

OMRON

Integrated Report 2019

Year Ended March 31, 2019



**To improve lives and
contribute to a better society**

The OMRON Principles

OMRON founder Kazuma Tateishi resonated with the public nature of business, saying, "A company shouldn't be just about pursuing profits...it has an obligation to serve society." In 1959, he publicly announced the OMRON's Corporate Motto, *to improve lives and contribute to a better society*. In 1990, we transformed this motto into the OMRON Principles, evolving with the times.

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.

Sustainability Policy

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

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

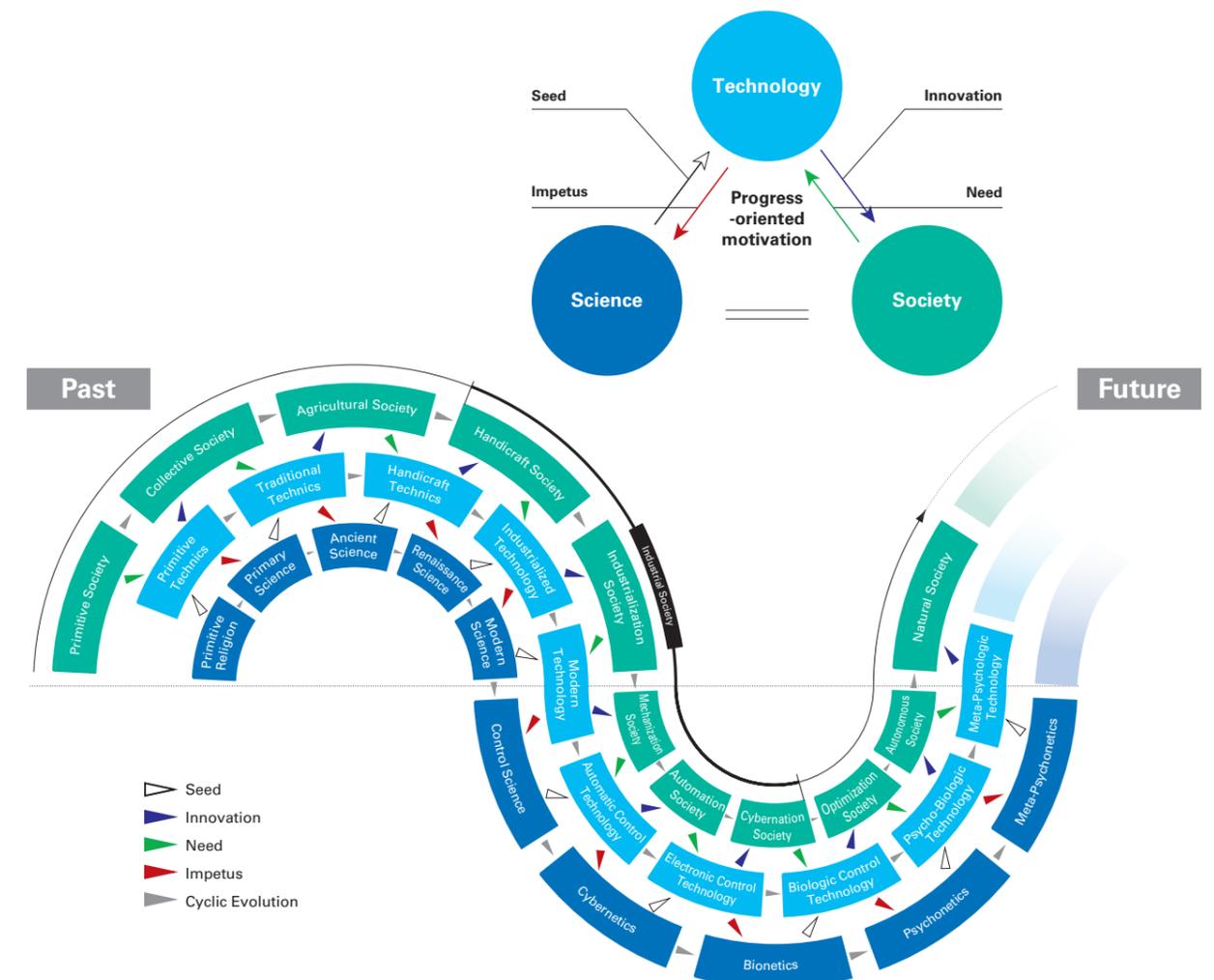
We consider Sustainability Policy to reflect the same meaning and content as declared by our Management Philosophy based on the OMRON Principles. Namely, "We are committed to sustainably enhancing our long-term corporate value by putting the OMRON Principles into practice."

SINIC* Theory: Predicting the Future Through the Interrelationships of Science, Technology, and Society

Our founder, Kazuma Tateishi, believed that solving social issues through business to 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.

The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds of electronic control technologies, programming, and other technology. These technologies gave rise to the PC and the internet, leading to the advent of the Cybernation Society. At the same time, the Cybernation Society demanded more data, along with more accurate and rapid data analysis. These demands forced us to produce CPUs and GPUs with faster processing power, make advancements in deep learning and other artificial intelligence technologies, and reach higher levels of sophistication in neuroscience and cognitive science. The evolution of these interrelationships serves as a driving force behind humanity's desire to progress.

* SINIC: Seed-Innovation to Need-Impetus Cyclic Evolution



What We Mean by *Better Society*

OMRON has identified factory automation, healthcare, mobility, and energy management as four business domains in which new social issues are most likely to emerge. We will pursue innovation driven by social needs in these domains, striving to contribute to a better society.

Corporate Video
 Watch a video presentation about how OMRON technologies will change society.
<https://youtu.be/20HPAokyDoY>



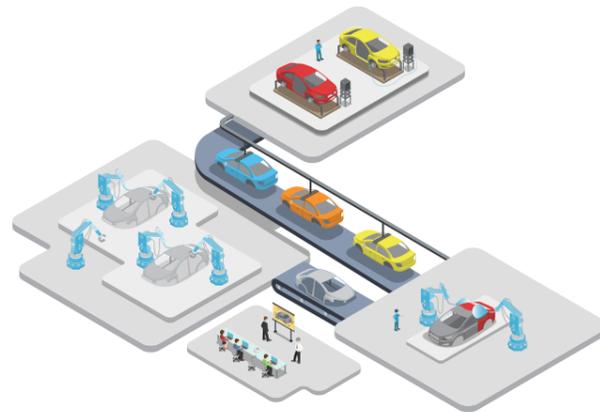
Factory Automation

Unique OMRON Value



Innovations to manufacturing by automation

What We Mean by *Better Society*



Bring innovation to manufacturing by automation, to enrich lives of people all over the world.

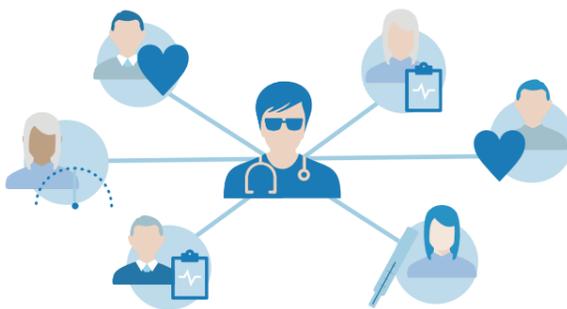
Healthcare

Unique OMRON Value



Optimal health for all through personal daily vital sign and lifestyle information

What We Mean by *Better Society*



All for Healthcare
 To help realize healthy and comfortable lives for people around the world

Mobility

Unique OMRON Value



- Stress-Free Urban Traffic (No Accidents, No Congestion)
- Balance Between Car Society and Global Environment

What We Mean by *Better Society*



- Contributing to a Seamless Relationship Between People and Automobiles in the Future Car Society
- Creating a Society in Which the People of the World Live in Safety, Security, and Comfort

Energy Management

Unique OMRON Value



- Spread and stable supply of renewable energy
- Distributed electricity infrastructure

What We Mean by *Better Society*



Using energy conversion and control technologies to popularize the use of renewable energy and contribute to a sustainable society

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.

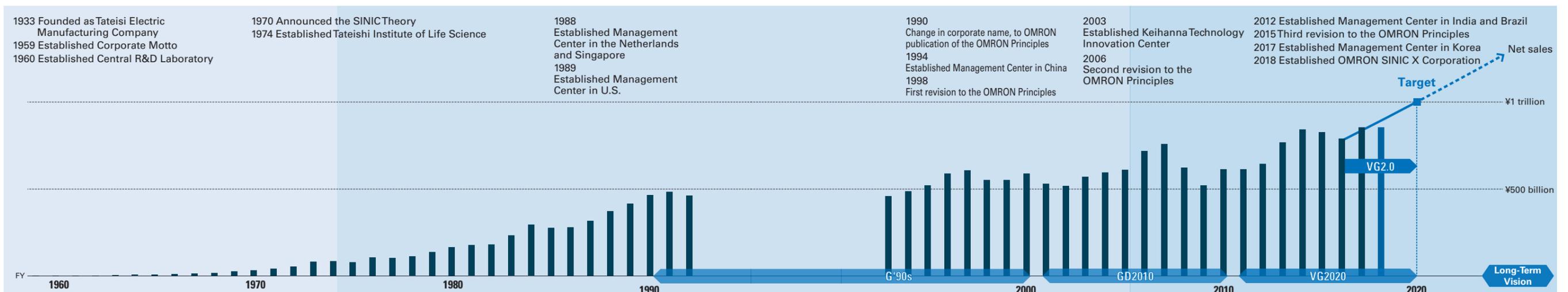
Social Issues/Needs



OMRON Solutions

| Factory floor automation | Social systems automation | Wider use of in-home blood pressure monitors | Technology speeding the wider use of digital devices | Wider adoption of renewable energy and energy saving | Advanced labor savings solutions for factories |
|--|--|--|--|--|---|
| <p>FY1960 World's first non-contact switch</p> | <p>FY1966 General purpose relays (MY Series)</p> | <p>FY1967 World's first automated train station system</p> | <p>FY1973 Digital blood pressure monitors</p> | <p>FY1995 OKAO[®] vision image sensing technology</p> | <p>FY2011 PV inverters</p> |
| | | | | <p>FY2012 DC/DC converter for idling stop system</p> | <p>FY2015 NX Series machine automation controller</p> |
| | | | | | <p>FY2016 AI-equipped mobile robots</p> |
| | | | | | <p>FY2018 Collaborative Robot</p> |
| | | | | | <p>FY2018 Automated X-Ray Inspection System</p> |

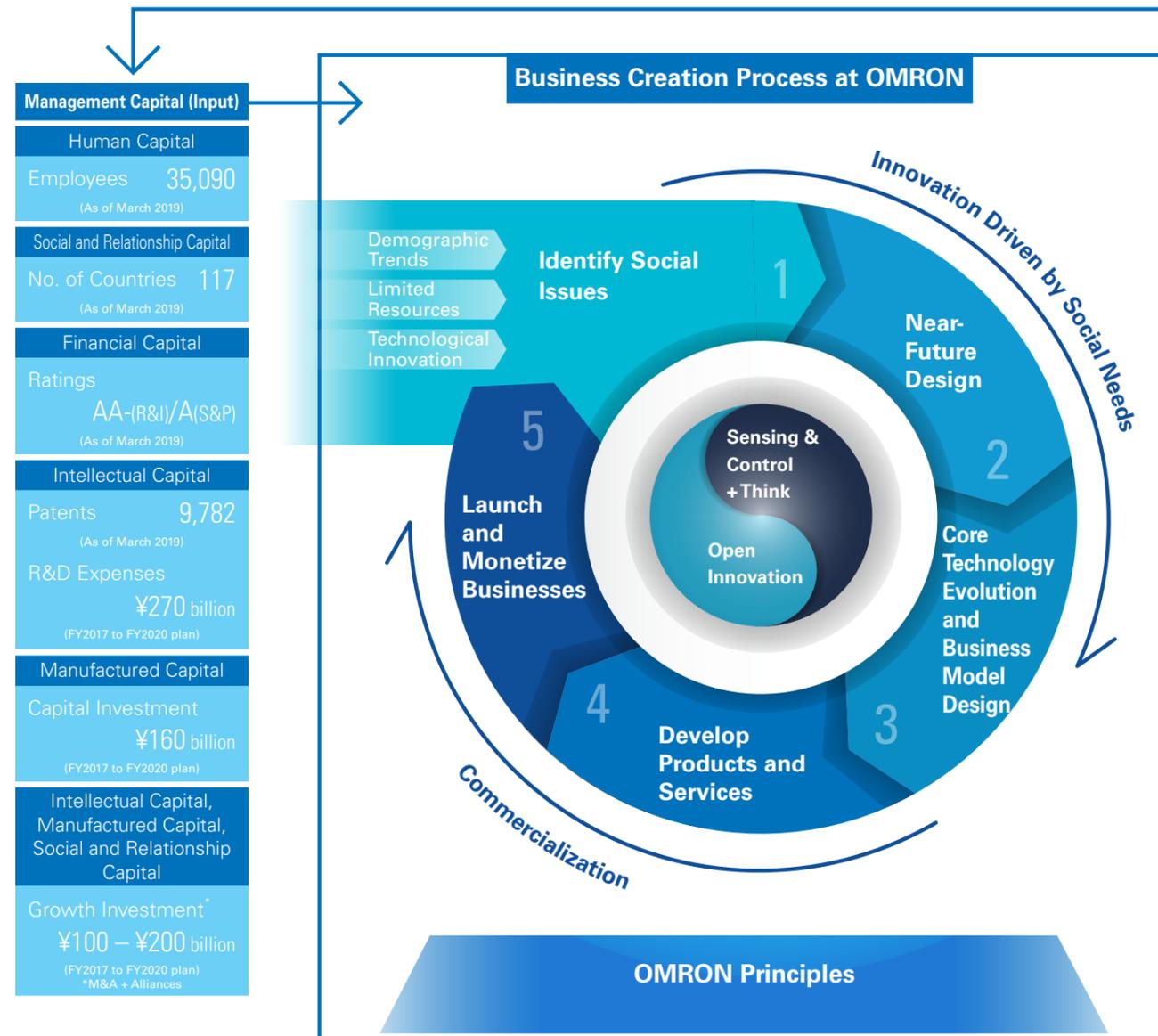
History and Sales Trend



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 SINICTheory (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.



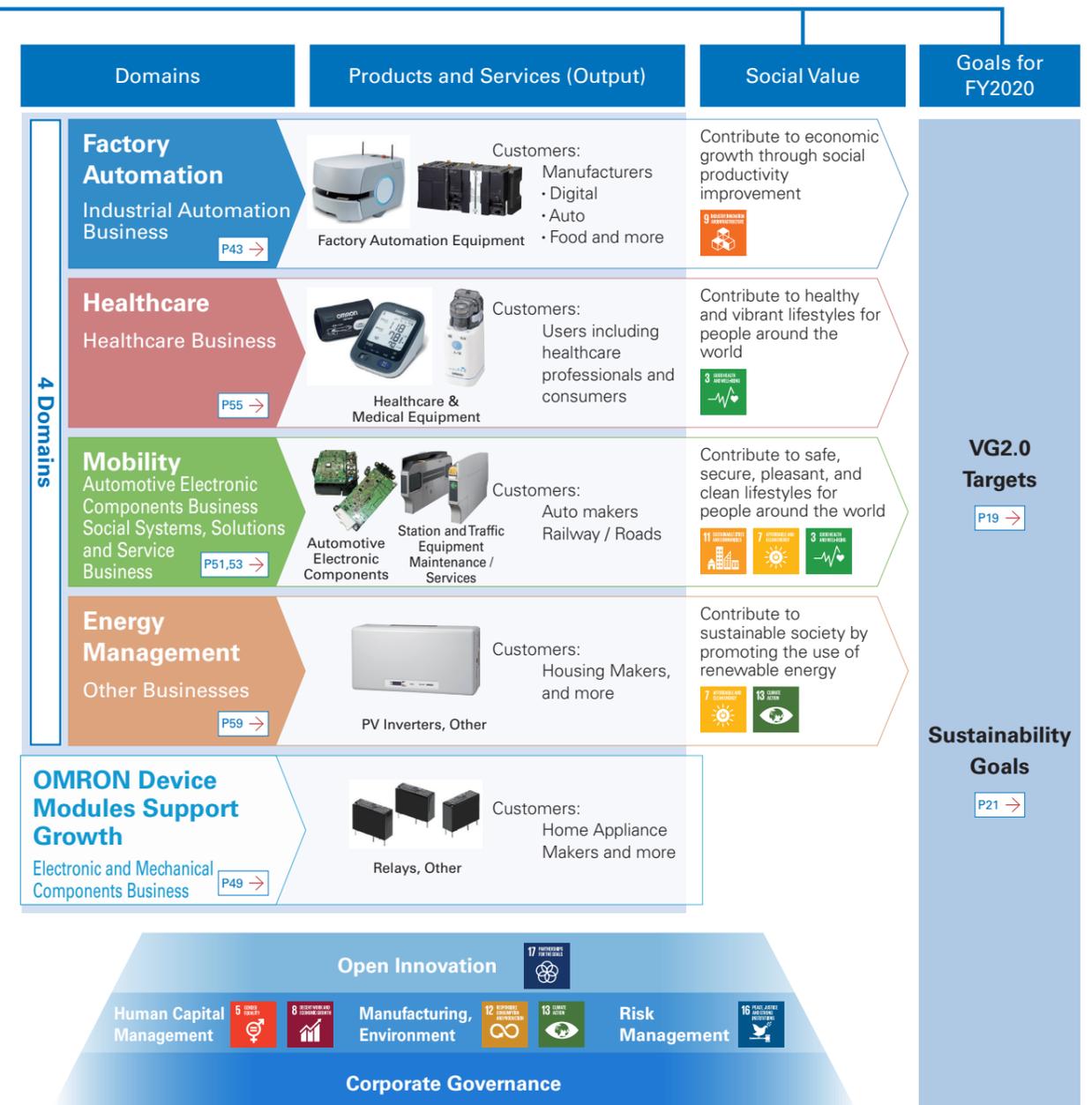
Business Creation Process at OMRON

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 Implement 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 Evolve Core Technology and develop 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.



Contents

Vision

- 1 The OMRON Principles
- 3 What We Mean by *Better Society*
- 5 A History of Creating Value
- 7 Value Creation Model
- 9 Contents
- 11 CEO Interview

Strategy

- 19 VG2.0 Medium-Term Management Plan
- 21 Sustainability Initiatives: Progress
- 25 Financial and Non-Financial Highlights
 - 25 Earnings Structure and Global Business
 - 27 Market Share and Sales by Product
 - 29 Financial Highlights
 - 30 Non-Financial Highlights
 - 31 11-Year Financial and Non-Financial Highlights
- 33 CFO Interview
- 37 ROIC Management

Business

- 39 CTO Interview
- 43 Industrial Automation Business (IAB)
- 49 Electronic and Mechanical Components Business (EMC)
- 51 Automotive Electronic Components Business (AEC)
- 53 Social Systems, Solutions and Service Business (SSB)
- 55 Healthcare Business (HCB)
- 59 Other Businesses (Environmental Solutions Business)
- 61 Human Resources Management
- 67 Environment
- 69 Risk Management
- 71 Responding to Natural Disasters

Governance

- 73 Message from the Chairman
- 75 Corporate Governance
 - 79 Outside Officers Round Table Discussion

Financial Information

- 93 Financial Section and More

Corporate Information

- 107 Corporate Information and More



About the Cover

OMRON practices the OMRON Principles, solving social issues through our businesses. Our employees are the main drivers of this mission. Every day, every OMRON employee takes one step forward in contributing to a better society.

Editorial Policy

The boundary of this report covers the 170 companies of the OMRON Group, consisting of 150 consolidated subsidiaries and 20 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2019). OMRON Corporation contributes to the creation of a sustainable society by offering solutions to social issues through our business and by engaging in sustainability initiatives.

We voluntarily disclose information 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 and refers to Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry. Sustainability-related disclosures have been written with reference to the GRI Standards. See our Sustainability website for a comparative table. https://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.



Accelerating OMRON Principles-Based Management for Self-Driven Growth Aspirations for Unique OMRON-Style Value Creation

August 2019
President and CEO

Yoshihito Yamada

It was in 1959 that OMRON founder Kazuma Tateishi established the OMRON Corporate Motto, saying, “business should create value for society through its key practices.” For the past 60 years, OMRON has taken on the challenge to lead the world in innovation driven by social needs to improve lives and contribute to a better society. In recent years, complex changes and rising uncertainties have made predicting the future a difficult proposition. In such a severe business environment, how can we confront social issues and generate values unique to OMRON? We spoke to president and CEO Yoshihito Yamada about his vision and strategy.

(Interviewer: Integrated Report Production Team)

Fiscal 2018 Review and Fiscal 2019 Outlook

— **Editor** The first half of the OMRON VG2.0 medium-term management plan is now completed. What do you see when you look back on Fiscal 2018?

Yamada: In fiscal 2018, we were affected by a rapidly deteriorating business environment, which began in the second quarter. As a result, full-year net sales were level with fiscal 2017, which was a record high. Profits were lower year on year. Our mainstay Industrial Automation Business (IAB) recorded historic high sales in Japan, Europe, the United States, Asia and China. Unfortunately, sales fell sharply in Korea due to a deterioration in market conditions for the digital industry, mainly in semiconductors. Our Electronic and Mechanical Components Business (EMC) and Automotive Electronic Components Business (AEC) also experienced

FY 2018 Results

| | FY2018 Results | Y/Y |
|---------------------|----------------|----------|
| Net Sales | ¥859.5 billion | - 0.1% |
| Gross Profit | ¥354.1 billion | - 1.0% |
| Operating Income | ¥76.6 billion | - 11.2% |
| Net Income | ¥54.3 billion | - 14.0% |
| Gross Profit Margin | 41.2% | - 0.4%pt |

FY 2018 Results Sales by Business Segment

| | FY2018 Results | Y/Y |
|--|----------------|--------|
| Industrial Automation Business | ¥391.8 billion | - 1.1% |
| Electronic and Mechanical Components Business | ¥99.7 billion | - 4.5% |
| Automotive Electronic Components Business | ¥130.5 billion | - 0.5% |
| Social Systems, Solutions and Service Business | ¥75.0 billion | + 6.7% |
| Healthcare Business | ¥115.5 billion | + 6.5% |
| Other Businesses | ¥41.7 billion | - 5.9% |

sales declines due to the deterioration of the global business environment. On the other hand, Social Systems, Solutions and Service Business (SSB), Healthcare Business (HCB), and Environment Solution businesses under the direct control of headquarter remained strong.

We defined the first half of VG2.0 (fiscal 2017-2018) as an investment phase for future growth. In fiscal 2018, we focused on the IAB and HCB in an increasingly challenging business environment. Our intent here was to strengthen technology development, marketing capabilities, organizational reform, and human resources. As of the end of the year, we completed the investments necessary for medium- to long-term growth in these areas. The EMC has seen a steady implementation of structural reforms, including the consolidation of production bases.

In terms of shareholder returns, we provided an ¥84 per share dividend, our highest ever. This was an increase of ¥8 over the previous fiscal year, resulting in a total shareholder return of approximately 130 percent. We also conducted ¥25.7 billion in stock buybacks as another example of our management focus on shareholder value and capital efficiency.

— **Please tell us about your outlook for fiscal 2019, which signals the second half of VG2.0.**

Our fiscal 2019 business plan calls for lower sales and profits based on an assumption of a continued tough operating environment. In light of the risk of further global macroeconomic deterioration, we have incorporated a negative ¥10 billion in sales and ¥5 billion in operating income into our plan to reflect the risk of earnings fluctuations.

However, we expect gross profit margin (GP margin), which is an indicator of our earning power, to exceed 0.8 percentage points over last year. We plan to find further improvements through the sales contributions of high-value-added IAB products and the results of EMC structural reforms. This high GP rate, which has been steadily improving over the years, is a great weapon in today’s challenging business environment. After all, GP margin is the source of investments that are essential for growth.

Therefore, in fiscal 2019, we will continue to improve this GP margin and continue to manage our business under multiple scenarios that can respond flexibly to environmental changes. The challenging business environment is also a terrific opportunity to establish a competitive advantage others in our industry. In the short term, headwinds are intensifying due to the effects of U.S.-China trade friction. But medium- to long-term social issues that can be solved through OMRON technology and businesses are becoming more and more apparent. These include labor shortages caused by the declining birthrate and aging population and lifestyle-related diseases that are rapidly increasing in the world. In fiscal 2019, we will focus on our mainstay IAB and HCB businesses to solve these issues.

The IAB will meet rising needs for machines to automate the skills of craftspersons in solving the shortage of skilled workers. We will also meet the needs in higher-precision manufacturing for advanced, more compact, higher-quality electronic devices. OMRON's unique manufacturing innovation concept, **innovative-Automation**, is designed to meet these needs and solve other problems. We will continue to evolve as OMRON engineers work with customers to leverage production site data, achieving growth through the **i-BELT** subscription service, which facilitates maintenance, upkeep, and the evolution of production lines.

The HCB grew steadily, pushed by a wind of increasing global health needs. In particular, we aim to provide **personalized healthcare** by offering innovative devices and services in three focus

FY2019 Plan

| | FY2019 Plan* | Y/Y |
|---------------------|----------------|----------|
| Net Sales | ¥830.0 billion | - 3.4% |
| Gross Profit | ¥349.0 billion | - 1.4% |
| Operating Income | ¥65.0 billion | - 15.2% |
| Net Income | ¥42.5 billion | - 21.8% |
| Gross Profit Margin | 42.0% | + 0.8%pt |

*Includes the Automotive Electronic Components Business

areas that represent global social issues: cardiovascular disease, respiratory disease, and pain management. In our mainstay cardiovascular disease field, quickly aging demographics in developed countries and the increase in lifestyle-related diseases associated with the expansion of the middle class in emerging countries have resulted in a rise in serious diseases caused by high blood pressure. These diseases include stroke and myocardial infarction. The OMRON vision for *Zero Events* is our stance to eradicate these diseases. To achieve this vision, we are developing new devices that enable measurement of biological information and diagnostic support services that utilize electrocardiogram monitoring. We will also accelerate forward-looking investments, which include enhancements and quality improvements in our global IT infrastructure, so important to group management. We will also bolster our IAB production and development bases in Japan. It is precisely because of the challenging business environment that we see headwinds as an opportunity to generate buoyancy. By investing steadily in our future, we will acquire the power to grow dramatically when the market tailwinds blow again.

[P43 Industrial Automation Business \(IAB\) →](#)

[P55 Healthcare Business \(HCB\) →](#)

Transfer of the Automotive Electronic Components Business and New Focus Domains

— You have announced the transfer of Automotive Electronic Components Business (AEC) shares to Nidec Corporation (formal transfer scheduled for October 2019). What were your reasons for this decision?

Our decision to transfer the AEC was based on the return to the OMRON Principles that we contribute to a better society through our businesses. We had three reasons.

The first reason was for the sake of further AEC

growth. The automobile industry is entering a once-in-100-year period of great change, called CASE*1. The automotive parts business is now in the midst of a major shift to modularization and standardization. No industry player can get away from this fact. The key for survival among in-vehicle component manufacturers is to continue to provide strong modules. At OMRON, our strength is in control technologies built into electronic control units (ECU). However, it is difficult to construct strong modules with ECU alone. Combining ECU with the motor that is a particular strength of Nidec makes for a very competitive module. That's why we chose Nidec for this transaction. The second reason is to make the OMRON business portfolio stronger and more flexible. The scope of the AEC business is in excess of ¥130 billion, with earnings on par with the industry average. Within the OMRON business portfolio, however, our IAB and HCB have a competitive advantage not only in terms of profitability but also in terms of market competitiveness. By concentrating resources on these businesses, we will survive the changing times and create a structure that provides self-driven growth in any business environment. The third reason is to implement a long-term growth strategy. We will focus our management

resources within more narrowly defined domains to accelerate competitive and growth strategies. We intend to use the cash obtained from this share transfer for future growth investments, including M&A activity and alliances, mainly in the IAB and HCB businesses.

[P33 ROIC Management →](#)

*1 CASE: Connected, Autonomous, Shared, Electric

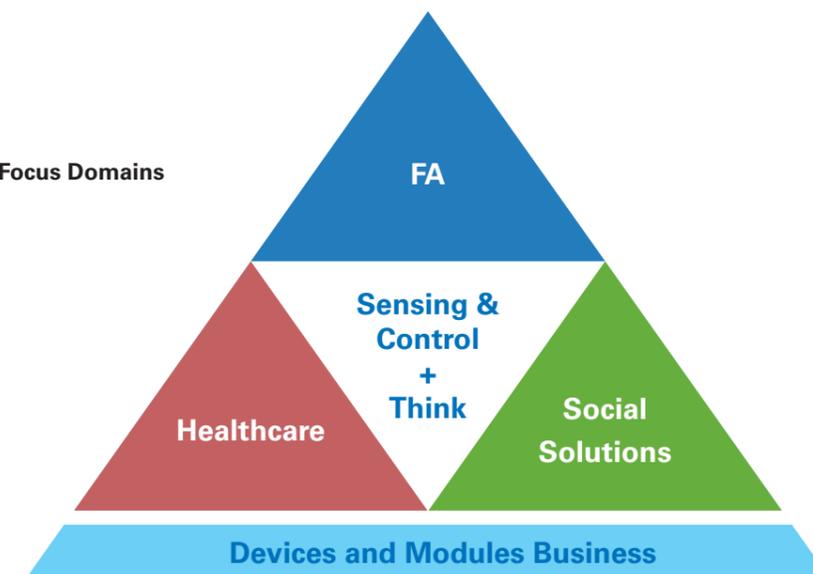
— Have there been any changes in your business fields due to the transfer of the automotive business? In what fields do you expect to increase the value of your presence?

Under VG2.0, we defined four domains of focus: factory automation (FA), healthcare, mobility, and energy management. We pursued growth strategies in each area, but we are now reorganizing our domains in response to the transfer of the automotive business.

Specifically, we will set up three new focus domains: FA, Healthcare, and Social Solutions. The third domain, Social Solutions, is a domain that aims to create new value in social infrastructure, mainly in social systems, such as roads and transportation, and energy management-related businesses.

Each of these focus domains include many core products and services that enjoy barriers to entry,

New OMRON Focus Domains



as well as high market share. This is a significant competitive strength for OMRON. EMC, as an electronic components business, will continue to be a device and module business supporting focus domains and aiming for continued growth.

- [P53 Social Systems, Solutions and Service Business \(SSB\) →](#)
- [P59 Environmental Solutions Business →](#)
- [P49 Electronic and Mechanical Components Business \(EMC\) →](#)

OMRON Principles Management to Accomplish Our Responsibilities for the Future

— OMRON pursues the OMRON Principles, which consist of *Our Mission and Our Values*. Why is OMRON so passionate about management based on the OMRON Principles?

We are passionate because we believe practicing the OMRON Principles will lead to a sustainable improvement in corporate value over the medium

and long term. Companies are a legal entity with something regarded as a personality. However, different than human beings, companies have no defined life expectancy and are not allowed to die. Companies have a wide range of stakeholders and an assumption that the entity will be a going-concern in perpetuity. At the same time, companies are also in a very precarious situation. Regardless of the size of a company, it can be blink out of existence instantly if society does not allow it to exist.

Today, we are in the challenging VUCA*² era that presents a hazy future. At the same time, society asks us to contribute to a sustainable world through as ESG and SDGs. For OMRON to be a company needed by society in these times, and continue to raise corporate value, it is essential that we continue to improve lives and contribute to a better society through our practice of management based on the OMRON Principles.

*2 VUCA: Volatility, Uncertainty, Complexity, Ambiguity



OMRON employees are selected from each area to present their projects inspired by the OMRON Principles at the TOGA Global Convention held every May 10th, which is the anniversary of the founding of OMRON. (May 10, 2019)

— So, how does OMRON practice the OMRON Principles for lasting development?

We must instill the OMRON Principles in every corner of our organization and every employee must continue to have an internal fire to improve lives and contribute to a better society. As individual beliefs expand this circle of resonance inside and outside the company, we will see incredible power to solve social issues. Therefore, OMRON began a movement to share and recognize the efforts of employees who practice the OMRON Principles, striving to expand this circle of resonance both inside and outside the company. This is **The OMRON Global Awards (TOGA)**, which we've been holding since 2012. The number of participants has increased year by year, up from 20,828 in the first year to 62,469 (6,957 projects) cumulatively as of fiscal 2018. With approximately 35,000 OMRON Group employees, many participants have entered multiple projects. Today, TOGA is an indispensable activity in management based on the OMRON Principles. One of the most important internal dialogues in engaging with management based on the OMRON Principles is our *VOICE**³ engagement survey, conducted for all employees globally. In fiscal 2018, approximately 85 percent of our employees responded with and 8,500 responses received. I personally look over every response and we use this feedback to improve management issues. By accelerating Diversity & Inclusion through human resources strategies such as TOGA and *VOICE*, we aim to be a company in which all

employees embrace the OMRON Principles and approach their work with excitement.

- [P61 Human Resources Management →](#)
- [P63 TOGA →](#)

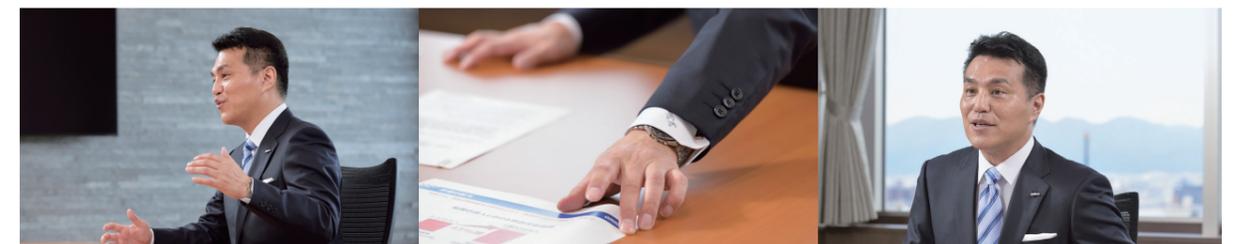
*3 *VOICE*: VG OMRON Interactive Communication with Employee

— OMRON has led the world in many innovations. What has made this possible?

A medium- to long-term perspective is critical for quickly identifying and confronting social issues. This is why OMRON engages in management through future-oriented backcasting. Since 1970, our compass has been the SINIC Theory, a predictive theory formulated by our founder. This theory projects the future based on the cycle of interrelationships between Science, Technology, and Society. Today, we are in the process of the Optimization Society. From the Cybernation Mechanization Society to the current Optimization Society, we will be advancing next to the Autonomous Society, a society in which people to express themselves while living in harmony with others.

[See diagram on P17 →](#)

For OMRON to create this Autonomous Society and remain a venture-type company on our own, we must continue to create innovation driven by social needs. For this reason, we are engaged in a type of technology management that focuses on technological innovation, leveraging near-future design and clearly defining our strategic purpose. In 2018, we established the Innovation Exploring Initiative HQ (IXI) and OMRON SINIC X Corporation



(OSX). IXI was founded on the concept of near-future design as a platform to create innovations through backcasting. OSX is engaged in near-future design research. By making OSX a separate company with a flexible employment and management system, leading engineers from the fields of AI and robotics in Japan and overseas are allowed to conduct their work alone, in partnership with others, on an ad-hoc project basis, etc. Benefited by a mechanism to remove internal and external barriers, top-level researchers work to create new innovations in an open environment. One such project is research into robots equipped with human finger sensations. By combining this technology with industrial robots deployed in FA sites, humans and robots may be able to co-exist not only on production floors, but also in all aspects of daily life. In this way, IXI and OSX are taking on the challenges of answering social needs and creating business models through state-of-the-art technology human resources and open innovation. By strengthening our technology and human resources, we will continue to create innovation that leads the world.

[P2 SINICTheory](#) → [P39Technology Management](#) →

A Sustainable Growth Structure Unique to OMRON

— What does OMRON require to become a strong company engaged in self-driven growth?

I define a strong company by three elements: growing capability, earning capacity, and responsiveness to change. With all three of the elements, a company can build a self-driven growth structure for itself. In this sense, although OMRON experienced lower profits last year due to environmental headwinds, we are in the process of establishing a self-driven growth structure that grows independently in any environment. As I mentioned earlier, headwinds are also a terrific opportunity to gain a competitive advantage. This is why we continue to engage in forward-looking strategic management to overcome uncertainties in the future. We look beyond the immediate future and prepare for several different future scenarios. We intend to tack into these headwinds proactively, investing in structural reform and growth strategies for a stronger group-wide earnings capacity. By mastering knowledge management, which



standardizes and develops the knowledge of our entire organization, we aim to create innovations driven by social needs using technology, human resources, and expertise as our advantage, aiming for a sustainable growth structure that balances both economic and social value.

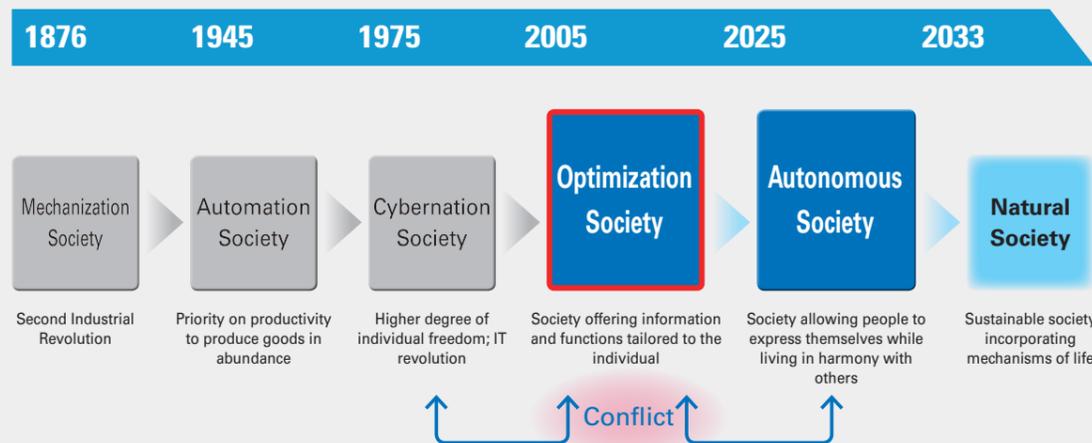
— Last, what are the future prospects and challenges for OMRON?

We expect the current uncertain business environment to continue for some time to come. However, as I mentioned before, medium- to long-term social issues that can be solved through OMRON technology and businesses are becoming more apparent. These include labor shortages due to the declining birthrate and aging population and lifestyle-related diseases that are rapidly increasing in the world. It is time for us to demonstrate our true worth.

During the first half of VG2.0, we sufficiently

strengthened the resources needed for growth. For the second half of VG2.0, which begins this year, we will use the resources we have cultivated and the skills we have developed to create value unique to OMRON. It is precisely in these difficult times that we must always be moving forward. We will continue to be a company that sees change as an opportunity, taking on the challenge to improve lives and contribute to a better society and serving as an organization that continues to live up to the high expectations of people from all over the world. That is the vision for which OMRON strives.

Social Change Predicted by the SINICTheory



The Optimization Society is a transition between Cybernation Mechanization Society and the Autonomous Society. It is a time of confrontation and conflict between old and new values as the focus changes from products and goods to more mindful endeavors. The SINICTheory predicts that overcoming this cycle of destruction and creation will lead to an Autonomous Society in which people are allowed to express themselves while living in harmony with others.

