

# Integrated Report 2014

Year ended March 31, 2014

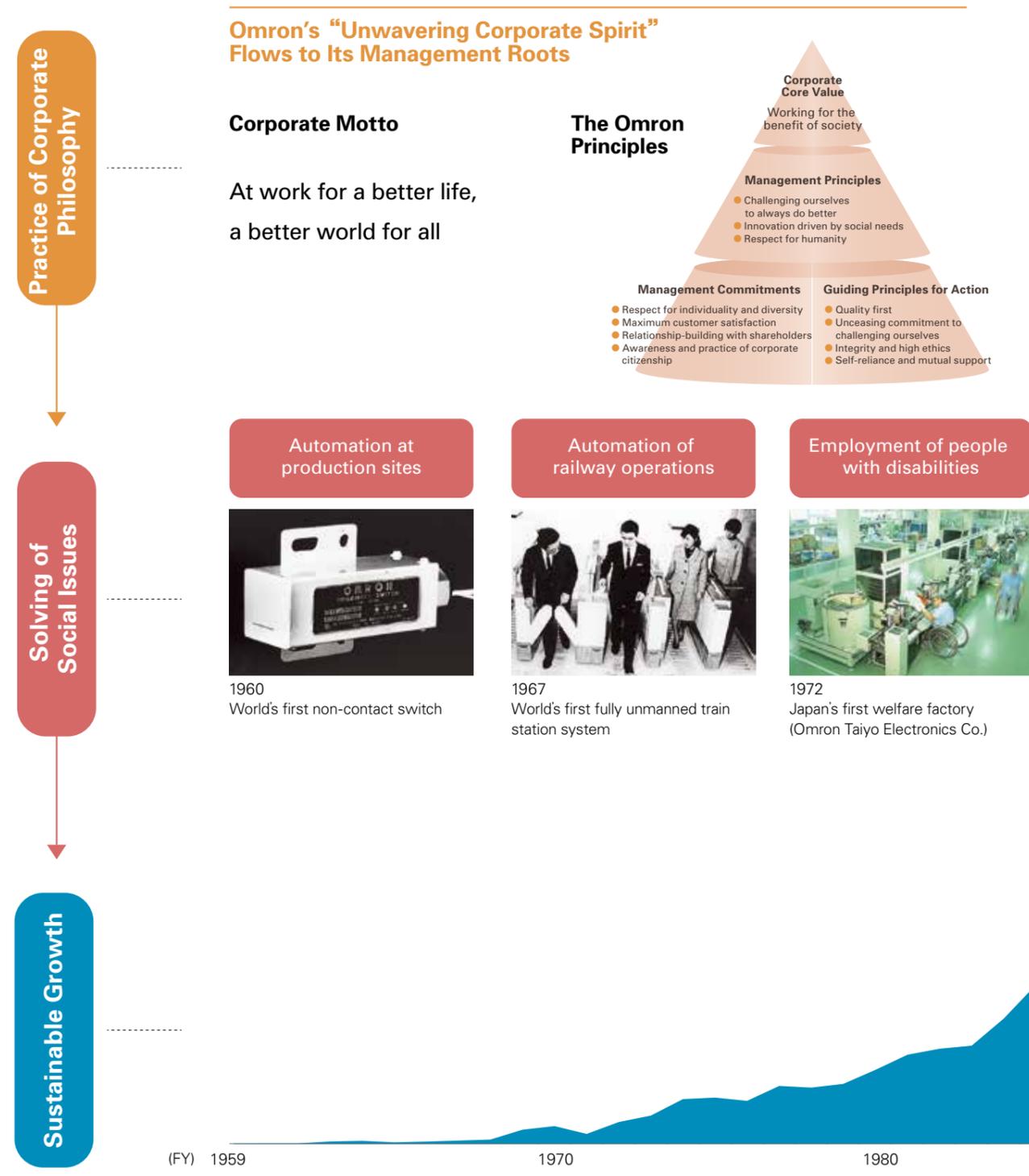
**OMRON**

*Sensing tomorrow™*



# Working for the Benefit of Society: The Corporate Philosophy Driving Omron's Value Creation

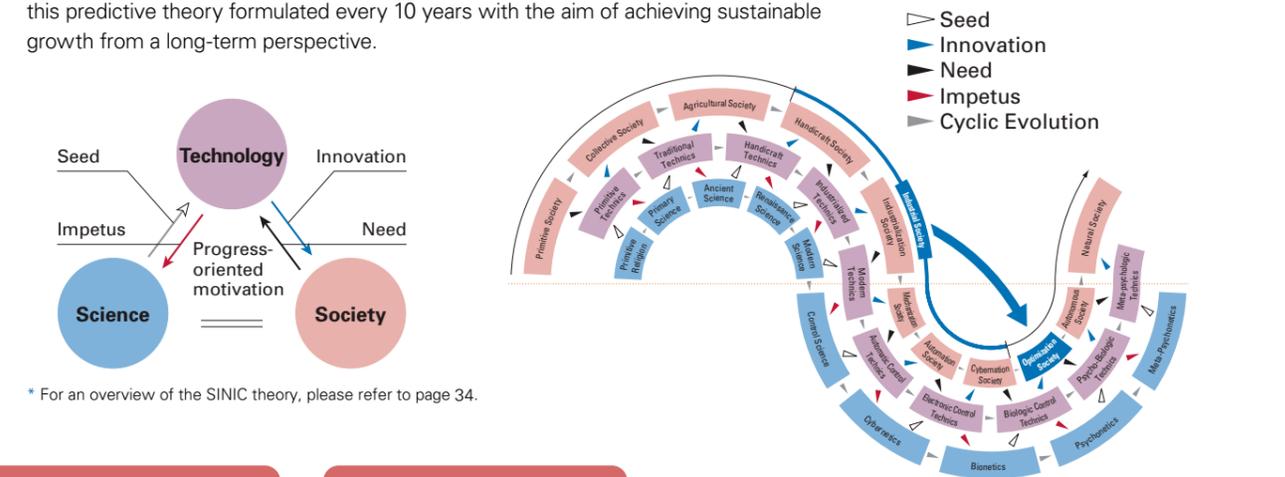
Omron has its own predictive theory called the SINIC theory. Recognizing society's potential needs promptly; creating numerous products and services that help industry, society, and people's lives; and solving social issues problems through business—this is **Omron's value creation story**. "Working for the benefit of society"—the aspiration of "creating a better society" implied in this corporate philosophy is being passed on throughout the Company, and Omron is aiming to remain "a company that people around the world require, with high expectations" and will continue its sustainable growth in the years to come together with greater society.



## Management's Compass – The SINIC Theory\*

Omron announced this predictive theory at the First Future Research World Congress in April 1970.

From the 1990s onward, Omron has set a long-term management vision based on this predictive theory formulated every 10 years with the aim of achieving sustainable growth from a long-term perspective.

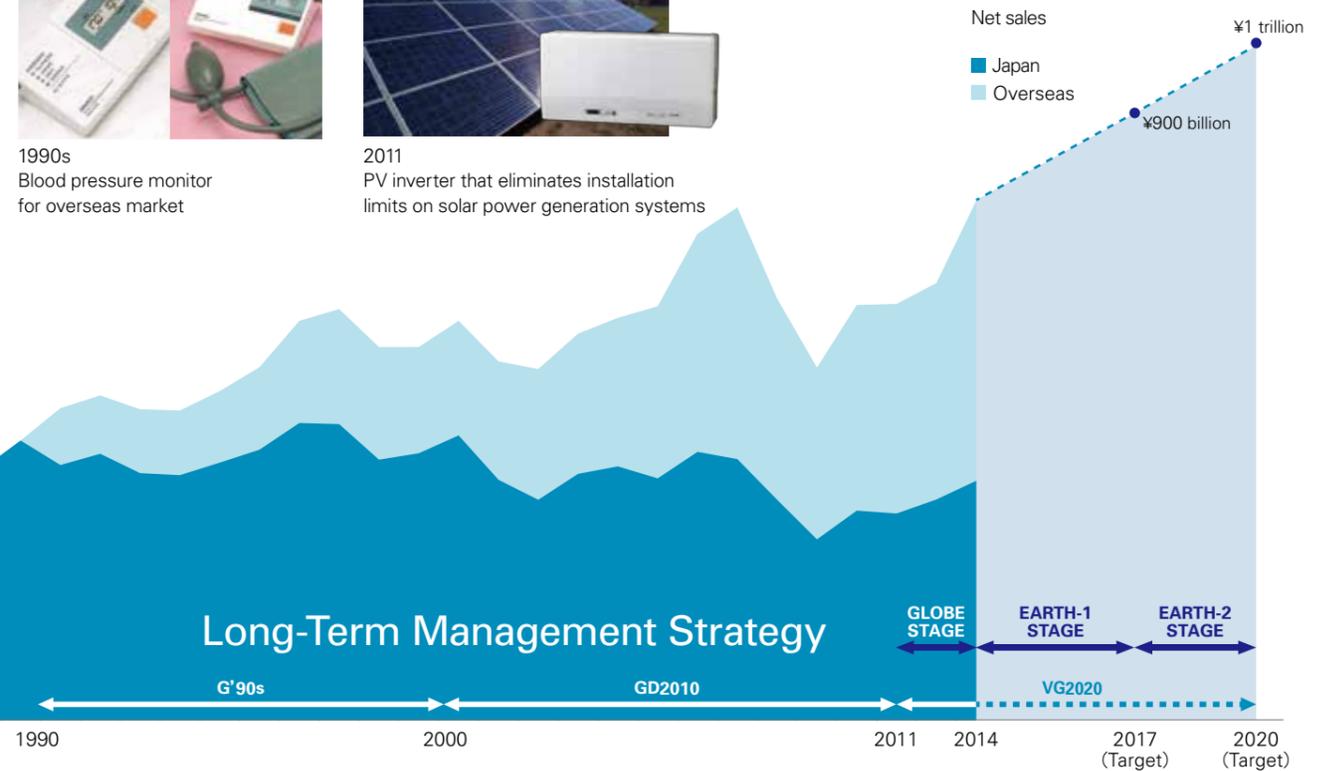


**Resolution of health issues**

1990s  
Blood pressure monitor for overseas market

**Contribution to the proliferation of renewable energy**

2011  
PV inverter that eliminates installation limits on solar power generation systems





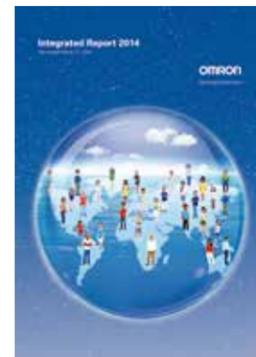
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#### Explanation of cover

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

### Corporate Value Initiatives

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#### Editorial Policy

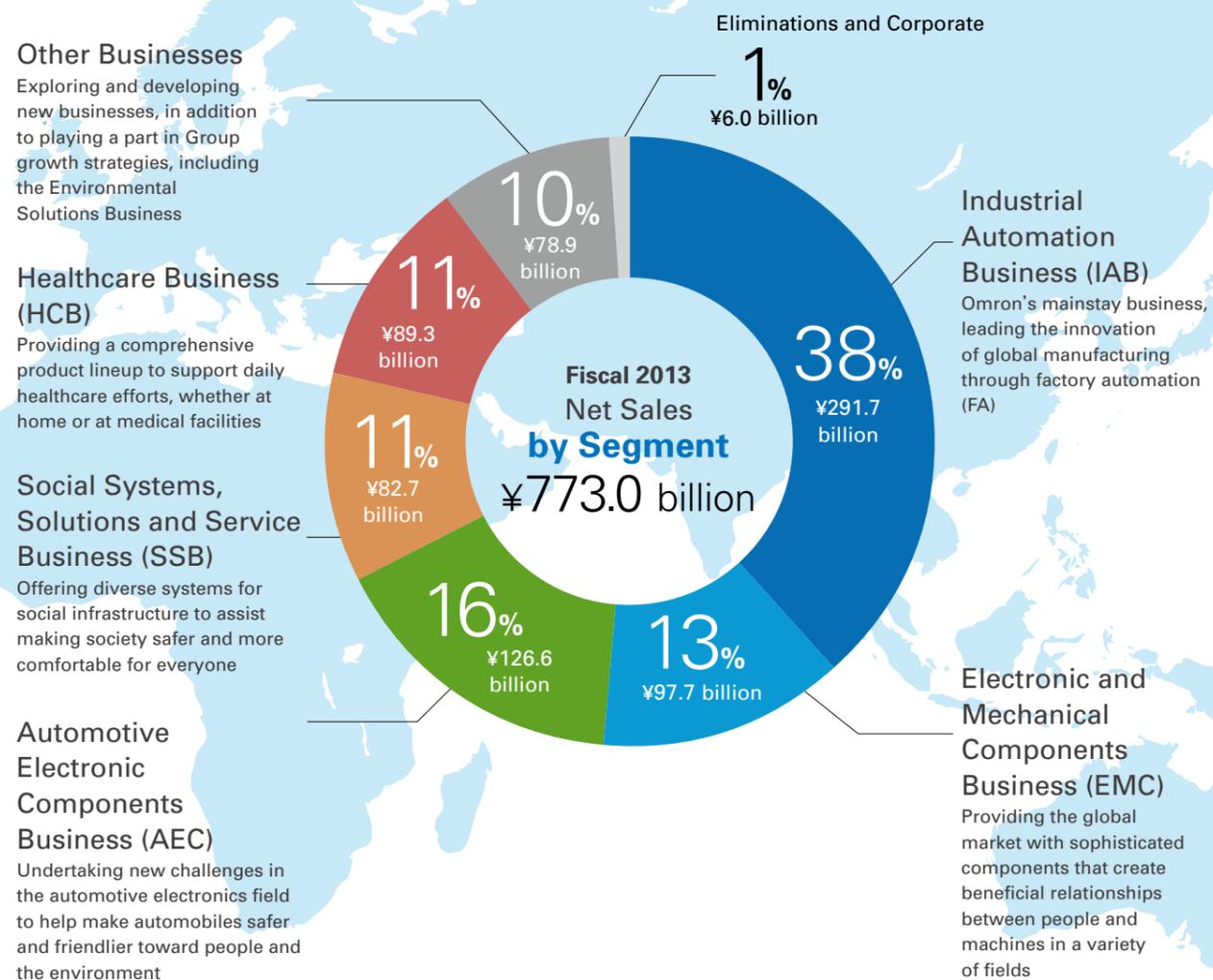
The scope of this report covers the 166 companies of the Omron Group, consisting of 156 consolidated subsidiaries and 10 non-consolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2014). Through its environmental and governance-related activities, Omron is contributing to the development of a sustainable society. Since 2012, we have included in our annual reports information on activities that had previously only been available in the CSR report.

#### Caution Concerning Forward-Looking Statements

Statements in this integrated report with respect to Omron's plans, 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, Americas, Europe, Asia Pacific, and Greater China; 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.

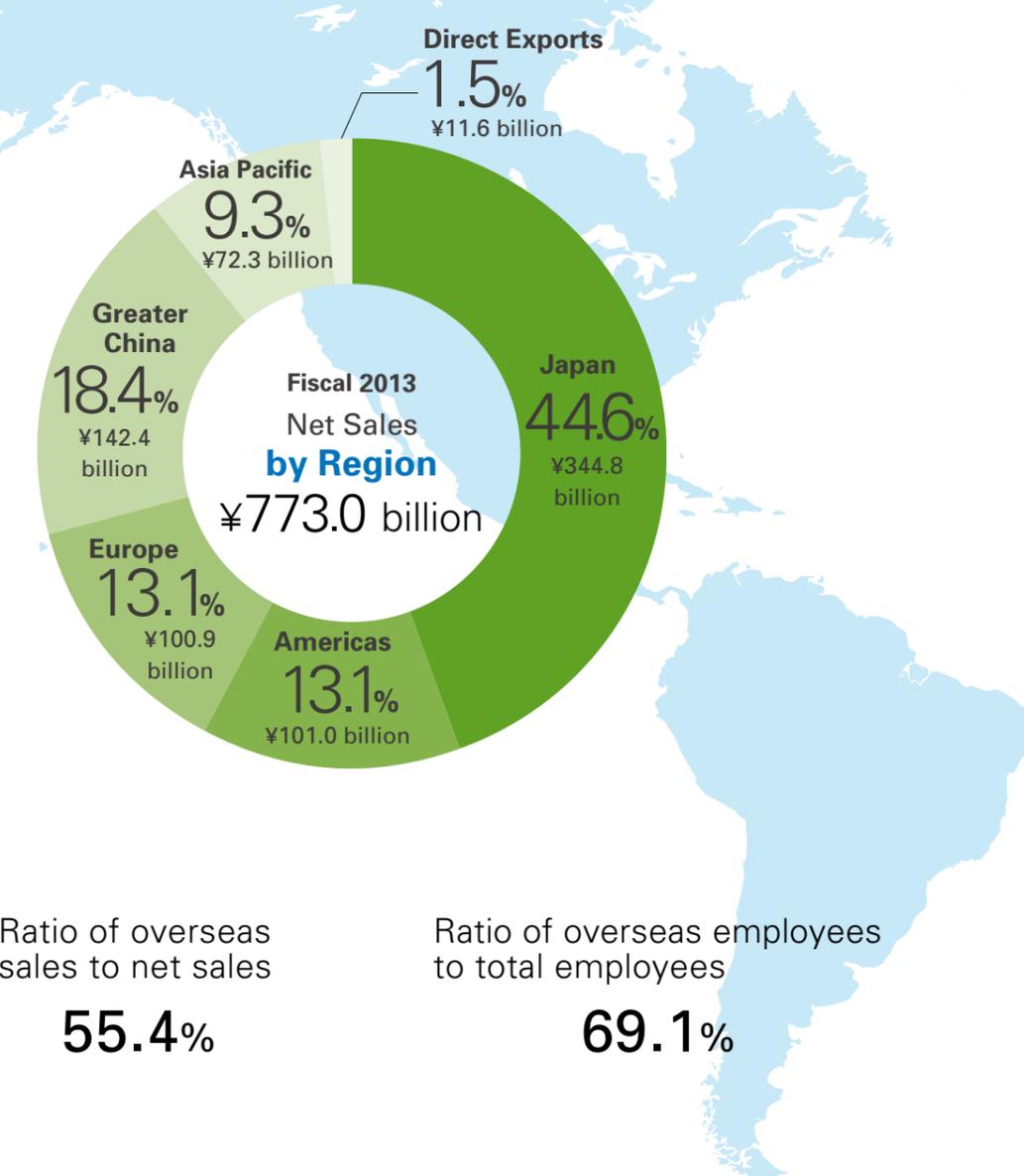
## Businesses United by Core Technologies

Focusing on its mainstay Industrial Automation business, Omron fully utilizes its core "Sensing and Control" technologies and will continue to contribute to the sustainable development of society.



## Global Business Expansion

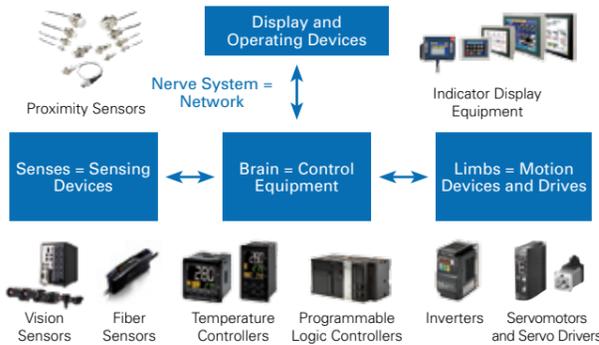
Having established bases in 35 countries and regions across the globe, including Japan, Omron is expanding its business with a community-oriented approach. The Omron Group has more than 36,000 employees, 69.1% of whom are overseas employees. Employees mutually express their own values and recognize others and are strongly bonded toward realizing creative innovations.



IAB

Control Equipment for FA

IAB's product lines comprise devices for sensing light image vibration, temperature and humidity levels, location, speed, and other data needed for operating manufacturing equipment; control and motion devices for optimal control; and display and operating devices that monitor control status and enable configuration and adjustment. Interconnecting devices over open protocol enables high-speed, high-precision control, contributing to "quality, safety, and the environment."



Safety Equipment

Safety equipment contributes to the creation of a safe workplace environment by automatically sounding an alarm or safely shutting down machinery when a worker enters a defined danger zone.



Environmental Equipment

Environmental equipment provides constant monitoring of the presence of foreign particles and of temperature and humidity levels and contributes to energy savings by analyzing electric power consumption data.



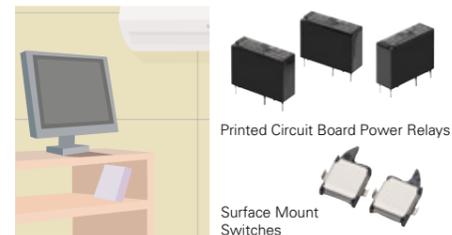
Segment Information

> P.42

EMC

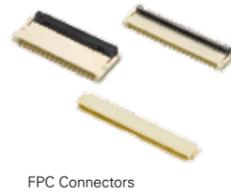
Relays and Switches

Relays are used in virtually all electric and electronic devices, including refrigerators, microwave ovens, and air conditioners.



Connectors

Connectors are used as an interface between electronic devices and are widely used in mobile devices and other electronics.



Facial Image Sensing Technologies

Image sensing technologies are used to recognize people's faces, and confirm people's identities, estimate age, and determine gender. They are also capable of recognizing hand or finger movements, thus enabling device control without the need of a remote controller.



Sensor / Modules

Sensor / modules respond to various needs from the digital imaging to amusement industries.



Segment Information

> P.44

AEC

Transmitter Key and Engine Start Systems

Entry systems enable car doors to be locked and unlocked by touching the door handle or pressing a switch on the door without taking out the transmitter key.



Engine start systems enable car engines to be started by pressing a switch from the driver's seat of the car.

Automotive Switches / Controllers

AEC supplies multi-function control units that use multi-channel communication technologies to integrate control of diverse automobile body features, including power window switches, door locks, and windshield wipers.



Electric Power Steering Controllers

Electric power steering controllers enable smoother steering and help achieve energy savings and better mileage.



Segment Information

> P.46

SSB

Train Station Solutions

SSB provides systems solutions, including the newest models for automated ticket gates and ticket vending machines, to increase the comfort and efficiency of train stations.



Automated Ticket Gates and Ticket Vending Machines

Environmental Solutions

SSB offers total solutions for generating, storing, and saving energy in a one-stop service.



Road Traffic Solutions

In addition to systems that centralize control of traffic volumes and conditions, SSB is developing next-generation traffic safety systems designed to prevent accidents.



Traffic and Road Management Systems

Segment Information

> P.48

HCB

Healthcare and Medical Devices for Home Use

HCB supports the health of individuals, from daily personal health management to disease management at home.



Sleep Sensors, Blood Pressure Monitors, Body Composition Monitors, Blood Glucose Meters, and Thermometers

Medical Devices for Professional Use

By supplying medical institutions with highly safe technologies, HCB is trying to reduce the risks associated with healthcare.



Spot Check Monitors and Non-Invasive Vascular Screening Devices

Segment Information

> P.50

Other

PV Inverters for Solar Power Generation Systems

Used to convert the DC electricity generated by solar panels into AC electricity usable in the home, these PV inverters are contributing to the spread of renewable energy.



PV Inverters for Outdoor Installation

LCD Backlights

A variety of technologies are utilized to contribute to brighter and slimmer mobile phones with lower power consumption.



LCD Backlights

Electronic Systems and Equipment

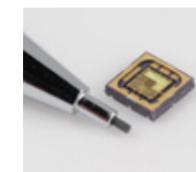
Omron supplies services related to the development and consignment production of industrial embedded computers and electronic systems as well as uninterruptible power supply units.



Uninterruptible Power Supply Units

Micro Devices

Omron provides new applications centering on micro electrical mechanical systems (MEMS).



