

# OMRON

## Integrated Report 2018

Year Ended March 31, 2018



# SINIC\* Theory:

## A Compass for Corporate Management

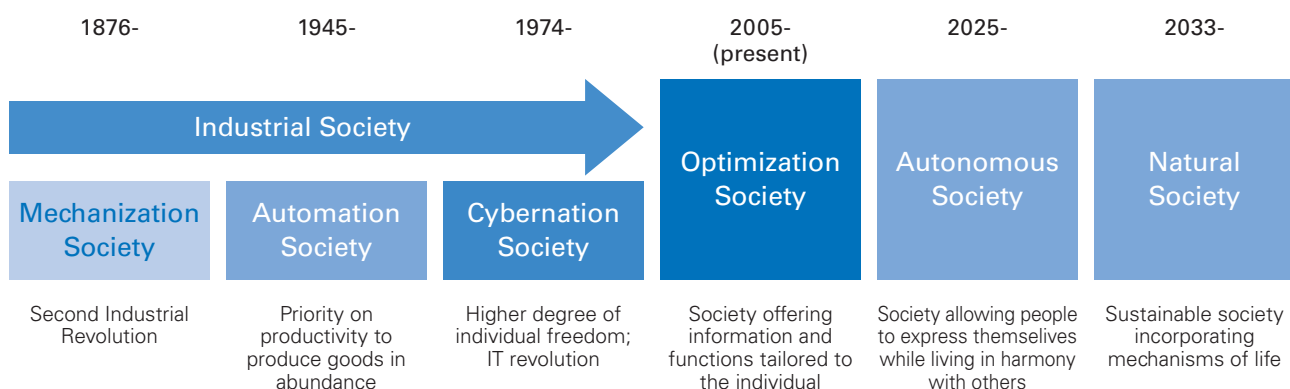
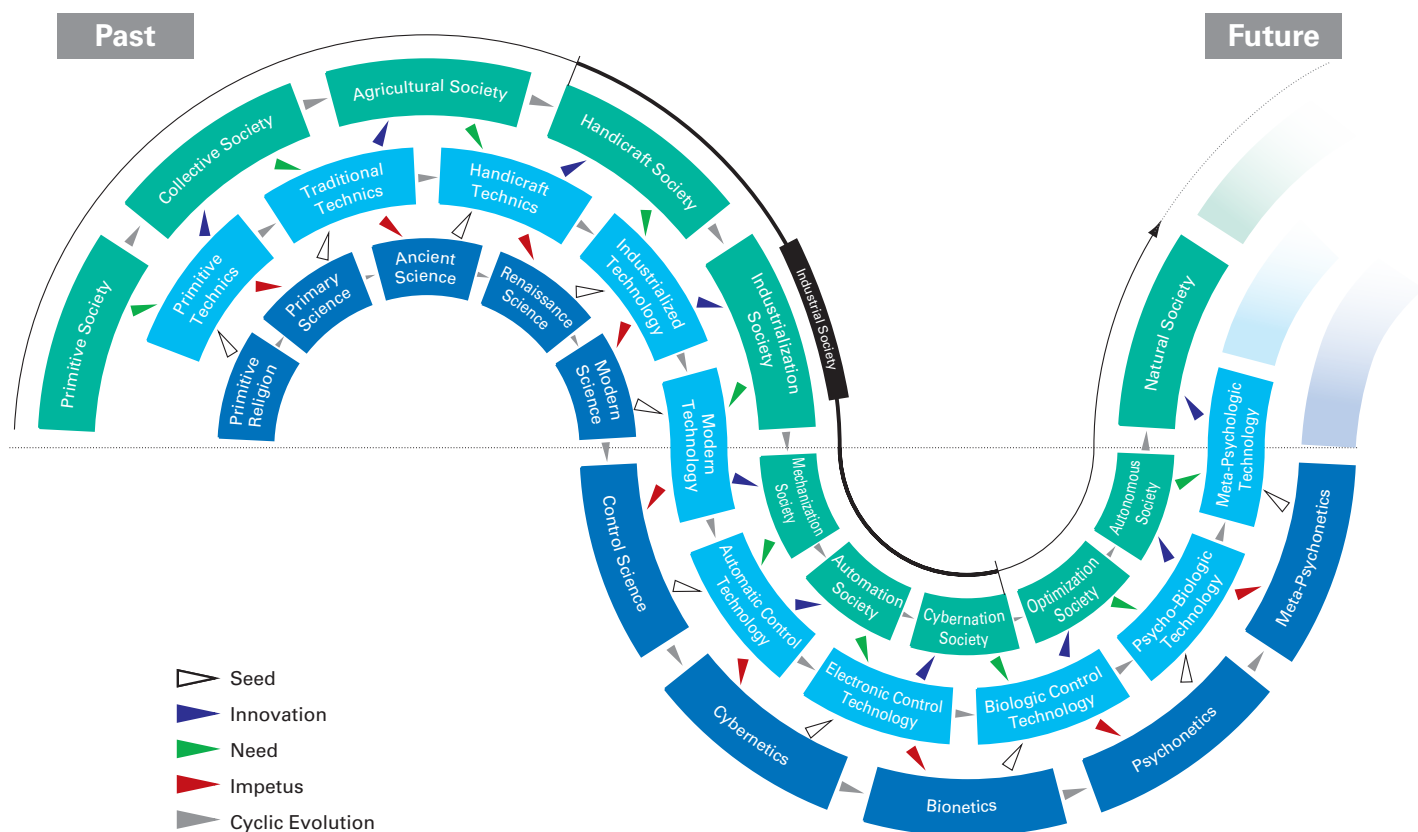
Our founder, Kazuma Tateishi, believed that solving social issues through business to create a better society required the ability to anticipate future social needs. He believed that a company needed a compass to help predict the future.

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.



OMRON's founder, Kazuma Tateishi with Peter Drucker (left)

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



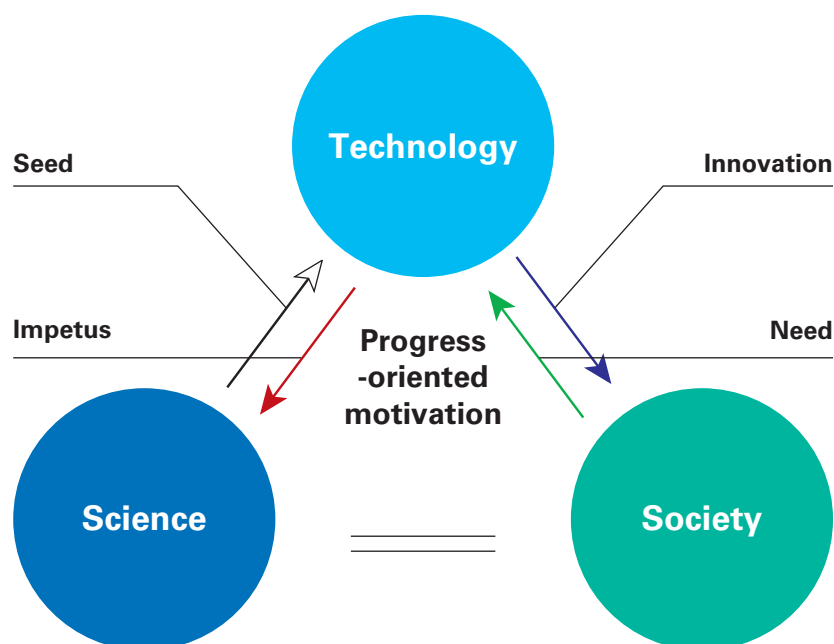
## From an Information Society to an Optimization Society, and, Finally, an Autonomous Society

The SINIC Theory predicts the future by looking at the past through the lens of three central elements: Society, technology, and science. The theory states that the transition from the Primitive Society of 1 million years ago to the Autonomous Society of the future is one cycle. According to SINIC, the year 2033 is predicted to be the year in which we reach the Natural Society, signalling the beginning of the second cycle. In the Natural Society, human creativity and technology harmonize with natural mechanisms.

At present, we live in an Optimization Society in which the focus shifts from products and goods to more mindful endeavors. The Industrialization Society to this point generated products and wealth in abundance, the pursuit of which led to dramatic economic growth. However, the advent of this society brought with it significant new issues, including crowding, class divisions, destruction of the community, and more. The Autonomous Society will bring solutions to these social issues based on new sets of values. This society will share values, pursue meaningful experiences and psychological abundance, and allow individuals to live any way they see fit. This society will be a mature society in which people find joy in life and living. Seeking approval through social media, the spread of the sharing economy, and the rise of the circular economy are just a few signs that perfectly align with SINIC Theory predictions.

## Predicting the Future Through the Interrelationships of Science, Technology, and Society

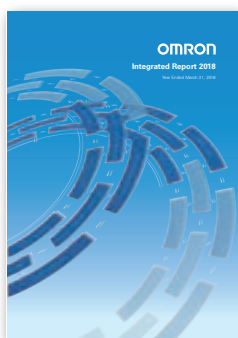
The basic philosophy behind the SINIC Theory is that the interrelationships among science, technology, and society lead to social change. Let us use the Cybernation Society as an example. We can see how the rise of cybernetics, computer science, and other synthetic sciences in the 1940s became the seeds 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.



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### About the Cover

OMRON Corporation contributes to sustainable society by means of our businesses through innovation driven by social needs. This cover represents the upward spiral of societal development through our unique SINIC theory.

### Editorial Policy

The scope of this report covers the 183 companies of the OMRON Group, consisting of 165 consolidated subsidiaries and 17 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2018). 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/](https://www.omron.com/about/sustainability/guide_line/)

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### 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.

# 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

Automation Society (1945-74)

Cybernation Society



(c) Tokyu Corporation /amanaimages

Productivity improvements to support high economic growth

Congestion in urban public transportation

Rising concern for personal health resulting from changes in lifestyle

## OMRON Solutions

Factory floor automation

Social systems automation

Wider use of in-home blood pressure monitors



FY1960  
World's first non-contact switch



FY1966  
General purpose relays (MY Series)



FY1967  
World's first automated train station system



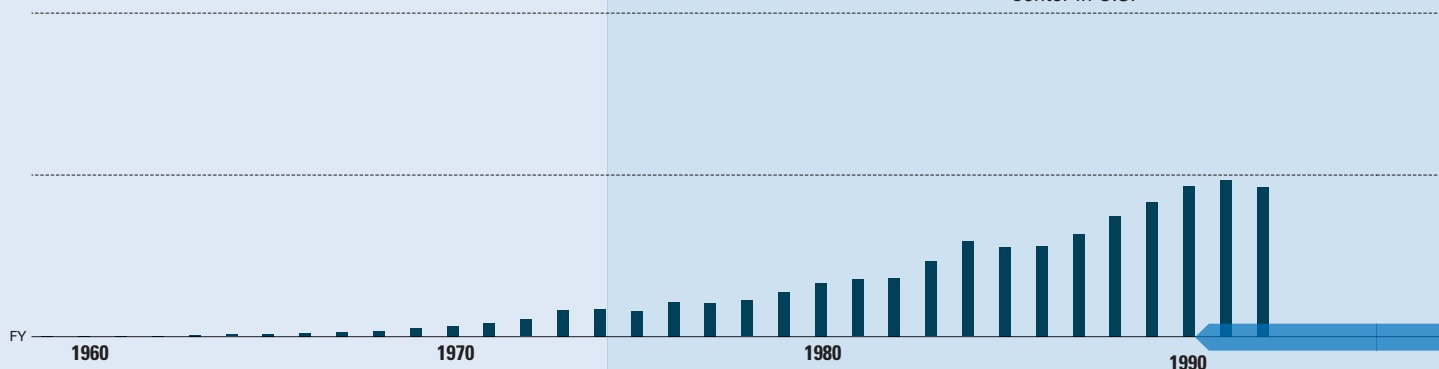
FY1973  
Digital blood pressure monitors

## History and Sales Trend

1933 OMRON established  
1959 Established Corporate Motto  
1960 Established Central R&D Laboratory

1970 Announced the SINICTheory  
1974 Established Tateishi Institute of Life Science

1988 Established Management Center in the Netherlands and Singapore  
1989 Established Management Center in U.S.

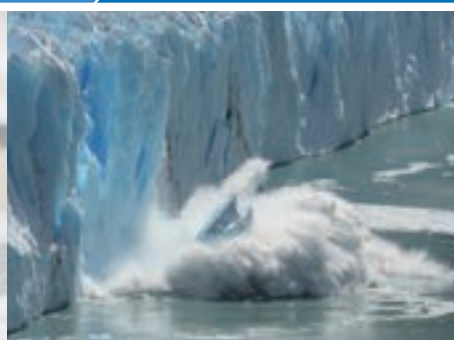


(1974-2005)

Optimization Society (2005-)



Advanced information society



Global warming

Population decline and  
soaring labor costsTechnology speeding the wider  
use of digital devicesFY1995  
OKAO® vision image sensing  
technologyWider adoption of renewable  
energy and energy savingFY2011  
PV invertersFY2012  
DC/DC converter for  
idling stop systemFY2015  
NX Series machine  
automation controllerFY2016  
AI-equipped mobile  
robotsAdvanced labor savings  
solutions for factories1994  
Established Management  
Center in China2003  
Established Keihanna Technology  
Innovation Center2012 Established Management Center in India and Brazil  
2015 Revised OMRON Principles  
2017 Established Management Center in Korea  
2018 Established OMRON SINIC X

Net sales

Target

¥1 trillion

¥500 billion

VG2.0

Long-Term  
Vision

G'90s

2000

GD2010

2010

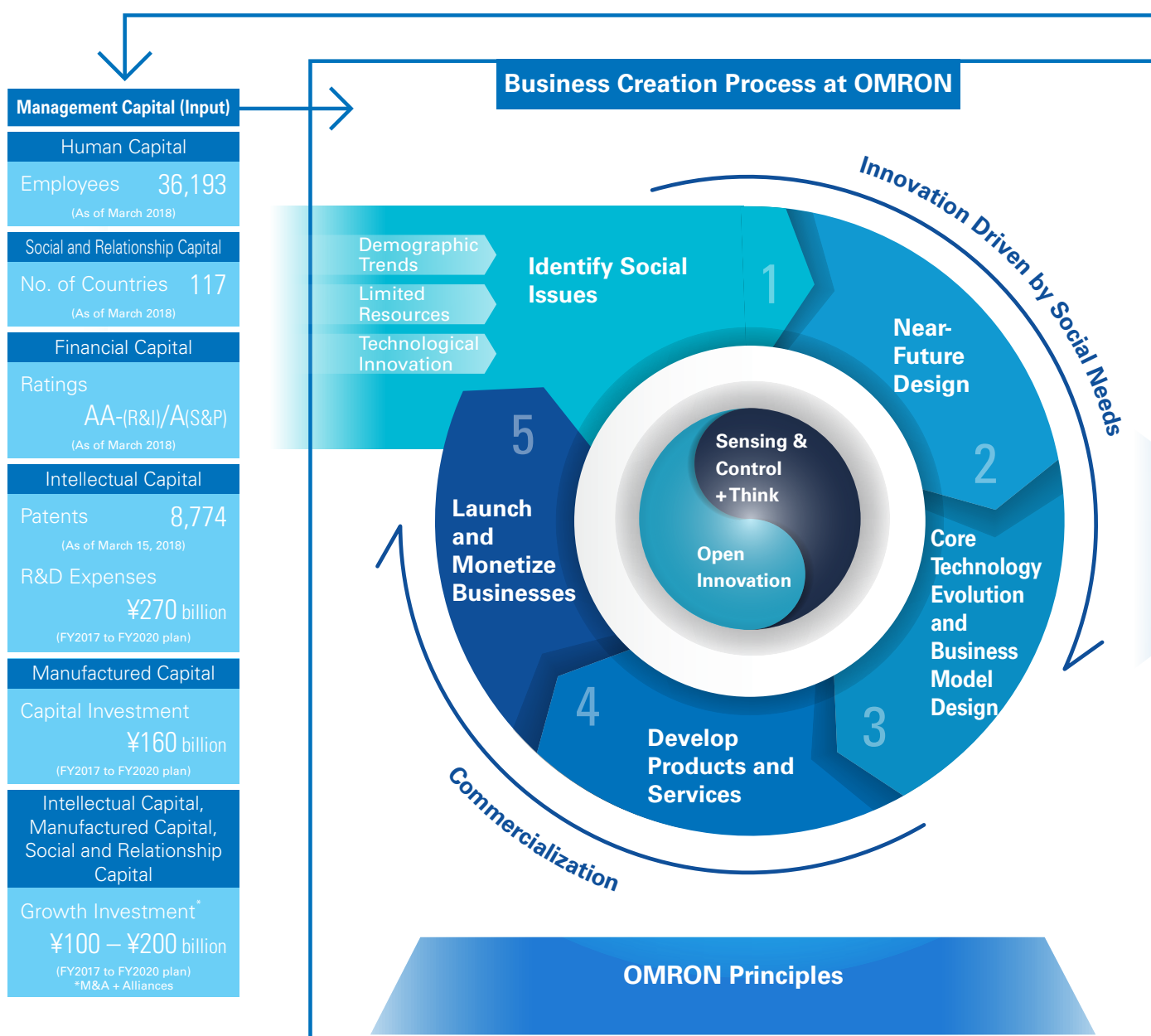
VG2020

2020

# 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.

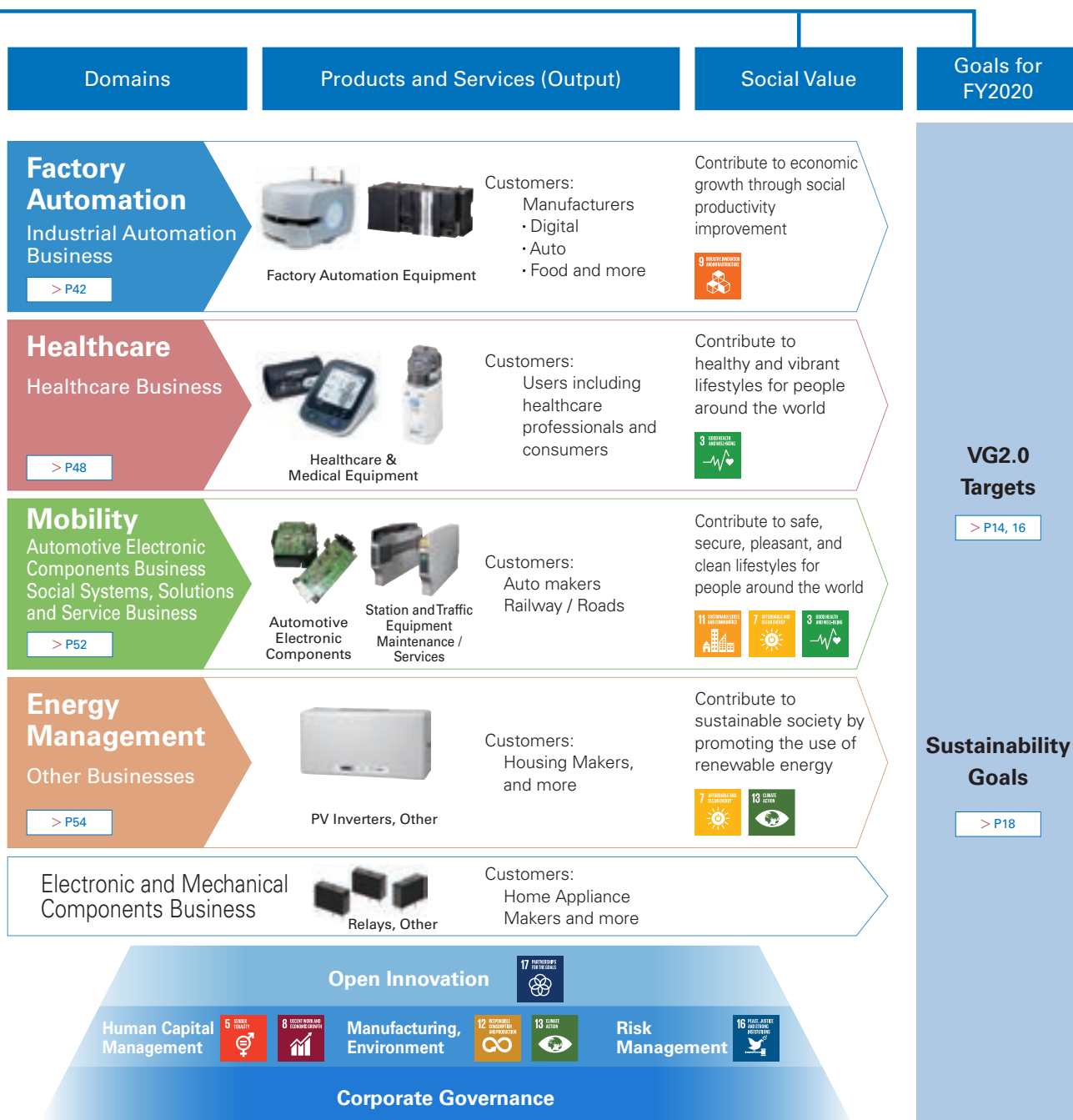
### Commercialization

#### 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.





## Message from the CEO

**“OMRON is solving social issues through our business, accelerating *Innovation Driven by Social Needs.*”**

Since our very founding, the OMRON mission has been to improve lives and contribute to a better society, believing that a business should create value for society through its key practices. We have become the company we are today by seeing the signs of global change, leading the world in taking on the issues of the times. We have become the company we are today by creating innovative value for society, through an idea we call Social Needs. Our aspirations to create innovation driven by social needs through our day-to-day efforts are defined in our corporate philosophy, the OMRON Principles.

Today, the world changes at a speed and scale unprecedented in history. In response, we began implementing our new VG2.0 medium-term management plan in fiscal 2017, setting record highs for earnings and proving the success of strategies that are distinct from those of the past. During fiscal 2018, we intend to deliver even greater growth, guided by VG2.0 and our aspirations to create innovation driven by social needs.

[> A History of Creating Value \(P4\)](#)

[> Value Creation Model \(P6\)](#)

[> OMRON Principles \(P15\)](#)

A stylized, handwritten signature in black ink that reads "Y. Yamada".

President and CEO  
August 2018

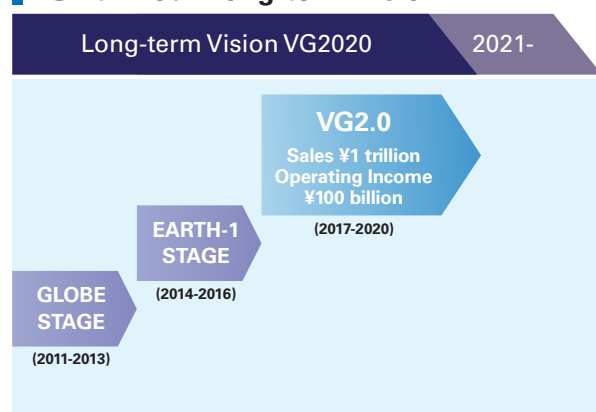


## Looking Back on VG2.0 in Fiscal 2017

VG2.0 represents the final medium-term management plan incorporated into VG2020, our long-term vision leading through fiscal 2020. VG2.0 also includes growth strategies we intend to implement through the year 2030. Under VG2.0, we have defined four focus domains: (1) Factory Automation; (2) Healthcare; (3) Mobility; and (4) Energy Management.

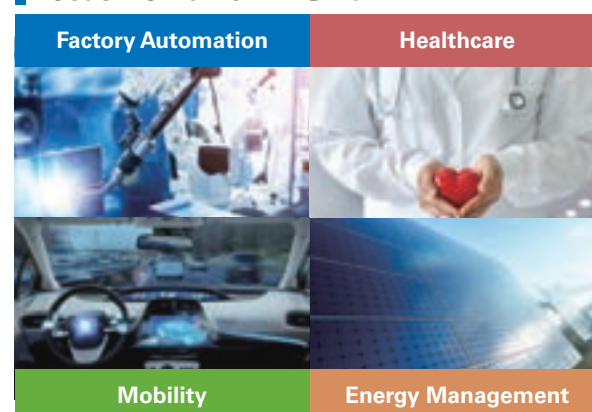
We believe these four domains present the most promising businesses for market growth in future society, as well as areas in which OMRON technologies and products have the best chance to make a positive difference in the world. Executing VG2.0 will not only help us solve social issues, but also generate self-driven growth for our businesses.

### VG2.0 in our Long-term Vision



In fiscal 2017, our first year operating under VG2.0, we set record highs in net sales, gross profits, and net income, driven by strong performances in our Industrial Automation Business and Healthcare Business segments. We also set records for gross profit margin, a yardstick by which we measure our customers' assessment of our products and services. We have used the profits generated to invest in future growth, including two acquisitions in our Industrial Automation Business segment. This positive cycle of growth has already shown tangible results.

### Focus Domains in VG2.0



### FY2017 Results

	FY2017 Results	Y/Y
Net Sales	¥860.0 billion	+ 8.3%
Gross Profit	¥357.7 billion	+ 14.7%
Operating Income	¥85.9 billion	+ 27.1%
Net Income	¥63.2 billion	+ 37.3%
Gross Profit Margin	41.6%	+ 2.3%pt

	FY2017 Results	Y/Y
Industrial Automation Business	¥396.1 billion	+ 19.7%
Healthcare Business	¥108.5 billion	+ 11.0%

Record high

Fiscal 2017 was also a year in which we made great strides in **innovative**-Automation, our strategic concept for innovation in manufacturing. Our progress was especially apparent in our Industrial Automation Business segment, a key growth driver. We have developed innovative solutions hand in hand with customers who practice advanced manufacturing methods, in turn introducing these innovations to other customers for major successes. As a result of these activities, our Industrial Automation Business

segment recorded sales growth of 19.7% (profit growth of 42.3%) year on year. Our Healthcare Business segment, another key growth driver for our company, captured rising global demand for blood pressure monitors among people suffering from high blood pressure. Combined with growth in emerging markets, this segment generated sales 10.9% higher (profit growth of 28.2%)\* year on year.

\*Excluding sales of OMRON Colin Co., Ltd. (sold in December 2016)

## Looking Forward to VG2.0 in Fiscal 2018

Our financial goals for fiscal 2018 are ¥900 billion in net sales, ¥93 billion in operating income, ¥64.5 billion in net income, and 42.5% in gross profit margin. As you will read below, fiscal 2018 is an important year for us in progressing toward our goals and greater growth for fiscal 2020 and beyond.

	FY2018 Plan	Y/Y
Net Sales	¥900.0 billion	+ 4.7%
Gross Profit	¥382.5 billion	+ 6.9%
Operating Income	¥93.0 billion	+ 8.3%
Net Income	¥64.5 billion	+ 2.1%
<hr/>		
Gross Profit Margin	42.5%	+ 0.9%pt

### Accelerating Growth Through Focus Domains

Fiscal 2018 will be a year of accelerating growth in our four focus domains. In particular, we will continue to drive group-wide growth through our Factory Automation and Healthcare businesses, which address significant social issues.

Our Industrial Automation Business will execute **innovative**-Automation to work even closer with customers on their production floors. Here, the segment will solve customer challenges and bring innovation to manufacturing via automation, enriching the lives of people all over the world. As one example, we plan to double the number of our Automation Centers to 35 worldwide this year. Industrial Automation engineers will work with customers to offer innovative solutions through unique product lines and services, developed over many years. i-BELT is another example of innovation in manufacturing. This service collects, analyzes, and utilizes production floor data in

conjunction with AI-equipped controllers. i-BELT replicates and automates the skills of experienced engineers to detect the warning signs of production line stoppages. This, in turn, contributes one solution to the desperate shortage of skilled workers who are well-versed in manufacturing processes.

We plan to grow our Healthcare Business segment through three core categories contributing to healthy and comfortable lives for the people of the world: (1) Cardiovascular Disease; (2) Respiratory Disease; and (3) Pain Management. Of these three, our main focus will be to achieve *Zero Events* related to cardiovascular disease and complications therefrom. Our ultimate vision is to ensure zero events of life-threatening seizures, including stroke and myocardial infarction associated with high blood pressure. We plan to unveil new products this year to support this mission,

including a combination blood pressure monitor/ electrocardiograph. When we combine the data gathered by these breakthrough devices with patient monitors and biological information from external partners, we will learn much more about the causes of high blood pressure and blood pressure fluctuations than we know today. We will use the results of these studies to work closely with personal care physicians to achieve our dream of *Zero Events* for patients throughout the world.

This is just one way in which OMRON will engage in open innovation with partners and customers to solve serious social issues.

> [Creating Innovation in Focus Domains \(P42,48\)](#)

### **Managing Technology for Innovation Driven by Social Needs**

The pace of technological innovation and changes in cultural values is more dramatic than ever, and we envision many serious social needs at local and global levels arising in the future. In the meantime, AI, IoT, robotics, and other technological innovations have advanced much more quickly than anyone thought possible. These technology innovations lie at the core of the OMRON evolution in Sensing & Control + THINK. At OMRON, we see the coming social and technological changes as opportunities to grow, as we fulfill our mission to solve social issues. In fiscal 2015, we created the new role of chief technology officer to capture every technology-related opportunity available. Our CTO formulates group technology strategy and identifying technology development for core cross-organization technologies, as well for the core technologies used in each business. This new role is just one more way in which OMRON leverages the strengths of our entire organization to make advancements in creating innovation driven by social needs.

To accelerate technological development further, we established the Innovation Exploring Initiative HQ in April 2018. This entity reports directly to the CTO and functions as the hub for technology innovation across our organization. The Innovation Exploring Initiative HQ is responsible for end-to-end technology management, coordinating with divisions and functional departments to perform near-future design for society, draft technology strategies, and incubate potential businesses. We have also taken the step to establish OMRON SINIC X Corporation (OSX), under the umbrella of the Innovation Exploring Initiative HQ. OSX is responsible for near-future design and backcasting strategies to develop those technologies necessary for a brighter future. Stronger technology management of this kind will ensure that we create innovation driven by social needs.

> [Special Feature 1: CTO Interview \(P36\)](#)





## Supporting Innovation Driven by Social Needs

### ROIC Management

OMRON practices ROIC management as the best method to speed our engagement of social issues around the world. We operate nearly 90 business units through various companies, each striving to solve social issues to improve lives and contribute to a better society. To accomplish this mission, we must prioritize and allocate resources to maximize value in return. We believe ROIC to be the fairest method to assess the performance of our diverse group of businesses, each facing different challenges. As one specific example, we have invested in acquisitions and production capacity expansion in our Industrial Automation Business and Healthcare Business segments,

which have proven to have the greatest potential for growth.

Meanwhile, we are optimizing our Backlights Business, selling OMRON Laserfront, Inc.\* (part of our Industrial Automation Business), and taking other measures deemed rational under ROIC. In this way, OMRON makes smarter investments for our future, while at the same time engaging in ongoing structural reform to secure our platform for profitability and growth in line with the rules of ROIC management.

\*Finalized on August 1, 2018.

[> Message from the CFO \(P20\)](#)

[> ROIC Management \(P24\)](#)

## Sustainability Initiatives

OMRON set sustainability goals in fiscal 2017, ensuring sustainability was a part of our VG2.0 plan. This demonstrates our commitment to solving issues we consider material.

Our sustainability issues focus on two major areas: issues to solve through our business and those for sustainable business practices. Our initiatives based on these goals tie directly to our vision of a better society, the Sustainable Development Goals of the United Nations, and other targets to ensure a sustainable international society in the future. Solving through business means to create new value through innovative products and

services, working with customers, partners, and society. Sustainable business practices mean that we meet the expectations of our stakeholders. We do this by building a stronger business platform, supported by talented employees and competitive product quality management. In the year since we set our goals, we have monitored and made directional adjustments to our sustainability initiatives. I believe we have started to see true progress in accelerating innovation driven by social needs through sustainability.