VG2.0 Medium-Term Management Plan

A Road Map Anchored in the Future

In 2011, OMRON started Value Generation 2020 (VG2020), a plan that outlines a 10-year vision for our company. VG2.0, our medium-term management plan launched in fiscal 2017, is the last stage of VG2020. Spanning four fiscal years, VG2.0 also defines our long-term strategy to respond to social change beyond the timeframe. In drafting VG2.0, we forecast future world trends and social changes, incorporating these projections of the future into our strategies. VG2.0 also reflects considerations of the SINIC theory (OMRON's unique future predictive model) and Sustainable Development Goals*.

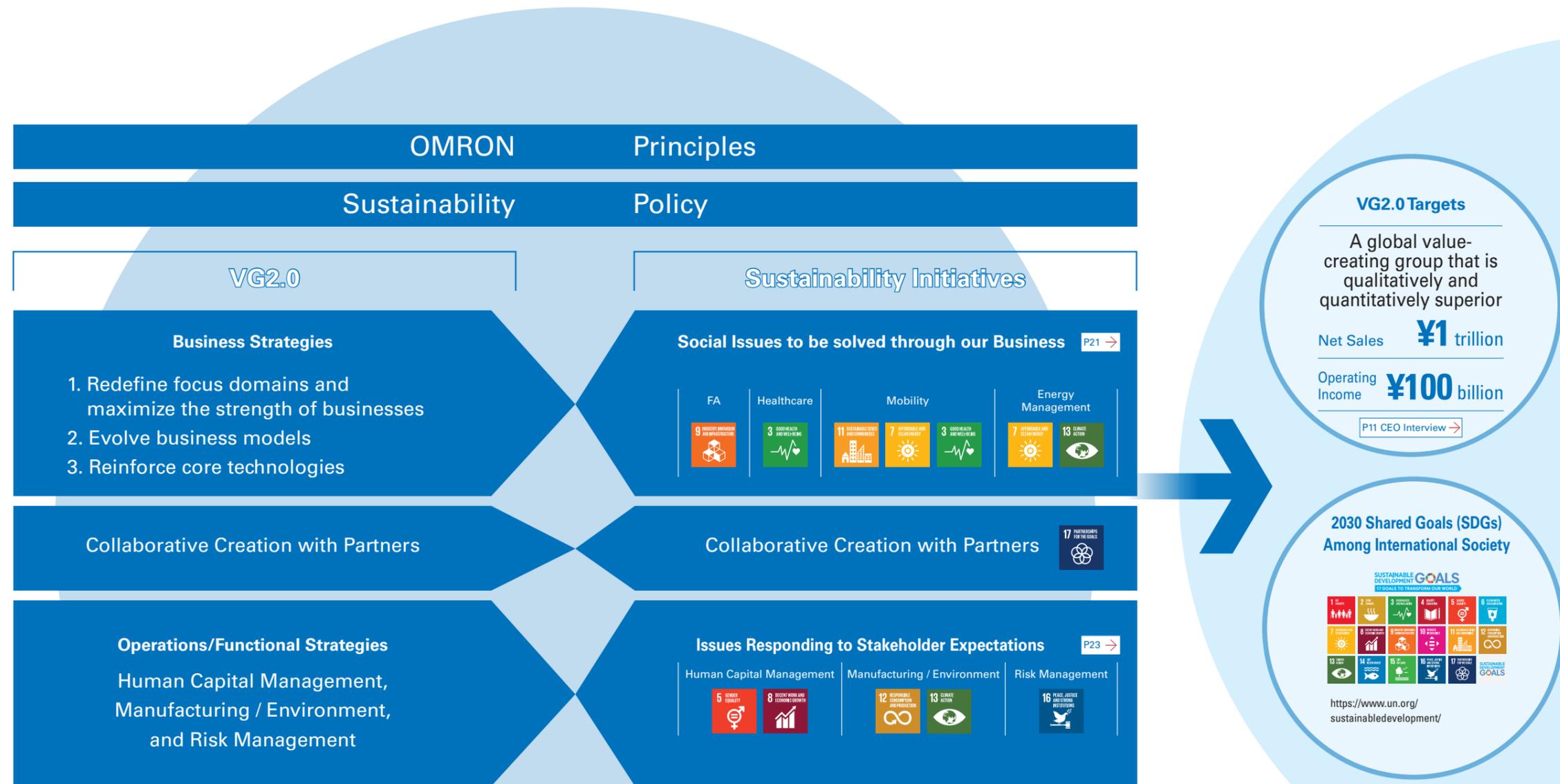
Innovation driven by social needs. It is a core tenet of the OMRON Principles and a concept driving us to solve social issues through leveraging open innovation with customers and partners. To achieve this, we have set four focused domain in growing market where we can exhibit our strength: Factory Automation, Healthcare, Mobility, and Energy Management.

* Goals for sustainable development adopted by the United Nations.

VG2.0 and Sustainability Initiatives

OMRON has aligned sustainability targets with our VG2.0 goals to pursue sustainable corporate value through the generation of social value. Based on the OMRON Sustainability Policy, we identified social issues in VG2.0 to be solved through four focus business domains, while selecting core sustainability issues to support our execution of VG2.0 as well as answer the expectations of our stakeholders. We set goals in these areas to achieve by fiscal 2020, and began working toward these goals in fiscal 2017. In the same year, we added progress toward VG2.0 and sustainability indicators* evaluated by third parties into the medium- and long-term performance-linked stock based compensation system for our officers and directors. [P77](#) →

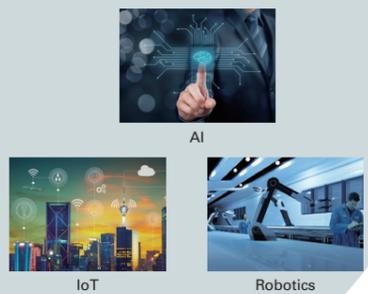
* Dow Jones Sustainability Index (DJSI)



Growing Concern for Social Issues

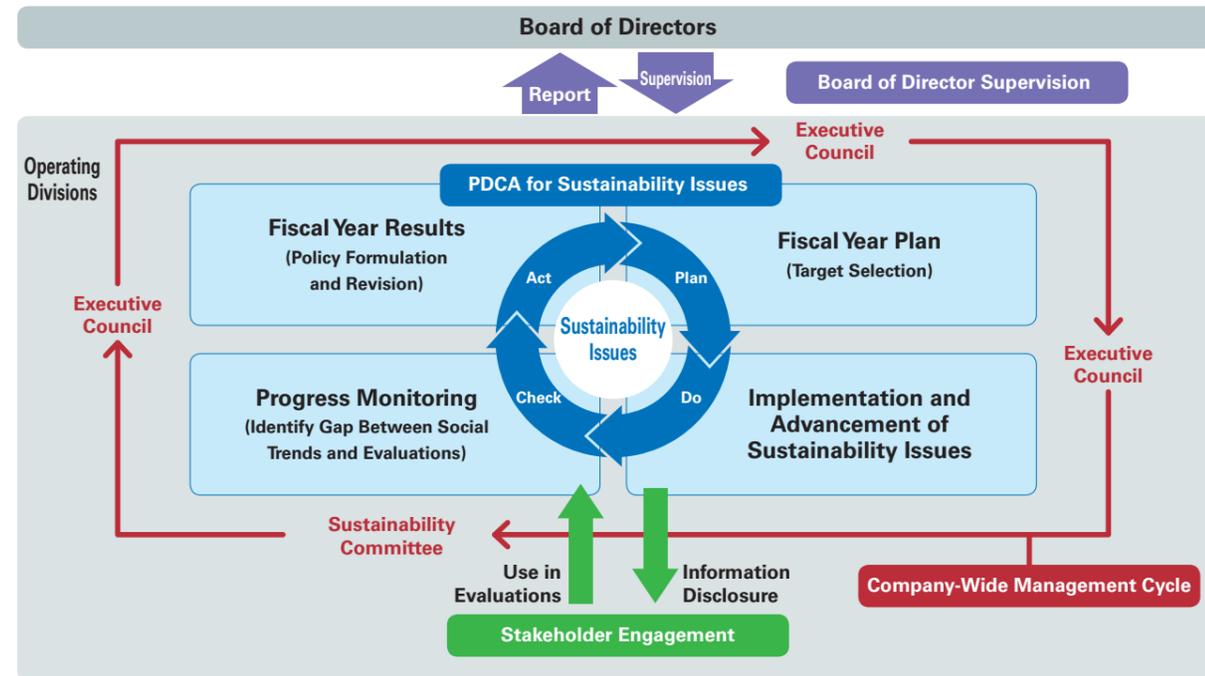


Rapid Technological Innovation



Sustainability Initiatives: Progress

In fiscal 2018, OMRON established a company-wide management structure aimed at achieving our fiscal 2020 Sustainability Goals. We have made steady progress in solving individual issues through Sustainability Promotion Committee and Executive Council discussions and engagement activities in response to stakeholder evaluations. The Board of Directors receives reports from operating divisions, oversight and supervising initiatives related to sustainability issues.



Company-wide management structure for promote sustainability goals

Solving Social Issues Through our Businesses (Four Domains)

| Factory Automation P43 → | |
|---|--|
| Social Issues to be Solved | <ul style="list-style-type: none"> Labor shortages (shrinking labor force in developed countries and lack of skilled workers in emerging economies) Respond to increasingly advanced and diversified manufacturing processes |
| Fiscal 2020 Goals | New innovative -Automation products across four focus industries – Control technology for manufacturing innovation – |
| Fiscal 2018 Progress | <p>Created innovative applications and new products through co-creation with important customers; introduced innovations to production floors</p> <ul style="list-style-type: none"> integrated: Provided sensory testing to replicate skilled technicians adapting to evolutions in high-speed, high-precision motion control intelligent: Started providing i-BELT service; i-BELT utilizes production floor data, contributing to knowledge management of skilled workers and production floor improvements interactive: Introduced a cooperative robot that performs simple operations instead of workers; contributes to flexible production floors harming between worker and machine |
| Case Studies | <ul style="list-style-type: none"> Doubled speed of 3D high-precision PCB inspections using Automated X-Ray Inspection System stemming from developments based in the three <i>is</i>. |

| Healthcare P55 → | |
|---|---|
| Social Issues to be Solved | <ul style="list-style-type: none"> Increased incidence of brain diseases and cardiovascular diseases attributable to hypertension Increased worldwide prevalence of asthma and other respiratory diseases |
| Fiscal 2020 Goals | <ul style="list-style-type: none"> Blood pressure monitor sales: 25 million units/year Develop technologies to continuously monitor blood pressure fluctuations Nebulizer and asthma wheeze monitor sales: 7.65 million units/year |
| Fiscal 2018 Progress | <ul style="list-style-type: none"> Sales area for blood pressure monitors and nebulizers currently expanding Developed wearable blood pressure monitors to track blood pressure variations; introduced in the US in December 2018 |
| Case Studies | <p>(Response to brain diseases and cardiovascular diseases)</p> <ul style="list-style-type: none"> Published <i>Consensus Thesis Regarding the Significance of Nighttime Measurement of Hypertension</i> in the Journal of Hypertension of the European Society of Hypertension; goal of publication was to spur the development of analysis tools that enable monitoring of blood pressure fluctuations |

| Mobility P51,53 → | |
|--|--|
| Social Issues to be Solved | <ul style="list-style-type: none"> Rapid rise in the risk of accidents in developed countries, as well as accidents and traffic congestion in emerging economies Increase in traffic congestion and increased environmental burden in emerging economies |
| Fiscal 2020 Goals | <ul style="list-style-type: none"> Creation driving safety support systems, technologies (SSB) Creation front-of-vehicle recognition technologies for advanced driving support/self-driving vehicles (AEC) Number of vehicles equipped with ecofriendly products: 12 million/year (ratio of high fuel efficiency products; 50%) (AEC) |
| Fiscal 2018 Progress | <ul style="list-style-type: none"> Began adoption of the <i>DriveKarte</i> safe driving management service (SSB) Completed advancements in safe driving indicators, completed verification tests towards commercialization (SSB) As sales of vehicles featuring eco-friendly products increased, ratio of high-fuel-efficiency products also increased (AEC) |
| Case Studies | <ul style="list-style-type: none"> Adopted the <i>DriveKarte</i> safe driving management service in several hundred OMRON-owned vehicles in January 2019. Activity trackers were provided to employees who make particularly frequent use of company vehicles. Verification tests conducted to determine relationship between sleep and other lifestyle habits (health condition) and safe driving. |

| Energy Management P59 → | |
|--|--|
| Social Issues to be Solved | <ul style="list-style-type: none"> Global warming from CO₂ emissions, and slow growth of the renewable energy market |
| Fiscal 2020 Goals | <ul style="list-style-type: none"> Cumulative shipped capacity of solar power/storage battery systems: 11.2GW Build the energy resource aggregation business using solar power/storage battery systems (Japan) |
| Fiscal 2018 Progress | <ul style="list-style-type: none"> Cumulative shipped capacity of solar power/storage battery systems: 8.8GW Strong performance in storage battery systems |
| Case Studies | <ul style="list-style-type: none"> Participated in verification tests on electricity charge and discharge control (increase electricity usage efficiency within buildings) and area electricity stability |

Solving Issues Responding to Stakeholder Expectations

OMRON has set a total of 11 sustainability targets for issues to respond to stakeholder expectations. Here, we will provide six examples of these targets. We intend to publish information related to all targets on our website.

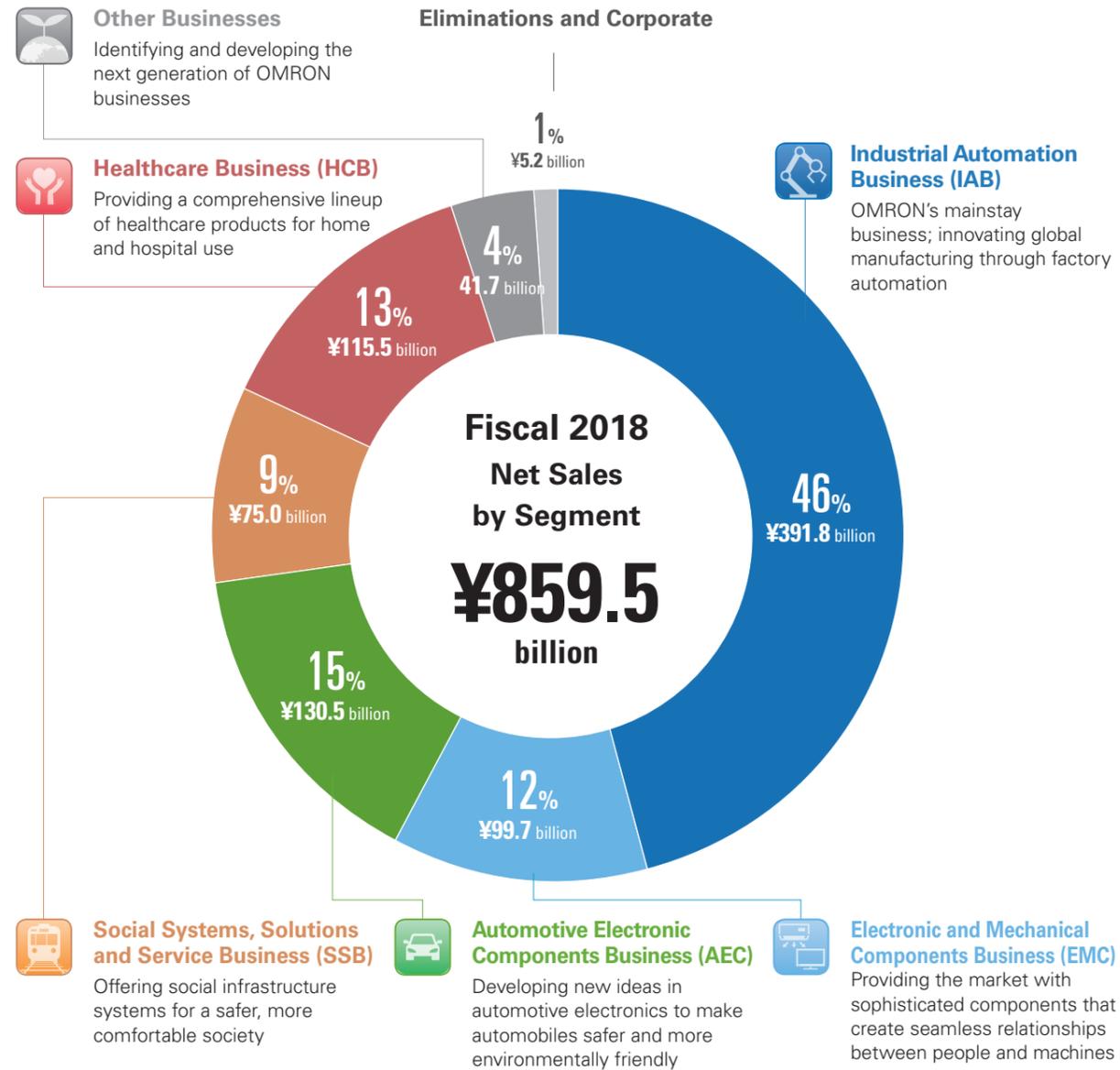
| Human Capital Management P61 → | |
|---|--|
| Talent Attraction and Development | |
| Major Fiscal 2020 Goals | <ul style="list-style-type: none"> Continued expansion of TOGA*¹ to encourage the practice of OMRON Principles Ratio of non-Japanese in managerial positions overseas: 66% Accelerate the PDCA implementation via employee engagement surveys VOICE*² |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Increase in employee participation in TOGA: 22% vs. prior year Ratio of non-Japanese in managerial positions overseas: 62% Increased opportunities for communications between management and employees based on VOICE results |
| Case Studies | (VOICE) <ul style="list-style-type: none"> Use VOICE results to identify issues common to organizational units and implement countermeasures, including better communication of our entire vision/strategy structure, increased personnel training, and improved business productivity |
| Wellness Management | |
| Major Fiscal 2020 Goals | <ul style="list-style-type: none"> Improve awareness of wellness management (encourage activities based on Boost5*³ globally) |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Established Boost5; promoted the program throughout our domestic group Set Boost5 activity goals for each overseas region; launched initiatives |
| Case Studies | <ul style="list-style-type: none"> Published the <i>OMRON Health White Paper</i>; educated employees on the relationship between Boost5 and employee health and performance Selected for the first time by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a <i>Management Health Brand 2019</i> (February 2019) |
| Respect for Human Rights and Labor Practices | |
| Major Fiscal 2020 goals | <ul style="list-style-type: none"> Define and adopt due diligence process for human rights Implement human rights risk analysis and corrective actions at production centers |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Carried out a survey into actual conditions of employees at on-site contractors in Japan Investigated and analyzed risks to human rights at 21 global production centers (increase of five centers year on year) |
| Case Studies | <ul style="list-style-type: none"> Identified potential risks to human rights such as forced labor, child labor, harassment, and foreign workers in production centers; implemented preventative measures (e.g.: review of employment rules, training) |

| Manufacturing / Environment P67 → | |
|--|--|
| Product Safety and Quality | |
| Major Fiscal 2020 Goals | <ul style="list-style-type: none"> Product safety assessments for newly developed products: 100% Improve product safety assessments |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Product safety assessments for newly developed products: 100% Improved details of assessments; started trials using new processes Revised guidelines for OMRON Group rules*⁴ |
| Case Studies | <ul style="list-style-type: none"> Expand assessments to include the latest safety standards, laws and regulations, and market/customer usability improvements; apply to assessment processes in each business. |
| Environment | |
| Major Fiscal 2020 Goals | <ul style="list-style-type: none"> Reduce total GHG emissions by 4 percent (vs. fiscal 2016) Environmental contribution to exceed CO₂ emissions from production centers |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Completed creation of an action plan for a 4 percent reduction by fiscal 2020 Promoted wide-scale energy-savings and use of clean energy Environmental contribution of 1.055 million tons of CO₂ saved vs. 193,000 tons of CO₂ emissions from production centers |
| Case Studies | <ul style="list-style-type: none"> Determine potential of GHG reductions, and formulate a plan to introduce energy-savings and renewable energy Starting procurement of zero CO₂ electricity in the Kanto and Kansai regions |
| Risk Management P69 → | |
| Information Security, Personal Information Protection | |
| Major Fiscal 2020 goals | <ul style="list-style-type: none"> Build a new information security system |
| Fiscal 2018 Progress Highlights | <ul style="list-style-type: none"> Completed support for laws and regulations such as GDPR*⁵ Started intensive monitoring of threat information related to information security |
| Case Studies | <ul style="list-style-type: none"> Concluded contract for data migration between group companies Surveyed personal information protection laws in each country; updated OMRON Group rules Improved training of employees in personal information security |

*1 TOGA: The OMRON Global Awards
 *2 VOICE: VG OMRON Interactive Communication with Employee
 *3 Boost5: Five areas of physical and mental health (Exercise, Sleep, Mental Health, Nutrition, Smoking)
 *4 OMRON Group Rules encompass 24 separate topics, including ethical conduct, risk management, unauthorized control, information security, safety assurance business management, IT controls, accounting and funding, labor and occupational health, environmental management, purchasing, and brand logo management.
 *5 GDPR: EU General Data Protection Regulations

Earnings Structure and Global Business

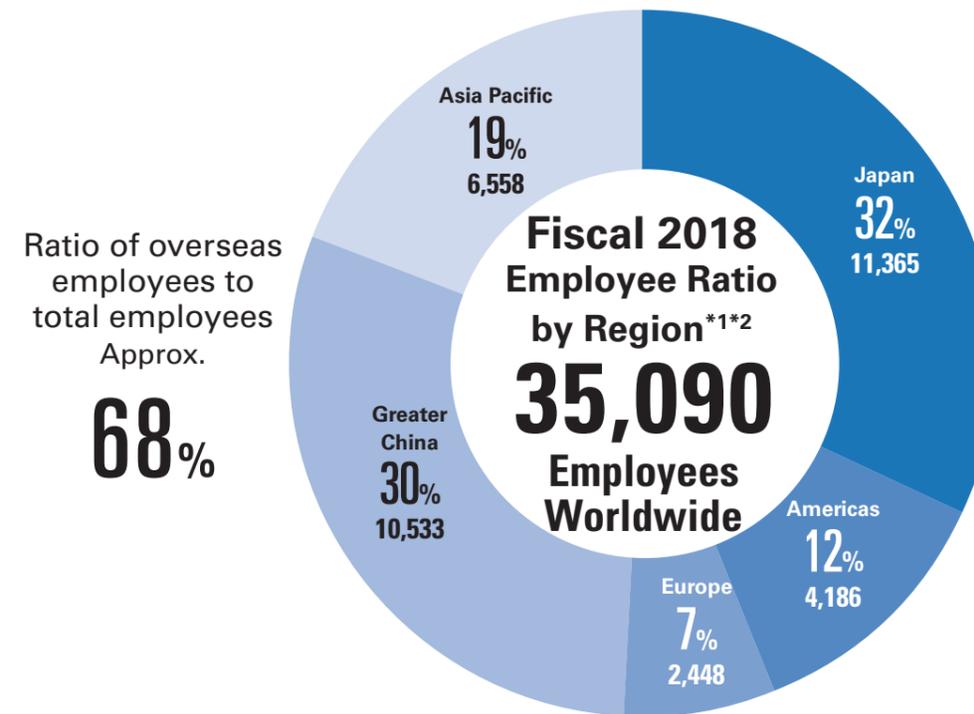
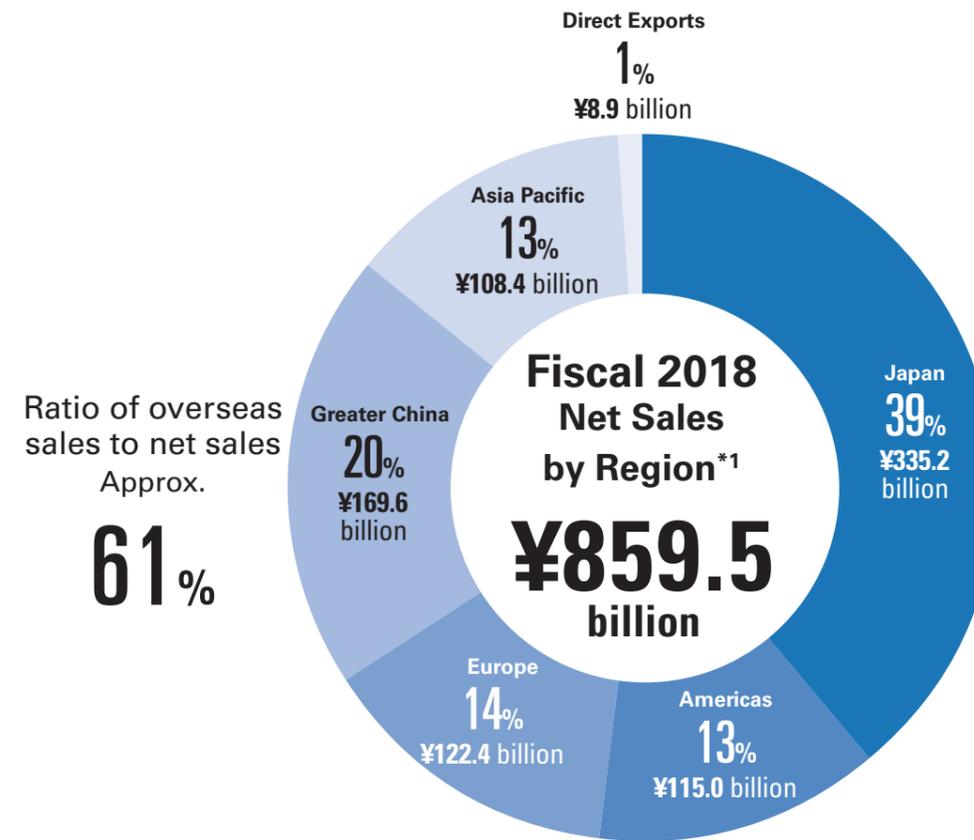
OMRON manufactures and sells market-leading sensing and control products in 117 countries around the world. Our products include control equipment, electronic components, automotive electronic components, social systems, and healthcare.



Fiscal 2018 Earnings by Business Segment

| BUSINESS SEGMENT | NET SALES | OPERATING INCOME (LOSS) | OPERATING INCOME MARGIN |
|--|--------------|-------------------------|-------------------------|
| Industrial Automation Business (IAB) | 391.8 | 62.9 | 16.1% |
| Electronic and Mechanical Components Business (EMC) | 99.7 | 8.2 | 8.2% |
| Automotive Electronic Components Business (AEC) | 130.5 | 6.3 | 4.8% |
| Social Systems, Solutions and Service Business (SSB) | 75.0 | 5.8 | 7.7% |
| Healthcare Business (HCB) | 115.5 | 13.0 | 11.3% |
| Other Businesses | 41.7 | (0.5) | — |
| Eliminations and Corporate | 5.2 | (19.1) | — |
| Total | 859.5 | 76.6 | 8.9% |

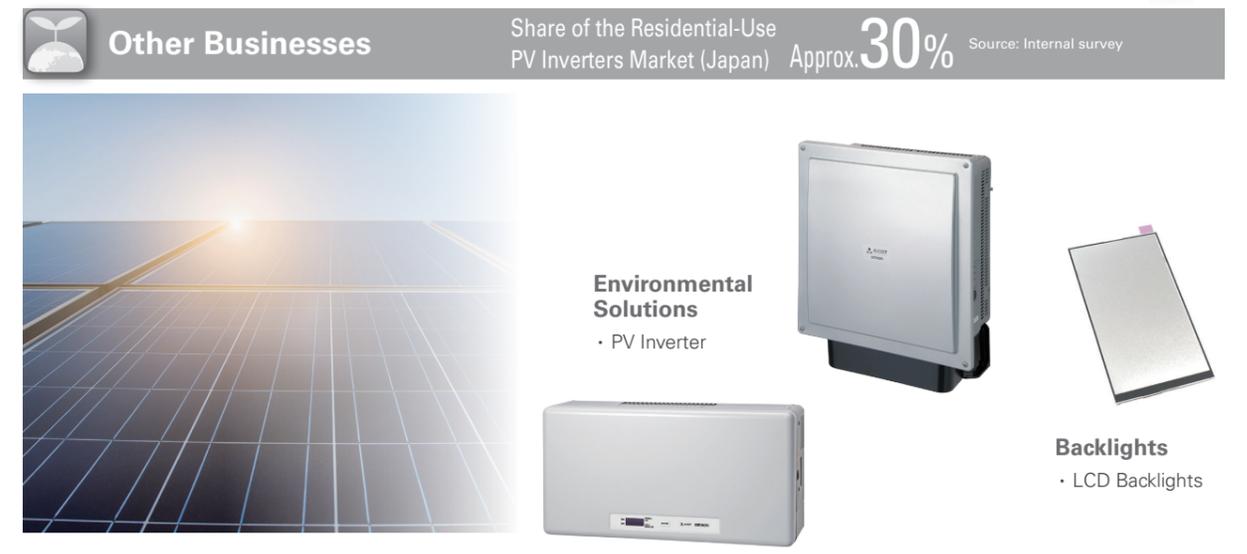
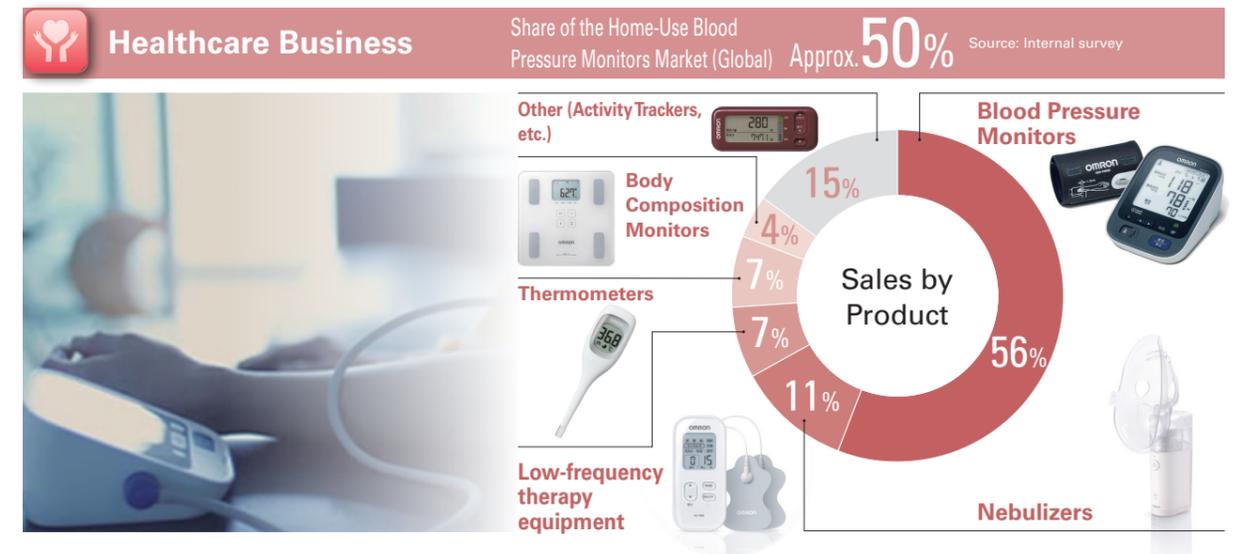
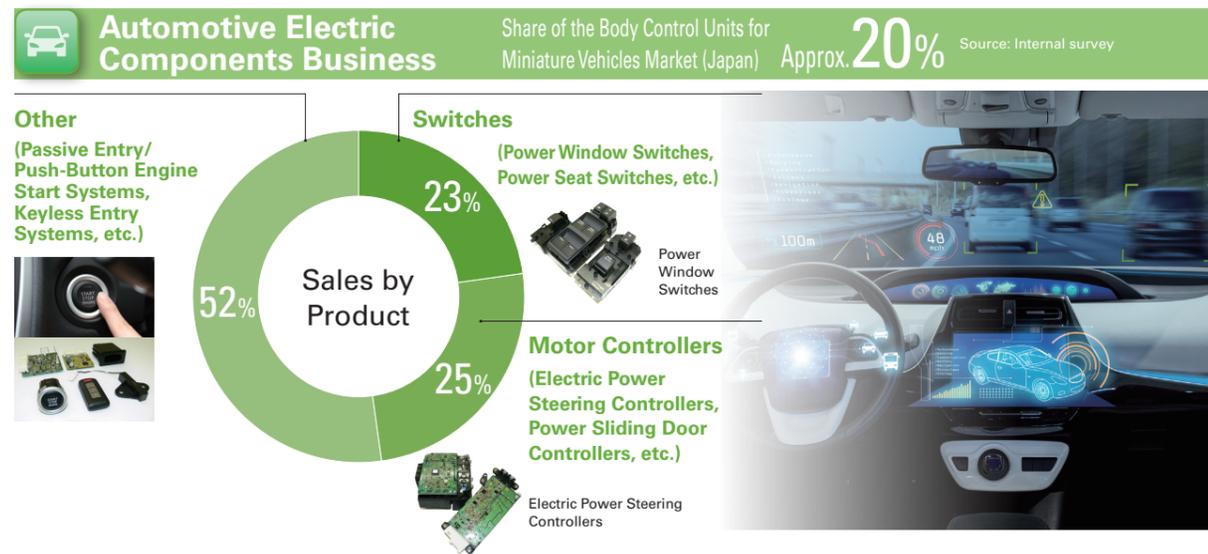
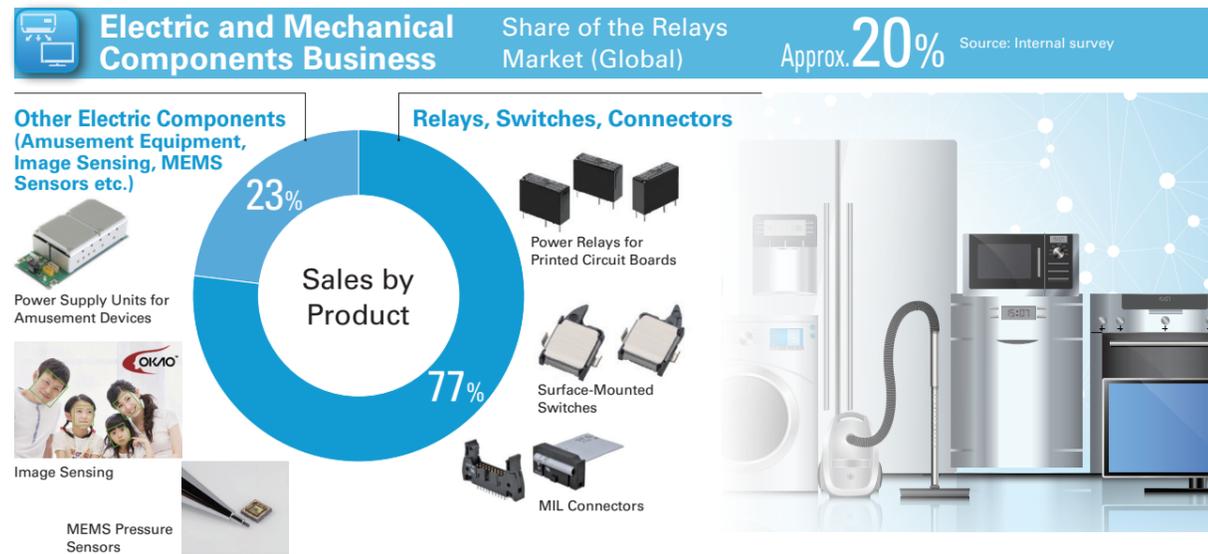
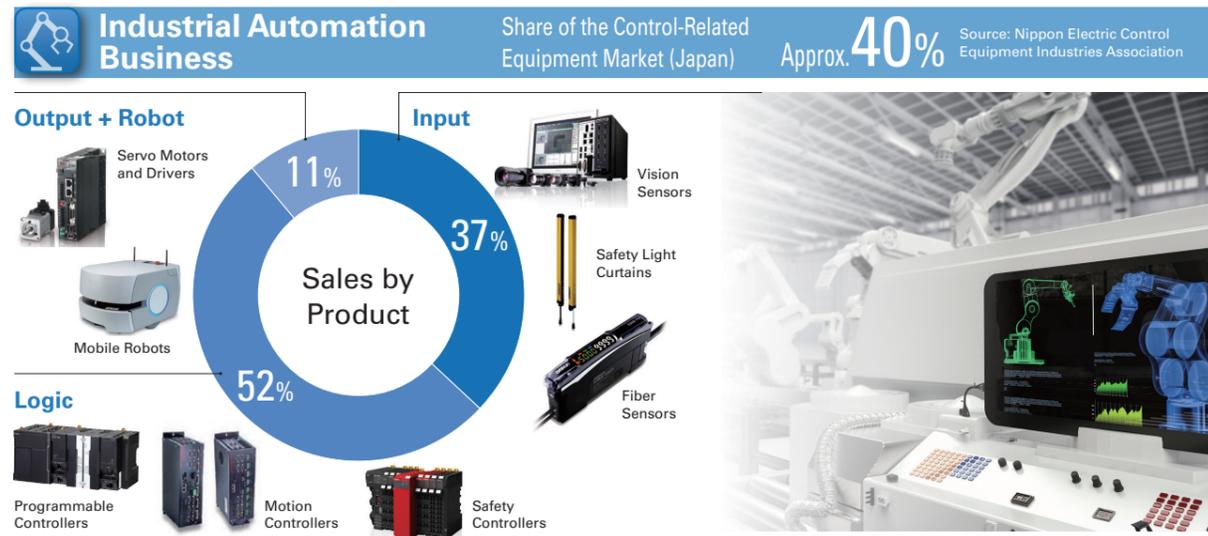
At a meeting held April 16, 2019, the OMRON board of directors resolved to transfer the business of AEC OMRON operating segment, namely all shares of consolidated subsidiary OMRON Automotive Electronics Co., Ltd. (Note 1), all shares, etc., of two consolidated subsidiaries, including OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V., and the automotive electronic components businesses of three consolidated subsidiaries for compensation in the amount of JPY100 billion (Note 2) to Nidec Corp. The share transfer agreement was executed on the same day as the meeting of the board of directors. In connection with this decision, OMRON has classified the above-referenced businesses as discontinued operations as of the first quarter of the current consolidated fiscal year. We have classified results as continuing operations and discontinued operations for presentation herein. This transaction is scheduled to be completed by the end of October 2019; however, the transaction must receive approval by the antitrust regulatory authorities in each country. Accordingly, the effective date of this transaction has yet to be determined. OMRON is currently assessing the impact of this transaction on our financial statements. If deemed necessary, we will make the appropriate disclosures promptly upon determination. Notes: 1. Nine subsidiaries of OAE will also be transferred, removed as consolidated subsidiaries of OMRON. 2. The total transfer price will be finalized at a future date based on the conditions including financial data stated in the transfer agreement. Accordingly, the figures stated above may change in the future.



*1 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
 *2 As of March 31, 2019

Market Share and Sales by Product

The six OMRON business segments each feature product lines that boast top share in global or Japanese markets.



