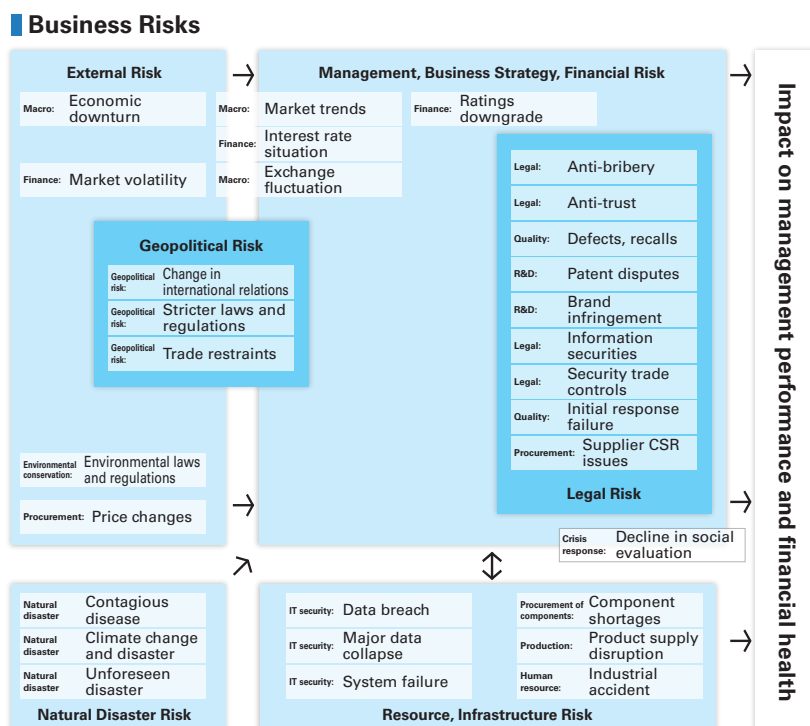
## Integrated Risk Management for Supporting Global Business Activities

OMRON initiated its integrated risk management when it began executing VG2020. Our risk management platform reflects the sentiment of top management that the faster pace of change in the operating environment and rising levels of uncertainty calls for rapid response to risk. We have become more attuned to risk, scenting and addressing risks at the earliest stages.

To visualize diverse risks faced in the course of our global business operation, we have categorized the entire spectrum of risks that impact management performance and financial health and have charted their interrelationships.

We aim to develop effective risk management whereby all employees and management teams can work together to solve issues arising from environmental changes that cannot be resolved at the working level. We work to improve our initiatives by following the plan-do-check-act (PDCA) cycle on a global scale.

Another important aspect is to consider the accelerated environmental changes as opportunities and determine how to take risks. While adhering to the OMRON Management Philosophy and OMRON Group rules, we are addressing how to make efficient, effective, and prompt risk decisions at the working level.

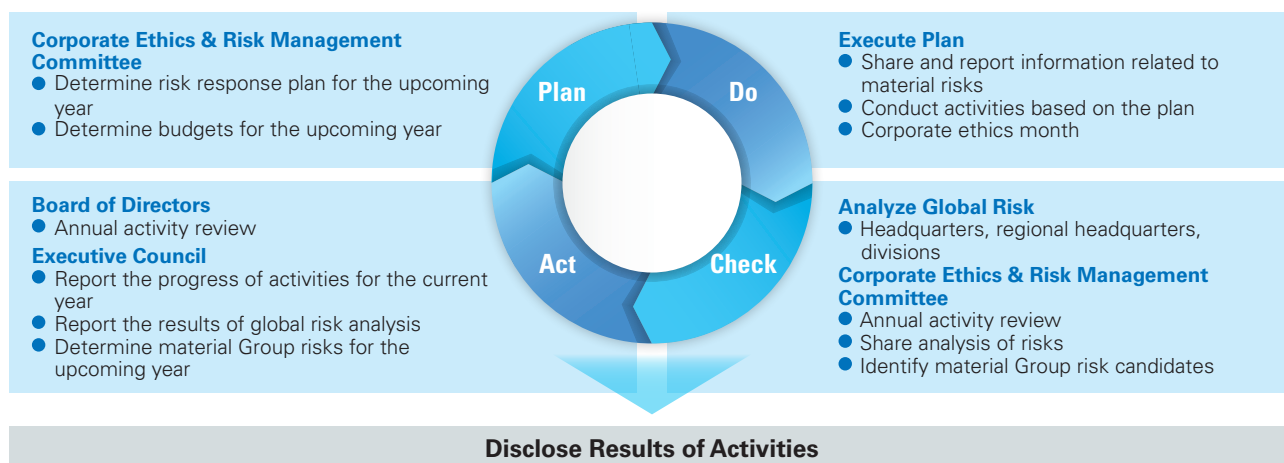


Graphic representation of the business risks as shown on <https://www.omron.com/global/en/ir/management/risk/>

## Integrated Risk Management Structure

OMRON has established a PDCA cycle that is conducted throughout the year to analyze risks, respond to material risks, and engage in crisis management. To promote initiatives on a global scale with all employees, risk managers are appointed for each headquarters, division, regional headquarters, and group company across the world.