> VG2.0 (P16)

> Progress of Sustainability Goals (P18)

## Newly Emerging Social Needs Drive New Innovation

In fiscal 2018, we will continue to invest in future growth and corporate value improvement. Of our six financial goals for fiscal 2020, we expect to achieve four of them in fiscal 2018 (Gross profit margin, ROIC, ROE, and EPS). OMRON is growing steadily in earning power, and we will continue to grow as we work to achieve our fiscal 2020 goals for net sales and operating income, as well.

Change is the only constant. It is a truism that means new social needs will always emerge. As technological and social change become more disruptive, OMRON will have more opportunities to improve lives and contribute to a better society. Despite deepening trade frictions and other uncertainties, we will seize the opportunities presented. We will monitor changes in the market environment, execute our action plans, and invest in people and in research and development. As our investments in future growth translate into results, we will take on even bigger social issues. OMRON is a corporate group on which people can always depend, and we are an organization that continues to live up to the high expectations of people from all over the world.

### Management Indicators

	FY2018 Plan	FY2020 Targets
Net Sales	¥900 billion	¥1 trillion
Gross Profit Margin	42.5%	Over 41%
Operating Income	¥93 billion	¥100 billion
ROIC	Approx. 12%	Over 10%
ROE	Approx. 12%	Over 10%
EPS	¥306	Over ¥300

FY2020 Targets expected to be achieved in FY2018

We will push forward together, creating innovation driven by social needs to improve lives and contribute to a better society.

Thank you for your continued support.

## 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."

# 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 work with customers and partners, leveraging open innovation to address four core areas of emerging social needs: Factory Automation, Healthcare, Mobility, and Energy Management.

\* Goals for sustainable development adopted by the United Nations.

### Growing Concern for Social Issues



Labor shortages  
Adapting to changes in manufacturing



Frequent traffic accidents, congestion  
Deteriorating urban environment



Aging society  
Soaring medical costs



Advancing climate change

### Rapid Technological Innovation



AI



IoT



Robotics

OMRON

Sustainability

### VG2.0

#### Business Strategies

1. Redefine focus domains and maximize the strength of businesses
2. Evolve business models
3. Reinforce core technologies



Collaborative Creation with Partners



#### Operations/Functional Strategies

Human Capital Management, Manufacturing, and Risk Management

## 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.

\* Dow Jones Sustainability Index (DJSI)

## Principles

## Policy

### Sustainability Initiatives

Social Issues to be solved through our Business > P42



Collaborative Creation with Partners



Issues Responding to Stakeholder Expectations > P56



### VG2.0 Targets

A global value-creating group that is qualitatively and quantitatively superior

Net Sales **¥1** trillion

Operating Income **¥100** billion

> CEO Message (P14)

### 2030 Shared Goals (SDGs) Among International Society



<https://www.un.org/sustainabledevelopment/>



# Sustainability Goals: Progress

During fiscal 2017, OMRON pursued sustainability goals tied to VG2.0. These goals were based on sustainability policies established by our board of directors in fiscal 2016. Having pursued these goals for one year, our executive officers met in the Executive Council to discuss our progress, adding and updating certain goals based on our fiscal 2017 performance. Our board of directors received a report about progress and revisions, performing oversight of the OMRON sustainability initiatives.

(Note) Selected goals presented here; see reference pages for progress related to certain goals.  
See the OMRON corporate website for more about progress and initiatives.

## Solving Social Issues Through Our Businesses

red: targets updated or added

Sustainability Targets (Fiscal 2020 Goals/KPI)	
<b>Factory Automation</b> Respond to labor shortages and diversifying manufacturing practices	<ul style="list-style-type: none"> <li>Create new products leading to <b>innovative</b>-Automation in four focus industries              – Create Controls Technologies for Manufacturing Innovation –</li> </ul> <div>&gt; P42</div>
<b>Healthcare</b> Zero brain and cardiovascular diseases, respiratory diseases	<ul style="list-style-type: none"> <li>Blood pressure monitor sales: 25 million units /year</li> <li><b>Develop analytical technologies to continuously track blood pressure fluctuations</b></li> <li>Nebulizer + asthma wheeze monitor sales: 7.65 million units/year</li> </ul> <div>&gt; P48</div>
<b>Mobility</b> Reduce traffic accidents, environmental footprint of automobiles	<ul style="list-style-type: none"> <li>Create safe driving support systems, technologies</li> <li>Create 360° recognition technologies for advanced driving support/self-driving vehicles</li> <li>Sales of vehicles with eco-friendly products: <b>12 million units/year</b>              (Increase ratio of high fuel efficiency products: 50%)</li> </ul> <div>&gt; P52</div>
<b>Energy Management</b> Promote the use of renewable energy, CO <sub>2</sub> reductions	<ul style="list-style-type: none"> <li>Cumulative shipped capacity of solar power/storage battery systems: 11.2GW</li> <li><b>Build the energy resource aggregation business using PV/storage system (Japan)</b></li> </ul> <div>&gt; P54</div>

- During fiscal 2017, we made steady progress toward achieving year 2020 sustainability goals for social issues to be solved through our businesses.
- We added goals under **healthcare** and **energy management**. These goals call for new technologies and new businesses in combination with progress on our ongoing initiatives.
- In **mobility**, we raised our goals to reflect progress to date. We also added goals seeking greater impact on the environment in parallel with our business plan.

## Issues Responding to Stakeholder Expectations

red: targets updated or added

### Human Capital Management

#### Sustainability Targets (Fiscal 2020 Goals/KPI)

- Talent Attraction and Development
- Diversity and Inclusion
- Wellness Management
- Occupational Safety and Health
- Respect for Human Rights and Labor Practices

- Continue expanding TOGA<sup>\*1</sup>,
- Accelerate the PDCA implementation via employee engagement surveys
- Ratio of women in managerial roles (Japan): 8%
- **Improve awareness of wellness management<sup>\*2</sup>**  
(company-wide awareness of Boost5<sup>\*3</sup>)
- International OSH<sup>\*4</sup> certifications: At sites representing 80% of production capacity
- Define and adopt due diligence processes for human rights

> P56

### Manufacturing/Environment

- Product Safety and Quality
- Supply Chain Management
- Reduction of Greenhouse Gas Emissions
- Appropriate Management and Reduction of the use of Hazardous Substances

- Produce safety assessments for newly developed products: 100%
- **Improve product safety assessments**
- Sustainability self-checks at partner suppliers: 100% implementation; score of 85 points or higher
- **Reduce GHG emissions by 4%**  
(vs. fiscal 2016, SBT conformity<sup>\*5</sup>)
- Reduce mercury through the adoption of digital thermometers and digital blood pressure monitors: 69 tons/year

> P60

> P61

### Risk Management

- Fair Business Practices
- Information Security, Personal Information Protection

- Promote OMRON Group rules in all global bases
- Global training for ethical conduct
- Build a new information security system

> P64

\*1 TOGA: The Omron Global Awards

\*2 Awareness: Awareness and personal practice of OMRON wellness management programs

\*3 Boost5: Five areas of physical and mental health: Exercise, Sleep, Mental Health, Nutrition, Smoking

\*4 OSH: Occupational Safety and Health

\*5 SBT: Science Based Target. International initiative asking companies to set science-based greenhouse gas emissions reduction targets.

- Our fiscal 2017 progress toward achieving year 2020 sustainability goals to meet stakeholder expectations were generally in line with plan.
- **Respect for human rights and labor practices** was our focused issue in fiscal 2017. The Executive Council established a group management framework. Based on the framework, we conducted a self-assessment of human rights and labor practice risks at our production centers (including overseas centers), taking action as necessary.
- For fiscal 2018, we have added goals related to **employee wellness**. We launched the Boost5 program, which assesses mental and physical wellness.
- OMRON added goals for **product safety and quality** for fiscal 2018 to improve manufacturing quality management.
- Beginning fiscal 2018, OMRON will pursue a new goal to **reduce total greenhouse gas emissions** in conformity with SBT. We are moving forward with initiatives to reach carbon zero by fiscal 2050.

# Message from the CFO



I was named senior general manager of the Global Strategy HQ in March 2014. In April 2017, I assumed the post of chief financial officer of the OMRON Group. At present, I hold both CFO and senior general manager titles, responsible for both group finance and management strategy. I joined OMRON as a freshly graduated engineering student. Over the next ten years, I worked on development for automatic control technics. Later, I went on to hold positions in business and headquarters management strategy, group resource management (including human resources and administration), and a variety of other posts. A CFO with both technical and business backgrounds might be an exception to the norm today; however, I believe my experience is a strength for a company like OMRON that has declared itself a leading technology company since the beginning. Technological innovation has changed so much in our world. I believe any financial strategy now must integrate management, business, and technology strategies. I will continue to rely on my experience, offering a high-level perspective to the OMRON decision-making process.

A handwritten signature in black ink that reads "Koji Nitto".

**Koji Nitto**

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

August 2018

## Fiscal 2017: A Positive Cycle of Growth

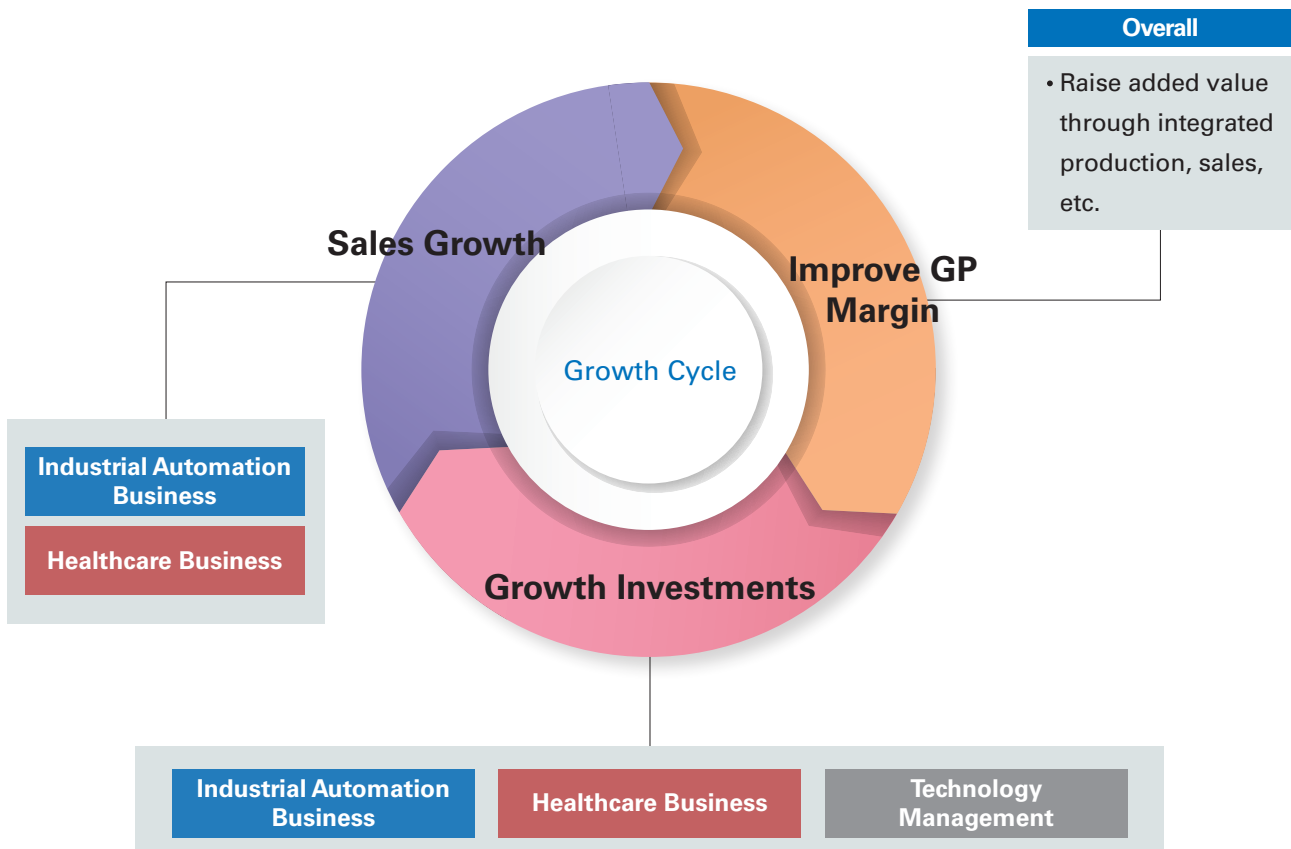
I view fiscal 2017, our first year under the VG2.0 plan, as a year in which we created a positive cycle of growth.

First, I will address measures we took to strengthen corporate earning power through improved gross profit margin. For fiscal 2017, we recorded a gross profit margin of 41.6%, a sharp 2.3-point jump compared to the prior year. What drove this improvement? Our practice of ROIC management, two specific factors that I wish to mention here. The first factor was improved value added ratio. This growth in value added ratio stems from coordinating production, development, sales, and planning functions. This coordination leads to a better mix of high-value-added products, as well as cost savings through standardized components. The second factor was lower fixed manufacturing costs, achieved through gains in productivity generated by industrial engineering (research into manufacturing processes). Consistent, intentional efforts in three

areas shifted our product mix and led to gross profit margin gains: (1) Constant attention to improving value added and reducing fixed costs (just mentioned); (2) Concentration of management resources for growth in our high-margin Industrial Automation Business; and (3) Ongoing company-wide structural reform. I am confident that our corporate earnings power has reached a new stage.

We are using our profits as a resource to accelerate growth investments in technology management in our organization as a whole, and in our mainstay Industrial Automation Business and Healthcare Business in particular. These two businesses were the workhorses driving us to record-high OMRON Group sales.

We will reach new levels of corporate value as we continue to repeat this growth cycle, building our earnings power, investing for market dominance, and growing our revenue base.



## ROIC Management Builds True Earnings Power

OMRON has selected ROIC as a key management indicator to measure the profitability of our invested capital. We believe ROIC correctly assesses the profitability across multiple businesses having different characteristics. This, in turn, allows us to invest our resources wisely. ROIC management has become familiar throughout our business, an accepted company-wide measure we use to encourage ongoing improvement. Our activities to improve gross profit margin, mentioned earlier, stem from our focus on ROIC. ROIC management consists of two components: Down-top management and portfolio management. Down-top ROIC management is a more detailed key performance indicator tied to activities in the local workplace. Portfolio management assesses our more than 90 business units using a combination of sales growth and market growth. We ensure ROIC management is the tool by which management and local workplaces view our business. This is how we strengthen our ability to generate value and earnings power, as well as establish a persistent growth cycle. For fiscal 2017, we generated an extremely high ROIC of 12.7%.

Under VG2.0, we consider ROIC of between

10% and 15% to be appropriate. Accordingly, we require business divisions to deliver a minimum 10% ROIC. Where a business cannot reach 10% ROIC, we assess the business's future and market value, taking action as necessary. For example, during fiscal 2017 we introduced structural reforms in our Micro Devices Business, which has struggled with profitability. More specifically, we closed the smartphone microphone business, while we integrated the competitive MEMS business into our Electronic and Mechanical Components Business. At the same time, we moved the important technologies and expertise of the R&D and manufacturing departments under the management of headquarters. We also sold the shares of OMRON Laserfront Inc. and continued with structural reform measures at our Backlights Business, downsizing the scope operations.

Practicing ROIC management in this way, we generate value (profits), which is used to create even greater value through correct cash allocation and investment management.

## Balancing Discipline and Risk in Investment Management

We will focus the resources we generate through improved earnings power to invest in promising growth areas, speeding initiatives for *innovation driven by social needs*.

The first half of VG2.0, fiscal years 2017 and 2018, is a time for us to solidify our growth structure, bolstering sales and other front office functions. We will also increase investments in research and development, facilities, and M&A. Speaking of M&A, we made two acquisitions during 2017 in our Industrial Automation Business. When we consider an acquisition, we give priority to the type of synergies and innovation we expect from combining the resources of the target with our own. Simple addition is not acceptable. We must be confident of multiplicative effects gained through synergies. As an objective standard, we

set a minimum 10% ROIC as the hurdle for recovering our investment. Obviously, we require a higher rate of return for projects that demand higher returns from a standpoint of strategic value. Acquisitions are subject to annual performance reviews to determine whether results are in line with plans. If progress is not satisfactory, we monitor the project to understand what measures are being taken. I am proud to say that each of the five M&A transactions over the past four years have outperformed our expectations, offering dramatic synergies with our existing businesses.



## M&A Transactions Since Fiscal 2014

Acquisition (FY)	Company Name	Company Overview
2014	NS Indústria de Aparelhos Médicos Ltda.	Nebulizer manufacturer with the number one share of the nebulizer market in Brazil
2015	Delta Tau Data Systems, Inc.	U.S.-based manufacturer of world-class motion controllers
2015	Adept Technologies, Inc.	U.S.-based manufacturer of a wide range of industrial robot models
2017	Sentech Co., Ltd.	Japan-based manufacturer of ultra-compact high-definition industrial cameras
2017	Microscan Systems, Inc.	U.S.-based manufacturer of industrial code readers incorporating industry-leading reading technologies

Research and development expense is an important long-term investment for the OMRON Group. We have set a standard for R&D expense at 7% of sales, and we intend to raise this level to 7.5% by fiscal 2020. Our target for investments in core technologies, including AI and robotics, is about 1% of sales. Dedicating capital to the progress of technology represents up-front investments that will bear fruit for corporate growth 10 and 20 years down the line. This is the

type of investment we must undertake as a manufacturing company if we are to develop innovations that improve lives and contribute to a better society. Accordingly, we will continue to make bold investment decisions that challenge the frontiers of science, balancing discipline and risk to deliver to the world innovation driven by social needs.

## Appropriate Cash Management and Profit Distribution

OMRON distributes profits according to principles of appropriate cash management and our own profit distribution policy. Our profit distribution policy prioritizes growth investment, stable dividends, and stock buybacks, in that order. We engage actively in growth investments, including M&A activities. At present, we hold cash reserves at a level of between one and two months' sales, a policy we intend to continue. We used internal reserves for the past five corporate acquisitions. However, we would consider borrowing funds from outside sources—after considering the impact on our credit rating—if a promising growth investment demanded more cash than we held in reserve.

Once we have allocated profits to growth investment, we next look to shareholder return. Under the fiscal years covered by VG2.0, our

target for dividend payout ratio and dividend on equity is approximately 30% and 3%, respectively. Why did we add a dividend on equity target of 3% to a dividend payout ratio? We did this to avoid wide swings in dividend payments, even in the event we change earnings forecasts during the fiscal year. Share buybacks will be performed as opportunities present themselves, balanced by growth investment plans and cash on hand. In July 2017, we set a one-year scope of ¥20 billion for share repurchases, securing the entire amount as of May 2018.

Speaking on behalf of OMRON management, we will redouble our efforts to build corporate value as we implement the growth cycle.

Thank you for your support of the OMRON Group.

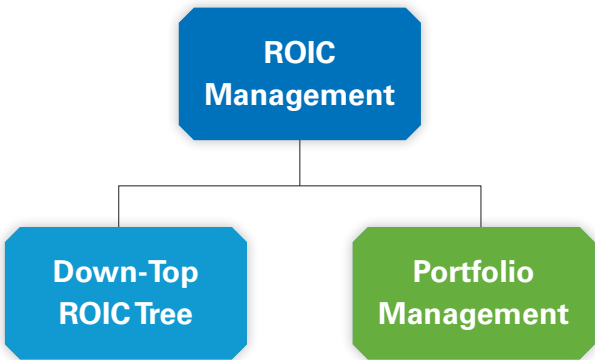
# ROIC Management

OMRON has selected ROIC as a key performance indicator for our business. We stress ROIC management throughout our organization to encourage further improvement. Our VG2.0 medium-term management plan emphasizes ROIC management, which we will use to reach a new level of growth.

## Why ROIC?

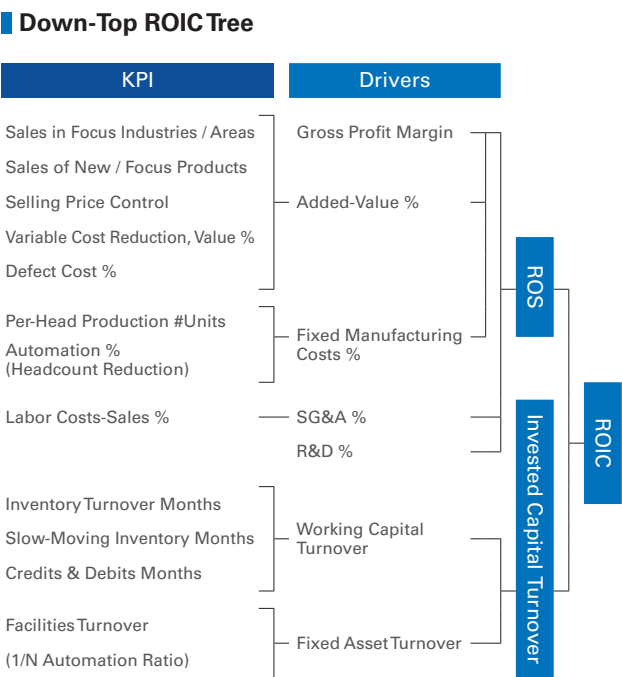
OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope 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.

More specifically, ROIC management consists of Down-Top ROIC Tree and Portfolio Management.



## 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.

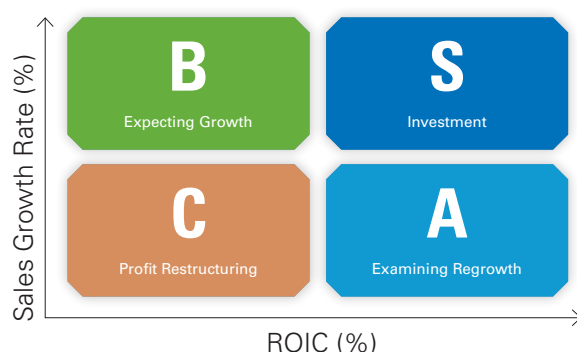


## Portfolio Management

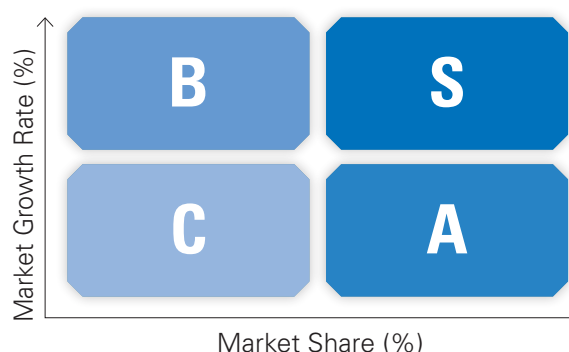
OMRON consists of approximately 90 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration,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

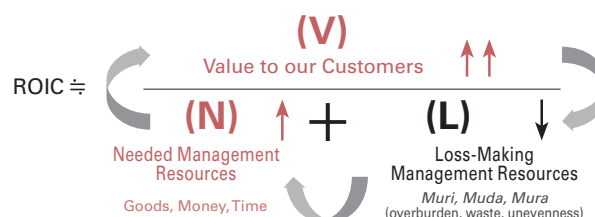


## Embracing ROIC Management

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.

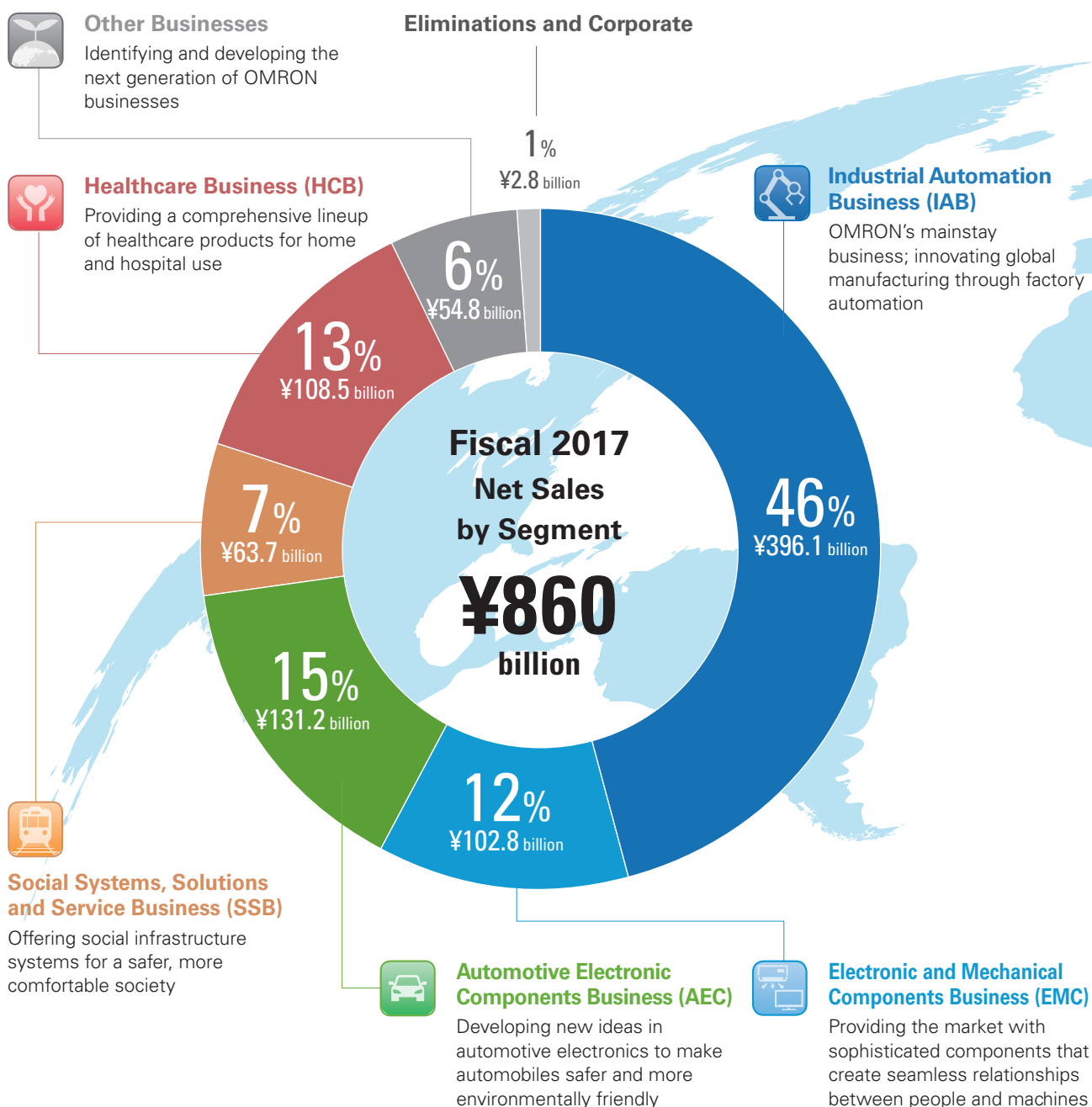
### ROIC Translation Under ROIC Management 2.0



- 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)

# Earnings Structure and Global Business

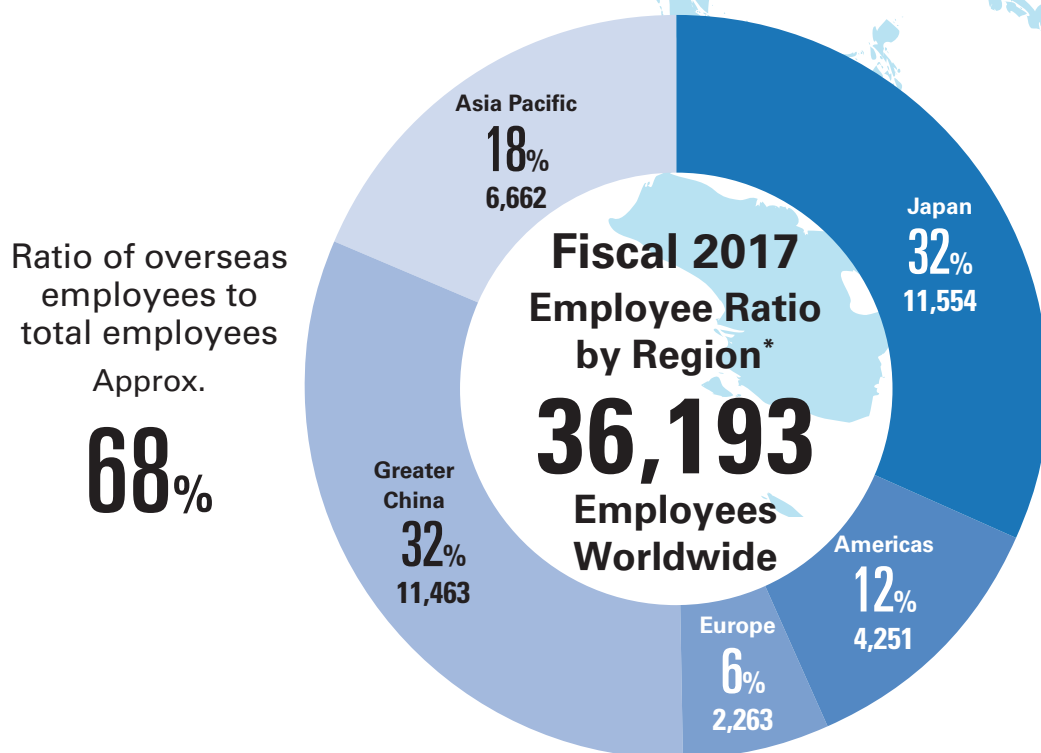
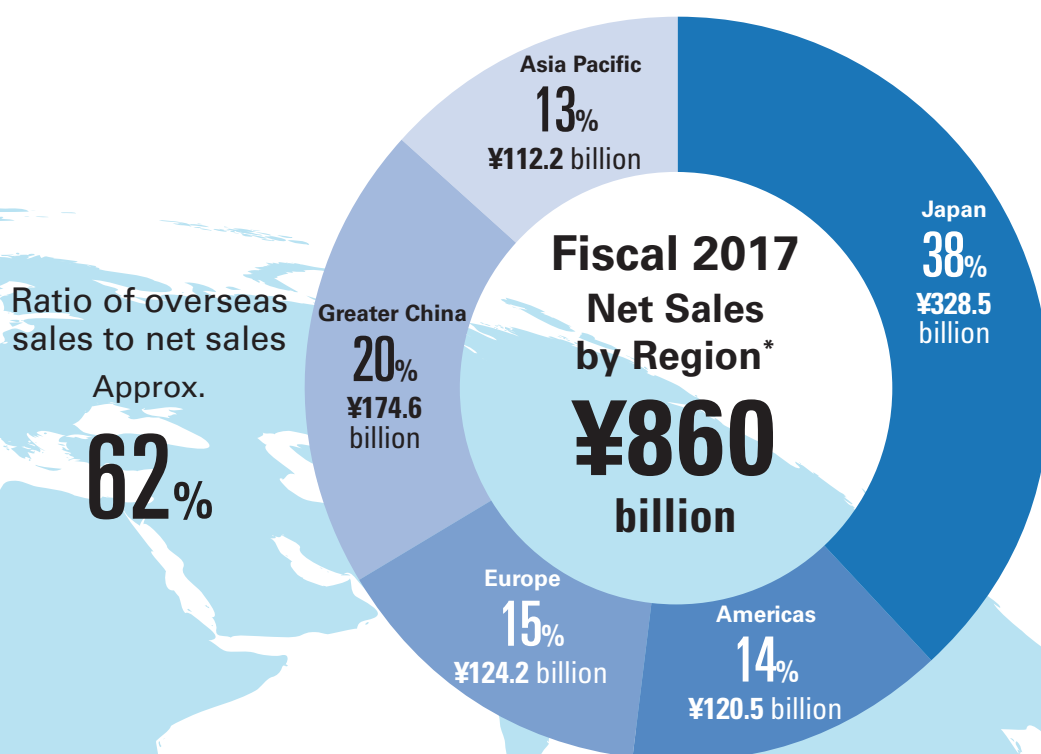
OMRON manufactures and sells market-leading sensing and control products in 117 countries around the world. Our products include control equipment, electronic components, automotive electronic components, social systems, and healthcare.