† Fiscal 2018 results

Financial Highlights

Gross Profit Margin

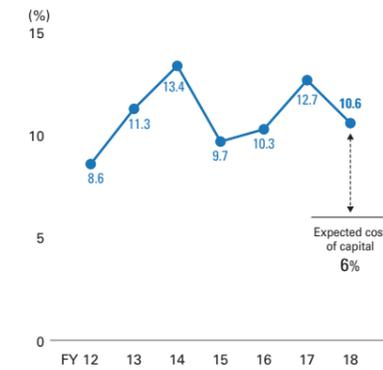
41.2%



We set a 40% over for gross profit margin, driven by stronger earnings capacity group-wide.

ROIC

10.6%



Our focus on ROIC management resulted in a 10.6% ROIC, far above our 6% expected cost of capital.

EPS

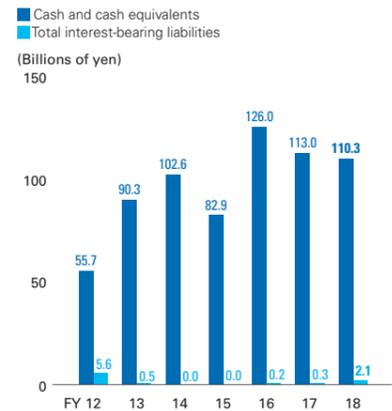
¥260.8



OMRON paid dividends of ¥84 per share, representing dividend payout ratio above our target of approximately 30% and dividend on equity above our target of approximately 3%.

Cash and Cash Equivalents

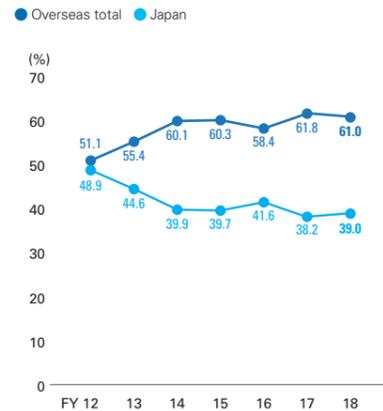
¥110.3 billion



We continued to conduct essentially debt-free management, as cash balances remain in excess of interest-bearing debt.

Ratio of Overseas Sales to Total Net Sales

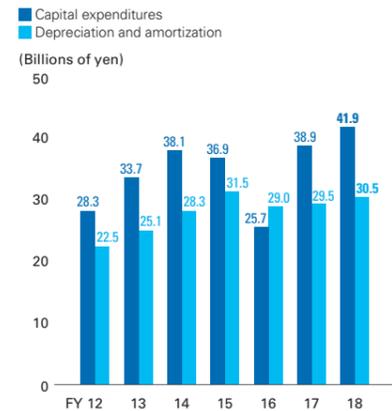
61.0%



OMRON's overseas sales ratio continues to exceed 60%.

Capital Expenditures

¥41.9 billion

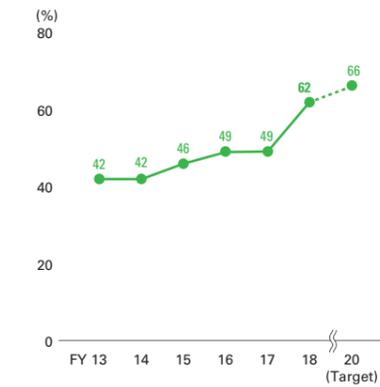


OMRON increased production facilities for future growth and established new bases for strengthening development capabilities.

Non-Financial Highlights

Ratio of Non-Japanese in Managerial Positions Overseas *

62%

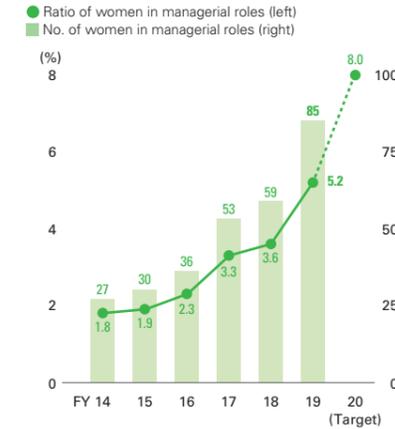


Depending on the size of the overseas OMRON Group companies, we will increase the ratio of local employees to the number of important positions determined by OMRON.

* From FY2018, concurrent positions for governance and development positions are excluded. In the case of the conventional calculation standard, it is 57% in FY2018.

Ratio of Women in Managerial Roles (OMRON Group in Japan) *

5.2%

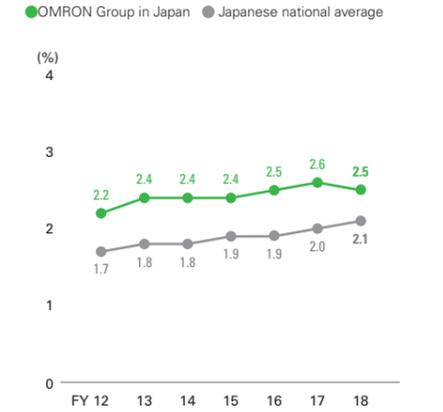


We are increasing the ratio of women in leadership-level managerial roles in Japan.

* Figures represent results as of April 20. * In the domestic OMRON group, the number of women in managerial positions ratio.

Ratio of Employees with Disabilities (OMRON Group in Japan) *

2.5%

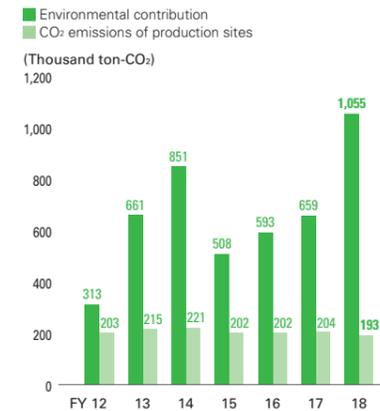


We are striving to create more employment opportunities and fulfilling work for disabled persons.

* 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 ☆

1,055 thousand ton-CO₂



We are expanding the environmental contribution of OMRON products and services that reduce the impact on the environment. We also strive to reduce CO₂ emissions at our production centers through the use of our own energy saving products.

* Environmental Contribution = Volume of CO₂ emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services. Calculation method : <https://www.omron.com/about/sustainability/environ/contribution/products/>

Energy-Generation Product



PV inverters

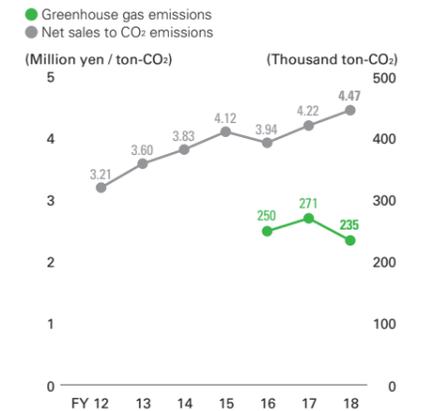
Energy-Saving Product



Electricity monitors (left) Environment ANDON (right)

Greenhouse Gas Emissions ☆

235 thousand ton-CO₂



OMRON 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 a new indicator to achieve that goal.

* Net sales to CO₂ emissions: Net sales per one ton of CO₂ emissions * Since fiscal 2016, OMRON has been using the following published figures for the CO₂ 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://www.omron.com/about/sustainability/environ/reduce/co2/>

11-Year Financial and Non-Financial Highlights

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

Long-Term Management Strategy

| Grand Design 2010 (GD2010) | | | | Value Generation 2020 (VG2020) | | | | | | | |
|---|----------|----------|----------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|
| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
| Financial Indicators: (Millions of yen) | | | | | | | | | | | |
| Operating Results: | | | | | | | | | | | |
| Net sales | ¥627,190 | ¥524,694 | ¥617,825 | ¥619,461 | ¥650,461 | ¥772,966 | ¥847,252 | ¥833,604 | ¥794,201 | ¥859,982 | ¥859,482 |
| Gross profit | 218,522 | 184,342 | 231,702 | 227,887 | 241,507 | 297,208 | 332,607 | 320,812 | 312,161 | 357,812 | 354,093 |
| Selling, general and administrative expenses (excl. R&D expenses) | 164,284 | 133,426 | 142,365 | 145,662 | 152,676 | 181,225 | 198,103 | 205,735 | 193,093 | 212,481 | 219,683 |
| R&D expenses | 48,899 | 37,842 | 41,300 | 42,089 | 43,488 | 47,928 | 47,913 | 52,790 | 50,539 | 59,077 | 57,777 |
| Operating income | 5,339 | 13,074 | 48,037 | 40,136 | 45,343 | 68,055 | 86,591 | 62,287 | 68,529 | 86,254 | 76,633 |
| EBITDA ^(Note 1) | 38,835 | 40,088 | 71,021 | 62,753 | 67,795 | 93,144 | 114,930 | 93,747 | 97,495 | 115,719 | 107,092 |
| Net income (loss) attributable to OMRON shareholders | (29,172) | 3,518 | 26,782 | 16,389 | 30,203 | 46,185 | 62,170 | 47,290 | 45,987 | 63,159 | 54,323 |
| Cash Flows: | | | | | | | | | | | |
| Net cash provided by operating activities | 31,408 | 42,759 | 41,956 | 31,946 | 53,058 | 79,044 | 77,057 | 84,207 | 77,875 | 73,673 | 71,245 |
| Net cash used in investing activities | (40,628) | (18,584) | (20,210) | (26,486) | (28,471) | (31,125) | (39,517) | (67,116) | (15,041) | (55,842) | (34,957) |
| Free cash flow ^(Note 2) | (9,220) | 24,175 | 21,746 | 5,460 | 24,587 | 47,919 | 37,540 | 17,091 | 62,834 | 17,831 | 36,288 |
| Net cash provided by (used in) financing activities | 21,867 | (20,358) | 3,333 | (33,492) | (18,550) | (16,298) | (29,303) | (31,550) | (15,012) | (33,082) | 40,783 |
| Financial Position: | | | | | | | | | | | |
| Total assets | 538,280 | 532,254 | 562,790 | 537,323 | 573,637 | 654,704 | 711,011 | 683,325 | 697,701 | 744,952 | 749,878 |
| Cash and cash equivalents | 46,631 | 51,726 | 74,735 | 45,257 | 55,708 | 90,251 | 102,622 | 82,910 | 126,026 | 113,023 | 110,250 |
| Total interest-bearing liabilities | 52,970 | 36,612 | 45,519 | 18,774 | 5,570 | 488 | 0 | 0 | 156 | 298 | 2,086 |
| Total shareholders' equity | 298,411 | 306,327 | 312,753 | 320,840 | 366,962 | 430,509 | 489,769 | 444,718 | 469,029 | 505,530 | 504,212 |
| Per Share Data: | | | | | | | | | | | |
| Net income (loss) attributable to OMRON shareholders (EPS) | (132.2) | 16.0 | 121.7 | 74.5 | 137.2 | 209.8 | 283.9 | 219.0 | 215.1 | 296.9 | 260.8 |
| Shareholders' equity | 1,355.4 | 1,391.4 | 1,421.0 | 1,457.5 | 1,667.0 | 1,956.1 | 2,254.4 | 2,080.0 | 2,193.7 | 2,400.4 | 2,455.2 |
| Cash dividends ^(Note 3) | 25 | 17 | 30 | 28 | 37 | 53 | 71 | 68 | 68 | 76 | 84 |
| Dividend payout ratio | — | 106.4% | 24.7% | 37.6% | 27.0% | 25.3% | 25.0% | 31.1% | 31.6% | 25.6% | 32.2% |
| Other Financial Data: | | | | | | | | | | | |
| Gross profit margin | 34.8% | 35.1% | 37.5% | 36.8% | 37.1% | 38.5% | 39.3% | 38.5% | 39.3% | 41.6% | 41.2% |
| Operating income margin | 0.9% | 2.5% | 7.8% | 6.5% | 7.0% | 8.8% | 10.2% | 7.5% | 8.6% | 10.0% | 8.9% |
| EBITDA margin | 6.2% | 7.6% | 11.5% | 10.1% | 10.4% | 12.1% | 13.6% | 11.2% | 12.2% | 13.4% | 12.5% |
| Return on invested capital (ROIC) | (7.6%) | 1.0% | 7.8% | 4.8% | 8.6% | 11.3% | 13.4% | 9.7% | 10.3% | 12.7% | 10.6% |
| Return on equity (ROE) | (8.7%) | 1.2% | 8.7% | 5.2% | 8.8% | 11.6% | 13.5% | 10.1% | 10.1% | 13.0% | 10.8% |
| Ratio of shareholders' equity to total assets | 55.4% | 57.6% | 55.6% | 59.7% | 64.0% | 65.8% | 68.9% | 65.1% | 67.2% | 67.9% | 67.2% |
| Total return ratio ^(Note 4) | — | 106.7% | 25.2% | 37.7% | 27.0% | 25.3% | 49.1% | 62.7% | 31.6% | 48.2% | 79.5% |
| Capital expenditures | 36,844 | 19,524 | 23,192 | 28,341 | 28,285 | 33,653 | 38,143 | 36,859 | 25,692 | 38,852 | 41,861 |
| Depreciation and amortization | 33,496 | 27,014 | 22,984 | 22,617 | 22,452 | 25,089 | 28,339 | 31,460 | 28,966 | 29,465 | 30,459 |
| Ratio of overseas sales | 49.7% | 50.7% | 51.4% | 52.2% | 51.1% | 55.4% | 60.1% | 60.3% | 58.4% | 61.8% | 61.0% |
| Non-Financial Indicators: | | | | | | | | | | | |
| Number of employees | 32,583 | 36,299 | 35,684 | 35,992 | 35,411 | 36,842 | 37,572 | 37,709 | 36,008 | 36,193 | 35,090 |
| Ratio of overseas employees to total employees | 63.4% | 68.1% | 67.8% | 67.7% | 67.4% | 69.1% | 69.7% | 69.3% | 68.3% | 68.1% | 67.6% |
| Ratio of non-Japanese in managerial positions overseas | — | — | — | 34% | 36% | 42% | 42% | 46% | 49% | 49% | 62% |
| Ratio of women in managerial roles (OMRON Group in Japan) | — | — | — | — | 1.4% | 1.5% | 1.8% | 1.9% | 2.3% | 3.3% | 3.6% |
| No. of women in managerial roles | — | — | — | — | 22 | 23 | 27 | 30 | 36 | 53 | 59 |
| Ratio of employees with disabilities (OMRON Group in Japan) | 2.1% | 2.1% | 2.2% | 2.2% | 2.2% | 2.4% | 2.4% | 2.4% | 2.5% | 2.6% | 2.5% |
| Number of patents held ^(Note 5) | 5,205 | 5,218 | 5,452 | 5,959 | 6,448 | 6,635 | 7,194 | 7,686 | 8,224 | 8,774 | 9,782 |
| Environmental contribution (thousand ton-CO ₂) | — | — | 193 | 189 | 313 | 661 | 851 | 508 | 593 | 659 | 1,055 |
| CO ₂ emissions of production sites (thousand ton-CO ₂) | — | — | 187 | 193 | 203 | 215 | 221 | 202 | 202 | 204 | 193 |
| Net sales to CO ₂ emissions (million yen / ton-CO ₂) | — | — | 3.31 | 3.21 | 3.21 | 3.60 | 3.83 | 4.12 | 3.94 | 4.22 | 4.47 |
| Greenhouse gas emissions (thousand ton-CO ₂) | — | — | — | — | — | — | — | — | 250 | 271 | 235 |

Notes: 1. EBITDA = Operating income + Depreciation and amortization

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

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

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

5. Patent information is as of March 15 each year.

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.

Changes in Accounting Policies

With the company's adoption of US GAAP in fiscal 2018, we have reclassified consolidated statements of income for fiscal years 2016 and later for presentation herein.



ROIC Management: Powering the Growth Cycle with Discipline and Boldness

August 2019
 Director, Senior Managing Executive Officer
 CFO and Senior General Manager, Global Strategy HQ

Koji Nitto

“The OMRON mission is to improve lives and contribute to a better society by implementing the OMRON Principles. So says CFO Koji Nitto, who is responsible for “ROIC management,” the company’s system for accelerating management of the OMRON Principles. Building a “self-driven growth structure” is essential to solving social issues. Through ROIC management, we are implementing self-driven growth and incorporating the creation of innovation into management mechanisms. We spoke with CFO Nitto about building systems to increase earning ability and powering the growth cycle with a combination of discipline and boldness.

(Interviewer: Editorial Department)

The Role of the CFO Management based on the OMRON Principles and Self-Driven Growth

— Editorial Department (in bold below): **Could you talk about management based on the principles that OMRON is striving for and about your role as CFO in putting these principles into practice?**

Nitto (omitted below): What are OMRON’s goals and what is the purpose of its existence? We are always asking ourselves about the true meaning of the corporate motto given to us by our founder Kazuma Tateishi and of the OMRON Principles which have inherited the spirit behind that motto. The answer is that it is the duty of all the people working at OMRON to practice the OMRON Principles and to improve lives and contribute to a better society through our business. My role as CFO is evaluate investments and to redistribute resources with a sense of discipline.

— **What are the essential elements needed to solve social issues as called for under the OMRON Principles?**

It is essential for OMRON to establish a self-driven growth structure to solve social issues and achieve continuous growth. How can we build that structure? First, we must continue to create businesses that contribute to the betterment of society. Although we are currently buffeted by headwinds in the current business climate, it’s not stopping all economic activity or social initiatives. Medium- and long-term social issues that we can solve through our businesses are increasingly apparent. These issues include labor shortages due to low birth rates and aging demographics. If we can keep our focus on these trends and invest in businesses where there are barriers that our competitors cannot imitate or where there we have latent competitiveness, we will create value in spite of challenges, a veritable “growth engine” that can make meaningful contributions to society. To create this new growth engine, OMRON is increasing its spending on development and has set up new organizations like the Innovation Exploring Initiative HQ and OMRON SINIC X to serve as platforms for innovation. Through OMRON VENTURES CO., LTD., we are actively investing with venture firms around the world to stimulate open innovation. Another element essential for self-driven growth is to continue to grow our businesses and improve profitability. We will not be able to achieve self-driven growth only by creating new businesses. Although we certainly need new businesses, it is just as important to increase the profitability of and grow all of OMRON’s businesses through ceaseless structural reform. We will achieve self-driven growth by accelerating

these two elements. We can engage boldly with social issues and continue OMRON’s own unique cycle of growth.

Increase Gross Profit Margin to Refine Earning Capacity and Make Necessary Investments

— **In the first half of VG2.0, the company continued its focus on investment for growth and the gross profit margin. Could you explain the reasons for that?**

The first 2 years of VG2.0 we have aggressively made the necessary investments toward achieving self-driven growth. We focused on the growth engines of our industrial automation and healthcare businesses, extending the range of solutions to make up for where we were short by expanding technologies and products.

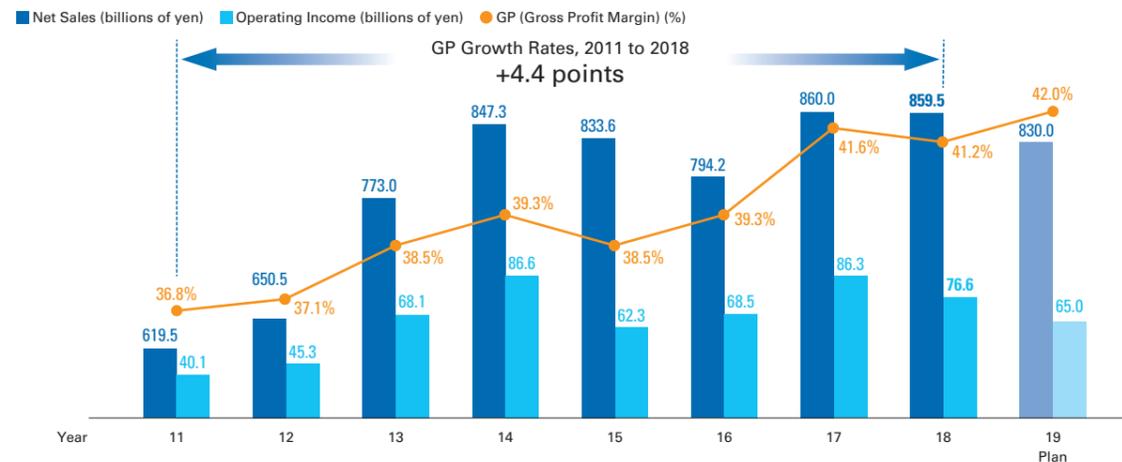
What we are continuing to focus on toward the achievement of self-driven growth is our gross profit (GP) margin. That’s because the gross profit margin represents pure profit attributable to the production of physical goods by subtracting from sales the cost of sales. Since the gross profit margin is the source of our investment resources, we will increase our ability to invest to the extent that the gross profit margin increases. In this way, we will set the growth cycle in motion by increasing our competitiveness through investing. It is vital that we continue to invest for growth, even in the midst of a tough business climate. That is why the gross profit margin is so important: it is the source of those resources.

It takes more than production to increase the gross profit margin: every division of the company, from sales and development, to headquarters, must act in a coordinated way to increase the gross profit margin. For example, it’s exceedingly hard to achieve a 3% cost reduction with production, but if the gross profit margin is 50% and sales gives a 1.5% discount, the entire 3% cost reduction that production had sweated blood to get to will be wiped out. Since gross profit margin is variable, we make sure everyone in the company understands the importance. As a result, the 36.8% gross profit margin in fiscal 2011 at the start of VG2020 increased to 41.2% by fiscal 2018.

If this 4.4 points increase is calculated backwards from net sales of ¥859.5 billion in fiscal 2018, it is apparent that we’ve picked up ¥37.8 billion in investment resources. We have significantly increased spending on development and SG&A expenses using the resources generated by this increase in the gross profit margin, but we have been able to increase the operating profit margin by 2.4 points.

In the second half of fiscal 2019, we will evaluate the

Net Sales, Operating Income, GP (Gross Profit Margin) Results (FY2011-FY2018)



assets acquired as a result of investment for growth to improve profitability and restructure to build a more muscular OMRON. [P37 ROIC Management](#) →

ROIC management requires management discipline

— In addition to raising the GP margin, what other unique measures is OMRON taking to contribute to sustainable corporate value growth?

It takes monitoring of return on investment, evaluation, and maximization to make effective use of limited resources and to achieve self-driven growth. Businesses must have earnings capacity in addition to growth power. It is the combination of both of these factors that underlies ROIC management. ROIC is a crucial management indicator because it measures the return on invested capital and can be used to assess performance according to the type of business. However, approached as a management indicator, employees on the front line may not see the connection to their own work. That is why we have introduced the Down-Top ROIC Tree. The Down-Top ROIC Tree breaks down ROIC into the key performance indicators (KPIs) of the automation rate, the failure cost ratio, and the facilities turnover rate to find out which improvements would lead to greater efficiency in business processes and how these efficiencies would in turn lead to improved results. The Down-Top ROIC Tree is way to visualize this analysis. Each and every employee must take responsibility for boosting profits and sustaining growth because if our activities are not consistent with one another, we will not move in the

same direction toward the creation of value. Therefore, our aim is to connect actions through all levels of our organization, linking policies set by management to improvement actions performed by employees. Also, to ensure that ROIC management is more deeply understood, we have introduced an interpreted formula called ROIC Management 2.0. By deploying ambassadors in each division, we are sharing advanced case studies throughout the company.

— OMRON also considers portfolio management to be important.

While the business environment is keep changing, not all businesses grow as planned. Disciplined management will be essential for OMRON to achieve self-driven growth. With that in mind, we must always look at the makeup of our business and rebuild our portfolio to focus our efforts on business that have significant profitability and growth potential. There are nearly 90 business units in OMRON. We are constantly assessing the economic value and market competitiveness of each of our businesses to make critical management judgments about whether to continue a business or to divest ourselves of it and whether to shift resources to new growth businesses. This kind of business assessment using portfolio management is essential for sustainable business management. Moreover, disciplined management is necessary in the pursuit of the OMRON Principles. As public institutions that should create value, companies are made up of a wide range of stakeholders. In the case of institutional investors, there are many people who depend for their livelihood on pensions. Profits must be duly returned to these indirect stakeholders. In other words, businesses that cannot generate a minimum level of earnings do not

make an adequate contribution to the betterment of society. To the extent that earnings are a measure of the value a company provides to the world, I believe companies must exercise highly disciplined investment management through clear rules defining individual activities in a given business field and how much income growth is generated. OMRON has established ROIC of 10% as the bar that each of our businesses must clear. When a business's ROIC falls below 6%, we start considering divestiture. Our expected cost of capital is around 6%. If we carry businesses that do not produce ROIC of at least 6%, we will not generate the capital we need for future growth. That would contradict the OMRON Principles of contributing to a better society. As a result of various strategies, including Down-Top ROIC Tree and Portfolio Management, OMRON achieved fiscal2018 ROIC of 10.6%, even while we increased R&D expenses as well as SG&A expenditures in expectation of growth. This level of ROIC is significantly higher than the average 6.75% for all publicly-traded companies in Japan.

[P37 ROIC Management](#) →

OMRON has established a unique growth cycle to enhance corporate value by solving social issues

— Tell us about policies and strategies for the improvement of shareholder value.

Going forward, we will continue to accelerate our growth cycle by steadily implementing a growth strategy based on ROIC, and we will achieve further growth by allocating profits generated by high GP rates to growth investments. Our plans call for investing the profits generated by this growth cycle in accordance with appropriate cash management and profit distribution policies. In improving shareholder value, we will implement investment for growth, stable dividends, and opportunistic stock buybacks, in that order. The annual dividend for fiscal 2019 is calculated by applying the dividend on equity ratio (DOE) standard due to uncertainty about the business climate. There has been a growing demand in recent years for companies to demonstrate sustainability in terms of ESG and SDGs. This means that these days, shareholders will select companies that use the assets entrusted to them by shareholders to build a better society while being able to provide solid returns. To respond to their expectations, OMRON will achieve business growth by accelerating ROIC management while solving social issues with OMRON's unique technology and services as contribute to building a better world. We will achieve both of these goals.

— Finally, could you talk about sustainable improvements in corporate value with a view to post Value Generation (VG)?

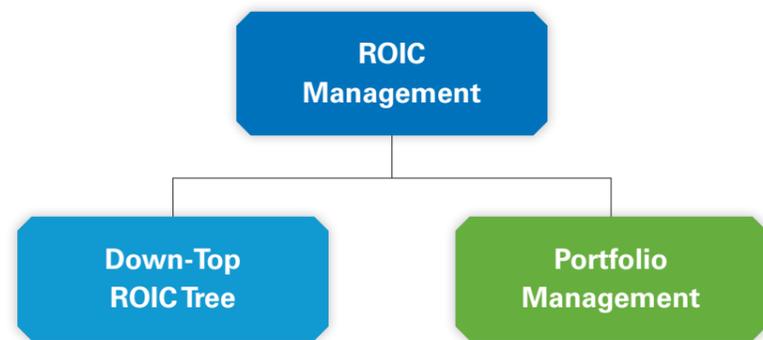
This year, due to uncertain economic situation we expect the factory automation and other industries will suffer significant impact. We see these challenging conditions as an excellent opportunity for corporate reform. Accordingly, we intend to strengthen our corporate infrastructure through more consistent implementation of ROIC management. We also believe that the key to sustainable improvement in corporate value lies in our ability to innovate. What this means is that during the last two years of VG 2.0 and beyond, we will forge ahead steadily with discipline and boldness to drive the innovation creation cycle, and we will make sure that this system is firmly built into the company's management mechanism. We will set up a self-driven growth cycle that is unique to OMRON to enhance corporate value by solving social issues —. My mission as CFO is to continue this work.

VG2.0 growth cycle



ROIC Management

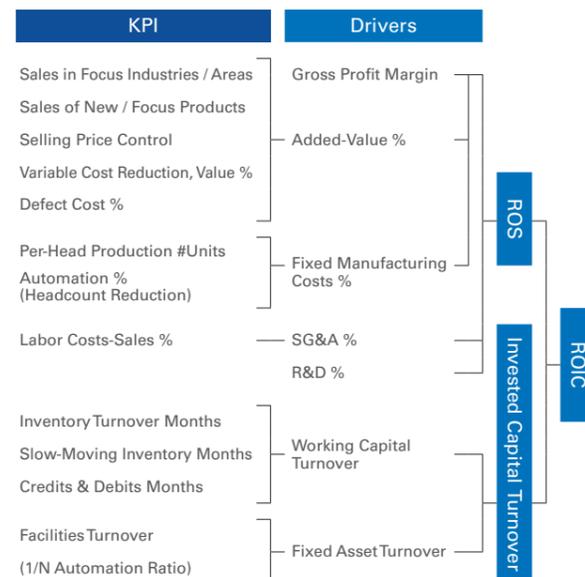
ROIC management consists of Down-Top ROIC Tree and Portfolio Management. OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment. Under VG2.0, we have defined four focus domains. ROIC is an indispensable tool as we continue to grow our unique business portfolio.



Down-Top ROIC Tree

Down-Top ROIC Tree breaks ROIC into key performance indicators for each department, allowing us to improve ROIC at the most basic operating level. Using simple ROS or invested capital turnover as ROIC indicators are ineffective, since they do not relate directly to front-line operations. On-site managers would have trouble thinking of ways to improve ROIC using these indicators. However, we can break ROIC down into automation/head count reduction or facilities turnover as KPIs of manufacturing departments. With these indicators, managers can finally see how their goals tie directly to ROIC improvement initiatives. At OMRON, one of our greatest strengths is our unified approach to improving ROIC from the ground level up.

Down-Top ROIC Tree

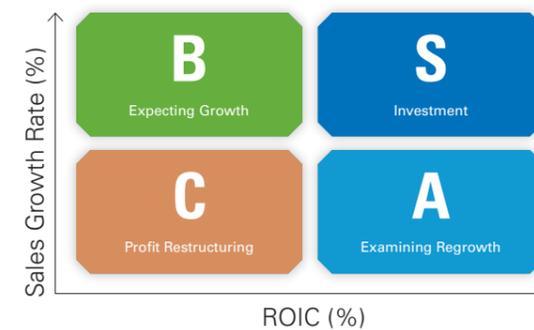


Portfolio Management

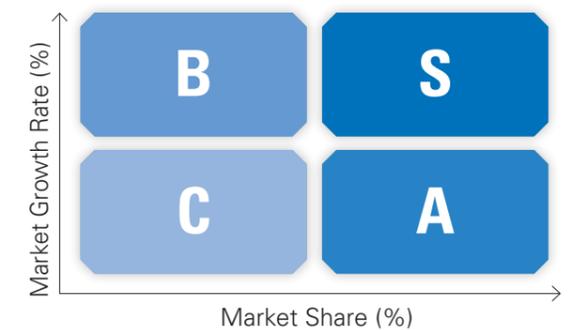
OMRON consists of approximately 90 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration,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

We consider both the economic value and the market competitiveness of a business to allocate limited resources in an optimal manner. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources.

Assessing Economic Value



Assessing Competitiveness

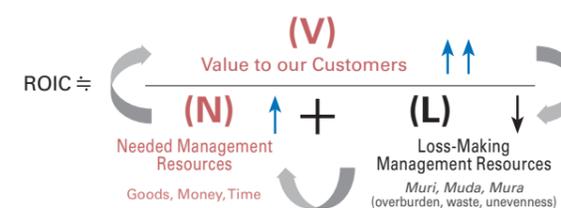


Embracing ROIC Management

To promote ROIC management more widely, we introduced *ROIC Management 2.0* in 2015. *ROIC Management 2.0* incorporates a qualitative interpretation of ROIC. The interpreted formula tells us to add needed management resources (N) and generate greater levels of value to our customers (V), while reducing loss-making management resources (L). Using this simple interpreted formula, our employees in charge of sales or development functions who may be unfamiliar with financial statement concepts are able to envision ROIC improvement measures in their day-to-day work.

Staff in charge of business unit accounting and finance act as ambassadors responsible for promoting *ROIC Management 2.0*. Ambassadors provide simple case studies of successful *ROIC Management 2.0* initiatives to raise awareness of ROIC on the front lines of our businesses around the world.

ROIC Translation Under ROIC Management 2.0



- 1 Actively invest **needed management resources (N)** in order to create value
- 2 Realize **value to our customers (V)** more than the investment amount
- 3 Reduce **loss-making management resources (L)** and shift/invest it to (N)



Innovation driven by Social Needs with Technology and Human Resources
The Challenge of Evolving Technology Management

August 2019
Director, Senior Managing Executive Officer, CTO and Senior General Manager, Technology & Intellectual Property HQ and Senior General Manager, Innovation Exploring Initiative HQ

Kiichiro Miyata

OMRON is implementing management based on the OMRON Principles to create Social Needs for solving social issues. Management based on the OMRON Principles is supported by Technology Management. OMRON has leveraged the power of technology to create a series of the world-first products and systems such as non-contact switches and automatic ticket gates. With the ever-increasing pace of technological innovations such as AI, IoT, and robotics, how does OMRON envision the future and what social issues will the company solve? We asked CTO Miyata, who has been given the job of accelerating OMRON innovation, about evolving technology management.

(Interviewer: Editorial Department)

Creating a Template for OMRON-style Innovation

— Editorial Department (following in bold): Regarding OMRON-style innovation, How do you define it and how are you trying to accelerate?

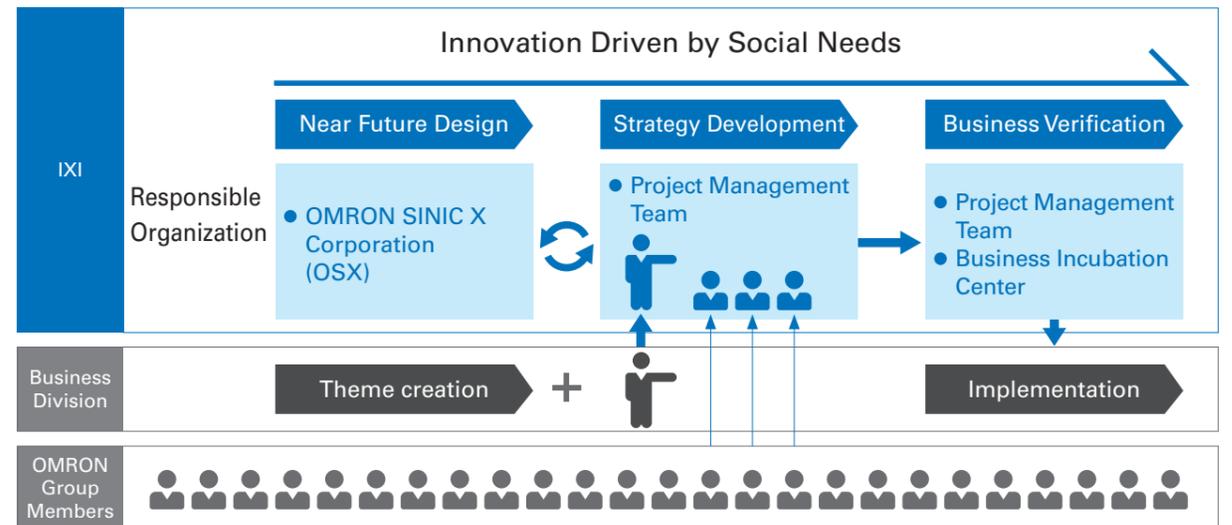
Miyata (omitted below) : OMRON-style innovation relies on technology innovation to perform near-future design tailored to solving social issues. This is what OMRON's technology management is all about. Since coming on as CTO, I have worked to pick up the pace with which OMRON as an organization innovates by establishing and strengthening technology management to enhance our ability to create solutions to social needs. By developing and implementing a company-wide technology strategy we have sharpened our Sensing & Control + Think core technologies. Especially since the start of VG2.0 in 2017, we have created a template for OMRON-style innovation that meets the needs of the era to improve our technology management and speed up the creation of innovative technologies. Specifically, we have set up a professional organization to create backcasting innovation that begins from the standpoint of near-future design and extends to developing strategies

and business validation. We accumulate knowledge generated by this organization in-house.

— This organization consists of the Innovation Exploring Initiative HQ (IXI), which started full-scale operations in April 2018, and its subsidiary OMRON SINIC X Corporation (OSX). It's been a year since this organization started up. What's been the response so far?

IXI is an organization that has all the capabilities necessary to do backcasting innovation, and can go through the entire process in a single operation. The role of the OSX subsidiary is to do the near-future research that is the starting point for the process of creating innovation. OSX has brought in many top talents from outside in the fields of AI, IoT, robotics, and other leading-edge technologies. This company makes the best use of talented staff, while working with research groups inside and outside OMRON, engaging in open innovation and performing near-future design. When IXI was set up, the focus was on making it an innovation platform for OMRON. OMRON has tried, but failed, several times in the past to establish a department that creates new businesses. When we looked back on why these attempts failed, we found the answer. That was because it was a "remote island." In addition to being highly independent, there was a "show us what you've got" attitude from the standpoint of

Innovation Exploring Initiative HQ (IXI) as Group-Wide Innovation Platform



our existing business units, and the business units were not able to provide compelling ideas or leadership. The challenge was how to change this situation.

To achieve this change, we have actively promoted IXI since its establishment both inside and outside of OMRON. As a result, IXI has brought in over 60 ideas over the past year from inside and outside of the company, and nearly 20 projects have been launched that promise to have a real impact. In addition, over 20 young strategic candidates from across the company have participated in IXI. One of the projects launched by IXI is the *Cooperation agreement to solve problems in Japan's regional cities with a view toward 2030* which was announced jointly in April 2019 by the city of Maizuru in Kyoto Prefecture and OMRON's Social Systems, Solutions and Service Business. The impetus for this project came about when Mr. Yamaguchi who is deputy mayor of Maizuru became aware of the existence of OSX and indicated that he wanted to work with OMRON on regional development in Japan. The decision was made by IXI to start up the project immediately after discussions between the deputy mayor of Maizuru and the CEO of OSX, and a project team consisting of people from the city of Maizuru, IXI, and SSB was formed. The project team held discussions about what framework needs to be built to revitalize regional cities with populations between 50,000 and 100,000 people, what these cities should look like in 2030, and what sorts of technologies and business models are needed to achieve these goals. The project is currently at the stage where demonstration tests are being conducted toward the implementation of the near future designs that have been created. This is an example of IXI's innovation creation process, one which develops near-future in response to social issues, formulates strategies and business validation, and demonstrates the dependability of the system that makes this all possible. There are a number of projects like this that are now under way. Management needs to be patient because it takes time to achieve great results. There really is a great deal of potential here. I'm really looking forward to seeing what develops.

[P53 Social Systems, Solutions and Service Business \(SSB\) →](#)

— **This means that the “template” for OMRON-style innovation is starting to work. On the other hand, the technology to create innovation is essential. What has been the response to the strengthening of core technologies?**

It takes people to create and refine technologies. In the process of implementing our company-wide technology strategy, we have been paying particular attention to hiring and training technical people. One result of this is that we have been raising the number of technical presentations and the quality and quantity of our patent holdings. In FY2018, we increased both the number of technical presentations and number of patents held by a substantial factor of 1.4 over FY2014. In terms of the quality of our technology as well, the number of OMRON technical papers selected by leading scientific meetings has increased, while we have nearly doubled the ratio of patents offering promise of making significant contributions to our business. These are solid results. This shows how far we've raised the bar on our ability to implement into technologies into society from across OMRON. We are also seeing the creation of near future technologies and concepts such as technology that integrates the learning models of artificial intelligence (AI) using distributed data, platforms that remotely control robots, and the image inspection technology that can replicate human senses and other unique near future technologies.