### Activity Cycle for Integrated Risk Management



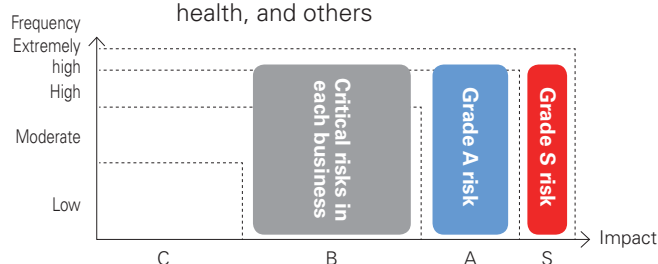
## Critical Risk Management

One of the main initiatives of integrated risk management is to analyze risks on a global scale, identify material risks, and take measures to address them. OMRON classifies risks that may jeopardize the existence of the Group or result in substantial social liabilities as Grade S risks. The most critical risks in the management of the Group, and risks that would impede the achievement of important Group goals is classified as Grade A risks. The grade of risks is discussed by the Corporate Ethics and Risk Management Committee and then graded by the Executive Council.

### FY2019 Critical Risks

**Grade S risk:** business continuity, global information/IT security, global statutory violations (such as bribery), and others

**Grade A risk:** geopolitical risk, occupational safety and health, and others



As a risk manager for the Americas, including the United States, Canada, Mexico, and Brazil, I am responsible for the management of risks, environment, safety and health, and facilities. My duties include assisting with developing business continuity plans (BCPs) in the event of a natural disaster or pandemic.

When COVID-19 began to spread across the Americas, we took three initiatives to continue our business while placing top priority on ensuring the safety and health of OMRON employees.

First, we mandated that, in principle, all salespeople and administrative workers in the Americas, accounting for the majority of employees in the region, work from home. As there are many hurricanes and other natural disasters in the Americas, we had already tested this prior to COVID-19. As a result, the initiative went smoothly. Second, we took initiatives for employees working at factories. At each factory, we quickly implemented a non-contact measuring system to take the temperature of employees coming to work, distributed protective gear, and took swift measures to avoid the "Three Cs (closed spaces, crowded places, and close-contact settings)."

Lastly, we focused on communication. Legal affairs departments took a lead in collecting information on COVID-19 provided by federal and state governments as well as information received from employees regarding initiatives during the COVID-19 pandemic. We shared this information with employees on a regular basis. To ease employees' anxieties, we distributed face masks to those who could not obtain them themselves and also supplied a COVID-19 prevention kit containing rubber gloves, face masks, and goggles to employees who had to visit customers.

We intend to draw on this experience to develop a resilient risk management plan for unexpected situations.