Fiscal 2017 Earnings by Business Segment

(Billions of yen)

BUSINESS SEGMENT	NET SALES	OPERATING INCOME (LOSS)	OPERATING INCOME MARGIN
Industrial Automation Business (IAB)	396.1	74.0	18.7%
Electronic and Mechanical Components Business (EMC)	102.8	12.1	11.8%
Automotive Electronic Components Business (AEC)	131.2	5.8	4.4%
Social Systems, Solutions and Service Business (SSB)	63.7	4.1	6.5%
Healthcare Business (HCB)	108.5	11.2	10.3%
Other Businesses	54.8	(2.1)	—
Eliminations and Corporate	2.8	(19.2)	—
<b>Total</b>	<b>860.0</b>	<b>85.9</b>	<b>10.0%</b>



\* As of March 31, 2018

(Note) Regional categories are defined as follows:

Americas: North America, Central America, South America

Europe: Europe, Russia, Africa, Middle East

Greater China: China, Taiwan, Hong Kong

Asia Pacific: Southeast Asia, Korea, India, Oceania

# Market Share and Sales by Product

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



## Industrial Automation Business



Share of the Control-Related Equipment Market (Japan) **Approx. 40%**

Source: Nippon Electric Control Equipment Industries Association

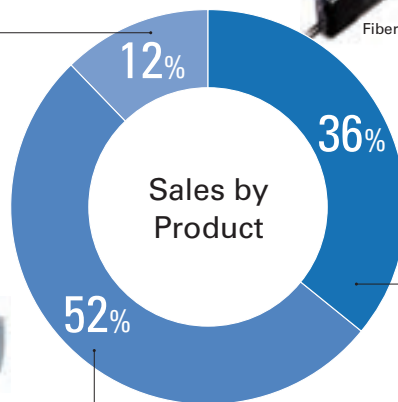
### Output + Robot



Servo Motors and Drivers



Mobile Robots



Fiber Sensors



Safety Light Curtains



Vision Sensors

### Input



Programmable Controllers



Safety Controllers



Motion Controllers



## Electric and Mechanical Components Business



Share of the Relays Market (Global) **Approx. 20%**

Source: Internal survey

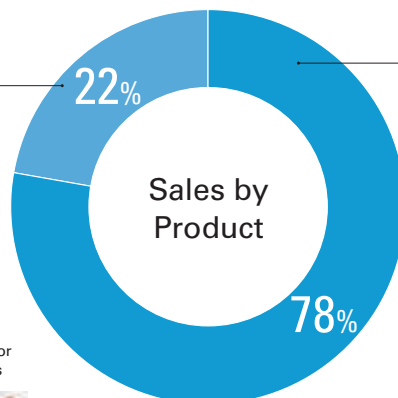
### Other Electric Components (Amusement Equipment, Image Sensing, etc.)



Power Supply Units for Amusement Devices



Image Sensing



### Relays, Switches, Connectors



Power Relays for Printed Circuit Boards



Surface-Mounted Switches



MIL Connectors



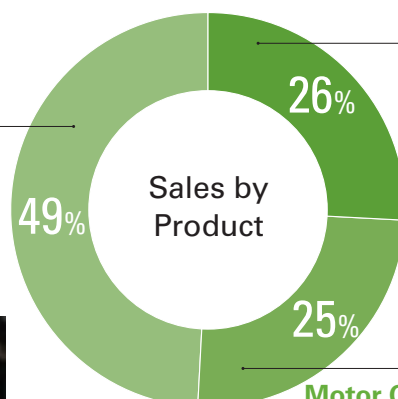
## Automotive Electric Components Business



Share of the Body Control Units for Miniature Vehicles Market (Japan) **Approx. 35%**

Source: Internal survey

### Other (Passive Entry/ Push-Button Engine Start Systems, Keyless Entry Systems, etc.)



### Switches (Power Window Switches, Power Seat Switches, etc.)



Power Window Switches

### Motor Controllers (Electric Power Steering Controllers, Power Sliding Door Controllers, etc.)



Electric Power Steering Controllers





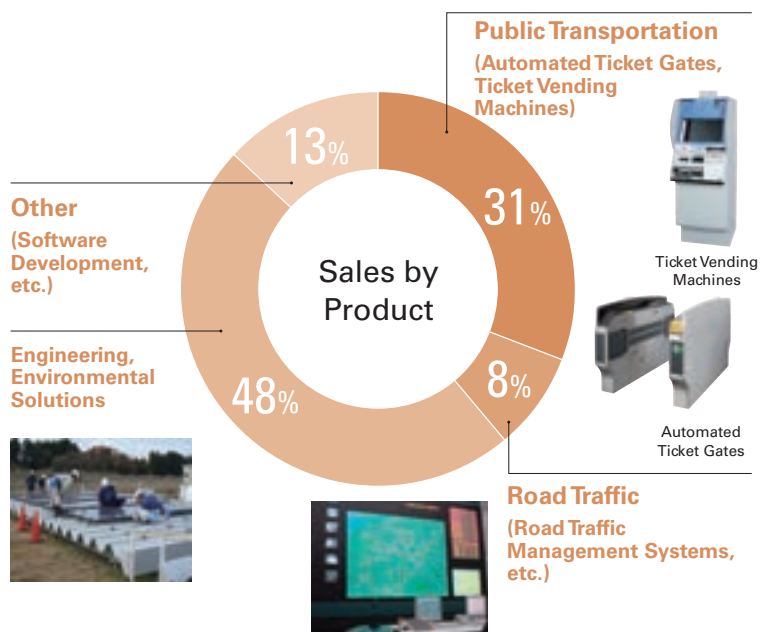
## Social Systems, Solutions and Service Business



Share of the Station Equipment Market (Japan)

Approx. **50%**

Source: Internal survey



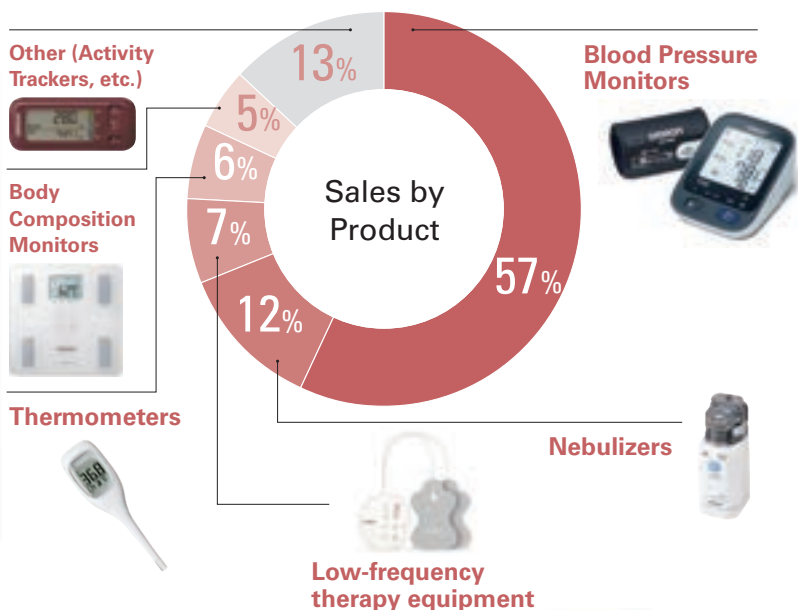
## Healthcare Business



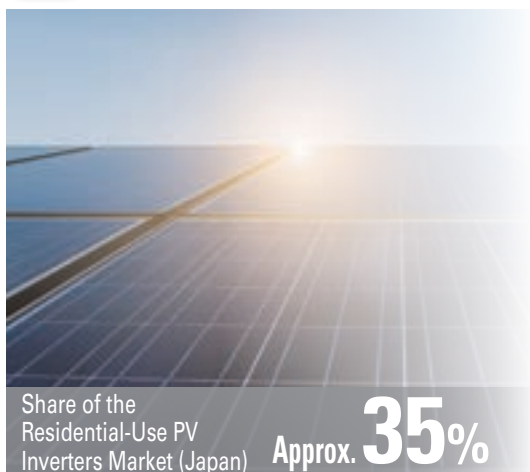
Share of the Home-Use Blood Pressure Monitors Market (Global)

Approx. **50%**

Source: Internal survey



## Other Businesses



Share of the Residential-Use PV Inverters Market (Japan)

Approx. **35%**

Source: Internal survey



### Environmental Solutions

- PV Inverter



### Backlights

- LCD Backlights



### Electric Systems and Equipment

- Uninterruptible Power Supply Units



### Micro Devices

- MEMS Pressure Sensors

# Our Stakeholders

As stated in our Sustainability Policy, OMRON cultivates strong relationships with our stakeholders through responsible engagement. We see these relationships as invisible assets important for our sustainable growth. These relationships are also an indispensable part of creating innovation driven by social needs. Here, we discuss some ways in which we engaged with stakeholders during fiscal 2017.



## Shareholders (General Meeting of Shareholders)

We encourage our shareholders to attend the general meeting of shareholders. We hold our meeting at least three business days prior to the date used by the majority of companies in Japan. We send convocation notices at least four weeks prior to the meeting, ensuring shareholders have sufficient time to study proposals in advance. Feedback from the meeting indicated an overall favorable assessment of our willingness to answer questions and of the positive tone of the meeting.



Attendees

..... **893** persons

Ratio of Voting Rights Exercised

..... **86.0** %



## Institutional Investors (Interviews, Conferences, Factory Tours, etc.)

OMRON engages actively with institutional investors in Japan and across the world through meetings and telephone conferences. During fiscal 2017, we held factory tours in Chicago and Shanghai, mainly for our institutional investors. These tours included presentations about our productivity improvements and regional growth strategies, as well as question and answer sessions, helping investors learn more about sustainable growth at OMRON.



Meetings

..... **824** companies



## Investors and Other Stakeholders (ESG Meeting)

In December 2017, OMRON held our first-ever ESG information session. The event featured presentations by executive officers discussing how we incorporate the OMRON Principles in our approaches to human capital, manufacturing and risk management. Attendees learned about OMRON in ways not possible via usual investor relations activities. Some 120 investors attended, as did ESG experts and scholars, students, and media representatives. The event also served as an opportunity to receive direct feedback about expectations of OMRON.



Attendees

..... **165** people



## Suppliers

### (Global Partner Conference)

Suppliers are important OMRON partners. Every year, we hold the OMRON Global Partner Conference to encourage a shared vision toward creating new value. At the end of the conference, we have a gathering for sharing opinions, which builds a stronger mutual understanding and a more effective event. The May 2017 conference covered many important topics, including the OMRON long-term vision, partnership frameworks for innovative products, and initiatives for sustainability through supply chain management.



Attendees

..... **128** individuals from  
**97** companies



## Employees

### (OMRON Principles Missionary Dialogues)

Our chairman conducts OMRON Principles Missionary Dialogues as one opportunity to engage with employees. During fiscal 2017, dialogues were held in Korea, the Americas, Europe, and Japan. These meetings are an opportunity for employees to discuss real-world examples of solving social issues through practice of the OMRON Principles, to address the importance of sustainability, and to interact with the chairman of OMRON in an open and honest setting. These interactions help OMRON continue to build a resilient organization.



No. of Dialogues

..... **11** times



## Other Stakeholders

### (Exhibitions)

We exhibit at trade shows and other events to allow customers and other stakeholders the chance to experience our business and technologies firsthand. We exhibited for the first time at the U.S. Consumer Electronics Show in January 2018. Our table tennis coaching robot, FORPHEUS, was a highlight of the show, demonstrating our latest developments in factory automation and mobility. Many luminaries from a wide range of industries visited our booth, including Tom Soderstrom, Chief Technology & Innovation Officer at NASA - Jet Propulsion Laboratory, experiencing the OMRON vision of harmony between human and machine.



Booth Visitors

..... **18,000+**



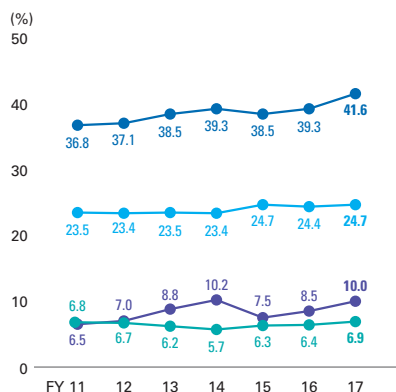
\*Fiscal 2017 results

# Financial Highlights

## Gross Profit Margin

41.6%

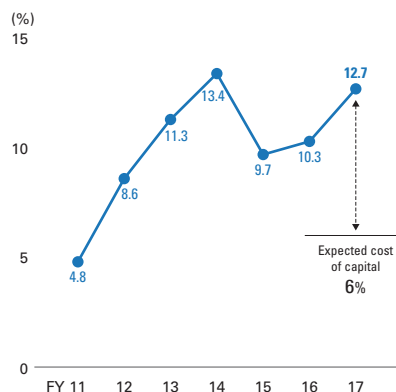
● Gross profit margin ● Selling, general and administrative expenses ratio (excluding R&D expenses) ● R&D expenses ratio ● Operating income margin



We set a record high for gross profit margin, driven by stronger earnings capacity group-wide.

## ROIC

12.7%

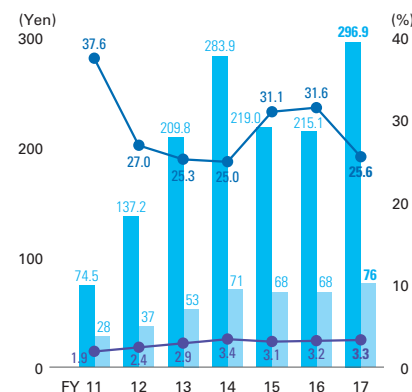


Our focus on ROIC management resulted in a 12.7% ROIC, far above our 6% expected cost of capital.

## EPS

¥296.9

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

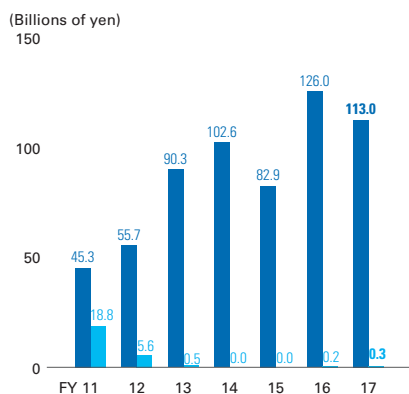


OMRON paid dividends of ¥76 per share, representing a dividend on equity above our target of approximately 3%.

## Cash and Cash Equivalents

¥113.0 billion

■ Cash and cash equivalents ■ Total interest-bearing liabilities

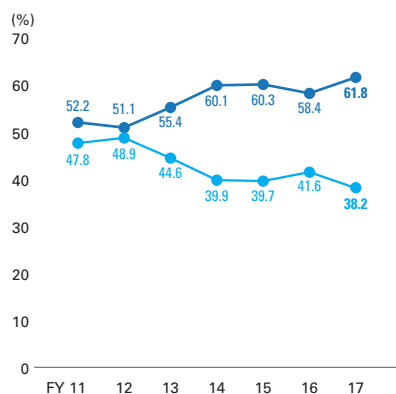


We continued to conduct essentially debt-free management, as cash balances remain in excess of interest-bearing debt.

## Ratio of Overseas Sales to Total Net Sales

61.8%

● Overseas total ● Japan

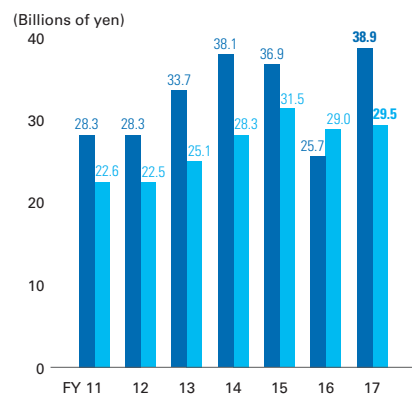


Overseas sales rose sharply as a percentage of total sales, with Greater China and Southeast Asia driving the majority growth.

## Capital Expenditures

¥38.9 billion

■ Capital expenditures ■ Depreciation and amortization

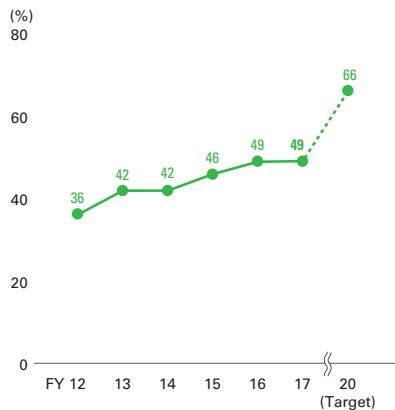


We followed an aggressive capital investment plan to increase production capacity in response to a strong market environment.

# Non-Financial Highlights

## Ratio of Non-Japanese in Managerial Positions Overseas ★

49%

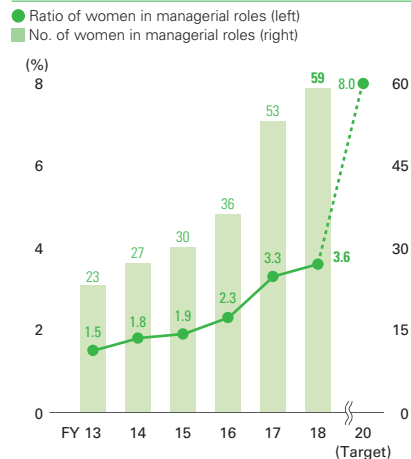


We are training and promoting local managers in increasing numbers.

\* Key positions overseas are critical to executing our VG2020 long-term vision. Promotions or assignments to these key positions require the approval of the CEO.

## Ratio of Women in Managerial Roles (OMRON Group in Japan) ★

3.6%

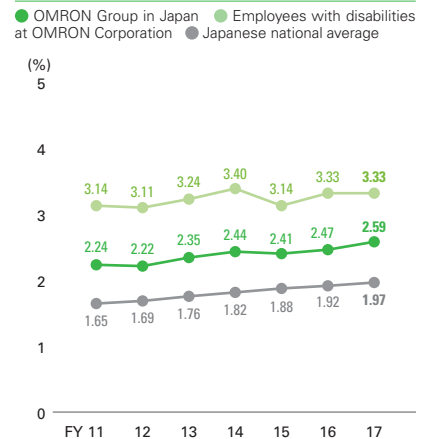


We are increasing the ratio of women in leadership-level managerial roles in Japan.

\* Figures represent results as of April 20.

## Ratio of Employees with Disabilities (OMRON Group in Japan) ★

2.59%



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

\* Figures represent results as of June 30 (including special subsidiaries).

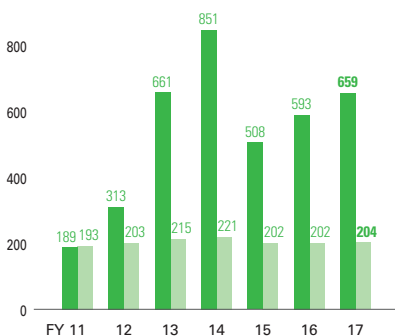
\* For companies subject to the Act on Employment Promotion etc. of Persons with Disabilities.

## Environmental Contribution ☆

659<sup>thousand</sup> ton-CO<sub>2</sub>

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

(Thousand ton-CO<sub>2</sub>)  
1,000



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

\* Environmental Contribution = Volume of CO<sub>2</sub> emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services.  
Calculation method : <https://www.omron.com/about/sustainability/environ/contribution/products/>

★ Indicates independent assurance performed by a third party. > P98

☆ Indicates independent verification or review performed by a third party. > P98

### Energy-Generation Product



PV inverters

### Energy-Saving Product

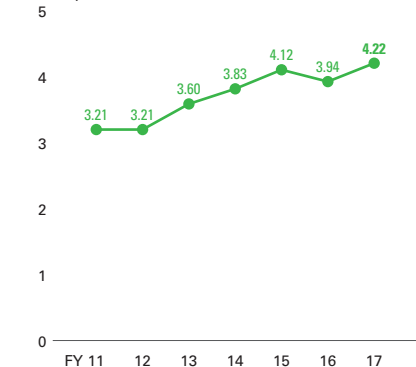


Electricity monitors (left) Environment ANDON (right)

## Net Sales to CO<sub>2</sub> Emissions ☆

¥4.22<sup>million</sup> / ton-CO<sub>2</sub>

(Million yen / ton-CO<sub>2</sub>)



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

\* Since fiscal 2016, OMRON has been using the following published figures for the CO<sub>2</sub> emissions coefficient associated with electric power:

Japan: Ministry of the Environment-By Power Company (updated annually); China: National Development and Innovation Committee - By Power Company (updated annually); Other: IEA, by country (2011)  
<https://www.omron.com/about/sustainability/environ/reduce/co2/>

\* Figures revised retrospectively to reflect an updated coefficient for CO<sub>2</sub> emissions.



# 11-Year Financial and Non-Financial Highlights

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

	FY2007	FY2008	FY2009	FY2010
<b>Operating Results:</b>				
Net sales	¥762,985	¥627,190	¥524,694	¥617,825
Gross profit	293,342	218,522	184,342	231,702
Selling, general and administrative expenses (excl. R&D expenses)	176,569	164,284	133,426	142,365
R&D expenses	51,520	48,899	37,842	41,300
Operating income	65,253	5,339	13,074	48,037
EBITDA (Note 1)	101,596	38,835	40,088	71,021
Net income (loss) attributable to OMRON shareholders	42,383	(29,172)	3,518	26,782
<b>Cash Flows:</b>				
Net cash provided by operating activities	68,996	31,408	42,759	41,956
Net cash used in investing activities	(36,681)	(40,628)	(18,584)	(20,210)
Free cash flow (Note 2)	32,315	(9,220)	24,175	21,746
Net cash provided by (used in) financing activities	(34,481)	21,867	(20,358)	3,333
<b>Financial Position:</b>				
Total assets	617,367	538,280	532,254	562,790
Cash and cash equivalents	40,624	46,631	51,726	74,735
Total interest-bearing liabilities	18,179	52,970	36,612	45,519
Total shareholders' equity	368,502	298,411	306,327	312,753
<b>Per Share Data:</b>				
Net income (loss) attributable to OMRON shareholders (EPS)	185.9	(132.2)	16.0	121.7
Shareholders' equity	1,662.3	1,355.4	1,391.4	1,421.0
Cash dividends (Note 3)	42	25	17	30
Dividend payout ratio	22.6%	—	106.4%	24.7%
<b>Financial Indicators:</b>				
Gross profit margin	38.4%	34.8%	35.1%	37.5%
Operating income margin	8.6%	0.9%	2.5%	7.8%
EBITDA margin	13.3%	6.2%	7.6%	11.5%
Return on invested capital (ROIC)	10.4%	(7.6%)	1.0%	7.8%
Return on equity (ROE)	11.3%	(8.7%)	1.2%	8.7%
Ratio of shareholders' equity to total assets	59.7%	55.4%	57.6%	55.6%
Total return ratio (Note 4)	74.7%	—	106.7%	25.2%
Capital expenditures	37,072	36,844	19,524	23,192
Depreciation and amortization	36,343	33,496	27,014	22,984
Ratio of overseas sales	52.1%	49.7%	50.7%	51.4%
<b>Non-Financial Data</b>				
Number of employees	35,426	32,583	36,299	35,684
Ratio of overseas employees to total employees	65.7%	63.4%	68.1%	67.8%
Number of patents held (Note 5)	5,717	5,205	5,218	5,452
Environmental contribution (thousand ton-CO <sub>2</sub> ) (Note 6)				193
CO <sub>2</sub> emissions of production sites (thousand ton-CO <sub>2</sub> ) (Note 6)				187

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.

6. Please refer to P33

## Long-Term Management Strategy

### Grand Design 2010 (GD2010)

#### FY2001 – FY2003

##### 1st Stage Establish a Profit Structure

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

##### Achievements

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

#### FY2004 – FY2007

##### 2nd Stage Balance Growth and Earnings

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

##### Achievements

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

#### FY2008 – FY2010

##### 3rd Stage Achieve a Growth Structure

Fortify growth businesses (high profitability)

##### Revival Stage

(February 2009 to March 2011)  
Revised 3rd-stage targets due to an abrupt change in the business environment, implemented cost reductions, and spun off Automotive Electronic Components Business and Social Systems, Solutions and Service Business



(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
	¥619,461	¥650,461	¥772,966	¥847,252	¥833,604	¥794,201	¥859,982
	227,887	241,507	297,208	332,607	320,812	311,802	357,685
	145,662	152,676	181,225	198,103	205,735	193,539	212,641
	42,089	43,488	47,928	47,913	52,790	50,697	59,134
	40,136	45,343	68,055	86,591	62,287	67,566	85,910
	62,753	67,795	93,144	114,930	93,747	96,532	115,375
	16,389	30,203	46,185	62,170	47,290	45,987	63,159
	31,946	53,058	79,044	77,057	84,207	77,875	73,673
	(26,486)	(28,471)	(31,125)	(39,517)	(67,116)	(15,041)	(55,842)
	5,460	24,587	47,919	37,540	17,091	62,834	17,831
	(33,492)	(18,550)	(16,298)	(29,303)	(31,550)	(15,012)	(33,082)
	537,323	573,637	654,704	711,011	683,325	697,701	744,952
	45,257	55,708	90,251	102,622	82,910	126,026	113,023
	18,774	5,570	488	0	0	156	298
	320,840	366,962	430,509	489,769	444,718	469,029	505,530
	74.5	137.2	209.8	283.9	219.0	215.1	296.9
	1,457.5	1,667.0	1,956.1	2,254.4	2,080.0	2,193.7	2,400.4
	28	37	53	71	68	68	76
	37.6%	27.0%	25.3%	25.0%	31.1%	31.6%	25.6%
	36.8%	37.1%	38.5%	39.3%	38.5%	39.3%	41.6%
	6.5%	7.0%	8.8%	10.2%	7.5%	8.5%	10.0%
	10.1%	10.4%	12.1%	13.6%	11.2%	12.2%	13.4%
	4.8%	8.6%	11.3%	13.4%	9.7%	10.3%	12.7%
	5.2%	8.8%	11.6%	13.5%	10.1%	10.1%	13.0%
	59.7%	64.0%	65.8%	68.9%	65.1%	67.2%	67.9%
	37.7%	27.0%	25.3%	49.1%	62.7%	31.6%	48.2%
	28,341	28,285	33,653	38,143	36,859	25,692	38,852
	22,617	22,452	25,089	28,339	31,460	28,966	29,465
	52.2%	51.1%	55.4%	60.1%	60.3%	58.4%	61.8%
	35,992	35,411	36,842	37,572	37,709	36,008	36,193
	67.7%	67.4%	69.1%	69.7%	69.3%	68.3%	68.1%
	5,959	6,448	6,635	7,194	7,686	8,224	8,774
	189	313	661	851	508	593	659
	193	203	215	221	202	202	204

**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.

**Value Generation 2020 (VG2020)****FY2011 – FY2013****GLOBE STAGE**

**Establishment of profit and growth structures on a global basis**

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

\*1 Announced July 2011

**FY2014 – FY2016****EARTH-1 STAGE**

**Establish self-driven growth structure**

	Initial Target*2	FY2016 Result
Net sales	over ¥900 billion	¥794.2 billion
Gross profit margin	over 40%	39.3%
Operating margin	over 10%	8.5%
ROIC	approx. 13%	10.3%
ROE	approx. 13%	10.1%
EPS	approx. ¥290	¥215.1

\*2 Announced April 2014

**FY2017 – FY2020****VG2.0**

**Achieve self-driven growth by creating innovation originated by technological evolution**

- Net sales ——— ¥1 trillion
- Gross profit margin over — 41%
- Operating income — ¥100 billion
- ROIC ——— over 10%
- ROE ——— over 10%
- EPS ——— over ¥300

\*3 Announced April 2017



# Creating Innovation Driven by Social Needs Anchored in the Future

**Kiichiro Miyata**

Director, Senior Managing Executive Officer, CTO

Over the years, OMRON has introduced numerous world-first innovations driven by social needs, including the non-contact switch, the automated ticket gate, and many others. How has one company been able to come up with innovation after innovation? One key is the backcasting method of technology management practiced in our company beginning with our founder. OMRON established the position of chief technology officer in 2015 in response to the increasingly disruptive changes in society and technology. In our CTO position, we have recreated that technology management as practiced under the keen insight of our founder. In this special feature, we discuss creating innovation driven by social needs with CTO and OMRON technology leader Kiichiro Miyata.

— **Three years have passed since you were named OMRON CTO. Can you tell us about your thoughts when first named to the position and your experiences to date?**

OMRON is a leading technology company that searches for solutions to customer and social issues proactively through technology development. The result is a unique collection of nearly 90 business units, ranging from several hundreds of millions of yen in sales to several billions. In 1999, we adopted an internal company structure, with each business division responsible for its own technology strategy. Under this structure, we experienced a significant leap forward in the sophistication of our division technologies. Over the past several years, however, we have seen rapid innovations in AI,

IoT, robotics, and other new technologies. The environment surrounding our businesses has changed dramatically. To respond quickly and flexibly, we felt the need for a cross-organizational approach, establishing the position of CTO to oversee group-wide technology strategy.

As the first OMRON CTO, I have been responsible for developing our approach to technology management and formulating an OMRON-wide technology strategy to implement over the long term. I believe we have set OMRON technology management on a solid course over the past three years.

— The technology management you mentioned is regarded as a subset of general business management. What makes the OMRON style of technology management unique?