As We Advance into the Future, We will Move to Still-higher Levels of Innovation.

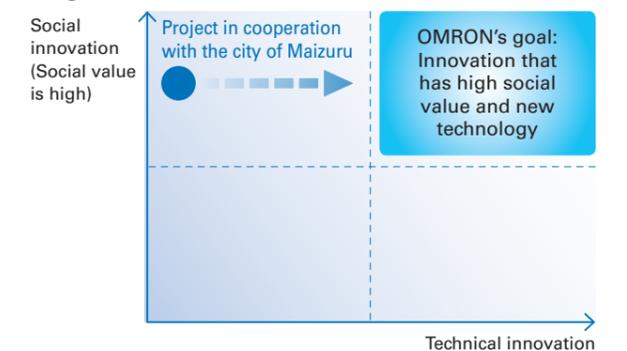
— **I can see how you've managed to improve both the template and the technology. What are some of the tasks that lie ahead for OMRON?**

As we have improved our skills in technology management, new issues have emerged as we further accelerate our response to Innovation driven by social needs. That is, how do we create innovation with high social value that is accompanied by technological innovation. As we see in the case of the city of Maizuru, we have set up a process for creating innovation with high value to society that involves designing for the near

future with social issues as the starting point, and then implementing these designs in society. We are also training people who can engage in that process. However, for OMRON to continue as a venture that on its own creates an autonomous society, we need to create innovation that has high social value and technical innovation that can solve future social issues that no one can anticipate. In the project with the city of Maizuru, we are demonstrating social value and are studying ways to further enhance innovation through technology. To that end, in FY 2019, we will closely focus on creating new value to increase social value and on strengthening competitiveness with advanced technology to bring about technological innovation. Specifically, we will focus on strengthening human resources, structure, and on knowledge management.

It is urgent in particular that we train architect human resources that can build the technology and intellectual property strategies and business models that will be essential to run the innovation creation process at IXI. We also need people at the Technology & Intellectual Property Headquarters who can leverage AI, robotics, and other core technologies to fuel the process of technical innovation. These types of people are hard to find in the employment marketplace, so we have to train them and increase their numbers ourselves. That's why IXI has created a new internal strategic human resources development organization. In FY 2018, we identified conceptual ability, communications ability, and the ability to carry tasks to completion as the three elements required of architect human resources. These are the abilities needed in the areas of technology strategy, intellectual property strategy, and creating business models. We also assessed the degree to which each of these abilities are needed. To expand our capabilities in these areas, we will be training strategic human resources candidates who are participating from throughout the company by having them engage in a variety of experiences in the innovation creation process that has been developed by IXI. Core technology human resources start from the definitions of capability requirements, making reference to IXI's human resource development process. Meanwhile, the Technology & Intellectual Property Headquarters is

Advancing into the Future and Moving to Still-higher Levels of Innovation.



continuing the training of human resources through the implementation of policies that facilitate the search for new technologies.

We're also creating opportunities for people to gain experience in testing out intuitive ideas and giving shape to these ideas through systems designed to enhance both social and technical value. We are creating opportunities for team members to refine their ideas through the process of discussion and debate with people who have a different outlooks and a diversity of knowledge.

The expertise gained from success stories at IXI through the experience of running their processes along with the value creation expertise of the Technology & Intellectual Property Headquarters will be accumulated as organizational knowledge to ensure reproducibility and continuity. This organizational knowledge will be transformed into assets that can be deployed throughout OMRON. OMRON's technology management has frameworks such as stances, strategies, processes, organizations, and systems as well as the human resources to put these in to action. Going forward, we will develop knowledge management, which is an all-out battle to bring together company-wide knowledge that are organically linked to frameworks and human resources to maximize results. We will also create the conditions in which we generate a series of responses to social needs in every OMRON organization. You can expect more innovation driven by social needs from OMRON.

Industrial Automation Business (IAB)



Domain **Factory Automation**

Corresponding SDGs

Vision

Bring Innovation to Manufacturing by Automation, to Enrich Lives of People All Over the World.

The Industrial Automation Business leverages OMRON technologies to create innovations in manufacturing. These innovations contribute to productivity advancements in the world's manufacturing industry. The pace of automation on production floors is increasing. Today, the automation of production floor are growing rapidly. Setting our unique **innovative**-Automation concept, our aim is to enrich the lives of people around the world by generating/making manufacturing innovations through our technologies and solutions based on the widest range of control devices in the industrial market.



Executive Vice President
Company President, Industrial Automation Company
Yutaka Miyanaga

Common Issues on Production Floors

Production floors are entering a period of major transition. This includes changes of need needs in manufactured items and methods, manufacturing locations, and manufacturing personnel. Changing needs in manufactured items and methods reflect urgent requirements to produce more advanced, more compact, high quality products associated with CASE*1, 5G, and other industry changes. Changing needs in manufacturing locations have been affected by trade friction between the United States and China. This trade frictions lead to accelerated local production and consumption, requiring standard product quality from production sites distributed around the world and faster ramp-up of production facilities. Changing needs in manufacturing personnel reflect rising personnel costs and an aging society. Every manufacturer struggles with a serious shortage of personnel on production floor and skilled technicians, in particular. These needs rapidly increase as time passes.

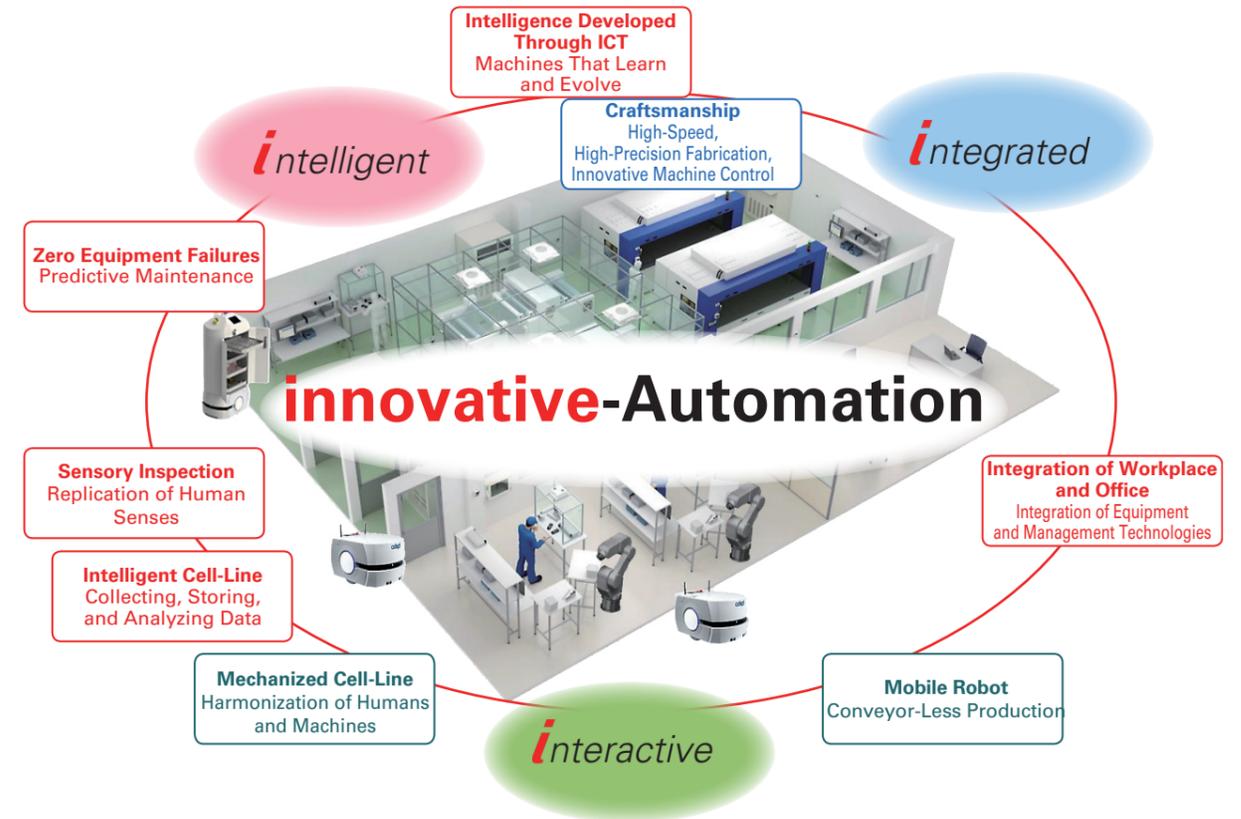
Meanwhile, the pace of advancement is accelerating for AI, IoT, robotics, and other technological innovations and changes in seeds. These rapid technological changes will prove to be a tailwind in resolving the changing needs of production floors.

*1 CASE: Connected (connected vehicles), Autonomous (autonomous vehicles), Shared (shared vehicles), Electric (electric vehicles)

The Genesis of innovative-Automation

To use innovation in solving production floor issues, in 2016, we came up with the IAB value creation concept. This consists the [three "i"] of the innovations driving automation on the production floor. These concepts are **integrated** (evolution in control), **intelligent** (intelligence developed through ICT), and **interactive** (new harmonization between humans and machines). This is the intersection of changes in needs, changes in seeds, and OMRON's unique approach. Evolution in control refers to achieving ultra-high-speed and ultra-high-precision machine control. This is a combination between the IAB lineup of the widest range of control devices in the industry and software. Intelligence

developed through ICT refers to the incorporation of AI and IoT into all manufacturing control devices, driving machines themselves to learn and evolve. The ultimate goal is to create production lines that experience zero stoppages and create high-quality products with zero defects. A new harmonization between humans and machines means machines that autonomously move, working together with humans. The machine and the human each leverage their own strengths in cooperation, leading to a new reality for production floors.



Practical Implementation of innovative-Automation at the AISIN? AW Smart Factory

The Aisin AW Okazaki factory is the world's leading automotive parts manufacturer. This is an **innovative**-Automation Smart factory developed in cooperation with OMRON. Here, production floor innovations have become a reality. These innovations include ceiling-suspended electronic control unit (ECU) assembly robots and mobile robots that transport advanced board inspection equipment and parts autonomously.



Fully automated robots suspended from the ceiling install parts in devices and move parts between processes, tasks which formerly required 10 workers.

For more about this topic. OR Read more for a detailed article on AISIN AW smart factory.



Evolution of innovative-Automation

integrated (Evolution in Control)

Increased Production of Many Innovative Control Applications Since the Birth of innovative-Automation

OMRON is the industry leader, offering 200,000 control devices across a wide range of applications. This advanced combination of overwhelming product lineup and software has achieved new levels of smooth, high-precision, and high-speed control. Specific advancements include vibration control technologies that use software to control sway, slip, and spillage that occur when transporting products, as well as high-speed synchronization control to precisely align different parts moving at high speed. We make investments in innovative control applications to respond to the ever-increasing range of problems encountered on production floors.

Solving Social Issues in the Automobile Industry Through innovative-Automation

Ongoing advancements in self-driving require highly precise and efficient inspection of entire control boards, which serve as the brains of these vehicles. The inspection of electronic control boards, on which sophisticated electronic components are mounted, is the most important production process in ensuring safe, automated driving. The electronic control board is used in areas such as braking and engine control which impact human lives directly. Errors cannot be tolerated. OMRON's Automated X-Ray Inspection System has solved this issue. This imaging inspection equipment uses X-Ray technology to visually inspect items mounted on the board. A unique characteristic of our technology is speed and accuracy. This enables continuous, nonstop capture of 3D images with a dramatic 2.3-times increase in speed compared to traditional methods.



[Employee Comments]

In 2007, we saw signs of a major transition in adopting tiny components used in consumer products for use in cars. OMRON has developed automatic inspection equipment incorporating 3D-CT technology *2 by using innovative-Automation control technology to provide a detection speed capable of handling mass production. We will continue to provide high-quality inspection equipment, pursuing our mission to create vehicle safety and security.

Planning: Inspection System Business Department, Product Manager, **Yujin Fujita**



Our history of Automated X-Ray Inspection System development stems from repeated co-creation with customers, focused on creating something that will benefit customers. This philosophy gave birth to revolutionary Automated X-Ray Inspection System developed through design innovations that increase speed without compromising performance. The result is dramatic improvements to quality and maintainability.

Development: Inspection System Business Department, Development Department, **Makoto Shichiro**



We want to contribute to the safety and security of the world by promptly and reliably delivering world-leading Automated X-Ray Inspection System featuring optimal quality, cost, and delivery time. Reflecting this stance, we integrated production, development, and planning from the initial product planning stage. At the same time, we achieved a manufacturing system that can also respond to rapid increases in incoming orders. We are proud to be responsible for important inspection processes. We will push forward to solve more social issues and create value for our customers.

Production Manager: Ayabe Factory, **Shusuke Fujiwara**



*2 3D-CT technology: A technology that uses X-Rays to obtain continuous cross-sectional images of the interior of structures that are invisible to the human eye. 3D-CT technology processes these images via computer to generate 3D images. 3D-CT technology uses technology similar to that used in medical facility CT scanners.

intelligent (Intelligence developed through ICT)

OMRON's Main Battleground is in Real-world Automation

OMRON's main area of focus is in manufacturing innovations that make use of practical automation. Connecting OMRON's more than 200,000 different types of control devices to a network enables real-time collection of production line and device status. In April 2017, we introduced an industry first—a machine automation controller incorporating AI. In October 2018, we released the AI Predictive Maintenance Library for AI controllers. This technology creates learning devices that collect, analyze, and control vast amounts of workplace via an AI controller, resulting in zero-stop production lines that produce zero defects. We are working on further technical development using open innovation through a tie-up with AI venture company AISing Ltd. Launched in November 2018 this project is developing the world's fastest embedded AI.

interactive (New harmonization between humans and machines)

Humans and Machines Complementing Each Other's Strengths and Working in Harmony

OMRON aims to create new relationships between humans and machines on the production floor. In these relationships, humans and machines complement each other's strengths and work in harmony. Humans and machines, working together on the production floor as machines understand and complement human action and intention. This is the future of manufacturing. To this end, we acquired industrial robot company Adept Technology, in 2015. Today, we sell mobile robots worldwide, providing flexible, automated transport. In May 2018, we partnered with Techman Robot Inc., a Taiwanese collaborative robot manufacturer, aiming to advance cooperation between humans and robots on production floors. By adding an arm-equipped collaborative robot to our product lineup, we have accelerated toward the future of production floors in which humans and machines work in harmony.

Fiscal 2018 Initiatives to Enhance the Three "i"s

Taiwanese Collaborative Robot Manufacturer Partnership with Techman Robot Inc. (May 2018)

Techman Robot Inc. is the world's leading company in arm-equipped collaborative robots used together with humans on production floors. Techman Robot signed a strategic partnership with OMRON in the field of collaborative robots, which is experiencing rapid growth. Together, we work on the development of next-generation collaborative robots to bring innovation to production floors, where humans and machines work in harmony.



Collaborative arm robots

Embedded AI Development Venture Partnership with AISing Ltd. (November 2018)

AISing Ltd. is the world's leading AI venture company. AISing owns AI algorithms that enable high predictive accuracy and high-speed processing, using with even limited learning data. Through this partnership, we have developed AI engines for control devices. The goal of this project is to provide future production floors with smart production lines to prevent manufacturing product defects. This requires instantaneous collection of sensing data and feedback to machine controllers.



Announcement of partnership with AISing (L) Fukui, General Manager of Technology Development Division (R) CEO Dezawa, Representative Director of AISing Ltd.

*Read more for a detailed article on OMRON's partnership with AISing Ltd.



Further Evolution of the i-BELT Subscription Service

In 2017, OMRON launched i-BELT, a business model that offers innovative-Automation to customers. This is a subscription service in which OMRON engineers work together with customers at their production floors using data to provide service and maintenance, as well as to improve production lines. Working closely with customers on their production floors allows us to collect and analyze a range of data. This, in turn, allows us to identify issues and propose new solutions. Furthermore, the expertise in controls gathered from production floors leads to new businesses. By building closer, ongoing relationships with customers through i-BELT, we reproduce the craftsmanship required for tasks that include predictive maintenance for device abnormalities and the adjustment of cutting speed in fabrication equipment. These activities were once the sole domain of highly skilled workers.



Diagnostic Services at Customer Manufacturing Facilities

Further Expansion of Automation Centers

We will bring more innovations to production floors as we expand innovative-Automation and leverage i-BELT to continue building relationships with customers. What makes this possible is our Automation Centers (ATC), situated around the world, and our service engineers who work in close cooperation with our customers. The ATC is home to sales engineers who consider the equipment actually used by customers on their production floors. The goal here is to verify and test solutions that solve customer manufacturing issues. As of fiscal 2018, OMRON operated 35 ATC facilities, up from 17 in fiscal 2017. Additionally, sales engineers experienced in manufacturing increased 20 percent compared to fiscal 2016. Today, over 1,000 sales engineers are co-creating with customers to solve problems on production floors worldwide.



Sales Engineers Co-Create With Customers to Solve Production Floor Issues

A New Harmonization Between Humans and Machines, Driving innovative-Automation into the Future

Company founder Kazuma Tateishi proclaimed, "To the machine, the work of the machine; to humankind, the thrill of unfettered creativity." "To the machine the work of the machine; to man the thrill of further creation," OMRON strives to create a new relationship of harmony between humans and machines. In this world, machines do not take work away from humans. Instead, humans and machines work cooperatively.

At present, we are developing a Mobile Manipulator (MoMa) that works together with humans when and where required. We plan to introduce this new technology in fiscal 2019. MoMa is an arm-equipped mobile work robot that moves about freely. On-board detection technology helps MoMa avoid bumping into people and obstacles. This robot recognizes objects as images, allowing automation not only in transportation, but also in item stacking and assembly tasks. We are quickly heading toward a dream world in which numerous robots work in harmony with human employees as co-workers on production floors.

OMRON leverages innovative-Automation to create production floors around the world that enrich the lives of workers and consumers. The challenges to innovate on ever-changing production floors are never-ending. innovative-Automation will continue to evolve into the future.

Mobile Manipulator

The Mobile Manipulator Stacking Products

The Mobile Manipulator Inserts Relays into Sockets for Assembly

Electronic and Mechanical Components Business (EMC)



Supporting OMRON Development Device and Modules

Corresponding SDGs



Vision

Provide Leading-Edge Electronic and Mechanical Components Globally Through Advanced Manufacturing Capabilities

Our Electronic and Mechanical Components Business leverages extensive success in core products (relays, switches, connectors, etc.) to offer a wide product lineup of devices and modules that meet diverse customer needs. Digital products have become an intimate part of our everyday lives, making society more convenient. These products include smartphones, home appliances (air-conditioners, refrigerators, and microwave ovens), and industrial equipment (from vehicles and machine tools to automotive fields). We provide advanced electronic and mechanical components which use cutting-edge technologies and manufacturing capabilities honed over many years. This support the society by connecting people and machines across a wide range of fields.



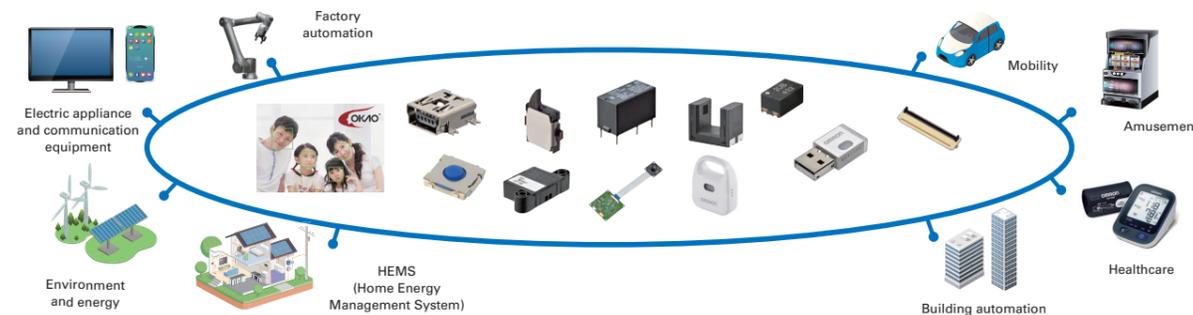
Managing Executive Officer
Company President, Electronic and Mechanical Components Company
Shizuto Yukumoto

The Electronic and Mechanical Components Business, Growing Together With OMRON

The relay technologies became the basis to establish the Tateishi Electronics Company by our founder Kazuma Tateishi. The relay technologies refined by our founder Kazuma Tateishi Inoue Electric Manufacturing Company became the basis upon which the Tateishi Electronics Company was later established. A relay is a part that receives an external electrical signal to turn an electrical circuit on and off. Relays are also used for switching. Relays that are incorporated in electronic devices receive an electrical signal, turning a switch on or off to transmit the signal to another device. For example, pressing a button on a remote sends a signal to a relay within the television, which turns the main power switch on. Relay has many types depends on the amount of electric current, and circuits, and application. This technology eventually led OMRON to the development of the world's first contactless switch, the driver behind our rapid advancements in this age of machine automation.

In these days, our relay technologies are used in high-capacity DC relays for hybrid and electric vehicles and supporting the high demand. In the same way, the range of technologies underpinning the Electronic and Mechanical Components Business have developed in step with changes in society and are used for many familiar products in our daily life. For example, the face detection technology, (the OKAO Vision) is used in digital cameras and other devices to detect human faces automatically. Ultra-compact, advanced MEMS microphone chips are used in compact microphones for mobile devices.

Sensor technologies were initially utilized in automated production floors, and now those have been adapted to detect human movements. These detectors provide notice of guest arrivals and are used as environmental sensors in agricultural applications. In fact, sensors are useful in various scenes as part of the social infrastructure.



Electronic Components That Support Society

The Electronic and Mechanical Components Business in the Coming Smart Society

Our strength lies in our ability to develop products and in our reliable production capabilities. This has been developed since our very founding and to meet the changing needs of customer requirements for advanced, compact, and quickly delivered electronic and mechanical components.

As we look ahead to the society of the future and a rising number of smarter products, OMRON will use our strengths to provide a broad range of electronic components that meet customer needs.

An example of this is mouse and mechanical keyboard switches used in the rapidly growing esports market, which has competitive population over 100 million people. In esports, players are required to perform the quick and delicate movements. Accordingly, these players are very particular about the touch and click feeling of mouse and mechanical keyboard switches. OMRON measurestouch and click feeling of switches that players feel comfortable. Then we visualize and quantify that data to create switches customized to individual needs. This is possible precisely because OMRON has been working closely with customers for long years i which led to perfecting our technologies. Since our establishment, our electronic and mechanical components technologies have been developing throughout history These technologies remain as a foundation supporting a variety of OMRON businesses in these days



Young People Immersed in esports



Well-Regarded esports Mouse and Keyboard Switches

Robust Restructuring for the New Step of Growth

The smarter home appliances and factory automation will accelerate even more. This trend is supported by advanced and high quality electronic and mechanical components. To provide a stable supply of components, OMRON is engaged in structural reform of our production, focusing on optimizing production centers and increasing production capacity. We will continue to provide advanced electronic and mechanical components across the globe to support world-wide development in society.

Restructuring Production: Relocation and Major Expansion of Our Shenzhen Factory

Electronic components are essential in creating innovation in new markets such as smart communities. To meet the various needs of our customers and provide large quantities of high-quality electronic components at low cost, we have carried out major reforms to the structure of our production system.

Details of this plan include relocating and expanding 36 production lines for products such as relays, switches, and connectors. At full capacity, these lines can produce products worth an additional ¥10 billion in sales.

This large relocation and expansion project required the use of 370 trucks. Reconfiguring our quality systems and facilities, as well as major changes in how we source and train industrial engineer, has resulted in our quality control receiving high praise from customers, leading to increased orders. Furthermore, our improved delivery times have contributed to increased value for customers.



OMRON ELECTRONIC COMPONENTS (SHENZHEN) LTD.
Dong-Hua Yuan

Automotive Electronic Components Business (AEC)



Domain **Mobility**

Corresponding SDGs



Vision

Contributing to a Seamless Relationship Between People and Automobiles in the Future Car Society

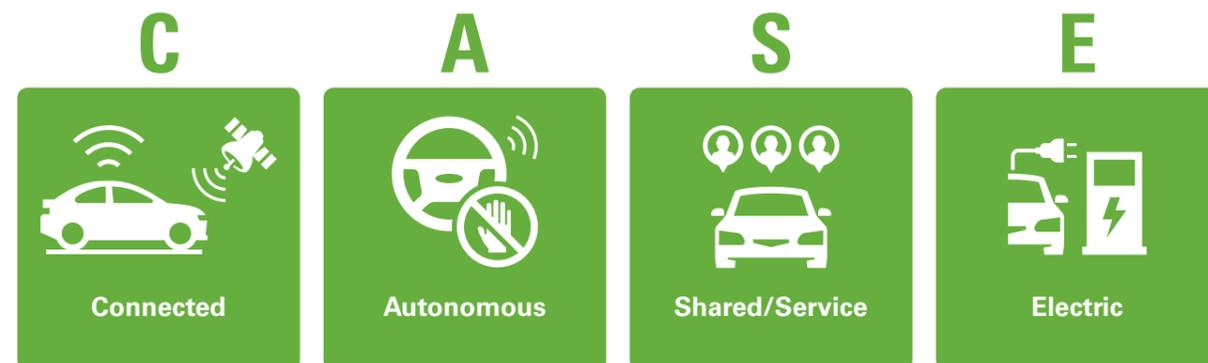
The Automotive Electronic Components Business (AEC) provides products aimed toward a safe, secure, and comfortable car society. The mission of the AEC is to contribute to a seamless relationship between people and automobiles through our in-vehicle products. We provide car electronics essential for advanced automotive functionality. Looking to the car society of the future, the AEC continues to develop manufacturing capabilities that will let us play a role in a more safe, secure, comfortable, and clean mobile society for people around the world.



Managing Executive Officer
OMRON Automotive Electronics Co. Ltd.
President and CEO **Katsuhiko Wada**

Social Issues to be Solved by the Automotive Electronic Components Business

Automobiles have spread throughout the world as a convenient form of transportation. This convenience, however, comes at a cost. One is a rising number of deaths due to traffic accidents. Here, OMRON and others are developing technologies related to safe driving assistance. Another issue is the increasing number of deaths in emerging economies attributable to respiratory diseases resulting from automotive emissions. CASE: Connected, Autonomous, Shared/Service, Electric is a trend leading to the next-generation mobility society. The development of CASE offers new value in terms of product configuration, value chain, and the ideal form of business model. At the same time, we are seeing this industry evolve, including accelerated collaboration, selection and concentration, forays into different industries, and changing business formats.



An Evolution in Manufacturing for Self-Driving and Automotive Electrification

To raise our contribution to safety, security, and environmental friendliness, we focus on products vital to connected and electric-based driving based on the four industry changes called for under CASE (Connected, Autonomous, Shared/Service, Electric). We have two particular strengths here: Active safety for automated driving and power supply control for electrification.

We deploy advanced forward-recognition technologies in the field of advanced driving support and other areas of active safety to help make automated driving a reality. We incorporate on-board driver protection technologies that determine whether a driver is concentrating on driving, and we are developing products and services for advanced sensing inside and outside the vehicle. In this way, we create new value in driving support and safety. Our power supply control products use DC/DC voltage converters capable of high-efficiency power conversion used in electric vehicles. This is one way in which we meet customer requirements for the new mobility society. Our ultra-high-efficiency power units increase the performance of electric vehicles and environmentally friendly devices to convert DC voltage efficiently.

An Innovative Production Model Line for Eco-Friendly DC/DC Converters

DC/DC converters are an essential component for electric vehicles. Compared to other products manufactured at OAE (Omron Automotive Electronics), DC/DC converters are relatively large and heavy with a large number of components. These products are also very complex to assemble. Production line design was extremely challenging given the customer requirements for stable high quality.

To overcome these challenges, we chose to pursue a new production model line concept rather than attempt full automation. This concept incorporated an optimal relationship between human and machine, a production line producing only quality products, and non-stop production. Our ongoing efforts to meet these challenges has led to co-creation in our production technologies, leading to innovative production model lines and greater appreciation by our customers.

Nothing great is ever achieved without taking on challenges. We had the courage to take the first step and to keep believing in our job, all the while maintaining a steady focus on the OMRON Principles and the needs of society. Our insistence on involving other parties was on key leading to the success of this large, global-scale project.

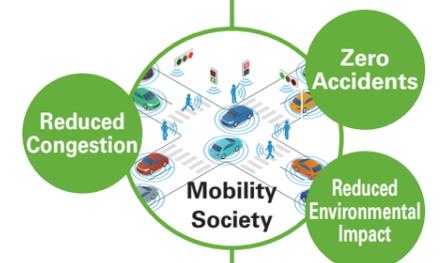


Production Control Office
Production Technology Division
Kazuya Tanaka

Mobility 3.0 is an Engine Driving the Future

Aiming for a zero-accident, clean car society, OMRON will continue to pursue evolution in electronics and technologies closely linked with vehicles. OMRON continues to evolve our Sensing & Control technologies and manufacturing capabilities. These technologies and capabilities include sensors for advanced driving support and self-driving control, used to prevent automobile accidents, as well as motor and voltage control components for improved fuel efficiency. We are taking on the challenge to create a mobility society that is safe, secure, comfortable, and environmentally friendly.

Safer, More Secure, More Comfortable, and Cleaner Mobility



Stress-Free (no accidents, no congestion) Urban Mobility

Balancing the Development of the Car Society With the Global Environment

OMRON's Goals for Mobility Society

Social Systems, Solutions and Service Business (SSB)



Domain

- Mobility
- Energy Management

Corresponding SDGs



Vision

Creating a Society in Which the People of the World Live in Safety, Security, and Comfort ~Achieving a Smart Society~

The Social Systems, Solutions and Service Business (SSB) provides a range of systems that underpin the infrastructure of society. These systems include railway station systems (automated ticket gates, ticket vending machines, etc.), traffic and road management systems, accounting systems, IoT solutions (power and data protection, etc.), and energy management. This segment provides software-based solutions built on core technologies used by railroad, road operations, and other infrastructure companies. The SSB also constructs solutions through comprehensive maintenance services. Together with our customers, we contribute to building a better society. We confront the social issue of worsening labor shortages via *social automation* that utilizes IoT, AI, and other advanced technologies combined with our proprietary service and data platforms. Our aim is to create a smart society in which anyone can live in safety, security, and comfort.



Managing Executive Officer
OMRON Social Solutions Co., Ltd.

President and CEO **Toshio Hosoi**

Issues Facing Japan's Social Systems

Japan's declining labor base has triggered a variety of inconveniences in Japanese society. These inconveniences have become evident and more serious, including declines in transportation services, difficulties in maintaining the functions of smaller cities, and deteriorating social infrastructure. At the same time, social systems face a wider range of demands, including higher inbound tourism and heightened safety and security requirements related to disaster prevention and mitigation, etc.

Social Systems, Solutions and Service Business Initiatives

The SSB has identified four new business domains to confront social issues that will become all-the-more serious in the future. In addition to the fields of transport (rail, police) and energy, we are expanding into other fields of lifestyle services, aiming to create safe, secure, and comfortable lives for all. We are also striving to build autonomous regional communities as part of our overall efforts to solve social problems. The strengths of this business lie in consulting (industry knowledge), equipment and software development, design, and manufacturing, as well as maintenance and operation services. In other words, the SSB provides one-stop solutions for customers throughout Japan.*

*A business methodology that categorizes operations flow by function, aiming to improve efficiency and competitiveness



Social Systems, Solutions and Service Business Domains

New Social Systems, Solutions and Service Business Initiatives Looking Ahead to 2030

The Social Systems, Solutions and Service Business (SSB) is active in the four domains of transportation, energy, lifestyle services, and community. In the community domain, the SSB uses a storehouse of expertise to work with local governments, such as Maizuru City (Kyoto Prefecture), to launch initiatives for creating a smart society looking ahead to the year 2030. The genesis of this project was a suggestion from OMRON SINICX Corporation, an OMRON company facilitating open innovation.

Case Study: Initiatives with Maizuru City

Regional cities in Japan are seeing continuing declines in population. This means a shrinking revenue base for local governments, which makes providing satisfactory services to residents more difficult. To solve this problem requires regional cities become autonomous. By "autonomous," we mean cities that make the most of their resources for their own betterment, that look for ways in which residents can enjoy physical and mental health, that offer help when needed, and that encourage residents achieve their own desires. Our efforts in Maizuru City (Kyoto Prefecture) are leading toward a cooperative, fulfilled society that utilizes IT to help each other. We believe that projects forming connections between people, between people and communities, and between communities and communities create closer relationships in which people look out for one another. In this case, we are developing a matching system in which those requiring help with various aspects of daily life can connect to those willing to provide help.

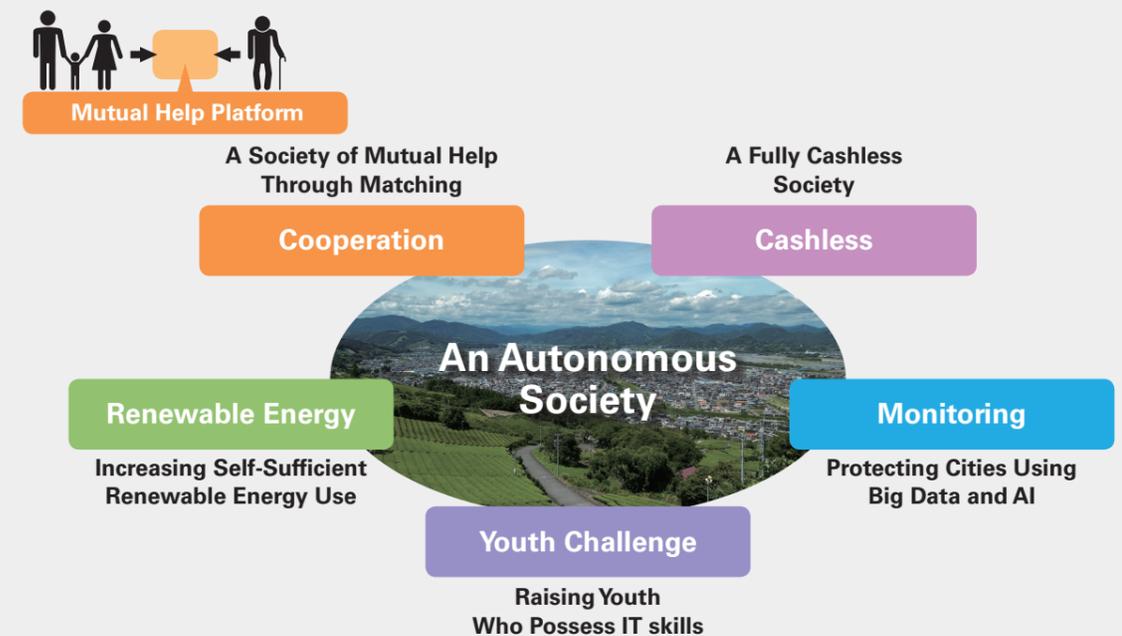


NEXT Business
Headquarters Project
Leader

Miki Yokota

The key to success for this type of matching system is to tailor to the needs of the local community and environment, designing in *trustworthiness guarantees* and *incentives*. This is in contrast to general matching systems used in major metropolitan cities and overseas. The team formed by Maizuru and OMRON is current conducting local surveys and validation tests for the system. Many challenges exist in creating a new type of cooperative story that has no monetary objective. We believe that solving these problems one-by-one will help Japan's regional cities achieve sustainable growth.

The Social Systems, Solutions and Service Business Vision of Japanese Local Government in 2030



Healthcare Business (HCB)



Domain **Healthcare**

Corresponding
SDGs

Vision

All for Healthcare, To Help Realize Healthy and Comfortable Lives for People Around the World

Healthcare Business provides medical equipment and services that contribute to the healthy and comfortable life of everyone around the world. Over 40 years in the blood pressure monitor business, we have earned trust in our highly accurate devices used in clinical practice and certifications that guarantee levels of quality and safety worldwide. These are the greatest strengths of our business.

We intend to move forward actively in developing innovative devices and promoting digital health across three main areas of focus: cardiovascular, respiratory and pain management business. By providing personalized medical devices and services tailored to individuals, we will confront the challenges in preventing the progression of diseases and in increasing healthy life expectancies.



Managing Executive Officer
OMRON HEALTHCARE Co., Ltd.

President and CEO **Isao Ogino**

Social Issues Confronting the Healthcare Market

The growing middle class population in emerging economies are a cause of rising lifestyle diseases in these countries. Developed countries are experiencing a growing gap between average life expectancies and healthy life expectancies, stemming from the super-aging societies. And the increase of medical costs has been a major social issue globally. Our three focus domains, which target numerous patients and pre-symptomatic individuals, are particularly positioned to meet these demands.

The first of these domains is cardiovascular. This includes strokes and cardiac infarctions, which are caused by blood pressure attributable to changes in dietary and other lifestyle habits. 17.5 million people have been suffering from these diseases, and it costs approximately ¥120 trillion to treat medically. The second domain is respiratory diseases, which are increasing worldwide due to air pollution and other factors. Respiratory disease is believed to affect 440 million people worldwide.

The third domain is pain management. This includes lower-back and joint pain, which can interfere with daily life. Approximately 73 million people in Japan and the United States suffer from chronic pain. Many rely on medications to alleviate their conditions.

| Cardiovascular diseases | Respiratory diseases | Pain management |
|--|--|---|
| <p>Patients with brain/ cardiovascular events*1</p> <p>17.5 million</p> <p>Medical costs related to cardiovascular diseases*4</p> <p>¥120 trillion</p> | <p>Global patients suffering from respiratory diseases*2</p> <p>440 million</p> <p>Medical costs related to respiratory diseases in Japan and the U.S.*5</p> <p>¥19 trillion</p> | <p>Patients suffering from chronic pain in Japan and the U.S.*3</p> <p>73 million</p> <p>Market for analgesics in Japan and the U.S.*6</p> <p>¥2.4 trillion</p> |

*1 WHO report

*2 International Respiratory Societies report

*3 Pain in Japan (Japan), National Health Interview (U.S.)

*4 Estimate based on World Bank and OECD data

*5 Estimate based on data published by the Ministry of Health and Welfare, the European Respiratory Society, and a survey conducted by Creative Biotech Inc

*6 Global Analgesic Market Survey 2013

Achieving Zero Events on Cerebrovascular and Cardiovascular



Going for Zero refers to preventing the onset of serious disorders (events) such as strokes and myocardial infarctions that are caused by high blood pressure. New sensing devices measure vital data both during daytime activities and at night. This has been difficult to achieve in the past. By analyzing this newly accumulated data, we can provide more effective high blood pressure diagnosis and treatment services, all with the aim of achieving Going for Zero.

Unveiling innovative devices

The HeartGuide™ is the world's first wearable blood pressure monitor in a unique compact wristwatch configuration. The HeartGuide™, which has received medical device certification, has been released for sale in the United States. Wearable blood pressure monitors track fluctuations in blood pressure throughout the day with medical-grade accuracy, a task difficult to achieve in the past.



Wearable blood pressure monitor released in December 2018 HeartGuide™

Achieving Zero Events requires the stress-free measurement of blood pressure during everyday living. OMRON blood pressure monitors have always been high-quality devices trusted by physicians. However, the bulky design remained an impediment to everyday carry. The advent of our compact wearable HeartGuide™ lets users participate easily in their own health care by tracking their own health status at any time.