MEMS Absolute Pressure Sensors

Segment Information

> P.52

# 11-Year Financial and Non-Financial Highlights

Omron Corporation and Subsidiaries

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
	Millions of yen											Thousands of U.S. dollars (Note 1)
<b>Operating Results (for the year):</b>												
Net sales	¥575,157	¥598,727	¥616,002	¥723,866	¥762,985	¥627,190	¥524,694	¥617,825	¥619,461	¥650,461	¥772,966	\$7,504,524
Gross profit	235,460	245,298	248,642	278,241	293,342	218,522	184,342	231,702	227,887	241,507	297,208	2,885,513
Selling, general and administrative expenses (excluding research and development expenses)	139,569	141,185	149,274	164,167	176,569	164,284	133,426	142,365	145,662	152,676	181,225	1,759,466
Research and development expenses	46,494	49,441	50,501	52,028	51,520	48,899	37,842	41,300	42,089	43,488	47,928	465,320
Operating income (Note 2)	49,397	54,672	60,782	62,046	65,253	5,339	13,074	48,037	40,136	45,343	68,055	660,727
EBITDA (Note 3)	77,059	83,314	91,607	95,968	101,596	38,835	40,088	71,021	62,753	67,795	93,144	904,309
Net income (loss) attributable to shareholders	26,811	30,176	35,763	38,280	42,383	(29,172)	3,518	26,782	16,389	30,203	46,185	448,398
<b>Cash Flows (for the year):</b>												
Net cash provided by operating activities	80,687	61,076	51,699	40,539	68,996	31,408	42,759	41,956	31,946	53,058	79,044	767,417
Net cash used in investing activities	(34,484)	(36,050)	(43,020)	(47,075)	(36,681)	(40,628)	(18,584)	(20,210)	(26,486)	(28,471)	(31,125)	(302,184)
Free cash flow (Note 4)	46,203	25,026	8,679	(6,536)	32,315	(9,220)	24,175	21,746	5,460	24,587	47,919	465,233
Net cash provided by (used in) financing activities	(28,119)	(40,684)	(38,320)	(4,697)	(34,481)	21,867	(20,358)	3,333	(33,492)	(18,550)	(16,298)	(158,233)
<b>Financial Position (at year-end):</b>												
Total assets	592,273	585,429	589,061	630,337	617,367	538,280	532,254	562,790	537,323	573,637	654,704	6,356,350
Cash and cash equivalents	95,059	80,619	52,285	42,995	40,624	46,631	51,726	74,735	45,257	55,708	90,251	876,223
Total interest-bearing liabilities	56,165	23,203	2,468	19,988	18,179	52,970	36,612	45,519	18,774	5,570	488	4,738
Total shareholders' equity	274,710	305,810	362,937	382,822	368,502	298,411	306,327	312,753	320,840	366,962	430,509	4,179,699
	Yen											U.S. dollars (Note 1)
<b>Per Share Data:</b>												
Net income (loss) attributable to shareholders (basic) (EPS)	¥ 110.7	¥ 126.5	¥ 151.1	¥ 165.0	¥ 185.9	¥ (132.2)	¥ 16.0	¥ 121.7	¥ 74.5	¥ 137.2	¥ 209.8	\$ 2.04
Shareholders' equity	1,148.3	1,284.8	1,548.1	1,660.7	1,662.3	1,355.4	1,391.4	1,421.0	1,457.5	1,667.0	1,956.1	18.99
Cash dividends (Note 5)	20.0	24.0	30.0	34.0	42.0	25.0	17.0	30.0	28.0	37.0	53.0	0.51
<b>Financial Ratios:</b>												
Gross profit margin	40.9%	41.0%	40.4%	38.4%	38.4%	34.8%	35.1%	37.5%	36.8%	37.1%	38.5%	
Operating income margin	8.6%	9.1%	9.9%	8.6%	8.6%	0.9%	2.5%	7.8%	6.5%	7.0%	8.8%	
EBITDA margin	13.4%	13.9%	14.9%	13.3%	13.3%	6.2%	7.6%	11.5%	10.1%	10.4%	12.1%	
Return on invested capital (ROIC)	8.2%	9.0%	10.1%	9.9%	10.4%	(7.6%)	1.0%	7.8%	4.8%	8.6%	11.3%	
Return on shareholders' equity (ROE)	10.2%	10.4%	10.7%	10.3%	11.3%	(8.7%)	1.2%	8.7%	5.2%	8.8%	11.6%	
Ratio of shareholders' equity to total assets	46.4%	52.2%	61.6%	60.7%	59.7%	55.4%	57.6%	55.6%	59.7%	64.0%	65.8%	
Total return ratio (Note 6)	49.2%	29.1%	47.8%	49.7%	74.7%	—	106.7%	25.2%	37.7%	27.0%	25.3%	
<b>Non-Financial Data:</b>												
Number of employees	24,576	24,904	27,408	32,456	35,426	32,583	36,299	35,684	35,992	35,411	36,842	
Ratio of overseas employees to total employees (%)	56.1	58.4	61.1	64.9	65.7	63.4	68.1	67.8	67.7	67.4	69.1	
Number of patents	4,154	4,426	4,538	5,206	5,717	5,205	5,218	5,452	5,959	6,448	6,635	
Environmental contribution of products and services (t-CO <sub>2</sub> ) (Note 7)								216,467	211,364	331,222	671,953	
CO <sub>2</sub> emissions volumes from global production sites (t-CO <sub>2</sub> ) (Note 8)								191,103	183,953	176,055	207,426	

Notes: 1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

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

3. EBITDA = Operating income + Depreciation and amortization

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

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

6. Total return ratio = (Total dividends paid + Amount of Company's own shares repurchased) / Net income (loss) attributable to shareholders

7. Environmental contribution: Reduction in CO<sub>2</sub> emissions resulting from the use of Omron's energy-saving or energy-creating products

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

## Operating Income

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

## Discontinued Operations

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

## Long-Term Management Strategy

### Grand Design 2010 (GD2010)

#### FY2001 – FY2003

##### 1st Stage Establishing a Profit Structure

Concentrating on cost structure reform and restructuring 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 Balancing Growth and Earnings

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

##### Achievements

- Increased EPS (Earnings per Share) from ¥110.7 (FY2003) to ¥185.9 (FY2007)

#### FY2008 – FY2010

##### 3rd Stage Achieving a Growth Structure

Fortifying of growth business (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

### Value Generation 2020 (VG2020)

#### FY2011 – FY2013

##### GLOBE STAGE

Establishment of profit and growth structures on a global basis

	Target	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%

Note: Target values are those at time of VG2020 announcement (July 2011)

#### FY2014 – FY2016

##### EARTH-1 STAGE

Establishment of "self-driven" growth structure

- Net sales over ¥900 billion
- Operating income over ¥90 billion
- Gross profit margin over 40%
- Operating profit margin over 10%
- ROIC approx. 13%
- ROE approx. 13%
- EPS approx. ¥290

#### FY2017 – FY2020

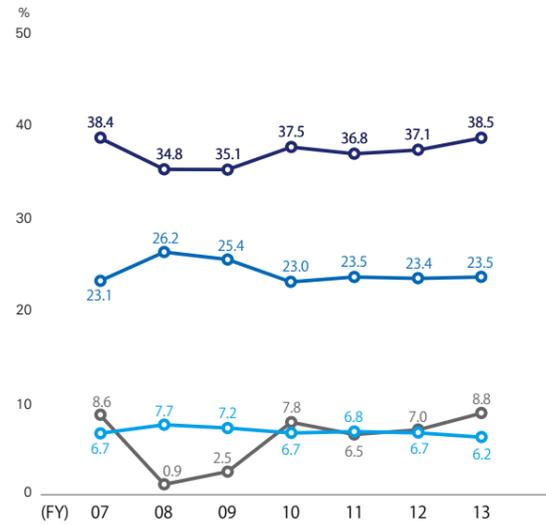
##### EARTH-2 STAGE

- Net sales over ¥1 trillion
- Operating income over ¥150 billion
- Operating profit margin over 15%

# Financial Highlights

## Gross Profit Margin **38.5%**

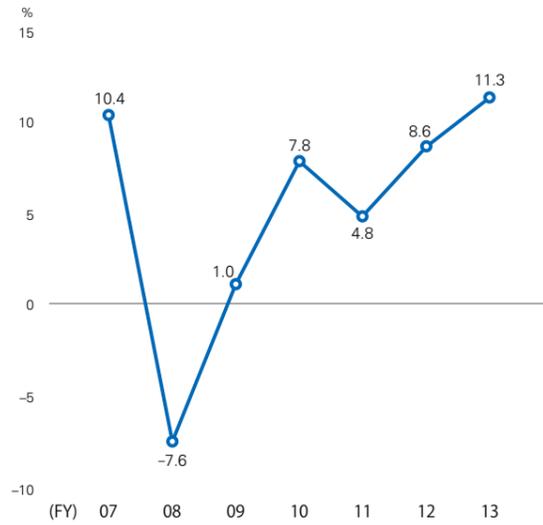
● Gross profit margin ● R&D expenses ratio ● Operating income margin  
● Selling, general and administrative expenses ratio (excluding R&D expenses)



Improved profitability due to production automation and reduction in the number of parts and materials contained in products. Looking ahead, we will continue to allocate research and development expenses at the 6%-to-7% level.

## ROIC **11.3%**

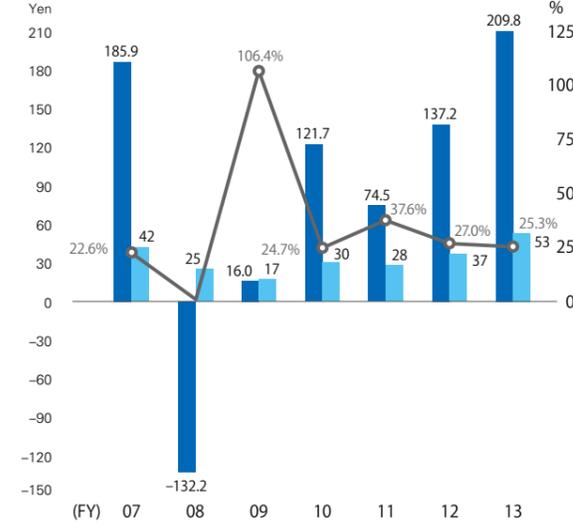
● Return on invested capital (ROIC)



Each business division breaks down the elements that constitute ROIC, aims to improve the quality of management through a Down-Top ROIC Tree by setting each elements as key performance indicator (KPIs), and promotes enhanced profitability.

## EPS **¥209.8**

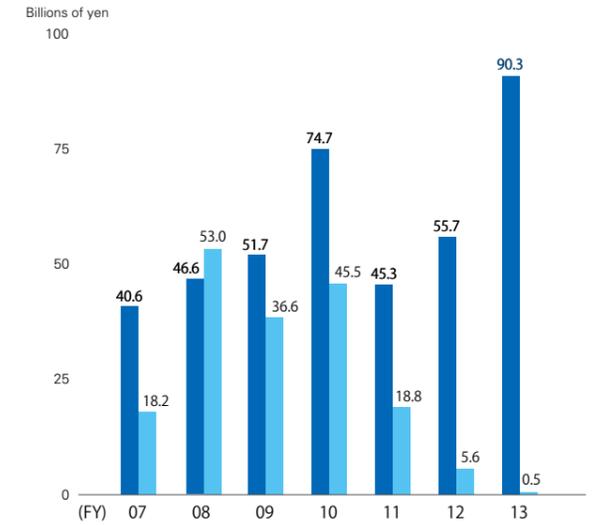
■ Earnings per share (EPS)  
■ Dividends per share ● Dividend payout ratio (right scale)



The dividend per share in fiscal 2013 marked an all-time high. The shareholder return policy will be changed from "a dividend payout ratio of more than 25%" to a policy "targeting a dividend payout ratio of 30%" by fiscal 2016.

## Cash and Cash Equivalents **¥90.3 billion**

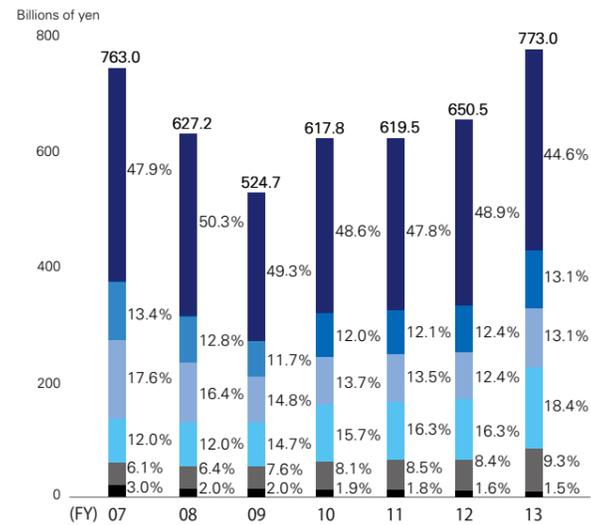
■ Cash and cash equivalents ■ Interest-bearing liabilities



To realize the establishment of a "self-driven growth structure" priority will be given to the allocation of cash to growth investments. This allocation is expected to amount to approximately ¥100 billion over the three years to fiscal 2016.

## Ratio of Overseas Sales to Net Sales **55.4%**

■ Japan ■ Americas ■ Europe  
■ Greater China ■ Asia Pacific ■ Direct Exports

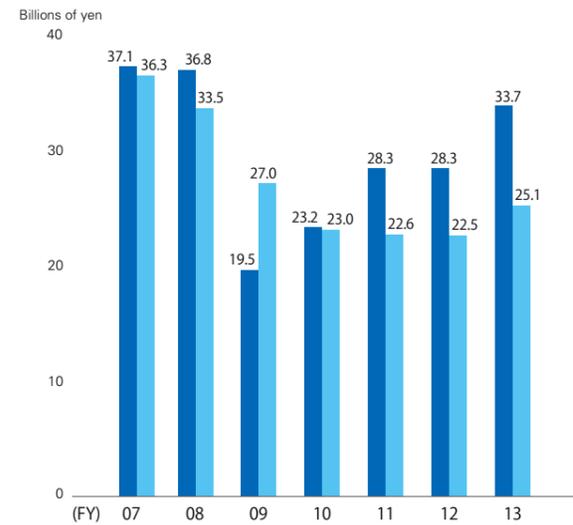


Sales are expanding in emerging countries, such as in the Asia Pacific region and Greater China, where economic growth is continuing.



## Capital Expenditures **¥33.7 billion**

■ Capital expenditures ■ Depreciation and amortization



Although capital expenditures were temporarily decreased due to the effects of global financial instability, the amounts invested subsequently have exceeded depreciation and amortization.



## Non-Financial Highlights

Toward the realization of a sustainable society, Omron set out its "Green Omron 2020" environmental management vision and formulated its fiscal 2020 environmental targets in 2011.

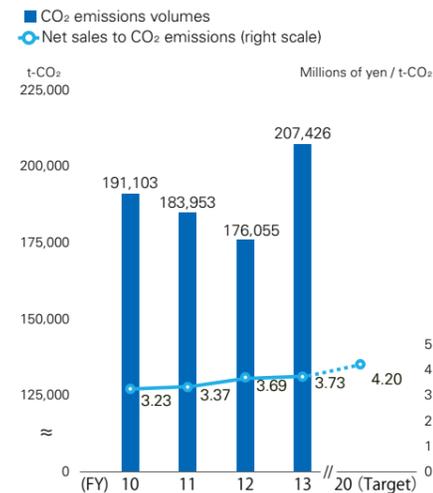
### Green Omron 2020 Environmental Targets (The Omron Group's Environmental Targets for Fiscal 2020)

1. Improve carbon productivity by 30% compared with the fiscal 2010 level on a global basis
2. Environmental contribution > CO<sub>2</sub> emissions from global production sites

#### Progress Made in Fiscal 2013

##### Net sales to CO<sub>2</sub> emissions\*1

**3.73** millions of yen / t-CO<sub>2</sub>  
15% increase compared with fiscal 2010

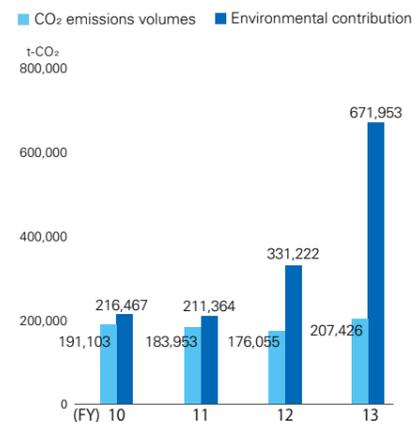


\*1 Net Sales to CO<sub>2</sub> Emissions: Net sales per ton of CO<sub>2</sub> emitted

##### Environmental Contribution\*2

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

Achieved target for 4 consecutive years  
**670,000** tons



\*2 Environmental Contribution: Reduction in CO<sub>2</sub> emissions resulting from the use of Omron's energy-saving or energy-creating products and services

#### Aiming to Remain a True Medical Partner

##### Attendees at Omron Academies

More than **3,000** people  
(Fiscal 2013: Middle Eastern and African countries)



With a view to improving the quality of life (QOL) in emerging countries, Omron does not only supply healthcare devices, but it also undertakes educational activities that include showing members of the general public the correct ways to use those devices and activities relating to targeted diseases. Designed to suit the conditions in each country, Omron Academy study groups are held for healthcare professionals, such as nurses and pharmacists.

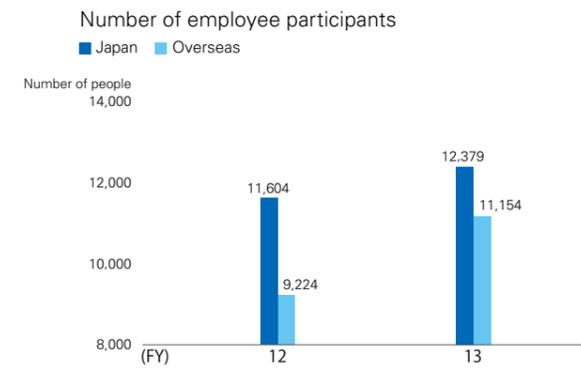


Omron Academy

#### Practicing of the Omron Corporate Principles (TOGA)

**2,519** entries  
**23,533** employee participants

In fiscal 2012, Omron launched the awards system known as The OMRON Global Awards (TOGA), which targets its employees around the world. By having its employees practice the Omron Principles, Omron will create across the globe an "Omron future of growth and prosperity" that features mutual learning and respect as well as increases the number of people who voluntarily take on challenges.



For more details on TOGA, please refer to pages 62 and 63.



# Omron's Management Team

As of June 24, 2014



Back row,  
from the left:

## Masayuki Tsuda

Audit & Supervisory Board Member  
(Full-time)

## Eisuke Nagatomo

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

## Kazuhiko Toyama

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

## Eizo Kobayashi

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

## Yoshifumi Matsumoto

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

## Tokio Kawashima

Audit & Supervisory Board Member  
(Full-time)

Front row,  
from the left:

## Koji Nitto

Director and  
Senior Managing Officer  
Senior General Manager,  
Global Strategy Headquarters  
Member of the  
Compensation Advisory Committee

## Akio Sakumiya

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

## Fumio Tateishi

Chairman of the Board  
Member of the  
CEO Selection Advisory Committee

## Yoshihito Yamada

President and CEO

## Yoshinori Suzuki

Executive Vice President and CFO  
Member of the  
Personnel Advisory Committee

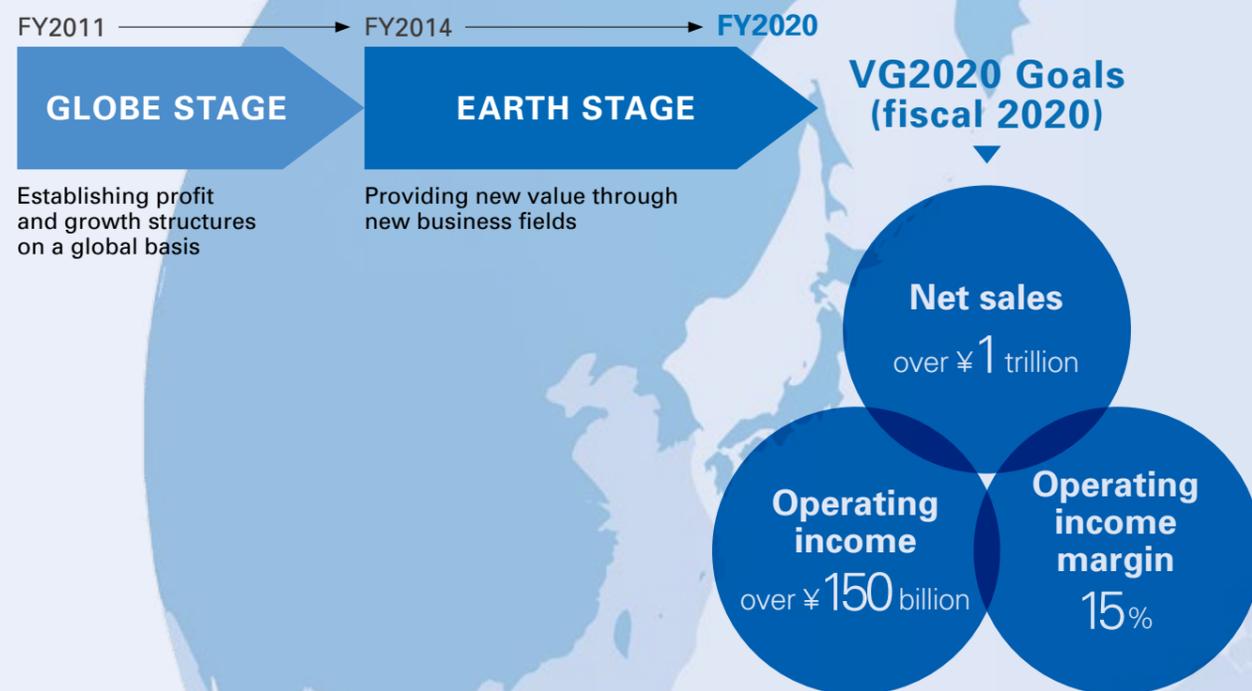
## Long-Term Management Strategy “Value Generation 2020”

### ▶ Value Generation

The name “Value Generation 2020 (VG2020)” reflects our commitment to achieving growth by generating value for customers and all of our other stakeholders.

### ▶ Two Stages

Though the competitiveness of the global market is becoming increasingly intense, there are many business opportunities. We pursue growth by exploiting these opportunities. In VG2020, we have divided the decade from fiscal 2011 to fiscal 2020 into two separate stages, and on that basis we will aim to achieve our goals. We have defined the first three years as GLOBE STAGE, during which we will seek out global growth opportunities for existing business fields. The next seven years is defined as EARTH STAGE, a time for us to grow by meeting social needs relating to the sustainability of our planet.



## Message from the CEO

# We will contribute to the global society through our business.

We aim to enhance our corporate value by effectively utilizing our “Sensing and Control” technologies and creating social needs that enable us to accomplish our goal of contributing to the global society through our business activities.



July 2014

Yoshihito Yamada  
President and CEO

*Y. Yamada*

Omron formulates a management strategy every 10 years with the objective of achieving sustainable improvements in corporate value from a long-term perspective. When I became president in 2011, we launched our third long-term management strategy, Value Generation 2020 (VG2020). Fiscal 2013 marked the end of the GLOBE STAGE, the first three-year period of VG2020, and, in April 2014, we entered the EARTH STAGE. In recognition of this milestone, I would like to begin by looking back on the past three years and then to explain our future strategies. In the latter part of my message, I would like to share my views on management in the context of pursuing the long-term enhancement of corporate value.

## 1. Review of the GLOBE STAGE (Fiscal 2011 – Fiscal 2013)

During the GLOBE STAGE, we focused on uniting Omron to boost growth potential, profitability, and responsiveness to change. We targeted the maximization of the Industrial Automation (IA) business, the expansion of sales in emerging countries, and the creation of new business opportunities, with an emphasis on the environmental solutions business. Other endeavors included advancing management based on return on invested capital (ROIC) and the global vertical-horizontal management system.

As a result, in fiscal 2013, the GLOBE STAGE's final year, net sales totaled ¥773.0 billion and operating income amounted to ¥68.1 billion, setting new records for both figures for the first time in six years. As we were able to quickly identify market changes as opportunities, double-digit growth rates in all businesses were achieved. ROIC and return on equity (ROE) also improved substantially.

All in all, fiscal 2013 was a year in which we made great progress in transforming

Omron into a solid company with high growth potential, improved profitability, and an astute ability to respond to change in the pursuit of enhanced corporate value. In regard to growth potential, sales increased greatly in targeted areas, such as emerging countries and environmental fields. Furthermore, the Automotive Electronic Components Business (AEC), the Social Systems, Solutions and Service Business (SSB), the Healthcare Business (HCB), and the backlight business all recorded impressive sales growth. We also focused on improving the gross profit margin, one of the most crucial performance indicators, and, as a result, profitability increased across all businesses. We reinforced our resilience to foreign exchange fluctuations by accelerating overseas production and procurement. As a result, we were able to reduce the negative impact on operating income from a foreign exchange fluctuation of ¥1 to the US\$ from ¥900 million in 2011 to ¥400 million at the end of March 2014. I am also proud to say that our

### ■ GLOBE STAGE: Management Indicators

	FY2013 (Actual)	FY2010 (Actual)
Net sales	¥773.0 billion	¥617.8 billion
Operating income	¥68.1 billion	¥48.0 billion
Gross profit margin	38.5%	37.5%
Operating income margin	8.8%	7.8%
ROIC	11.3%	7.8%
ROE	11.6%	8.7%

USD1 = ¥100  
EUR1 = ¥134

USD1 = ¥86  
EUR1 = ¥114

management capabilities have improved, with more emphasis being placed on ROIC-based management and the global vertical-horizontal management system. In emerging countries, for example, business activities have become more efficient due to the increased cross-functional support provided by corporate headquarters functions, such as financial, administration, or legal services, to the business divisions. The establishment of regional head offices in India and Brazil, making for a total of seven regional headquarters, made it possible to achieve our goal of improved business efficiency.

Of the targets initially laid out for fiscal 2013, which were established in fiscal 2011, we

successfully exceeded the net sales target of ¥750.0 billion. However, there are still tasks that remain. We fell short of our targets for the gross profit margin, the operating income margin, and ROE, which were 42.0%, 13.3%, and over 15.0%, respectively. I believe these are all crucial indicators, and I am committed to improving them going forward. As for other tasks, building growth structures in the IA business is still a work in progress. In addition, we could have grown more through coordination with external organizations, such as through industry-academia collaboration and M&As. We are determined to improve upon these areas in the coming EARTH STAGE.

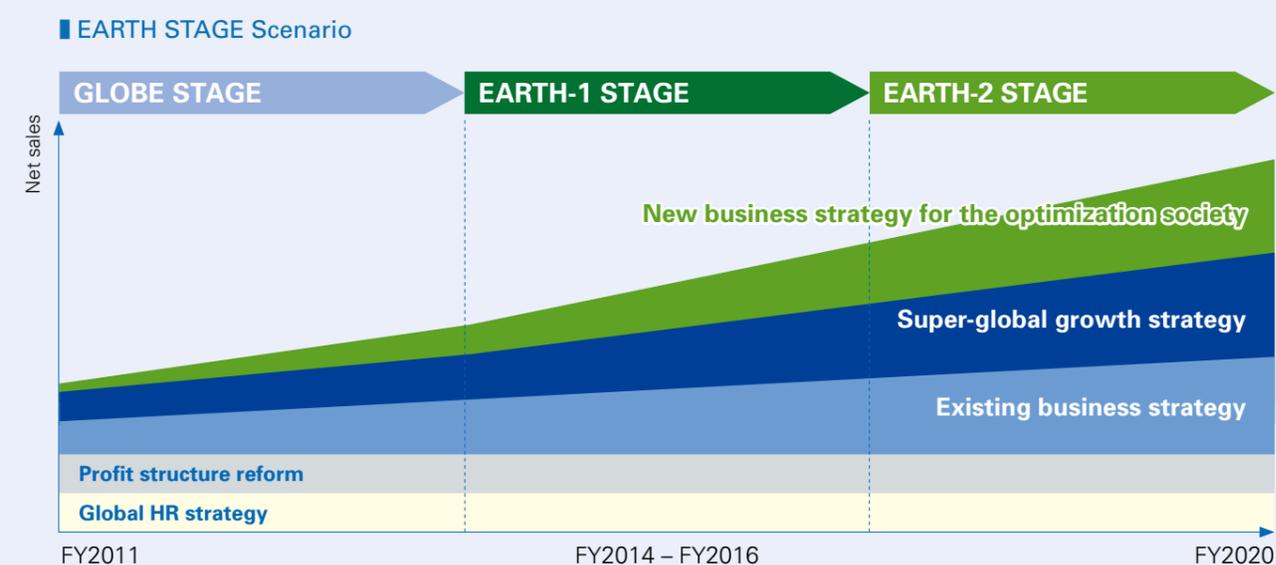
## 2. Strategies of VG2020's EARTH-1 STAGE (Fiscal 2014 – Fiscal 2016)

### We aim to create a “self-driven growth structure” in the EARTH-1 STAGE

The first three years of the EARTH STAGE have been defined as the EARTH-1 STAGE, with the remaining four years being designated the EARTH-2 STAGE.