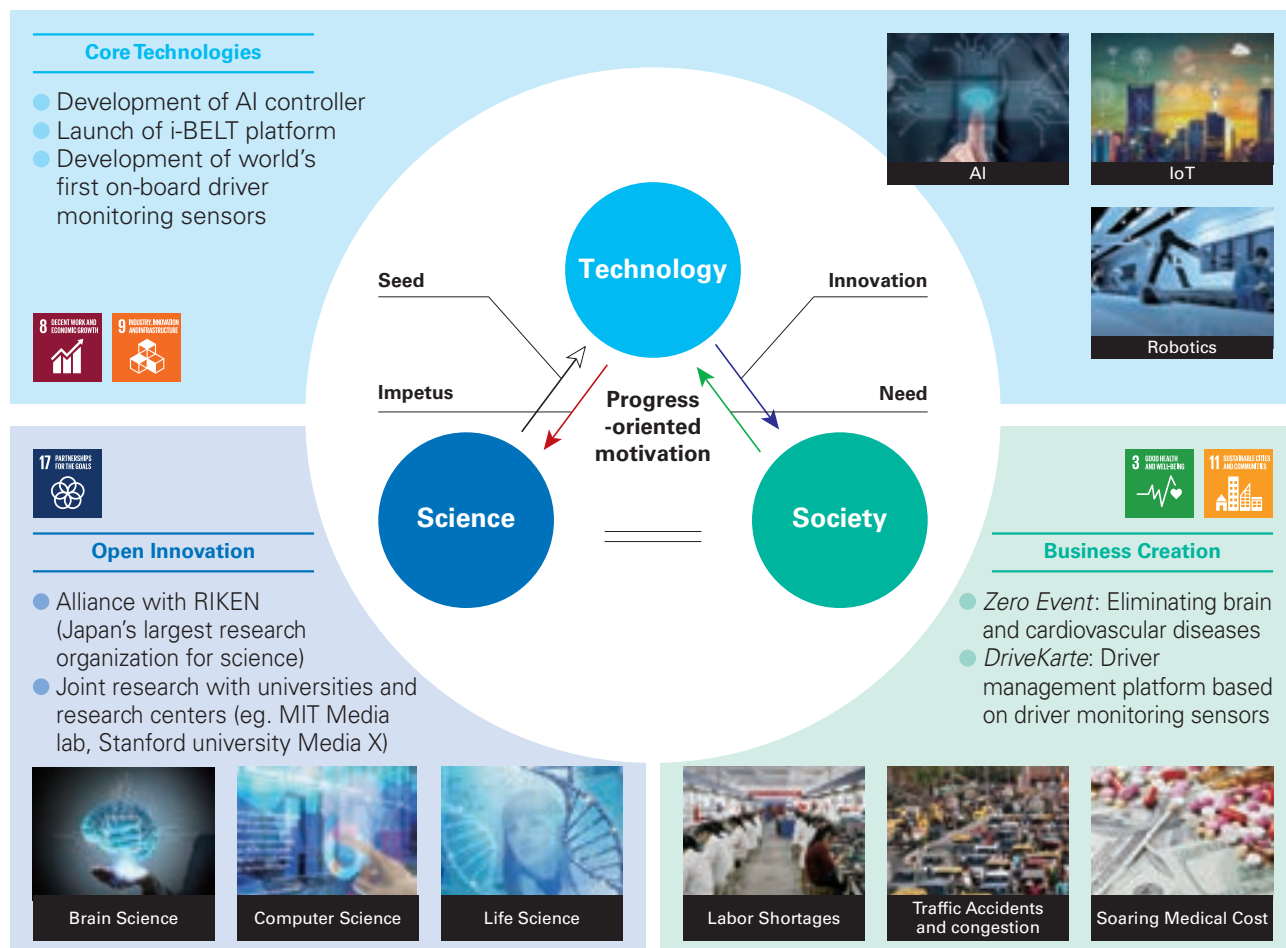
Technology management at OMRON relies on technology innovation to perform near-future design tailored to solving social issues. We then outline and execute the strategy required to realize this future design. The foundation of our approach is the SINIC predictive theory espoused by our founder, Kazuma Tateishi, in 1970.

SINIC predicts how the interplay among science, technology, and society changes the future social order and propels further social evolution. New developments in science result in new technology. New technology brings about change in society, which give rise to new social issues. These issues drive more technological innovation, which impacts science. At OMRON, we work to solve customer and social issues

arising in the interplay among these elements. In other words, we create businesses based on signals from society.

Under VG2.0, we exercise technology management with a focus on the three areas related to science, technology, and society: Open innovation, core technologies (cross-organizational and business-specific), and business incubation through trial-and-error. I think our efforts in these focus areas have been successful so far.

## Basis of OMRON Technology Management and Fiscal 2017 Highlights



— **In the three years since being named CTO, you have been able to create an effectively functioning technology management framework. As CTO, what do you see as the next task for OMRON growth?**

We must speed our pace of creating innovation driven by social needs if we are to deliver new value for a better society.

I mentioned earlier that OMRON is a collection of nearly 90 businesses. We have exercised a degree of portfolio management in consolidated some of those entities. Now, we need to create new businesses to take their place and drive continued growth. In other words, management at OMRON is concerned with producing new value from every corner of our organization, leading to new products and services that become an indispensable part of society.

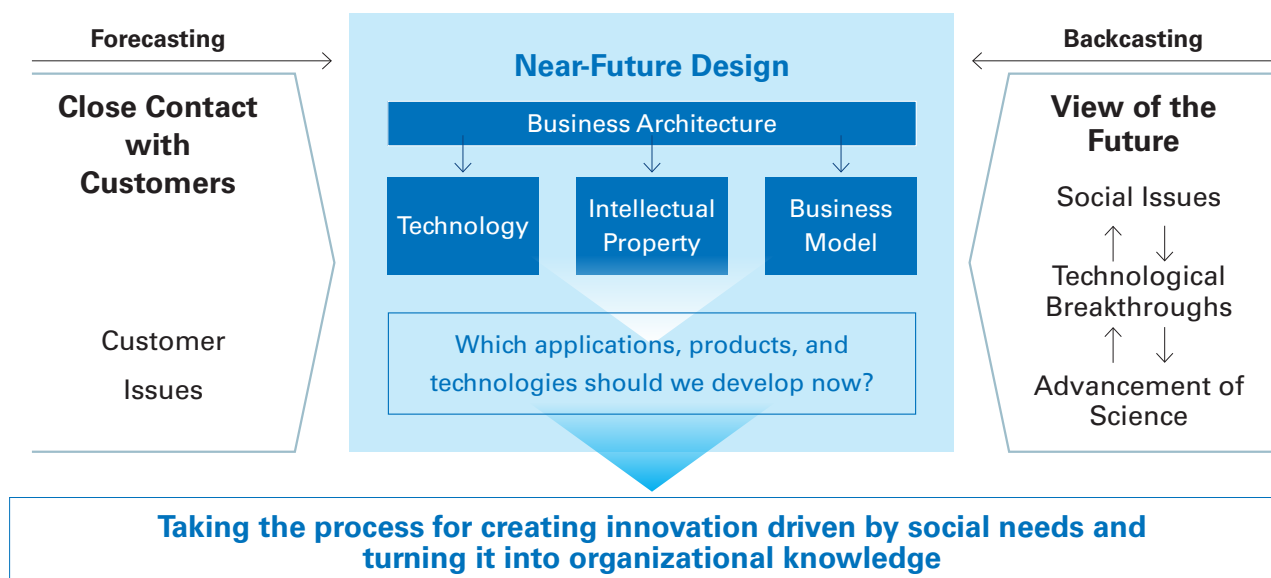
We are building frameworks and organizations that support new value creation, making the process of innovation driven by social needs part of our organizational knowledge. This process consists of forecasting and backcasting. Traditionally, OMRON has been skilled in identifying social needs and then backcasting to create unprecedented value. Under our company structure, however, we began focusing mainly on forecasting. Now, backcasting will have a comparatively greater weight in our technology management process.

To support this initiative, we created the Innovation Exploring Initiative HQ, or IXI, in March 2018 as a company-wide innovation platform. IXI has all the resources it needs to backcast innovation driven by social needs, providing end-to-end oversight of the process. As a platform, IXI will work with entities both inside and outside our organization to raise the output of innovation at OMRON.

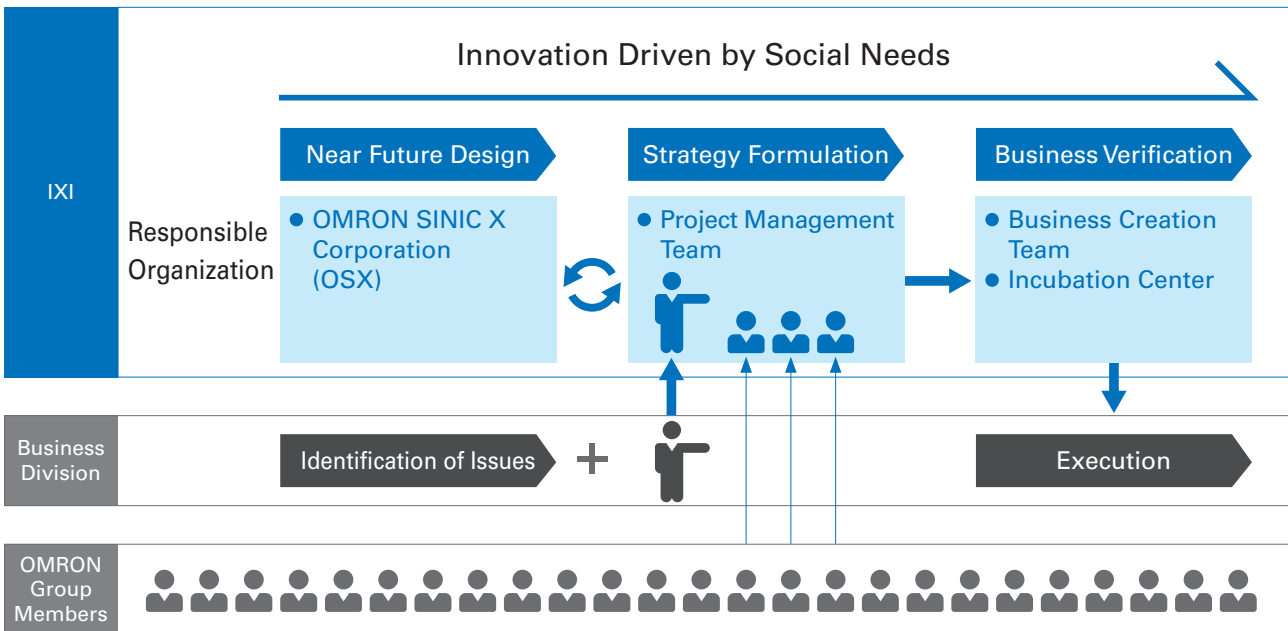
\*1 Forecasting: Develop business and technology to solve current customer issues and needs

\*2 Backcasting: Develop business and technology based on the near-future design for the next three to ten years, anchored to our future vision of social issues, technological innovation and development in science

## ■ OMRON Technology Management



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



— Many other companies have set up organizations to promote innovation, some more effective than others. Why do you think innovation acceleration initiatives are proving successful at OMRON?

For many years now, OMRON has used a process template for backcasting to create innovation driven by social needs. Another big factor is our ingrained corporate culture in which employees take the initiative to do courageous things.

This process template was in the mind of our founder, an amazing entrepreneur. He was both businessperson and engineer, combining both aspects to identify signs of change in the world and develop a super-specific image of the future. At OMRON, we call this *near-future design*. We contribute to a better society by developing technologies and products necessary to achieve near-future design, incubating businesses that become an indispensable part of society. What we will do is take the concept of backcasting near-future design for innovation driven by social needs, which existed as tacit knowledge in the mind of our founder, and convert it into a process based on explicit knowledge for use across our organization.

As an example, let's look at the **innovative-**Automation and *Zero Event* goals we are pursuing through our Industrial Automation Business and Healthcare Business. We have backcast from a near-future vision to start businesses in factory automation and healthcare domains. We will roll this process out across our entire group in the future.

The OMRON Principles play a very big role in our corporate culture, which is one of our major strengths. The OMRON Principles espouses three important values: (1) Innovation Driven by Social Needs; (2) Challenging Ourselves; and (3) Respect for All. These values have taken hold in our employees. When we challenge them to create innovation driven by social needs, many respond enthusiastically, without fear of failure. We remain committed to incorporating ideas from outside our organization, and we have embraced open innovation.

> Value Creation Model (P6)

> Message from the CEO (P8)

Vision

Strategy

Business

Governance

Financial Information

Corporate Information



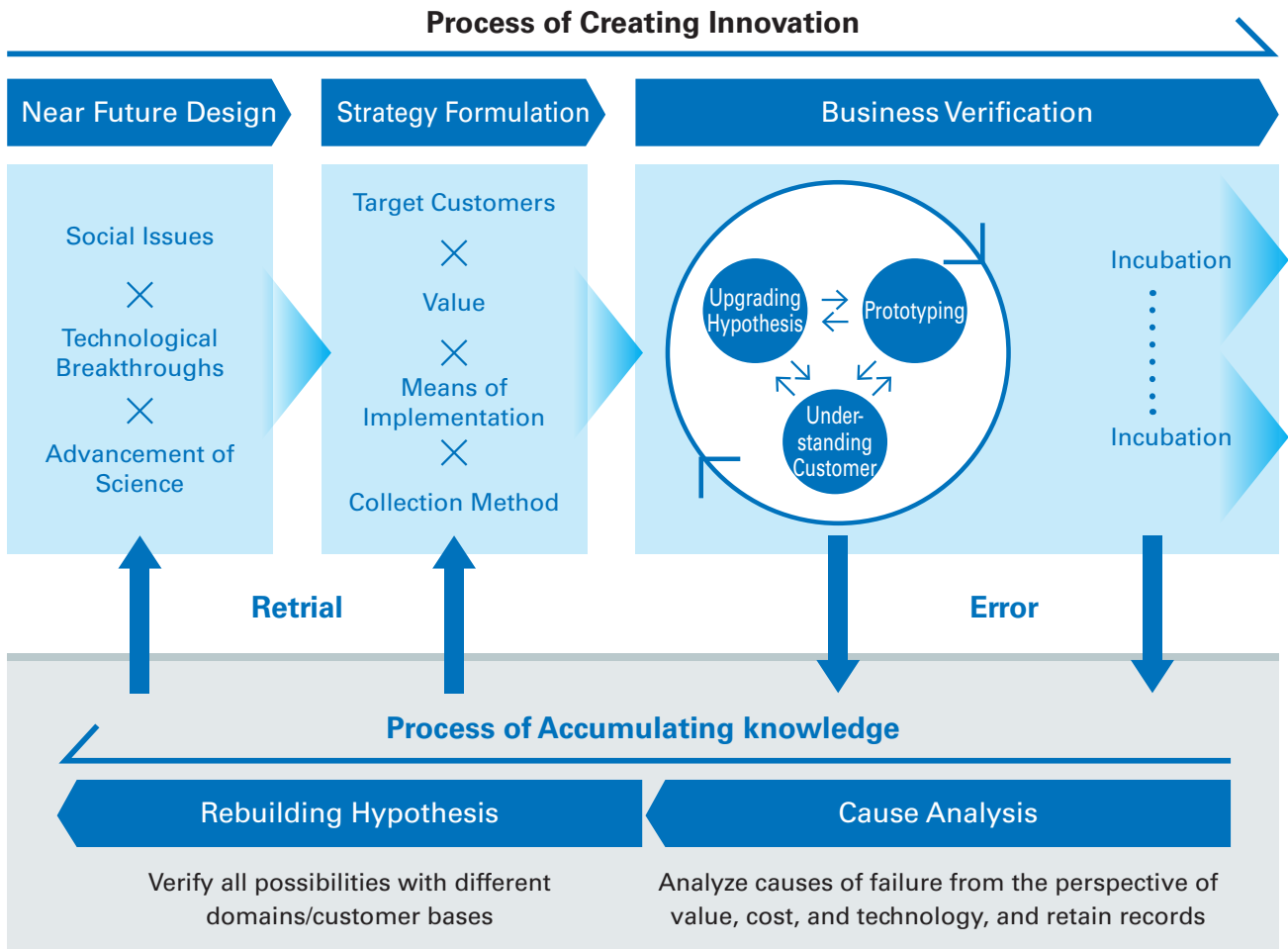
## — Can you tell us about any specific initiatives for accelerating innovation driven by social needs?

As our corporate innovation platform, the Innovation Exploring Initiative HQ (IXI) is responsible for backcasting the social needs process for near-future design, strategy formulation, and business verification IXI is home to many experts from both inside and outside our organization. We established OMRON SINIC X Corporation (OSX) as a separate company under the umbrella of IXI to develop near-future design. 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 its talented staff, while working with research groups inside and outside OMRON, engaging in open innovation and performing near-future design. To maximize the effectiveness of these activities, OSX provides unique human

personnel hiring and evaluation systems, including allowing side businesses and moonlighting, that could only work practically under the structure of a separate company. I think the freedom with which OSX researchers work will be a model of work-style reform.

Another important role of IXI is to be the storehouse of knowledge for OMRON in order to speed innovation driven by social needs. To create new value, we must double and triple our attempts. I'm sure we will see our share of failures. Each failure is one more point of learning we can accumulate to ensure future success. Our performance evaluations stress process even more than results, encouraging employees to try and try again without fear of setbacks.

## ■ Process of Creating Innovation by Social Needs







OMRON SINIC X Corporation, home to top researchers in AI, IoT, robotics, and other leading-edge technologies.

(Photo, from left) Technology Advisor Yoshitaka Ushiku (concurrently working at the University of Tokyo), Technology Consultant Satoshi Kurihara (concurrently working at UEC and Keio University), Researcher Felix von Drigalski (Ph.D., Nara Institute of Science and Technology), and Researcher Atsushi Hashimoto (formerly of Kyoto University)

### — Last question. What do you think is most important for innovation driven by social needs?

Managing our processes effectively and fostering our people.

We have mechanisms and organizations in place. In the future, we need to carefully study whether these frameworks are working effectively. One job of the IXI is to make sure information within divisions is identified and shared across our entire group. At the same time, IXI is responsible for communicating information to entities outside the company on a timely basis. Active internal and external communications in this way will help our mechanisms function effectively.

Our people, however, are the most important factor. We have charged IXI with a responsibility for providing a space to develop our strategic personnel. Strategic personnel are those people who will carry OMRON forward, displaying the architecture skills, communications skills, and

follow-through necessary to lead our business. When we want to launch a new project, we put the idea together with strategic personnel from the business division in question under the offices of the IXI, after which a team is formed consisting of people from different backgrounds. After participating in and gaining experience in several projects, these strategic personnel return to their divisions providing even greater contribution. In this way, we make full use of our strategic personnel in mechanisms and organizations, producing innovation after innovation for social needs. This process makes sure innovation at OMRON does not rely on a single person of genius. Rather, innovation for social needs at OMRON is driven organizationally.

You can expect more innovation driven by social needs from OMRON in the future.

# Creating Innovation in Focus Domains

## Factory Automation

Factory automation is a critical element of manufacturing for the vehicles, home appliances, and other products to enrich people's lives over the world. At OMRON, the Industrial Automation Business is the main segment that drives business in the domain. We follow a unique concept called **innovative-Automation** to bring production floor innovations to our customers around the world. We offer manufacturing technologies and solutions backed by an industry-leading lineup of products, solving social issues in the factory automation market.

### Manufacturing Innovation Solving Production Floor Issues

Today's labor market suffers from a shrinking labor force due to aging and declining populations, soaring labor costs among emerging economies, and a critical shortage of skilled engineers. At the same time, production floor processing and assembly tasks are becoming more sophisticated and complex. Maintaining and improving high quality manufacturing is now the next issue to solve. Given these

circumstances, expectations are higher than ever for solutions via AI, IoT, robotics, and other technological innovations. **innovative-Automation**, combining our extensive lineup of automation control devices with technology innovation, serves as a platform for working with customers on day-to-day innovations to solve production floor issues.

### Fiscal 2020 Targets and Fiscal 2017 Progress

#### Fiscal 2017 Progress

##### Net Sales in Domain

Industrial Automation Business (IAB) **¥396.1 billion**

##### Progress Toward Sustainability Goals

Evolution in *integrated, intelligent, interactive* through co-creation with manufacturing customers (eg. Launch of i-BELT production floor data service)

#### Fiscal 2020 Targets

##### Sales Target

Industrial Automation Business (IAB) **¥480 billion**

##### Sustainability Goals

**New innovative-Automation products across four focus industries**

– Control technology for manufacturing innovation –

Applicable SDGs



Industry, innovation and infrastructure



## **innovative**-Automation, Only From OMRON

**innovative**-Automation is a concept combining emerging production floor needs and the unique OMRON value to provide automation solutions. This concept incorporates three interrelated *is* to deliver

the future of manufacturing to our customers:

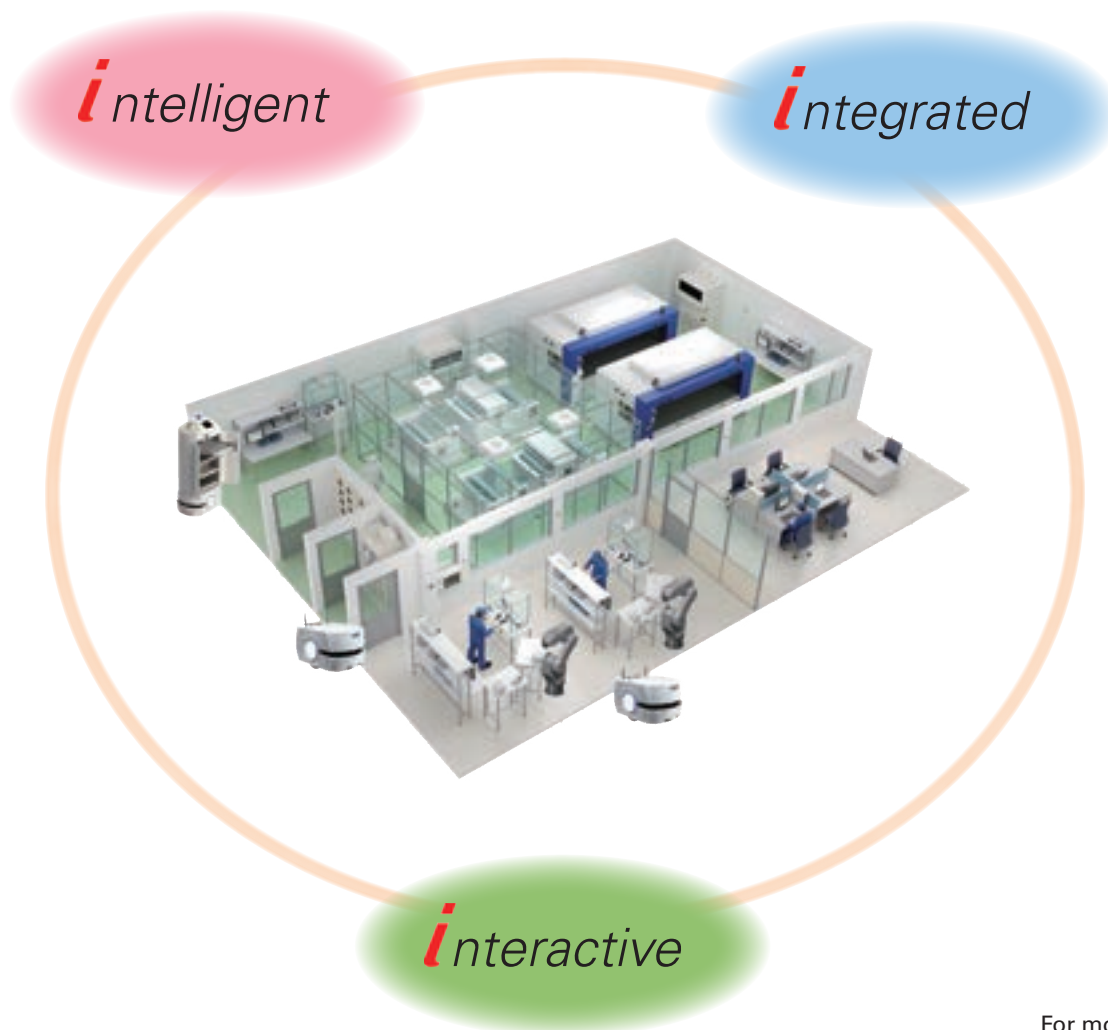
**integrated** (evolution in control), **intelligent** (intelligence developed through ICT), and **interactive** (new harmonization between humans and machines).

### **Intelligence developed through ICT: Realization of manufacturing in which machines learn and evolve through maximum use of data**

We leverage the 200,000 different OMRON control devices, AI, IoT, and other digital technologies to raise productivity and quality on the production floor through ongoing evolutions in automation (self-learning machines, etc.).

### **Evolution in control: Productivity gains through ultra-high-speed, ultra-high- precision machine controllers**

Advanced replication of the skills and expertise of human engineers, allowing for unprecedented high-speed, high-precision processing and assembly. Our unique automation technology improves manufacturing productivity and product quality.



### **New harmonization between humans and machine: Pursuit of ultra-high flexibility through human-machine collaboration**

Our goal is to create an ultra-adaptive production floor in which machines anticipate and assist human movement.

For more about  
this topic:



## Fiscal 2017 Highlights

OMRON offers critical control devices for the production floor, from sensors and other input devices to controllers, servo motors, and other output devices, from industrial robots to safety equipment. Our engineers work closely at customer facilities to develop control devices that now outnumber any competitor in our industry. OMRON Automation Centers engineers visit customer manufacturing sites to conceive and produce unique control applications incorporating a wide range of control devices.

In fiscal 2017, we acquired leading industrial camera maker SENTECH Co., Ltd. (Japan) and industrial code

reader Microscan Systems, Inc. (U.S.), which owns a significant share of its main market. These acquisitions provide a solid foundation for the products and applications that serve as the key components of **innovative**-Automation. We also built more Automation Centers around the world to expand our control application offerings and support customers in solving their production challenges.

### SENTECH Acquisition (July 2017)

SENTECH is an industrial camera maker boasting an extensive lineup of nearly 200 different cameras featuring technology allowing high-resolution features in small design packages. We are combining the SENTECH ultra-compact high definition camera design and development technologies with our own image processing technologies for innovative factory floor solutions.



### Microscan Systems Acquisition (October 2017)

Microscan develops a variety of code readers, including bar code readers, 2D code readers, and verification devices\*. We are working with Microscan to code information for a multitude of objects (components, equipment) on the production floor to provide a flexible manufacturing environment that meets a diverse range of needs. At the same time, this technology will provide greater traceability for resolving frequently occurring quality issue, improving safety and raising confidence.

\* Verification Devices: Devices that verify whether a printed code meets specifications for quality.





## Building More Automation Centers to Co-Create With Customers

OMRON Automation Centers serve as **innovative**-Automation hubs, engaging in critical co-creation activities with an infinite variety of customers to develop new control technologies. Our centers are home to a total 1,100 experts in production and robotics technologies who are also well-versed in actual production floor conditions. These experts conceive and develop new applications built on a base of more than 200,000 different types of OMRON control devices. Our 17 Automation Centers and PoC Labs\* are located in the United

States, China, Spain, and other areas of the world. These facilities prove the effectiveness of unique OMRON control solutions, including significant leaps forward in the speed of equipment movement, new processing methods, traceability systems, and more.

\* Proof of Concept Labs: Facilities running verification tests on actual equipment.

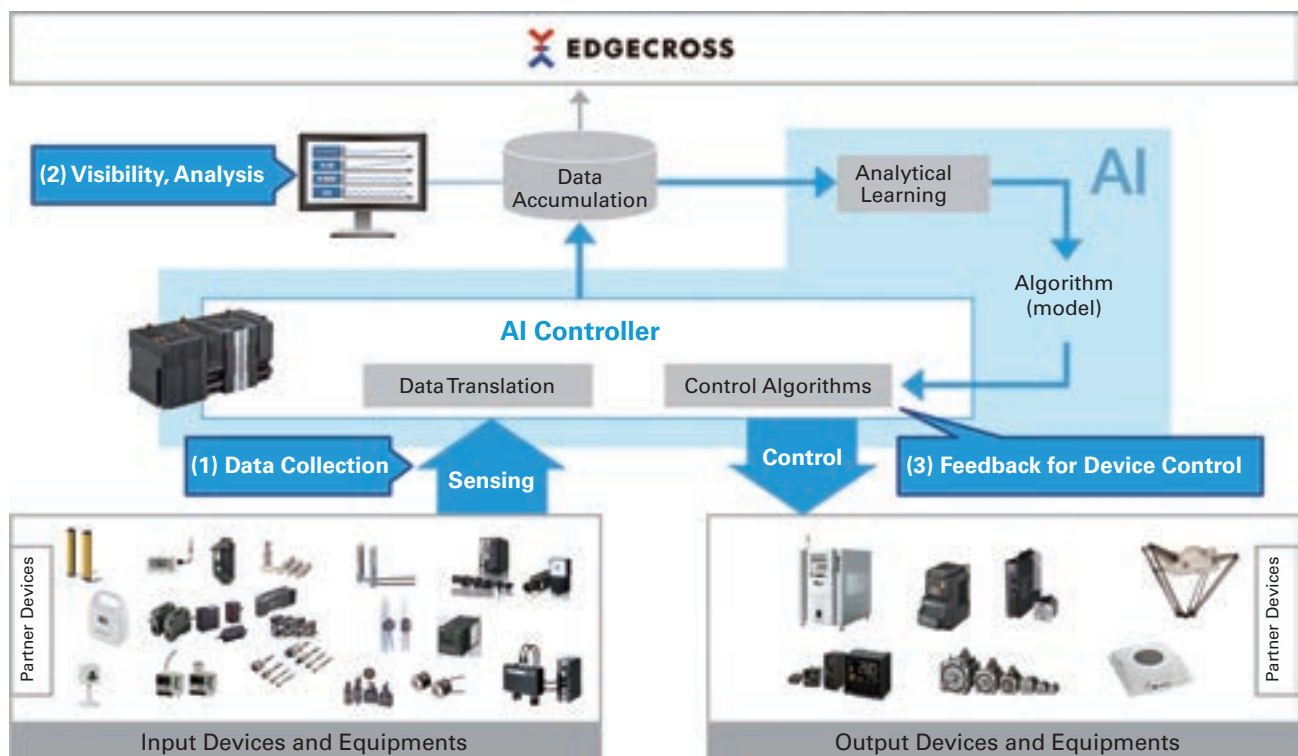


## Looking to the Near Future

### Introducing i-BELT, a Co-Creation Business Model for Innovation

World-wide shortages of technical staff have presented challenges for maintaining and improving productivity and quality. This situation calls for replicating the skills and knowledge of experienced employees through automation, using AI, IoT, robotics, and other technologies. However, many customers have yet to adopt specific manufacturing productivity initiatives based on IoT data, etc., being unable to develop practical solutions on their own. In answer to this problem, OMRON launched i-BELT as a new and innovative business model in fiscal 2017. i-BELT is a service that uses data based on expertise and skills from OMRON and customer sources to allow anyone the ability to incorporate IoT easily into their manufacturing practices.

i-BELT consists of three major services: (1) Data collection and accumulation; (2) Data visibility and analysis; and (3) Device control. This has been possible by the use of our AI controller, the first of kind in the industry. We have already developed partnerships to incorporate devices from other manufacturers into the i-BELT system. The Edgexcross Consortium is an organization we operate with other companies, aiming to harmonize factory automation and IT beyond the traditional boundaries of corporations and industries. This organization is one more piece of the puzzle to building a highly practical data-usage environment for our customers.





## An In-Depth Look

### innovative-Automation Model Factory: Opportunities for Co-Creation

Our Automation Centers and local factory staff work together to develop control device solutions in our own plants that we can introduce to our manufacturing customers. We call these plants model factories for innovative-Automation acceleration, publishing the processes and results of our efforts. Each year, more than 2,000 customers visit one of these facilities around the world.



Kusatsu Plant (Exterior)



Kusatsu Plant (Interior)

#### Case Study 1: Using Data to Automate Artisanship

Today's employment environment struggles with shortages of skilled workers and apprentices. To solve this issue, our Kusatsu Plant has taken up the challenge to replicate and automate the skills and knowledge of experienced engineers. Making metal molds requires a machining center\* operated under the experience and intuition of a skilled machinist. This is a key to quality and productivity for a mold manufacturer. In observing a skilled machinist at work, we noticed their careful attention to the differences in sound from the piece they were grinding. Accordingly, we went about automating this experience and skill. After much trial-and-error, we developed a proprietary algorithm to convert vibration data into sound. Using changes in sound combined with insight from experts, we were able to incorporate this technology into machine control, reducing processing time by 40 percent and tool wear by 20 percent.