Reducing the size of the device while still meeting standards for medical devices was no mean feat. The product required significant efforts in development. Given the importance of HeartGuide™ success in achieving Zero Events, OMRON staff worldwide united behind the product to ensure its status as a global top brand. HeartGuide™ was first unveiled in North America at the January 2019 CES event, the world's largest consumer electronics show. Our device was featured in articles and reports by many media outlets. Sensing the excitement behind HeartGuide™, our staff around the world will use these expectations as a source of pride and confidence to accelerate ongoing development.

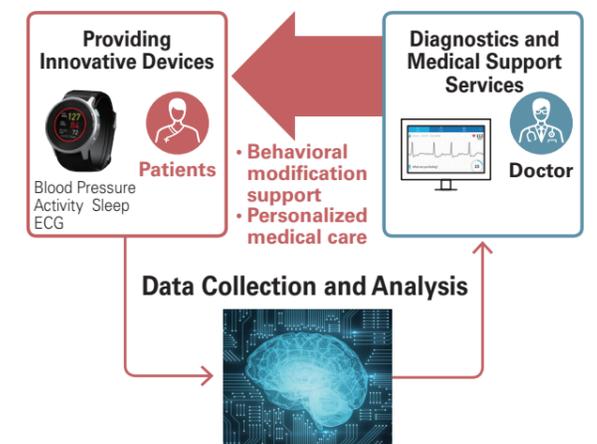


Omron Healthcare, Inc. (USA)
Executive Director
Product Strategy and Technology

Jeff Ray

Promoting Going for Zero through the integration of devices, evidence, and services

OMRON blood pressure monitors are used in many major clinical studies. The medical evidence obtained in these studies enables the creation of diagnostics and medical support services in connection with hypotensive evidence stemming from behavioral modification support programs and medication optimization support programs. We intend to provide these services, including telemedicine and corporate wellness services, tailored to cultures, lifestyles, and medicine and insurance systems for each country to achieve Going for Zero.



Personalized medical care to achieve Going for Zero

Aiming Asthma Attack Zero

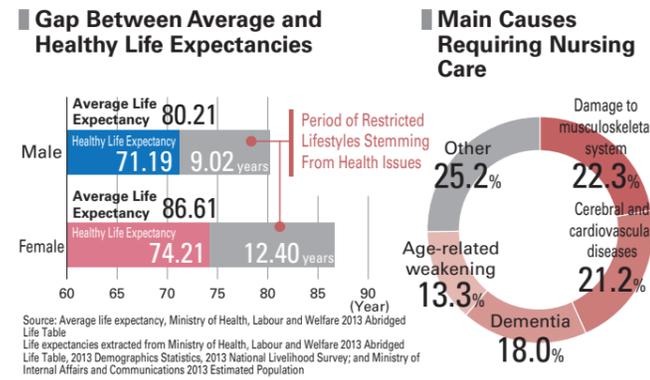
Families who have a child with asthma are all too familiar with the daily worry of asthma attacks and when to administer asthma medicine. The OMRON respiratory business strives for ease of use and easy care for nebulizers, which are used by patients to inhale asthma medication. We are developing new sensors and services that detect and analyze the sound of wheeze which typically accompanies with an asthma attack. We intend to use this technology in devices for early detection of the symptoms of asthma attack. Through these initiatives, we contribute to the prevention and mitigation of asthma attacks, which can be serious in small children.

Unveiling Devices to Reduce Knee and Lower-back Pain, Extending Healthy Life Expectancies

Japan is experiencing a widening gap between average life and healthy life expectancies. This gap, quickly becoming a social issue, is approximately nine years for men, and 12 years for women. The main barriers to healthy living (cause of nursing care) are motility disorders such as joint and back pain.

The pain management business has unveiled a number of new devices in this field. These new products include Knee TENS that applies electrical stimulation below the knee to alleviate knee pain. This device is used for walking support by people who started feeling knee pain. We also offer Wireless TENS to aid recovery from the so-called national disease of back pain. Athletes also use this product for muscle pain relief. By relieving the pain and physical fatigue that hinder people in their daily lives, we can maintain and improve quality of life, and bring about a society in which people enjoy active, healthy lives, regardless of age.

| Knee Pain of senior generation | Lower-back Pain, Widespread in Japan | Fatigue Recovery for Athletes |
|---|---|---|
|  |  |  |
|  |  |  |
| HV-F710 Knee TENS <small>Released in December 2018</small> | HV-F602T Wireless TENS <small>Released in November 2018</small> | HV-F601T Wireless TENS <small>Released in November 2018</small> |



Pain Management Product Department
Yoshito Asai

To prevent and relieve knee pain, the muscles that support the knee must remain strong. Walking is a very important preventive measure. However, the act of walking for people suffering from knee pain can be a challenge, both physically and mentally. Unable to put up with this pain, people often stop walking, which leads to a negative cycle of decreased muscle strength and even further aggravation in muscle pain. Knee TENS supports the knee during walking, while providing electrical stimulation to relieve knee pain.

This device makes walking easier, helping strengthen the muscles and creating a positive cycle which prevents and mitigates knee pain.

We want to improve the quality of life for as many people who suffer from knee pain as possible, stopping the negative circle of locomotive syndrome, the resulting difficulty in walking, and the need for nursing care.

Further Advances in Our Matsusaka Factory, Global Base of OMRON Manufacturing

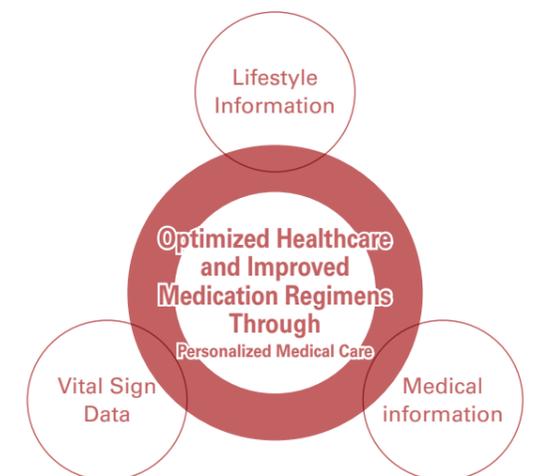
- Europe Production Center Italy
- China Production Center Dalian
- Asia-Pacific Production Center Vietnam
- Japan Production Center Matsusaka Factory
- Central-South America Production Center Brazil

In March 2020, our Matsusaka Factory will be as OMRON's global base for manufacturing capabilities. The factory will play a bigger role as our mother factory supporting global production, serving as a production center for cutting-edge manufacturing technologies to be deployed worldwide, focusing on low-cost, flexible automation. Advanced automation will result in a three-fold production gain, as well as optimized production that can respond flexibly to diversifying products and customer demands. Further, we intend to deploy leading-edge production lines built in Japan to production centers worldwide.

OMRON is developing high-quality automation, precision processing technologies, and improved quality control in pursuit of the providing high-quality products faster and in a more stable manner.

Towards the Future of Personalized Medical Care

The OMRON Healthcare Business has developed innovative devices, accumulated and analyzed data in collaboration with medical professionals, provided highly reliable services stemming from these collaborations, and produced advanced manufacturing technologies and modularization. These activities have created business models to promote healthcare. We will continue to focus our effort on cardiovascular, respiratory, and pain management fields, accelerating our pace as we go. Leveraging overwhelming global market share, we will combine and analyze information on vital signs, treatment, and lifestyles to create diagnosis and treatment support services tailored to the individual.



Energy Management Businesses



Domain **Energy Management**

Corresponding
SDGs



Vision

Using Energy Conversion and Control Technologies to Popularize the Use of Renewable Energy and Contribute to a Sustainable Society

Energy Management Business is working to spread the use of renewable energy to curb CO₂ emissions. Our aim is to create a society in which all people live in comfort. We contribute to energy efficiency through storage control technologies that support energy management, as well as through “the visualization of energy use” and other advanced initiatives. Further, we are involved in quality and functional improvements in all processes, from planning through to maintenance management. We are striving to be No.1 business partner in the field of environmental business. By leveraging our unique value chain to support the entire energy life cycle—from “efficient energy creation” to “effective energy storage” to “wise energy use”—we contribute to the creation of a sustainable society.



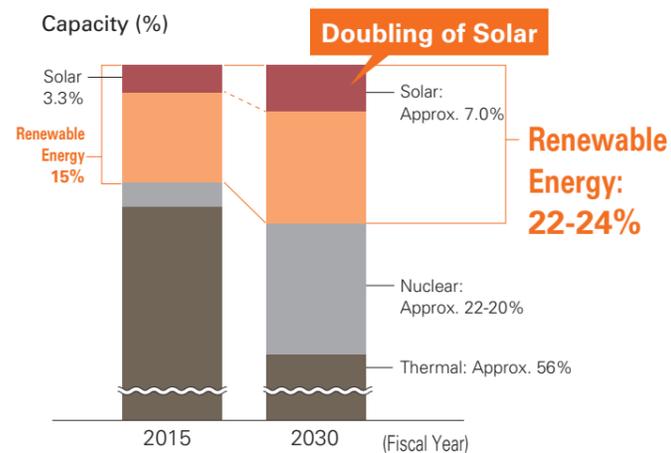
Executive Officer
Senior General Manager, Energy Management Business HQ
Taisuke Tateishi

Issues Confronting the Energy Management Market

Global climate change resulting from rising CO₂ emissions, the depletion of fossil fuels, frequent natural disasters, and soaring fuel costs, demonstrate the need for more use of clean energy in society. In corporate activities, we see a movement to rethink energy usage systems, including the effective use of renewable energy. Additionally, there is an urgent need to adapt to rapid changes in environmental laws and regulations and BCP*1. In response, we see global measures to reduce greenhouse gas emissions in line with COP21*2. Japan has set a goal to increase the ratio of renewable energy used from 15 percent in 2015, to between 22 and 24 percent by fiscal 2030. Japan also expects to double the ratio of solar power, from 3.3 percent to 7.0 percent.

More effect use and delivery of optimal control for power conditioners in solar power and energy storage systems will help spread renewable energy. This, in turn, will lead to reductions in greenhouse gas emissions, which is required to bring about a sustainable society.

Energy Source Structure Targets for Japan

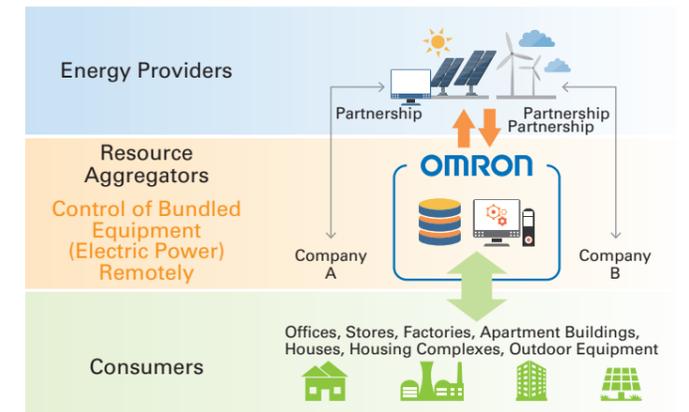


(Source:) Ministry of Economy, Trade and Industry, isep

*1 BCP (Business Continuity Planning): A plan to determine activities to be performed at normal times as well as methods and procedures to ensure business continuation during emergencies, while minimizing the impact on business assets and allowing for the continuation or rapid recovery of the core business in the event that a company is confronted with an emergency such as a natural disaster, major fire, or terrorist attack.
*2 COP21 (Conference of Parties to the Framework Convention on Climate Change): A conference held in Paris in 2015 to discuss measures to respond to global warming from 2020 onwards, and to determine a new international framework to replace the Kyoto Protocol.

A Total Energy Management Solutions Provider

The volume of power generated by renewable energy fluctuates depending on the weather. Stable electricity levels are necessary if we are to use energy from renewable sources. Given our energy conversion and control technologies, OMRON focuses on renewable energy generation and the utilization of information related to energy usage. We are working on the challenge of achieving stable electricity via control through bundled batteries. We aim to stabilize electricity to maximize the use of renewable energy, as well as to create a society rich energy.



The Role of Resource Aggregators in Linking Energy Companies and Consumers

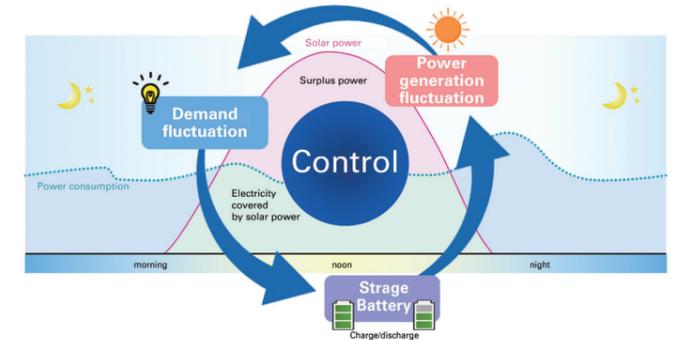
Recently, I have come across the phrases *population decline* and *aging society* with much more frequency. Each time I return to my hometown, I see more small shops shutting down and fewer buses running. Renewable energy that generates stable income from natural energy sources can be a big step toward solving these social issues. Our team thought through every scenario considering customer value and business models to encourage the adoption of photovoltaics and storage batteries. Ultimately, we came up with a model (service) that provides value for everyone. At present, we are using good customer feedback as our motivation to carry out business reform in selling services that encompass entire organizations.



Environmental Solutions
Business HQ
Marketing Division
Yoshinori Kawai

Energy Usage With No Waste ~Building Storage Solutions~

The end of fixed-priced purchasing (FIT) and measures to counter power due to natural disasters are just two elements that have accelerated the need for more energy that combines solar power generation with storage batteries. To this end, OMRON is developing energy control technologies that incorporate storage batteries consisting of different current and voltage characteristics. We are also participating in verification tests for electricity charge-discharge controls to increase electricity usage efficiency in buildings, as well as tests for electricity stabilization within defined areas. OMRON will continue to hone our proprietary technologies to expand storage battery solutions.



Sensing demand and solar power status, balancing electricity supply through storage battery control

Spreading Renewable Energy

OMRON has taken up the challenge to achieve better energy management by linking renewable energy and storage batteries. This involves efficient energy creation, effective energy storage, and wise energy use, focused on energy conversion and control technologies. In the future, we intend to expand the scope of energy control to V2X, which takes advantage of electric vehicles. We also intend to achieve further improvements in building and structure energy efficiency. By bundling and controlling existing energy resources and stabilizing electrical power within defined areas, we can contribute to the further spread of renewable energy and to the creation of a sustainable society that has no impact on the environment.

Human Resources Management



Accelerating the Growth of Our People and Our Organization, the Drivers of Innovative Creation

Employees are the most critical element to perform management based on the OMRON Principles. As employees supporting the growth of OMRON, we enjoy our work and commit to building an attractive company that accepts the challenge of creating social needs that solve social issues. The human resources strategy goal under VG2.0 is to create a strong company that fosters our people, provides an enjoyable work environment, and encourages high performance. By accelerating the growth of our people and our organization, drivers of innovation at OMRON, we raise our ability to create social needs. We have defined three key global initiatives to accomplish this goal:

Key Global Initiatives

- Foster leaders who will drive management and business
- Hire, train, and make effective use of a diverse employee base
- Encourage self-motivated employees

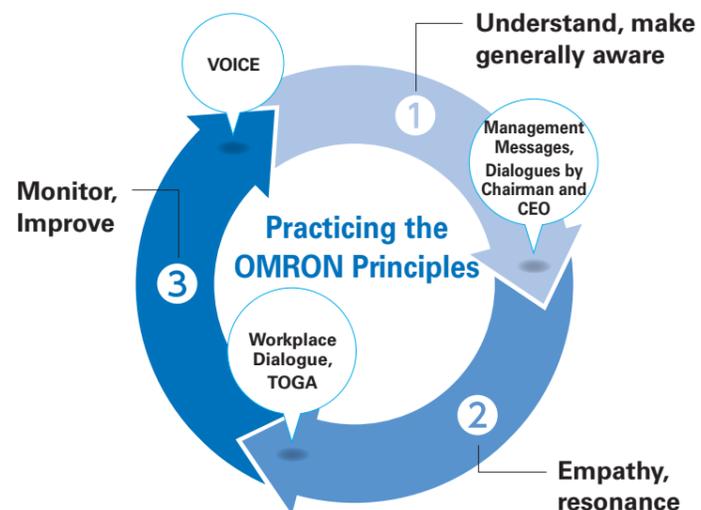


Executive Officer,
General Manager, Global Human
Resource Strategy Department,
Virendra Shelar

These key global initiatives are tied closely to the OMRON Principles. In particular, we would like to foster leaders who drive management and business. These are people who look at society from a future-oriented perspective, who always think and act in pursuit of the true issues, who declare and pursue high goals, and who act with integrity at all times, no matter what the business environment. These are all examples of living values that reflect the OMRON Principles. OMRON engages in three unique processes to place our human resources strategy in position to raise the ability of all employees to practice the OMRON Principles. These processes strengthen the OMRON Principles by creating understanding and general awareness, encouraging empathy and resonance, and incorporating monitoring and improvement activities. The first process is to create an understanding and general awareness of the OMRON Principles internally. Here, management engages directly with employees through dialogues to further employee understanding and inspire employees to demonstrate leadership in practicing the OMRON Principles. The second process is to share examples of employees putting the OMRON Principles into action to encourage empathy and resonance. A major part of this process is the OMRON Global Awards (TOGA), which we have held every year since fiscal 2012. We recognize the outstanding efforts of employees that lead directly to solving social issues, which inspires others to see ways to practice the OMRON Principles in their own sphere.

The third process is VOICE*, an engagement survey to monitor issues identified directly through employee input, which we then use to improve management issues. Through these processes, we raise the ability of employees to put the OMRON Principles into practice, leveraging and accelerating Diversity & Inclusion as the source of Innovation, enjoying our work while striving to build an attractive company that creates social needs.

*VOICE:
VG OMRON Interactive Communication with Employees



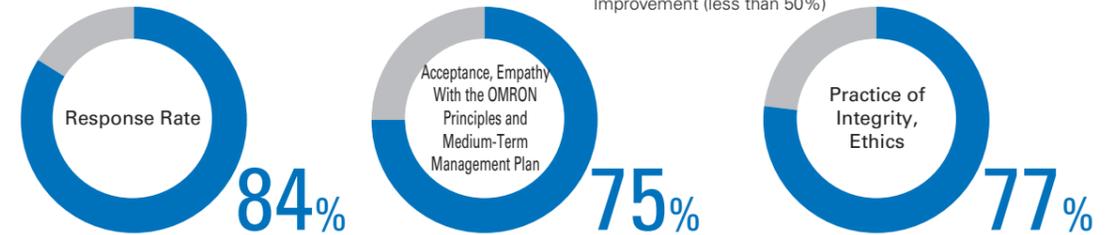
Linking Direct Input by Employees to Solving Social Issues

OMRON implemented the VOICE engagement survey in 2016 for management to listen directly to feedback from our global workforce. This is an initiative for OMRON management to ensure sustainable growth, measuring the attractiveness of OMRON as a workplace, understanding and identifying management issues, and taking action to solve those issues. Based on VOICE results, management engages in discussions and continues to conduct reforms to make OMRON a more attractive company in which to work.

Based on results from the previous year, OMRON adopted and further strengthened our global communications infrastructure during fiscal 2018. We also revised IT systems and engaged in other operations process innovations during the year. In response to the expectations of our highly motivated employees in Japan who are ready for new challenges, we worked to create an environment and mechanisms to provide for a diverse range of opportunities. As one example, we introduced a system for recruiting employees to existing openings in other departments. We also created an application system, providing employees with opportunities to advertise their talents and challenge themselves at new jobs. In addition to collecting and scoring data, OMRON solicits free-form comments from employees directly. Based on these comments, management identifies true needs and formulates next steps. OMRON will continue to use VOICE results as a basis to further improve management decision-making speed, to strengthen our communication as an organization, and to identify other important issues that spur management discussions and reforms.

Fiscal 2018 VOICE Results (Summary)

Willis Towers Watson Evaluation of Affirmative Responses:
Healthy (70-80%), Requires Support/Progress (50-70%), Requires Improvement (less than 50%)



The Contributions of Each Individual Create an Ideal Workplace

~Aiming for Effective, Open Communications~

Statistics from OMRON's fiscal 2017 VOICE results for diversity and mutual respect in the Asia Pacific region indicated that employees want more effective, open communications. The most common issue identified is that the efforts of management in the spirit of the OMRON Principles to incorporate diverse employee views and opinions is not being communicated to employees sufficiently. With employees working in nine countries throughout the Asia Pacific region, we came to believe that unconscious attitudes and behavior particular to each cultural background could negatively impact employee motivation and the workplace environment.

Therefore, OMRON implemented a training program emphasizing diversity and acceptance of all employees. We held this training twice in Singapore during fiscal 2018, attended by 43 senior managers. The training defined the concepts of workplace diversity, unconscious attitudes and behaviors, and micro behaviors (split-second behaviors demonstrating a person's emotions). Training delved deeper into examples of these behaviors, helping attendees reflect on their own stereotypes and unconscious attitudes. Finally, attendees discussed how these stereotypes and attitudes could hinder respect for diversity in the workplace and have a negative impact on business.

The scope of these training activities has been expanded to include employees. Here, participants are learning how to build workplace environments that are accepting of diversity. In fiscal 2019, we will accelerate Diversity & Inclusion through activities over wide OMRON.



OMRON MANAGEMENT CENTER
OF ASIA PACIFIC
Newton Giraud

The OMRON Global Awards (TOGA)

The circle of resonance that originates from TOGA now involves outside OMRON as well, and will certainly spur new “innovation driven by social needs.” In this article, we highlight the TOGA story that began in 2012 and several presentations from the 2018 edition of TOGA.

TOGA Begins as the Passion of One Employee

The inspiration for TOGA began in the vision of Irawan Santoso, president of PT.OMRON MANUFACTURING OF INDONESIA (OMI), as a means to practice the OMRON Principles in our Indonesian production centers. Santoso’s aspiration for the OMRON Principles ranged far beyond OMRON’s manufacturing plants to include nearby factories and the Indonesian government in a program to employ disabled individuals. At the 2012 event to celebrate OMRON’s founding, Santoso was recognized with the Special Challenge Award, citing his outstanding example of practicing the OMRON Principles. Said OMRON CEO Yoshihito Yamada, “I believe there are many more examples out there of employees putting the OMRON Principles into practice. We would like to uncover these current and future examples, sharing, supporting, and recognizing the efforts of OMRON employees.” From this idea, TOGA was born.



Irawan Santoso Shakes Hands With CEO Yoshihito Yamada at the Beginning of the TOGA Global Meet (May 2019)



OMI President
Irawan Santoso

After being named president of OMI in 2007, I had the opportunity to visit OMRON TAIYO Co., Ltd. (Oita Prefecture, Japan), the world’s first factory designed for the disabled. There, I saw disabled individuals working enthusiastically, maximizing their talents and expressing their individuality. These employees leveraged their respective strengths, complementing and compensating in areas where others may be weaker. Seeing the situation at OMRON TAIYO, I felt a strong desire to create the same type of workplace in Indonesia where all people could shine. After returning to Indonesia, we went about creating a rewarding workplace for both able-bodies and disabled individuals, going beyond our existing efforts already in place. After an extended period of effort, we created a program in 2010 to train and hire disabled persons. As a result, we doubled the hiring rate of the previous year, recruiting 30 individuals. I will continue to create rewarding environments for all people throughout the world.

Solving Social Issues Through Our Businesses

IoT-Based Waste Treatment Contributes to a Change in Environmental Awareness

Insufficient landfill for waste and environmental pollution arising from toxic substances in landfills are a serious issue in Australia. In response, the Australian central government set a goal to significantly reduce landfill waste by the year 2030.

Wanting to help solve this social issue that will impact not only our own generation, but also that of our children, we included engineers from Singapore and Japan to develop a smart dumpster for commercial use. This smart dumpster uses a combination of IoT and Big Data technologies. Commercial-use smart dumpsters are large receptacles for collecting trash produced by businesses at shopping centers and other locations. These dumpsters consist of two separate sections, one for general waste that goes to landfills and one for recycling. To raise awareness of the environment among businesses, general waste is assessed a fee based on volume, while trash for recycling is free. These dumpsters offer benefits to collection companies as well. Dumpsters are outfitted with mechanisms to provide information about current status and collection timing via the internet. This system means more efficient collection truck operations, less road damage due to over-heavy collection trucks, and other optimized overall operating costs. To date, more than 200 smart dumpsters have been installed, with more installations every day. While this project was effort by the Industrial Automation Business to expand our range of businesses, we feel a sense of pride in contributing to the central government’s goal of reducing landfill waste and in contributing to the creation of a more sustainable society. We will continue this initiative to provide a better society for our children.



Australian Subsidiary of the OMRON Industrial Automation Business
OMRON ELECTRONICS PTY. LTD.

**Henry Zhou (right),
Milorad Srdic (left)**

Contributing to Healthy and Comfortable Lives

A Significant Reduction in Parts Supply Lead Time

The Chinese market is experiencing rising demand for home-use medical equipment, as well as an explosion in the popularity of online shopping. The pressing need in response to these environmental changes is a platform for customers to purchase what they want, any time they want. The key word here is speed. As a manufacturer of OMRON home-use medical equipment, we at OMRON DALIAN decided that if we could increase production speed, we could deliver needed OMRON home-use medical equipment to all people when required. To achieve this vision, we set a goal to reduce lead time for parts supply to one-tenth of the current time required. Some voiced doubts at first, but people began to believe in my vision as Team OMRON came together to pursue this goal. We conducted a complete review of our parts suppliers and delivery routes, conducting simulation upon simulation. In the end, we consolidated parts to a single storage warehouse. We also revised how we opened parts packaging and packaging materials, continuing to try ideas never attempted before. Over three years since 2016, we finally reduced parts supply lead time to one-tenth of our original time. This initiative also resulted in lower inventory levels and logistics costs. Reduced delivery frequency also means reduced CO₂ emissions. These benefits have been a result of practicing the OMRON Principles. OMRON DALIAN will continue striving for all people to have ready access to the health equipment they want, contributing to healthy and comfortable lives.



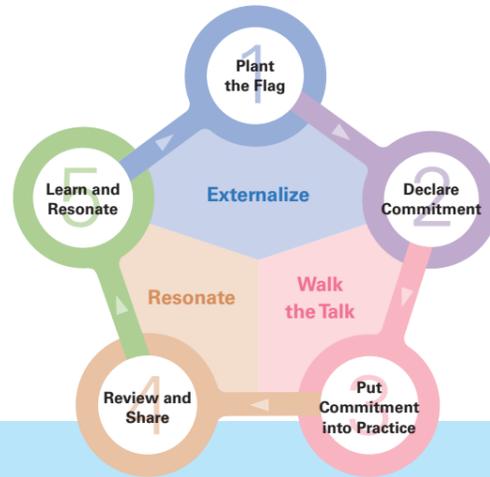
Chinese Production Center for the OMRON Healthcare Business
OMRON DALIAN CO., LTD.

Li-Hua Tang

Highlights of the TOGA Program

TOGA encourages employees to set their own goals to help them experience the connection between their work and the OMRON Principles. The aim of this initiative is to foster a culture of ongoing aspirations to put the OMRON Principles into practice. We share and publicly praise OMRON Principles practiced in everyday work and workplaces, expanding the circle of empathy and resonance in practicing the OMRON Principles.

The TOGA program is ongoing throughout the year. Thirteen teams that pass preliminary selections from our organizations around the world are invited to come to Kyoto to present their TOGA initiatives at the OMRON Global Meet. These teams bring back news of how other team initiatives were received to their local workplaces, sharing their experiences with their co-workers and expand the resonating circle throughout the world.



The TOGA Process

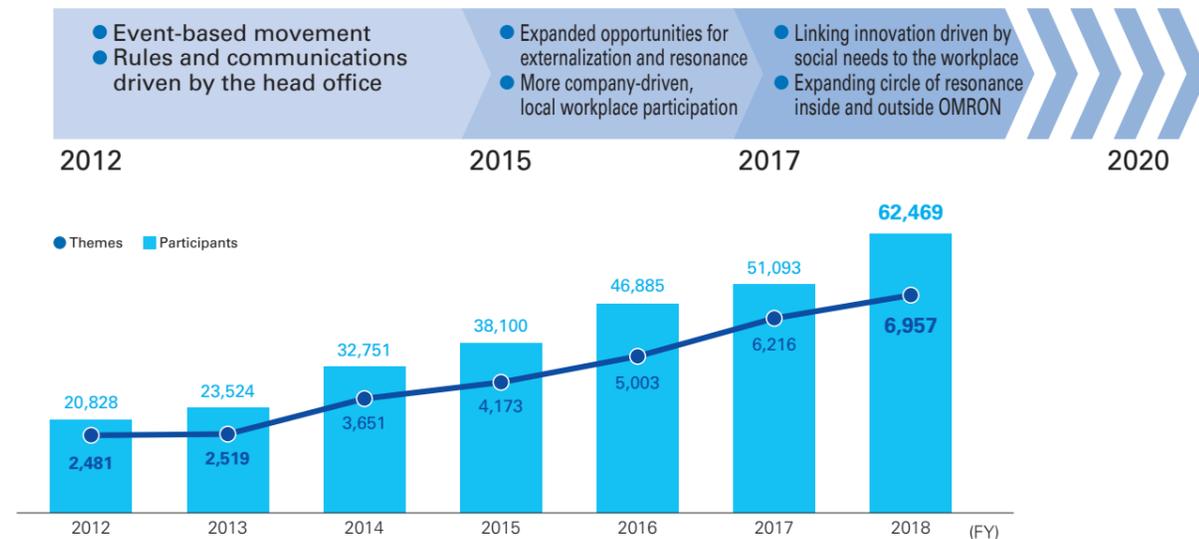
TOGA is designed based on the SECI* Model of knowledge management in which the tacit knowledge of an individual is drawn out to become shared knowledge throughout an organization. OMRON engages in a cycle of setting inspirational goals, taking action, and reviewing progress to share information and encourage buy-in throughout the entire year.

*SECI Model: A knowledge management mechanism produced by Hitotsubashi University professor Ikujiro Nonaka that focuses on knowledge creation activities. Through a conversion process of socialization, externalization, combination, and internalization, organizations can take the tacit knowledge of an individual and create shared knowledge throughout a group or organization. (Source: Globis University, Graduate School of Management MBA Glossary)

Seven Years of TOGA Evolution

In the seven years since its launch in fiscal 2012, TOGA has received entries a cumulative 31,000 entries from 275,000 people. This grassroots initiative to practice the OMRON Principles has taken root across the globe.

After OMRON revised the OMRON Principles in 2015, each company and division began conducting activities to clearly demonstrate the link between the principles and our business. As a result, TOGA projects have become more diversified, with more projects addressing innovation driven by social needs every year. The TOGA program itself has seen an evolution in the content of employee submissions. And the circle of resonance that originates from TOGA has expanded to include individuals even from outside OMRON.



To Become People Who Practice the OMRON Principles OMRON Employees Living the Values

To link practice of the OMRON Principles to personal action for each employee, we have defined 18 examples of living the values inspired by the OMRON Principles.

Innovation Driven by Social Needs

Be a pioneer in creating inspired solutions for the future.

[Living the Values]

- Look at society from a future-oriented perspective.
- Always think and act in pursuit of the true issue.
- Always remember that the customer is our focus
- Never be satisfied; never settle for the status quo.
- Make it Habit to ask "why?" and "for what reason?"
- Try new things and new ways that have never been tried before

Challenging Ourselves

Pursue new challenges with passion and courage.

[Living the Values]

- Use the 70:30 theory*; try, fix, and perfect.
- Enjoy challenges.
- Use failure as fuel for success.
- Declare and pursue higher goals.
- Have an unshakeable faith in yourself; have the strength of conviction.
- Don't wait to be told; take the initiative and take action.

*The 70:30 Theory: An idea with a 70% change of success is worth trying. But, have preparations in place for the 30% change of failure.

Respect for All

Act with integrity and encourage everyone's potential.

[Living the Values]

- We exercise responsibility and good sense in obeying the law and the rules of society.
- We act with integrity at all times, no matter what the business environment.
- We realize that we are a member of society, and we endeavor to act with consideration and empathy to others.
- Don't give up before trying; believe that you can succeed.
- Believe in the capabilities of your team members; support each other and work for growth.
- Accept those who have different views & values; use these differences to create new value.

Environment



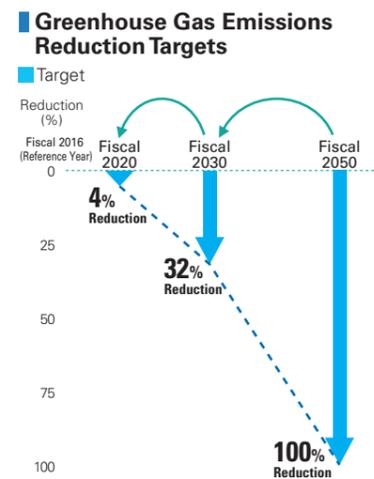
Building an environment for a sustainable society is part of improving lives and contributing to a better society, as stated in the OMRON Principles. In support of this ideal, we pursue initiatives under our Green OMRON 2020 environmental vision. Green OMRON 2020 sets six environmental targets as goals for 2020. Of these goals, Reductions of Greenhouse Gas Emissions and Appropriate Management and Reduction of the use of Hazardous Substances were two on which we focused in 2017 as important company-wide sustainability initiatives.

Initiatives to Achieve OMRON Carbon Zero, Aiming for Zero Greenhouse Gas Emissions by Fiscal 2050

In July 2018, OMRON set OMRON Carbon Zero as a new target aiming for zero greenhouse gas emissions by fiscal 2050. In line with this initiative and in response to climate change and global warming, we changed our greenhouse gas emissions indicator from net sales to CO₂ emissions to total emissions. Using 2016 greenhouse gas emissions quantities as a baseline, we backcast from 2050 to develop targets for 2030 and 2020.

Fiscal 2018 results:

Created an action plan towards the 2020 4% reduction targets (energy savings, introduction and purchase of renewable energy), achieving fiscal 2018 reductions of 21,000 t-CO₂ (baseline: 2016) ahead of schedule.



At OMRON, 90% of our greenhouse gas emissions are from our electricity usage. Therefore, our efforts regarding electricity usage are a priority issue. To this end, our basic policy is to minimize the amount of electricity used within OMRON and use renewable energy for business activities that contribute to corporate growth and reduced greenhouse gas emissions.

In fiscal 2018, we reviewed electricity procurement methods for approximately 40% of OMRON's electricity consumption in Japan. We began procuring electricity from renewable sources in the Kansai area of Japan in December 2018 and in June 2019 for the Kanto area of Japan.

In the future, we will expand these initiatives to Asia and other regions, looking towards zero greenhouse gas emissions by 2050.

The OMRON Principles are the foundation of everything we do. OMRON Corporate motto is to improve lives and contribute to a better society. In terms of the environment, this means using our business activities to reduce environmental impact and increase our contribution to the environment, helping others live a secure and comfortable life in a true sustainable society. We believe our mission is to pass on a better society to future generations. In pursuit of this mission, we promote environmental activities as part of our day-to-day practice of the OMRON Principles.



Global Manufacturing Innovation HQ, **Teruyasu Imai**

Initiatives to Reduce Greenhouse Gas Emissions

OMRON's environmental actions for reducing greenhouse gas emissions are twofold. First, reduce the environmental impact through our business activities and second, contribute to the environment by providing society with valuable products and services. One example of reducing the environmental burden through our business activities is promoting energy-savings by visualizing energy consumption in our facilities. This includes air conditioning and lighting on factory product floors and providing optimum control of this equipment in line with production status. We are also installing solar power facilities in our buildings. Examples of reducing our environmental burden through our business is our power conditioners, used for solar power generation, and storage batteries. These products facilitate the efficient use of generated electricity (measured as *environmental contribution*). At the same time, our products provide energy systems and services for local production and consumption linked to regional revitalization.

Make Maximum Use of All Management Resources

Offer Products and Services Useful to Society

Japan
Adopted system to visualize electricity usage (Ayabe City, Kyoto)

Overseas
Converted self-generated power to clean energy (Production plant in Guangzhou City, China)

Products
AICOT P59 → Products that contribute to the spread of clean energy

Services +
Used abandoned fields to create locally produced, locally consumed energy (Miyazu City, Kyoto)

Central Goals:
Reduce Our Environmental Impact
Greater Volume of Environmental Contribution
P30 →

Support for TCFD

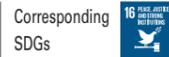
OMRON recognizes that climate change impacts our future sustainable growth. We are engaged in the following framework, using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for which we declared our support in February 2019.

| Category | OMRON Initiatives |
|-------------------------------|--|
| Governance | <ul style="list-style-type: none"> Incorporate climate change issues into governance and management systems for sustainability initiatives and goals Link overall sustainability, including climate change, to executive medium- and long-term performance-linked compensation (internal directors, executive officers) |
| Strategy | <ul style="list-style-type: none"> Risk: Started study of increased business costs due to higher energy costs, capital investment in renewable energy/energy-saving facilities, and the impact of carbon tax, etc. (migration risk) and support for business continuity in our own company and supply chain associated with flood damage or similar (physical risk). Opportunity: Increased environmental contribution from our business through products and services; also, we can expect more opportunities from environmental business and in environment-related service and maintenance businesses |
| Risk Management | <ul style="list-style-type: none"> Collect and analyze a wide range of information on risk factors including regulations and impact on business Understand the vulnerability of production centers to natural disasters (flooding, torrential rain, water shortages, etc.) which are expected to increase in scale and frequency as a result of climate change; make preparations for business continuity |
| Indicators and Targets | <ul style="list-style-type: none"> Set targets aimed at achieving Carbon Zero (Scope 1 and 2) by fiscal 2050 (Revised to 1.5C target to match SBT* accepted norms) Target for Scope 3 also being considered |

*SBT: Science Based Targets. Science-based, medium- to long-term targets for reducing greenhouse gases.



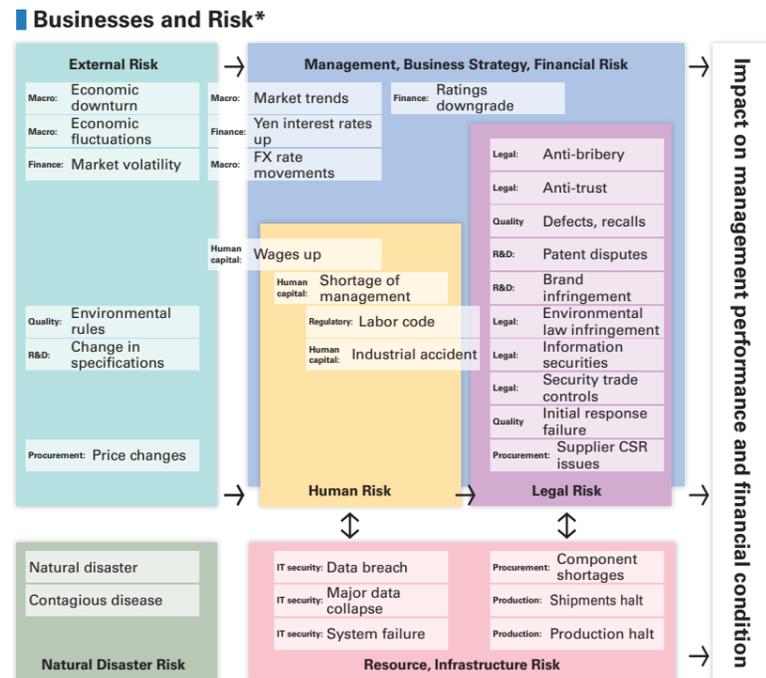
Risk Management



Integrated Risk Management Supporting Global Business Activities

At the same time we began executing VG2020, we also launched our existing integrated risk management program. 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 preparation and rapid response to risk. Management felt the need for OMRON to become more attuned to risk, addressing risks at the earliest stages.