A main objective of the EARTH-1 STAGE is the establishment of a “self-driven growth structure.” During the GLOBE STAGE, we grew rapidly by taking advantage of tailwinds in China, other emerging countries, and the

environmental solutions business. In the EARTH-1 STAGE, we plan to build a “self-driven growth structure” that enables business to grow with or without tailwinds; Omron's “Sensing and Control” technologies are core to this undertaking. These technologies are expected to strengthen business competitiveness and to become a driving force for growth in a manner that also contributes to society by resolving social issues. For example, the spread of production site automation in



emerging countries could allow people to devote their time to creative thinking. We also expect more demand for electric vehicles (EVs) and hybrid-electric vehicles (HEVs) due to society's greater concern for the environment. Omron is contributing to the improvement of these vehicles' performance by providing electric power steering controllers and the world's smallest and lightest DC power relay. Our increased focus on the environmental solutions business should provide solutions to energy issues. In addition, there has been growing concern for safety issues resulting from the degradation of tunnel and bridge infrastructure. Omron is at the forefront of developing new technology to prevent unexpected collapses through monitoring vibration changes by sensors. Meanwhile, we continue to focus on healthcare areas by educating people on cardiovascular-related diseases and raising awareness of the importance of using blood pressure monitors and other devices as more and more people are expected to suffer from these diseases due to aging populations.

Japan can be called a developed country with many social issues. We plan to develop businesses that will help resolve issues related to such areas as energy and social infrastructure in Japan first and then to expand those solutions to the fast-growing Asian countries.

### Three Basic Strategies and Operating Strategies

The EARTH-1 STAGE is a period in which we will build on the various initiatives implemented during the GLOBE STAGE, guided by three Basic Strategies. Under the first of these, the Existing Business Strategy, we will continue to focus on strengthening the IA business. Specifically, our plans include advancing marketing capabilities for products launched in the past three years and growing the business by leveraging the Automation Centers\*1 we have established and our expanded sales engineer staff.

\*1 Automation Centers: Engineering centers that help realize optimal automation

Under the second strategy, the Super-Global Growth Strategy, we will build stronger infrastructure with the aim of achieving dynamic business growth in "wider Asia," which encompasses China and other Asian countries. We consider growing businesses in ASEAN countries and India as two main business areas, in addition to our already growing business in China. The building of foundations for growth is essential to achieve our goals, and we plan to enhance logistics infrastructure and strengthen sales and marketing efforts.

The third strategy, the New Business Strategy for the Optimization Society, aims to generate new businesses in fields related to the environment, industry, society, and lifestyles. As previously mentioned, we will continue to focus on businesses that help resolve social issues.

In regard to the Operating Strategies that support the three Basic Strategies, we will continue to implement the Profit Structure Reform and the Global Human Resources Strategy. I will discuss our human resources strategy later.

### Medium-Term Performance Targets

For fiscal 2016, the final year of the EARTH-1 STAGE, we are targeting more than ¥900.0 billion for net sales, 40% or higher for the gross profit margin, 10% or higher for the operating income margin, and approximately 13% for ROE. As we are mindful of the cost of capital and aim

to live up to shareholder expectations over the medium-to-long term, we set the new targets of approximately 13% for ROIC and approximately ¥290 for earnings per share (EPS).

All Omron businesses are positioned in growth fields, and we have a business foundation capable of responding to such issues as population aging, environmental problems, and other global issues. I am confident in Omron's long-term growth potential and ability to establish a "self-driven growth structure" during the EARTH-1 STAGE.

## 3. Management Indicators, Improvement of Shareholder Value

### Entrenchment and Advancement of ROIC-Based Management

As I said previously, we set our first medium-term target for ROIC of approximately 13% to be achieved in fiscal 2016. We will work toward realizing this goal along with our existing target for ROE. ROIC-based management is entrenched throughout Omron. ROIC is not only used in the performance-linked compensation system for senior executives, but it is also used in managing each business by using contributing factors shown in a Down-Top ROIC Tree as key performance indicators. We established the position of Chief Financial Officer (CFO) in fiscal 2013, and we will continue to work together

to improve the quality of various initiatives and manage the cost of capital and cash flows.

### Improvement of Shareholder Value

During the three years of the GLOBE STAGE, we were able to achieve an increase in EPS, from ¥122 to ¥210, and a great improvement in ROE. Further, Omron's stock price rose 82%, with a 77% increase in dividends. Therefore, the total shareholder return (TSR) was 87% over the three-year period. This rise is particularly impressive when compared with the average performance of companies listed on the First Section of the Tokyo Stock Exchange. During the EARTH-1 STAGE, we will continue

### EARTH-1 STAGE: Policy and Targets (Fiscal 2016)

Policy		Establishment of a "self-driven growth structure"
Targets*3 (FY2016)	Net sales	Over ¥900.0 billion
	Gross profit margin	Over 40%
	Operating income margin	Over 10%
	ROIC*2	Approx. 13%
	ROE	Approx. 13%
	EPS*2	Approx. ¥290

\*2 Newly introduced medium-term targets

\*3 Assumed exchange rates: USD1 = ¥100, EUR1 = ¥135

### Shareholder Value Improvement under GLOBE STAGE

	GLOBE STAGE	FY2013 (Actual)	FY2010 (Actual)
EPS	+ 72%	¥210	¥122
ROIC	+ 3.5%P	11.3%	7.8%
ROE	+ 2.9%P	11.6%	8.7%
Share Price	+ 82%	¥4,260 (year-end) Record-high ¥4,730 on January 7, 2014	¥2,338 (year-end)
Dividend Per Share	+ 77%	¥53	¥30
3-Year TSR*4 (Total Shareholder Return)	87%	—	—

\*4 Total shareholder return is calculated on the assumption that dividends are not reinvested in additional share purchases.

pursuing an increase in EPS along with other performance indicators in order to further improve shareholder value.

In regard to dividends, we aim to increase the

dividend payout ratio to 30% by fiscal 2016, compared with the previously targeted 25% or higher.

## 4. Strengthening of Management Capacity

### The OMRON Principles and Management

The OMRON Principles, our corporate philosophy, have been internalized by all OMRON employees. We place special importance on our corporate core value, "Working for the benefit of society," as well as our corporate motto, "At work for a better life, a better world for all." In our management principles, we value innovations driven by social needs and a challenger's spirit. The OMRON Global Awards (TOGA) provides an opportunity for employees to put their ambitious spirit to the test. In 2014, the award's second year, 23,533 employees, roughly two-thirds of our global

employee base, participated in this initiative. In order for us to realize the global expansion of our business and to promote the diversity of human resources, the OMRON Principles play an important role as the binding force that unites all employees. My continued focus will be to instill the OMRON Principles and to implement intrepid and sustainable management.

### Shareholder Engagements

Since becoming president, I have spent a great deal of meaningful time with our shareholders and other investors. Whenever possible, I pass



on constructive feedback to the management team to be discussed and reflected in management. One example was the revision of the executive compensation system that was proposed at the June 2014 shareholders' meeting. We developed this new compensation system with the goal of maximizing shareholder value over the long term. Specifically, we introduced medium-term, performance-linked bonuses that will be adjusted based on progress toward achieving the consolidated operating income target for the EARTH-1 STAGE. We also introduced medium-term, performance-linked stock options, a system with exercise rights tied to the medium-term target for consolidated net sales and separate from the compensation system\*5. The Compensation Advisory Committee will continue to review all executive compensation proposals to ensure transparency, impartiality, and rationality.

\*5 For more information regarding new executive compensation systems, please refer to page 70.

### Reinforcement of Operating Foundations

We have been implementing the Global Human Resources Strategy, such as assigning local employees to management positions at overseas operating sites, which is critical for the globalization of management. In 2011, the ratio of senior management positions overseas filled by local employees was 31%. By 2013, this ratio had increased to 42%. We are also actively selecting and educating the next-generation of top-rank managers. Training programs for high-potential junior employees will continue as well. Further, OMRON is strengthening technological capabilities to create new innovations and realize sustainable management.

OMRON works to realize its goal of contributing to the global society by resolving social issues through its businesses while achieving sustainable growth. We are determined to enhance corporate value and to become a company that people around the world require and have high expectations for.



TOGA award ceremony

# EARTH-1 STAGE: Three Years of Prioritized Growth Investment

In April 2013, Omron established the position of Chief Financial Officer (CFO). This move was an attempt to improve portfolio management and expedite decision making and to better respond to today's volatile operating environment.

As the first CFO, I worked to fulfill this responsibility throughout my first year and while attempting to find my own unique style in this role.

The Chief Executive Officer (CEO) is the head commander of Omron. Meanwhile, I, as CFO, control financial management, including investment and shareholder return policies.



July 2014  
Yoshinori Suzuki  
Executive Vice President and CFO

## Placing Growth Investment First

During the GLOBE STAGE, we successfully strengthened our ability to generate cash by improving the profitability of each of our businesses. In fact, free cash flow amounted to ¥47.9 billion in fiscal 2013, up ¥23.3 billion from fiscal 2012, and net cash totaled approximately ¥90.0 billion. What is most impressive is that we accomplished these figures while conducting forward-looking growth investment. We are committed to establishing a growth structure for supporting future development in the EARTH-1 STAGE. We will allocate cash on hand as well as the cash to be generated continually into the future to three

areas: growth investment, dividends, and share buybacks. Growth investment will be of particular priority.

Omron has designated the three-year period from fiscal 2014 to fiscal 2016 as the EARTH-1 STAGE. During this period, we plan to invest approximately ¥100 billion in the establishment of a "self-driven growth structure." Specifically, we will expand sales channels in the ASEAN region, India, South Korea, and other parts of Asia to develop operations in these areas into a core business pillar alongside those in China. In addition, we will accelerate new business development in the industrial, social, lifestyle, and environmental fields. Omron will also collaborate with other companies and academia.

	FY2010	FY2011	FY2012	FY2013	FY2014 (Plan)*2	FY2016 (Plan)*2
<b>Net sales</b>	617.8	619.5	650.5	773.0	800.0	over 900.0
<b>Operating income</b>	48.0	40.1	45.3	68.1	74.0	over 90.0
<b>Operating income margin</b>	7.8%	6.5%	7.0%	8.8%	9.3%	over 10%
<b>Free cash flow*1</b>	21.7	5.5	24.6	47.9	—	—
<b>Cash and cash equivalents</b>	74.7	45.3	55.7	90.3	—	—
<b>Total interest-bearing liabilities</b>	45.5	18.8	5.6	0.5	—	—
<b>Net cash</b>	29.2	26.5	50.1	89.8	—	—
<b>ROIC</b>	7.8%	4.8%	8.6%	11.3%	approx. 12%	approx. 13%
<b>ROE</b>	8.7%	5.2%	8.8%	11.6%	approx. 12%	approx. 13%
<b>EPS</b>	¥121.7	¥74.5	¥137.2	¥209.8	¥231.7	approx. ¥290

\*1 Net cash provided by operating activities + Net cash used in investing activities

\*2 Assumed exchange rates: USD1 = ¥100, EUR1 = ¥135



With regard to dividends, we raised the defined minimum for the dividend payout ratio from 20% to 25% in fiscal 2013. We redefined this target with the start of fiscal 2014, and we now aim to raise this ratio to 30% by fiscal 2016.

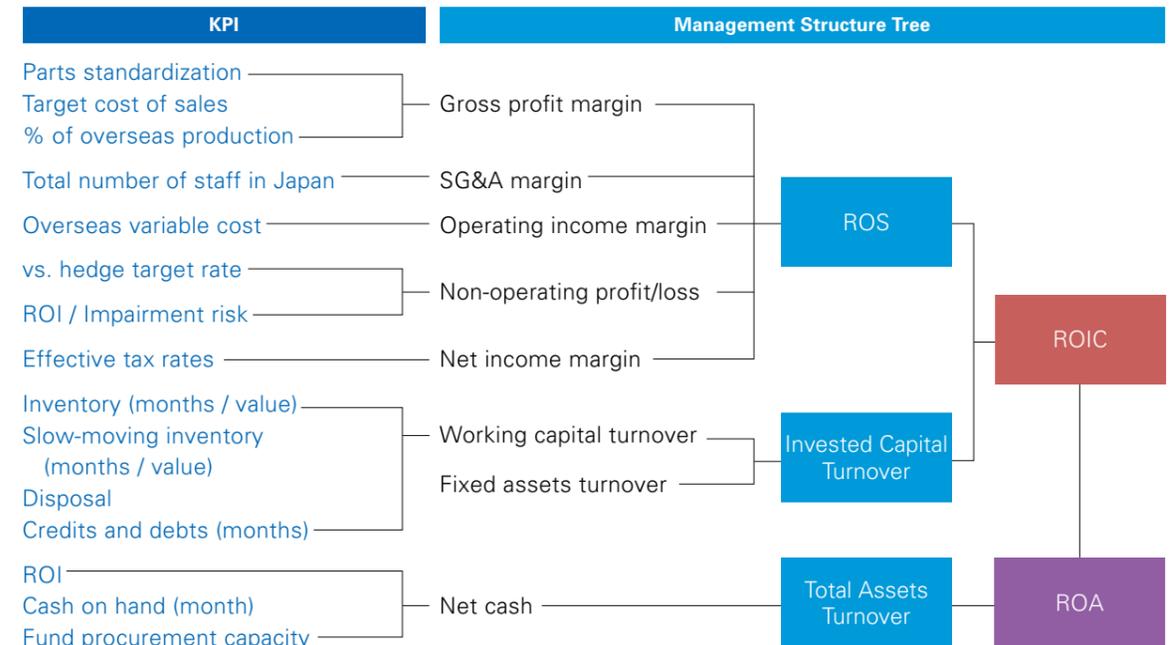
To create returns for shareholders, we will use the capital surplus accumulated over the years to conduct share buybacks as the situation allows.

Our current sound financial position is what enables aggressive business expansion. We can therefore focus on maintaining a strong balance sheet.

### Utilizing a Unique Down-Top ROIC Tree

Omron's management emphasizes capital efficiency, employing indicators like return on invested capital (ROIC) and return on equity (ROE) as it works to further improve corporate value.

ROIC is a highly viable indicator for evaluating each business division fairly because it is not influenced by differing business characteristics and scales, as is the case with profit amount or profit margin based evaluations. We commonly use ROIC internally to realize higher-quality portfolio management. Now, we are advancing improved profitability by employing an approach that examines a Down-Top ROIC Tree for each business, distinguishes the factors that contribute to its ROIC, and identifies these factors as key performance indicators (KPIs). As KPIs, we use both profit and loss influencing factors, such as production cost reductions in manufacturing divisions, and balance sheet indicators, such as



noncurrent assets turnover. In this way, we are improving ROIC. Meanwhile, we aim to increase responsiveness to operating environment changes through onsite application of the plan-do-check-act (PDCA) cycle. I too am working to develop infrastructure to help quantify relevant factors and make the application of this cycle easier.

In fiscal 2013, ROE was 11.6%, up 2.8 percentage points, largely due to higher net income. Also, Omron was included in the JPX-Nikkei Index 400, a new index created in 2013. Companies are selected for inclusion in this index based on performance, governance, and other criteria. ROE is given importance above all else. For this reason, I am most proud of this accomplishment because it represents a

high evaluation of Omron's efforts to improve capital efficiency.

With the start of fiscal 2014, we disclosed a new earnings per share (EPS) target for fiscal 2016. We did this to demonstrate to all shareholders our unwavering resolve to remain ever-mindful of shareholder value as we construct growth and profit structures.

We will keep working to further improve management quality by using key management indicators. Specifically, over the three-year period through to the end of fiscal 2016, we will decide on and carry out effective investment to ensure the establishment of a "self-driven growth structure." We would appreciate your continued support and confidence in Omron.



Special Feature 1

# Global Vertical-Horizontal Management

## OMCA Plays a Central Role in Linking Business

Headquartered in Hoffman Estates, a northwestern suburb of Chicago, in the U.S. state of Illinois, OMRON MANAGEMENT CENTER OF AMERICA, INC. (OMCA), manages Omron's operations in the Americas. The company's jurisdiction encompasses Canada, United States, Mexico, Brazil, and the rest of Latin America. This region is massive in terms of scale, and its sales are expected to amount to approximately ¥110.0 billion (US\$1.1 billion) in fiscal 2014, roughly 15% of Omron's projected net sales for this year. OMCA supports Omron's businesses in the Americas, helping to maximize their results, particularly with regard to advancing VG2020, the long-term management strategy. In particular, support is offered for this crucial region through due diligence and by providing legal, financial, tax, and human resources services.

OMCA Chairman, President and CEO Blakeway is committed to helping OMCA play a central role in linking businesses and divisions through Omron's global vertical-horizontal management system, primarily in the Americas but also in other parts of the world.



Nigel Blakeway  
OMRON MANAGEMENT  
CENTER OF AMERICA, INC.



One example of such links can be seen in OMCA's support for setting up a new factory in Mexico. To aid this effort, OMCA provided its expertise with regard to trade issues, customs rules, and difficult regulatory matters.

### Support for the Launch of AEC's Mexican Factory

#### Assistance through Horizontal Links

Mexico's automobile industry is booming, with growth rates as high as 10% per annum. As a result, Mexico is now ranked the world's No. 8 in automobile production. At present, more than 1,000 automotive component manufacturers have set up operations in the country, and this number is expected to grow. Omron is aggressively developing operations in this growth market. In February 2012, we established our Mexican manufacturing company, Components Electronics OEDS De Mexico (OEDS). Going forward, OEDS will be positioned as a central base for automobile operations due to its close proximity to automotive markets in the Americas and Europe and to Mexico's beneficial free-trade agreements.

The establishment of the OEDS plant was a miraculous feat. While building such a plant would normally require 12-to-18 months, customer demand necessitated that this plant be finished in only 6 months. This nearly impossible task was surmounted by a committed project team and

their unwavering sense of determination.

In 2010, the Automotive Electronic Components Business (AEC) was spun off from Omron and it is now practicing autonomous management through a vertical link in Omron's global vertical-horizontal management system. Nonetheless, corporate headquarters functions are providing ever-more extensive support to boost AEC's operational efficiency. In establishing the OEDS plant, for example, OMCA provided its assistance through a horizontal link. Specifically, OMCA smoothed contracting with local company, supported local financing efforts, and provided other legal and financial assistance.

Even after the plant's production line started up, OMCA continued to offer support, helping communicate the Omron Principles and otherwise linking the Group together. Also, outside of Mexico, vertical and horizontal links are maintained throughout AEC to realize ongoing improvements in efficiency.



Mexican manufacturing company established in February 2012

OMCA has also leveraged its resources and its expertise in other areas, as it supported the development of an occupational safety management system at a factory located in Dalian, China, outside of its jurisdiction.

### Cross-Regional Exchange of Expertise

#### Support in Reconstructing the Safety Management System at HCB's Dalian Plant

OMRON DALIAN CO., LTD. (OMD), employs approximately 2,500 workers and produces roughly 70% of the blood pressure monitors and other healthcare and medical devices Omron sells worldwide.

In 2012, an enterprise risk analysis was conducted at the Dalian Plant by an assessment team consisting of members from both the Healthcare Business (HCB) and the corporate legal affairs department. The purpose of this analysis was to assess critical business risks. It was determined that production line safety needed to be improved and that employees required safety education. A cross-organizational task team was thus assembled to reconstruct OMD's safety management system. The team consisted primarily of OMD staff, but specialists were also called in from OMCA, regional management company OMRON (CHINA) Co., LTD., the headquarters of HCB, the corporate legal affairs department, and safety business divisions of the Industrial Automation Business.

The success of a safety management system hinges on the employees that work on the ground. It is crucial that the practices of regular occupational health and safety and machine safety risk assessment become thoroughly entrenched in these employees' minds. For this reason, safety education is of utmost importance. In the United States, Omron's operations have a high level of occupational health and safety management systems in place, and robust environmental, hygiene, and safety education programs are provided. OMCA was therefore able to dispatch specialists on these matters to aid OMD not only in inspecting its plant but also in developing education programs on these subjects.

This cross-regional exchange of expertise is a prime example of Omron's global vertical-horizontal management system at work. Going forward, we intend to expand the Dalian Plant's safety management initiatives to other divisions.



Omron Dalian Plant



Safety education for employees

OMCA's support and advance of Omron's global vertical-horizontal management system can also be seen in the restructuring of a manufacturing subsidiary that was used by the Electronic and Mechanical Components Business. This subsidiary boasted a strong technological base but no longer fitted strategically into the overall scheme of Omron's business portfolio. In 2013, OMCA undertook the restructuring of the subsidiary, providing human resources and legal support and finally divesting it as a management buyout. Moreover, this restructuring was undertaken without incurring any losses or causing any inconveniences to the employees of the facility.

Another example concerns a logistics center in North America that Omron was directly managing roughly three years ago. To improve efficiency and reduce overhead, OMCA decided to utilize the services of a third-party logistics

company to which it could outsource all warehouse operations. OMCA successfully transitioned from operating the warehouse itself, and the resulting efficiencies, costs savings, and delivery improvements to customers have gained recognition.

OMCA also serves as an advocate for the Omron Principles in the Americas. These principles are the central binding force for all Omron Group companies, and they play a part in expanding local hiring in emerging markets as well as in post-merger integration (PMI). According to Blakeway, "A huge part of PMI is just how to integrate the right mind-set and the right code of conduct into the Omron world."

Luckily, problems are rarely faced in communicating the Omron Principles within North America. However, going into South America and other areas where customs are different than employees are accustomed to can sometimes



CEO Yamada speaking with local employees in Brazil

present difficulties. An important part of entering such markets is to have respect for the individuals and companies there. CEO Yamada is known to excel in this respect. Moreover, OMCA tries to create an open-door policy to make sure all employees can speak to any of their managers if they have any questions or concerns. In fact, CEO Yamada has personally visited sites in Brazil and Mexico and spoken directly with employees. Such is the level of openness at Omron; regular employees can speak directly with the CEO. To ensure appropriate actions whenever a new endeavor is undertaken in a new market, the Omron Principles are always used as the standard.



The Omron Principles clearly define the standards for Omron's businesses. OMCA is, of course, highly devoted to these principles, and Blakeway himself states, "I joined Omron because of our company principles; not only did I want to work with a company of great integrity, but I wanted to work through an organization that respects its employees and respects its stakeholders." Moved by the spirit of the principles, OMCA is actively contributing to the local society and addressing social issues through its business. In regard to social contributions, OMCA is advancing a robust community outreach program through the dedicated non-profit organization Omron Foundation Inc. This foundation provides both time and money to support a wide range of activities, with a particular emphasis placed on Japanese culture and language education and engineering education. A very notable contribution was the establishment of the Omron Robotics and Mechatronics Laboratory at Northern Illinois University's College of Engineering and Engineering Technology. In these ways, OMCA is making the Omron Principles apparent in society alongside its business presence.

Looking forward, OMCA is now amply poised to strengthen its position in the Americas as it embarks on the EARTH-1 STAGE, which targets ongoing growth and social contributions. OMCA will support and guide businesses in the Americas to nurture them into integral parts of Omron's global operations.

Closing with Blakeway's own words, "We have delivered in the GLOBE STAGE what we promised to do. So, I'm asking for the continued support of our stakeholders to allow us to deliver on the strategies in the EARTH STAGE."



Special Feature 2

# More Advanced

## Social Need Creation

Resolving Social Issues with Forward-Thinking Technology



About Omron

Where We're Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section

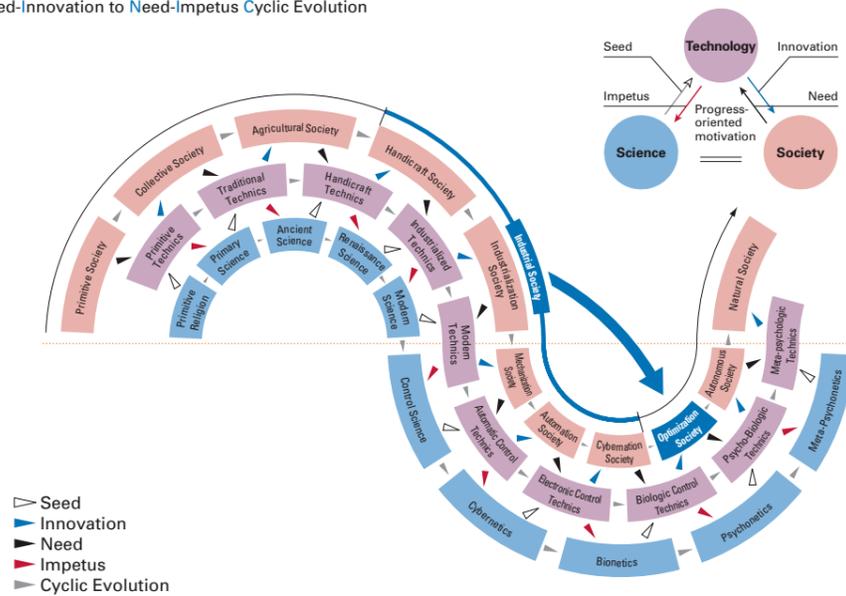
## Technology Investment Guided by Predictions of the Future

Omron founder Kazuma Tateishi believed that true managers were those who determined what the future would be like. He believed that a company's management required two attributes: the creative ingenuity to evolve technologies and the ability to predict the future. Omron strives to equate its name with technology and to quickly identify the needs of the future society. To aid this endeavor, in 1970 Omron developed its own predictive theory, called the SINIC theory, as its compass for determining the direction of management.