\* Machining Center: Machine tool for processing metal components.



Highly skilled engineers can detect differences in sound

#### Case Study 2: Freeing Workers From Monotonous Labor Through Robotics and Manufacturing Technologies

Our plants in Shanghai, Kusatsu, and Ayabe are working to solve the issue of labor shortages by automating lifting and transport tasks using autonomous mobile robots. Mobile robots outfitted with proprietary AI sensing technology can move autonomously through a plant without causing injury to humans or damage to property. We are working with customers to develop mechanics integrating robot, conveyor, and equipment, allowing these robots the ability to handle products of various sizes, shapes, and weights. Adaptive lifting and transport of this type will not only solve labor shortages, but also create an environment in which humans can focus on creating higher value.



Mobile robot with proprietary mechanics

# Healthcare

Healthcare Business provides the world with devices and services critical to healthy and active living. Blood pressure management used to be the sole domain of hospitals. Today, OMRON works with healthcare professionals to spread word of home-use digital blood pressure monitors that make measurements easy and accurate. In this way and many more, OMRON will continue to solve social health issues related to cardiovascular disease, respiratory disease, and pain management, contributing to a better future society.

## Extending Healthy Life Expectancies and Reducing Health Care Costs

The ultimate vision of our cardiovascular disease business is *Zero Events*. Zero Events means completely eliminating the incident of brain disease and cardiovascular disease. High blood pressure is a major cause of event onset. Human blood pressure is never constant. It fluctuates continuously, rising in response to stress, alcohol consumption, smoking, sleep apnea, and other conditions. OMRON plays an important role in preventing high blood pressure, offering products and services that ensure everyone receives the best diagnoses and treatment possible. Our devices collect and analyze data about blood pressure, sleep time and quality and activity level. We can even track data related to genetics and environment.

Our respiratory disease business, which deals in nebulizers and other products, aids in the early detection and treatment of asthma. Much of our work is in the emerging economies of the world, where a rise in air pollution is making asthma-related spasms

even worse. Our pain management business is dedicated to helping people live healthy, active lives. Here, we offer low-frequency therapy equipment and other products to help manage pain without relying on drugs. Our solutions relieve issues with foot, back, and knee pain that tend to hinder everyday activity.

At OMRON, we are proud of our role in helping extend healthy lives, reduce soaring medical costs, and solve other social health issues through the prevention and treatment of lifestyle diseases.

### Global Health Issues

Brain and Cardiovascular Disease Patients* <sup>1</sup>	17.5 million
Respiratory Disease Patients (Worldwide)* <sup>2</sup>	440 million
Chronic Pain Patients (Japan, U.S.)* <sup>3</sup>	73 million

Sources:

\*1 World Health Organization

\*2 International Respiratory Societies

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

## Fiscal 2020 Targets and Fiscal 2017 Progress

### Fiscal 2017 Progress

#### Net Sales in Domain

Healthcare Business (HCB) **¥108.5 billion**

#### Progress Toward Sustainability Goals

Adoption of home-use blood pressure monitors and nebulizers in emerging economies struggling with rising lifestyle and respiratory diseases (India, China, etc.)

### Fiscal 2020 Targets

#### Sales Target

Healthcare Business (HCB) **¥150 billion**

#### Sustainability Goals

- Blood Pressure Monitor Sales: 25 million units/year
- Develop Technologies to continuously monitor blood pressure fluctuations\*<sup>4</sup>
- Nebulizer + Asthma Wheeze Monitor Sales: 7.65 million units/year

Applicable SDGs



Good Health and Well-Being

\*4 Target added

## Eliminating Diseases Related to High Blood Pressure: *Zero Events*

### An Evolution in Solving Social Health Issues



***Zero Events* is a major OMRON initiative to completely eliminate deaths, bed confinement, and other events arising from **stroke, myocardial infarction, and high blood pressure.****

### Fiscal 2017 Highlights

#### Developing Innovative Devices for Advanced Blood Pressure Tracking

Blood pressure is never in a steady state. It fluctuates throughout the day and varies from person to person. Understanding the when and why of these individual fluctuations is key to preventing and treating high blood pressure. However, to gain this understanding requires more frequent measurements throughout the day. In response, OMRON is developing wearable blood pressure monitors worn constantly like a

wristwatch. These monitors let users measure their own blood pressure comfortably throughout the day to identify fluctuations. These devices also track activity (number of steps, etc.) and sleep data.

We are also developing combination blood pressure with electrocardiograph devices that can share data with personal physicians, revolutionizing personal health care in the near future.

#### Advancements in Blood Pressure Monitors



## Looking to the Near Future

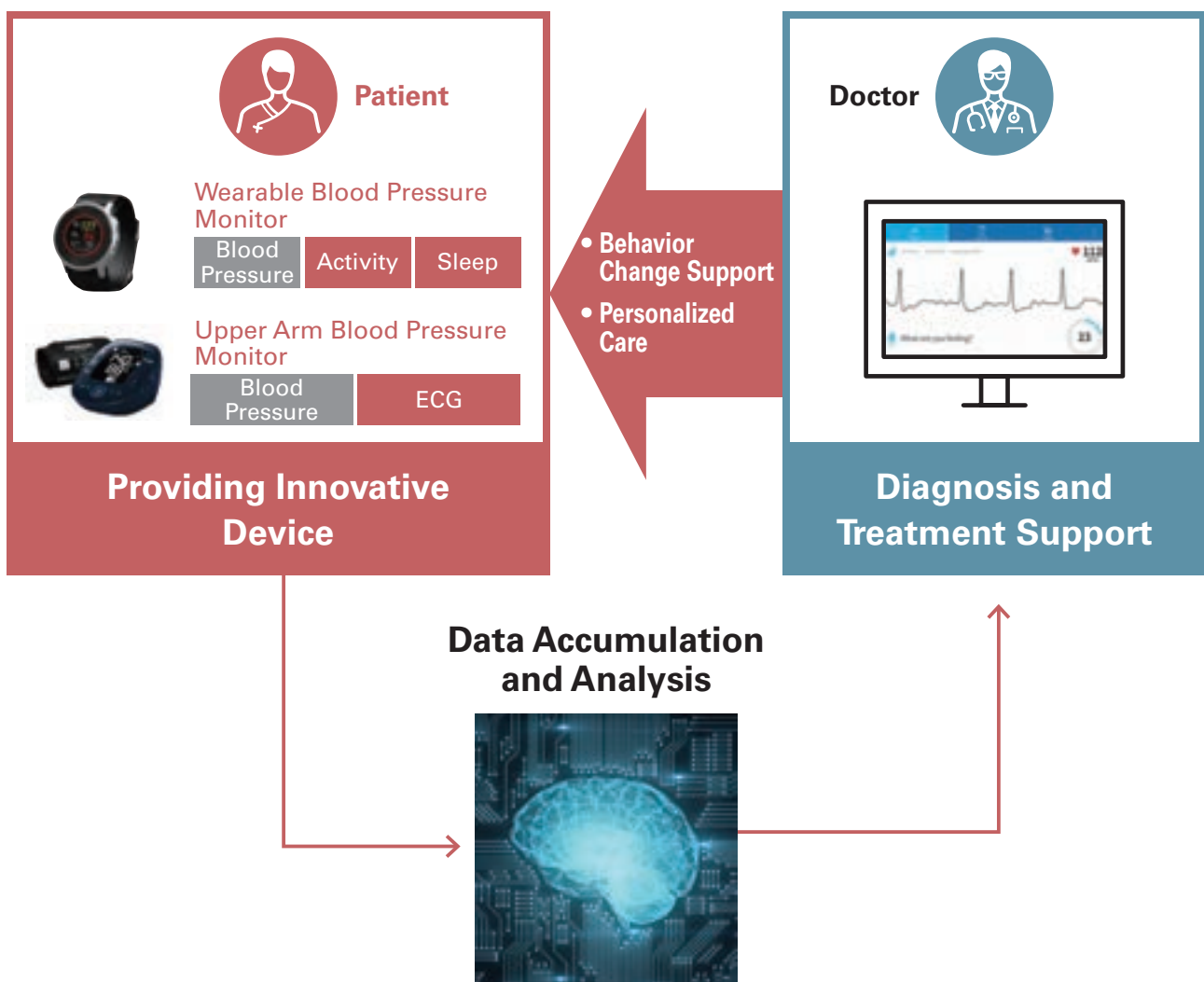
### Personalized Healthcare for *Zero Events*

#### Individualized Diagnosis and Treatment Support Services

OMRON is developing sensing devices that collect and analyze a wide range of health-related data from patients. This data includes vital signs, lifestyle data (exercise, diet), medical and genetic data (personal and family health history, etc.), and much more. We are also developing advanced algorithms that use this data to identify the risk of brain and cardiovascular diseases with high precision. We are developing services and applications that use this data to help

users reduce salt intake, exercise more, know when to go to the hospital, take their medicine, and provide other reminders and support tailored to the individual's own characteristics and preferences.

OMRON is changing the notion of personalized medical care through diagnosis and treatment support services used by medical professionals and behavior change support services used by individuals for personal health management.



## An In-Depth Look

### Rising Use of Home-Use Blood Pressure Monitors to Battle High Blood Pressure in Emerging Economies

More than 1 billion people are believed to suffer from high blood pressure around the world. In emerging economies, where middle-class populations are exploding, we expect to see a major rise in patients suffering from high blood pressure due to lifestyle diseases.

At OMRON, we believe in-home blood pressure management is an important part of prevention and improvement. We have been working with governments and medical institutions for many years to speed the adoption of home-use blood pressure monitors. Under this initiative, we cooperated with the International Society of Hypertension and the World Hypertension

League in a blood pressure measurement project, conducted in 100 countries in conjunction with World Hypertension Day on May 17, 2017. For our part, we sponsored activities in India, China, and several other countries to educate citizens about measuring blood pressure regularly. In India, we held blood pressure measurement events in 13 cities, taking measurements for more than 1,300 people in total. In China, we worked with the Chinese hyper tension association, the Ruijin Hospital (Shanghai Jiao Tong University School of Medicine) and the Shanghai Research Institute of Hypertension, donating 8,720 blood pressure monitors and taking measurements for nearly 490,000 people. Our fiscal 2018 goal is to conduct similar activities across 200 cities, taking blood pressure readings for 1 million people.



Joint press announcement about the World Hypertension Day blood pressure measurement program.

### Expanding Production Capacity for Latin American Markets

Brazil and other Latin American markets are experiencing a rise in high blood pressure and asthma patients, linked to a growing middle class and lifestyle changes. In response to these circumstances, OMRON acquired Brazilian nebulizer maker NS Indústria de Aparelhos Médicos (NS) in 2014. This acquisition provided access to NS sales channels for our blood pressure monitors and nebulizers. In 2017, we built a new blood pressure monitor production line inside NS, starting production of wrist blood pressure monitors for sale in Brazil. In May 2017, we began construction of a new plant in Brazil to manufacture blood pressure monitors and nebulizers for sale in Latin American markets. We expect the plant to commence operations in 2019. Our aim is to increase production capacity in Brazil from 1.2 million units in 2017 to 5.4 million units in 2022, meeting the growing demand in Latin America for our products.



# Mobility

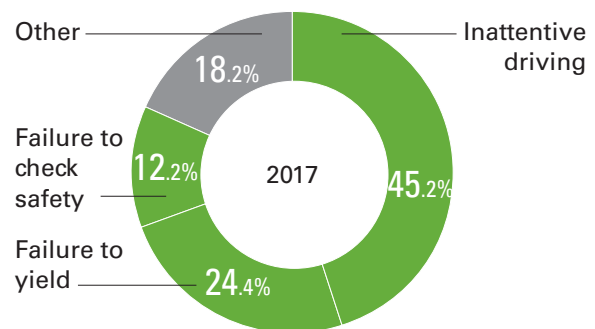
Our goal in the mobility domain is to create a stress-free, safe, comfortable urban traffic system. The main OMRON businesses tied to mobility are our Automotive Electronic Components Business (AEC) and our Social Systems, Solutions and Service Business (SSB). Under these two segments, we pursue safety, convenience, and free traffic flow through automobile components, traffic and road management systems, and railway station management systems. OMRON will continue building a mobility society in which people around the world can live in a safe, secure, comfortable, and clean environment.

## Eliminating Driver Error

Nearly 80 percent of Japan's traffic accidents occur due to inattention ahead of the vehicle and other similar driver error. Elderly drivers, increasing in number over the past several years, have been a major factor in such accidents.

The world's leading auto manufacturers and many other companies are developing driving safety support technologies to address this serious social issue. At OMRON, we are combining our expertise in automotive electronics technologies and road and traffic control to develop technologies used both inside and outside the vehicle. These technologies will support safer driving and lead ultimately to a more secure, safer mobility society.

### Causes of Traffic Accidents (Japan)



(Source) 2017 Traffic Accidents Situation, Traffic Bureau, National Police Agency  
Freeway Traffic Accidents by Cause (First Party)

## Fiscal 2020 Targets and Fiscal 2017 Progress

### Fiscal 2017 Progress

#### Net Sales in Domain

Automotive Electronic Components Business (AEC) **¥131.2 billion**

Social Systems, Solutions and Service Business (SSB) **¥63.7 billion**

#### Progress Toward Sustainability Goals

- Introduced DriveKarte (ACE, SSB), world's first driver management service for safe driving using on-board driver monitoring sensors
- Developed high-precision 3D-LIDAR (AEC); self-driving technology
- Ratio of high fuel efficiency products in eco-friendly vehicles: 36% (AEC)

### Fiscal 2020 Targets

#### Sales Targets

Automotive Electronic Components Business (AEC) **¥150 billion**

Social Systems, Solutions and Service Business (SSB) **¥80 billion**

#### Sustainability Goals

- Creation of driving safety support systems/technologies (SSB)
- Creation of 360-degree around-the-vehicle recognition technology for advanced driver assistance/automated driving (AEC)
- Number of vehicles equipped with eco-friendly products: 12 million/year (ratio of high fuel efficiency products; 50%)\*

Applicable SDGs



Sustainable Cities and Communities



Affordable and Clean Energy



Good Health and Well-being

\* Target updated





## Fiscal 2017 Highlights

### New Products for Driver Safety

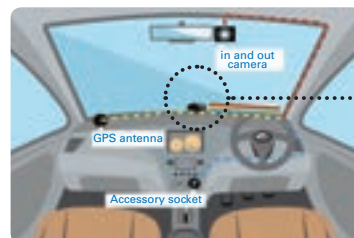
3D-LIDAR and *DriveKarte* are two leading examples of driver support technology under development at OMRON.

3D-LIDAR is a jump forward in the advancement of self-driving vehicles on public roads. The cameras and millimeter-wave radar used in most forward-detection sensors today have major weaknesses, including performance in bad weather and the detection of certain types of obstacles. 3D-LIDAR, on the other hand, can be used in parallel to detect curbs, drop-offs, and other obstacles as small as 10 centimeters and as far away as 30 meters.

The DriveKarte is a management service that uses data collected from on-board driver monitoring sensors. We have started sales of DriveKarte to customers in the logistics and other industries struggling with chronic labor shortages. The system detects dangerous driving conditions (sleep, distracted driving, etc.) based on the driver's eyelids, line of sight, and other attributes. When a dangerous condition is detected, the system warns the driver and sends an email to an operations manager. We are developing a score that will be useful in detecting dangerous driving conditions and providing guidance for safe driving.



3D-LIDAR



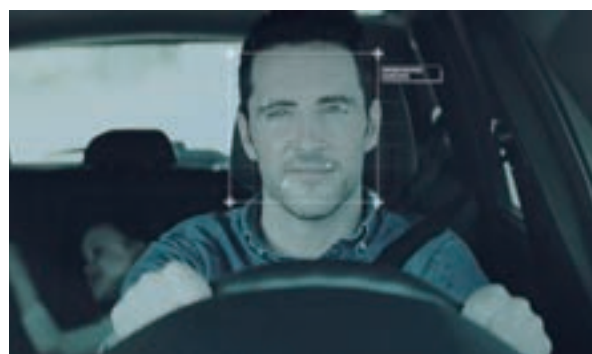
DriveKarte\*

\*Trademark registration pending

## Looking to the Near Future

### Advanced Driver Information Sensing

We have launched a new initiative in safe driving technology: Driver biological information diagnosis. We are integrating our industry-leading biological information sensing technologies (blood pressure, pulse wave) into safe driving systems to manage the physical condition of a driver. We expect this technology will be used in applications to prevent accidents of the type caused by the incapacity of an elderly person behind the wheel.



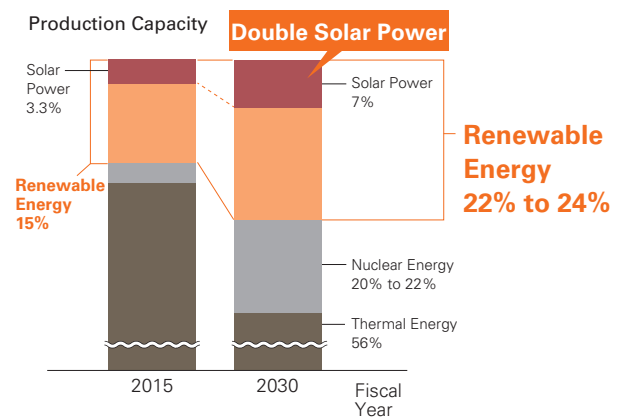
# Energy Management

Our energy management domain advances the adoption of renewable energy to reduce CO<sub>2</sub> emissions and build a society in which people live in comfort. We work with our partners to promote the use of power conditioners and storage battery systems for the benefit of a clean environment. The OMRON Environmental Solutions Business (under corporate headquarters) and Omron Field Engineering Co., Ltd. (maintenance and services subsidiary of Omron Social Solutions Co., Ltd.) are the two entities through which we conduct most of our environmental business.

## An Expanding Renewable Energy Market

While industrial activity has made our modern lives much more convenient, this same activity has given rise to increasing levels of CO<sub>2</sub> and other greenhouse gases. Today, we face the risk of major environmental damage and economic loss. The government of Japan has set targets to increase the use of energy from renewable sources from 15 percent (fiscal 2015) to 24 percent by the year 2030. Forecasts estimate the use of solar power will double, from 3.3 percent to seven percent in that same time frame. OMRON is doing our part to promote renewable energy and reduce greenhouse gases through power conditioners and storage batteries used in connection with solar power systems.

### Japan's Future Energy Structure



## Fiscal 2020 Targets and Fiscal 2017 Progress

### Fiscal 2017 Progress

#### Progress Toward Sustainability Goals

Cumulative shipped capacity of solar power/storage battery systems: 8.0GW

### Fiscal 2020 Targets

#### Sustainability Goals

Cumulative shipped capacity of solar power/storage battery systems: 11.2GW

Build the energy resource aggregation business using solar pv/storage systems (Japan)\*

Applicable  
SDGs



Affordable and Clean  
Energy

Climate Action

\* Target added

## Fiscal 2017 Highlights

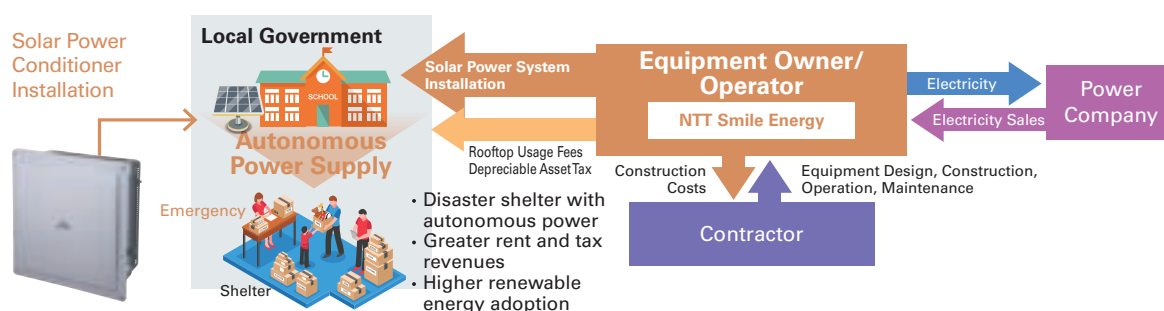
### A New Use Case for Solar Power Systems

A new trend in solar power system adoption is taking hold. Solar power systems have had challenges gaining traction among local governments due to costs and maintenance issues. NTT Smile Energy<sup>\*1</sup>, however, has come up with a novel solution. Rather than installing solar power systems in public facilities and charging electricity usage fees, the company has introduced a service for local governments to pay rent on solar power installations. This service makes it

possible to supply electricity to local governments, which can be used as autonomous power during power outages. Where does OMRON come in? We supply the power conditioners for these systems, the preferred choice based on our track record in the field. In this way and many others, OMRON is committed to spreading the use of renewable energy, as we work with partners to develop new service models.

<sup>\*1</sup> NTT Smile Energy is a joint venture funded by OMRON and NTT West Corporation, established in June 2011.

#### Free School Solar Power Installation Project

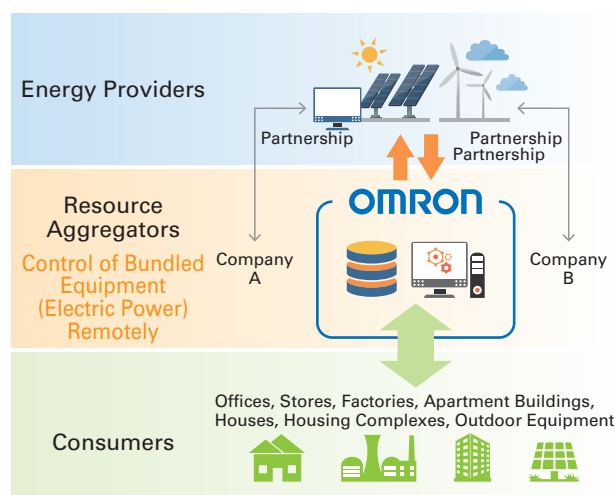


## Looking to the Near Future

### Building a Power Aggregation Market Using Solar Power and Storage Batteries

More companies around the world are embracing the international RE100<sup>\*2</sup> initiative, adopting renewable energy for the transition to a low-carbon society. Demand for renewable energy is rising in Japan, just as in many regions, requiring aggregation of electricity and effective controls. OMRON is leveraging our strengths in equipment installation, servicing, and maintenance to create an aggregation business that bundles electricity from solar power systems with controls and intelligently networked equipment.

<sup>\*2</sup> RE100 is an international initiative supported by companies committed to using 100% renewable power.



# Human Resources Management

## Personal and Organizational Growth, the Driver of Innovative Creation

Under VG2.0, our human resources strategy calls for creating a strong company where employees grow, enjoy their work, and improve performance

continually. We have set goals for the year 2020 in the five following different areas to accomplish this objective.

### Progress Toward Human-Resources Related Sustainability Goals



	Fiscal 2020 Goals/KPIs	Fiscal 2017 Progress
Talent Attraction and Development	<ul style="list-style-type: none"> <li>Evolve and advance the OMRON Global Awards (TOGA)  </li> <li>Ratio of non-Japanese in managerial positions overseas: 66%</li> <li>Accelerate the PDCA cycle via employee engagement surveys </li> </ul>	<ul style="list-style-type: none"> <li>Increase in the number of projects designed to solve social issues</li> <li>Ratio of non-Japanese in managerial positions overseas: 49%</li> <li>Identified 10 management issues</li> </ul>
Diversity and Inclusion	<ul style="list-style-type: none"> <li>Ratio of women in managerial roles (Japan): 8%</li> <li>Employment of disabled individuals: employ more disabled individuals than required by law</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of women in managerial roles (Japan): 3.6%</li> <li>Ratio of employees with disabilities: 2.6% (Japan)</li> </ul>
Wellness Management	<ul style="list-style-type: none"> <li>Raise awareness of personal wellness management, Boost 5 (Japan)</li> </ul>	<ul style="list-style-type: none"> <li>Published the OMRON Health Management Declaration</li> <li>Health information seminars for employees</li> </ul>
Occupational Health and Safety	<ul style="list-style-type: none"> <li>Working to obtain international occupational safety and health certifications at major production centers (representing 80% of production capacity)</li> </ul>	<ul style="list-style-type: none"> <li>Launched projects at six production centers</li> </ul>
Respect for Human Rights and Labor Practices	<ul style="list-style-type: none"> <li>Define and adopt due diligence process</li> <li>Human resources risk analysis and corrective actions at production centers</li> </ul>	<ul style="list-style-type: none"> <li>Revised policy and structure system for human rights</li> <li>Risk analysis based on Responsible Business Alliance* self-assessment questionnaires: Performed at 16 production centers</li> </ul>

(Note) Highlights of major goals and performance provided for reference. Please see the OMRON corporate website for more about our sustainability targets and progress.

\* Global CSR alliance for the electronics industry.

## Case Study

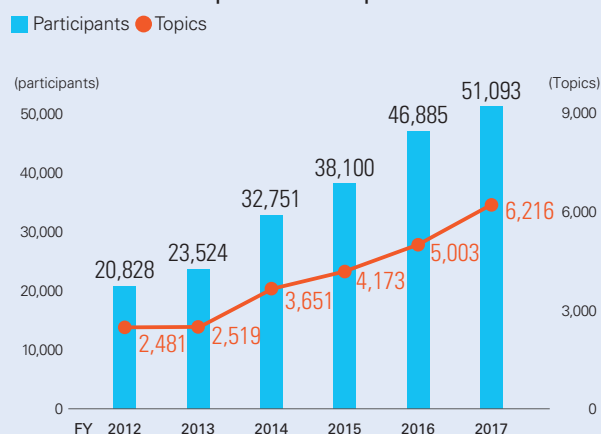
### TOGA and Engagement Surveys for Sustainable Growth

OMRON seeks leaders who can drive innovation and talented employees to solve social issues through our businesses. Launched in 2012, the Omron Global Awards (TOGA) is an annual global employee-participation awards presentation. TOGA is an important part of how OMRON builds a culture motivated to put the OMRON Principles into practice through their work. In 2016, we introduced the VOICE engagement survey (VG OMRON Interactive Communication with Employees). This voice-interactive survey for employees dealing with social issues encourages frank feedback by which management uncovers and addresses issues in our business. These two initiatives are critical parts of sustainable growth for our people and our organization.

#### ① TOGA Evolution and Advancement

TOGA is becoming a more important part of our global organization with every year. We saw record participation in fiscal 2017 with more than 50,000 employees. At first, many entries dealt with the employee spirit of challenge. Today, we see more initiatives that address solving social issues. We are also seeing more projects that span national, regional, and business borders, as well as examples of solving social issues through innovative partnerships with customers, government institutions and others.

#### Number of Participants and Topics



#### ② Engagement Surveys to Identify and Address Issues

Based on survey results from the prior year, we explored a number of different work styles (teleworking, etc.) and self-development programs in Japan during fiscal 2017. Overseas, we stepped up our talent search and human resources training. We discussed our fiscal 2017 results in the Executive Council, identifying five important issues and launching specific programs in response. These issues include decision-making speed and encouraging our younger employees to be more proactive. As an example, we are moving and evaluating human resources development functions traditionally performed in Japan overseas to increase the speed of decision-making at our operations around the world. Our head office in Europe is taking the lead in standardizing processes overseas, aimed at the future global integration of accounting and finance operations.

#### Fiscal 2017 Engagement Survey Overview

Survey Targets	All 24,000 global employees (excluding manufacturing operators)
Response Rate	85% (20,000 responses)
No. of Questions	76 Questions/15 Categories
Languages	Survey published in 26 languages
Additional Comments	7,600 (optional feedback from employees to management)
Engagement Score*	71 points (+11 points vs. prior year)
Group-Wide Management Issues	10 issues identified (five deemed high priority)

\* Score indicating pride as a member of OMRON, job motivation, and sense of accomplishment



# TOGA (The OMRON Global Awards)

TOGA is a program for sharing real-world examples of the OMRON Principles in action, fostering a culture motivated to create value. This year, we saw many TOGA entries highlighting innovation driven by social needs. These entries were inspired by creating value for society, creating value through paradigm change, and working effectively with partners inside and outside our organization.

For more about this topic:



### Case Study 1

## Medical Treatment Innovation Offers Unified Patient Administration Promoting Metabolic Management Centers (China)

More than 110 million Chinese suffer from diabetes, many also struggling with kidney, eye, or other diabetes-related complications. Meanwhile, China has only 20,000 or so diabetes specialists to offer care. Many patients must visit several different doctors, wasting precious time and money. In response to this situation, OMRON MEDICAL (Beijing) Co., Ltd. brought together diabetes specialists, pharmaceutical companies, and medical IT companies to launch standardized metabolic management centers, or MMCs, providing proper treatment for diabetes patients. The MMC is a part of a system using big data to combine examination and treatment data from hospitals with measurement data taken at home. This standardized administration platform now allows for uniform treatment for patients in China. Since its founding in 2016, the MMC system has been joined by 188\* medical institutions from 28 provinces and districts across China.

\* As of February 2018

Across 28 Provinces

## 188 Medical Institutions Join MMC



Presentation by Mr. Zhenjie Li, representing China at the global conference

## Comments from Outside Director and Audit & Supervisory Board Member

### Kuniko Nishikawa, Outside Director

OMRON TOGA entries consist of initiatives that address real issues, built on a practice of the OMRON Principles. Based on my own past experience, the Metabolic Management Center project must have been an extremely complex venture. Despite the challenges, OMRON provided an amazing solution. This program will tie in to the OMRON blood pressure monitor business and other services, potentially rolling out in other countries struggling with similar issues. The project in Mexico was another example of addressing a real issue. The manufacturing industry is grappling with the issue of declining productivity due to the lack of skilled technicians. I can see how employees who understand both technology and customer production floor operations contribute to business growth.







## Case Study 2

### Respect for All is the Key

#### Reducing Employee Turnover Through Mutual Respect (Mexico)

Omron Automotive Electronics de Mexico S. de R.L.de C.V. (OAX) is located in the state of Guanajuato, home to the largest concentration of automobile manufacturers in Mexico. Here, employment is expected to grow 46 percent through the year 2020. This environment has led to competition for employees, creating serious issue of turnover not only for OAX, but also for many other local manufacturers. OAX took the OMRON Principles declaration of Respect for All to heart, starting the OMRON High School (high school education) for the more than 100 OAX factory employees. The company also introduced 35 other projects for the local community. OAX employees felt more pride as part of an organization contributing to the economy, and fiscal 2017 employee turnover fell 21 percent year on year. These initiatives have fostered a culture of mutual respect and encouraged a culture of innovation. These programs have also forged stronger relationships between the company, customers, and the local community.

Fiscal 2017 OAX Turnover

**21% Reduction (Vs. Prior Year)**



Presentation by Ms. Krizia Chavira (left) and Ms. Adriana Guzman (right), representing the Americas at the global conference

## Hideyo Uchiyama, Audit & Supervisory Board Member (Independent)

As an outside Audit & Supervisory Board member, I have the opportunity to participate in board of director meeting discussions of OMRON's medium-term management plan, human resources strategy, and other matters. At the same time, I am deeply interested in whether frontline employees are motivated to achieve these plans and execute strategies. Does every employee have a real awareness and understanding of management goals? Seeing the TOGA presentations and talking with employees, I understand how employees worldwide put the OMRON Principles into practice in the workplace. I see how they apply the principles to their own roles within the organization. I think we can say many employees resonate with the goal of solving social issues within their own set of values, linking achievement of this goal to motivation in their work. Once again, I am convinced that the long-term improvement in OMRON corporate value is supported by the daily work and actions of focused and motivated employees.