OMRON must deal with a variety of risks as we continue to expand our businesses globally. In response, we have categorized the entire spectrum of risks that impact management performance and financial health. Having categorized these risks, we then chart their interrelationships. We use this framework as a link between management and the local workplace, helping management work with local staff to engage in risk management that resolves issues that must be dealt with at levels above the local workplace. VG2.0 includes measures related to business risk management that supports innovative creation.



*Graphic representation of the business risks as shown on <https://www.omron.co.jp/ir/keiei/risk.html>

Integrated Risk Management Structure

OMRON has established PDCA activities that are conducted throughout the year to analyze risks, respond to critical risks, and engage in crisis management. For example, we summarize and share past examples of risk internally throughout the group. We formalize this shared framework into a document titled *OMRON Group Rules Based on the OMRON Principles*. This document clarifies the role of risk management in OMRON Group management.

Activity Cycle for Integrated Risk Management



Initiatives to Strengthen Compliance Through Instilling Ethics Rules

One example of living the values in the OMRON Principles is to exercise responsibility and good sense in obeying the law and the rules of society. In fiscal 2016, we began a global expansion of Corporate Ethics Month activities from Japan to encourage all employees to put this action into practice.

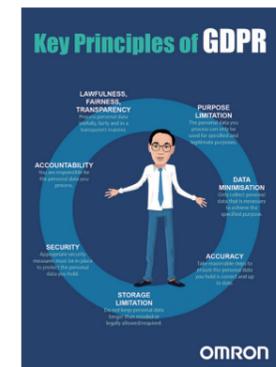
The OMRON Corporate Ethics Month serves as an opportunity to take a fresh look at whether our business initiatives are honest with society from a perspective of compliance with laws and rules, returning back to the origins of the OMRON Principles. We have designated October every year as our Corporate Ethics Month. During the month, we provide opportunities to instill ethics in our employees and conduct ethics training.

To expand these activities globally, we have asked staff responsible for risk management from every division across the world to serve as core members in discussing best methods for our activities to take root globally. As a result, we have decided to engage shared group initiatives based on the OMRON Principles. We will also add initiatives customized to the laws, customs, and other attributes in regions on the forefront of our businesses. In fiscal 2018, in addition to translating CEO Yoshihito Yamada's message into 25 languages for distribution to all global employees, we also put independent rules for ethical conduct in place in each region. One example is our response to the EU General Data Protection Regulation, which significantly strengthens personal information protection. Here, we have gone to great lengths to make this issue more familiar to our employees, providing information about the new rules as we tailor our response to meet the issues of the times.

By sponsoring these types of initiatives to raise awareness of ethics, we achieved a 77 percent positive response related to Practicing Ethics and Honesty in our fiscal 2018 VOICE engagement survey. The third-party entity conducting the survey for use indicated that this was a very healthy situation for a company. [P61 Human Resources Management](#)



In the Asia Pacific area, OMRON held an event to raise ethics awareness among all employees. The event encouraged employees to wear green, representing growth, harmony, safety, and the environment.



In EU area, instilling Corporate Ethics at OMRON Through Educational Posters, E-Learning Training

Whistleblowing System Available to Employees and Families

OMRON has established the OMRON Group Rules for Ethical Conduct, which provides for respect for human rights through our organization and employees, creating a workplace respectful of labor standards, prohibiting private actions that may harm the safety of OMRON products and services or the OMRON brand, and more. We have created a Whistleblowing System (internal reporting and consultation desk) for use in the event of violations or potential violations of rules, helping the company quickly identify and resolve such issues. Since establishing the system in Japan in 2003, we have expanded the system globally in formats tailored to each region. We have set up liaison desks both inside and outside the company. Our internal desk is staffed by local legal affairs departments, while our external desk is overseen by specialist organizations and attorneys. These desks are available not only to full-time OMRON employees, but also to contract employees, part-time employees, temporary staff, and families, including those at OMRON affiliate companies. Internal rules require strict confidentiality and prohibit retaliatory action. Further, we publicize this system through bulletin boards, internal training, and other means. In fiscal 2018, OMRON received 83 notifications and requests for advice.

Responding to Natural Disasters



During fiscal 2018, major earthquakes in northern Osaka, Hokkaido, Indonesia, and Mexico, as well as heavy rain and large typhoons in western Japan, were natural disasters with the potential to threaten the continuity of OMRON businesses.

Since the March 2011 Great East Japan Earthquake, OMRON has been working to fulfill our supply and business continuity social responsibilities. We have also strengthened our response to risks such as natural disasters, which we can only expect to increase.

Stronger Procurement BCP Via Supplier and Risk Management Systems

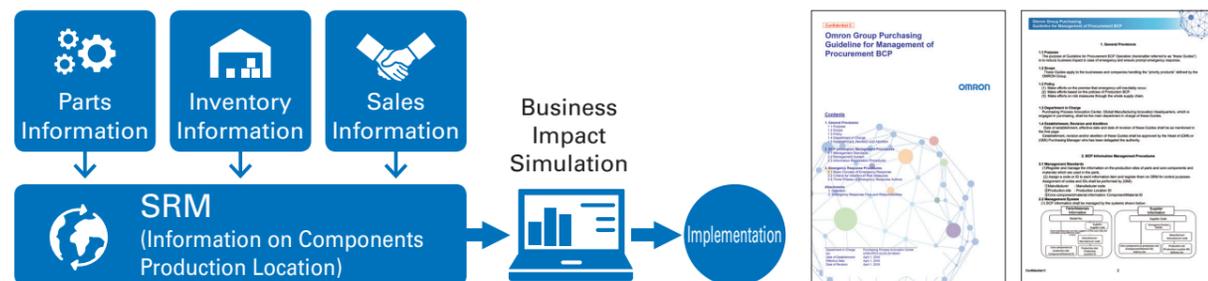
As a manufacturer, we believe in the importance of fulfilling our supply responsibilities and thereby raising our corporate value. As part of our efforts to minimize the impact of natural disasters on customers and our own business, we took the lessons learned from the Great East Japan Earthquake, and in 2012 implemented the OMRON Supplier and Risk Management System (SRM), a countermeasure against procurement risk. SRM is an application software installed on enterprise systems to manage the location and parts manufacturing information related to global suppliers.

During the Great East Japan Earthquake, many suppliers of semiconductors and electronic components in the Tohoku region suffered damages that had an extensive impact on our components procurement network. We spent more than one month in understanding and identifying parts and production information, leading to an extended period of uncertainty about production recovery.

We built SRM as a response to the lessons learned at that time. In the wake of the Kumamoto earthquakes in 2016, we created guidelines for procurement BCP operations, while continuing to refine both operations and systems.

Today, we can use information obtained via SRM during a disaster to identify components produced by suppliers in the area and products made from said components. This information allows us to conduct simulations and assess the impact on our business within 24 hours.

The OMRON SRM and procurement BCP showed its effectiveness during the 2018 Mexico earthquake, the northern Osaka earthquake, and the heavy rains in western Japan. We identified the situation at our suppliers and managed components quickly, meeting our responsibilities for procurement and supply as a manufacturer.



Simulations of the business impact using parts, inventory, and sales data based on production location information for components registered in SRM

Shared Global Operating Guidelines (Published in 2016)

OMRON engages in Procurement BCP not because of the potential for disaster, but with the knowledge that disasters will happen. Based on this stance we engage in measures to collect information constantly and to mitigate risks. Information accuracy is important for making a prompt response to emergencies. With the cooperation of our suppliers, we use an interactive system to secure information in a timely manner. Even during disasters, OMRON contributes to a sustainable society by meeting our responsibilities to supply our customers.

Global Manufacturing Innovation HQ **Kumiko Ueno**



BCP Training for Stronger Disaster Management

Since the Great East Japan Earthquake, OMRON has focused on disaster-response measures, as well as related training and education in every global location. Our efforts here are to prevent or mitigate human and property damage through prompt, correct initial response in the event of a disaster. We believe that we can only respond to a disaster to the extent that we have prepared. Therefore, we conduct drills in each location around the world, assuming the type of disaster that may occur, aiming to improve employee awareness of disaster and disaster-response capabilities.



Training at a Production Center for Electronic and Mechanical Components Business (December 2017)

In addition to initial response training, evacuation training, safety confirmation training, and other training for all employees, OMRON has been engaged in business continuity planning (BCP) training since 2012, mainly in Japan, which has a propensity for natural disasters such as earthquakes and typhoons. Our preparation proved itself in the Kumamoto earthquake of April 2016. While OMRON facilities in Kumamoto and Oita suffered damage, we incurred no major interruptions to production. OMRON RELAY & DEVICES Corporation, a production center for electronic components, quickly confirmed the safety of employees and production quality. In fact, OMRON RELAY & DEVICES was one of the earliest companies in Kumamoto to return to regular production. This outstanding performance was the result of regular disaster preparedness training, as well as BCP training conducted in 2014 in anticipation of earthquakes.

To incorporate the experience and expertise cultivated through these Japanese-based training programs throughout the entire OMRON Group, we began rolling out BCP training globally in fiscal 2016. In fiscal 2018, we conducted training in 15 locations, mainly in Asia, China, and Japan, which represent the bulk of our production centers. In BCP training, senior management and crisis-management personnel at each site create scenarios based on the experience and perspective of OMRON in past disasters. Responses are formulated based on these projected scenarios. This type of training allows OMRON to improve our ability to predict situations, share awareness of disaster-preparedness among member companies, and minimize the impact of disasters on our business.

Disaster-response and BCP training raise employee awareness of prevention. At the same time, we focus on knowledge management to ensure training and experience from disasters become knowledge assets. Our ongoing efforts will lead directly to employee safety, to meeting our supply responsibility, and to ensuring OMRON business continuity.

OMRON takes measures to prevent indirect risk, direct risk, and to prevent damages to our business and our employees. We also employ safety measures to protect against the event of risk and damage. I have a personal desire to support OMRON Group businesses by going out into the field to work with local workplaces to engage in day-to-day safety measures for the employees who work at OMRON. Through local experience and sharing what I learn with the rest of the OMRON Group, I help protect the safety of our employees and contribute to the further development of our business.

OMRON EXPERTLINK Co., Ltd. **Masanori Kushida**





OMRON Continues to Improve Our Unique Governance Mechanisms from Viewpoint of Society, Striving for Sustainable Enhancement of Corporate Value

August 2019
Chairman

Fumio Tateishi

Management Based on the OMRON Principles and Corporate Governance

To improve lives and contribute to a better society. OMRON's Corporate Motto, established in 1959, reflects two desires of our founder. The first is an aspiration to contribute to a better society through business. The second is a declaration that OMRON will be a leader in creating a better society. When we officially changed our name to OMRON in 1990, we created the OMRON Principles as a way to

carry on our Corporate Motto. Since that time, we have revised these principles three times to match our development as a company and the changing times, relying on the OMRON Principles as the bedrock of our management. The objective of corporate governance at OMRON is to ensure we practice the OMRON Principles and create rising levels of corporate value.

Corporate Governance Policies Unique to OMRON

OMRON strives for elevated transparency and fairness in management, emphasizing organic communications between supervisory and front-line execution functions to generate greater speed in our business. In other words, the role of OMRON corporate governance is to be a mechanism for innovation driven by social needs and sustainable corporate value growth.

OMRON balances the dynamic relationship between governance controls and management by clearly separating the supervisory and business execution roles in the company. The chairperson acts as the chair of the board of directors, while the CEO serves as the person ultimately responsible for business management. This system has evolved over 23 years since we established the Management Personnel Advisory Committee in 1996. And our Long-Term Vision, created in 1991, has been the foundation for making this possible. By maintaining a long-term vision, we have evolved corporate governance as a support for innovation driven by social needs and our ongoing aspirations for more innovation.

In 2017, we revised our director remuneration system, raising the ratios of medium- and long-term performance-linked compensation. We did this to further motivate our directors to practice the OMRON Principles and strive to raise corporate value over the medium and long term. We use the voluntary disclosure of this director remuneration policy to demonstrate our commitment to sustainable corporate value improvement to our stakeholders and encourage a better understanding of our management philosophy and initiatives. In recognition of our commitment, OMRON received the Minister of Economy, Trade and Industry Award in the first-ever *Corporate Governance of the Year 2018*. This award is sponsored by the Japan Association of Corporate Directors. In particular, OMRON was noted for our president selection and succession plan, operated under the CEO Selection Advisory Committee. The selection of a corporate president is the first order of business for corporate governance. Here, OMRON was singled out for high transparency in the selection process, the ongoing effectiveness of our CEO Selection Advisory Committee, and our

track record in selecting presidents. This recognition has become another motivation for future improvement.

Building Greater Corporate Value

We have entered our third year operating under the VG2.0 medium-term management plan. Looking at our external environment, we see continued uncertainty in the global situation stemming from U.S.-China trade friction. In these times, businesses must be even more capable of responding to environmental change. OMRON aspires to solve social issues, backcasting from the future, rather than focusing on the short term.

More specifically, in 2017 we established key sustainability issues which we address by solving social issues through our businesses and by answering the expectations of our stakeholders. Sustainable corporate value growth relies on an approach combining initiatives for key sustainability issues with our VG2.0 medium-term management plan. As the result of a board of director evaluation, the OMRON board of directors identified sustainability as a key management policy and continue to address sustainability in board discussions.

We began conducting board of director evaluations in 2015, performed by the Corporate Governance Committee, which consists of outside directors and outside members of the Audit & Supervisory Board. The results of these evaluations are used to determine policies for the operation of the board of directors and key topics for the next fiscal year. In so doing, we strive to raise sustainable corporate value through exercising oversight and lifting board effectiveness. In fiscal 2019, we will once again operate our board based on these policies to achieve VG2.0 and exercise our oversight function looking ahead to our next long-term vision, which will begin in fiscal 2021.

OMRON will continue to rely on the OMRON Principles, improving our unique corporate governance mechanisms from the viewpoint of society, striving for sustainable enhancement of corporate value.

Corporate Governance

Basic Stance for Corporate Governance

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 sustainable enhancement of corporate value by earning the support of all stakeholders.

Omron Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies*¹ based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 20 years formalizing and strengthening our framework of corporate governance. We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

*1 Omron Corporate Governance Policies <https://www.omron.com/about/corporate/governance/policy/>

Corporate Governance Initiatives

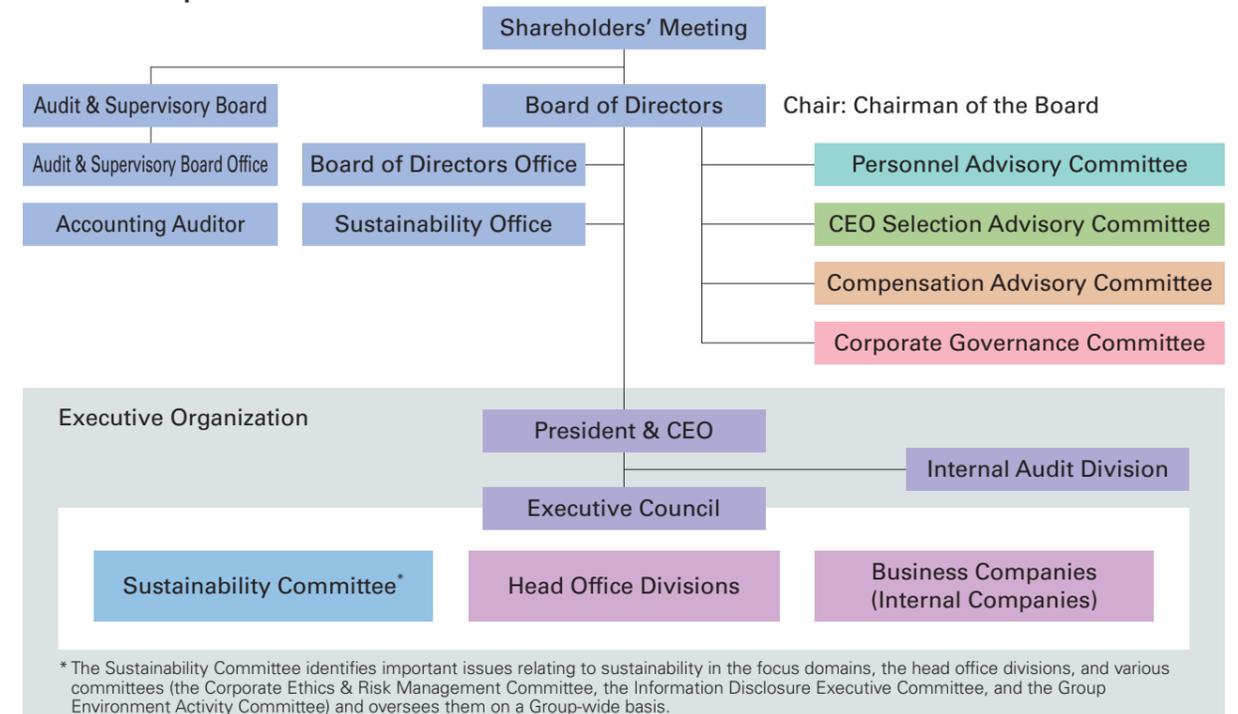
| | 1999 | 2003 | 2011 |
|---|---|---|---|
| President | 1987: Yoshio Tateishi | 2003: Hisao Sakuta | 2011: Yoshihito Yamada |
| Chair of the Board of Directors / CEO | President served as both | 2003: Chairman serves as chair of the Board of Directors; president serves as CEO | |
| Separation of management 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 | 2017: Eliminated board titles* ² 2017: Positioned president as an executive officer |
| Advisory Board | | 1999: Advisory Board | |
| Outside Directors | | 2001: One outside director 2003: Two outside directors (seven directors) | 2015: Three outside directors (eight directors) |
| Audit & Supervisory Board Members (Independent) | 1998: One member | 1999: Two members 2003: Three members (four auditors) | 2011: Two 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: OMRON Corporate Motto | 1990: OMRON Principles 1998: Revised | 2006: Revised 2015: Revised |
| OMRON Corporate Governance Policies | | | 2015: Established |

*2 Not including chairman of the Board

Corporate Governance Framework

OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. 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) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority. OMRON has established several advisory committees to enhance the oversight functions of 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 CEO is not a member of any of these committees. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit & Supervisory Board. This structure offers another layer of transparency and objectivity to the decision-making process. In these policies, OMRON has created a hybrid governance framework that combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee. Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2018 at a rate of 100%. Outside members had an attendance rate of 96.2% at the 13 meetings of the Audit & Supervisory Board.

Fiscal 2019 Corporate Governance Framework



- Board of Directors**
Selects board directors, auditors, and executive officers, determines compensation for directors and executive officers, makes decisions on important business issues, and performs other supervisory functions.
- Audit & Supervisory Board**
Oversees corporate governance framework 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; deliberates on proposed candidates.
- CEO Selection Advisory Committee**
Deliberates candidates for selection as new CEO; deliberates succession plans and candidates in the event of an emergency.
- Compensation Advisory Committee**
Sets policies for director and executive officer compensation; deliberates compensation levels and specific compensation packages.
- Corporate Governance Committee**
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.
- Executive Council**
Deliberates and discusses important operational matters within the scope of the authority of the president and CEO; determines future direction.

Fiscal 2019 Advisory Committee Members

| Title | Name | Personnel Advisory Committee | CEO Selection Advisory Committee | Compensation Advisory Committee | Corporate Governance Committee |
|--|---------------------|------------------------------|----------------------------------|---------------------------------|--------------------------------|
| Chairman of the Board | Fumio Tateishi | | <input type="checkbox"/> | | |
| Representative Director | Yoshihito Yamada | | | | |
| Representative Director | Kiichiro Miyata | <input type="checkbox"/> | | | |
| Director | Koji Nitto | | | <input type="checkbox"/> | |
| Director | Satoshi Ando | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Outside Director | Eizo Kobayashi ★ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Outside Director | Kuniko Nishikawa ★ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Outside Director | Takehiro Kamigama ★ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Audit & Supervisory Board Member (Full-time) | Kiichiro Kondo | | | | |
| Audit & Supervisory Board Member (Full-time) | Kiyoshi Yoshikawa | | | | |
| Audit & Supervisory Board Member (Independent) | Hideyo Uchiyama ★ | | | | <input type="checkbox"/> |
| Audit & Supervisory Board Member (Independent) | Tadashi Kunihiro ★ | | | | <input type="checkbox"/> |

○ Chairperson ○ Vice-Chairperson □ Committee Member ★ Independent under Tokyo Stock Exchange rules

Director Compensation

OMRON has set up the Compensation Advisory Committee for the purpose of bolstering the management oversight function of the Board of Directors by enhancing transparency and objectivity in determining compensation amounts for each director and executive officer.

In response to a consultation request from the chairperson of the Board of Directors, the Compensation Advisory Committee deliberates on and makes recommendations regarding the Compensation Policy for Directors. The Compensation Advisory Committee also deliberates on and determines the Compensation Policy for Executive Officers in response to a consultation request from the CEO. Reflecting the committee's recommendations, the Board of Directors determines the Compensation Policy for Directors.

Based on the above-mentioned respective Compensation Policy, the Compensation Advisory Committee deliberates on compensation of Directors and Executive Officers. Director compensation is based on input from the Compensation Advisory Committee. The board of directors considers this input to determine director compensation within the scope approved by a resolution at the general meeting of shareholders. The amount of executive officer compensation is determined in accord with deliberations and reports from the Compensation Advisory Committee.

These amounts shall be within the maximum limit of the sum of compensation amounts for all directors, as set by a resolution of the General Meeting of Shareholders. The amounts of compensation for individual executive officers shall be determined according to the recommendations of the Compensation Advisory Committee.

*See our website for more about Audit & Supervisory Board member compensation policies.
<https://www.omron.com/about/corporate/governance/compensation/>

Compensation Policy for Directors

- Basic Policy**
 - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
 - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
 - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.
- Structure of Compensation**
 - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
 - Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- Base Salary**
 - The amount of a base salary shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
- Performance-Linked Compensation**
 - As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets.
 - As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
 - The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.
- Compensation Governance**
 - All compensation for directors shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors

(1) Compensation Composition Ratio

Compensation consists of a "base salary" (fixed compensation) and compensation according to Company performance, namely "short-term performance-linked compensation (bonuses)" and "medium-to-long-term, performance-linked compensation (Performance-linked and Share-based Incentive Plan)." The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role:



(2) Base Salary

A base salary is paid to Directors as fixed compensation. Base salaries are determined for each role by taking into account the salary levels of officers at other companies (benchmarked companies of the same industry and scope selected by the Compensation Advisory Committee), as surveyed by a specialized outside organization.

(3) Short-term Performance-linked Compensation (Bonuses)

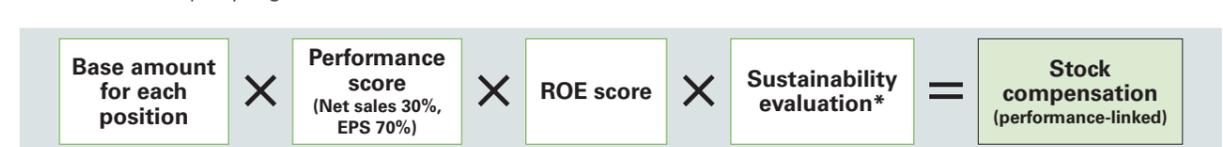
Bonuses are paid to Directors excluding Directors (Independent) as short-term performance-linked compensation, which is linked to yearly performance indicators and the degree of achievement of performance targets. Director bonuses vary between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.



(4) Medium-to-long-term, Performance-linked Compensation (Performance-linked and Sharebased Incentive Plan)

Stock compensation is paid as medium-to-long-term, performance-linked compensation to Directors excluding Directors (Independent). Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the nonperformance-linked component (40%), which aims for retention and motivation to improve share prices over the medium- to long-term, and is paid under the condition of a certain term of service.

Stock compensation for performance-linked component varies between 0% and 200%, according to achievement of net sales, EPS, and ROE targets based on the medium-term management plan, as well as sustainability evaluation* based on a third-party organization.



As a rule, stock paid in stock-based compensation must be held by the individual during their term of service. In the event that an individual Director in question engages in serious misconduct during their term of service, and such misconduct harms the Company, the Compensation Advisory Committee will deliberate and make a recommendation. Based on this discussion and recommendation, the Board of Directors shall resolve to limit the payment of stock-based compensation.

* Sustainability evaluation
 An evaluation based on the Dow Jones Sustainability Indices (DJSI). The DJSI are a series of ESG Indices which include companies evaluated and selected based on long-term shareholder value perspective, reflecting economic, environmental, and social factors comprehensively.



Outside Director Takehiro Kamigama Outside Director Kuniko Nishikawa Outside Director Eizo Kobayashi Chairman of the Board Fumio Tateishi Audit & Supervisory Board Member Tadashi Kunihiro Audit & Supervisory Board Member Hideyo Uchiyama

Outside Officers Round Table Discussion

Especially in uncertain times, it is important to optimize the balance between corporate governance and dynamic execution. This is where the effectiveness of the Board of Directors comes into question. We started evaluating the effectiveness of our Board of Directors in fiscal 2015, in addition to the work we had been doing to strengthen our board's oversight function to improve board effectiveness. We have taken this as an opportunity to change operations of the Board of Directors into something similar to a monitoring board* which focuses on discussions of medium- and long-term issues. In this feature, we invited OMRON's outside directors and outside Audit & Supervisory Board members to participate in a round-table discussion to speak frankly about the characteristics of OMRON's governance and future issues.

† Fumio Tateishi, Chairman of the Board of Directors served as facilitator for this round-table discussion.

* Monitoring board: A board of directors that oversees business operations, focusing on the election and dismissal of officers. This typically corresponds to a board of directors for a company that has a Nominating Committee or the like.

Tateishi: I'd like to ask you for your frank impressions of the OMRON Board of Directors.

Kobayashi: The most important characteristic is that the Board of Directors encourages a free and open discussion, no matter whether the person speaking is an inside or outside director or member of the Audit & Supervisory Board. The knowledge and expertise of our outside directors should reaffirm OMRON's policies and philosophy. We hold more meaningful discussions, even if opinions conflict at times. OMRON executives consider the requests and proposals of outside directors. These executives use the PDCA cycle to take on the many challenges they face, and it is my impression that the quality of governance is high. I feel we have even more to learn to contribute to the evolutionary process.

Nishikawa: Does this mean the members of Board of Directors discussing matters from various points of view? Working with the directors who also serve in an executive capacity, I feel that governance has evolved steadily each year by taking a diversity of opinions seriously and making improvements



Eizo Kobayashi

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

accordingly. We outside directors are not simply looking at organization from the top down. We are also drawing on knowledge and experience from our respective fields to enhance corporate value. I believe that all members of the board share this objective.

Kamigama: The great thing about OMRON Board of Directors is that it is instilling the OMRON Principles among the people at the working level of the company. The other day, I attended The OMRON Global Awards (TOGA) conference. I was impressed by the presentations that showed OMRON Principles are being put into practice by OMRON employees around the world. Underlying a shared basic belief that a business should create value for society through its key practices, OMRON's mission under the OMRON Principles is "To improve lives and contribute to a better society." This fundamental approach informs the work of all OMRON employees, making OMRON fundamentally different from companies that think solely of their own profit. Although there is a clear distinction between the management oversight and executive functions of the OMRON Board of



Kuniko Nishikawa

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

Directors, the objective is identical: to put the OMRON Principles into practice. I am honored and pleased to participate in this vision as an outside director. [P63 Human Resources Management \(TOGA\) →](#)

Uchiyama: Since you're talking about the characteristics of the OMRON Board of Directors, I'd like to talk about the mechanisms that ensure the correct functioning of the board. The person chairing the Board of Directors is important in ensuring board governance. When an executive chairs a board, there is a tendency for them to steer the board toward a conclusion. As a non-executive chair, Mr. Tateishi acts as a facilitator to draw out the experience and knowledge of outside directors, rather than head directly toward a predetermined conclusion. Directors and members of the Audit & Supervisory Board corporate auditors have different positions under the Companies Act. However, board meetings are managed without dwelling on those differences. Even as members of the Audit & Supervisory Board, we are allowed to participate actively in discussions. I think that's quite important.

Kunihiro: I really like OMRON. What I like is that



Takehiro Kamigama

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

both the Board of Directors and the people on the front lines are serious about OMRON Principles-based management and social responsibility. Solving social issues was a priority at OMRON long before people talked about ESG and SDGs. The company has many years to enhance corporate value under a long-term vision, rather than focusing on the short term. OMRON has been unwavering in this commitment. This is OMRON's greatest strength. [P19 VG2.0 Medium-Term Management Plan →](#)

Tateishi: In fiscal I2015, we introduced a board of directors evaluation system as a measure to improve the Board of Directors. The results of the evaluations are analyzed and reflected in the policies of the Board of Directors in the following year. Could you please share your impressions of this system?

Kobayashi: Since beginning board of directors evaluations in fiscal 2015, we have persistently used the PDCA cycle to define policies for the board of directors. For example, the board of directors and executives are conscientious in following up and making improvements to areas that have been given low marks in evaluations. As a result, evaluation results have been steadily improving. We also clarify medium- and long-term issues, using a straight-forward PDCA cycle to achieve goals. I think we are moving in a good direction.

Kamigama: As Mr. Kobayashi says, the issues identified by the Board of Directors are immediately addressed, the issues get clarified and are taken up in discussions of the Board of Directors. We don't see that kind of engagement at other companies, but I think it's really important.

Nishikawa: I very much appreciate this Board of Directors evaluation system. I personally believe that this Board of Directors evaluation system is a very effective "tool for dialogue" between company executives and outside directors. The system makes it possible for honest opinions to be expressed directly and for one to expect a sincere response in return. What I am most concerned

about in making evaluations is the need to make honest, unbiased assessments about what exactly is necessary to improve the value of OMRON.

Uchiyama: OMRON Board of Directors evaluation system works very well. An area for future improvement is perform evaluations after every meeting. Even now, management themes are assessed after each meeting of the Board of Directors. Other than that, these themes are evaluated only once a year in March. We tend to forget matters addressed in annual evaluations over time. Everything becomes more homogenized. I think it's best to do evaluations immediately after each meeting of the Board of Directors and use the PDCA cycle without delay to improve effectiveness.

Kunihiro: My personal theory is that we must wring everything we can from our outside directors. Rather than passively listening to the ideas of outside directors, it may be necessary to take a more aggressive approach in squeezing out every



Hideyo Uchiyama

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





Tadashi Kunihiro

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

last bit of the expertise and experience of outside directors. The criteria for evaluating the Board of Directors should not be a general yardstick. It should incorporate the OMRON uniqueness and detailed focus that we consider so important. I think in this upcoming era, it will be important to engage in and disclose our own unique measures.

[P85 Evaluating the Effectiveness of the Board of Directors →](#)

Tateishi: The active involvement of outside directors is the driving force behind the evolution of OMRON's corporate governance. Last, I'd like to hear your thoughts about your own roles as outside directors and how you are engaging in those roles.

Nishikawa: The most important thing in corporate governance is to answer the question of whether decisions are being made logically. Management is a continuous decision-making process, and the road to decisions has many twists and turns. Our role is to watch and carefully determine whether the process is logical and whether the information collected is appropriate. It is also important for us to provide new data and perspectives. As an outside director, my job is not

to interfere with day-to-day execution, but to be proactive in providing information and knowledge that I believe to be useful.

Kamigama: As an outside director, I focus on and oversee my area of expertise. There is no question that decision-making logic is vitally important. I ask lots of questions based on my own expertise. Once I'm satisfied with the answers, I push from behind for progress. I think that's our role. It is important to optimize the balance between corporate governance and the dynamic execution.

Kunihiro: I am always conscious of the need to point out that there are two sides to everything. OMRON has many strengths, but sometimes these can be weaknesses. My task as an Audit & Supervisory Board member is to provide viewpoints that may differ from the typical way of thinking at OMRON. I search for viewpoints that are lacking at OMRON and attempt to shake things up. I encourage debate, pushing like Mr. Kamigama when I am convinced of the result. I go out of my way to be skeptical for the sake of the company. In addition to serving as a check, outside directors also ensure that OMRON has a firm foundation from which to take aggressive leaps into the future.

Uchiyama: I know this may sound obvious, but I am always conscious of the fact that I was appointed by the general meeting of shareholders. In other words, I must never neglect to see things from the stakeholders' point of view. Further, audits must always be based on facts. Even as outside members of the Audit & Supervisory Board act as a check on the company, I am aware that observing Board of Director meeting deliberations to the greatest extent possible allows us to see what is being discussed in person. In this way, we have a better understanding of the underlying background and facts. In addition, our audit report relies heavily on accounting auditors. That's why I believe we must help create an environment where the accounting firm can do its job more easily.

Kobayashi: OMRON works hard to practice OMRON Principles-based management. For OMRON to make even more aggressive leaps forward, perhaps being less afraid of failure, being



more brash, and demonstrating a bit more edginess could be beneficial. This is why I like to throw rocks into the pond and stir up the waters. By asking the tough questions about OMRON's everyday business, I provide back-up for the management team and employees, so they can leap ahead with more boldness. In this respect sense, I ask questions from the view of a general bystander about the status quo at OMRON. I hope this proves useful to OMRON executives.

Tateishi: Having outside directors and members of the Audit & Supervisory Board who are skeptical in this way and yet so strongly committed to the company is a tremendous confidence-booster for OMRON. OMRON must never stop the process of evolution, so we can meet the high expectations of our stakeholders. I have a strong and renewed sense of the truth of this concept. Thank you all for your time today.



Fumio Tateishi

Chairman of the Board
CEO Selection Advisory Committee Member

Evaluating the Effectiveness of the Board of Directors

1. Status of Initiatives Towards Improving the Board of Directors' Effectiveness

OMRON Corporation works to improve the board's effectiveness to realize the sustained enhancement of corporate value. The company works to improve the board's effectiveness to realize the sustained enhancement of corporate value. Such initiatives are undertaken in a cycle of **(1)** evaluation of the board's effectiveness and **(2)** determination and implementation of the policy for the operation of the board of directors based on **(1)**.

*Please refer to our website for details of "Initiatives Towards Improving the Board of Director Effectiveness"
<https://www.omron.com/about/corporate/governance/chart/>

2. Overview of the Results of Evaluation of the Board of Directors' Effectiveness for Fiscal 2018

(1) Policy for the Operation of the Board of Directors for Fiscal 2018

The Board of Directors shall demonstrate its oversight function to ensure the achievement of the medium-term management plan "VG2.0," based on the results of evaluation of the board's effectiveness for fiscal 2017, with emphasis on the following three areas.

- Strategies regarding information systems and quality in the medium-term management strategies
- Ongoing initiatives for human resources strategies and technical strategies
- Initiatives to address material sustainability issues (materiality)

(2) Results of Evaluation of the Board of Directors' Effectiveness for Fiscal 2018

Based on the favorable results of self-evaluations by Directors and Audit & Supervisory Board Members and interviews conducted by Chairman of the Board of Directors in terms of evaluation of theme selection, the details of discussions, the status of operation and other matters, the Corporate Governance Committee confirmed that the Board of Directors is sustainably improving the effectiveness of the Board of Directors for sustained enhancement in corporate value and demonstrating its oversight function.

The Corporate Governance Committee evaluated each theme in the policy for the operation of the Board of Directors as follows.

As for strategies regarding information systems and quality in medium-term management strategies selected as a theme for the first time in the fiscal year under review, consensus on the future direction was fostered after the Board of Directors understood the current situation and received useful suggestions from Directors (Independent) and Audit & Supervisory Board Members (Independent) based on their experience and insights. Regarding human resources strategies and technical strategies, which are ongoing themes from fiscal 2017, the Board of Directors held in-depth discussions through multifaceted question and answer sessions with the understanding that executive organization advances strategy-based initiatives and steadily facilitates their progress and penetration. Regarding initiatives to address material sustainability issues (materiality), an ongoing theme in the third year, the Board of Directors confirmed that such initiatives and engagement activities evolve together and the system to promote the initiatives is functioning properly.

The Corporate Governance Committee recognized that themes raised as the policy for the operation of the Board of Directors for fiscal 2018 were organically associated with the keywords "human resources" and "technology," through discussions about such themes from the standpoint of enhancing medium- to long-term corporate value at the Board of Directors meetings.

In addition, Directors and Audit & Supervisory Board Members actively make comments at the Board of Directors meetings. In particular, Directors (Independent) and Audit & Supervisory Board Members (Independent) make comments and proposals based on their experience and insights. Executive organization takes the opinions and proposals of the Board of Directors seriously and leverages them to further strengthen strategies and initiatives.

< Overview of Discussions of Each Theme >

• Strategies Regarding Information Systems

Recognized the issues of the current IT systems and discussed a direction of a company-wide IT system with an eye to next long-term vision, assuming that technological innovation mainly through AI will transform business systems drastically.

• Strategies Regarding Quality

Recognized the issues of the current Quality Management System (QMS), and discussed a direction of improvement for the ideal QMS and the policy for human resource development that is the key to improvement.

• Human Resources Strategies

Confirmed the whole picture of human resources strategies and progress of the main themes, and discussed a theme of future strategies (initiatives mainly to develop human resources for leadership role in charge of management, diverse human resources and self-dependent human resources).

• Technology Strategies

Discussed strategies for value creation and technology creation to achieve management of technology, and initiatives to identify and develop transformative human resources to support such strategies.

• Initiatives to Address Material Sustainability Issues (Materiality)

Confirmed the progress of initiatives to achieve targets for material sustainability issues, and also discussed target-setting and initiatives to solve new social issues.

3. Policy for the Operation of the Board of Directors for Fiscal 2019

Based on the evaluation results of the Board's effectiveness for fiscal 2018, the Board of Directors discussed and determined the policy for the operation of the Board of Directors for the fiscal 2019.

Fiscal 2019 is the third year of OMRON's "VG2.0" medium-term management plan. In this fiscal year, the Board of Directors will fully put its oversight and supervision functions to use, in order to ensure the achievement of VG2.0 goals, while also looking ahead to the next long-term vision set to start in fiscal 2021.

< Key Initiatives Set in Operational Policies >

- Confirmation of the direction for long-term strategies with the upcoming long-term vision in mind
- Continuous execution of strategies concerning information systems and quality
- Implementation of measures to deal with changes anticipated to occur in the internal and external business environments in fiscal 2019 and 2020

The company will make efforts in enhancing the Board's effectiveness for sustained improvement in corporate value.

4. Policy for the Operation of the Board of Directors for Fiscal 2016 to 2019

Since the introduction of the effectiveness evaluations of the Board of Directors, the Board of Directors has both determined the policy for the operation of the Board of Directors and exercised its oversight function focusing on operating policies and upon important topics defined therein. As a result of these initiatives, board operations now closely resemble those of a monitoring board, focused on deliberations of material medium- and long-term topics. Topics requiring continued monitoring have been classified as ongoing topics for the next fiscal year. In particular, sustainability initiatives have been categorized as three-year themes, subject to detailed discussions.