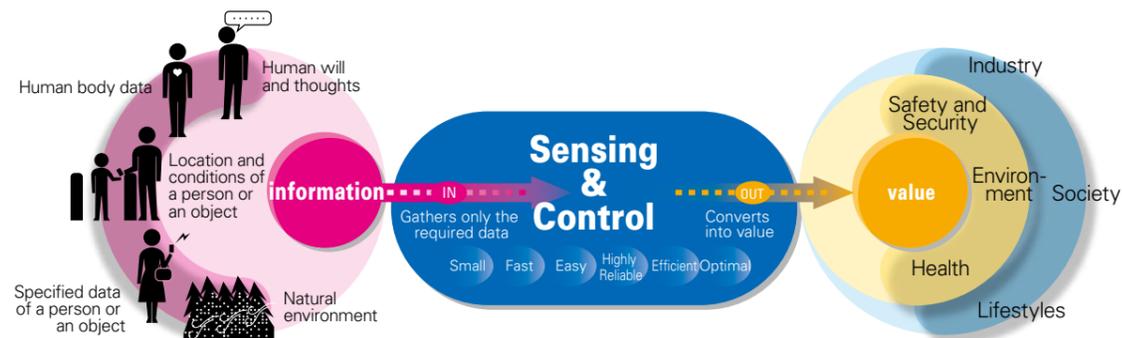
### Compass Determining the Direction of Omron's Management—The SINIC Theory

According to the SINIC theory, science, technology, and society share a cyclical relationship, mutually impacting and influencing each other in two distinct ways. In one direction, scientific breakthroughs yield new technologies that help society to advance. In the other direction, social needs spur on technological development and expectations for new scientific advancement. Thus, both of these factors affect each other in a cyclical manner, propelling further social evolution.

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



Guided by the SINIC theory, Omron has pursued its mission of standing at the forefront of innovation, consistently creating the products and markets necessary to each coming era by predicting social trends and changes. Over the years, we have continued to allocate a certain portion of revenues to research and development, without being influenced by the operating environment. This is how Omron has evolved its "Sensing and Control" technologies (see diagram below).



## Technologies Supporting the Achievement of VG2020

During VG2020's EARTH STAGE, Omron will identify social needs related to sustainability of the global environment. Specifically, we will conduct eco-friendly businesses that help combat issues like global warming, resource depletion, and energy problems. In addition, we will enter new businesses that respond to various social needs, such as the desire for safer social infrastructure, particularly with regard to aged bridges and tunnels, and growing healthcare demand resulting from the aging of the population.

To support progress in this management strategy, we will strengthen capabilities in 10 areas of technology, which include Omron's core technologies, to maximize performance and cost efficiency. In addition, equipment must be easy to use while also being capable of recognizing people and their actions and responding accordingly. To grant these abilities, we have installed the new concept of "Think" into our core technologies. This combination allows for the needed data to be extracted from a range of information and processed in a more intelligent way to create greater value.

Sensors do not just measure physical quantity;

they present some sort of "meaning" to be derived using our knowledge. For example, the big data collected from sensors on bridges or buildings can be combined with our knowledge to evaluate their condition and determine the appropriate maintenance timing. Similarly, controllers do not merely perform systematic motions with high speed and precision. Rather, they can be used to strategically manipulate equipment setups, processing routes, and machinery actions to improve efficiency. At manufacturing sites, our controllers realize optimal operating balance with the elimination of tradeoffs through control that adds an element of ecology to the commonly pursued benefits of quality, cost, and delivery (QCD).

Omron is creating an "Optimization Society" that maintains harmony while creating an optimal balance between people and machines, nature, and society. For the coming "Autonomous Society," Omron is evolving its "Sensing & Control + Think" technologies to provide new value in the areas of safety, security, healthcare, and the environment.

### 10 Areas of Technology Advancement

#### ■ "Sensing & Control + Think" technologies

Extracting needed data from a range of information and processing this data in a more intelligent way to create greater value

1. Sensing Technology	2. Power electronics Technology
3. Control Technology	4. Systems Intelligence Technology

#### ■ Utilization of open technologies

Creating technological innovations through collaborative development utilizing original technologies and open technologies while conducting ongoing R&D ventures pertaining to widely applicable technologies

5. Network Technology	6. Embedded Technology
-----------------------	------------------------

#### ■ Methodology and facility technologies

Methodology and facilities designed to realize greater productivity

7. Materials and Methods	8. Equipment and Processes
--------------------------	----------------------------

#### ■ Development efficiency enhancement

Through development process innovation, we aim to greatly enhance technology development efficiency in order to be able to create new products with overwhelming speed

9. Digital Engineering	10. CMO*1 Method and Development Processes
------------------------	--

\*1 Common, Module, Option

### "Sensing & Control + Think"

#### Sensing: Physical quantity

##### Meaning Sensing

- Understand intent of motion
- Decipher human will
- Predict future

#### Control: Operational quantity

##### Thought-based Control

- Enable easy configuration
- Facilitate human actions
- Eliminate tradeoffs

## New Technological Applications for Resolving Social Issues

### OMRON TOTAL FAIR Held in China: Latest Technologies for the Chinese Market

Pursuing growth in emerging markets is one of the basic strategies of VG2020, and China is positioned as a particularly crucial market. As part of our strategies, we held the OMRON TOTAL FAIR (OTF)—a private exhibition designed to propose new value to the Chinese society—in Beijing, Shanghai, and Guangzhou, in October and December 2013 and March 2014, respectively.

OTF's exhibits were centered on Omron's core "Sensing and Control" technologies, and "Think" technologies were also incorporated. At OTF, we proposed products and services that provide solutions to the issues currently faced by China in the fields of industry, the environment, energy, society, and living conditions.

### Robot That Comprehends Human Movements: "Table Tennis Rallying Robot"

At OTF, our Table Tennis Rallying Robot garnered particular attention. This robot was designed to make it easy for anyone to understand Omron's "Sensing & Control + Think" technologies. The robot works by analyzing the movements of the opponent player as well as

the ball's trajectory and speed through 3D image processing. The robot continues the rally by employing such techniques as returning balls at the same speed as its opponent's shot and otherwise matching its movements to the other player's skill level.

### Future Advances in "Sensing & Control + Think"

As personnel expenses rise in China, the need for technologies for reducing labor requirements and improving efficiency will increase. The technological concept of machines that respond to human motions has obvious applications in industry. At the same time, this concept will likely be used in other fields as well, such as for nursing and housework robots.

Omron founder Kazuma Tateishi used to say, "To the machine, the work of the machine, to man the thrill of further creation." We continue to hold this philosophy close to our hearts more than half a century later. Omron believes that, with its future-shaping technologies, it is not far from creating a society in which this philosophy is realized.



## History of Resolving Social Issues with Forward-Thinking Technology

### Non-Contact Switch with Long Lifespan

In 1960, Omron utilized transistor methodology to create the world's first non-contact switch. The conventional contact switches used at that time had limits in terms of usage periods. Omron's non-contact switch detected changes in metal switch positions based on magnetic fluctuations. This functionality greatly extended the lifespan of switches, thereby making large contributions to the development of mass-produced machinery. This innovation was born out of a team of seven young engineers with an average age of 20.



World's First

### Fully Unmanned Train Station System for Alleviating Commuter Rush Congestion

In 1967, Omron created the world's first fully unmanned train station system by combining automated ticket vending machines and automated ticket gates. While punch-hole systems existed, this was the first magnetic system. Station workers thus became free from punching tickets. This system also resolved the social issue of commuter rush congestion.



Kita-Senri Station of Keihanshin Kyuko Railway (currently Hankyu Railway, circa 1967)

World's First

### Nebulizer Usable from Various Angles

Always striving to create products that offer ease to patients, Omron successfully launched the world's smallest<sup>\*1</sup> and lightest<sup>\*1</sup> silent nebulizer<sup>\*2</sup> in 2002. The atomizing unit of this device employed Omron's unique mesh technologies to satisfy the need for a nebulizer that could be used anywhere, anytime with ease.

\*1 At time of launch in 2002

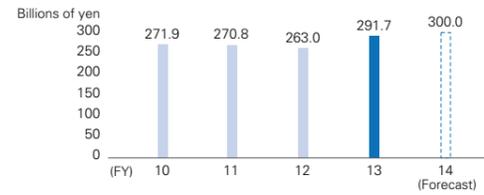
\*2 Nebulizer: A medical device that allows patients to inhale medicine to treat asthma and other respiratory diseases.



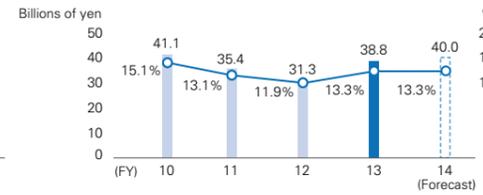
World's Smallest and Lightest

## Industrial Automation Business (IAB)

### Net sales

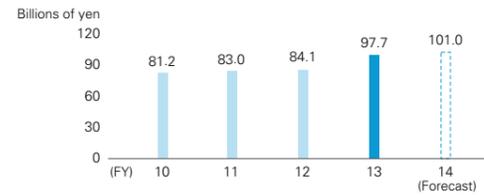


### Operating income / Operating income margin

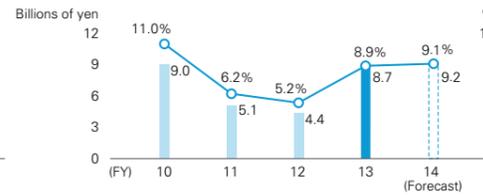


## Electronic and Mechanical Components Business (EMC)

### Net sales

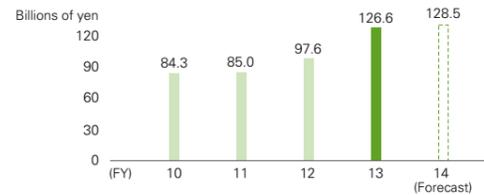


### Operating income / Operating income margin

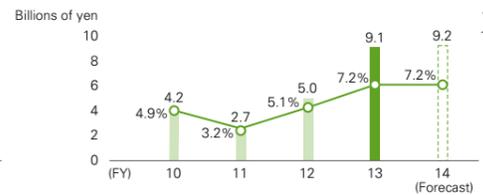


## Automotive Electronic Components Business (AEC)

### Net sales

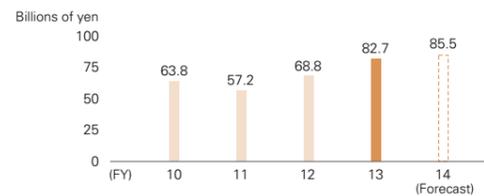


### Operating income / Operating income margin

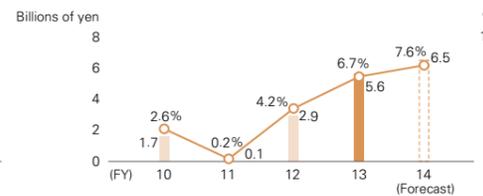


## Social Systems, Solutions and Service Business (SSB)

### Net sales

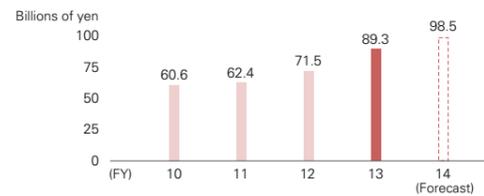


### Operating income / Operating income margin

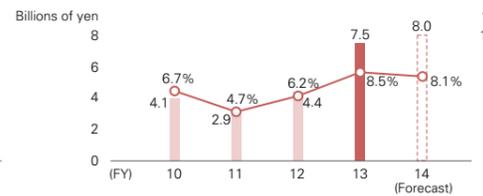


## Healthcare Business (HCB)

### Net sales

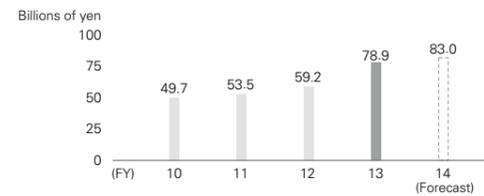


### Operating income / Operating income margin

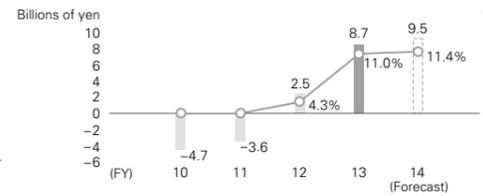


## Other Businesses

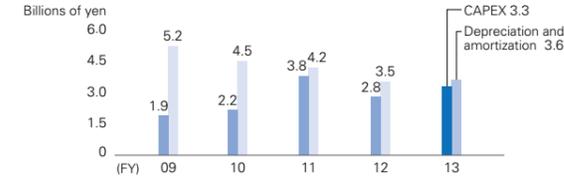
### Net sales



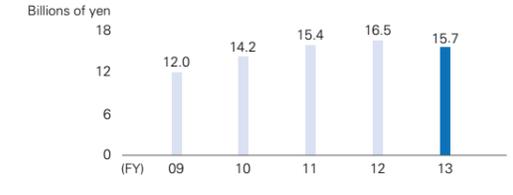
### Operating income (loss) / Operating income margin



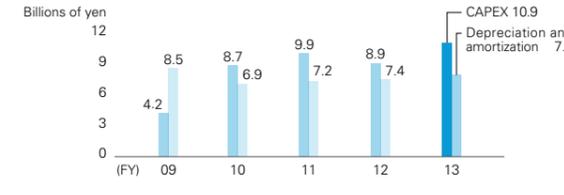
### Capital expenditures / Depreciation and amortization



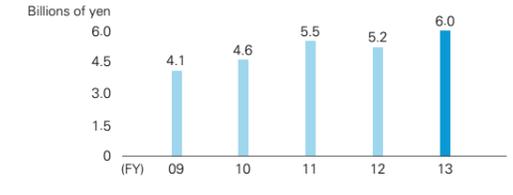
### R&D expenses



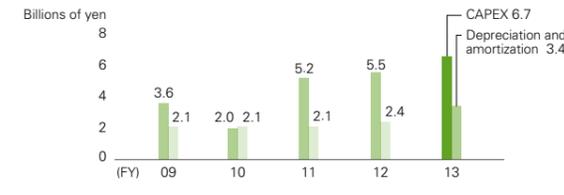
### Capital expenditures / Depreciation and amortization



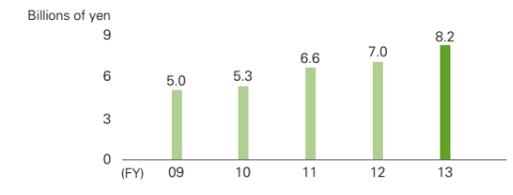
### R&D expenses



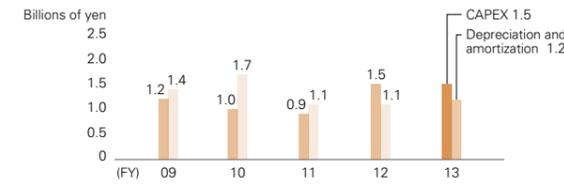
### Capital expenditures / Depreciation and amortization



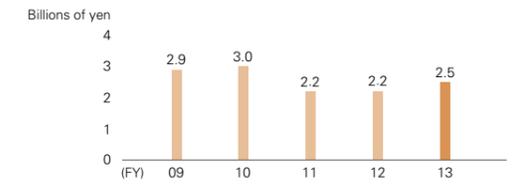
### R&D expenses



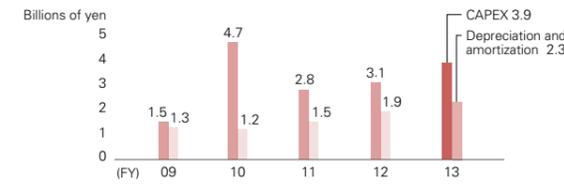
### Capital expenditures / Depreciation and amortization



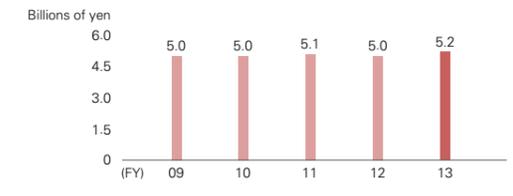
### R&D expenses



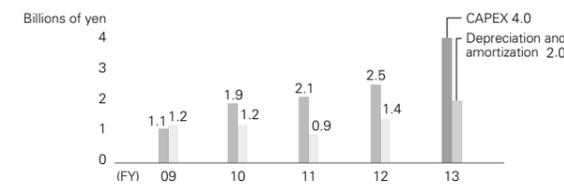
### Capital expenditures / Depreciation and amortization



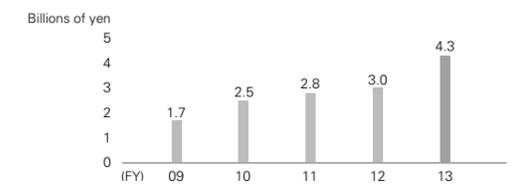
### R&D expenses



### Capital expenditures / Depreciation and amortization



### R&D expenses



\* From fiscal 2013, certain operations previously included in EMC have been included in IAB following a change in management categorizations. Accordingly, the segment information figures for fiscal 2012 and prior fiscal years have been restated to reflect this change.  
\* Forecasts for fiscal 2014 are those disclosed on April 24, 2014.

\* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of such amounts as intersegment transactions and head office expenses that are not apportionable.  
\* Forecasts for R&D expenses, depreciation and amortization, and capital expenditures are not publicized.

# Omron through the Year

## Management Topics

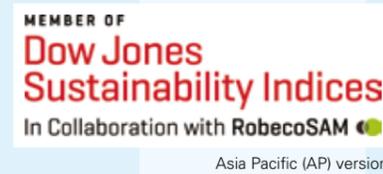
### May 2013

Omron celebrated its 80th anniversary. Prize-giving ceremony for The OMRON Global Awards (TOGA) was held.



### September 2013

Omron selected for fourth consecutive year in Dow Jones Sustainability Asian Pacific Index (DJSI Asia Pacific), a socially responsible investment (SRI) index.



### August 2013

Tokyo Institute of Technology, OMRON SOCIAL SOLUTIONS Co., Ltd., and OMRON Corporation commenced joint research into new sensing and monitoring methods to monitor deterioration of bridges and other social infrastructure and detect catastrophic post-earthquake damage.



### October 2013

OMRON Total Fair 2013 private exhibition held in Beijing in October 2013 to propose new value to Chinese society. Held in Shanghai in December 2013. Held in Guangzhou in March 2014. [Please refer to page 36.](#)

Omron selected in Top 100 Global Innovators for 2013 List by Thomson Reuters Corporation, of the United States, thereby recognized as one of the top 100 most innovative companies/research organizations in the world. [Please refer to page 57.](#)

Omron ranked No. 1 out of 23 companies in the electrical/precision equipment category at the Excellence in Corporate Disclosure Awards sponsored by the Securities Analysts Association of Japan (SAAJ).

### November 2013

Omron selected in a new share price index, the JPX-Nikkei Index 400.

Omron's Ayabe Plant wins award for excellence and jury's special merit award in Nikkei Monozukuri magazine's Best Factory Awards.

### December 2013

"Your Voice, Their World" joint project with India's National Association for the Blind launched to support the large number of visually impaired people in India through educational activities and the provision of audio libraries.

### April 2014

OMRON Automotive Electronics Co., Ltd., absorbs and merges with wholly owned subsidiary OMRON Iida Co., Ltd.

Fifth Automation Center—a base from which to spread knowledge about cutting-edge FA technologies—inaugurated in India following establishment of centers in Japan, China, Europe, and the United States. <http://www.omron.com/media/press/2014/04/c0423.html>

2013

2014

April May June July August September October November December January February March April

## Product-Related Topics

### May 2013

Launch of DC/DC converter for idling stop systems, essential for stable operation of electrical equipment.



### June 2013

Launch of "Andon environmental information system" and "sensor network server" tools that received the METI Minister's Prize in the Energy Conservation Grand Prix Program.



### Japan first

Launch of NX Series safety control units that both improve productivity and assure safety in conformity with international standards and rules.



### July 2013

Launch of one of the world's most accurate and power efficient absolute pressure sensors, capable of accurately detecting 50cm altitudinal variations in air pressure.



### September 2013

Launch of MC-681 prediction-type thermometer that can take readings in about 20 seconds. Designed for ease of taking measurements and reading results.



### World first

Launch of HJA-600T Walk Scan posture meter, with an Omron-developed algorithm installed to evaluate a user's walking posture after just 10 steps.



### March 2014

Launch of KP-R Series outdoor-use, multiple PV inverters for photovoltaic systems.



Launch of embedded-type Human Vision Component (HVC), combined a camera module and image sensing component that incorporates 10 types of image sensing technologies, including face recognition.



Launch of S8VK Series switching power supply that can be safely used in temperatures from -40°C to +70°C and conserve space.



About Omron

Where We're Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section

# Industrial Automation Business (IAB)

Manufacturing and sales of control systems and components for factory automation (FA) and industrial equipment



### Fiscal 2013 in Review

**Despite uncertainty in emerging countries, overall sales and income increased.**

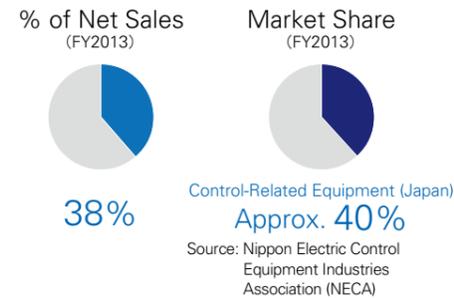
In fiscal 2013, sales in Japan increased year on year due to the contributory factors in the second half, including a recovery trend in capital investment demand, mainly in the semiconductor and electronic component industries, and sales of new products.

Overseas sales showed a significant increase due partly to the weak yen. In the Americas, FA-related demand recovered from the second half, and oil and gas related business sales also grew in the second half. In Europe, sales were firm amid a moderate economic upturn. Certain countries in Asia experienced political instability and currency depreciation, but demand was solid in South Korea. Circumstances in the Chinese market were still uncertain, but sales were up year on year due to favorable conditions in the electronic component and automobile industries.

While steadily investing in the future, IAB showed a significant increase in operating income.

### Yutaka Miyanaga

Senior Managing Officer  
Company President,  
Industrial Automation Company



### Business Strategy and Outlook for Fiscal 2014

**We will contribute to manufacturing innovation by delivering valuable products and services.**

In fiscal 2014, ending March 31, 2015, IAB is targeting net sales of ¥300.0 billion, a 2.8% increase year on year, and operating income of ¥40.0 billion, up 3.2%. In Japan, we expect sales to remain firm, mainly to the semiconductor and electronic component industries. Overseas, despite such negative factors as the slowing economic growth rates in emerging markets, we anticipate demand will be robust mainly in developed countries and thus expect an overall increase in sales.

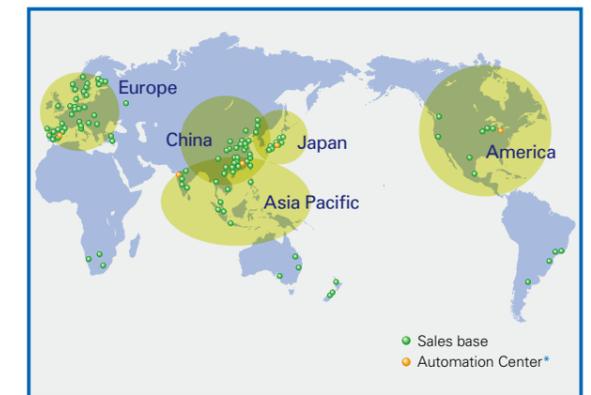
We posted higher sales and profits in fiscal 2013 but were unable to achieve the business growth initially envisaged under the GLOBE STAGE. IAB was impacted by the ongoing sense of uncertainty centered on emerging economies and the greater than expected amount of time needed to launch and market new products.

The wide range of products we have launched over the past three years and our controllers that realize advanced control boast industry-leading competitiveness. We will keep working to better propose solutions based on an extensive product lineup, ranging from sensors to programmable logic controllers and drives. Through our global business sites and service network, we will bring about business growth by delivering higher-value-added products and services to customers in targeted industries.

We will also contribute to innovation in manufacturing by providing valuable products and services to our customers mainly in the electronic device and automobile industries, which are expected to continue to expand in the years to come centered on emerging countries.



Wide range of products



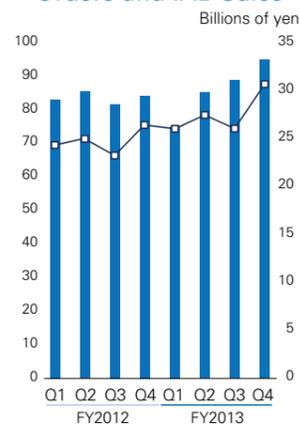
Global business sites and service network (150 plus bases)  
\* Engineering center that helps realize optimal automation

### Past Performance and Forecast

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Net sales	271.9	270.8	263.0	291.7	300.0
Japan	123.9	123.1	116.3	119.4	123.0
Overseas	148.0	147.7	146.7	172.3	177.0
Americas	26.7	29.3	31.6	36.9	37.5
Europe	56.7	55.3	50.4	61.9	63.5
Asia Pacific	25.0	25.3	24.7	28.9	30.5
Greater China	38.8	36.8	39.4	43.8	44.5
Direct exports	0.7	1.0	0.6	0.8	1.0
Operating income	41.1	35.4	31.3	38.8	40.0
Operating income margin	15.1%	13.1%	11.9%	13.3%	13.3%
R&D expenses	14.2	15.4	16.5	15.7	
Depreciation and amortization	4.5	4.2	3.5	3.6	
Capital expenditures	2.2	3.8	2.8	3.3	

See notes on page 38.