# Manufacturing

## Supporting Innovation Through Sustainable Manufacturing Practices

Without sustainable manufacturing practices, OMRON could not produce innovations responding to rapid technology breakthroughs and emerging social needs. Sustainable manufacturing requires practices that consider product safety, labor conditions, and the

environment. At the same time, we must deliver products that customers can use with confidence. In keeping with this commitment, OMRON is working toward our fiscal 2020 sustainability goals.

### Progress Toward Sustainable Manufacturing Goals



	Fiscal 2020 Goals/KPIs	Fiscal 2017 Progress
Product Safety and Quality	<ul style="list-style-type: none"> <li>Ratio of product safety assessments for newly developed products: 100%</li> <li>Upgrade of product safety assessments*<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>100% implementation</li> </ul>
Supply Chain Management	<ul style="list-style-type: none"> <li>Sustainability self-checks at major suppliers*<sup>2</sup>: 100% implementation; score of 85 points or better</li> </ul> 	<ul style="list-style-type: none"> <li>Sustainability self-checks at major suppliers: No companies scoring below 65 points</li> </ul>

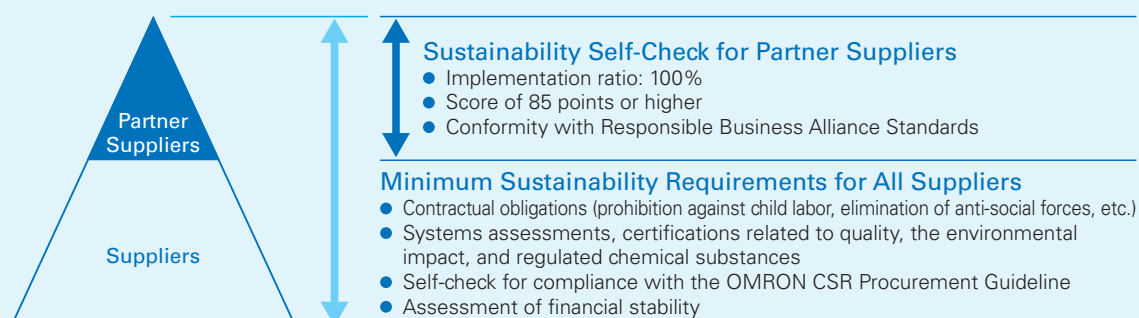
\*1 Target added

\*2 Sustainability Check: Questionnaire sent to suppliers who self-report their initiatives regarding labor, occupational health and safety, environment, and other categories. Companies scoring 85 points or higher are considered a low risk; a score of below 65 is considered a high risk. Conformity with Responsible Business Alliance standards.

### Case Study

## Building Sustainability Together With Suppliers

As we deal with a more diverse and global group of new suppliers, we recognize the pressing need to bolster sustainability in our supply chain. At OMRON, we work with our suppliers to build a sustainable society, identifying as partner suppliers those whom we judge as outstanding in quality, cost, delivery, environment, and safety. We ask major suppliers to complete a sustainability self-check in accordance with standards established by the Responsible Business Alliance. Besides self-checks for partner suppliers, we have defined minimum sustainability standards for all global suppliers. In fiscal 2017, our joint efforts with suppliers resulted in every partner supplier scoring 65 points or higher on sustainability self-checks.



# Environment

Vision

Strategy

Business

Governance

Financial Information

Corporate Information

## Introducing *OMRON Carbon Zero*<sup>\*1</sup>

We believe that 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.

In July 2018, we set new environmental targets under *OMRON Carbon Zero*, aligned with the recent Paris Agreement and the SDGs. Our target is to reduce Scope 1 and Scope 2<sup>\*2</sup> greenhouse gas emissions to zero by fiscal 2050. Our interim goal is to reduce emissions 32 percent (vs. Fiscal 2016) by fiscal 2030. Backcasting from these targets, we have

set a fiscal 2020 goal to reduce emissions by four percent. We are even starting to consider reducing Scope 3<sup>\*3</sup> gas emissions in the near future. OMRON has announced that it will set its greenhouse gas emissions reduction target based on scientific grounds for the SBTi<sup>\*4</sup>.

We have built a global framework to achieve our environmental targets, and we are adopting energy conservation and renewable energy practices across our organization. At the same time, we are moving forward with projects that use the expertise developed in our renewable energy businesses in our own company.

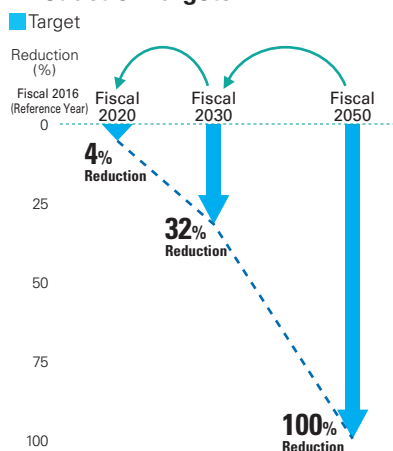
<sup>\*1</sup> OMRON Carbon Zero: a term used to gain recognition for OMRON's efforts for the reduction of greenhouse gas emissions.

<sup>\*2</sup> Scope 1 and Scope 2: Direct greenhouse gas emissions from the use of fuels at our company (Scope 1) and indirect greenhouse gas emissions resulting from the use of electricity and heat purchased by our company (Scope 2).

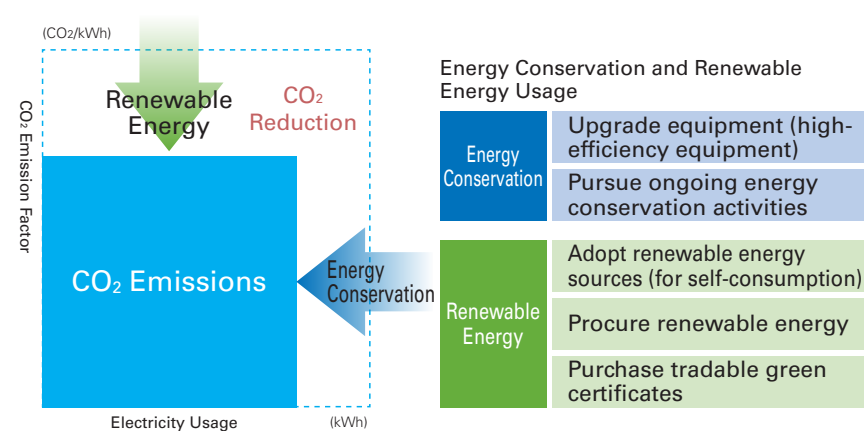
<sup>\*3</sup> Scope 3: Greenhouse gases emissions from our company's value chain.

<sup>\*4</sup> SBTi: Science Based Targets Initiative. International initiative recommending science-based medium- and long-term targets to reduce greenhouse gas emissions.

### Greenhouse Gas Emissions Reduction Targets



### Greenhouse Gas Emissions Reduction Activities



## Progress Toward Environmental Sustainability Goals



### Fiscal 2020 Goals/KPIs

#### Reduce Greenhouse Gas Emissions<sup>\*5</sup>

- Achieve four percent reduction in greenhouse gas emissions (vs. fiscal 2016 SBT conformity)<sup>\*6</sup>
- Environmental contribution<sup>\*7</sup> greater than CO<sub>2</sub> emissions at production centers

### Fiscal 2017 Performance

- Environmental contribution of 659k tons of CO<sub>2</sub> saved vs. 204k tons of CO<sub>2</sub> emissions from production centers

<sup>\*5</sup> New goals incorporating sustainability targets for greenhouse gas emissions from the *Green OMRON 2020* environmental vision

<sup>\*6</sup> Target added

<sup>\*7</sup> Environmental contribution: CO<sub>2</sub> emissions reduced through the use of OMRON energy saving, storage, and generation products and services

# Risk Management

## Supporting Global Expansion

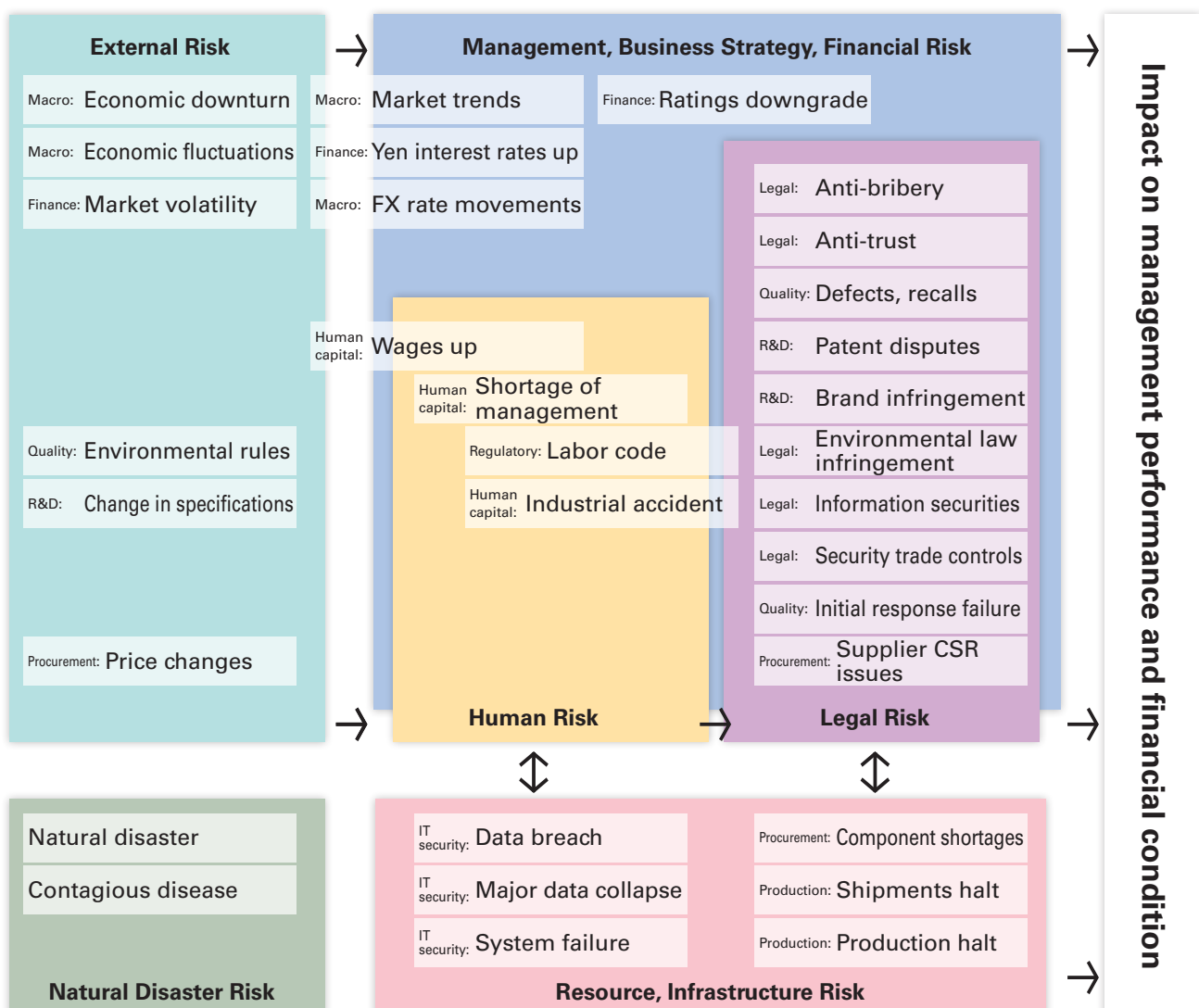
In 2011, we launched the OMRON VG2020 long-term vision. This led to review our existing risk management activities to adopt a new Integrated Risk Management platform. Our new risk management platform reflected the thinking of the top management that the faster pace of change in the operating environment and rising levels of uncertainty called for preparation and rapid response to risk. Management felt the need for OMRON to become more attuned to risk, identifying and addressing risks at the earliest stages.

OMRON faces a variety of risks as we expand across the globe. Accordingly, we have identified and categorized the entire spectrum of risks that impact management performance and financial health. Having

defined these risks, we then charted their interrelationships. The risk categories defined consist Macro Environment Risk; Natural Disaster Risk; Management, Business Strategy, and Financial Risk (including Human Risk and Legal Risk); and Resource and Infrastructure Risk.

We use this framework as a link between management and the local workplace, helping management work with local staff to deal with OMRON Principles-based risk management issue. Under our current VG2.0 plan, we take actions related to business risk management that help us respond to new challenges including creating value through innovation.

## Businesses and Risk



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

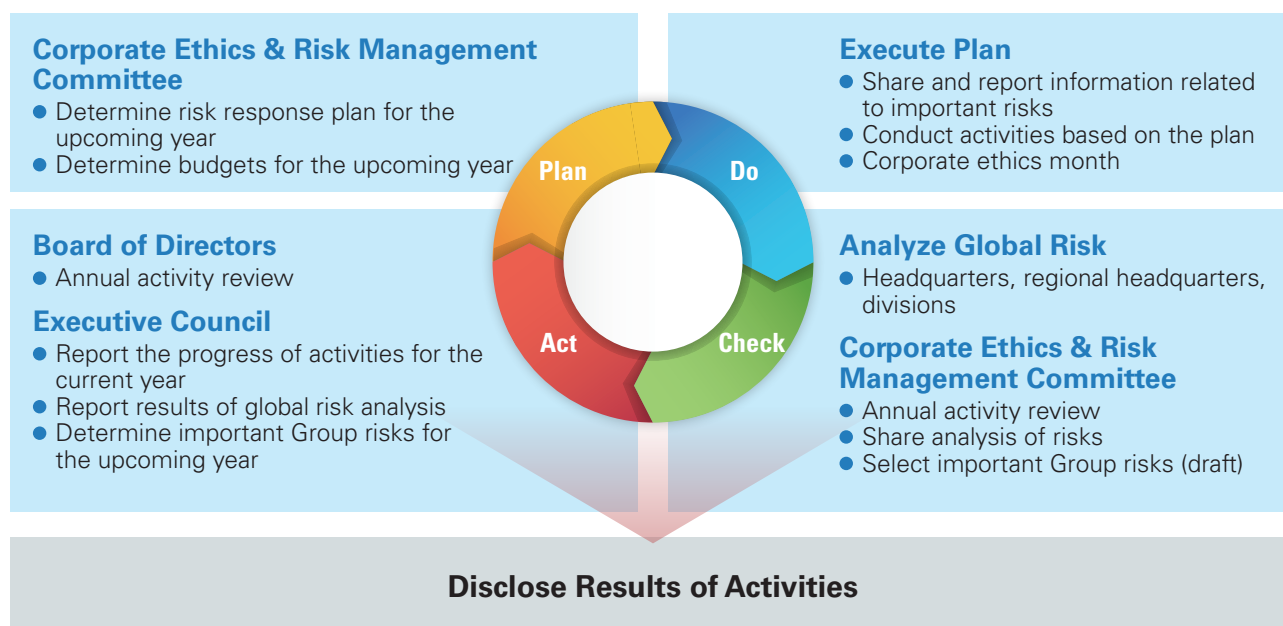
## Integrated Risk Management Structure

Integrated risk management at OMRON consists of three main activities:

1. Performing an annual global risk analysis to identify important risks and formulate responses
2. Forming a crisis response measure when a risk develops into a crisis
3. Reporting important risk information promptly and providing information to relevant parties (risk information management)

We formalized this shared framework into a document titled, *OMRON Group Rules for Integrated Risk Management*. This document clarifies the role of risk management. We have appointed risk managers in each head office department, each division, each regional headquarters, and each group company in Japan and around the world. These risk managers are responsible for coordinating risk management activities at the local office level.

### Activity Cycle for Integrated Risk Management



## Important Risks and Risk Information Management in the OMRON Group

OMRON assigns a rank of "S" to the most critical risks that may endanger business continuity of the OMRON Group, or call into questions important issues of group social responsibility. We assign a rank of "A" to risks that may impede achievement of key group goals. Every year, the Corporate Ethics & Risk Management Committee discusses risks, while the Executive Council assigns categories to these risks.

As part of our risk information management system, we monitor the status of important events related to external risks. We check nearly 100 global information sources on a daily basis. As a rule, important risk information within the group is reported to our head office within 24 hours.

### OMRON Group Material Risks (Fiscal 2017)

- S Risks:** Business continuity, violation of global laws (bribery, etc.)  
Global information/IT security risks, etc.
- A Risks:** Employee safety, Internal fraud, occupational health & CSR compliance, Group management, etc.


## Advancing Business through Evolving Group Governance

Rules and regulations arising from technological innovations such as AI and IoT and concerns on environment and information securities have significant impact on activities of a company. OMRON takes these change and risk as an opportunity for growth of the group. OMRON pursues certain

measures to help us reach advanced levels of group governance. During fiscal 2017, we pursued sustainability initiatives aiming for the goal in fiscal 2020.

### Progress Toward Sustainability Goals for Risk Management



	Fiscal 2020 Goals/KPIs	Fiscal 2017 Progress
Fair Business Practice	<ul style="list-style-type: none"> <li>Consistent promotion of OMRON Group Rules*<sup>1</sup> at all sites </li> <li>Global training in ethics rules</li> </ul>	<ul style="list-style-type: none"> <li>Launch of global web-site and system for training and monitoring</li> <li>Training offered to 30 thousand employees in 25 languages</li> </ul>
Information Security, Personal information protection	<ul style="list-style-type: none"> <li>Consistent promotion of OMRON Group Rules at all sites</li> <li>Build a new security system</li> </ul>	<ul style="list-style-type: none"> <li>Launch of global cyber security meeting and CSIRT*<sup>2</sup></li> </ul>

\*1 OMRON Group Rules encompass 24 separate topics, including ethical conduct, risk management, unauthorized control, information security, security export control, IT controls, accounting and funding, labor and occupational health, environmental management, procurement, and brand management.

\*2 CSIRT: Computer Security Incident Response Team



## Case Study

### Instilling OMRON Group Rules Worldwide

We established the OMRON Group Rules (OGR) as a framework to promote efficient and effective risk management, compliance, and other matters of group governance on a global scale. In addition to OMRON Principles as a shared group management policy, the rules provided in OGR will help us accomplish goals in three areas: Group Management, Business, and Employees.

- |                           |   |
|---------------------------|---|
| ■ <b>Group Management</b> | <b>Appropriate and minimum necessary controls</b>   |
| ■ <b>Business</b>         | <b>Management transparency, fairness, and global vision</b><br><b>Appropriate, responsive decision-making based on shared understanding</b><br><b>Quick integration of acquisitions, establish companies in emerging economies, and localize company management</b> |
| ■ <b>Employees</b>        | <b>Raise employee motivation through clear rules, allowing employees to focus on their business activities</b>  |

We spent three years to produce OGR. OMRON employees from around the globe participated in the project, ensuring the rules took regional differences in law, societal demands, and culture into consideration. We adopted OGR fully during fiscal 2017, holding training programs, publishing information releases through our global website, monitoring, and performing audits to make the rules an integral part of our organization. We still have work to do, however, to instill OGR group-wide. We will continue to provide communications, training, and standardization across the group to raise awareness of the rules. We also facilitate information exchange among local leaders on a regular basis, promoting ways to incorporate OGR into business processes and daily operations.



OGR global team members discuss how the rules are being adopted in each location



The New Global OGR Database

### Post-Merger Integration Process

Prior to VG2020, we had no standard rules for post-merger integration (PMI). Quickly integrating new businesses into the group was not an easy task. After implementing a PMI program as part of the OGR, we have been able to integrate understanding of the OMRON Principles, management, human resources, sales, facilities, and other matters smoothly, comprehensively, and according to schedule. We used this program in our fiscal 2015 acquisition of Delta Tau Data Systems and Adept Technologies and achieved effective integration process.

## Message from the Chairman

A portrait of an elderly Japanese man with grey hair and glasses, wearing a dark blue suit, white shirt, and a striped tie. He is standing with his hands clasped in front of him. The background is a plain, light grey.

**“We are reaching for new levels of corporate governance in pursuit of sustainable growth for OMRON and society.”**

In 1959, OMRON founder Kazuma Tateishi formally defined the OMRON corporate motto, “To improve lives and contribute to a better society.” In 1990, OMRON updated this motto under the OMRON Principles, revised a third time in 2015. As OMRON has grown in scope and geographical reach, the role of the OMRON Principles has become even more important as a unifying force. Our last revision reflected our strong emphasis on innovation driven by social needs. We began operating under the VG2.0 medium-term management plan in 2017. Our goal under this plan is to improve corporate value while solving social issues in domains likely to experience the most in terms of social needs.

In the second year of VG2.0, OMRON is speeding new initiatives to bolster technology management and co-create with our customers. In meeting the new challenge, the role of corporate governance is to oversee management in making business decisions to enhance corporate value. This role is more important than ever.

The OMRON style of corporate governance reflects our willingness to change as necessary in moments of growth. We work to build a better society while striving for sustainable improvement in corporate value. Along the way, we have introduced new stages of improved structures and management that contribute to our quest to achieve our ideal as a company.

For example, in 2001, we were one of the first companies to adopt independent directors. Today, one-third of our board members are independent. While maintaining our status as a company with an audit and supervisory board, in the year 2000, we established the Personnel Advisory Committee (initially the Management Personnel Advisory Committee in 1996). Following we established our Compensation Advisory Committee (2003), CEO Selection Advisory Committee (2006), and Corporate Governance Committee (2008). We have created a hybrid governance framework, combining the best features of a company with an

audit and supervisory board and a company with a nominating committee. Each of these committees is chaired by an independent director. All of OMRON’s independent directors are persons with a diverse business background. In 2015, we began evaluating the effectiveness of our board of directors through the Corporate Governance Committee, made up of independent directors and independent Audit & Supervisory Board members. Also in 2017, we introduced a new stock-based compensation system tied to long-term performance. This system serves to motivate inside directors and executive officers by tying compensation to sustainable improved corporate value, evaluated based on VG2.0 progress, corporate value improvement, and third-party evaluations.

Having continued to improve corporate governance, in 2017, our board of directors engaged in serious discussions of our progress toward VG2.0, as well as the human resources and technology strategies that form the foundation of our business plans. Throughout 2018, we will hold in-depth talks related to information systems and product quality management. During 2017 we also began executing sustainability policy finalized by the board in 2016. The board will monitor the progress of our sustainability efforts, exercising governance to ensure our initiatives respond to the expectations of international society.

We will continue to follow the OMRON Principles as we strive for corporate value improvements through sustainable growth gained by solving social issues. We will evolve our system of corporate governance, while working toward the sustainable growth for OMRON and society.



**Fumio Tateishi**  
Chairman

August 2018

# 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<sup>\*1</sup> 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 systems of corporate governance. We intend to continue our pursuit of

ongoing corporate governance improvement as we develop our own unique vision of governance.

<sup>\*1</sup> OMRON Corporate Governance Policies  
<https://www.omron.com/about/governance/organization/>

## 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 <sup>*2</sup> 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: Corporate Motto 1990: OMRON Principles 1998: Revised	2006: Revised	2015: Revised
OMRON Corporate Governance Policies			2015: Established

<sup>\*2</sup> 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 deliberation about important corporate matters. OMRON has separated the management oversight and business execution functions within the company, creating a system whereby the majority of board directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one-third of the total number of directors on the board.

To increase objectivity on behalf of the board of directors, the titles and roles of chairman of the board and president (CEO) have been separated. The chairman serves as chair of the board of directors, without direct corporate representational authority.

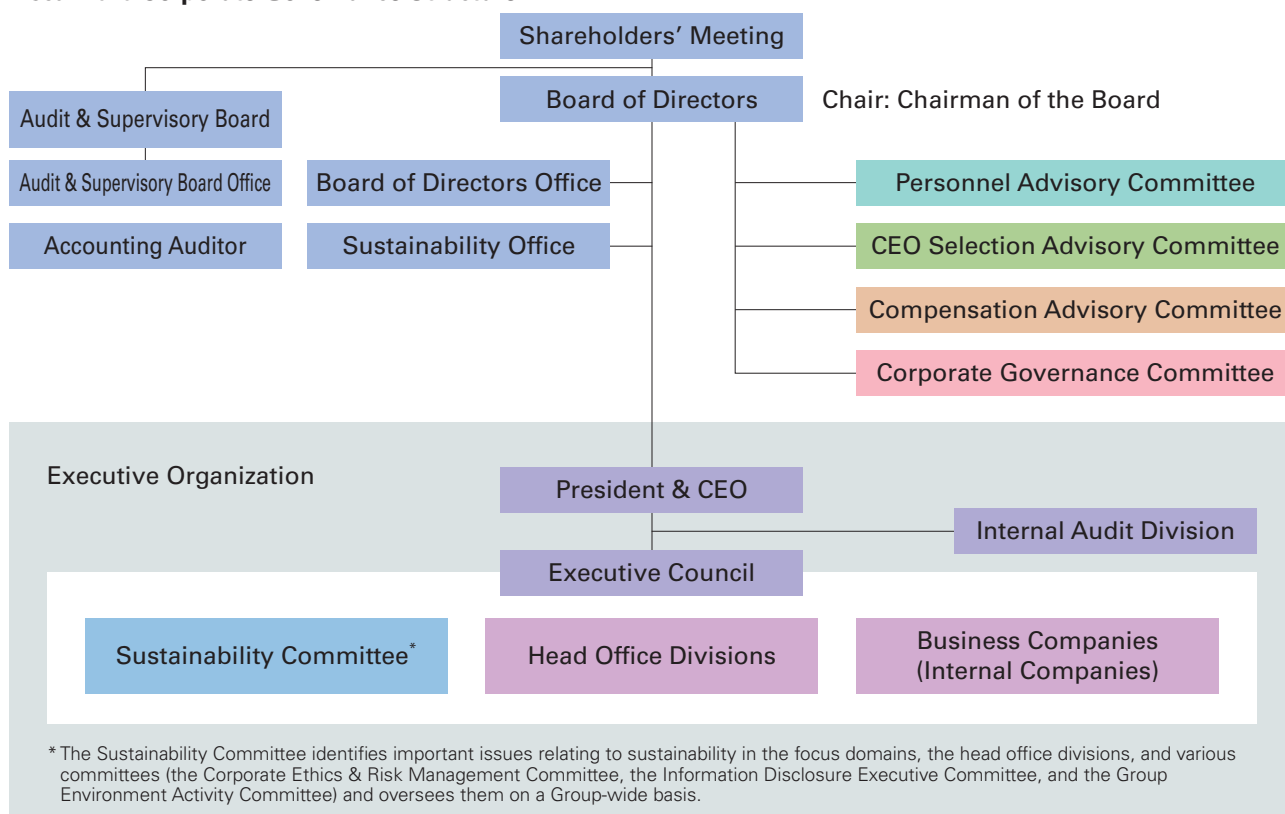
OMRON has established several advisory committees to enhance the oversight functions of the board of directors. These committees include the Personnel Advisory Committee, the CEO Selection

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 chair and members of the Corporate Governance Committee are outside directors and outside corporate auditors, which offers yet another layer of transparency and objectivity onto its decision-making process.

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

Outside directors attended the 13 meetings of the board of directors held during fiscal 2017 at a rate of 94.4%. Outside auditors attended at a rate of 100%. Outside auditors attended the 13 meetings of the Audit & Supervisory Board at a rate of 100%.

### Fiscal 2018 Corporate Governance Structure



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

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

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

**CEO Selection Advisory Committee**  
Deliberates the selection of a chief executive officer; deliberates succession plans and candidates in the event of an emergency.

**Compensation Advisory Committee**  
Sets policies for director and executive officer compensation; evaluates compensation levels and deliberates specific compensation packages.

**Corporate Governance Committee**  
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

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



## Fiscal 2018 Advisory Committee Members

Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		□		
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata	□			
Director	Koji Nitto			□	
Director	Satoshi Ando	○	○	○	
Outside Director	Eizo Kobayashi★	◎	◎	□	◎
Outside Director	Kuniko Nishikawa★	□	□	◎	○
Outside Director	Takehiro Kamigama★	□	□	□	□
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama★				□
Audit & Supervisory Board Member (Independent)	Tadashi Kunihiro★				□

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

## Status of Initiatives Towards Improving Board of Director Effectiveness

### Overview of Initiatives Towards Improving Board of Director Effectiveness

The company works to improve board effectiveness to ensure sustained enhancement of corporate value. Such initiatives are undertaken in a two-part cycle: (1) Evaluate board effectiveness and (2) Determine and implement policies for the operation of the board of directors based on (1).

#### (1) Evaluate board effectiveness

The Corporate Governance Committee is responsible for evaluating board effectiveness. Methods of evaluation are as described below:

- Directors and Audit & Supervisory Board Members conduct self-evaluations by completing an anonymous self-evaluation questionnaire.
- Individual interviews of directors and Audit & Supervisory Board members are also conducted by chairman of the board of directors, who asks about improving the effectiveness of the board.
- The Corporate Governance Committee analyzes the results of the self-evaluations and the

interviews by the chairman of the board of directors, and then conducts an evaluation of the board's effectiveness.

#### (2) Determine and implement policies for the operation of the board

Based on the evaluation results by the Corporate Governance Committee in (1), the board of directors formulates and determines the policy for the operation of the board of directors for the next fiscal year. The board is then operated under this policy.

### Initiatives toward improving board of director effectiveness



## Overview of the Results of Evaluation of Board of Director Effectiveness for Fiscal 2017

### Policy for the operation of the board of directors for fiscal 2017

The board of directors exercises its oversight function with particular focus on three areas to ensure achievement of the medium-term management plan VG2.0, which began in fiscal 2017:

- **Progress of short-term management plans**
- **Human resources and technology strategies key to medium-term management strategies**
- **Initiatives to address materiality, which have been identified based on sustainability policies**

### Results of the fiscal 2017 evaluation of board effectiveness

The Corporate Governance Committee confirmed that the board of directors operated according to the policy for board operations for fiscal 2017 and that the board demonstrated its oversight function. Evaluation results and future issues are as described below:

#### ■ **Progress of short-term management plans**

The board of directors discussed and approved VG2.0 and the company-wide management plan for fiscal 2017. In addition, the board of directors received sufficient reports from executives regarding initiatives at individual divisions.

#### ■ **Human resources and technology strategies key to medium-term management strategies**

##### 1) Human resources strategies

The board of directors discussed human resources strategies, a key component of VG2.0. The board recognized that human resources strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.

##### 2) Technology strategies

The board of directors confirmed the company-wide core technology system developed on the SINIC Theory platform. SINIC Theory is OMRON's unique predictive theory encompassing AI, IoT, robotics, and other rapid technological innovations. The Board recognized that technology strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.

##### 3) Other strategies related to medium-term management strategies

The board of directors recognized the need to exercise its oversight function on strategies related to information systems and quality to achieve the company's medium-term management strategies.

#### ■ **Initiatives to address materiality which have been identified under sustainability policies**

To ensure the achievement of VG2.0, the board of directors received reports on fiscal 2020 targets and KPIs for material sustainability issues. The board also received reports related to the company-wide management structure for advancing sustainability and reports on material issues. OMRON began sustainability initiatives in fiscal 2017. The board recognized the need to exercise its oversight function on an ongoing basis.