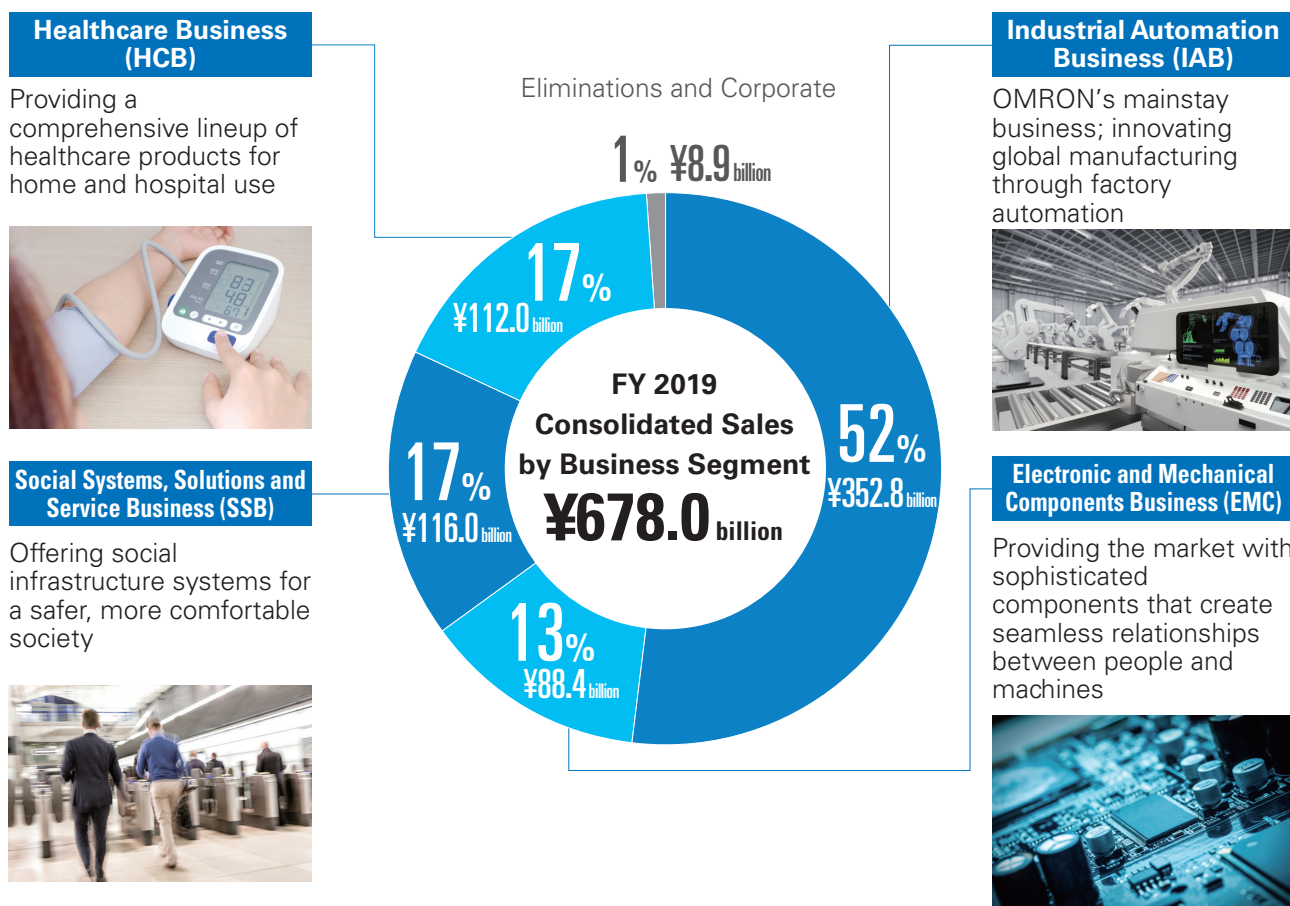


OMRON MANAGEMENT  
CENTER OF AMERICA  
Americas Risk Manager  
**Kevin Bulatek**

# OMRON's Business and Fiscal 2019 Results

OMRON manufactures and sells market-leading sensing and control products in around 120 countries/regions around the world. Our products include control equipment, electronic components, social systems, and healthcare items.

## Consolidated Sales Composition Ratio



## Net Sales and Number of Employees by Region

Net Sales **¥678.0 billion** Number of Employees **28,006**

(Fiscal Year Ended March 31, 2020: Consolidated)

### Japan

Net Sales **¥311.5 billion**

Number of Employees **10,600**

### Greater China

Net Sales **¥126.1 billion**

Number of Employees **8,031**

### Europe

Net Sales **¥108.5 billion**

Number of Employees **2,320**

### Americas

Net Sales **¥67.8 billion**

Number of Employees **1,798**

### Asia Pacific

Net Sales **¥62.7 billion**

Number of Employees **5,257**

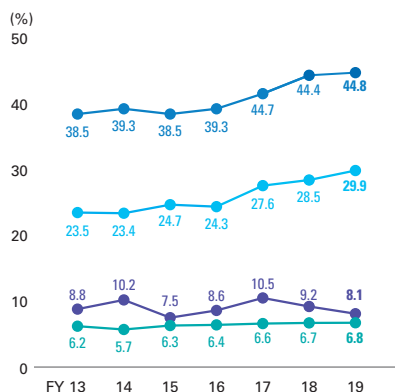
\* Regional categories are defined as follows:  
Americas includes North America, Central America, and South America. Europe includes Europe, Russia, Africa, and Middle East. Greater China includes China, Taiwan, and Hong Kong. Asia Pacific includes Southeast Asia, Korea, India, and Oceania.