### Index of Machinery Orders and IAB Sales

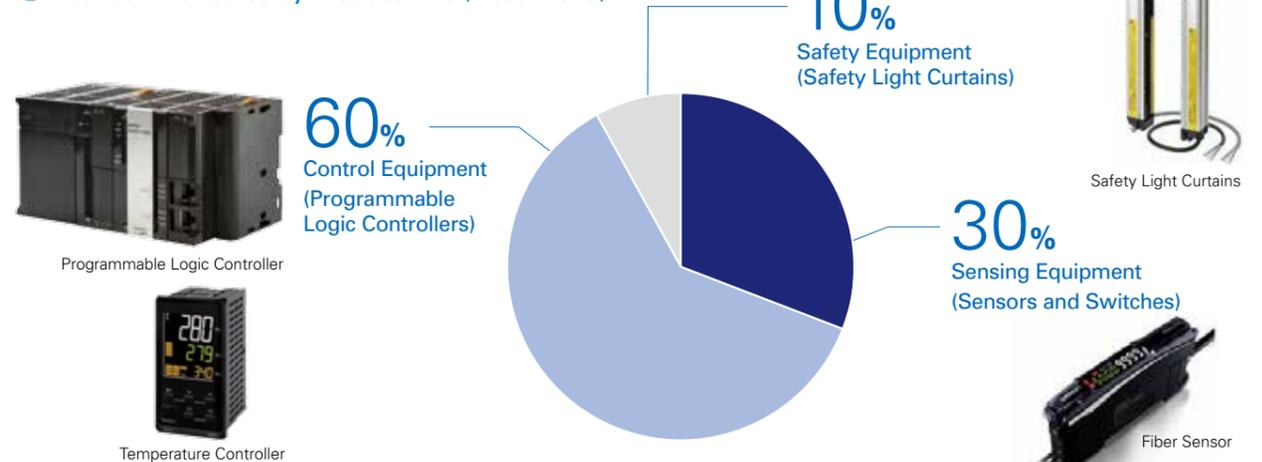


□ Index of Machinery Orders\* (Seasonally adjusted) [left axis]  
■ IAB Sales [right axis]

\*Source: Calculated based on materials prepared by the Cabinet Office, Government of Japan

Japanese IAB sales trends tend to reflect those in the machinery orders index.

### Breakdown of Sales by Product Line (Fiscal 2013)



Programmable Logic Controller



Temperature Controller



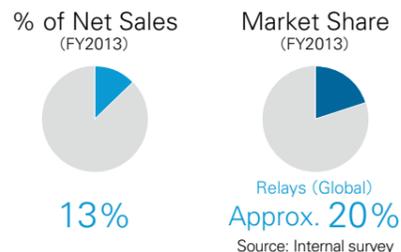
Safety Light Curtains



Fiber Sensor

# Electronic and Mechanical Components Business (EMC)

Manufacturing and sales of electronic components for consumer electronics, automobiles, mobile phones, and amusement devices



## Fiscal 2013 in Review

**Sales were strong to domestic and overseas consumer and commercial product markets.**

In Japan, relays and switches for the consumer electronics industry recorded strong sales due to the economic recovery, the extreme heat in the first half of the year, and the surge in demand ahead of the hike in the consumption tax rate. Thus, sales in fiscal 2013 increased year on year.

Overseas, sales surged, in part due to the impact of yen depreciation. Other factors contributing to the increase included growth in our share of the consumer electronics market and firm demand from the mobile device industry in China and South Korea. In the Americas, there was strong demand in the consumer and commercial product markets, and improvement in these markets in Europe associated with economic recovery also contributed to sales.

Operating income increased substantially year on year due to higher sales, ongoing cost reduction initiatives, and the yen's depreciation.

**Kenji Matsunami**  
 Managing Officer  
 Company President,  
 Electronic and Mechanical Components Company

## Past Performance and Forecast

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Net sales	81.2	83.0	84.1	97.7	101.0
Japan	24.9	25.3	26.7	28.1	26.0
Overseas	56.3	57.7	57.4	69.6	75.0
Americas	13.7	13.2	13.1	16.6	17.5
Europe	13.0	12.9	11.3	14.7	15.5
Asia Pacific	8.4	7.6	7.1	8.7	10.0
Greater China	19.8	22.7	24.6	28.7	31.0
Direct exports	1.5	1.3	1.4	0.9	1.0
Operating income	9.0	5.1	4.4	8.7	9.2
Operating income margin	11.0%	6.2%	5.2%	8.9%	9.1%
R&D expenses	4.6	5.5	5.2	6.0	
Depreciation and amortization	6.9	7.2	7.4	7.8	
Capital expenditures	8.7	9.9	8.9	10.9	

See notes on page 38.

## Global Shipments of Electronic Components and EMC Sales for Consumer Electronics



Source: Japan Electronics and Information Technology Industries Association (JEITA)  
 In fiscal 2013, sales of products for consumer electronics were strong.

## Business Strategy and Outlook for Fiscal 2014

**We will enhance marketing activities in each industry and create new products.**

In fiscal 2014, EMC is targeting net sales of ¥101.0 billion, up 3.4% year on year, and operating income of ¥9.2 billion, up 6.3%. We forecast a year-on-year decrease in sales in Japan due to the impact of the consumption tax hike on the consumer electronics industry and lower domestic demand because some automobile industry customers shifted production abroad. Overseas, in addition to higher sales of power latching relays for smart meters, we forecast an increase in sales to the automobile industry, which is expected to see production expansion in China and North America.

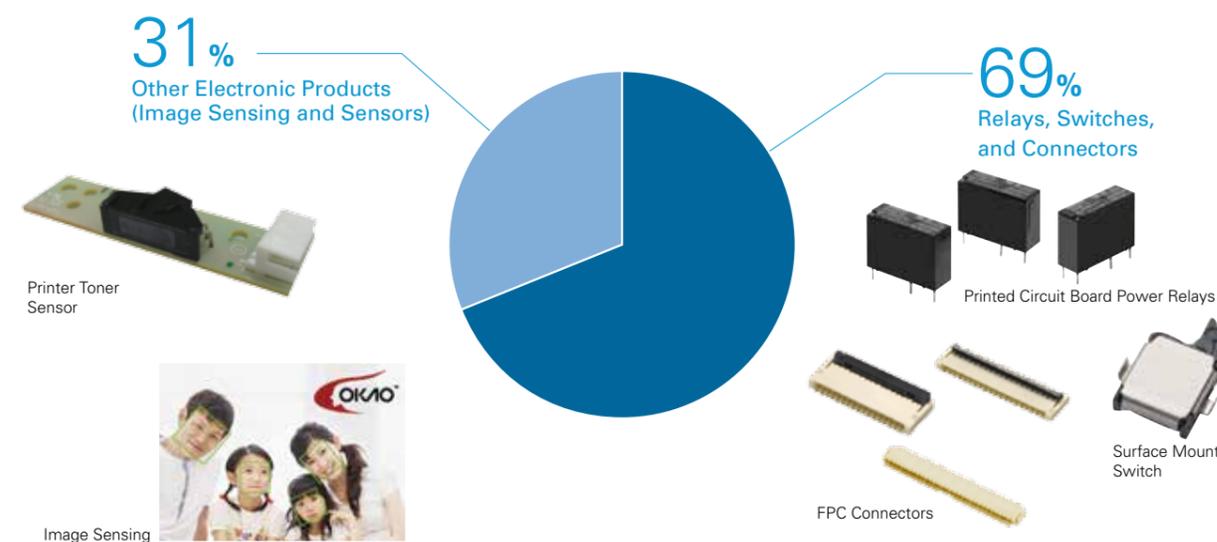
We will expand sales by enhancing marketing and creating new products for each industry we serve, including areas of strength like automobile and consumer electronics industries as well as other areas, for example, the medical and building automation industries.

Meanwhile, in manufacturing, by building a production system with more compact lines that is resilient to changes in the business environment and working to shorten the lead times from development to production, we will launch new products in a timely manner in order to respond to customer expectations.

## Target Industries

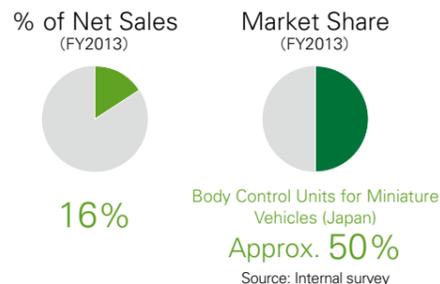


## Breakdown of Sales by Product Line (Fiscal 2013)



# Automotive Electronic Components Business (AEC)

Production and sales of electronic components for automobiles



## Fiscal 2013 in Review

**The robust market and new products for North America, Asia Pacific, and Greater China contributed to a strong performance.**

In Japan, sales decreased because some customers transferred production overseas. This offset the favorable effect of government economic measures, the continuation of tax breaks for eco-friendly automobiles, and the surge in demand before the consumption tax hike.

Overseas, sales were up significantly overall due in part to the weak yen. Although the European market trended toward recovery, the automobile industry remained weak. However, the accelerated recovery in North America, continued strong market expansion in China and other countries in Asia, and successive new product launches contributed to the sales increase.

Operating income increased substantially year on year due to higher sales and the impact of yen depreciation.



## Katsuhiro Wada

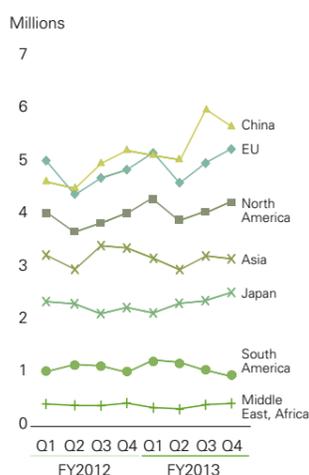
Managing Officer  
President and CEO,  
OMRON Automotive Electronics Co., Ltd.

## Past Performance and Forecast

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Net sales	84.3	85.0	97.6	126.6	128.5
Japan	28.4	28.9	30.2	28.4	25.0
Overseas	55.9	56.1	67.4	98.2	103.5
Americas	23.9	21.5	25.0	33.3	37.5
Europe	2.6	2.4	2.8	3.3	3.5
Asia Pacific	14.2	16.2	19.5	29.2	28.5
Greater China	9.1	9.5	13.9	25.4	27.0
Direct exports	6.2	6.5	6.2	7.2	7.0
Operating income	4.2	2.7	5.0	9.1	9.2
Operating income margin	4.9%	3.2%	5.1%	7.2%	7.2%
R&D expenses	5.3	6.6	7.0	8.2	
Depreciation and amortization	2.1	2.1	2.4	3.4	
Capital expenditures	2.0	5.2	5.5	6.7	

See notes on page 38.

## Worldwide Automobile Production (unit basis)



## Business Strategy and Outlook for Fiscal 2014

**We will transform into a value-creating company and strengthen our management platform.**

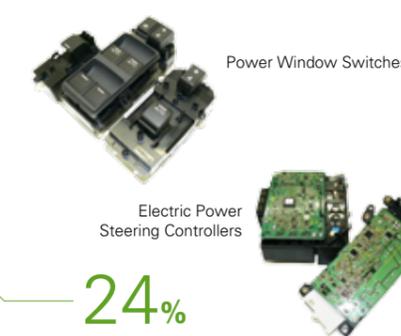
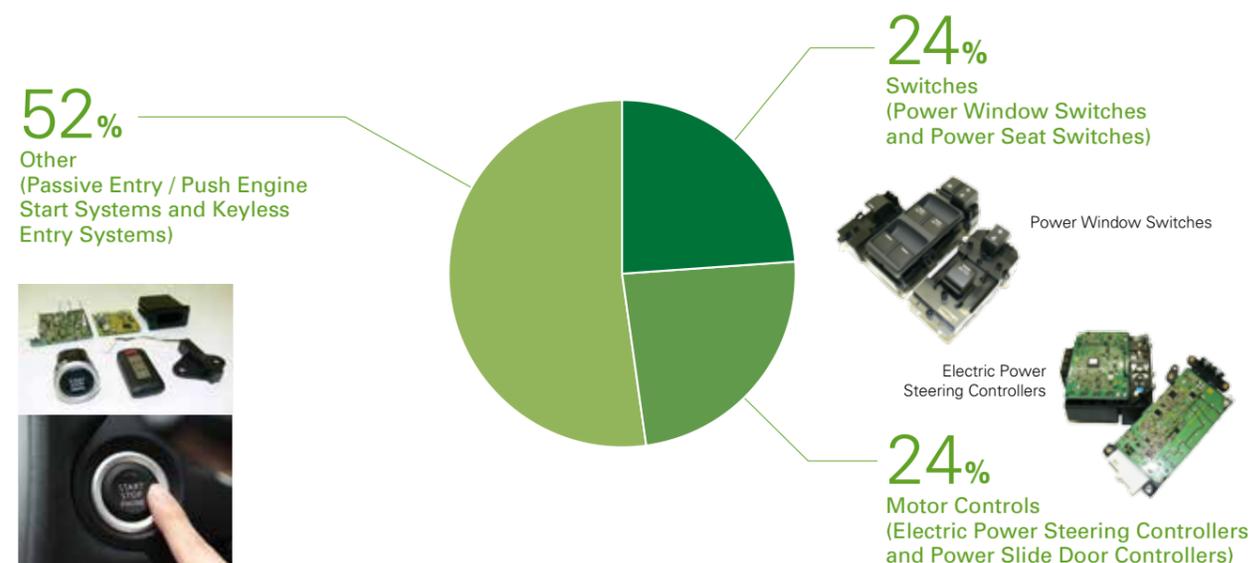
In fiscal 2014, AEC is targeting net sales of ¥128.5 billion, up 1.5% year on year, and operating income of ¥9.2 billion, up 1.3%. In Japan, we expect lower sales due to the consumption tax hike and to some customers transferring production abroad. Overseas, we forecast higher sales due to robust demand in North America as well as strong demand in China and other Asian countries.

We achieved double-digit sales growth through fiscal 2012 and fiscal 2013. Now, taking VG2020 into view, we will tackle the challenges of transforming into a value-creating company that proactively addresses social issues through fiscal 2016. In fiscal 2014, the first year of the EARTH-1 STAGE, we will further shorten planning and development processes and work on the development of products that anticipate market demand. We will increase sales by standardizing our existing products and implementing sales and marketing tailored to burgeoning emerging markets. In addition, we will work to strengthen our management foundation, for example our human resources, in order to globalize businesses more efficiently.



Ever-growing emerging markets

## Breakdown of Sales by Product Line (Fiscal 2013)



# Social Systems, Solutions and Service Business (SSB)

Provision of solutions and services for contributing to a safer, more secure, and comfortable society



### Fiscal 2013 in Review

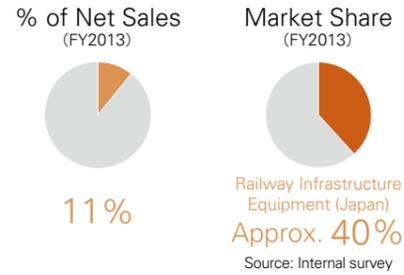
**Sales and income increased significantly driven by railway infrastructure and environmental solutions.**

In fiscal 2013, the railway infrastructure business saw brisk replacement demand for railway infrastructure equipment due to recovered performance by railway companies and pre-consumption tax hike demand. Demand for safety and security solutions centered on remote monitoring systems was also firm, and sales showed a substantial increase year on year. Underpinned by demand for traffic control systems and solutions for preventing facility deterioration, sales were strong in the traffic control and road control systems business. In the environmental solutions business, sales rose strongly year on year, reflecting firm demand for solar power generation system related products and installment services.

Operating income increased substantially because of the sales increase.

### Kiichiro Kondo

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

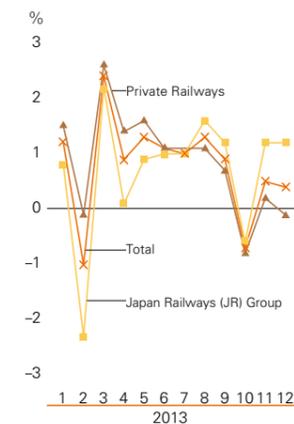


### Past Performance and Forecast

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Net sales	63.8	57.2	68.8	82.7	85.5
Japan	63.1	56.9	68.5	82.4	84.5
Overseas	0.7	0.3	0.3	0.3	1.0
Americas	0	0	0	0	0
Europe	0	0	0	0	0
Asia Pacific	0	0	0	0	0
Greater China	0	0	0.1	0.2	1.0
Direct exports	0.7	0.3	0.2	0.1	0
Operating income	1.7	0.1	2.9	5.6	6.5
Operating income margin	2.6%	0.2%	4.2%	6.7%	7.6%
R&D expenses	3.0	2.2	2.2	2.5	
Depreciation and amortization	1.7	1.1	1.1	1.2	
Capital expenditures	1.0	0.9	1.5	1.5	

See notes on page 38.

### Number of Rail Transport Passengers Per Month (year on year change)



Source: Rail Transport Overview, Ministry of Land, Infrastructure, Transport and Tourism

SSB covers a wide range of social fields, and there are no specific economic indicators closely linked to performance. In the railway segment, for example, SSB's sales are influenced by customers' investment plans (e.g., IC card equipment installation and new railway and station construction plans).

### Business Strategy and Outlook for Fiscal 2014

**We will expand the environmental solutions business through a nationwide installment and maintenance service network.**

In fiscal 2014, SSB is targeting net sales of ¥85.5 billion, up 3.4% year on year, and operating income of ¥6.5 billion, up 17.1%. Despite the spike in demand prior to the consumption tax hike, the railway infrastructure business is expecting sales to be on par with the previous year due to the increase in demand for security and safety solutions. In the traffic and road control systems business, the demand for security and safety products and services among road managers will make up for lower investment

demand for traffic control systems. We therefore expect sales to be on par with the previous fiscal year. In the environmental solutions business, we expect higher sales due to ongoing robust demand for solar power generation.

Our strengths in the environmental solutions business include our nationwide installment and maintenance service network and our numerous experienced engineers. We will leverage these strengths to unflinchingly meet rising demand to further increase sales.

### Strengths of the Environmental Solutions Business

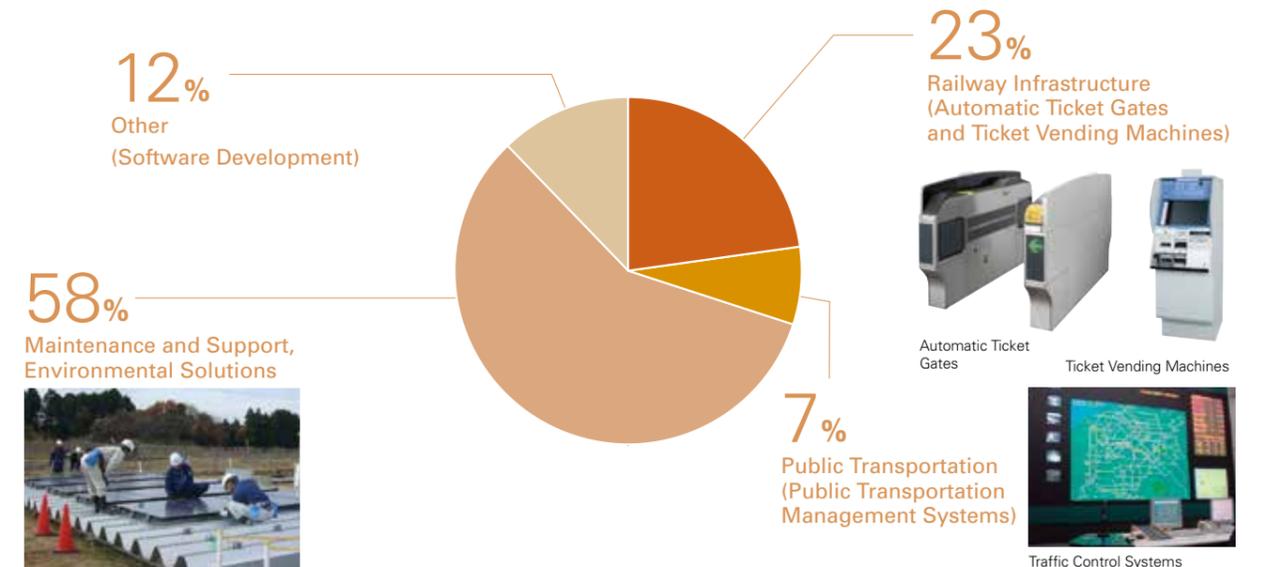
#### Nationwide Field Service Engineering Number of Bases / Engineers

**140 / 1,200**

Ready to meet expanding demand with our nationwide installment and maintenance service network

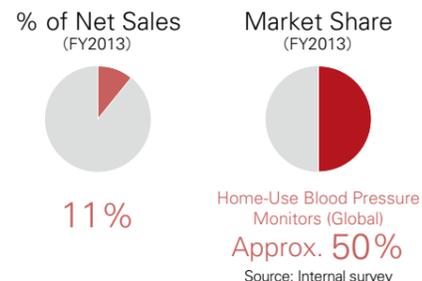


### Breakdown of Sales by Product Line (Fiscal 2013)



# Healthcare Business (HCB)

Provision of healthcare and medical devices and services for homes and medical institutions



### Fiscal 2013 in Review

**Sales increased by responding to higher health awareness in emerging countries.**

In Japan, sales of our core blood pressure monitors and thermometers were strong. Sales of patient monitors for medical institutions also showed an increase.

Overseas, sales increased substantially due to the weak yen and higher sales of blood pressure monitors, a result of our success in responding to rising health awareness in emerging countries. While we were adversely impacted by the stagnant Russian economy and political instability in some Southeast Asian countries, we benefited from increased demand in other emerging countries.

Operating income increased substantially compared with the previous year due to higher sales, ongoing cost reduction initiatives and yen depreciation.

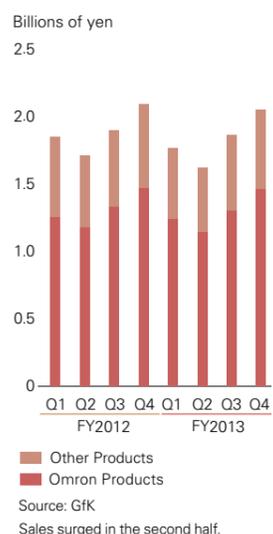
**Kiichiro Miyata**  
Managing Officer  
President and CEO,  
OMRON HEALTHCARE Co., Ltd.

### Past Performance and Forecast

	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
(Billions of yen)					
Net sales	60.6	62.4	71.5	89.3	98.5
Japan	26.9	27.2	29.5	30.8	32.5
Overseas	33.7	35.2	42.0	58.5	66.0
Americas	10.2	9.8	10.8	14.3	15.5
Europe	12.2	13.0	15.9	21.0	22.5
Asia Pacific	2.5	2.9	3.5	5.5	6.5
Greater China	8.0	8.6	11.1	17.3	21.0
Direct exports	0.8	0.9	0.7	0.4	0.5
Operating income	4.1	2.9	4.4	7.5	8.0
Operating income margin	6.7%	4.7%	6.2%	8.5%	8.1%
R&D expenses	5.0	5.1	5.0	5.2	
Depreciation and amortization	1.2	1.5	1.9	2.3	
Capital expenditures	4.7	2.8	3.1	3.9	

See notes on page 38.

### Japanese Electronics Market for Blood Pressure Monitors



### Business Strategy and Outlook for Fiscal 2014

**We will expand sales networks centered on emerging countries.**

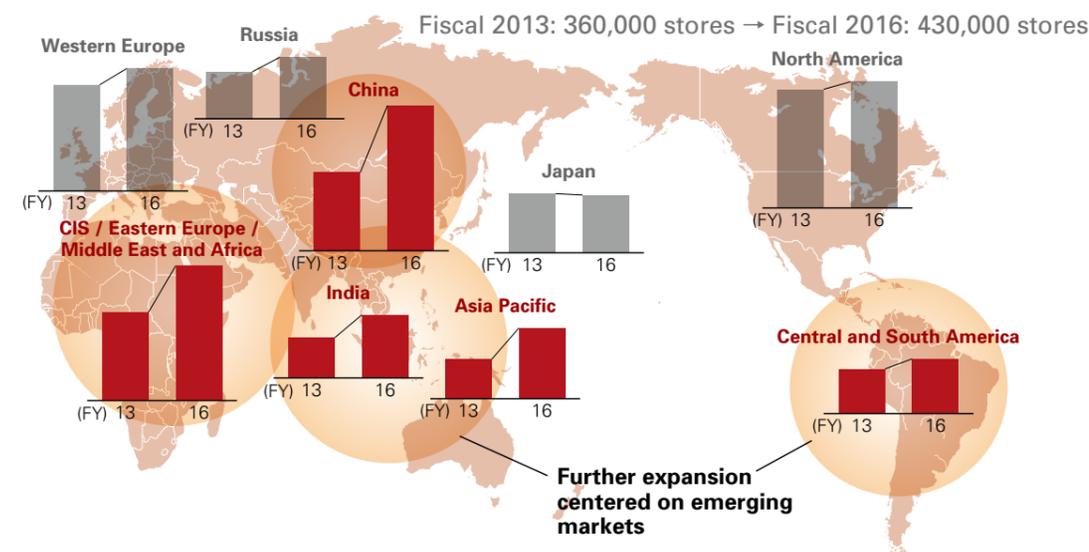
In fiscal 2014, HCB is targeting net sales of ¥98.5 billion, up 10.3% from the previous fiscal year, and operating income of ¥8.0 billion, up 6.0%. We expect an increase in sales as consumer spending picks up following economic recovery in North America and Europe and the rising health awareness in emerging countries.