### Policy for the operation of the board of directors for fiscal 2018

Based on the results of the fiscal 2017 evaluation of board effectiveness and identified future issues, the board of directors has been charged with exercising its oversight function to ensure the achievement of VG2.0, focusing on three areas in particular:

- **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)**

# Board of Directors and Auditors

As of June 2018



## Takehiro Kamigama

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

## Eizo Kobayashi

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

## Fumio Tateishi

Chairman  
CEO Selection Advisory 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

## 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

## Yoshihito Yamada

President and CEO





### Kiichiro Miyata

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

### Kiichiro Kondo

Audit & Supervisory Board  
Member

### Tadashi Kunihiro

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

### Koji Nitto

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

### Tokio Kawashima

Audit & Supervisory Board  
Member

### Hideyo Uchiyama

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

# Directors, Audit & Supervisory Board Members, and Honorary Chairman

As of June 2018

## 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)



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)



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)



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)



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)



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)



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)



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  
(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

**Tokio  
Kawashima**

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



Audit & Supervisory  
Board Member  
(Independent)

**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.



**Isao Ogino**

President and CEO,  
OMRON HEALTHCARE CO., LTD.



**Shizuto Yukumoto**

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



**Kiyoshi Yoshikawa**

Senior General Manager,  
Global Manufacturing Innovation HQ



**Toshio Hosoi**

President and CEO,  
OMRON SOCIAL SOLUTIONS 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

## Executive Officers



### Goshi Oba

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



### Takayoshi Oue

Senior General Manager,  
Global Finance and Accounting HQ



### Seigo Kinugawa

Senior General Manager,  
Strategy Planning Division HQ, and  
Senior General Manager,  
Robotics Business Development Project,  
Industrial Automation Company



### Takashi Kitagawa

Senior General Manager,  
Board of Directors Office



### Masahiko Tomita

Senior General Manager,  
Global Human Resources and  
Administration HQ



### Munenori Odake

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



### Shuji Tamaki

Senior General Manager,  
Global Risk Management and Legal HQ



### Makoto Ota

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



### Tsutomu Igaki

Senior General Manager,  
Global Investor & Brand  
Communications HQ



### Jian Xu

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



### Junta Tsujinaga

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



### Kenji Eda

Senior General Manager,  
New Business Development Global  
Center, and Senior General Manager,  
Global Human Resources HQ,  
OMRON HEALTHCARE CO., LTD.



### Shinji Fukui

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



### Masako Kubo

President and CEO,  
OMRON EXPERTLINK CO., LTD.



### Seiji Takeda

General Manager,  
Corporate Planning Dept.,  
Global Strategy HQ



### Taisuke Tateishi

Senior General Manager,  
Environmental Solutions Business HQ

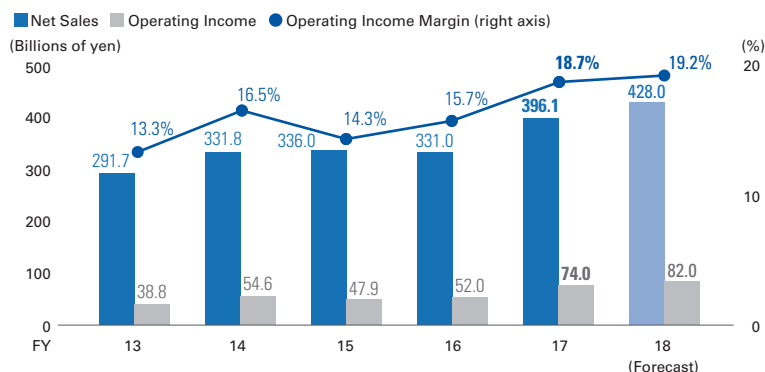
# Financial Section (U.S. GAAP)

## At a Glance

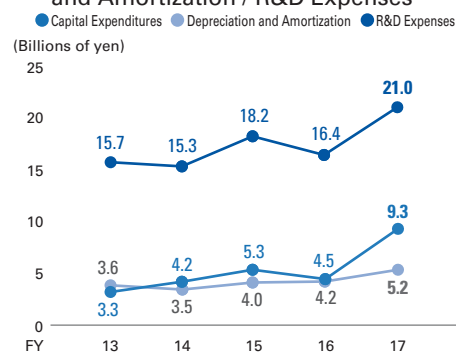


### Industrial Automation Business (IAB)

#### Net Sales / Operating Income / Operating Income Margin

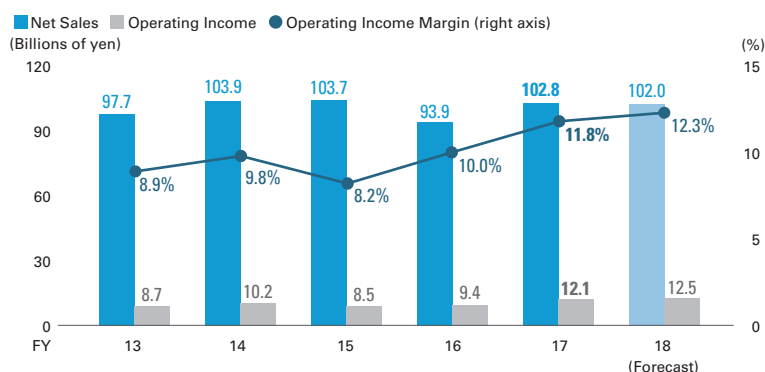


#### Capital Expenditures / Depreciation and Amortization / R&D Expenses

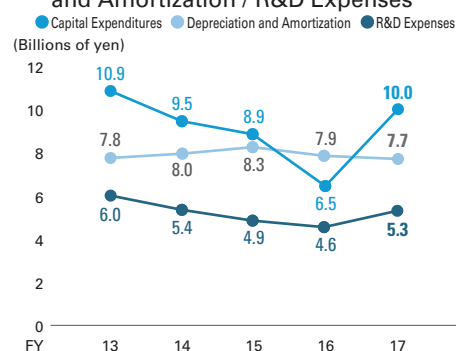


### Electronic and Mechanical Components Business (EMC)

#### Net Sales / Operating Income / Operating Income Margin

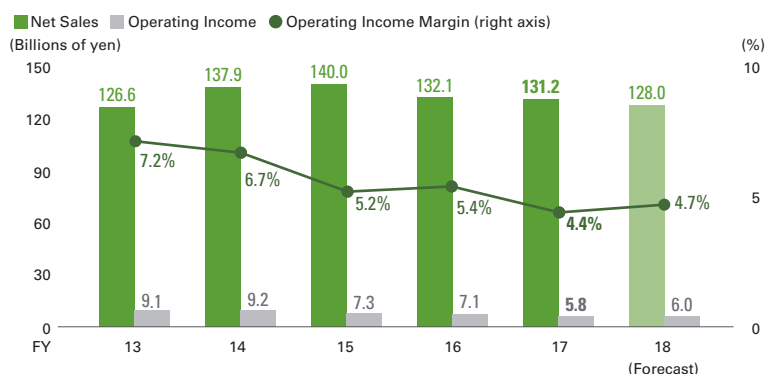


#### Capital Expenditures / Depreciation and Amortization / R&D Expenses

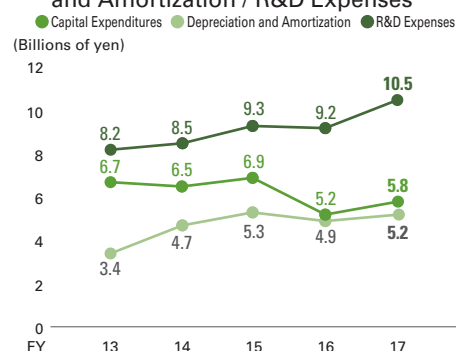


### Automotive Electronic Components Business (AEC)

#### Net Sales / Operating Income / Operating Income Margin



#### Capital Expenditures / Depreciation and Amortization / R&D Expenses



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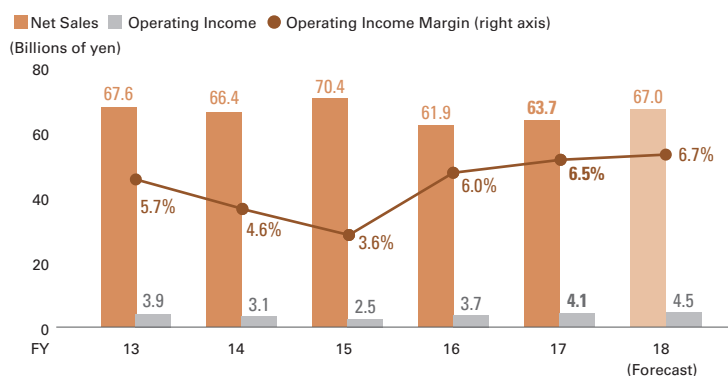
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\* OMRON revised business classifications in fiscal 2017, reclassifying certain operations from the Social Systems, Solutions and Service Business to the Other Businesses segment.  
 Fiscal 2018 Electronic and Mechanical Components Business figures include certain operations of the Other business classification as previously classified in fiscal 2017 and earlier.  
 \* Fiscal 2018 forecasts are unchanged from forecasts announced April 26, 2018.

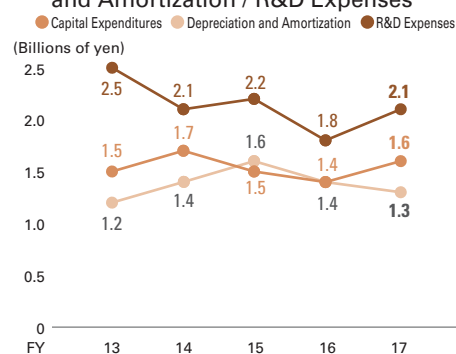


## Social Systems, Solutions and Service Business (SSB)

### Net Sales / Operating Income / Operating Income Margin

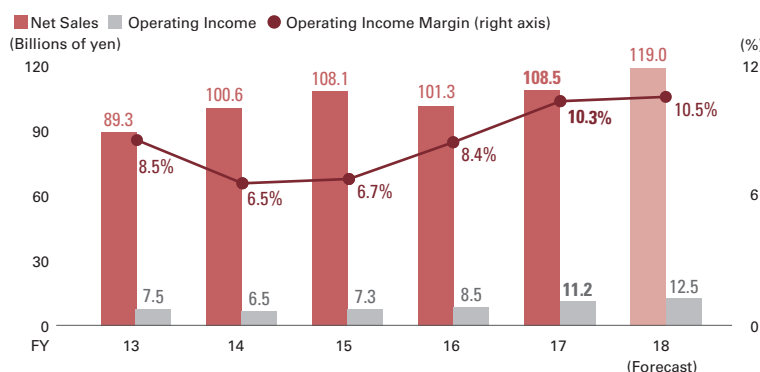


### Capital Expenditures / Depreciation and Amortization / R&D Expenses

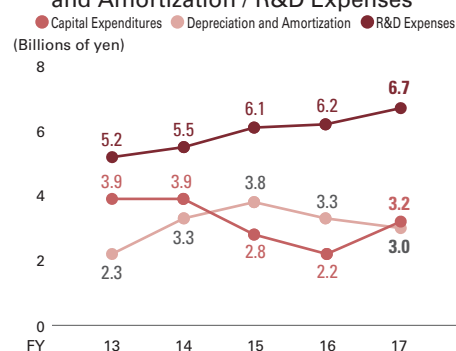


## Healthcare Business (HCB)

### Net Sales / Operating Income / Operating Income Margin

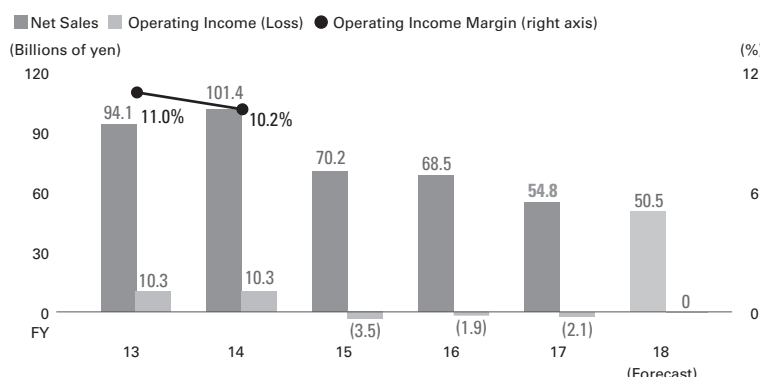


### Capital Expenditures / Depreciation and Amortization / R&D Expenses

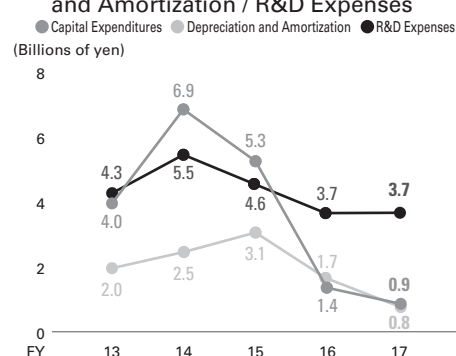


## Other Businesses

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



### Capital Expenditures / Depreciation and Amortization / R&D Expenses



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For more information, please refer to the Company's audited annual financial report:

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



# Financial Results

## Fiscal 2017 in Review

### Consolidated Earnings

Fiscal 2017 was our first year operating under VG2.0. We defined our basic policy for the year as *Start up VG2.0: A Firm First Step Toward Innovation*. During the year, we took on three key initiatives: (1) Group growth driven by focus domains (Industrial Automation Business, Healthcare Business); (2) Profit creation through improved group-wide earnings; and (3) Stronger investment in growth fields and technologies.

Fiscal 2017 results were significantly higher compared to the prior fiscal year. Net sales rose 8.3% to ¥860.0 billion, while operating income was up 27.1% at ¥85.9 billion and operating income margin rose 1.5 points to 10.0%. Net income attributable to OMRON shareholders amounted to ¥63.2 billion, an increase of 37.3%.

### Consolidated Statement of Income

#### Net Sales

The OMRON Group set a record high for net sales in fiscal 2017, driven by strong performance in our core Industrial Automation Business and Healthcare Business. Overseas sales were largely responsible for group earnings, amounting to ¥531.5 billion, ¥67.7 billion (14.6%) higher than the prior fiscal year. Our operations in Greater China and Southeast Asia delivered particularly significant growth. We recorded ¥328.5 billion in sales in Japan, a slight decrease of 0.6% year on year.

of closer coordination among our production, sales, development, and planning groups. Selling, general and administrative expenses amounted to ¥212.6 billion, a ¥19.1 billion (9.9%) increase, mainly in connection with stronger revenue performance. Research and development expenses rose ¥8.4 billion (16.6%) to ¥59.1 billion for the year.

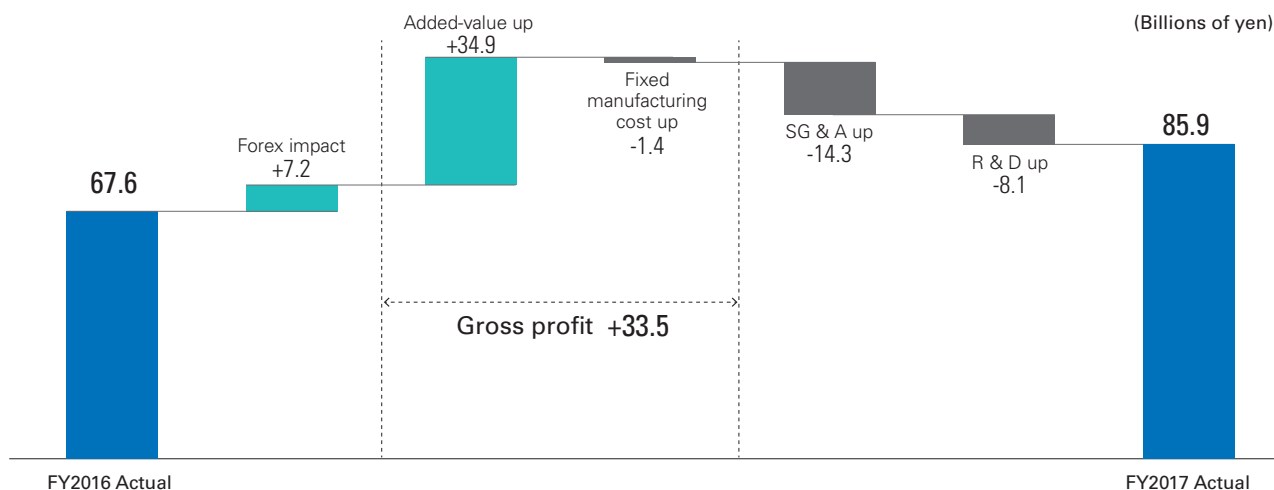
#### Gross Profit Margin, SG&A Expenses, and R&D Expenses

Gross profit margin for fiscal 2017 was 41.6%, a 2.3-point increase compared to the prior fiscal year and an all-time high for the OMRON Group. This improvement was mainly due to a stronger earnings structure that drove gross profit margin higher, a result

#### 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 ¥85.9 billion (27.1% increase), while our operating income margin was 10.0% (1.5-point increase). Income before income taxes (excluding other income) amounted to ¥83.4 billion (27.3% increase), while net income attributable to OMRON shareholders came in at ¥63.2 billion (37.3% increase).

#### Consolidated Operating Income Analysis (YoY)



## Review of Operations by Business Segment



### Industrial Automation Business (IAB)

Our Industrial Automation Business recorded domestic net sales of ¥152.0 billion for fiscal 2017, an increase of 13.8% year on year. This result was mainly due to higher investment demand in the global automobile and digital markets, as well as our own progress in our ability to propose solutions to our customers. Overseas net sales rose 23.7% to ¥244.2 billion, reflecting positive developments across the world. The Americas experienced strong investments in semiconductor-related markets and firm investment demand in automobile markets. Meanwhile, a more settled

political situation and gradual economic recovery in Europe, accompanied by strong machinery exports, led to greater demand, particularly in the food industry. Greater China and Asia experienced increases in both pace and scale of investment in the digital industries (semiconductors and smartphones) throughout the year. In total, the IAB segment recorded net sales of ¥396.1 billion (19.7% increase). An extensive product lineup and improved skills in selling solutions led to a sharp rise in operating income, up 42.3% to ¥74.0 billion.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
(Billions of yen)						
Net sales	291.7	331.8	336.0	331.0	396.1	428.0
Japan	119.4	126.7	130.5	133.5	152.0	163.0
Overseas	172.3	205.1	205.5	197.5	244.2	265.0
Americas	36.9	47.6	40.4	30.3	35.3	38.0
Europe	61.9	67.8	69.3	65.6	77.7	83.5
Greater China	43.8	55.0	58.3	59.6	77.7	85.5
Asia Pacific	28.9	34.1	36.9	41.3	53.1	57.5
Direct exports	0.8	0.7	0.6	0.6	0.4	0.5
Operating income	38.8	54.6	47.9	52.0	74.0	82.0
Operating income margin	13.3%	16.5%	14.3%	15.7%	18.7%	19.2%
R&D expenses	15.7	15.3	18.2	16.4	21.0	
Depreciation and amortization	3.6	3.5	4.0	4.2	5.2	
Capital expenditures	3.3	4.2	5.3	4.5	9.3	



### Electronic and Mechanical Components Business (EMC)

Our Electronic and Mechanical Components Business recorded domestic net sales of ¥22.8 billion for fiscal 2017, up 1.4% year on year. This increase was mainly due to an increase in inquiries from the automotive industry and strong sales of new vehicles among our customers. Overseas net sales rose 12.0% to 80.1 billion due to several factors. Performance was strong in the Americas and Europe, as we captured demand for consumer and commercial products in this growing market. Sales were strong in Greater China, supported

by higher incomes and improving living standards in inland regions, which led to higher demand in the high-function appliances market. Last, sales rose in Asia, owing to higher demand for motorcycles and an increasing number of our products being used in home appliances. Total fiscal 2017 net sales for the EMC segment rose 9.5% to ¥102.8 billion, while operating income amounted to ¥12.1 billion, up 28.7%, due in part to higher revenues and internal sales to the Industrial Automation Business.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
(Billions of yen)						
Net sales	97.7	103.9	103.7	93.9	102.8	102.0
Japan	28.1	23.9	23.2	22.5	22.8	21.0
Overseas	69.6	80.0	80.5	71.4	80.1	81.0
Americas	16.6	18.1	19.9	16.3	17.5	17.5
Europe	14.7	15.9	16.1	14.8	16.9	17.5
Greater China	28.7	35.0	33.6	29.0	31.0	32.0
Asia Pacific	8.7	10.1	10.4	11.3	14.5	14.0
Direct exports	0.9	0.9	0.5	0.1	0.1	0.0
Operating income	8.7	10.2	8.5	9.4	12.1	12.5
Operating income margin	8.9%	9.8%	8.2%	10.0%	11.8%	12.3%
R&D expenses	6.0	5.4	4.9	4.6	5.3	
Depreciation and amortization	7.8	8.0	8.3	7.9	7.7	
Capital expenditures	10.9	9.5	8.9	6.5	10.0	

\*We revised business classifications and presentation beginning fiscal 2018, reclassifying certain operations under Other Businesses to the EMC segment.



## Automotive Electronic Components Business (AEC)

The Automotive Electronic Components Business recorded domestic net sales of 17.3 billion, down 9.0% for the year. This decrease was mainly due to model changes resulting in the termination of several models using OMRON products. Overseas net sales were up a slight 0.7% to ¥113.9 billion due to combination of offsetting factors. Demand was lower in the Americas due to declining auto production and model changes resulting in fewer models using OMRON products. We

experienced strong performance in Asia, by contrast, due to solid automotive production in India and rising sales of motorcycles in Indonesia. In total, the AEC segment recorded net sales of ¥131.2 billion, nearly level with the prior year at a 0.7% decrease. Operating income was 18.4% lower at ¥5.8 billion for the year. This decrease was mainly due to higher research and development expenses committed to next-generation products.

(Billions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net sales	126.6	137.9	140.0	132.1	131.2	128.0
Japan	28.4	25.9	21.1	19.0	17.3	16.0
Overseas	98.2	112.0	118.9	113.1	113.9	112.0
Americas	33.3	39.3	47.6	43.9	41.9	38.5
Europe	3.3	3.6	4.6	3.9	2.8	2.0
Greater China	25.4	29.9	27.4	28.0	28.6	27.5
Asia Pacific	29.2	32.2	31.9	30.1	33.3	37.5
Direct exports	7.2	7.1	7.3	7.2	7.3	6.5
Operating income	9.1	9.2	7.3	7.1	5.8	6.0
Operating income margin	7.2%	6.7%	5.2%	5.4%	4.4%	4.7%
R&D expenses	8.2	8.5	9.3	9.2	10.5	
Depreciation and amortization	3.4	4.7	5.3	4.9	5.2	
Capital expenditures	6.7	6.5	6.9	5.2	5.8	



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

Sales in the Social Systems, Solutions and Service Business grew 3.0% for the year to ¥63.7 billion. Demands for upgrades in our Public Transportation Business were flat. However, our Traffic and Road Management Systems Business experienced strong demand for management systems upgrades, despite

weakness in replacement demand for road traffic terminals. Segment operating income rose 11.6% to ¥4.1 billion, resulting from revenue growth and stronger earnings capacity achieved by moving design and production in-house.

(Billions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net sales	67.6	66.4	70.4	61.9	63.7	67.0
Japan	67.3	65.1	68.6	61.3	62.8	66.5
Overseas	0.3	1.3	1.8	0.6	0.9	0.5
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	0.2	0.3	0.6	0.3	0.3	0.5
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0
Direct exports	0.1	1.1	1.2	0.3	0.6	0.0
Operating income	3.9	3.1	2.5	3.7	4.1	4.5
Operating income margin	5.7%	4.6%	3.6%	6.0%	6.5%	6.7%
R&D expenses	2.5	2.1	2.2	1.8	2.1	
Depreciation and amortization	1.2	1.4	1.6	1.4	1.3	
Capital expenditures	1.5	1.7	1.5	1.4	1.6	

\*We revised business classifications and presentation in fiscal 2017, reclassifying certain operations under the SSB segment to the Other Businesses segment.



## Healthcare Business (HCB)

Our Healthcare Business recorded domestic net sales of ¥26.0 billion, down 10.0%. While sales of blood pressure monitors and low-frequency therapy equipment were strong in response to stepped up online promotions, sales from professional-use products were lower due to the transfer of shares of Omron Colin Co., Ltd. In December 2016. Overseas net sales were up a healthy 13.9% year on year, reaching ¥82.5 billion. Sales of blood pressure monitors and nebulizers in the Americas were strong, mainly due to promotional activity in online sales channels in the U.S. and an expansion of our store network. Our business in

Europe saw firm sales of blood pressure monitors in Russia, while our businesses in Greater China reported higher sales of blood pressure monitors and nebulizers through online channels. Sales of blood pressure monitors in Indonesia and elsewhere in Asia were strong, mainly due to an expansion in our store network. As a result, the HCB segment recorded a total of ¥108.5 billion in net sales for fiscal 2017, up 7.1%. Higher sales and productivity improvements combined for a sharp rise in segment operating income, up 31.4% to ¥11.2 billion for the year.

(Billions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net sales	89.3	100.6	108.1	101.3	108.5	119.0
Japan	30.8	31.4	31.1	28.9	26.0	28.5
Overseas	58.5	69.2	77.0	72.4	82.5	90.5
Americas	14.3	18.6	23.1	21.7	23.8	24.5
Europe	21.0	21.2	19.2	18.3	21.0	22.0
Greater China	17.3	22.4	25.4	23.1	26.8	30.5
Asia Pacific	5.5	6.6	8.9	9.0	10.3	13.0
Direct exports	0.4	0.5	0.5	0.3	0.6	0.5
Operating income	7.5	6.5	7.3	8.5	11.2	12.5
Operating income margin	8.5%	6.5%	6.7%	8.4%	10.3%	10.5%
R&D expenses	5.2	5.5	6.1	6.2	6.7	
Depreciation and amortization	2.3	3.3	3.8	3.3	3.0	
Capital expenditures	3.9	3.9	2.8	2.2	3.2	



## Other Businesses

The Other Businesses segment recorded ¥54.8 billion in net sales for fiscal 2017, down 20.0% year on year. Despite ongoing structural reforms, lower sales and other factors combined to produce an operating loss of ¥2.1 billion. Despite the positive impact of expanding our lineup of storage battery products, sluggish demand for PV inverters used in solar panels drove down sales in our Environmental Solutions Business. In contrast, our Electronic Systems and Equipment Business

experienced strong demand for uninterruptible power supply units and contract services for the development and production of electronic devices. Accordingly, sales in this business increased for the year. Micro Devices Business sales were higher, mainly due to a temporary rise in demand for smartphone microphones. Finally, sales in our Backlights Business fell year on year by a wide margin, largely due to further business optimization initiatives.

(Billions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net sales	94.1	101.4	70.2	68.5	54.8	50.5
Japan	66.2	59.8	51.2	60.2	44.8	43.5
Overseas	27.9	41.6	19.0	8.3	10.0	7.0
Americas	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0	0.0
Greater China	25.6	38.2	17.1	7.3	8.5	6.5
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0
Direct exports	2.3	3.4	1.9	1.0	1.5	0.5
Operating income (loss)	10.3	10.3	(3.5)	(1.9)	(2.1)	0.0
Operating income margin	11.0%	10.2%	—	—	—	—
R&D expenses	4.3	5.5	4.6	3.7	3.7	
Depreciation and amortization	2.0	2.5	3.1	1.7	0.8	
Capital expenditures	4.0	6.9	5.3	1.4	0.9	

\*We revised business classifications and presentation in fiscal 2017, reclassifying certain operations under the SSB segment to the Other Businesses segment.

\*We revised business classifications and presentation beginning fiscal 2018, reclassifying certain operations under Other Businesses to the EMC segment.

## Review of Financial Condition

Total assets at the end of fiscal 2017 amounted to ¥745.0 billion, an increase of ¥47.3 billion compared to the end of the prior fiscal year. This increase stems mainly from an increase in inventories, machinery and equipment, and other capital assets.

Total liabilities increased ¥10.6 billion to ¥237.6 billion. Current liabilities amounted to ¥182.8 billion, ¥10.7 billion higher due mainly to increases in accounts payable.

Net assets increased ¥36.6 billion to ¥507.4 billion, owing mainly to higher net income attributable to

OMRON shareholders. Net income attributable to OMRON shareholders and other factors led to an increase in retained earnings of ¥45.0 billion. As a result, shareholders' equity amounted to ¥505.5 billion (year-on-year increase of ¥36.5 billion), while shareholders' equity ratio increased 0.7 points to 67.9%. While total liabilities and shareholders' equity were higher year on year, our debt-equity ratio remained nearly level at 0.47, a 0.01-point decrease.

## Capital Expenditures

The OMRON Group made ¥38.9 billion in total capital investments during fiscal 2017, representing a 51.2% increase compared to the prior fiscal year. We engaged

in a deliberate yet active approach to capital investment, committing resources for future OMRON Group growth.

## Cash Flows

Cash and cash equivalents as of the end of fiscal 2017 amounted to ¥113.0 billion, a decrease of ¥13.0 billion compared to the end of the prior fiscal year. Net cash provided by operating activities amounted to ¥73.7 billion. This was a ¥4.2 billion decrease compared to the prior fiscal year, reflecting net income of ¥63.5 billion (¥17.2 billion increase) and ¥29.5 billion in depreciation and amortization (¥500 million increase). Net cash used in investing activities amounted to ¥55.8 billion. This was an increase of ¥40.8 billion in net cash outlays,

mainly due to capital expenditures and business acquisitions. As a result, free cash flow (total of net cash provided by operating activities and net cash used in investing activities) amounted to ¥17.8 billion, a decrease of ¥45.0 billion versus the prior fiscal year. Net cash used in financing activities amounted to ¥33.1 billion, an increase of ¥18.1 billion, partly due to ¥15.4 billion in dividend payments (¥800 million increase year on year).

## Dividend Policy

Our policy for profit distribution is to prioritize investment in R&D necessary for ongoing corporate value improvement, capital expenditures, and M&A. At the same, we strive for stable, consistent returns for our shareholders. The OMRON Group established a guideline of 30% in payout ratio and 3% of dividend on

equity ratio for profit distributions for fiscal years 2017 through 2020 covered by our medium-term management plan, VG2.0. As guided by this policy, we paid ¥76 per share in dividends for fiscal 2017. This resulted in a dividend on equity ratio of 3.3%.



# Outlook for Fiscal 2018

## Consolidated Earnings

While the fiscal 2018 economic environment for certain regions is difficult to predict with clarity, we expect the global economy to continue to demonstrate strength overall. Looking to the OMRON Group's major markets, we expect strong demand in Japan as capital investment expands in the automobile and digital industries. Overseas, we forecast an economic recovery in the U.S. spurred by major tax cuts and other policies, while capital investment and production increases in Europe should lead to a gradual recovery in that region. The rate of growth in China will likely slow down. However, demand for our products and services should be strong in response to manufacturing labor shortages and the resulting needs for automation. In Asia, the economies of Thailand, India, and Indonesia should continue to recover throughout the year.

We will respond to these conditions in fiscal 2018, our second year under VG2.0, striving for revenue and

profit growth, pursuing a policy under the banner of *Creating Change: Accelerate growth and transform profit structure through innovation*. As with fiscal 2017, we will continue to bolster our earnings ability, investing profits in our Industrial Automation Business, Healthcare Business, and core technologies. We will create innovations that keep the growth cycle on an upward path, accelerating OMRON Group growth.