## Financial Highlights

### Gross Profit Margin

44.8%

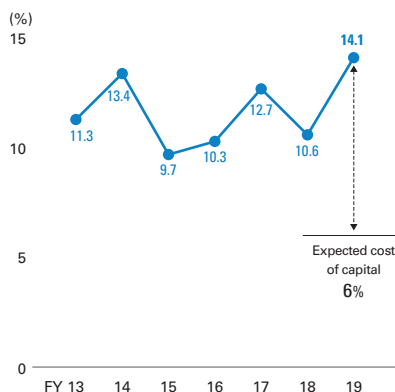
● Gross Profit Margin ● Selling, general and administrative expenses ratio (excluding R&D expenses) ● R&D expenses ratio ● Operating income margin



Gross profit margin reached a record high, driven by stronger group-wide earnings capacity

### ROIC

14.1%

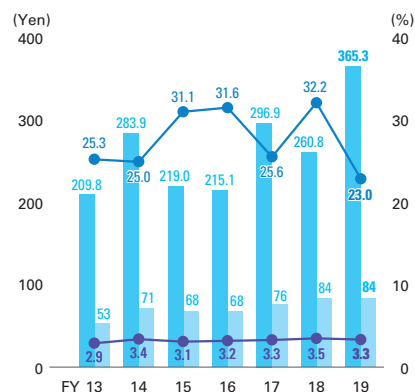


Our focus on ROIC management resulted in a 14.1% ROIC, far above our 6% expected cost of capital.

### EPS and Dividend

¥365.3

■ Earnings per share ■ Cash dividends per share ● Dividend payout ratio ● Dividend on equity

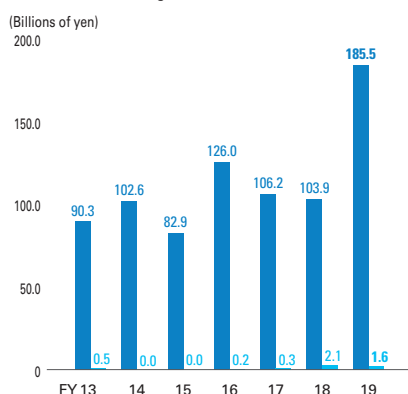


OMRON paid dividends of ¥84 per share, representing dividend on equity above our target of approximately 3%.

### Cash and Cash Equivalents

¥185.5 billion

■ Cash and Cash Equivalents ■ Total interest-bearing liabilities

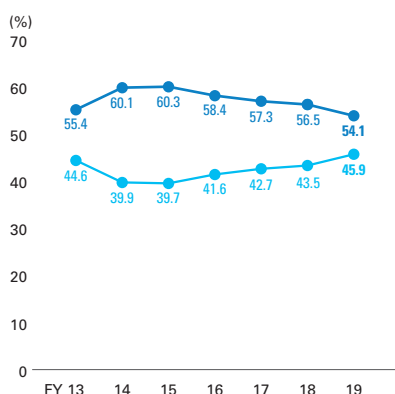


As a result of a business transfer, cash and cash equivalents increased significantly year on year.

### Ratio of Overseas Sales

54.1%

● Overseas Total ● Japan

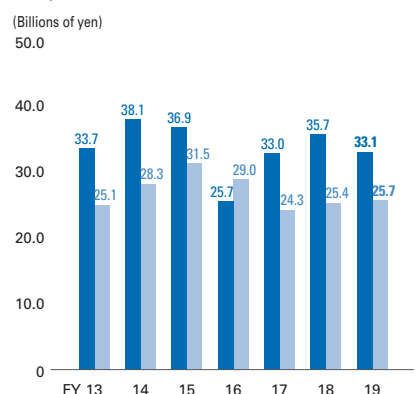


OMRON's overseas sales ratio remains over 50%.

### Capital Expenditures

¥33.1 billion

■ Capital expenditures ■ Depreciation and amortization



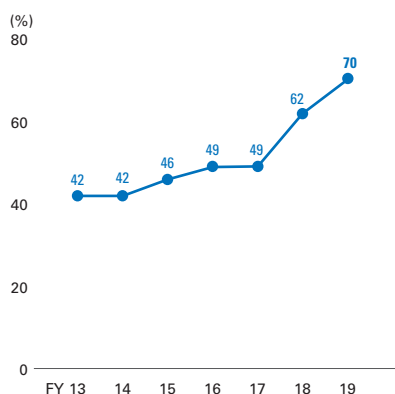
OMRON made carefully selected capital investments, including increased production facilities and investment in operating sites for future growth.