In recent years, the number of people with lifestyle-related diseases is on the rise in emerging countries, including China, India, and those in Central and South America, due to the changes

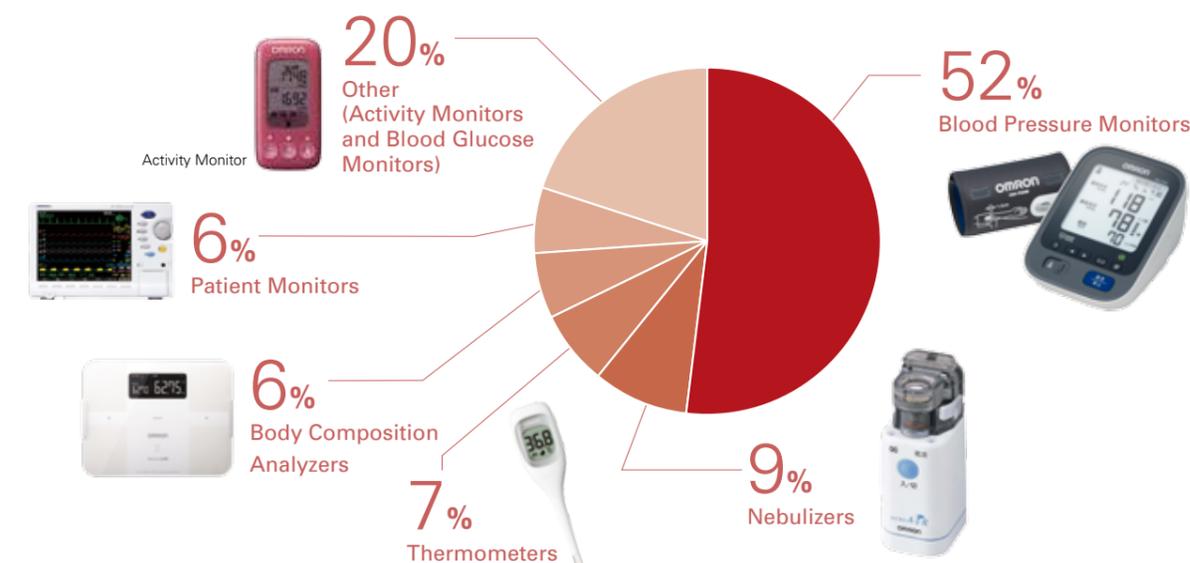
in lifestyle habits following economic growth. We predict demand expansion to continue for both healthcare and medical devices. In response, we will continue to increase the number of stores selling and marketing our healthcare products, with an emphasis on China, India, and elsewhere in Asia as well as Brazil, from 360,000 stores in fiscal 2013 to 430,000 stores in fiscal 2016.

We will keep working to strengthen our sales and marketing structure and aim to increase sales by expanding our sales network.

### Planned Increase in Total Number of Stores



### Breakdown of Sales by Product Line (Fiscal 2013)



## Other Businesses

Undertaking of incubation activities for business expansion

### Fiscal 2013 in Review

Demand related to renewable energy and smartphones contributed to sales and income.

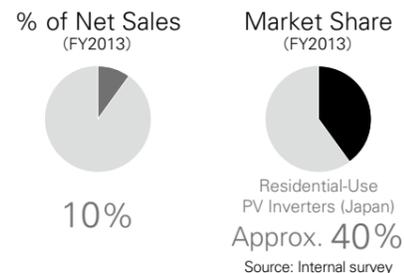
In fiscal 2013, the Environmental Solutions Business and the Backlight Business performed strongly due to renewable energy and smartphone demand respectively, increasing both sales and income.

In the Environmental Solutions Business, the sales volume of PV inverters increased substantially, driven by growing interest in the use of renewable energy, and sales were up sharply compared with the previous year.

The Backlight Business posted a significant year-on-year increase in sales because we focused on high-end backlight models following the expansion of the smartphone and tablet markets.

In the Electronic Systems & Equipments Business, uninterruptible power supply units performed strongly due to higher capital investment following business recovery and the last-minute demand preceding the consumption tax hike. In contrast, sales of industrial-use built-in computers and contract development and manufacturing services for electronic devices were weak due to an order decrease from major customers. Overall, sales were unchanged year on year.

In the Micro Devices Business, sales rose sharply year on year due to a rapid increase in demand for MEMS microphones.



### Business Strategy and Outlook for Fiscal 2014

We will target further expansion of the Environmental Solutions Business.

In fiscal 2014, the Other Businesses segment is targeting net sales of ¥83.0 billion, up 5.1% year on year, and operating income of ¥9.5 billion, up 9.5%.

Amid a continually brisk market for industrial solar power generation systems due to the feed-in tariff system, the Environmental Solutions Business is working to increase sales of and its market share for PV inverters in Japan. In collaboration with SSB, we are aiming to further expand our energy-creation business, for example by undertaking monitoring services that support the long-term, stable operation of systems. Also, we have started preparing for the deregulation of the electric power market, which is due to start in 2016. We will work to expand our business by developing a total energy solutions business to expertly store and wisely use energy that is generated without waste.

In the Backlight Business, we will aim to increase orders received for high-end backlight units

in response to the ongoing trend toward larger, yet thinner and higher-definition smartphones. At the same time, we will focus on our proprietary thin-screen technologies and existing molding technologies while remaining fully prepared for further significant growth in sales and profits.

In the Electronic Systems & Equipments Business, we will work to receive increased orders from our main customers for industrial-use built-in computers and contract development and OEM services for electronic devices. We will also strive to expand sales by augmenting our lineup of uninterruptible power supply units.

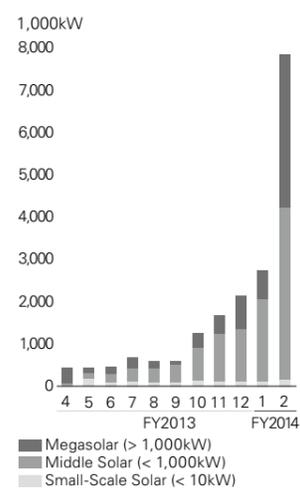
In the Micro Devices Business, we forecast demand for our existing products, such as custom integrated circuits, will remain roughly flat. We will focus on MEMS microphones and MEMS sensors in the mobile device and consumer electronics markets, where significant growth is expected, to expand sales.

### Past Performance and Forecast

	(Billions of yen)				
	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Net sales	49.7	53.5	59.2	78.9	83.0
Japan	27.5	29.5	41.4	51.0	50.0
Overseas	22.2	24.0	17.8	27.9	33.0
Americas	0	0	0	0	0
Europe	0	0	0	0	0
Asia Pacific	0	0	0	0	0
Greater China	20.7	22.6	16.3	25.6	31.0
Direct exports	1.5	1.4	1.5	2.3	2.0
Operating income (loss)	(4.7)	(3.6)	2.5	8.7	9.5
Operating income margin	—	—	4.3%	11.0%	11.4%
R&D expenses	2.5	2.8	3.0	4.3	
Depreciation and amortization	1.2	0.9	1.4	2.0	
Capital expenditures	1.9	2.1	2.5	4.0	

See notes on page 38.

### Solar Power Generation Systems: Approved Output



Source: Agency for Natural Resources and Energy (ANRE)

The feed-in tariff system is contributing to growth.

### Businesses and Main Products

**Environmental Solutions**

PV Inverters for Solar Power Generation Systems

**Backlight**

LCD Backlights

**Electronic Systems & Equipments**

Uninterruptible Power Supply Units

**Micro Devices**

Micro Electrical Mechanical Systems (MEMS)

# IAB and Consumer Safety and Security 100%

Percentage of major domestic automobile manufacturers using RFID

## Traceability Management Provides Consumers with Safety and Security

The Industrial Automation Business (IAB) not only creates equipment for factory automation (FA) but also contributes to traceability management with radio frequency identification (RFID)\* technologies to provide consumers with safety and security. Traceability management links manufacturing data, such as production dates and parts information, directly to a product, enabling both to be managed together. Should a product be found defective, proper traceability management makes it easier to determine the cause of the defect by using the associated manufacturing data.

### Widespread Usage in the Automobile Industry Addresses Strong Consumer Demand for Safety

Traceability management is employed in various industries, including those related to food, pharmaceuticals, and consumer electronics. However, it is particularly widespread in the automobile industry, where consumer demand for safety is especially high. Engines and other key safety-related systems have an immense impact on the overall quality and safety of an automobile. For this reason, these items require particularly stringent traceability management. In the event of a recall, it is crucial for a manufacturer to be able to quickly and accurately ascertain which vehicles were afflicted and then analyze the defect.

#### Other Uses for RFID

By equipping runners' race bibs with an RF tag, it is possible to track with ease runners' times. This is accomplished by equipping checkpoints with reader/writers that extract data from the RF tag installed on the race bib to record the time when a runner passes a checkpoint.



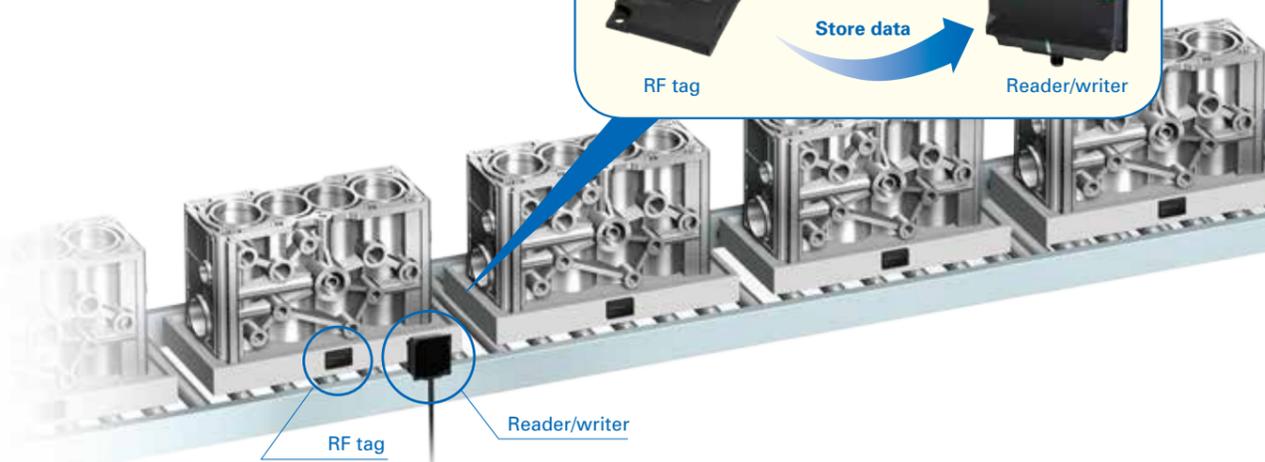
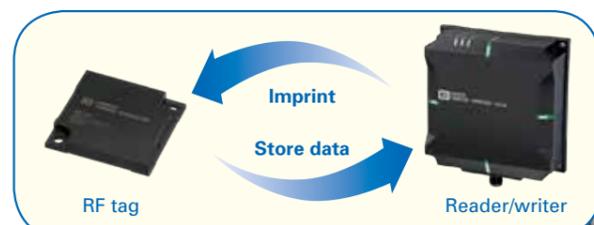
#### \* About RFID

RFID technologies generally employ RF tags and reader/writers that connect to one another through wireless communication to exchange and store data.

Traceability makes this possible. The current environment is such that the social responsibility of a manufacturer will be called into question if it is unable to respond appropriately to crises like recalls. Therefore, traceability management is expected to be even more commonly used in a wider range of industries going forward.

### RFID Contributes to Traceability Management

One possible method of employing RFID in traceability management involves affixing radio frequency (RF) tags to transportation-use pallets. Each time a new part is embedded in an unfinished product on the pallet, a specialized reader/writer imprints information regarding that part onto the RF tag. After a product is completed, a type of barcode, known as a quick response (QR) code, will be printed on the product, and this code will be linked to the manufacturing data contained in the RF tag. Both will then be managed together on a server. Should a defect occur, the manufacturer can retrieve the manufacturing data contained on the server based on the QR code. By employing this method, manufacturers are able to trace the cause of defects more easily.



# EMC and Localization of Management 42%

Percentage of overseas core positions filled by local staff (as of March 31, 2014)

## New Female President in China

To achieve "true globalization," it is necessary to create social needs based on the specific conditions of individual countries. Therefore, the Company must be an organization at which local employees can actively participate in management. In 2013, Xu Jian assumed the position of president of Shanghai OMRON Control Components Co., Ltd. (OMR), a manufacturing company in Shanghai that is part of the Electronic and Mechanical Components Business (EMC).



President, OMR  
Ms. Xu Jian

### First Duty: Establishing a "Meeting Room"

Xu's first duty was establishing a "meeting room" in the production area. Due to its location inside a manufacturing plant, all employees ranked below section chief go about their duties while wearing lint-free work suits.

This initiative has enabled the plant to respond to sudden disruptions in production quicker than was previously possible.



### Emphasis on QCDS

The Chinese manufacturing industry is undergoing great change. Due to wage hikes, energy shortages, and higher expectations for quality, Chinese manufacturers now require automation systems with the same level of precision as those used in developed nations. OMR is a flagship production site for relays and switches. Aiming to become China's No. 1 fully automated plant, OMR places emphasis on improvements related to quality, cost, delivery, and services (QCDS). The Chinese automobile industry continues to grow rapidly. We therefore expect a rise in the production of compact and multi-functional automotive electronic components, items that are created using Omron's unique technologies.

### Omron Principles and Corporate DNA

Product creation is people creation. In accordance with this philosophy, OMR launched a new human resource development plan in fiscal 2014 that includes both on-the-job training and off-the-job training. From her experience, Xu has come to believe that people grow by learning of their own value, and she is committed to cultivating human resources that inherit the Omron Principles and our corporate DNA. Through steadfast effort, Xu will continue to pursue improvements in product manufacturing capabilities.

### Objectives and Gratitude as Driving Forces

Xu emphasizes the importance of communication with the local authorities and communities as well as with customers and their business partners. She handled most of the negotiations related to the 2012 opening of the new plant, personally taking part in the process from land selection through to the plant's establishment. The local government thus has expectations for Xu's exploits as president of OMR.

Xu is an inspiration for many local employees at OMR. Aiming to serve as a role model for these employees, Xu states that she will "continue to advance forward, driven by objectives and gratitude, without fear of failure."

#### OMR Net Sales Target



New OMR plant, completed in August 2012



**HCB and Global Diagnosis Standards** ————— **Approx. 160 million**  
 Number of Omron blood pressure monitors sold over 40 years since launch

**Home Blood Pressure Study That Changed World Standards**

In April 2014, the Japanese Society of Hypertension revised its hypertension treatment guidelines for the first time in five years. This revision was a step ahead of the world in stipulating that blood pressure data collected at home should be given higher consideration in making diagnoses than blood pressure data collected in hospitals. Omron changed the face of hypertension treatment when it launched its first home-use digital blood pressure monitor 40 years ago. The revision of the hypertension treatment guidelines marks another major shift in the direction of hypertension treatment.



Dr. Yutaka Imai  
 Tohoku University Graduate School  
 of Pharmaceutical Sciences

Japan's Ohasama Study played an important role in shaping the history of blood pressure monitoring as it became integral in establishing global standards for hypertension diagnosis. The Ohasama Study is an ongoing study of the residents of Ohasama (now merged with Hanamaki City) in the northern region of Japan's main island. This study began approximately 30 years ago in 1986, when blood pressure monitoring was still seen as an act only physicians or nurses could perform. Omron became involved in this project through the request of the study's leader, Dr. Imai of Tohoku University. To support the study, Omron supplied home-use blood pressure monitors. We have since continued to help monitor the blood pressure of more than 4,000 residents while advancing the research.

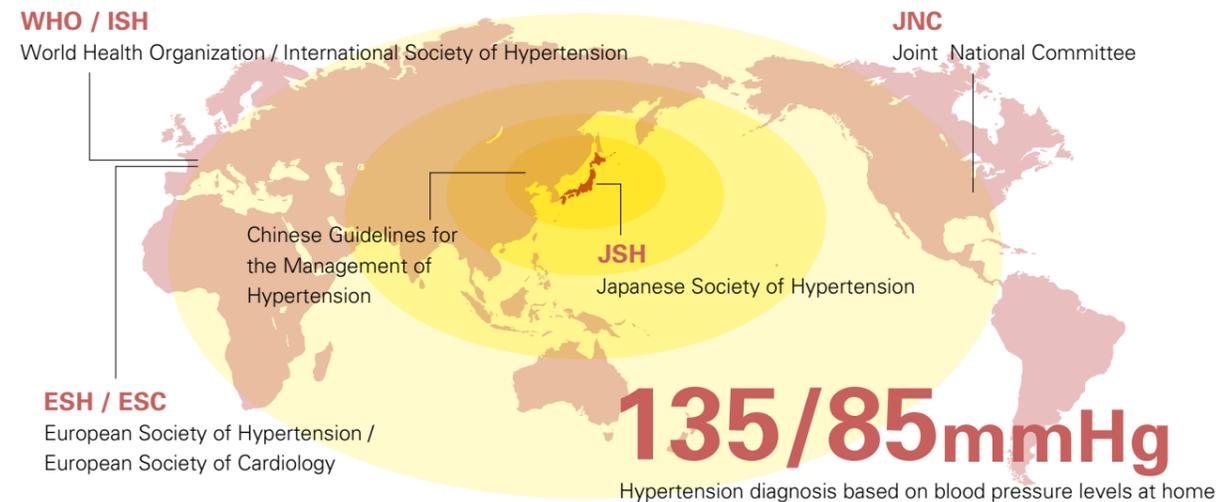
The Ohasama Study found that blood pressure levels at home were more closely linked to the risk of strokes or heart attacks than levels at hospital and, therefore, more clinically valuable. The study made this finding by comparing the blood pressure readings taken by Ohasama residents at home to those taken at hospitals for a number of years. Also, the study suggested that blood pressure of 135/85mmHg measured at home should be seen as the standard for hypertension diagnosis. Around the turn of the

century, the World Health Organization as well as other international medical institutions and hypertension associations began employing this standard, and they continue to do so today.

Hypertension treatment is constantly evolving through the cooperation of clinical researchers and patients around the world. Going forward, Omron will continue to aid progress in this field by utilizing its sophisticated biometric technologies in collaboration with researchers. By working closely with medical practitioners, Omron will make ongoing contributions to the health of people across the globe.



**Academic and Medical Institutions Employing Standards Based on the Ohasama Study**



**Other Business (Environmental Solutions Business)** ————— **Approx. 40%**  
 and Effective Use of Intellectual Properties Japanese market share for residential-use PV inverters\*1

**Named One of the Most Innovative Corporations**

For the first time, Thomson Reuters Corporation (headquartered in New York City) named Omron as one of the Top 100 Global Innovators\*2 in October 2013.

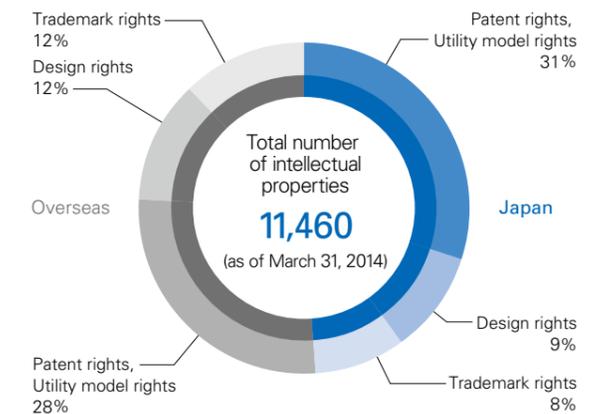
**Intellectual Property Strategy Boosts Omron's Competitive Strength**

Omron implements a unique intellectual property strategy that combines business strategies and technological strategies. By accurately assessing the technologies that differentiate Omron from its competitors and also by implementing vertical-horizontal management through which businesses (vertical) are linked to and coordinated with technologies (horizontal), we aim to achieve long-term business growth supported by intellectual property assets. We remain committed to maximizing long-term corporate value through innovative technologies and the proactive

acquisition of intellectual property rights. We also continue striving to make a positive contribution to the global society by providing high-quality services and products in the areas of safety, security, healthcare, and the environment.

\*1 As of March 2014  
 \*2 For more details, please refer to the Top 100 Global Innovators website <http://top100innovators.com>

**Intellectual Property Holdings**



**Intellectual Property Data**

	FY2011	FY2012	FY2013
Number of patents:			
Applications	1,068	1,084	1,040
Approvals	915	1,172	949
Total patents	5,959	6,448	6,635

**Standardization of Patent Technology**

Solar power generation systems have been gaining a lot more attention recently as an effective countermeasure for global warming.

There has been an issue with "multiunit systems"—that is multiple solar power generation systems connected to electric wires as they would be for an electric power utility. During blackouts, this situation could lead to problems with detecting islanding over a wide area. This complexity has been a source of system trouble, creating a barrier to the proliferation of solar power generation systems.

In order to solve this problem, Omron developed AICOT®, an acronym for "Anti-Islanding Control Technology," which is a completely new innovation.

Omron lifted patent restrictions and standardized the AICOT® technology, aiming for faster proliferation of solar power generation systems.



**1. Patented Technology:**

PV inverter islanding detection method  
 This technology became a base for the new certification system that is compatible with multiunit systems, and we have partially lifted patent restrictions.

**2. Technology Brand: AICOT®**

AICOT® refers to the Omron brand of Anti-Islanding Control Technology for multiunit solar power systems.

**3. Product Lineup**

AICOT® technology is installed in all of Omron's PV inverters for the Japanese market.



# CSR Management

## Identification of ESG Material Issues

In fiscal 2013, Omron analyzed important issues related to environmental, social, and governance (ESG) factors, highly pertinent to the Company's business. In this undertaking, we considered information and feedback from global socially responsible investment (SRI) investigation companies, shareholders, and other stakeholders. We identified material issues that could potentially impact our sustainability and defined related key initiatives to be addressed during the EARTH STAGE.

We established targets, and we will apply the plan-do-check-act (PDCA) cycle in pursuing these targets.

ESG	Material Issues	Key Initiatives for EARTH STAGE	Related Pages
Social	Diversity	<ul style="list-style-type: none"> <li>● <b>Educating the next-generation of top-rank managers</b> KPI: Percentage of core positions filled by local human capital</li> <li>● <b>Supporting advancement of females</b> KPI: Percentage of female managers</li> </ul>	Human Resources Strategies >P.60–63
Environmental	Eco-monozukuri	<ul style="list-style-type: none"> <li>● <b>Providing energy-saving and energy-creating products</b> KPI: Environmental contribution</li> <li>● <b>Minimizing energy and resource consumption, recycling, and reducing waste output</b> KPI: Carbon productivity (CO<sub>2</sub> emissions from global production sites) Target: 30% improvement on a global basis compared with the fiscal 2010 level by fiscal 2020</li> </ul>	Environmental Management >P.64–66
Governance	Corporate Governance	<ul style="list-style-type: none"> <li>● <b>Strengthening systems for improving management transparency and fairness</b> (Diversity of the Board of Directors and compensation systems)</li> </ul>	Corporate Governance, Internal Controls, and Compliance and Risk Management >P.67–73
	Risk Management	<ul style="list-style-type: none"> <li>● <b>Instituting countermeasures for major Group risks</b></li> </ul>	

## Responding to Stakeholder Expectations by Creating a Better Society through Our Business

### Basic CSR Policy

While remaining true to the basic spirit of our corporate motto and corporate core value, as expressed in our Management Commitments, we manage our business in a way that emphasizes the importance of honest dialogue with stakeholders to forge relationships of trust.

### CSR Practice Policies

- **Contribute to a better society through business operations.**

Continuously offer advanced technologies and high-quality products and services by stimulating innovation driven by social needs.

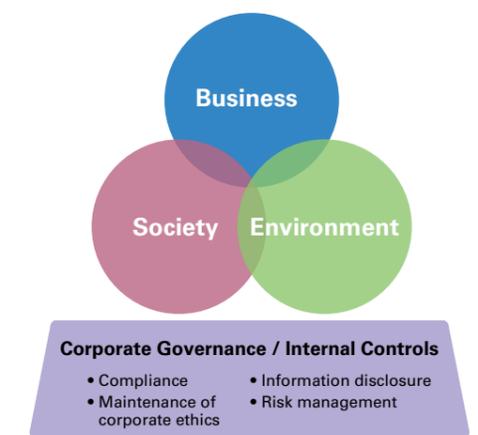
- **Show a commitment to addressing societal issues as a concerned party.**

Address such issues as human rights, the environment, diversity, and community relations in a way that draws on Omron's distinctive strengths.

- **Always demonstrate fairness and integrity in the promotion of corporate activities.**

Promote more transparent corporate activities that maintain fairness and integrity not only through strict compliance with laws, regulations, and social rules but also through increased accountability.

### Framework of CSR Activities



### Observance of International CSR Standards and Guidelines

Omron respects such international CSR standards and guidelines as the Universal Declaration of Human Rights, the United Nations Global Compact (UNGC), ISO 26000, and the OECD Guidelines for Multinational Enterprises and has formulated CSR Practice Guidelines as a framework for the Groupwide code of conduct.

In 2008, Omron declared its support for the Ten Principles of the UNGC, which are universally accepted principles in the areas of human rights, labor standards, the environment, and anti-corruption. Accordingly, Omron joined the Global Compact Network Japan (GC-JN), a local Global Compact network. Later, in 2013, Omron entered the Global Compact Network China (GC-CN).

Omron will continue to respect international CSR standards and guidelines and sincerely implement measures to meet the expectations of its stakeholders.



Network Japan  
WE SUPPORT



Global Compact Network  
China

July 2014  
Omron Corporation  
Chairman of the Board  
**Fumio Tateishi**

## Human Resources Strategies: (1) Diversity

### ■ Appointing Global Human Resources to Global Core Positions

Omron is systemically securing and educating the next-generation of top-rank managers to become capable leaders that can support its future. From the perspective of globalization, we are committed to placing local human capital in management positions at operating sites outside Japan. We believe that it is best to have people from a given country or region conduct management in that area. These people are most able

to make fast and appropriate management decisions and lead the organizations and people in their country or region. In fiscal 2011, the ratio of core positions at overseas sites filled by local human capital was **31%**. By March 31, 2014, this ratio had increased to **42%**. Going forward, we will continue to cultivate local employees and assign these human capital to important positions.



### ■ Promoting the Advancement of Female Human Capital

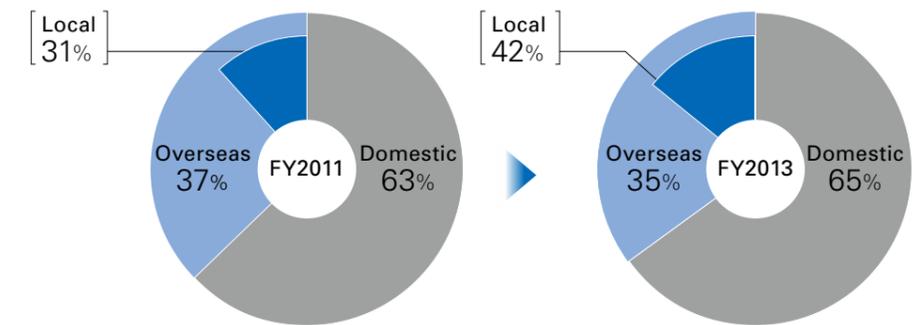
Currently, the number of female employees in leadership roles is low, especially in Japan. Omron realizes that this is an issue needing to be addressed. The percentage of female employees in Japan as of April 20, 2014, was **21%**, with **1.8%** of managers being female. By fiscal 2016, we aim to employ several female executives in Japan and have female managers account for **3%** of total

managers. By 2018, we plan to have female managers account for **5%**. Going forward, Omron will progressively cultivate a workplace environment in which female employees can continue working even after life events like marriage and childbirth. Furthermore, we will develop a corporate culture that allows any employees with high ambitions to achieve advancement, regardless of gender.