These discussions included the opinions of many outside directors. The Board of Directors considered these opinions and reflected these suggestions in initiatives.

OMRON continues to improve board effectiveness to ensure sustained enhancement of corporate value.

| Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 |
|---|---|--|---|
| Operating Policies | | | |
| Transfer authority to executive officers; conduct medium- and long-term oversight | Exercise oversight functions to ensure the achievement of VG2.0 | Exercise oversight functions to ensure the achievement of VG2.0 | Management strategies to achieve VG2.0 Demonstrate functions beginning in fiscal 2021 Exercise oversight functions for the next long-term vision |
| Key Initiatives | | | |
| <ul style="list-style-type: none"> • Next medium-term management plan based on medium- to long-term management strategy • Formulate ESG policies and create initiatives to execute policies • Strengthen oversight function and transfer authority to executive officers | <ul style="list-style-type: none"> • Confirm progress of short-term management plan • Human resources and technology strategies required for the medium-term management strategy • Initiatives to address material issues (materiality) set in accordance with sustainability policies | <ul style="list-style-type: none"> • Strategies for information systems and quality with respect to medium-term management strategies • Ongoing initiatives for human resources and technology strategies • Initiatives to address material sustainability issues (materiality) | <ul style="list-style-type: none"> • Confirmation of long-term strategic direction looking towards the next long-term vision • Continued initiatives toward strategies regarding information systems and quality • Continued initiatives to respond to changes in the internal and external business environment in fiscal 2019-2020 |

Board of Directors and Auditors

As of June 2019



Takehiro Kamigama

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

Kuniko Nishikawa

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

Eizo Kobayashi

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

Hideyo Uchiyama

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

Tadashi Kunihiro

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

Kiichiro Kondo

Audit & Supervisory Board Member

Kiyoshi Yoshikawa

Audit & Supervisory Board Member

Koji Nitto

Director, Senior Managing Executive Officer, CFO
 Compensation Advisory Committee Member

Kiichiro Miyata

Director, Senior Managing Executive Officer, CTO
 Personnel Advisory Committee Member

Yoshihito Yamada

President and CEO

Fumio Tateishi

Chairman
 CEO Selection Advisory Committee Member

Satoshi Ando

Director
 Vice Chairman of the Personnel Advisory Committee
 Vice Chairman of the CEO Selection Advisory Committee
 Vice Chairman of the Compensation Advisory Committee

Directors, Audit & Supervisory Board Members, and Honorary Chairman As of June 2019

Directors



Chairman **Fumio Tateishi**

Aug. 1975 Joined OMRON
Jun. 1997 Director
Jun. 1999 Managing Executive Officer
Jun. 2001 Senior General Manager, Corporate Strategic Planning HQ
Jun. 2003 Executive Officer and Executive Vice President; President, Industrial Automation Business Company
Jun. 2008 Director and Executive Vice Chairman
Jun. 2013 Chairman of the Board (to present)



President and CEO **Yoshihito Yamada**

Apr. 1984 Joined OMRON
Jun. 2008 Executive Officer; Representative Director and President, OMRON HEALTHCARE Co., Ltd.
Mar. 2010 Senior General Manager, Corporate Strategic Planning HQ
Jun. 2010 Managing Executive Officer
Jun. 2011 Representative Director and President (to present)



Director, Senior Managing Executive Officer, CTO **Kiichiro Miyata**

Apr. 1985 Joined Tateisi Institute of Life Science, Inc. (now OMRON HEALTHCARE Co., Ltd.)
Mar. 2010 Representative Director and President of OMRON HEALTHCARE Co., Ltd. (Retired in March 2015)
Jun. 2010 Executive Officer
Jun. 2012 Managing Executive Officer, OMRON
Apr. 2015 Chief Technology Officer (CTO) and Senior General Manager of Technology & Intellectual Property HQ (to present)
Apr. 2017 Senior Managing Director (to present)
Jun. 2017 Representative Director (to present)
Apr. 2018 Senior General Manager, Innovation Exploring Initiative HQ (to present)



Director, Senior Managing Executive Officer, CFO **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)
Apr. 2017 Chief Financial Officer (CFO) (to present)



Director **Satoshi Ando**

Apr. 1977 Joined The Bank of Tokyo, Ltd. (now MUFG Bank, Ltd.)
July 2003 Branch Manager of Jakarta Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Resigned in June 2007)
Jun. 2007 Audit & Supervisory Board Member (Independent), OMRON
Jun. 2011 Executive Officer and Senior General Manager, Investor Relations HQ
Mar. 2015 Senior General Manager, Global Investor Relations & Corporate Communications HQ
Apr. 2015 Managing Executive Officer
Jun. 2017 Director (to present)



Outside Director **Eizo Kobayashi**

Apr. 1972 Joined ITOCHU Corporation
Jun. 2000 Executive Officer, ITOCHU Corporation
Apr. 2002 Managing Executive Officer, ITOCHU Corporation
Jun. 2003 Representative Director and Managing Director, ITOCHU Corporation
Apr. 2004 Representative Director and Senior Managing Director, ITOCHU Corporation
Jun. 2004 President and CEO, ITOCHU Corporation
Apr. 2010 Chairman and Representative Director, ITOCHU Corporation
Jun. 2011 Chairman, ITOCHU Corporation
Jun. 2013 Outside Director, OMRON (to present)
Jun. 2016 Chairman, ITOCHU Corporation
Apr. 2018 Senior Representative, ITOCHU Corporation (to present)



Outside Director **Kuniko Nishikawa**

Apr. 1986 Joined Citibank N.A.
Feb. 1996 Joined A.T. Kearney, Inc.
Sep. 2000 President & CEO, Supernurse Co. Ltd.
Aug. 2010 Established Firststar Healthcare Co. Ltd., President & CEO (to present)
Jun. 2013 President, Benesse MCM Corp.
Jun. 2015 Outside Director, OMRON (to present)
May 2017 Chief Executive Officer, FRONTEO Healthcare, Inc. (to present)



Outside Director **Takehiro Kamigama**

Apr. 1981 Joined TDK Corporation
Jun. 2002 Corporate Officer, TDK Corporation
Jun. 2003 Senior Vice President, TDK Corporation
Jun. 2004 Director & Executive Vice President, TDK Corporation
Jun. 2006 President & Representative Director, TDK Corporation
Jun. 2016 Chairman & Representative Director, TDK Corporation
Jun. 2017 Outside Director, OMRON (to present)
Jun. 2018 Mission Executive, TDK Corporation (to present)

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
Mar. 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 (to present)



Audit & Supervisory Board Member **Kiyoshi Yoshikawa**

Apr. 1983 Joined OMRON
Mar. 2010 Senior General Manager, Monozukuri Innovation HQ
(now Senior General Manager, Global Manufacturing Innovation HQ)
Jun. 2010 Executive Officer
Apr. 2016 Managing Executive Officer
Jun. 2019 Audit & Supervisory Board Member (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, KPMG AZSA LLC
May 2002 Board Member, KPMG AZSA LLC
Jun. 2006 Executive Board Member, KPMG AZSA LLC
Jun. 2010 Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan
Sep. 2011 Chairman, KPMG Asia Pacific
Oct. 2013 CEO, KPMG Japan
Sep. 2015 Executive Advisor, ASAHI Tax Corporation (to present)
Jun. 2016 Audit & Supervisory Board Member (Independent), OMRON (to present)



Audit & Supervisory Board Member (Independent) **Tadashi Kunihiro**

Apr. 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office
Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)
Jun. 2017 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

President



Yoshihito Yamada

CEO

Executive Vice President



Yutaka Miyanaga

Company President,
Industrial Automation Company

Senior Managing Executive Officers



Kiichiro Miyata

CTO and Senior General Manager,
Technology & Intellectual Property HQ
and Senior General Manager, Innovation
Exploring Initiative HQ



Koji Nitto

CFO and Senior General Manager,
Global Strategy HQ

Managing Executive Officers



Katsuhiko Wada

President and CEO,
OMRON AUTOMOTIVE ELECTRONICS
CO., LTD.



Nigel Blakeway

Chairman and CEO, OMRON MANAGEMENT
CENTER OF AMERICA, INC.
and Chairman, OMRON MANAGEMENT
CENTER OF EUROPE
and Chairman, OMRON MANAGEMENT
CENTER OF ASIA PACIFIC



Shizuto Yukumoto

Company President,
Electronic and Mechanical Components
Company, and Senior General Manager,
Business Development HQ



Seigo Kinugawa

CEO, OMRON EUROPE B.V.,
Industrial Automation Company



Toshio Hosoi

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



Masahiko Tomita

Senior General Manager,
Global Human Resources and
Administration HQ



Isao Ogino

President and CEO,
OMRON HEALTHCARE Co., Ltd.



Junta Tsujinaga

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

Executive Officers



Goshi Oba

Chairman and President,
OMRON INDUSTRIAL AUTOMATION
(CHINA) CO., LTD.



Kenji Eda

Senior General Manager,
Global Manufacturing Innovation HQ



Takayoshi Oue

Senior General Manager,
Global Finance and Accounting HQ



Shinji Fukui

Senior General Manager,
Technology Development Division HQ,
Industrial Automation Company



Takashi Kitagawa

Senior General Manager,
Board of Directors Office



Masako Kubo

President and CEO,
OMRON EXPTLINK CO., LTD.



Munenori Odake

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



Seiji Takeda

General Manager,
Corporate Planning Dept.,
Global Strategy HQ



Shuji Tamaki

Senior General Manager,
Global Risk Management and Legal HQ



Taisuke Tateishi

Senior General Manager,
Environmental Solutions Business HQ



Makoto Ota

President and CEO,
OMRON RELAY & DEVICES Corporation,
and Senior General Manager, Production
Division HQ, Electronic and Mechanical
Components Company



Katsuhiko Shikata

President and CEO,
OMRON FIELD ENGINEERING CO., LTD.



Tsutomu Igaki

Senior General Manager,
Global Investor & Brand
Communications HQ



Virendra Shelar

President, OMRON MANAGEMENT
CENTER OF ASIA PACIFIC,
and General Manager, Global Human
Resource Strategy Dept.



Jian Xu

China Manufacturing Innovation Project
Executive, Global Manufacturing
Innovation HQ,
and President and CEO,
SHANGHAI OMRON CONTROL
COMPONENTS CO., LTD.



Masayuki Yamamoto

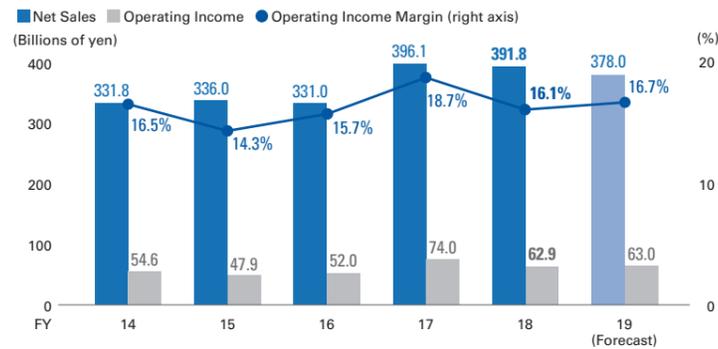
Senior General Manager,
Strategy Planning Division HQ,
Industrial Automation Company

Financial Section (U.S. GAAP)

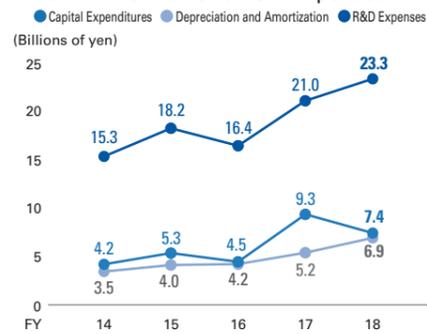
At a Glance

Industrial Automation Business (IAB)

Net Sales / Operating Income / Operating Income Margin

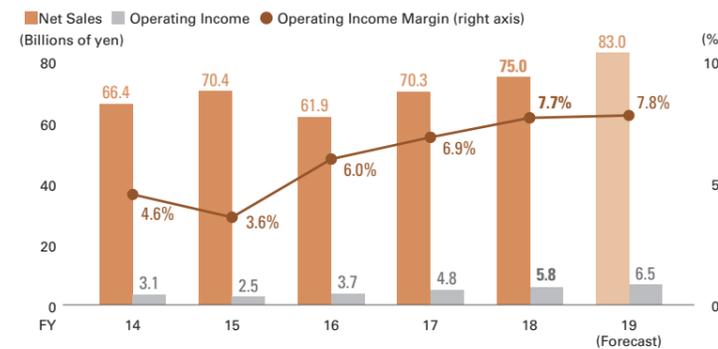


Capital Expenditures / Depreciation and Amortization / R&D Expenses

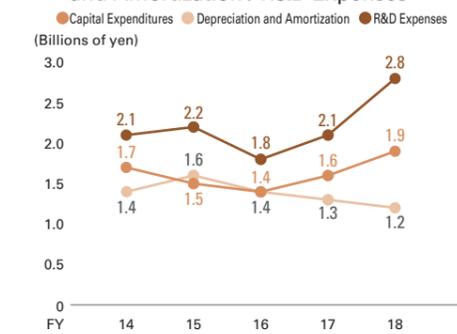


Social Systems, Solutions and Service Business (SSB)

Net Sales / Operating Income / Operating Income Margin

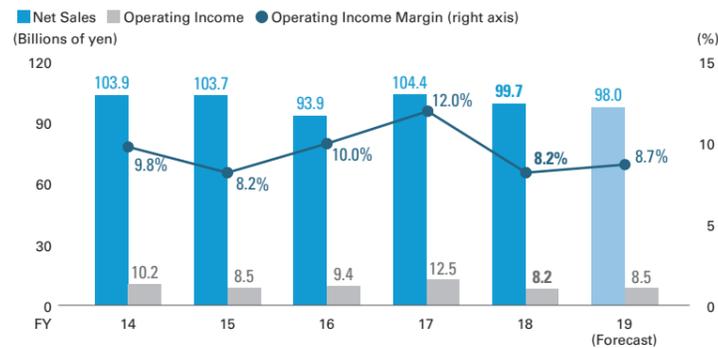


Capital Expenditures / Depreciation and Amortization / R&D Expenses

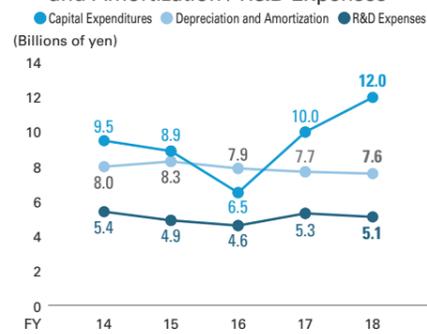


Electronic and Mechanical Components Business (EMC)

Net Sales / Operating Income / Operating Income Margin

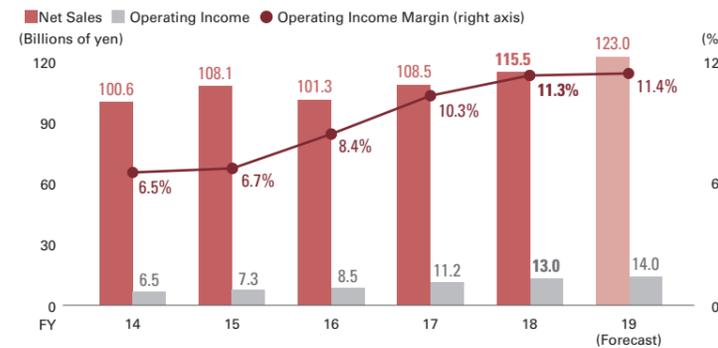


Capital Expenditures / Depreciation and Amortization / R&D Expenses

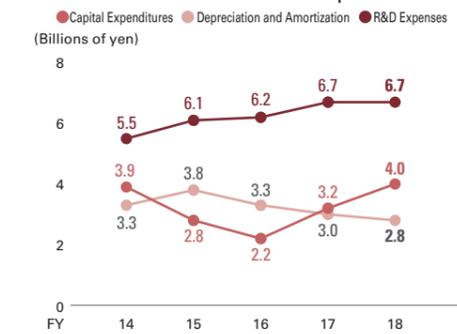


Healthcare Business (HCB)

Net Sales / Operating Income / Operating Income Margin

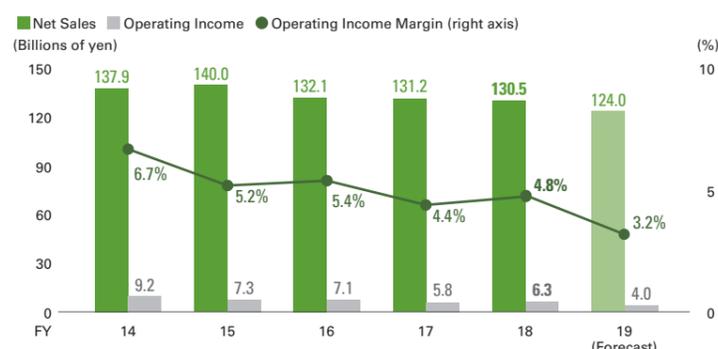


Capital Expenditures / Depreciation and Amortization / R&D Expenses

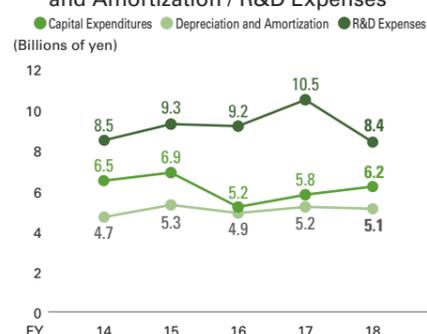


Automotive Electronic Components Business (AEC)

Net Sales / Operating Income / Operating Income Margin

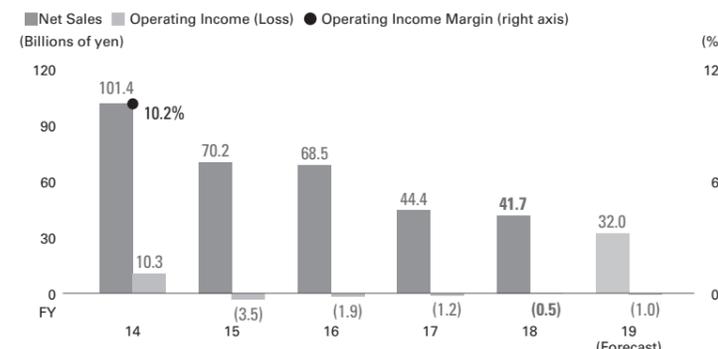


Capital Expenditures / Depreciation and Amortization / R&D Expenses

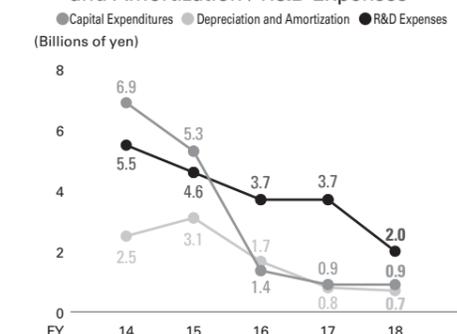


Other Businesses

Net Sales / Operating Income (Loss) / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses



Financial Section Contents

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

95 | Financial Results Fiscal 2018 in Review
100 | Financial Results Outlook for Fiscal 2019

102 | Consolidated Balance Sheets
103 | Consolidated Statements of Income

104 | Consolidated Statements of Comprehensive Income
105 | Consolidated Statements of Shareholders' Equity

106 | Consolidated Statements of Cash Flows

Financial Results

Fiscal 2018 in Review

Consolidated Earnings

Fiscal 2018 was our second year operating under the OMRON VG2.0 medium-term management plan, defined by the basic policy of *Creating Change: Accelerate growth and transform profit structure through innovation*. During the year, we increased investment towards corporate growth driven by the focus domains of the Industrial Automation Business and the Healthcare Business. We also worked to create innovation driven by social needs. In the second half of the fiscal year, revenues in the Industrial Automation Business, Electronic and Mechanical Components Business, and Automotive Electronic Components Business declined as a result of trade friction between the United States and China. However, the Healthcare Business and Social Systems, Solutions and Service Business achieved steady growth.

Consolidated Statements of Income

Net Sales

OMRON Group net sales for fiscal 2018 amounted to ¥859.5 billion, down 0.1% from the prior year. Demand for smartphones and semiconductor-related products slowed, while the global downturn in the manufacturing industry over the second half of the fiscal year led to

weaker performance in the Industrial Automation Business and the Electronic and Mechanical Components Business. However, growth in the Healthcare Business and the Social Systems, Solutions and Service Business compensated for weakness in other areas.

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

Gross profit margin for fiscal 2018 was 41.2%, down 0.4 points. Selling, general and administrative expenses were up ¥7.2 billion to ¥219.7 billion, mainly due to completion of the growth investment planned at the beginning of the fiscal year. Research and development expenses fell ¥1.3 billion year on year to ¥57.8 billion, mainly due to detailed selection in research and development projects.

Operating Income, Income before Income Taxes and Equity in Earnings of Affiliates, and Net Income Attributable to OMRON Shareholders

OMRON Group operating income for the year was ¥76.6 billion (11.2% decrease), while our operating income margin was 8.9% (1.1-point decrease). Income before income taxes (excluding other income) amounted to ¥75.4 billion (9.5% decrease), while net income attributable to OMRON shareholders came in at ¥54.3 billion for the year (14.0% decrease).

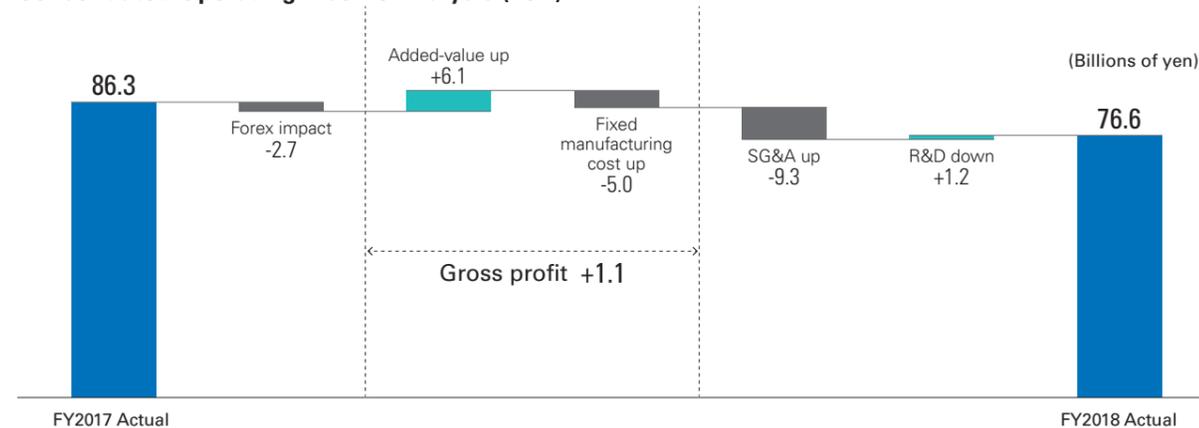
slower demand for capital investment related to smartphones and semiconductors, as well as the global downturn in the manufacturing industry over the second half of the fiscal year. These results offset each other, leading to segment net sales of ¥391.8 billion, down 1.1% year on year. We did, however, complete growth-related investments in line with our original plan, building a foundation of technologies, products, infrastructure, and other assets upon which we will accelerate into the future. Specifically, we expanded the number of Automation Centers that carry out

application development in cooperation with customer manufacturing locations. We now have 35 centers in operation worldwide, 27 more locations than in 2016. At the same time, we made a 20% increase (compared to fiscal 2016) in the number of sales engineers who provide support for application installations at customer manufacturing locations. In our production centers, we enhanced our production capacity necessary for future growth. Continued investments in growth focused on the medium to long term, resulting in a significant 15% decline in operating income, down to ¥62.9 billion.

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 331.8 | 336.0 | 331.0 | 396.1 | 391.8 | 378.0 |
| Japan | 126.7 | 130.5 | 133.5 | 152.0 | 154.7 | 150.5 |
| Americas | 47.6 | 40.4 | 30.3 | 35.3 | 35.0 | 32.0 |
| Europe | 67.8 | 69.3 | 65.6 | 77.7 | 79.9 | 75.0 |
| Greater China | 55.0 | 58.3 | 59.6 | 77.7 | 78.2 | 75.0 |
| Asia Pacific | 34.1 | 36.9 | 41.3 | 53.1 | 43.8 | 45.0 |
| Direct exports | 0.7 | 0.6 | 0.6 | 0.4 | 0.3 | 0.5 |
| Operating income | 54.6 | 47.9 | 52.0 | 74.0 | 62.9 | 63.0 |
| Operating income margin | 16.5% | 14.3% | 15.7% | 18.7% | 16.1% | 16.7% |
| R&D expenses | 15.3 | 18.2 | 16.4 | 21.0 | 23.3 | — |
| Depreciation and amortization | 3.5 | 4.0 | 4.2 | 5.2 | 6.9 | — |
| Capital expenditures | 4.2 | 5.3 | 4.5 | 9.3 | 7.4 | — |

(Billions of yen)

Consolidated Operating Income Analysis (YoY)



Review of Operations by Business Segment



Industrial Automation Business (IAB)

We engaged in sales activities to automobile and food industries that leveraged our extensive product line-up and ability to offer solutions. These activities responded to increased needs for capital investment and labor

savings in line with advanced technology and local production for local consumption. Our sales efforts yielded results driving increased sales to this market. In contrast, sales to the digital industry were lower due to



Electronic and Mechanical Components Business (EMC)

Demand in the consumer and commercial products industry was strong, driven by a favorable business environment in the Americas and Europe, as we accurately identified customer needs. Buying sentiment slowed in automotive-related industries in China. At the same time, demand in the amusement industry continued to contract. As a result, segment net sales amounted to ¥99.7 billion, a 4.5% decrease year on year. Profits were affected negatively by lower net sales to external customers and OMRON Group businesses.

We continued with investment in improving productivity aimed at optimizing fixed manufacturing costs to accelerate automation in manufacturing processes, reduce costs, and deliver high-value products to our customers. These measures included investing in production locations and consolidating production lines. As a result of these measures, segment operating income decreased to ¥8.2 billion, 34.5% lower year on year.

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 103.9 | 103.7 | 93.9 | 104.4 | 99.7 | 98.0 |
| Japan | 23.9 | 23.2 | 22.5 | 24.3 | 21.6 | 21.5 |
| Americas | 18.1 | 19.9 | 16.3 | 17.5 | 17.9 | 17.0 |
| Europe | 15.9 | 16.1 | 14.8 | 16.9 | 17.7 | 17.5 |
| Greater China | 35.0 | 33.6 | 29.0 | 31.0 | 30.4 | 30.0 |
| Asia Pacific | 10.1 | 10.4 | 11.3 | 14.5 | 11.9 | 12.0 |
| Direct exports | 0.9 | 0.5 | 0.1 | 0.1 | 0.1 | 0.0 |
| Operating income | 10.2 | 8.5 | 9.4 | 12.5 | 8.2 | 8.5 |
| Operating income margin | 9.8% | 8.2% | 10.0% | 12.0% | 8.2% | 8.7% |
| R&D expenses | 5.4 | 4.9 | 4.6 | 5.3 | 5.1 | — |
| Depreciation and amortization | 8.0 | 8.3 | 7.9 | 7.7 | 7.6 | — |
| Capital expenditures | 9.5 | 8.9 | 6.5 | 10.0 | 12.0 | — |

(Billions of yen)

*We revised business classifications, reclassifying certain operations under Other Businesses to the EMC and other segments beginning with the 2018 fiscal year. Accordingly, we reclassified results for fiscal 2017 under this new categorization for presentation herein.



Automotive Electronic Components Business (AEC)

Model changes in vehicles carrying OMRON products resulted in weak demand in the Americas, Europe, and China. On the other hand, demand in Asia was strong, supported by increasing automobile production and rising needs for motorcycle-related products. As a

result, net sales in the segment amounted to ¥130.5 billion (0.5% decrease) for the year. The segment recorded an increase in operating income to ¥6.3 billion (8.7% increase) due to improved productivity.

(Billions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 137.9 | 140.0 | 132.1 | 131.2 | 130.5 | 124.0 |
| Japan | 25.9 | 21.1 | 19.0 | 17.3 | 18.2 | 18.5 |
| Americas | 39.3 | 47.6 | 43.9 | 41.9 | 38.5 | 38.5 |
| Europe | 3.6 | 4.6 | 3.9 | 2.8 | 2.1 | 1.5 |
| Greater China | 29.9 | 27.4 | 28.0 | 28.6 | 23.5 | 20.5 |
| Asia Pacific | 32.2 | 31.9 | 30.1 | 33.3 | 42.0 | 39.5 |
| Direct exports | 7.1 | 7.3 | 7.2 | 7.3 | 6.2 | 5.5 |
| Operating income | 9.2 | 7.3 | 7.1 | 5.8 | 6.3 | 4.0 |
| Operating income margin | 6.7% | 5.2% | 5.4% | 4.4% | 4.8% | 3.2% |
| R&D expenses | 8.5 | 9.3 | 9.2 | 10.5 | 8.4 | — |
| Depreciation and amortization | 4.7 | 5.3 | 4.9 | 5.2 | 5.1 | — |
| Capital expenditures | 6.5 | 6.9 | 5.2 | 5.8 | 6.2 | — |



Social Systems, Solutions and Service Business (SSB)

The SSB segment experienced strong demand for upgrades in our Public Transportation Business and our Traffic and Road Management Systems Business. In response, we proposed solutions tailored to the needs of our clients. As a result, the segment recorded ¥75.0

billion in net sales, an increase of 6.7% year on year. Operating income increased to ¥5.8 billion (19.5% increase), mainly due to higher net sales and improved productivity.

(Billions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 66.4 | 70.4 | 61.9 | 70.3 | 75.0 | 83.0 |
| Japan | 65.1 | 68.6 | 61.3 | 69.4 | 73.8 | 81.5 |
| 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 | 0.3 | 0.6 | 0.3 | 0.3 | 0.4 | 0.5 |
| Asia Pacific | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Direct exports | 1.1 | 1.2 | 0.3 | 0.6 | 0.8 | 1.0 |
| Operating income | 3.1 | 2.5 | 3.7 | 4.8 | 5.8 | 6.5 |
| Operating income margin | 4.6% | 3.6% | 6.0% | 6.9% | 7.7% | 7.8% |
| R&D expenses | 2.1 | 2.2 | 1.8 | 2.1 | 2.8 | — |
| Depreciation and amortization | 1.4 | 1.6 | 1.4 | 1.3 | 1.2 | — |
| Capital expenditures | 1.7 | 1.5 | 1.4 | 1.6 | 1.9 | — |

*We revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the fiscal year ended March 2017 and for the first six months of the fiscal year ended March 2018 under this new categorization for presentation herein.



Healthcare Business (HCB)

Blood pressure monitors market has shown firm demand globally. The HCB segment stepped up promotions through online channels mainly in China, Japan, and the Americas. We also purchased 3A Health Care in Italy, which develops and manufactures nebulizers. As a result, the segment recorded steady

growth, reaching ¥115.5 billion in net sales (6.5% increase year on year). Although the segment incurred higher R&D expenses for future growth, segment profit grew to ¥13.0 billion (16.3% increase year on year), mainly due to higher sales and productivity improvements.

(Billions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 100.6 | 108.1 | 101.3 | 108.5 | 115.5 | 123.0 |
| Japan | 31.4 | 31.1 | 28.9 | 26.0 | 26.9 | 28.5 |
| Americas | 18.6 | 23.1 | 21.7 | 23.8 | 23.6 | 24.5 |
| Europe | 21.2 | 19.2 | 18.3 | 21.0 | 22.7 | 23.0 |
| Greater China | 22.4 | 25.4 | 23.1 | 26.8 | 31.0 | 34.5 |
| Asia Pacific | 6.6 | 8.9 | 9.0 | 10.3 | 10.7 | 12.0 |
| Direct exports | 0.5 | 0.5 | 0.3 | 0.6 | 0.6 | 0.5 |
| Operating income | 6.5 | 7.3 | 8.5 | 11.2 | 13.0 | 14.0 |
| Operating income margin | 6.5% | 6.7% | 8.4% | 10.3% | 11.3% | 11.4% |
| R&D expenses | 5.5 | 6.1 | 6.2 | 6.7 | 6.7 | — |
| Depreciation and amortization | 3.3 | 3.8 | 3.3 | 3.0 | 2.8 | — |
| Capital expenditures | 3.9 | 2.8 | 2.2 | 3.2 | 4.0 | — |



Other Businesses

The Environmental Solutions Business reported strong performance for the year, experiencing growing demand for storage battery systems. Our Backlights Business saw weak sales due to further business optimization initiatives. As a result, the businesses segment as a whole recorded ¥41.7 billion in net sales,

a decrease of 5.9% year on year. The segment reported operating loss of ¥0.5 billion, a 0.7 billion improvement compared to the previous fiscal year. This result was mainly due to higher Environmental Solutions Business sales together with optimization of fixed expenses in our Backlights Business.

(Billions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|-------------------------------|--------|--------|--------|--------|--------|-------------------|
| Net sales | 101.4 | 70.2 | 68.5 | 44.4 | 41.7 | 32.0 |
| Japan | 59.8 | 51.2 | 60.2 | 35.5 | 35.5 | 30.5 |
| 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 | 38.2 | 17.1 | 7.3 | 8.5 | 6.1 | 1.5 |
| Asia Pacific | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Direct exports | 3.4 | 1.9 | 1.0 | 0.4 | 0.1 | 0.0 |
| Operating income | 10.3 | (3.5) | (1.9) | (1.2) | (0.5) | (1.0) |
| Operating income margin | 10.2% | — | — | — | — | — |
| R&D expenses | 5.5 | 4.6 | 3.7 | 3.7 | 2.0 | — |
| Depreciation and amortization | 2.5 | 3.1 | 1.7 | 0.8 | 0.7 | — |
| Capital expenditures | 6.9 | 5.3 | 1.4 | 0.9 | 0.9 | — |

*We revised business classifications, reclassifying certain operations under Other Businesses to the EMC and other segments beginning with the 2018 fiscal year. Accordingly, we reclassified results for fiscal 2017 under this new categorization for presentation herein.

*We revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the fiscal year ended March 2017 and for the first six months of the fiscal year ended March 2018 under this new categorization for presentation herein.

Review of Financial Condition

Total assets at the end of fiscal 2018 amounted to ¥749.9 billion, an increase of ¥4.9 billion compared to the end of the prior fiscal year. This increase stems mainly from an increase over the previous fiscal year in property, plant, and equipment.

Total liabilities increased ¥6.0 billion to ¥243.6 billion. Current liabilities decreased ¥11.3 billion to ¥171.5 billion from the previous fiscal year, mainly due to decreases in notes and accounts payable—trade and accrued expenses. However, termination and retirement benefits increased ¥16.0 billion year on year to ¥58.3 billion.

Total net assets decreased ¥1.1 billion compared to the end of the prior fiscal year to ¥506.3 billion. This result was due to share buybacks and other factors in excess of net income attributable to OMRON shareholders for the fiscal year. Our shareholders' equity ratio was 67.2 percent, down 0.7 points compared to 67.9 percent at the end of the prior fiscal year. Despite this result, the company has maintained a firm financial foundation capable of handling aggressive investments and changes in market conditions.

Capital Expenditures

The OMRON Group made ¥41.9 billion in total capital investments during fiscal 2018, representing a 7.7% increase compared to the prior fiscal year. While ensuring careful deliberation on investments, the Group conducted active capital investment targeting future growth.

Cash Flows

Net cash provided by operating activities for the fiscal year amounted to ¥71.2 billion (a decrease in cash provided of ¥2.4 billion compared to the prior fiscal year). This result was mainly due to the recording of net income and amortization and depreciation, which more than offset decreases in notes and accounts payable—trade and accrued expenses. Net cash used in investing activities was ¥35.0 billion, representing a decrease in net cash used of ¥20.9 billion compared to the prior fiscal year. This result was mainly due to capital expenditures for investments in production capacity increases and future growth. Free cash flows (cash provided by operating activities less cash used in investing activities) amounted to ¥36.3 billion, an increase of ¥18.5 billion compared to the prior fiscal year. Net cash used in financing activities was ¥40.8 billion, which was an increase in net cash used of ¥7.7 billion compared to the prior fiscal year. This result was mainly due to dividends paid and stock buybacks. As a

result, the balance of cash and cash equivalents at March 31, 2019, amounted to ¥110.3 billion, a decrease of ¥2.8 billion compared to the end of the prior consolidated fiscal year.

Dividend Policy

Our policy for profit distribution is to aim for sustainable corporate value growth, and thus OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the company makes decisions regarding ongoing profit distribution to shareholders in consideration of capital efficiency.

The company has established a guideline of approximately 30% in payout ratio and approximately 3% of DOE for profit distributions for fiscal years 2017 through 2020 covered by our medium-term management plan. Our full-year dividend for fiscal 2018 was ¥84 per share. As a result, our dividend payout ratio was 32.2%, a 6.6-point increase year on year. Our dividend on equity ratio was 3.5%, a 0.2-point increase compared to the prior fiscal year.

Outlook for Fiscal 2019

Consolidated Earnings

In fiscal 2019, the OMRON Group intends to secure a platform to *soundly establish a self-driven growth structure in times of adversity*. The subtitle for this policy is - *Strengthen earning capacity, growing capability, and responsiveness to change* -. The global economy in fiscal 2018 saw increased instability and uncertainties in the business environment. We expect continued challenges in the markets addressed by our Industrial Automation Business, Electronic and Mechanical Components Business, and Automotive Electronic Components Business. On the other hand, we see this headwind as an opportunity for the establishment of a self-driven growth structure in the OMRON Group.

First, we intend to increase our earning power. We plan to reach higher levels of profits for the OMRON Group through consistent improvements in gross profit margins and more efficient use of SG&A expenses. We will be selective in allocating the resources generated by these initiatives to create sustainable growth. We are also working to maximize the benefits gained from restructuring our production platform in the Electronic and Mechanical Components Business.

Second, we intend to take full advantage of the technologies, products, infrastructure, and other assets we developed through two years of VG2.0 activities to date (FY2017 to FY2018), moving forward in enhancing our growth power. The OMRON Industrial Automation Business focuses on utilization of the OMRON Group Automation Centers around the world and the training of sales engineers. This will allow us to be more effective in proposals by which we solve customer issues. Our Healthcare Business has spent the past two years in developing a global sales network for the growing online shopping markets in America, the major countries of Europe, China, Japan, and other regions. In fiscal 2019, we plan to strengthen the promotional sales policies within this sales network further to provide our products to as many consumers as possible around the world.

Last, The OMRON Group has a system to monitor market trends and changes in customers through our business units. By having headquarters collect and analyze changes in each business unit, we keep an eye on changes and focus the ability of the OMRON Group to respond to change.