\* The Automotive Electronics Components Business (AEC) was transferred, and the AEC business was classified as a "discontinued business." Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.

## Non-Financial Highlights

### Ratio of non-Japanese in managerial positions overseas

70%

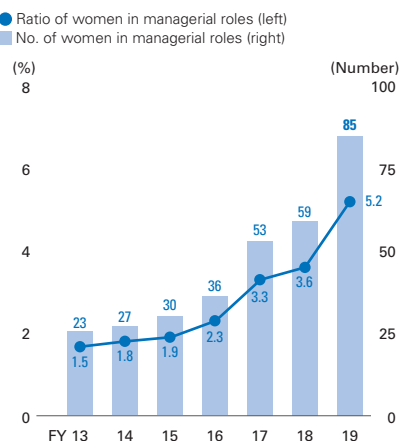


Depending on the size of the overseas OMRON Group companies, we will increase the ratio of local employees to the number of important positions determined by OMRON.

\* From FY2018, concurrent positions for governance and development positions are excluded.

### Ratio of women in managerial roles (OMRON Group in Japan)

5.9%\*



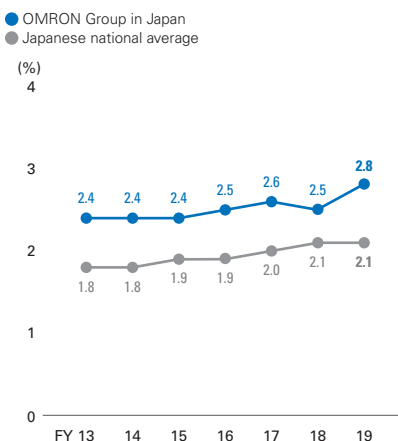
We are increasing the ratio of women in leadership-level managerial roles in Japan.

\* Figures represent results as of April 20. Highlighted figure is as of April 20, 2020.

\* In the domestic OMRON group, the number of women in managerial positions ratio.

### Ratio of employees with disabilities (OMRON Group in Japan)

2.8%



We are striving to create more employment opportunities and fulfilling work for disabled persons.

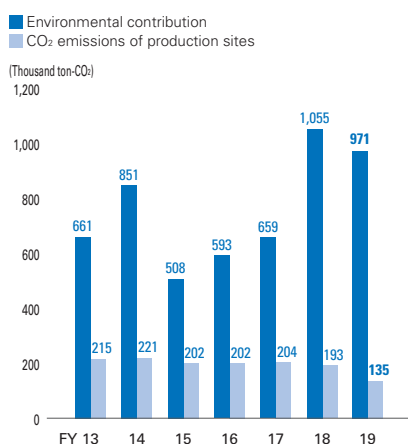
\* Figures represent results as of June 20.

\* For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities.

\* Employment rate calculation is based on the Act on Employment Promotion etc. of Persons with Disabilities.

### Environmental Contribution☆

971 thousand ton-CO<sub>2</sub>



We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO<sub>2</sub> emissions at our production centers through the use of our own energy saving products.

\* 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.

Calculation method :

<https://sustainability.omron.com/en/environ/contribution/products/#calc>

### Energy-Generation Product



PV inverters

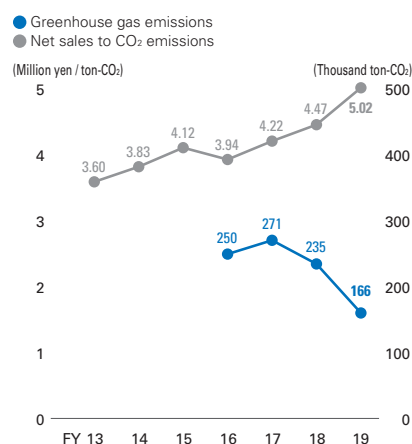
### Energy-Saving Product



Electricity monitors (left) Environment ANDON (right)

### Greenhouse Gas Emissions☆

166 thousand ton-CO<sub>2</sub>



OMRON has established its new environmental target "OMRON Carbon Zero" with the goal of reducing greenhouse gas emissions to zero by 2050. OMRON has set greenhouse gas emissions as an indicator to achieve that goal.

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

\* Since fiscal 2016, OMRON has been using the following published figures for the CO<sub>2</sub> emissions coefficient associated with electric power: Japan: Ministry of the Environment - By Power Company (updated annually); China: National Development and Innovation Committee - By Power Company (updated annually); Other: IEA, by country (2011)

<https://sustainability.omron.com/en/environ/reduce/co2/#co2>

☆ Indicates independent verification or review performed by a third party.

P103 →