#### ■ Percentage of Female Managers in Japan

	April 2012	April 2014	April 2018 (Plan)
Percentage of female managers	1.4%	1.8%	5% level

### ■ Percentage of Global Core Positions Filled by Non-Japanese Human Capital



### ■ Developing a Workplace Environment That Empowers People with Disabilities

Currently, Japan legally requires companies to maintain a ratio of employees with disabilities to total employees of at least **2%**. The Omron Group, including OMRON Taiyo Co., Ltd. (a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities), has a ratio of **3.24%**, one of the highest of any manufacturing company in Japan. Overseas, government policies pertaining to the employment of people with disabilities and social awareness toward these individuals vary by country. As such, it is necessary to develop the appropriate workplace environment based

on the conditions of each country. Omron aims to develop a workplace environment in which people with disabilities are empowered and can work unimpeded, and it will formulate related initiative policies based on the conditions of each country.



# Human Resources Strategies: (2) Evolving Award System for Promoting the Omron Principles

## The Omron Global Awards (TOGA)

Omron pledges to create tangible value on a global scale by facilitating the efforts of all employees to practice the Omron Principles.

### About TOGA

1

TOGA is a system available to all employees around the world for promoting the practice of the Omron Principles by linking the principles to everyday work (as of June, 2014).

#### Characteristics

- 1. Recognition of self-declared achievement**  
In TOGA, entries are made as teams, and entrants are required to declare the challenges they will be taking on at the time of entry, before they accomplish their goals.
- 2. Award categories based on five sayings of the founder**  
Each team can choose a category that best describes the key concept of the team's activity.
- 3. Exemplary practices shared through tournament-style competition**  
Tournament-style competition cultivates a corporate culture in which employees are inspired by each other, promoting mutual development and understanding.

#### The Omron Principles



#### Connection between Award Categories and the Omron Principles

	Five sayings of the founder
Challenging ourselves to always do better	"70/30 Rule" "Don't Say 'I Cannot'"
Innovation driven by social needs	"Customer Centric" "Be a Pioneer."
Respect for humanity	"Those Who Make Others Happy"



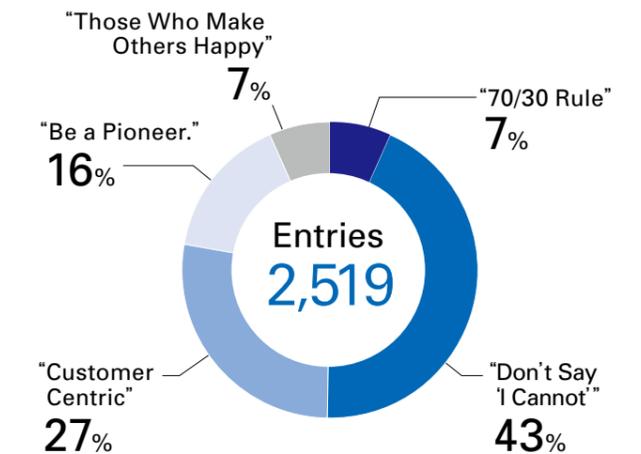
### TOGA by Numbers

2

#### Number of Entries and Participants by Region (Fiscal 2013)

Region	Entries	Participants
Japan	1,276	12,379
Greater China	742	7,115
South Korea	54	345
Asia Pacific	222	1,930
Americas	93	667
Europe	132	1,097
Total	2,519	23,533

#### Distribution of Entries by Category (Fiscal 2013)



### Challenge Story and Beyond

3

#### Entry Theme: Fastest Development of Outdoor-Use PV Inverters Category: "Be a Pioneer."

In October 2012, a project team employed new development techniques and teamwork to develop a small-scale industrial PV inverter for outdoor use in half the time that would be normally required. This valiant effort enabled the product to meet market needs through a timely launch.

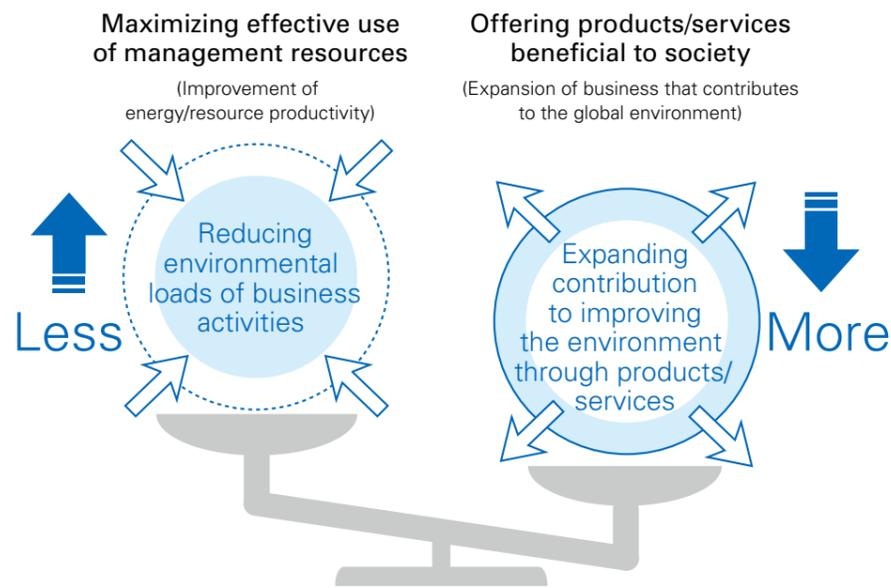
In June 2014, Omron completed systems for expanded production of this PV inverter to respond to solid market growth. Going forward, we will work to make larger contributions to the proliferation of solar power generation systems.



# Environmental Management

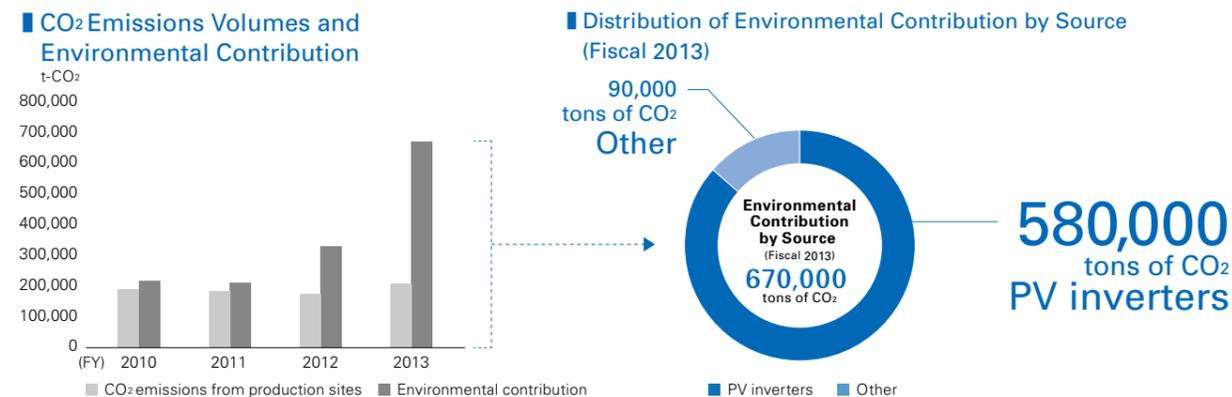
## Becoming a Global Value-Creating Company with Environmental Contributions Exceeding Environmental Impacts

Omron established the Group's Environmental Policy in 1996 and its environmental management vision, "Green Omron 21," in 2002. In 2011, Omron formulated its environmental management vision, "Green Omron 2020." In addition to continuing with efforts to reduce our own environmental impact, the vision prescribes for the Group to create and supply functional products and services that reduce the environmental footprint of society. Acting in accordance with Omron's core corporate value of "Working for the benefit of society," we will promote more encompassing environmental management to contribute to the realization of a sustainable society that recycles.



## Expanding Environmental Contribution

The growth of our PV inverter operations contributed greatly to the expansion of environmental contribution.



## External Recognition of Environmental Impact Reduction Activities

Omron's efforts to reduce the environmental impact of its production sites have been highly evaluated on a global scale, with the Company recently receiving the Grand Prize for the Global Environment Award in Japan and the Prime Minister's Hibiscus Award in Malaysia.

### Improving Productivity and Saving Energy through Eco-Monozukuri—23rd Grand Prize for the Global Environment Award

Omron was presented with the Japan Business Federation Chairman's Award at the 23rd Grand Prize for the Global Environment Award in recognition of its promotion of *eco-monozukuri*, which entails coordination between production divisions (electricity users) and facility divisions (providers of electricity) to boost productivity and quality while reducing electricity usage. We will further advance *eco-monozukuri* to contribute to the environment by supplying society with energy-saving products and services.



Clean room that realized energy savings and improved productivity by reducing floating particles

### Reducing Environmental Impacts at Production Sites—Environmental Award from the Malaysian Government

In December 2013, OMRON MALAYSIA SDN. BHD. (OMB) received the Prime Minister's Hibiscus Award from the Malaysian government. This environmental award was presented to OMB in recognition of its efforts to reduce the environmental impact. We see the receipt of this prestigious honor as an opportunity to further advance energy-saving activities while stepping up education activities targeting plant workers.



Receipt of the Hibiscus Award from the Deputy Prime Minister of Malaysia (center)

## Reducing Environmental Impacts across the Value Chain

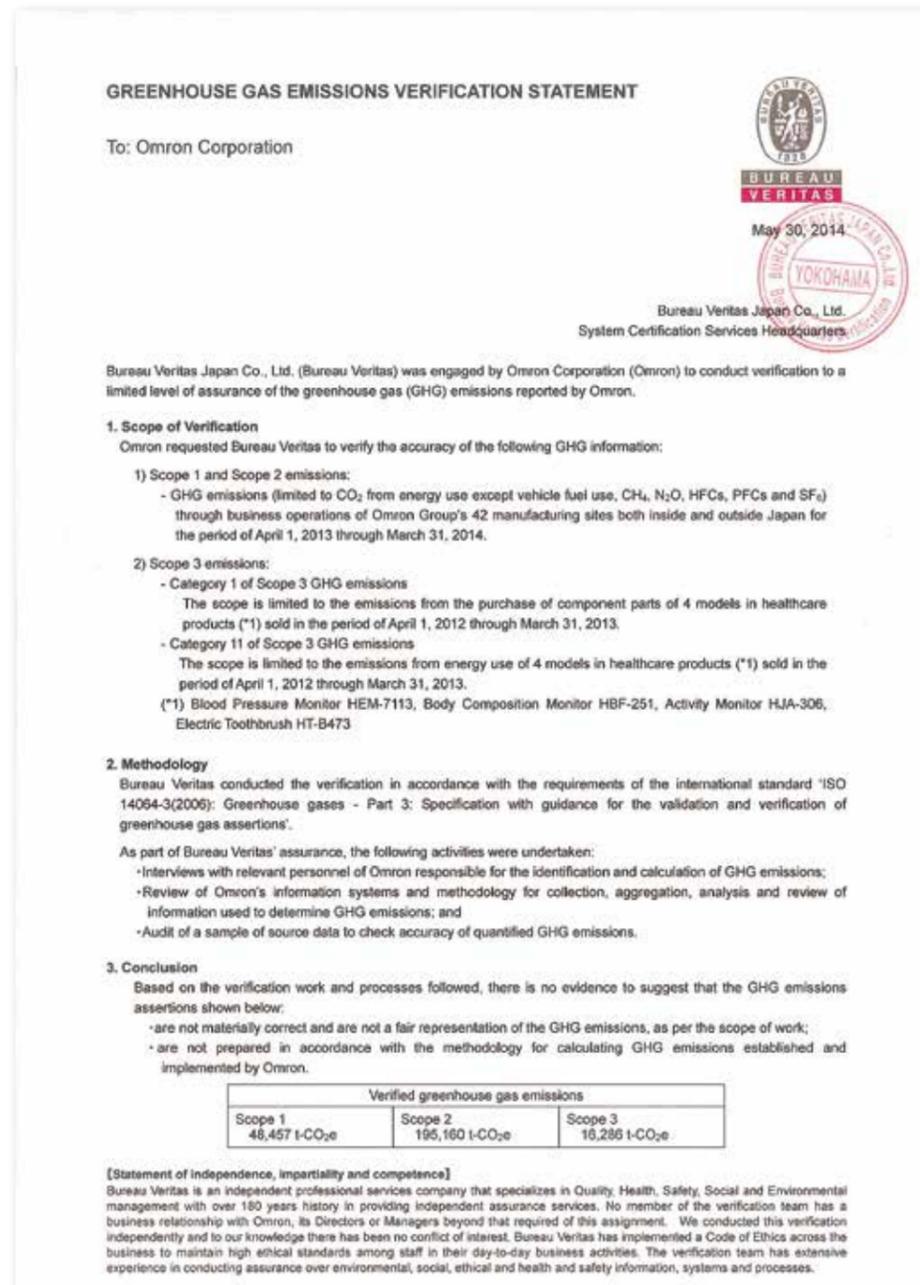
To track the environmental impacts of its businesses across the entire value chain, in fiscal 2013 Omron began employing the Greenhouse Gas Protocol (GHG Protocol), an international accounting and disclosure tool for greenhouse gas emissions, based on Scope 1, Scope 2, and Scope 3 of the GHG Protocol.

GHG Protocol	Explanation	Examples
Scope 1	Direct emissions, including those from internal fuel combustion and industrial processes	<ul style="list-style-type: none"> <li>Emissions from combustion of fuel (city gas, kerosene, etc.) at operating sites</li> <li>Greenhouse gas emissions from manufacturing*</li> </ul>
Scope 2	Indirect emissions from consumption of purchased electricity, heat, or steam	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions by power companies resulting from electricity used at operating sites</li> </ul>
Scope 3	Other indirect emissions	<ul style="list-style-type: none"> <li>Emissions resulting from steps required to produce purchased raw materials and products as well as items related to purchased products</li> <li>Emissions resulting from electricity consumed during usage of sold products by users (consumers / businesses)</li> </ul>

\* Perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), hydrofluorocarbons (HFCs), etc.

## Third-Party Greenhouse Gas Emissions Verification Statement

The Company received a Greenhouse Gas Emissions Verification Statement from third-party organization Bureau Veritas Japan Co., Ltd., thereby verifying the reliability of its greenhouse gas emissions reports. The statement, which follows, declares that the Company has accurately collected, calculated, and disclosed emissions data in accordance with Scope 1, Scope 2, and Scope 3 of the GHG Protocol. Going forward, Omron will utilize the results of its calculations to conduct more-effective emission reduction activities.



## Corporate Governance, Internal Controls, and Compliance and Risk Management Promoting Sound and Proper Corporate Management

Omron is committed to maintaining and exercising a proper corporate governance system while increasing management transparency. To firmly establish a high standard of corporate ethics, we will continue to enhance our compliance system and strengthen the risk management framework that supports ongoing improvement in corporate value.

### Corporate Governance

#### Basic Policies

At Omron, senior management has realized the importance of corporate governance for many years and has progressively developed foundations for supporting good corporate governance. As such, Omron has worked to drive the spread of such foundations in Japan and other countries by having officials assuming principal posts in relevant external organizations and through other means.

Omron's basic policy is to fortify corporate governance based on the belief that the most crucial factor in earning stakeholders' support is building an optimal management structure and conducting fair business operations while enhancing the mechanism

(a supervisory system) for such verification and realizing sustainable growth.

In line with this basic policy, Omron has adopted an executive officer system and clearly separates management oversight and business execution. Under an internal company system, Omron is realizing faster decision making and efficient business operations by delegating substantial authority to the president of each internal company. Moreover, autonomous individual business units that can specialize in creating value for customers take the initiative in conducting business. At the same time, through commitment-based management, we clarify roles and responsibilities and practice corporate value management based on shareholder value.

#### Corporate Governance Initiatives

	1999	2003	2011
President	1987- President Yoshio Tateishi	2003- President Hisao Sakuta	2011- President Yoshihito Yamada
Chairman of the Board of Directors / CEO	President serves as Board of Directors' Chairman and CEO		Chairman serves as Board of Directors' Chairman / President serves as CEO
Separation of management oversight and business execution	1999- Number of directors reduced to seven 1999- Introduction of executive officer system		
Advisory Board	1999 Advisory Board		
Outside Directors	2001 One member	2003- Two members (seven directors)	
Audit & Supervisory Board members (independent)	1998 One member	1999- Two members	2003- Three members (four auditors) 2011- Two members (four auditors)
Advisory 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	Corporate motto formulated in 1959 Omron Principles formulated in 1990 Revised in 1998 Revised in 2006		

## Management and Oversight Frameworks

Omron is a "Company with Audit & Supervisory Board." The corporate governance regime has a supervisory and observational function pertaining to the actions of the Board of Directors and also involves auditing carried out by the Audit & Supervisory Board.

Omron has set the number of members of its Board of Directors at seven to encourage efficient and meaningful discussion.

In order to strengthen management oversight functions and separate these functions from business execution, the Company has appointed multiple outside and independent directors, thereby ensuring that directors concurrently fulfilling business execution roles do not represent a majority in the Board of Directors. In this manner, we are improving corporate governance functionality.

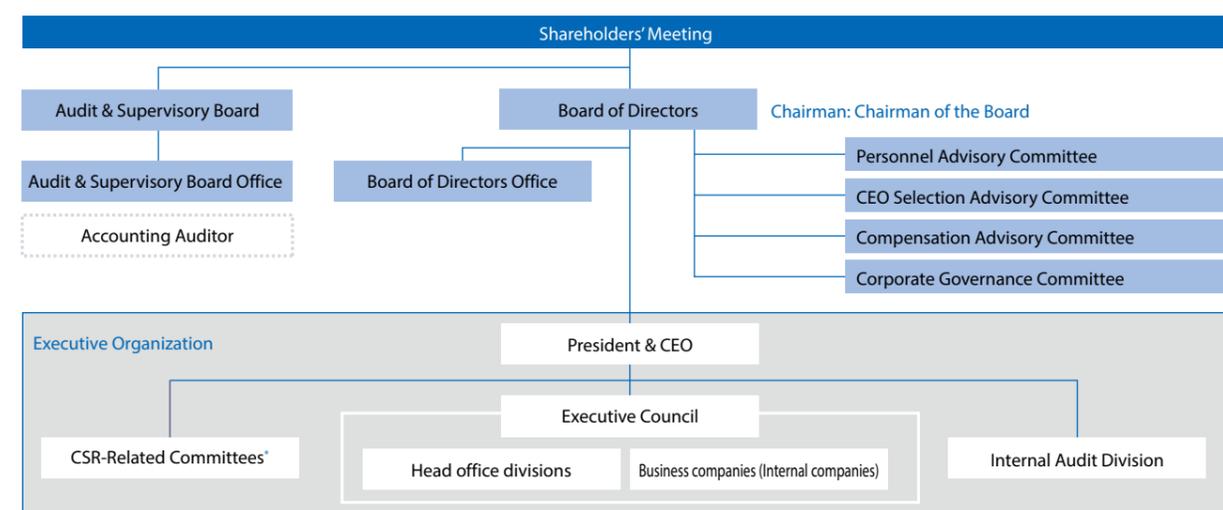
To increase objectivity in management and to bolster

management oversight function of the Board of Directors, the positions of chairman of the Board of Director and president and CEO are separated. The chairman of the Board of Directors monitors business execution activities as a representative of the Company's stakeholders.

Furthermore, Omron has established the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee, all chaired by outside directors. In this manner, the Company is working to increase the transparency and objectivity of management's decision-making process.

By incorporating the best aspects of the Companies with Committees system, we have created a type of hybrid corporate governance regime that we feel is the most appropriate for the Company.

### Corporate Governance Structure



\* These committees include: Corporate Ethics & Risk Management Committee, Information Disclosure Executive Committee, Group Environment Activity Committee, etc.

**Board of Directors (BOD)**  
The BOD oversees business activities and decides important business matters, such as management targets and strategies.

**Compensation Advisory Committee**  
This committee, chaired by an outside director, determines the compensation structure for directors and executive officers, sets evaluation standards, and evaluates current executives.

**Audit & Supervisory Board**  
This board oversees the corporate governance system and its implementation and audits the day-to-day operations of directors and other executives.

**Corporate Governance Committee**  
This committee, chaired by an outside director, discusses measures to continuously enhance corporate governance and increase fairness and transparency in management.

**Personnel Advisory Committee**  
This committee, chaired by an outside director, sets election standards for directors and executive officers, selects candidates, and evaluates current executives.

**Executive Council**  
This council discusses and determines important business operation matters that are within the scope of authority of the president and CEO.

**CEO Selection Advisory Committee**  
This committee, chaired by an outside director, is dedicated to the nomination of presidents and CEOs and deliberates on the selection of the new president and CEO for the upcoming term and on preparing contingency succession plans.

## Auditing Functions

The Audit & Supervisory Board, composed of four Audit & Supervisory Board members, audits governance practices and monitors the everyday management activities of the Board of Directors and other management staff as well as the nature and operational conditions of the corporate governance regime. The Internal Audit Division, which reports

directly to the president and CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. Moreover, the Internal Audit Division offers specific advice for improving business functions.

### Appointment of Outside Executives

To allow the Board of Directors to monitor business execution as a representative of the Company's stakeholders, two of the seven directors are outside directors and two of the four Audit & Supervisory Board members are outside members.

Emphasizing the independence of outside executives, Omron has formulated its own original Outside Executive Eligibility Criteria in addition to the requirements under Japan's Corporate Law.

Also, the Corporate Governance Committee takes steps to confirm the Outside Executive Eligibility Criteria do not pose any problem with respect to determination criteria concerning independence formulated by the appropriate stock exchange. After obtaining a resolution of the Board of Directors, notifications are submitted with the appropriate stock exchange for all outside executives as independent officers.

### Number of Major Meetings Held and Rates of Attendance (Fiscal 2013)

Meetings of the Board of Directors: 13  
Meetings of the Audit & Supervisory Board: 13  
Attendance of outside directors at meetings of the Board of Directors: 96%  
Attendance of Audit & Supervisory Board members (independent) at meetings of the Board of Directors: 100.0%  
Attendance of Audit & Supervisory Board members (independent) at meetings of the Audit & Supervisory Board: 96%

Note: For Outside Directors and Audit & Supervisory Board members (independent) that assumed their positions in June 2013, attendance is for meetings of the Board of Directors and the Audit & Supervisory Board held on and after June 20, 2013.

### Appointments of Directors and Audit & Supervisory Board Members

Position	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		○		
Representative Director and President and CEO	Yoshihito Yamada				
Representative Director and Executive Vice President	Yoshinori Suzuki	○			
Director and Executive Vice President	Akio Sakumiya	○	○	○	
Director	Koji Nitto			○	
Outside Director	Kazuhiko Toyama♦	◎	◎	○	◎
Outside Director	Eizo Kobayashi♦	○	○	◎	○
Audit & Supervisory Board Member (Full-time)	Masayuki Tsuda				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Eisuke Nagatomo♦				○
Audit & Supervisory Board Member (Independent)	Yoshifumi Matsumoto♦				○

◎ Indicates Chairperson ♦ Independent Officer

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

As part of its drive to strengthen the governance of compensation for its Directors, in June 2014 the Company introduced medium-term, performance-linked bonuses in an effort to give Directors incentive to achieve medium-term management targets. This incentive was also accompanied by the issuing of performance-linked stock acquisition rights to Directors.

The medium-term, performance-linked bonuses shall be paid to Directors based on the level of achievement of performance targets set forth in the medium-term management plan for the EARTH-1 STAGE. The target value is ¥90 billion in consolidated operating income for fiscal 2016, the final year of the medium-term management plan. Along with this target value, minimum and maximum target values were set to further increase Directors' motivation toward meeting the medium-term performance targets.

The performance-linked stock acquisition rights were issued under the condition of the achievement of medium-term management targets and a rise in the Company's stock price. The objectives are to create medium-to-long-term shareholder value, and to encourage Directors to own shares of the Company. The target value to be used as the basis for conditions for exercising stock acquisition rights shall be ¥900 billion in consolidated net sales set for fiscal 2016, the final year of the Company's medium-term management plan. In addition to this target value, the Company set forth minimum and maximum target values, varying the percentage of exercisable stock acquisition rights in a

gradual manner, in order to increase the Directors' motivation to attain the performance targets.

The performance-linked stock acquisition rights are issued with charge, and are exercisable only when the pre-assigned criteria of the Company's consolidated financial results are met, and according to the extent to which the performance targets are achieved. Because the stock acquisition rights are not favorable for individuals who are allotted these rights, they do not fall under the category of compensation for Directors.

Through the introduction of these new initiatives, the Company's governance system regarding compensation for Directors and other incentive plans covers: 1) a base salary paid for the roles and responsibilities as Directors; 2) yearly performance-linked bonuses based on the level of achievement of short-term management plan targets; and 3) incentives linked with increases in corporate value and awarded according to the level of achievement of performance targets set forth in the medium-term management plan, which was established to meet the goals of the VG2020 long-term strategy. These include medium-term performance-linked bonuses, performance-linked stock acquisition rights, and stock compensation. Through this compensation structure, the Company intends to enhance Directors' motivation to attain management goals in the short, medium, and long terms.