Our fiscal 2018 plan calls for net sales of ¥900 billion (4.7% increase) versus fiscal 2017, operating income of ¥93.0 billion (8.3% increase), and net income attributable to OMRON shareholders of ¥64.5 billion (2.1% increase). Our target for gross profit margin, an indicator of earnings ability, will be 42.5%, representing a 0.9-point increase compared to the prior fiscal year. Finally, we will dedicate organization-wide efforts to reaching the important ROIC and ROE targets for the year, which we have set at approximately 12%.

## Industrial Automation Business (IAB)

We expect the IAB to benefit from strong demand for labor-savings and automation globally. In particular, we forecast higher demand for capital investment in the digital (rising needs for IoT) and automotive (investment in automated driving technologies, eco-friendly vehicles) industries. We plan to leverage the industrial code reader and industrial camera businesses we acquired in fiscal 2017 to capture global demand for

traceability, which is rising in response to greater awareness of product quality. Based on our projections, our fiscal 2018 net sales plan calls for ¥428.0 billion in IAB sales, representing an 8% increase compared to fiscal 2017. While we will continue to invest in future growth, we expect rising revenues and other factors to drive operating income 10.8% higher year on year, reaching ¥82.0 billion for fiscal 2018.

## Electronic and Mechanical Components Business (EMC)

We forecast a significant decline in EMC sales in Japan, impacted by level demand in the automobile-related industries and contracting demand in the amusement industry. Overseas, we expect to see strong demand in the consumer markets of the Americas and Europe. In Greater China, demand in the high-function home appliance market should continue to grow, while government environmental policies are likely to drive growth in markets for water heaters and home furnaces. The markets for semiconductor inspection

equipment and home appliances are also likely to expand in Asia. Based on these projections, we forecast ¥102.0 billion in EMC net sales, which will be a decrease of 2.3% year on year. Given our expectations for higher overseas sales and internal sales, we forecast EMC operating income of 12.5 billion, essentially level at 0.2% above fiscal 2017 results.

\* Comparisons to fiscal 2017 figures are calculated on revised business classifications for fiscal 2017 actuals (¥104.4 billion in net sales, ¥12.5 billion in operating income).

## Automotive Electronic Components Business (AEC)

Our forecast for AEC sales in Japan calls for lower fiscal 2018 sales versus fiscal 2017, mainly due to projected decreases in Japanese automobile production volume. Overseas, expectations are for level year-on-year auto production in the Americas and North America. However, vehicle model changes will result in the termination of models using OMRON products, driving sales down compared to fiscal 2017. We forecast higher sales in Asia, where strong auto production should

bolster our performance. Given these assumptions and the likely negative impact of foreign exchange, we expect AEC sales to underperform fiscal 2017. Accordingly, our forecast for AEC fiscal 2018 net sales is ¥128.0 billion (2.4% decrease). In contrast, we forecast productivity improvements and other factors to generate a 3.2% rise in operating income, reaching ¥6.0 billion.

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

In the SSB segment, we project higher Public Transportation Business sales, mainly due to firm replacement demand. Our Traffic and Road Management Systems Business should likewise see

firm demand resulting from ongoing needs for security and safety. Given these assumptions, we forecast SSB fiscal 2018 net sales of ¥67.0 billion (5.2% increase) and operating income of ¥4.5 billion (9.5% increase).

## Healthcare Business (HCB)

We forecast higher fiscal 2018 net sales in the HCB segment. An increase in individuals suffering from lifestyle diseases associated with Japan's aging society, as well as greater overall interest in health, should drive firm demand, mainly via online channels. Overseas, economic growth should spur lifestyle changes and an

increase in interest in health, while the emerging economies of the world, particularly in Asia, should see higher demand for health-related products. Based on these projections, we forecast HCB fiscal 2018 net sales of ¥119.0 billion (9.7% increase) and operating income of ¥12.5 billion (11.5% increase).

## Other Businesses

We forecast higher fiscal 2018 sales in our Environmental Solutions Business, driven by growth in the storage battery market and recovery in the solar power market. Electric Systems and Equipment Business sales should likewise grow, benefiting from the expansion of our uninterruptible power supply line. Our Backlights Business, on the other hand, is likely to see largely decreasing sales due to the effects of business optimization. The combination of these factors

lead use to forecast Other Businesses segment net sales of ¥50.5 billion (0.9% year-on-year decrease). We expect to break even in terms of operating income.

\* Comparisons to fiscal 2017 figures are calculated on revised business classifications for fiscal 2017 actuals (¥51.0 billion in net sales, ¥500.0 million in operating loss).

# Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2017 and 2018

(Millions of yen)

(Millions of yen)

ASSETS	FY2016	FY2017
<b>Current Assets:</b>		
Cash and cash equivalents	¥ 126,026	¥ 113,023
Notes and accounts receivable - trade	169,210	174,065
Allowance for doubtful receivables	(1,320)	(1,117)
Inventories	109,404	129,581
Deferred income taxes	19,123	—
Other current assets	13,461	21,833
<b>Total Current Assets</b>	<b>435,904</b>	<b>437,385</b>
<b>Property, Plant and Equipment:</b>		
Land	25,550	24,886
Buildings	141,527	145,389
Machinery and equipment	189,286	205,233
Construction in progress	6,104	10,063
<b>Total</b>	<b>362,467</b>	<b>385,571</b>
Accumulated depreciation	(234,852)	(250,468)
<b>Net Property, Plant and Equipment</b>	<b>127,615</b>	<b>135,103</b>
<b>Investments and Other Assets:</b>		
Goodwill	30,385	38,705
Investments in and advances to affiliates	25,303	27,195
Investment securities	27,006	29,016
Leasehold deposits	6,907	7,531
Deferred income taxes	21,101	39,947
Other assets	23,480	30,070
<b>Total Investments and Other Assets</b>	<b>134,182</b>	<b>172,464</b>
<b>Total</b>	<b>¥ 697,701</b>	<b>¥ 744,952</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	FY2016	FY2017
<b>Current Liabilities:</b>		
Notes and accounts payable - trade	¥ 89,362	¥ 93,792
Accrued expenses	39,354	44,291
Income taxes payable	6,994	6,414
Other current liabilities	36,371	38,281
<b>Total Current Liabilities</b>	<b>172,081</b>	<b>182,778</b>
<b>Deferred Income Taxes</b>	<b>763</b>	<b>706</b>
<b>Termination and Retirement Benefits</b>	<b>43,708</b>	<b>42,342</b>
<b>Other Long-Term Liabilities</b>	<b>10,392</b>	<b>11,740</b>
<b>Total Liabilities</b>	<b>226,944</b>	<b>237,566</b>
<b>Shareholders' Equity:</b>		
Capital	64,100	64,100
Common stock		
Authorized: 487,000,000 shares in FY2017		
487,000,000 shares in FY2016		
Issued: 213,958,172 shares in FY2017		
213,958,172 shares in FY2016		
Capital surplus	99,138	99,588
Legal reserve	17,813	19,940
Retained earnings	346,000	390,950
Accumulated other comprehensive income (loss)	(57,363)	(49,359)
Treasury stock	(659)	(19,689)
3,352,916 shares in FY2017		
152,836 shares in FY2016		
<b>Total Shareholders' Equity</b>	<b>469,029</b>	<b>505,530</b>
<b>Noncontrolling Interests</b>	<b>1,728</b>	<b>1,856</b>
<b>Total Net Assets</b>	<b>470,757</b>	<b>507,386</b>
<b>Total</b>	<b>¥697,701</b>	<b>¥ 744,952</b>

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# Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2016, 2017 and 2018

(Millions of yen)

	FY2015	FY2016	FY2017
<b>Net Sales</b>	¥ 833,604	¥ 794,201	¥ 859,982
<b>Costs and Expenses:</b>			
Cost of sales	512,792	482,399	502,297
Selling, general and administrative expenses	205,735	193,539	212,641
Research and development expenses	52,790	50,697	59,134
Other expenses (income), net	(3,399)	2,074	2,543
Total	767,918	728,709	776,615
<b>Income before Income Taxes and Equity in Earnings of Affiliates</b>	65,686	65,492	83,367
<b>Income Taxes</b>	20,043	19,882	21,615
<b>Equity in Earnings of Affiliates</b>	(2,039)	(712)	(1,754)
<b>Net Income</b>	47,682	46,322	63,506
<b>Net Income Attributable to Noncontrolling Interests</b>	392	335	347
<b>Net Income Attributable to OMRON Shareholders</b>	¥ 47,290	¥ 45,987	¥ 63,159

(Yen)

	FY2015	FY2016	FY2017
<b>Per Share Data:</b>			
Net income Attributable to OMRON Shareholders:			
Basic	¥ 218.95	¥ 215.09	¥ 296.85
Diluted	218.95	215.09	—

# Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries  
Years ended March 31, 2016, 2017 and 2018

(Millions of yen)

	FY2015	FY2016	FY2017
<b>Net Income</b>	¥ 47,682	¥ 46,322	¥ 63,506
<b>Other Comprehensive Income (Loss), Net of Tax:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	(23,916)	(9,003)	3,153
Reclassification adjustment for the portion realized in net income	—	(7)	—
Net unrealized gain (loss)	(23,916)	(9,010)	3,153
Pension liability adjustments:			
Pension liability adjustments arising during the year	(29,525)	4,908	451
Reclassification adjustment for the portion realized in net income	1,486	3,046	2,335
Net unrealized gain (loss)	(28,039)	7,954	2,786
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	(5,776)	1,164	3,695
Reclassification adjustment for the portion realized in net income	(4,818)	(7,283)	(2,034)
Net unrealized gain (loss)	(10,594)	(6,119)	1,661
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	658	983	(514)
Reclassification adjustment for the portion realized in net income	(946)	(1,109)	920
Net unrealized gain (loss)	(288)	(126)	406
<b>Other Comprehensive Income (Loss)</b>	(62,837)	(7,301)	8,006
<b>Comprehensive Income (Loss)</b>	(15,155)	39,021	71,512
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	248	193	349
<b>Comprehensive Income (Loss) Attributable to OMRON Shareholders</b>	¥ (15,403)	¥ 38,828	¥ 71,163



# Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries  
Years ended March 31, 2016, 2017 and 2018

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling interests	Total net assets
<b>Balance, March 31, 2015</b>	217,397,872	¥ 64,100	¥ 99,070	¥ 13,403	¥ 301,174	¥ 12,489	¥ (467)	¥ 489,769	¥ 2,325	¥ 492,094
Net income					47,290			47,290	392	47,682
Cash dividends paid to OMRON Corporation shareholders, ¥68 per share					(14,656)			(14,656)		(14,656)
Cash dividends paid to noncontrolling interests								—	(256)	(256)
Equity transactions with noncontrolling interests and other								—	(1)	(1)
Transfer to legal reserve				1,791	(1,791)			—		—
Other comprehensive income (loss)						(62,693)		(62,693)	(144)	(62,837)
Acquisition of treasury stock							(15,023)	(15,023)		(15,023)
Sale of treasury stock			0				0	0		0
Retirement of treasury stock	(3,439,700)				(14,846)		14,846	—		—
Issuance of stock acquisition rights			31					31		31
<b>Balance, March 31, 2016</b>	213,958,172	64,100	99,101	15,194	317,171	(50,204)	(644)	444,718	2,316	447,034
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
<b>Balance, March 31, 2017</b>	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
Share-based compensation			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)
<b>Balance, March 31, 2018</b>	213,958,172	¥64,100	¥99,588	¥19,940	¥390,950	¥(49,359)	¥(19,689)	¥505,530	¥1,856	¥507,386

# Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries  
Years ended March 31, 2016, 2017 and 2018

(Millions of yen)

	FY2015	FY2016	FY2017
<b>Operating Activities:</b>			
Net income	¥47,682	¥46,322	¥63,506
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,460	28,966	29,465
Net loss (gain) on sale and disposals of property, plant, and equipment	(485)	705	949
Impairment losses on long-lived assets	463	12,998	911
Net gain on sale of investment securities	(1,499)	(3,764)	(3,003)
Impairment losses on investment securities	68	558	155
Gain on contribution of securities to retirement benefit trust	(4,140)	(7,004)	—
Termination and retirement benefits	698	2,863	2,706
Deferred income taxes	2,283	11	(2,607)
Equity in earnings of affiliates	(2,039)	(712)	(1,754)
Loss (gain) on sales of business	—	(3,686)	14
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	9,436	(8,923)	(3,210)
Decrease (increase) in inventories	6,061	(7,112)	(17,409)
Decrease (increase) in other assets	1,003	2,604	(6,113)
Increase (decrease) in notes and accounts payable - trade	(7,189)	8,384	4,116
Increase (decrease) in income taxes payable	3,433	852	(614)
Increase (decrease) in accrued expenses and other current liabilities	(4,614)	5,097	6,276
Other, net	1,586	(284)	285
Total adjustments	36,525	31,553	10,167
Net cash provided by operating activities	84,207	77,875	73,673
<b>Investing Activities:</b>			
Proceeds from sale or maturities of investment securities	2,214	4,606	3,776
Purchase of investment securities	(330)	(3,274)	(649)
Capital expenditures	(37,903)	(25,816)	(38,542)
Decrease (increase) in leasehold deposits, net	115	(145)	(634)
Proceeds from sale of property, plant, and equipment	2,239	2,278	990
Decrease (increase) in investment in and loans to affiliates	(20)	30	—
Proceeds from sale of business, net of cash paid	—	7,187	(427)
Acquisition of business, net of cash acquired	(33,448)	—	(20,445)
Other, net	17	93	89
Net cash used in investing activities	(67,116)	(15,041)	(55,842)
<b>Financing Activities:</b>			
Net borrowings (repayments) of short-term debt	2	155	951
Dividends paid by the Company	(16,077)	(14,539)	(15,378)
Dividends paid to noncontrolling interests	(256)	(297)	(215)
Payments for equity transactions with noncontrolling interests	—	(470)	—
Acquisition of treasury stock	(15,023)	(16)	(18,530)
Other, net	(196)	155	90
Net cash used in financing activities	(31,550)	(15,012)	(33,082)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(5,253)	(4,706)	2,248
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(19,712)	43,116	(13,003)
<b>Cash and Cash Equivalents at Beginning of the Year</b>	102,622	82,910	126,026
<b>Cash and Cash Equivalents at End of the Year</b>	¥82,910	¥126,026	¥113,023

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# Corporate Information As of March 31, 2018

## Established

May 10, 1933

## Incorporated

May 19, 1948

## Capital

¥64,100 million

## Number of Employees

(Consolidated)

36,193

## Common Stock

Issued

213,958 thousand shares

Trading Unit

100 shares

Number of Shareholders

38,615

## Stock Listings

Tokyo Stock Exchange,

Frankfurt Stock Exchange

## Securities Code

6645

## Fiscal Year-End

March 31

## Annual Shareholders' Meeting

June

## Custodian of Register of

## Shareholders

Mitsubishi UFJ Trust and

Banking Corporation

## Depositary and Transfer

## Agent for American

## Depositary Receipts

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 Nohgata Co., Ltd.

OMRON EXPERTLINK Co., Ltd.\*

\* Established in April 2018

## Overseas Headquarters

### North America

OMRON MANAGEMENT  
CENTER OF AMERICA  
(Illinois)

### Brazil

OMRON MANAGEMENT  
CENTER OF BRAZIL  
(São Paulo)

### Europe

OMRON MANAGEMENT  
CENTER OF EUROPE  
(The Netherlands)

### Greater China

OMRON MANAGEMENT  
CENTER OF CHINA  
(Shanghai)

### Asia Pacific

OMRON MANAGEMENT  
CENTER OF ASIA PACIFIC  
(Singapore)

### India

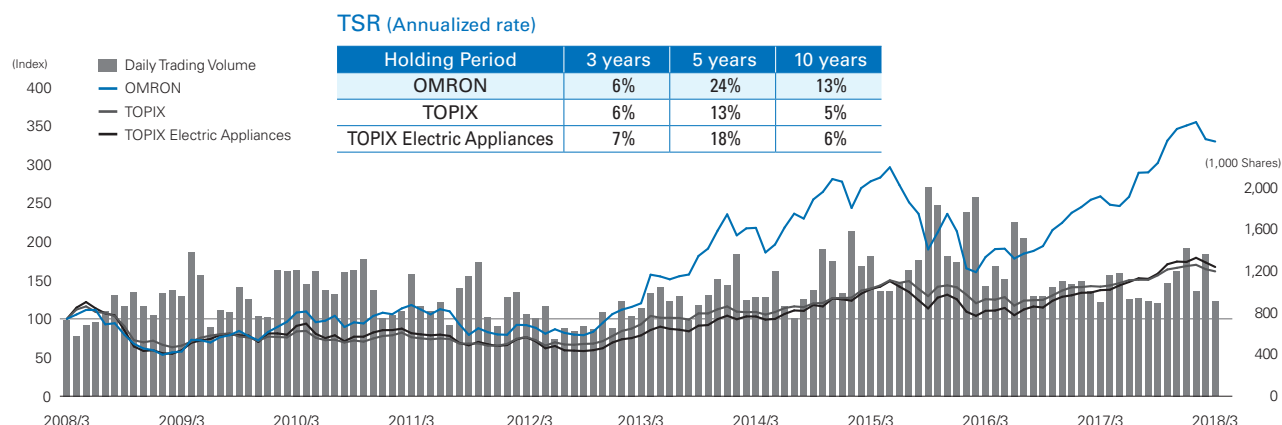
OMRON MANAGEMENT  
CENTER OF INDIA  
(Haryana)

### Korea

OMRON MANAGEMENT  
CENTER OF KOREA  
(Seoul)

# Stock Information

## Total Shareholder Return (TSR\*) Tokyo Stock Exchange



## 52-Week High / Low, Volatility\*2

FY	High (¥)	Low (¥)	Volatility (%)
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
2008	2,385	940	52.4

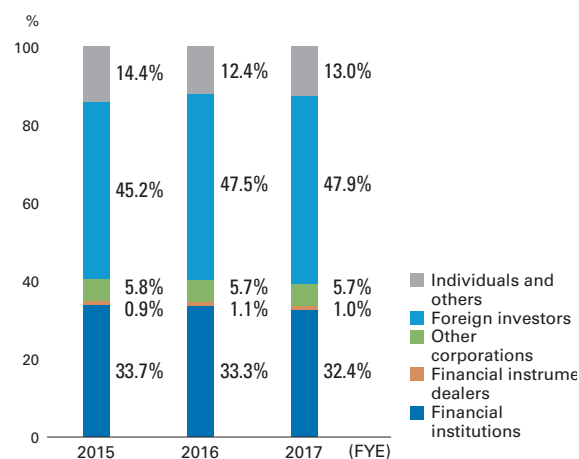
\*2 Volatility: Price fluctuation risk expressed in standard deviations

## Dividends per Share / Payout Ratio

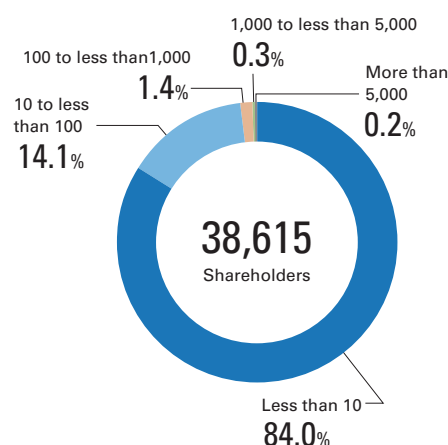
FY	Dividends per Share (¥)	Payout Ratio (%)
2017	76	25.6
2016	68	31.6
2015	68	31.1
2014	71	25.0
2013	53	25.3
2012	37*3	27.0
2011	28	37.6
2010	30	24.7
2009	17	106.4
2008	25	—

\*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)



# The Year in Review

Fiscal 2017 was the first year of the OMRON VG2.0 medium-term management plan. It was an eventful year in which we accelerated growth investments, including the acquisition of an industrial camera manufacturer and an industrial code reader manufacturer. We also set up a new technology development center to drive dramatic technological growth.

## Year Highlights

April 2017

Industrial camera maker Sentech acquired  
(Finalized July 2017)

<https://www.omron.com/media/press/2017/04/c0427.html>



July 2017

Scope defined for fiscal 2017 stock repurchase

<https://www.omron.com/about/ir/irlib/news/pdfs/20170727e.pdf>

September 2017

OMRON selected as component of the Dow Jones Sustainability World Index (DJSI World)

<https://www.omron.com/media/press/2017/09/c0911.html>



June 2017

RIKEN BSI-OMRON Collaboration Center established; venture between OMRON and RIKEN

<https://www.omron.com/media/press/2017/06/c0601.html>

August 2017

Acquired U.S. industrial code reader Microscan Systems  
(finalized October 2017)

<https://www.omron.com/media/press/2017/08/c0830.html>



2017

April – May

June

July

August

September

October

April 2017

Developed AI Machine Automation Controller featuring machine-learning AI algorithm

<https://www.omron.com/media/press/2017/04/c0425.html>



August 2017

Announced i-BELT service using production floor data



October 2017

Developed 3D-LIDAR for self-driving vehicle use on public roads

<https://www.omron.com/media/press/2017/10/c1024.html>



July 2017

Launched production of in-home electronic blood pressure monitors in Brazil



September 2017

Introduced NC Integrated Controller for dramatic improvement in processing equipment productivity

<https://www.omron.com/media/press/2017/09/c0926.html>

Developed world's first on-board driver monitoring sensor

<https://www.omron.com/media/press/2017/09/c0927.html>



## Product Highlights





**Industrial Automation Business (IAB)**



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



**Automotive Electronic Components Business (AEC)**



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



**Healthcare Business (HCB)**



**Other Businesses**

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October 2017

Opened automation center in Singapore

<https://www.omron.com/media/press/2017/10/c1006.html>



March 2018

New Diversity Management Selection 100 and Nadeshiko Brand Designation

<https://www.omron.com/media/press/2018/03/c0328.html>



April 2018

Established OMRON SINIC X Corporation

<https://www.omron.com/media/press/2018/04/c0425.html>

Named 2017 Top 100 Global Innovator

<https://www.omron.com/media/press/2018/04/c0410.html>



November 2017

Issued secondary offering of stock

<https://www.omron.com/about/ir/irlib/news/pdfs/20171128e.pdf>

2018

November

December

January

February

March

April

November 2017

Introduced four series of conditioning monitoring devices to provide visual representation of equipment status

<https://www.omron.com/media/press/2017/11/c1120.html>



February 2018

Upgraded features of OMRON connect blood pressure monitoring app



April 2018

Introduced USB environmental sensor; obtained environmental information for seven types of environmental data, including acceleration and VOC gases



December 2017

Announced DriveKarte monitoring service for driver safety



February 2018

Announced sales of KPV Series outdoor-use computers



# OMRON Recognitions

## OMRON Innovations Recognized

### Selected as Top 100 Global Innovator



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

### Received fiscal 2017 Commissioner's Award/Intellectual Property Achievement Awards



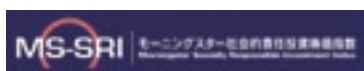
OMRON HEALTHCARE Co., Ltd. received the Commissioner's Award of the Intellectual Property Achievement Awards for fiscal 2017.

## Coverage in ESG Indexes

Recognizing our commitment to sustainability, OMRON is a constituent member of several major ESG indexes. We are honored to have been included for the eighth consecutive year in the Dow Jones Sustainability (DJSI) Asia/Pacific Index and for the first year in the DJSI World Index. We have also been included for the third consecutive year in the MSCI ESG Leaders Index and for the second consecutive year in the FTSE4Good Index Series.



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, OMRON was selected as a component member of three ESG indexes in July 2017 for the second consecutive year.



FTSE Blossom Japan



## Recognized for Contributions to Sustainability

### New Diversity Management Selection 100 and Nadeshiko Brand Designation



OMRON was recognized for our engagement in human resources strategy under VG2.0.

### Designated Certified Health and Productivity Management Organization (White 500)



OMRON Corporation and OMRON HEALTHCARE Co., Ltd. were recognized for a second consecutive year under the Certified Health and Productivity Management Organization (White 500) program.

## Recognition for Communications

### Integrated Report 2017

OMRON has been honored with the Award for Excellence in each of the first four years, sponsored by the World Intellectual Capital Initiative Japan. This year, OMRON was awarded the Grand Prize for Excellence in Integrated Reporting for the first time. The latest edition of the Nikkei Annual Report Awards, sponsored by Nikkei Inc. (publisher of the Nihon Keizai Shimbun), recognized OMRON as the Grand Prix winner.



### The 33rd Corporate Communications Awards

For the second time since 1990, OMRON received the Award for Excellence in Corporate Communications from the Keizai Koho Center.

### Fifth Web Grand Prix Corporate B to B Site Award

OMRON's EDGE & LINK website was awarded the Corporate B to B Website Award in the Corporate Grand Prix division of the Fifth Annual Web Grand Prix, sponsored by the Web Advertising Bureau of the Japan Advertisers Association.

\*See below for more about EDGE & LINK.

## 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.



#### 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.

# Independent Practitioner's Assurances

To enhance the reliability of the information presented in Integrated Report 2018, the following information associated with social and environmental performance provided herein has been reviewed by independent third parties\*.

\* Deloitte Tohmatsu Sustainability Co., Ltd.  
Bureau Veritas Japan Co., Ltd.

## Data subject to independent assurance

- Ratio of non-Japanese in managerial positions overseas (P33)
- Ratio of women in managerial roles (OMRON Group in Japan) (P33)
- Ratio of employees with disabilities (OMRON Group in Japan) (P33)

**Deloitte**  
デロイト トーマツ  
(TRANSLATION)

Independent Practitioner's Assurance Report

August 6, 2018

Mr. Yoshihito Yamada,  
President and CEO,  
OMRON Corporation

Masahiko Sugiyama  
Representative Director  
Deloitte Tohmatsu Sustainability Co., Ltd.  
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement with respect to the Ratio of Non-Japanese in Managerial Positions Overseas, the Ratio of Women in Managerial Roles, and the Ratio of Employees with Disabilities for the year ended March 31, 2018\* (collectively the "Social Performance Information") presented on the Non-Financial Highlights section of the Integrated Report 2018 (the "Report") of OMRON Corporation (the "Company").

\* Ratio of Women in Managerial Roles\* figures as of April 2018.

**The Company's Responsibility**  
The Company is responsible for the preparation of the Social Performance Information in accordance with the calculation and reporting standard adopted by the Company (stated in the Social Performance Information on the Report).

**Our Independence and Quality Control**  
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibility**  
Our responsibility is to express a limited assurance conclusion on the Social Performance Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB") and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Understanding site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

**Limited Assurance Conclusion**  
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Social Performance Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of  
Deloitte Touche Tohmatsu Limited

## Data subject to independent verification

- Net sales to CO<sub>2</sub> emissions (P33)

## Data subject to independent review

- Environmental contribution (P33)

**Environmental Performance Data  
Independent Verification Report**

To: OMRON Corporation

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by OMRON Corporation (OMRON) to conduct independent verification and review of its environmental data selected for inclusion in the OMRON's corporate website, prepared under the responsibility of OMRON. The aim of the verification is to consider the reliability and accuracy of environmental data detailed in the website and to provide a verification opinion based on objective evidence. The aim of the review is to make an independent statement concerning the reliability and accuracy of the environmental data.

**1. Verification and Review Outline**  
1) Environmental Impact data generated through business operations in FY2017 (April 1, 2017 through March 31, 2018)  
Bureau Veritas conducted a verification of the following data:

Scope of Verification	Sites Visited	Verification Methodology
GHG emissions (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> and NF <sub>3</sub> ) through business operations of OMRON Group's 44 manufacturing sites both inside and outside Japan. However, CO <sub>2</sub> emissions generated from use of electricity for living use, steam and hot water at OMRON DALIAN Co., Ltd. are out of verification scope.	- OMRON's head office - OMRON Yatsu Plant - OMRON Kusatsu Plant - OMRON SHANGHAI Co., Ltd. - OMRON DALIAN Co., Ltd.	- Review of documentary evidence produced by OMRON's head office and the sites visited - Interviews with relevant personnel of OMRON's head office and the sites visited - Site inspection and review of data monitoring procedures - Comparison between the reported data and supporting documentary evidence
Water usage and Waste water discharged through business operations of OMRON Group's 52 sites both inside and outside Japan.	- OMRON's head office	- Review of documentary evidence produced by OMRON's head office - Interviews with relevant personnel of OMRON's head office - Comparison between the reported data and supporting documentary evidence
Carbon Productivity (Global sales / CO <sub>2</sub> emissions from global production sites).	- OMRON's head office	- Review of documentary evidence produced by OMRON's head office - Interviews with relevant personnel of OMRON's head office - Comparison between the reported data and supporting documentary evidence

This verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of non-financial reporting, based on current best practice. Bureau Veritas refers to the International Standard on Assurance Engagements (ISAE) 3000 in providing a limited assurance for the scope of work stated herein.

**2) Environmental contribution by sold products and services**  
Bureau Veritas conducted a review of the following data:

Data Reviewed	Site Visited	Review Methodology
The amount of contribution to CO <sub>2</sub> emission reduction through the use of products and services sold in FY2017.	OMRON's Head Office	- Review of documentary evidence produced by OMRON's Head Office and the departments of the relevant products and services - Interviews with relevant personnel of OMRON's Head Office and the departments of the relevant products and services - Comparison between the data used in the calculation of emissions reductions and the supporting documentary evidence

The review was conducted using Bureau Veritas' standard procedures for external review of sustainability reporting.

**2. Findings**  
On the bases of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the reviewed information within the scope of our verification and review is inaccurate and does not provide a fair representation of the performance for the defined period.
- It is our opinion that OMRON has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our verification and review.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas activities for OMRON are for sustainability reporting verification only and we believe our verification assignment did not raise any conflicts of interest.

# From the Editor-In-Chief

*Integrated Report 2018* marks the seventh integrated report published by the OMRON Group. We believe this report represents an important opportunity to deepen engagement with our stakeholders. Accordingly, we have endeavored to make this report a logical story that encompasses the results of our initiatives to improve corporate value during the course of the year. Our story tells how OMRON has created value to date, how we intend to continue to create value in the future, and why we think this is possible. We hope that communicating the commitment of OMRON management to sustainable corporate growth over the medium and long term encourages greater engagement with our stakeholders.

The theme of this year's report is Accelerating the Creation of Innovation Driven by Social Needs. What do we mean by Innovation Driven by Social Needs? We mean taking up the challenge to lead the world in solving social issues through groundbreaking innovative value. This stance has been part of the OMRON DNA since our founding, and it continues to live on in the OMRON Principles. In this year's report, we make the case that it is our initiatives to create innovation

driven by social needs that are the very source of our value creation. We have also gone to great lengths to show how sustainability initiatives are tied to the efforts of OMRON business segments to create innovation, and how the functional divisions and departments supports the OMRON business with these initiatives.

Integrated Report 2018 was edited by a team of individuals selected from our Global Investor Relations & Brand Communications HQ and Sustainability Office. We also owe a word of thanks to others within and outside of OMRON who provided their valuable input. This entire process proved to be an opportunity for seeing OMRON strengths and issues from new perspectives. Our report production team will continue to work hard on future integrated reports, just as they look forward to further opportunities to interact with you, our important stakeholders. We hope you take the chance to share your opinions about Integrated Report 2018 with us.

August, 2018

Tsutomu Igaki

Executive Officer and Senior General Manager  
Global Investor Relations & Brand Communications HQ

The Integrated Report Production Team