Taking into account the risks of variability in the uncertain macro-economic climate, our fiscal 2019 plan calls for net sales of ¥830.0 billion (3.4% decrease versus fiscal 2018), operating income of ¥65.0 billion (15.2% decrease), and net income attributable to OMRON shareholders of ¥42.5 billion (21.8% decrease). We plan to raise gross profit margin, an indicator of our earnings ability, to 42.0% (0.8-point increase year on year), a significant improvement over

the previous fiscal year. We are also aiming for 8% or higher in the important ROIC and ROE indicators. This earnings plan includes fiscal year projections for the Automotive Electronics Components Business (AEC). We announced the signing of a stock transfer agreement for the AEC to the Nidec Corporation Group on April 16, 2019. To build long-term competitive advantage, the OMRON Group concentrates management resources in specific business domains. Our decision to divest the Automotive Electronic Components Business, which we have cultivated over nearly 40 years, reflects our future-oriented competitive and growth strategies. We plan to use the cash acquired from this sale for investments for further growth.



Industrial Automation Business (IAB)

We project continued firm demand for capital investment related to autonomous driving and eco-friendly cars in the automobile industry. We also expect ongoing investments related to labor savings and IoT in this sector, and will continue to propose optimal solutions to our customers in response to this demand. Meanwhile, we expect this environment will continue to be as uncertain as it is challenging. The digital industry in particular is likely to experience weakness in demand for capital investment. This uncertainty in the markets and the impact of foreign exchange lead us to forecast segment net sales of ¥378.0 billion for fiscal 2019, a 3.5% decrease compared to fiscal 2018. Improved gross profit margin, efficient use of fixed costs, and other efforts should result in OMRON Group operating income of ¥63.0 billion (0.2% increase).



Electronic and Mechanical Components Business (EMC)

Given the ongoing sluggish demand for consumer and commercial products due to uncertainties in the market environment, we expect to introduce new products and field new business inquiries in growth sectors. Sales to the automotive-related industries should be level compared to the prior fiscal year as the global market experiences gradual growth and China continues to experience weakness in the automotive and related industries. As a result of these factors and the impact of foreign exchange, we forecast net sales for fiscal 2019 to be ¥98.0 billion, a 1.7% decrease compared to fiscal 2018 results. As a result of ongoing investment for future growth and continuing measures to ensure productivity improvements, we forecast an increase in operating income to ¥8.5 billion (4.1% increase year on year) for fiscal 2019.

**Automotive Electronic Components Business (AEC)**

While we expect overall strength in automobile sales in Japan, the Americas, and Asia, we anticipate a slowdown in demand in the Chinese market as a result of trade friction with the United States. Further, we expect the impact of model changes in vehicles using OMRON products in Asia will likely result in decreased demand. Combined with the impact of foreign exchange, we forecast net sales for fiscal 2019 to be ¥124.0 billion (5.0% decrease from fiscal 2018 results). As a consequence of lower net sales, we anticipate a sharp decrease to ¥4.0 billion in operating income (down 36.7%).

Note: OMRON plans to transfer the Automotive Electronics Components Business (AEC) to the Nidec Corporation Group.

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

We expect to see firm demand for upgrades and new safety features in our Public Transportation Business and our Traffic and Road Management Systems Business. At the same time, we project increased demand for payment settlement devices in response to rising needs for cashless payments. Accordingly, we forecast significantly higher net sales for fiscal 2019 at ¥83.0 billion (10.6% increase over fiscal 2018) and operating income of ¥6.5 billion (12.8% increase).

**Healthcare Business (HCB)**

We project strong ongoing demand for secondary prevention products related to lifestyle diseases stemming from increasingly aging societies and lifestyle changes globally. Additionally, by engaging in promotional activities in our sales network, particularly online shopping markets in America, the major countries of Europe, China, Japan, and other regions, we forecast net sales of ¥123.0 billion (up 6.5% from fiscal 2018) and operating income of ¥14.0 billion (7.4% increase), providing growth in both revenue and profit for fiscal 2019.

**Other Businesses**

We forecast higher demand in our Environmental Solutions Business, driven by growth in the market for home-use storage battery systems. At the same time, we will continue to optimize our Backlights Business. As a result, we forecast fiscal 2019 segment net sales to be ¥32.0 billion, a 23.3% decrease compared to fiscal 2018 results. As a result of lower sales in our Backlights Business, we project operating losses of ¥1.0 billion, compared to fiscal 2018 operating losses of ¥0.5 billion.

Consolidated Balance Sheets OMRON Corporation and Subsidiaries
March 31, 2018 and 2019

| (Millions of yen) | | | (Millions of yen) | | |
|---|-----------|-----------|---|-----------|-----------|
| ASSETS | FY2017 | FY2018 | LIABILITIES AND SHAREHOLDERS' EQUITY | FY2017 | FY2018 |
| Current Assets: | | | Current Liabilities: | | |
| Cash and cash equivalents | ¥ 113,023 | ¥ 110,250 | Notes and accounts payable - trade | ¥ 93,792 | ¥ 89,235 |
| Notes and accounts receivable - trade | 174,065 | 171,196 | Accrued expenses | 44,291 | 41,549 |
| Allowance for doubtful receivables | (1,117) | (945) | Income taxes payable | 6,414 | 3,511 |
| Inventories | 129,581 | 130,083 | Other current liabilities | 38,281 | 37,177 |
| Other current assets | 21,833 | 18,081 | Total Current Liabilities | 182,778 | 171,472 |
| Total Current Assets | 437,385 | 428,665 | | | |
| Property, Plant and Equipment: | | | Deferred Income Taxes | 706 | 1,338 |
| Land | 24,886 | 24,675 | Termination and Retirement Benefits | 42,342 | 58,332 |
| Buildings | 145,389 | 136,439 | Other Long-Term Liabilities | 11,740 | 12,425 |
| Machinery and equipment | 205,233 | 207,991 | Total Liabilities | 237,566 | 243,567 |
| Construction in progress | 10,063 | 15,822 | | | |
| Total | 385,571 | 384,927 | Shareholders' Equity: | | |
| Accumulated depreciation | (250,468) | (242,215) | Capital | 64,100 | 64,100 |
| Net Property, Plant and Equipment | 135,103 | 142,712 | Common stock | | |
| | | | Authorized: 487,000,000 shares in FY2018 | | |
| | | | 487,000,000 shares in FY2017 | | |
| | | | Issued: 213,958,172 shares in FY2018 | | |
| | | | 213,958,172 shares in FY2017 | | |
| | | | Capital surplus | 99,588 | 100,233 |
| Investments and Other Assets: | | | Legal reserve | 19,940 | 21,826 |
| Goodwill | 38,705 | 40,532 | Retained earnings | 390,950 | 433,639 |
| Investments in and advances to affiliates | 27,195 | 26,023 | Accumulated other comprehensive income (loss) | (49,359) | (70,200) |
| Investment securities | 29,016 | 29,003 | Treasury stock | (19,689) | (45,386) |
| Leasehold deposits | 7,531 | 7,730 | 8,596,608 shares in FY2018 | | |
| Deferred income taxes | 39,947 | 43,695 | 3,352,916 shares in FY2017 | | |
| Other assets | 30,070 | 31,518 | Total Shareholders' Equity | 505,530 | 504,212 |
| Total Investments and Other Assets | 172,464 | 178,501 | | | |
| | | | Noncontrolling Interests | 1,856 | 2,099 |
| | | | Total Net Assets | 507,386 | 506,311 |
| Total | ¥ 744,952 | ¥ 749,878 | Total | ¥ 744,952 | ¥ 749,878 |

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2017, 2018 and 2019

(Millions of yen)

| | FY2016 | FY2017 | FY2018 |
|--|-----------|-----------|-----------|
| Net Sales | ¥ 794,201 | ¥ 859,982 | ¥ 859,482 |
| Costs and Expenses: | | | |
| Cost of sales | 482,040 | 502,170 | 505,389 |
| Selling, general and administrative expenses | 193,093 | 212,481 | 219,683 |
| Research and development expenses | 50,539 | 59,077 | 57,777 |
| Other expenses, net | 3,037 | 2,887 | 1,201 |
| Total | 728,709 | 776,615 | 784,050 |
| Income before Income Taxes and Equity in Earnings of Affiliates | 65,492 | 83,367 | 75,432 |
| Income Taxes | 19,882 | 21,615 | 18,863 |
| Equity in Earnings of Affiliates | (712) | (1,754) | 1,578 |
| Net Income | 46,322 | 63,506 | 54,991 |
| Net Income Attributable to Noncontrolling Interests | 335 | 347 | 668 |
| Net Income Attributable to OMRON Shareholders | ¥ 45,987 | ¥ 63,159 | ¥ 54,323 |

(Yen)

| | FY2016 | FY2017 | FY2018 |
|--|----------|----------|----------|
| Per Share Data: | | | |
| Net income Attributable to OMRON Shareholders: | | | |
| Basic | ¥ 215.09 | ¥ 296.85 | ¥ 260.78 |
| Diluted | 215.09 | — | — |

† Certain amounts in the consolidated statements of income for FY2016 and FY2017 have been reclassified.

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2017, 2018 and 2019

(Millions of yen)

| | FY2016 | FY2017 | FY2018 |
|--|----------|----------|----------|
| Net Income | ¥ 46,322 | ¥ 63,506 | ¥ 54,991 |
| Other Comprehensive Income (Loss), Net of Tax: | | | |
| Foreign currency translation adjustments: | | | |
| Foreign currency translation adjustments arising during the year | (9,003) | 3,153 | (4,419) |
| Reclassification adjustment for the portion realized in net income | (7) | — | (109) |
| Net unrealized gain (loss) | (9,010) | 3,153 | (4,528) |
| Pension liability adjustments: | | | |
| Pension liability adjustments arising during the year | 4,908 | 451 | (11,419) |
| Reclassification adjustment for the portion realized in net income | 3,046 | 2,335 | 2,556 |
| Net unrealized gain (loss) | 7,954 | 2,786 | (8,863) |
| Unrealized gains (losses) on available-for-sale securities: | | | |
| Unrealized holding gains (losses) arising during the year | 1,164 | 3,695 | — |
| Reclassification adjustment for the portion realized in net income | (7,283) | (2,034) | — |
| Net unrealized gain (loss) | (6,119) | 1,661 | — |
| Net gains (losses) on derivative instruments: | | | |
| Unrealized holding gains (losses) arising during the year | 983 | (514) | 32 |
| Reclassification adjustment for the portion realized in net income | (1,109) | 920 | (73) |
| Net unrealized gain (loss) | (126) | 406 | (41) |
| Other Comprehensive Income (Loss) | (7,301) | 8,006 | (13,432) |
| Comprehensive Income | 39,021 | 71,512 | 41,559 |
| Comprehensive Income Attributable to Noncontrolling Interests | 193 | 349 | 651 |
| Comprehensive Income Attributable to OMRON Shareholders | ¥ 38,828 | ¥ 71,163 | ¥ 40,908 |

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2017, 2018 and 2019

(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 |
|---|--------------------------------|-----------------|------------------|-----------------|-------------------|---|-------------------|----------------------------|--------------------------|------------------|
| Balance, March 31, 2016 | 213,958,172 | ¥ 64,100 | ¥ 99,101 | ¥ 15,194 | ¥ 317,171 | ¥ (50,204) | ¥ (644) | ¥ 444,718 | ¥ 2,316 | ¥ 447,034 |
| Net income | | | | | 45,987 | | | 45,987 | 335 | 46,322 |
| Cash dividends paid to OMRON Corporation shareholders, ¥68 per share | | | | | (14,539) | | | (14,539) | | (14,539) |
| Cash dividends paid to noncontrolling interests | | | | | | | | | (297) | (297) |
| Equity transactions with noncontrolling interests and other | | | 14 | | | | | 14 | (484) | (470) |
| Transfer to legal reserve | | | | 2,619 | (2,619) | | | | | |
| Other comprehensive income (loss) | | | | | | (7,159) | | (7,159) | (142) | (7,301) |
| Acquisition of treasury stock | | | | | | | (16) | (16) | | (16) |
| Sale of treasury stock | | | | | (0) | | 1 | 1 | | 1 |
| Issuance of stock acquisition rights | | | 23 | | | | | 23 | | 23 |
| Balance, March 31, 2017 | 213,958,172 | 64,100 | 99,138 | 17,813 | 346,000 | (57,363) | (659) | 469,029 | 1,728 | 470,757 |
| Net income | | | | | 63,159 | | | 63,159 | 347 | 63,506 |
| Cash dividends paid to OMRON Corporation shareholders, ¥76 per share | | | | | (16,083) | | | (16,083) | | (16,083) |
| Cash dividends paid to noncontrolling interests | | | | | | | | | (215) | (215) |
| Equity transactions with noncontrolling interests and other | | | 6 | | 1 | | | 7 | (6) | 1 |
| Stock-based payment | | | 444 | | | | | 444 | | 444 |
| Transfer to legal reserve | | | | 2,127 | (2,127) | | | | | |
| Other comprehensive income (loss) | | | | | | 8,004 | | 8,004 | 2 | 8,006 |
| Acquisition of treasury stock | | | | | | | (19,030) | (19,030) | | (19,030) |
| Balance, March 31, 2018 | 213,958,172 | 64,100 | ¥99,588 | 19,940 | 390,950 | (49,359) | (19,689) | 505,530 | 1,856 | 507,386 |
| Cumulative impact of the application of FASB Accounting Standards Update 2016-01 and 2018-03* | | | | | 7,650 | (7,426) | | 224 | | 224 |
| Balance, April 1, 2018 (reflecting application of FASB Accounting Standards Update 2016-01 and 2018-03) | 213,958,172 | 64,100 | 99,588 | 19,940 | 398,600 | (56,785) | (19,689) | 505,754 | 1,856 | 507,610 |
| Net income | | | | | 54,323 | | | 54,323 | 668 | 54,991 |
| Cash dividends paid to OMRON Corporation shareholders, ¥84 per share | | | | | (17,398) | | | (17,398) | | (17,398) |
| Cash dividends paid to noncontrolling interests | | | | | | | | | (343) | (343) |
| Equity transactions with noncontrolling interests and other | | | | | | | | | (65) | (65) |
| Share-based compensation | | | 645 | | | | | 645 | | 645 |
| Transfer to legal reserve | | | | 1,886 | (1,886) | | | | | |
| Other comprehensive income (loss) | | | | | | (13,415) | | (13,415) | (17) | (13,432) |
| Acquisition of treasury stock | | | | | | | (25,697) | (25,697) | | (25,697) |
| Balance, March 31, 2019 | 213,958,172 | ¥ 64,100 | ¥ 100,233 | ¥ 21,826 | ¥ 433,639 | ¥ (70,200) | ¥ (45,386) | ¥ 504,212 | ¥ 2,099 | ¥ 506,311 |

* Represents the impact of adopting the new accounting standard related to financial instruments.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2017, 2018 and 2019

(Millions of yen)

| | FY2016 | FY2017 | FY2018 |
|---|-----------------|-----------------|------------------|
| Operating Activities: | | | |
| Net income | ¥46,322 | ¥63,506 | ¥54,991 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 28,966 | 29,465 | 30,459 |
| Net loss (gain) on sale and disposals of property, plant, and equipment | 705 | 949 | (1,098) |
| Impairment losses on long-lived assets | 12,998 | 911 | 196 |
| Net loss on sale of investment securities | — | — | 563 |
| Net gain on sale of investment securities | (3,764) | (3,003) | — |
| Impairment losses on investment securities | 558 | 155 | — |
| Gain on contribution of securities to retirement benefit trust | (7,004) | — | — |
| Termination and retirement benefits | 2,863 | 2,706 | 3,818 |
| Deferred income taxes | 11 | (2,607) | (383) |
| Equity in earnings of affiliates | (712) | (1,754) | 1,578 |
| Loss (gain) on sales of business | (3,686) | 14 | (407) |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in notes and accounts receivable - trade | (8,923) | (3,210) | (534) |
| Decrease (increase) in inventories | (7,112) | (17,409) | (3,491) |
| Decrease (increase) in other assets | 2,604 | (6,113) | (294) |
| Increase (decrease) in notes and accounts payable - trade | 8,384 | 4,116 | (5,401) |
| Increase (decrease) in income taxes payable | 852 | (614) | (2,775) |
| Increase (decrease) in accrued expenses and other current liabilities | 5,097 | 6,276 | (6,851) |
| Other, net | (284) | 285 | 874 |
| Total adjustments | 31,553 | 10,167 | 16,254 |
| Net cash provided by operating activities | 77,875 | 73,673 | 71,245 |
| Investing Activities: | | | |
| Proceeds from sale or maturities of investment securities | 4,606 | 3,776 | 465 |
| Purchase of investment securities | (3,274) | (649) | (602) |
| Capital expenditures | (25,816) | (38,542) | (39,045) |
| Decrease in leasehold deposits, net | (145) | (634) | (193) |
| Proceeds from sale of property, plant, and equipment | 2,278 | 990 | 3,475 |
| Decrease (increase) in investment in and loans to affiliates | 30 | — | (498) |
| Proceeds from sale of business, net of cash paid | 7,187 | (427) | 1,817 |
| Acquisition of business, net of cash acquired | — | (20,445) | (830) |
| Other, net | 93 | 89 | 454 |
| Net cash used in investing activities | (15,041) | (55,842) | (34,957) |
| Financing Activities: | | | |
| Net borrowings (repayments) of short-term debt | 155 | 951 | 2,109 |
| Dividends paid by the Company | (14,539) | (15,378) | (16,776) |
| Dividends paid to noncontrolling interests | (297) | (215) | (343) |
| Payments for equity transactions with noncontrolling interests | (470) | — | — |
| Acquisition of treasury stock | (16) | (18,530) | (25,716) |
| Other, net | 155 | 90 | (57) |
| Net cash used in financing activities | (15,012) | (33,082) | (40,783) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (4,706) | 2,248 | 1,722 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 43,116 | (13,003) | (2,773) |
| Cash and Cash Equivalents at Beginning of the Year | 82,910 | 126,026 | 113,023 |
| Cash and Cash Equivalents at End of the Year | ¥126,026 | ¥113,023 | ¥ 110,250 |

Corporate Information

As of March 31, 2019

Established

May 10, 1933

Incorporated

May 19, 1948

Capital

¥64,100 million

Number of Employees

(Consolidated)

35,090

Common Stock

Issued

213,958 thousand shares

Trading Unit

100 shares

Number of Shareholders

41,489

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

600-8530, Japan

Tel : +81-75-344-7000

Fax: +81-75-344-7001

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

Manufacturing & Development

Kusatsu Office
Okayama Office
Ayabe Office
Yasu Office

Research & Development

Keihanna Technology
Innovation Center

Sales & Marketing

Tokyo Office
Osaka Office
Nagoya Office
Mishima Office

Subsidiaries and Affiliates

OMRON Automotive Electronics Co., Ltd.
OMRON SOCIAL SOLUTIONS Co., Ltd.
OMRON HEALTHCARE Co., Ltd.
OMRON RELAY & DEVICES Co., Ltd.
OMRON SWITCH & DEVICES Co., Ltd.
OMRON AMUSEMENT CO., Ltd.
OMRON FIELD ENGINEERING Co., Ltd.
OMRON SOFTWARE Co., Ltd.
OMRON ASO Co., Ltd.
OMRON EXPERTLINK Co., Ltd.

Overseas Headquarters

North America

OMRON MANAGEMENT
CENTER OF AMERICA
(United States of America, Illinois)

Brazil

OMRON MANAGEMENT
CENTER OF BRAZIL
(São Paulo)

Europe

OMRON MANAGEMENT
CENTER OF EUROPE
(The Netherlands, North Holland)

Greater China

OMRON MANAGEMENT
CENTER OF CHINA
(Shanghai)

Asia Pacific

OMRON MANAGEMENT
CENTER OF ASIA PACIFIC
(Singapore)

India

OMRON MANAGEMENT
CENTER OF INDIA
(Gurgaon)

Korea

OMRON MANAGEMENT
CENTER OF KOREA
(Seoul)

Stock Information

Share Price and Volume



† OMRON share prices prior to July 16, 2013 reflect prices on the First Section of the Osaka Securities Exchange. Share prices on July 16, 2013 and later reflect prices on the First Section of the Tokyo Stock Exchange.

Total Shareholder Return (TSR*1)

| FY | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------|--------|--------|--------|--------|--------|
| OMRON | 128.9% | 81.9% | 119.5% | 153.6% | 130.2% |
| TOPIX | 130.7% | 116.5% | 133.7% | 154.9% | 147.1% |
| TOPIX Electric Appliances | 137.0% | 107.4% | 136.4% | 169.6% | 151.3% |

*1 Represents total investment return to shareholders, combining capital gains and dividends. The calculation of this figure is now a required disclosure under Cabinet Office Ordinance.

† This figure reflects period-end value for fiscal years beginning with fiscal 2014, assuming an investment at the fiscal 2013 year-end closing price.

52-Week High / Low, Volatility*2

| FY | High (¥) | Low (¥) | Volatility (%) |
|------|----------|---------|----------------|
| 2018 | 6,300 | 3,740 | 34.5 |
| 2017 | 7,670 | 4,385 | 27.1 |
| 2016 | 5,120 | 3,045 | 32.5 |
| 2015 | 5,900 | 2,742 | 40.0 |
| 2014 | 5,800 | 3,365 | 30.9 |
| 2013 | 4,730 | 2,213 | 39.7 |
| 2012 | 2,478 | 1,436 | 29.9 |
| 2011 | 2,357 | 1,381 | 36.5 |
| 2010 | 2,418 | 1,749 | 34.7 |
| 2009 | 2,215 | 1,132 | 35.9 |

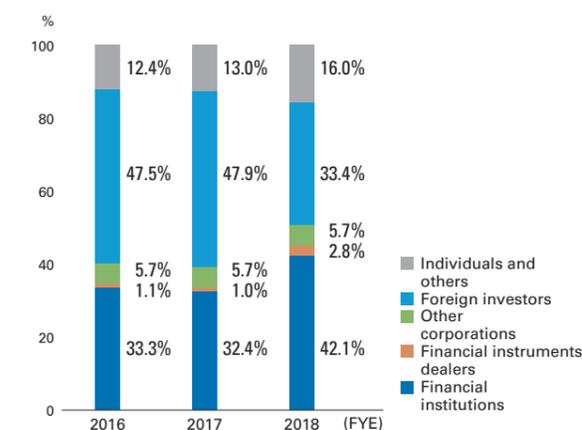
*2 Volatility: Price fluctuation risk expressed in standard deviations

Dividends per Share / Payout Ratio

| FY | Dividends per Share (¥) | Payout Ratio (%) |
|------|-------------------------|------------------|
| 2018 | 84 | 32.2 |
| 2017 | 76 | 25.6 |
| 2016 | 68 | 31.6 |
| 2015 | 68 | 31.1 |
| 2014 | 71 | 25.0 |
| 2013 | 53 | 25.3 |
| 2012 | 37*3 | 27.0 |
| 2011 | 28 | 37.6 |
| 2010 | 30 | 24.7 |
| 2009 | 17 | 106.4 |

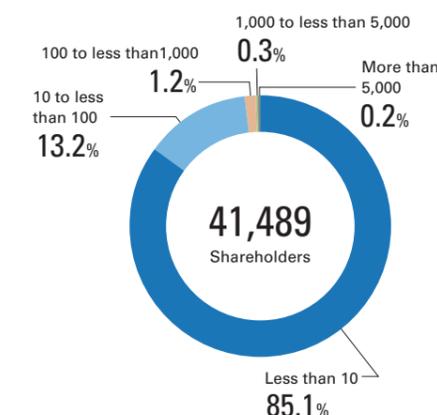
*3 Including ¥5.0 per share of 80th anniversary memorial dividend

Ownership and Distribution of Shares



Shareholder Distribution by Number of Shares Held

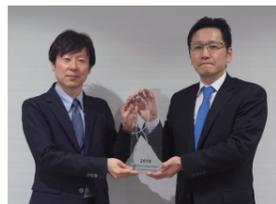
(Trading unit: 100 shares)



OMRON Recognitions

OMRON Innovations Recognized

Selected as Top 100 Global Innovator 2018



2018-19
**DERWENT
TOP 100
GLOBAL
INNOVATOR**
Clarivate
Analytics

OMRON was selected for a third consecutive year as a Top 100 Global Innovator, an award recognizing the best 100 innovative companies and research institutes.

Received fiscal 2018 Nationwide Invention Commendation *Invention Award* for the first time



OMRON HEALTHCARE Co., Ltd. has received the *Invention Award* which is given to expect significant achievement. The design of the tubeless smart upper arm blood pressure monitor featuring a new design different from that of conventional devices was highly regarded.

Coverage in Various Indexes

We are honored to have been included for the ninth consecutive year in the Dow Jones Sustainability (DJSI) Asia/Pacific Index and for the second consecutive year in the DJSI World Index from 2017. We have also been included for the fourth consecutive year in the MSCI ESG Leaders Index and for the third consecutive year in the FTSE4Good Index Series. In June 2019, we were selected for the first time in the Euronext Vigeo Eiris World 120 Index. We have also been included in a range of other indexes.

ESG Indexes



THE INCLUSION OF OMRON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP ENDORSEMENT OR PROMOTION OF OMRON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



With the commencement of ESG investing by the Japan Government Pension Investment Fund (GPIF), OMRON was selected as a component member of three ESG indexes in July 2017 for the third consecutive year. In 2018, we were also selected for the S&P/JPX Carbon Efficient index.



Major Indexes in Japan

In March 2019, we were selected for the first time as one of the 225 stocks that make up the Nikkei Stock Average.



OMRON Contributions to Sustainability Recognized

Received the 2018 Environment Minister's Award for Global Warming Prevention Activity for excellence in the *Implementation and Dissemination of Countermeasures Category*

Our efforts in pursuit of *OMRON Carbon Zero* environmental targets under the *Green OMRON 2020* vision for the future of the environment have been recognized by the Ministry of the Environment as part of its efforts to promote global warming countermeasures.



Selected as a *Nadeshiko Brand*

OMRON was recognized for our engagement in diversity promotion activities in our human resources strategy under VG2.0. As a result, we selected *Nadeshiko Brand* designation for a second consecutive year.



Designated 2019 Health & Productivity Stock Selection for the First Time

OMRON was recognized for the first time as a Health Management Brand stemming from our OMRON Employee Health Management Declaration (led by senior management) and the OMRON Health White Paper (visualization of employee health).



Corporate Governance of the Year 2018 Minister of Economy, Trade and Industry Award

OMRON was recognized for transparency in the selection process for the CEO, a process essential for governance.



OMRON Communications Recognized

Integrated Report 2018

Selected by the Japan Government Pension Investment Fund (GPIF), domestic share management organization, highly regarded as an outstanding integrated report.



Ranked No.30 in Best Japan Brands 2019

OMRON was ranked No.30 in the Japan business brand evaluation ranking. Up from No.39 in 2017, we were recognized for our initiatives in fiscal 2018.



OMRON Corporate Websites

OMRON publishes a wide range of information through our corporate websites. We have also produced numerous videos online that tell the story of our future in a much more dynamic way.

Investor Relations Information



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

Sustainability Information

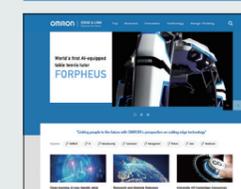


<https://www.omron.com/about/sustainability/>

Medium-Term Management Plan Website



<https://www.omron.com/vg2020/>



EDGE & LINK
EDGE & LINK is a website that discusses OMRON technologies and initiatives for improving lives and contributing to better societies through our businesses.
<https://www.edge-link.omron.com/>



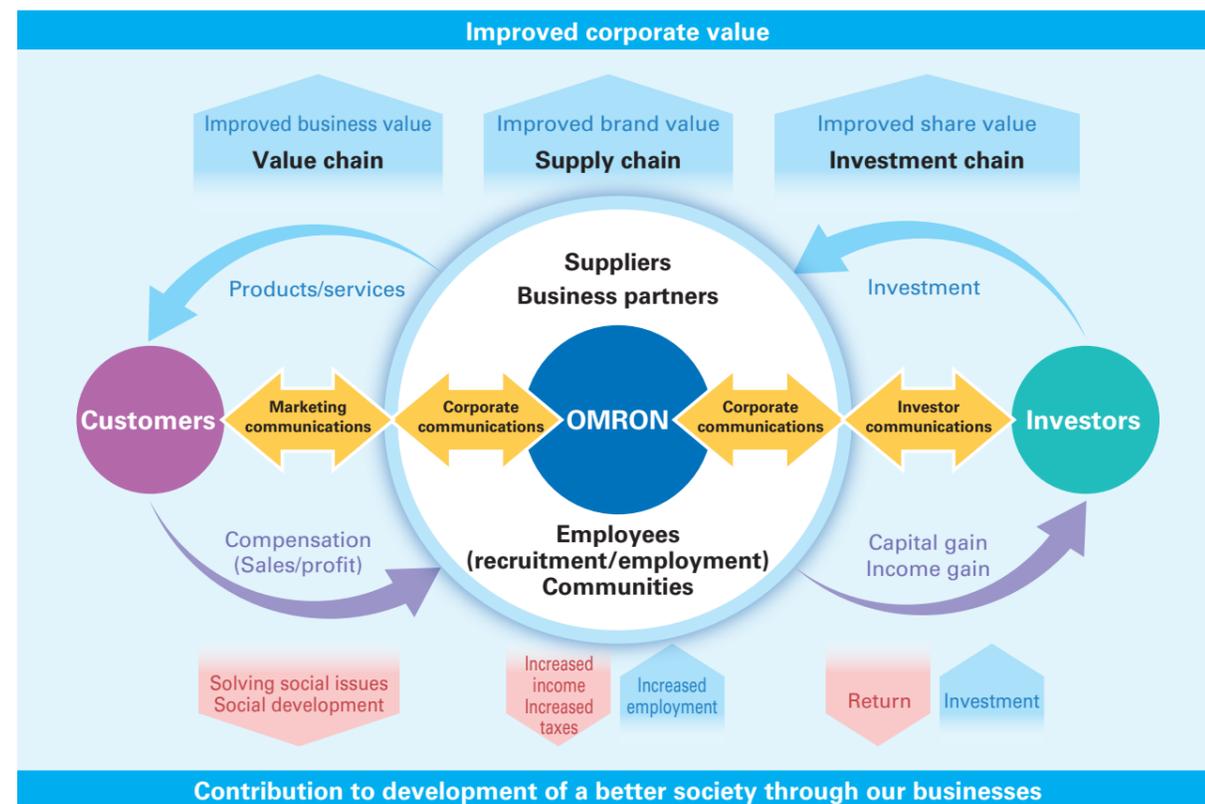
Corporate Overview Video
We invite you to watch the OMRON corporate overview video to learn more about how our technologies are changing society for the better.
<https://youtu.be/20HPAokyDoY>



Responsible Engagement With Our Stakeholders

As stated in our Sustainability Policy, OMRON cultivates strong relationships with our stakeholders through responsible engagement. We see these strong relationships as invisible assets important for our sustainable growth. These relationships are also an indispensable part of creating innovation driven by social needs. We engaged in responsible Dialogues with our stakeholders to improve corporate value and contribute to a better society through our businesses by using marketing, corporate, and investor communications.

Responsible Engagement with Our Stakeholders



Case Studies: Dialogues with Stakeholders

Marketing communications / Dialogues with customers

OMRON engages in Dialogues with customers for the co-creation of value. Our Industrial Automation Business has opened 35 Automation Centers worldwide. At these centers, OMRON sales engineers regularly meet and discuss current production floor issues with customers from leading companies across all industries. The knowledge we gain from these Dialogues has led to the creation of the i-BELT production floor data service and other new products.



Automation Centers

Corporate communications / Dialogues with employees

OMRON Chairman, Fumio Tateishi conducts OMRON Principles Missionary Dialogues as a part of activities for employees to ensure, understand and fully embrace the practice of the OMRON Principles. In fiscal 2018, Missionary Dialogues were held in the Americas, Asia-Pacific, China, Europe, and Japan. In these Dialogues, our chairman meets with employees to discuss why we work and for whom. What we can do tomorrow to continue to practice the OMRON Principles. These in-depth talks help employees across our organization to put the OMRON Principles into practice.



Dialogues in Europe

Corporate communications / Dialogues with suppliers

Every year, OMRON holds a Global Partner Conference with representatives for major suppliers. At this conference, we share details of our management policy initiatives, business structures, procurement policies, and sustainable procurement practices. A total of 110 supplier companies participated in the May 2019 conference, showing that sustainable procurement efforts are progressing smoothly. We asked suppliers to continue working with OMRON to contribute a sustainable society throughout the supply chain.



Global Partner Conference (May 2018)

Corporate communications / Dialogues with business partners

OMRON challenges to create business through open innovation with business partners. In 2018, Maizuru City (Kyoto Prefecture) approached OMRON SINICX Corporation to create the future of Japanese regional revitalization together with OMRON. Discussions proceeded until the April 2019 signing of a comprehensive agreement to address regional social issues looking ahead to the year 2030 between Maizuru City and OMRON's Social Systems, Solutions and Service Business.



Signing Ceremony with Maizuru City (April 2019)

Corporate communications / Dialogues with communities

OMRON Kyoto Taiyo Co., Ltd., a special subsidiary of OMRON, encourages the employment of people with disabilities. Since the signing of an agreement with Kyoto Prefecture and Kyoto City on creating an environment related to employment of persons with disabilities in 2016, we have leveraged the strengths of each of these parties to bolster activities encouraging the hiring and employment support of persons with disabilities. We work every day to increase the employment of persons with disabilities throughout Kyoto and the rest of Japan.



Employees Working at OMRON Kyoto Taiyo

Investor communications / Dialogues with investors

OMRON strives to raise corporate value through dialogue with shareholders and investors. In fiscal 2018, we held the 81st Ordinary General Meeting of Shareholders, as well as the second ESG Meeting. In these meetings, we took the opportunity to explain OMRON's business and governance initiatives. We fielded many questions and listened to opinions from the shareholders and investors who participated. The knowledge we receive from interaction with our shareholders has led to improvements in our management initiatives. This has also contributed to external recognition, including being awarded the IR Prime Business Award the IR Special Award.



The 81st Ordinary General Meeting of Shareholders (June 19, 2018)

Independent Practitioner's Assurances

To enhance the reliability of the information presented in Integrated Report 2019, the following information associated with social and environmental performance provided herein has been reviewed by independent third parties*.

*KPMG AZSA Sustainability Co., Ltd.
Bureau Veritas Japan Co., Ltd.

Data subject to independent assurance

- 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 (OMRON Group in Japan) (P30)

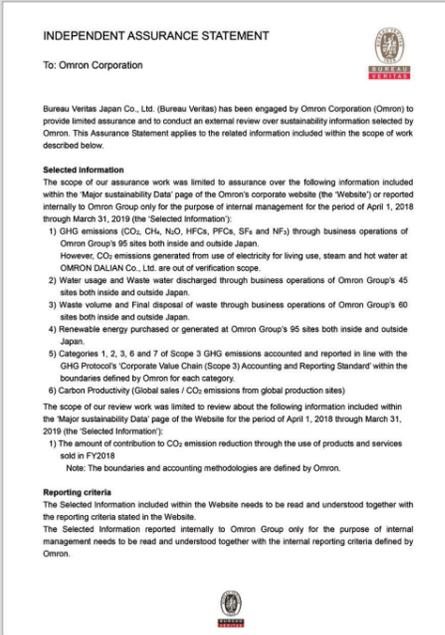


Data subject to independent assurance

- GHG emissions (P30)
- Net sales to CO₂ emissions (P30)

Data subject to independent review

- Environmental contribution (P30)



From the Publisher

Integrated Report 2019 marks the eighth integrated report published by the OMRON Group. I would like to express our appreciation for the reader and everyone involved in this year's production and publication. The theme of this year's report is *creating a better society by practicing the OMRON Principles*. Behind the selection of this theme is the increasing uncertainty surrounding both the global economy and the business environment over the last year. In creating this report, we considered that, it was important to return to the roots of our business principles this time in particular. In accordance with this policy, this report attempts to show different perspectives in our initiatives aimed at sustainable improvements to corporate value through the application of the OMRON Principles. We have used feedback from our stakeholders about previous editions in striving to make a number of improvements to this report. We would like to introduce three representative improvements. The first was a round-table discussion attended by all outside officers. Here, we hope to offer a glimpse of the effectiveness of our board of directors beyond what is covered in existing disclosure materials alone. The second was participation in editorial planning by external specialists. By having journalists conduct interviews focused on messages from the CEO, CFO, CTO, and Chairman, we worked to create a message that would better respond to the

interests of our stakeholders. The third was abolishing the printing and distribution of this report as a physical booklet. This decision was taken in consideration of the changes in our stakeholders' values and changes in media consumption. In addition, we also considered the lack of global resources in the current age. We have determined that concentrating distribution on digital media was the most effective and efficient way to distribute this report to you our many stakeholders around the world. We also have prepared a printed edition of this report to people for whom have difficulties accessing the online edition. This report was largely compiled by the Global Investor Relations & Brand Communications HQ, prepared after repeated discussions with cooperating parties within and outside the company. We will continue to place great value on dialogue with everyone involved. We look forward to hearing your honest opinions in this regard.

August 2019
Executive Officer
Global Investor & Brand
Communications HQ
Publisher, Integrated Report 2019
Tsutomu Igaki



Edition Team Members for Integrated Report 2019

Global Investor & Brand Communications HQ



Satomi Somekawa Editor-in-Chief
Kazunori Yasui Deputy Editor-in-Chief
Kisho Iida
Ayumi Chishiro
Tomoyoshi Tsukimoto
Marika Fuse

Members for Integrated Report 2019

| | | | | | | | |
|---|--|---|---|---|---|--|--|
| Industrial Automation Company Hidetaka Kitajima Electronic and Mechanical Components Company Kazumasa Oshio Miharu Sakuragi Yukari Terakawa Naru Yasuda | OMRON AUTOMOTIVE ELECTRONICS CO., LTD. Toshinori Takahashi Yasuyuki Furukawa Yuka Yokoi OMRON SOCIAL SOLUTIONS CO., LTD. Takahiro Iesato Takeshi Kawakami Seiji Kokumai | OMRON HEALTHCARE CO., LTD. Kaori Iijima Yoichi Tomita Environmental Solutions Business HQ Tatsuya Komamine Technology & Intellectual Property HQ Yoko Kitamura | Global Investor & Brand Communications HQ Shuji Okumura Yusuke Komori Yukari Sakamoto Tomomi Sato Masayuki Sato Noboru Shibata Susumu Hikita Kazuki Matsuyama Mikako Mori Haruka Morimoto Yue Liu | Global Human Resources and Administration HQ Tsunehisa Ichimori Sachio Inami Michiko Imai Ryota Ueshima Yasuhiko Ueshim Yoshinobu Kokufugata Hitoshi Tanimura Shin Nakajima Yasuteru Yamamoto | Global Manufacturing Innovation HQ Nana Itoi Ko Uchikawa Masahiko Kawachidani Hidematsu Takashima Shuji Tatsuoaka Global Risk Management and Legal HQ Koji Okamoto Sachiko Yagi | Sustainability Office Rumi Ueyama Masaru Kaizaki Katsuhiko Sugii Kashuku Hirao Yasuyuki Hirakawa Junko Hirata Nami Matsuko Yuki Yoshikawa | Board of Directors Office Yutaka Ito Yuriko Sunaga Naoki Nakai Shinya Nagata Production cooperation TAKARA PRINTING CO., LTD. DIAMOND, Inc. |
|---|--|---|---|---|---|--|--|