The basic principles and policy for compensation for Directors and Executive Officers are as follows:

<Revised in June 2014>

### Basic Principles of Compensation for Directors and Executive Officers

- Compensation for Directors and Executive Officers shall be based on the implementation of the Company's motto and corporate principles (the Omron Principles).
- The Company shall pay compensation sufficient to recruit, hire and maintain exceptional personnel as managers.
- The compensation structure shall contribute to long-term maximization of corporate value by providing motivation for Directors and Executive Officers.
- The compensation structure shall maintain a high level of transparency, fairness and rationality, to ensure account ability to shareholders and other stakeholders.
  - To ensure transparency, fairness and rationality in the compensation for individuals, each Director / Executive Officer's compensation shall be set by consultation with the Compensation Advisory Committee.
- The purpose of compensation shall be made clear, and a compensation plan shall be created according to the roles and responsibilities of each Director / Executive Officer.

### Compensation Policy for Directors

- Compensation for Directors shall consist of a base salary, yearly performance-linked bonuses, and medium-to-long-term, performance-linked compensation.
  - The Company shall provide base salaries sufficient to recruit, hire and maintain exceptional personnel capable of

implementing the Company's motto and the Omron Principles.

- The Company shall provide yearly performance-linked bonuses as performance incentives with emphasis on yearly results.
  - The amount of yearly performance-linked bonuses shall be based on a standard amount for each position, and shall be determined according to the degree of achievement and growth rate for evaluation indicators for bonuses, including income before income taxes, return on invested capital (ROIC), net income attributable to shareholders, and cash dividends per share.
- To ensure thorough implementation of the Company's long-term management plan, the Company shall provide the following two types of compensation linked to medium-to-long-term performance as incentives for meeting medium-term management targets.
  - The Company shall pay medium-term, performance-linked bonuses depending on the achievement of medium-term management targets.
  - The Company shall grant stock compensation\*1 as compensation linked to maximization of corporate value (shareholders' value).
- Separate from the compensation stated above, the Company shall issue performance-linked stock acquisition rights\*2.
  - Performance-linked stock acquisition rights shall be issued under the condition of the achievement of medium-term management targets by Directors and a rise of the Company's stock price. The objectives are to create medium-to-long-term shareholder value and encourage Directors to own shares of the Company.
- Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- No retirement bonuses shall be paid.
- The level of compensation shall be determined by taking into account the levels of other companies surveyed by a specialized outside organization.

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

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

### Compensation Policy for Audit & Supervisory Board Members

- Compensation for Audit & Supervisory Board Members shall consist only of a base salary that reflects their roles. It shall be sufficient to recruit, hire and maintain excellent personnel.
- No retirement bonuses shall be paid.
- The level of compensation shall be determined by taking into account the levels of other companies surveyed by a specialized outside organization.

### Fiscal 2013 Director and Audit & Supervisory Board Member Remuneration

To increase objectivity and transparency, the Compensation Advisory Committee, chaired by an outside director, is consulted on the compensation of directors. This committee discusses the compensation of each individual and makes recommendations.

After receiving these recommendations, the amount of compensation for each director is determined by a resolution of the Board of Directors, and the amount of compensation for each Audit & Supervisory Board member is determined by discussions among the Audit & Supervisory Board members (resolution of the Board of Corporate Auditors).

The following amounts are within the scope of all directors and all Audit & Supervisory Board members, as each has been set by a resolution of the General Meeting of Shareholders.

(Millions of yen)				
Classification	Number of People	Basic Compensation	Bonuses	Total Remuneration
Director (Outside Directors)	9 (3)	344 (23)	194 (—)	538 (23)
Audit & Supervisory Board members (Independent)	6 (3)	82 (18)	— (—)	82 (18)
Total (Outside Executives)	15 (6)	426 (41)	194 (—)	620 (41)

Notes: 1. Director compensation consists of basic compensation, bonus, and stock-based compensation.  
 2. Outside director compensation consists of basic compensation.  
 3. The above basic compensation of Directors includes the amount paid as stock compensation to Directors, excluding Outside Directors.  
 4. Audit & Supervisory Board member compensation consists of basic compensation.

## Internal Controls

### Maintaining Internal Controls to Ensure Healthy and Effective Operations

Omron has established the Basic Policy on the Maintenance of Internal Controls to ensure the healthy and effective operation of its organization. This policy provides the basis for the maintenance and operation of internal controls throughout the Omron Group to ensure the controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding.

Omron maintains a monitoring system undertaken by

the Internal Audit Division after each division and subsidiary conducts its own review of the maintenance and operation of business processes in accordance with the Internal Control Reporting System (J-SOX) requirements of Japan's Financial Instruments and Exchange Act, promulgated in June 2006. The reviews enable each division and subsidiary to deepen its own understanding of the internal controls associated with financial reporting and thereby serve as a system for promoting self-governing controls.

### Two Types of Internal Audits to Ensure Healthy and Effective Organizational Operations

Omron conducts two types of internal audits to ensure the healthy and effective operation of its organization.

One is the Internal Control Audit to ensure whether the internal controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding. The other is the Management Audit, which examines the solutions and improvement measures implemented for specific management issues. In the event the results of these audits include items recommended for

improvement, the Company supports measures to carry out the improvements.

In addition, the Omron Group has established the Internal Divisions Audit and placed full-time auditors in each of its four regions of global business—Americas, Europe, Greater China\*, and Asia Pacific—to implement internal audits at its business sites worldwide based on local practices and legal systems and in accordance with globally standardized audit policies.

\* Greater China: China, Hong Kong, and Taiwan

## Compliance and Risk Management

### Strengthening Compliance and Risk Management on a Global Scale

The Omron Group faces various risks related to compliance, regulations, and other issues in its business operations. In order to address these risks, we employ an approach called Integrated Global Risk Management, which manages information and countermeasures in an integrated and global manner.

The basic provisions for Integrated Global Risk Management are defined in the Basic Policy on the Maintenance of Internal Controls by the Board of Directors. Further, the Basic Rules of Integrated Global Risk Management describe the framework for risk management initiatives, and this framework is applied to all Omron Group companies around the world.

To enhance these activities, the Corporate Ethics & Risk Management Committee has been established. Through the committee, various risk countermeasures are discussed and implemented by members from the corporate headquarters and business companies as well as from overseas regional head offices. In addition, we have appointed risk managers to take charge of compliance and risk management at all Omron Group companies around the world, and we are utilizing our global network to quickly share risk information and discuss countermeasures on a daily basis.

A specific initiative of Integrated Global Risk Management is the identification of Group Critical Risks. Every year, we identify and analyze the risks that the Omron Group faces from a global perspective. We assess these risks and categorize the most significant risks into S rank and those less significant risks into A rank. We then establish plans for risk countermeasures to be implemented throughout the entire Company via the Executive Council. After verification and correction, the results are reported to the Board of Directors and finally disclosed. In other words, this process forms the risk management PDCA cycle. For fiscal 2014, S-rank risks include business continuity risk and violation of laws, such as bribery. A-rank risks include internal fraud, CSR non-compliance (Electronic Industry Citizenship Coalition (EICC), conflict minerals, and occupational health and safety), and global IT governance risk.

In fiscal 2014, we will further strengthen the Integrated Global Risk Management PDCA cycle and more intensively integrate it into our business activities to enhance risk management initiatives. In particular, we will redouble our efforts overseas, using the central role of regional head offices to carry out risk management in accordance with regional conditions.

## Message from an Outside Director

### Cultivation of Responsiveness and Management — Execution Capabilities from a Global Perspective



#### Expectations of an Outside Director

I assumed the position of outside director of Omron in June 2013, and one year has since passed.

Omron is a manufacturer, whereas I am from a general trading company. I believe that the Company's expectation is for me to give suggestions and advice that will help cultivate the responsiveness and the management-execution capabilities needed to advance steadily toward the achievement of Omron's goals. And I am expected to do this while quickly and accurately ascertaining changes in the operating environment from a global standpoint.

I therefore hope to support Omron's management in achieving the goals of the VG2020 long-term management strategy, and I will accomplish this by fulfilling my duties as an outside director.

#### Revision of Executive Compensation Systems

When I became an outside director, I also assumed the role of chairman of the Compensation Advisory Committee. In this capacity, I have advanced vigorous discussions aimed at better governing executive compensation at Omron.

Omron's management strategies had defined medium-to-long term targets, but the Company lacked compensation systems for directors that were linked to the accomplishment of these targets. I therefore felt that Omron needed better governance

for executive compensation if it was to pursue sustainable growth. For this reason, I initiated efforts aimed at a revision of compensation systems.

As new systems, we introduced medium-term, performance-linked bonuses that will be adjusted based on progress toward achieving medium-term management targets. We also issued stock options with performance-linked exercise conditions to encourage directors to hold a stake in the Company and pursue medium-to-long-term improvements in shareholder value. I feel that these systems have effectively reinforced the governance of director compensation.

The strengthening of governance must not remain confined to executive compensation and other internal systems. Governance systems must be made effective before they can contribute to improved corporate value, which is their ultimate goal. For this reason, I help to verify the effectiveness of the initiatives of the Board of Directors and the Company's various advisory committees through active participation while simultaneously providing suggestions for further reinforcing corporate governance at Omron.

July 2014

Outside Director  
**Eizo Kobayashi**  
Chairman, ITOCHU Corporation

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

As of June 24, 2014

## Directors

### Chairman of the Board **Fumio Tateishi**

August 1975 Joined Omron  
 June 1997 Director  
 June 1999 Retired as Director, Managing Executive Officer  
 June 2001 Senior General Manager of Corporate Strategy Planning HQ  
 June 2003 Executive Officer and Executive Vice President, and President of Industrial Automation Company  
 June 2008 Executive Vice Chairman  
 June 2013 Chairman of the Board (to present)



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

April 1984 Joined Omron  
 June 2008 Executive Officer and President and CEO of OMRON HEALTHCARE Co., Ltd.  
 March 2010 Senior General Manager of Corporate Strategy Planning HQ  
 June 2010 Managing Executive Officer  
 June 2011 President and CEO (to present)



### Executive Vice President and CFO **Yoshinori Suzuki**

April 1975 Joined Omron  
 June 2003 Executive Officer and Senior General Manager of Corporate Strategy Planning HQ  
 June 2006 Managing Executive Officer  
 March 2007 President of Automotive Electronic Components Company  
 May 2010 President and CEO of OMRON Automotive Electronics Co., Ltd.  
 April 2013 Senior Managing Executive Officer and CFO  
 June 2013 Senior Managing Director and CFO  
 June 2014 Executive Vice President and CFO (to present)



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

April 1975 Joined Omron  
 June 2003 Executive Officer and President and CEO of OMRON Ichinomiya Co., Ltd. (now OMRON Amusement Co., Ltd.)  
 March 2009 President of Electronic and Mechanical Components Company  
 June 2010 Managing Executive Officer  
 June 2011 Senior Managing Director  
 June 2014 Executive Vice President (to present)



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

April 1983 Joined the Omron  
 March 2011 Senior General Manager of Global Resource Management HQ  
 June 2011 Executive Officer  
 March 2013 Senior General Manager of Global SCM and IT Innovation HQ  
 April 2013 Managing Executive Officer  
 March 2014 Senior General Manager of Global Strategy HQ (to present)  
 April 2014 Senior Managing Executive Officer (to present)  
 June 2014 Director of Omron (to present)



### Outside Director **Kazuhiko Toyama**

April 1985 Joined Boston Consulting Group, Inc.  
 April 1986 Established Corporate Direction Co., Ltd.  
 March 1993 Director  
 April 2000 Managing Director  
 April 2001 President and CEO  
 April 2003 Senior President and COO of Industrial Revitalization Corporation of Japan (IRCJ)  
 April 2007 President and CEO of Industrial Growth Platform, Inc. (to present)  
 June 2007 Director of Omron (to present)



### Outside Director **Eizo Kobayashi**

April 1972 Joined ITOCHU Corporation  
 June 2000 Executive Officer  
 April 2002 Managing Executive Officer  
 June 2003 Representative Director and Managing Director  
 April 2004 Representative Director and Senior Managing Director  
 June 2004 President and CEO  
 April 2010 Chairman and Representative Director  
 June 2011 Chairman (to present)  
 June 2013 Director of Omron (to present)



## Audit & Supervisory Board Members

### Audit & Supervisory Board Member (Full-time) **Masayuki Tsuda**

April 1977 Joined Omron  
 June 2008 Executive Officer  
 September 2008 Chairman and President of OMRON ELECTRONIC COMPONENTS (SHENZHEN) LTD.  
 March 2013 Senior General Manager of Global Internal Auditing HQ  
 June 2013 Audit & Supervisory Board Member (Full-time) of Omron (to present)



### Audit & Supervisory Board Member (Full-time) **Tokio Kawashima**

April 1982 Joined Mitsubishi Bank Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)  
 September 2008 Regional Head for Germany and General Manager, Düsseldorf  
 April 2011 Retired from The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
 April 2011 Joined Omron  
 June 2011 Audit & Supervisory Board Member (Full-time) of Omron (to present)



### Audit & Supervisory Board Member (Independent) **Eisuke Nagatomo**

April 1971 Joined Tokyo Stock Exchange  
 November 2001 Executive Officer  
 June 2003 Managing Director  
 June 2007 Advisor  
 October 2007 Representative Director of EN Associates Co., Ltd. (to present)  
 June 2008 Audit & Supervisory Board Member (Independent) of Omron (to present)



### Audit & Supervisory Board Member (Independent) **Yoshifumi Matsumoto**

April 1989 Registered as attorney with Osaka Bar Association; Joined Miyake Law Office (now Miyake & Partners)  
 January 1996 Partner (to present)  
 June 1997 Registered as patent attorney with Japan Patent Attorneys Association  
 June 2013 Audit & Supervisory Board Member (Independent) of Omron (to present)



## Honorary Chairman

### Honorary Chairman **Yoshio Tateishi**

August 1963 Joined Omron  
 May 1973 Director  
 June 1976 Managing Director  
 June 1983 Senior Managing Director  
 June 1987 President and CEO  
 June 2003 Representative Director and Chairman of the Board  
 May 2007 Chairman of Kyoto Chamber of Commerce and Industry (to present)  
 June 2011 Honorary Chairman (to present)



About Omron

Where We're Headed

Corporate Value Initiatives

Corporate Value Foundation

Financial Section

# Executive Officers

## Senior Managing Officer

### Yutaka Miyanaga

Company President,  
Industrial Automation Company



## Managing Officers

### Masaki Arai

Senior General Manager,  
Technology & Intellectual  
Property HQ



### Katsuhiro Wada

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



### Kiichiro Kondo

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



### Shizuto Yukumoto

Senior General Manager,  
Environmental Solutions  
Business HQ



### Kiichiro Miyata

President and CEO,  
OMRON HEALTHCARE Co., Ltd.



### Kenji Matsunami

Company President,  
Electronic and Mechanical  
Components Company



## Executive Officers

### Shigeki Fujimoto

Business Development Executive

### Koji Doi

Chairman and President,  
OMRON (CHINA) Co., LTD.

### Takashi Ikezoe

Senior General Manager,  
Industrial Components Division HQ  
Industrial Automation Company, and  
Chairman, OMRON (SHANGHAI) Co., LTD.

### Kiyoshi Yoshikawa

Senior General Manager,  
Global Manufacturing Innovation HQ

### Satoshi Ando

Senior General Manager,  
Investor Relations HQ

### Yoshihiro Taniguchi

Representative Director, President and CEO,  
OMRON SWITCH & DEVICES CORPORATION

### Toshio Hosoi

Managing Director, Senior General Manager,  
Solution Business HQ  
OMRON SOCIAL SOLUTIONS Co., Ltd.

### Nigel Blakeway

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

### Goshi Oba

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

### Takayoshi Oue

Senior General Manager,  
Global Finance and Accounting HQ

### Isao Ogino

Director, Executive Vice President,  
OMRON HEALTHCARE Co., Ltd.

### Masanori Takahashi

Representative Director and CEO,  
OMRON RELAY & DEVICES CORPORATION

### Izumi Echizen

Senior General Manager,  
Global Resource Management HQ

### Hideji Ejima

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

### Seigo Kinugawa

Senior General Manager,  
Strategy Planning Division HQ  
Industrial Automation Company

### Takashi Kitagawa

Senior General Manager,  
Board of Directors Office

### Masahiko Tomita

General Manager,  
Corporate Planning Department,  
Global Strategy HQ

## Financial Section (U.S. GAAP)

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For more detailed information, please refer to the Company's Audited Annual Financial Report:  
<http://www.omron.com/ir/irlib/annual.html>

## Financial Highlights

Omron Corporation and Subsidiaries  
 Years ended March 31, 2014, 2013 and 2012

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2011	FY2012	FY2013	FY2013
<b>For the year:</b>				
Net sales	¥619,461	¥650,461	¥772,966	\$7,504,524
Income before income taxes and equity in earnings of affiliates	33,547	41,237	62,007	602,010
Net income	16,352	30,117	46,314	449,650
Net income attributable to shareholders	16,389	30,203	46,185	448,398
<b>Per share data (yen and U.S. dollars):</b>				
Net income attributable to shareholders				
Basic	74.46	137.20	209.82	2.04
Diluted	74.46	137.20	—	—
Cash dividends (Note 1)	28.0	37.0	53.0	0.51
Capital expenditures (cash basis)	27,502	30,383	32,218	312,796
Research and development expenses	42,089	43,488	47,928	465,320
<b>At year end:</b>				
Total assets	537,323	573,637	654,704	6,356,350
Total shareholders' equity	320,840	366,962	430,509	4,179,699

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.  
 2. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2014, of ¥103 = \$1.

# Six-Year Summary

Omron Corporation and Subsidiaries  
Years ended March 31

	Millions of yen (except per share data)					
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
<b>Net sales</b> (Notes 2, 3):						
Industrial Automation Business (IAB)	¥271,204	¥203,917	¥271,894	¥270,835	¥262,983	¥291,739
Electronic and Mechanical Components Business (EMC)	76,494	70,717	81,216	83,002	84,107	97,699
Automotive Electronic Components Business (AEC)	82,109	75,163	84,259	85,027	97,643	126,620
Social Systems, Solutions and Service Business (SSB)	72,336	57,981	63,846	57,200	68,754	82,695
Healthcare Business (HCB)	63,592	63,359	60,629	62,446	71,520	89,275
Other Businesses	50,989	43,592	49,672	53,535	59,240	78,949
Elimination and Corporate	10,466	9,965	6,309	7,416	6,214	5,989
	627,190	524,694	617,825	619,461	650,461	772,966
<b>Costs and expenses:</b>						
Cost of sales	408,668	340,352	386,123	391,574	408,954	475,758
Selling, general and administrative expenses (excluding research and development expenses)	164,284	133,426	142,365	145,662	152,676	181,225
Research and development expenses	48,899	37,842	41,300	42,089	43,488	47,928
Other expenses, net	44,472	2,879	6,344	6,589	4,106	6,048
	666,323	514,499	576,132	585,914	609,224	710,959
<b>Income (loss) before income taxes and equity in loss (earnings) of affiliates</b>	(39,133)	10,195	41,693	33,547	41,237	62,007
<b>Income taxes</b>	(10,495)	3,782	14,487	17,826	14,096	19,475
<b>Equity in loss (earnings) of affiliates</b>	811	2,792	190	(631)	(2,976)	(3,782)
<b>Income (loss) from continuing operations</b>	(29,449)	3,621	27,016	16,352	30,117	46,314
<b>Net income (loss)</b>	(277)	103	234	(37)	(86)	129
<b>Net income (loss) attributable to shareholders</b>	(29,172)	3,518	26,782	16,389	30,203	46,185
<b>Per share data (yen):</b>						
<b>Income (loss) from continuing operations</b>						
Basic	(132.2)	16.0	121.7	74.5	137.2	209.8
Diluted	—	16.0	121.7	74.5	137.2	—
<b>Cash dividends</b> (Note 1)	25.0	17.0	30.0	28.0	37.0	53.0
<b>Capital expenditures (cash basis)</b>	37,477	20,792	21,647	27,502	30,383	32,218
<b>Total assets</b>	538,280	532,254	562,790	537,323	573,637	654,704
<b>Total shareholders' equity</b>	298,411	306,327	312,753	320,840	366,962	430,509
<b>Value indicators:</b>						
Gross profit margin (%)	34.8	35.1	37.5	36.8	37.1	38.5
Income (loss) before tax / Net sales (%)	(6.2)	1.9	6.7	5.4	6.3	8.0
Return on sales (%)	(4.7)	0.7	4.3	2.6	4.6	6.0
ROIC (Return on invested capital) (%)	(7.6)	1.0	7.8	4.8	8.6	11.3
ROE (Return on equity) (%)	(8.7)	1.2	8.7	5.2	8.8	11.6
ROA (Return on asset) (%)	(6.8)	1.9	7.6	6.1	7.4	10.1
Assets turnover (times)	1.1	1.0	1.1	1.1	1.2	1.3
Inventory turnover (times)	4.5	4.2	4.7	4.4	4.5	5.0
Debt / Shareholders' equity ratio (times)	0.80	0.73	0.80	0.67	0.56	0.52

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.  
2. Starting with fiscal 2010, the PV inverter business in the "Industrial Automation Business" was transferred to "Other." The figures of the segment information for the prior years have been restated to conform with the current year presentation.  
3. From fiscal 2009, the Companies adopted the ASC No. 280, "Segment Reporting." The figures of the segment information for the prior years have been restated to conform with the current year presentation.

# Fiscal 2013 Management's Discussion and Analysis

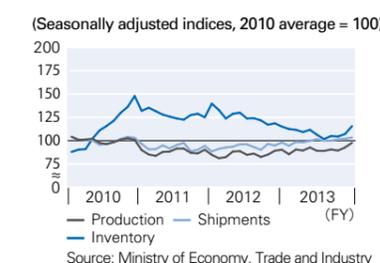
Note: The business divisions are presented using their abbreviated names: Industrial Automation Business (IAB), Electronic and Mechanical Components Business (EMC), Automotive Electronic Components Business (AEC), Social Systems, Solutions and Service Business (SSB), and Healthcare Business (HCB).

## Market Environment

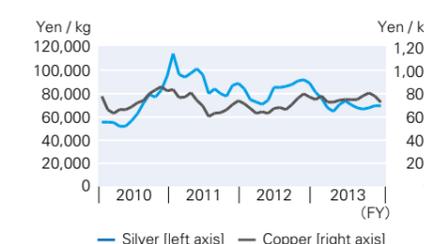
Conditions held firm in principal markets related to the Omron Group, both in Japan and overseas. In the automotive sector, domestic capital investment showed recovery and market conditions were supported by strong component demand in Japan and emerging countries. Domestic capital investment related to semiconductors recovered due to the popularity of smartphones, and there were signs of potential improvements in domestic and overseas capital investment in machine tools. Conditions for consumer electronics and electronic components benefited from increased capital investment and robust overseas component demand. Meanwhile, medical devices saw solid demand accompanying

growing health awareness in emerging countries. In foreign exchange, the Bank of Japan's massive monetary easing policy caused the yen to depreciate rapidly against the U.S. dollar and the Euro. This trend buoyed the Group's earnings. Yen depreciation also caused the price of copper to rise, while the price of silver continued to drop, as was the case in fiscal 2012. The average exchange rates for fiscal 2013 were ¥100.1 to the U.S. dollar, up by ¥16.9 from the previous fiscal year, and ¥134.0 to the Euro, a ¥26.4 year-on-year rise. In raw material prices, the average price per kilogram of silver was ¥76,713, down by ¥6,329 year on year, and copper was ¥733 per kilogram, up by ¥47.

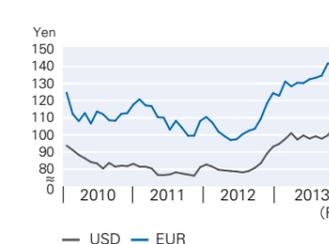
## Index of Electronic Parts and Devices



## Silver and Copper Prices



## Exchange Rates



## Overview of Consolidated Results and Financial Condition

Note: Segment operating income is prepared using the single-step method (which does not show individual income levels) based on U.S. GAAP. For an easier comparison with other companies, operating income represents gross profit minus selling, general and administrative (SG&A) expenses and research and development (R&D) expenses.

In this market environment, the Omron Group's consolidated net sales in fiscal 2013 rose by 18.8% year on year, to ¥773.0 billion, following large revenue improvements in all segments. The gross profit margin improved as a result of lower fixed costs in manufacturing operations and reduced variable costs. Combined with higher sales, this improvement resulted in operating income rising by 50.1%, to ¥68.1 billion; income before income taxes and equity in earnings of affiliates increasing by 50.4%, to ¥62.0 billion; and net income attributable to shareholders growing by 52.9%, to ¥46.2 billion. In this manner, the significant increases in income figures seen in fiscal 2012 continued in fiscal 2013.

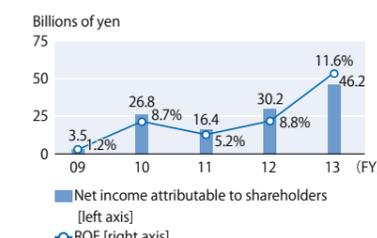
Total assets rose by 14.1% from the end of the previous fiscal year, to ¥654.7 billion, mainly due to increased cash and cash equivalents and notes and accounts receivable-trade. Total shareholders' equity was up by 17.3%, to ¥430.5 billion, as a result of foreign currency translation adjustments as well as the substantial increase in net income attributable to shareholders. This led to a rise in the shareholders' equity ratio, to 65.8%, from 64.0% at the end of the previous fiscal year.

Return on equity (ROE) stood at 11.6%, and return on invested capital (ROIC) was 11.3%, both percentages up from 8.8% and 8.6%, respectively, in the previous fiscal year.

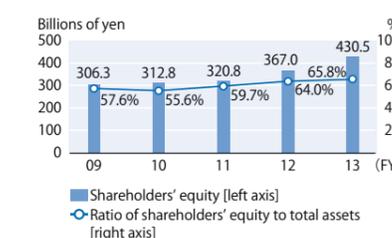
## Net Sales and Income before Income Taxes and Equity in Earnings of Affiliates



## Net Income Attributable to Shareholders and ROE



## Shareholders' Equity and Ratio of Shareholders' Equity to Total Assets



## Review and Analysis of the Consolidated Statements of Income

### Net Sales

In fiscal 2013, the Company advanced the core strategies of the maximization of the Industrial Automation (IA) business, growth in emerging markets, the completion of profit structure reforms, and global human resources strengthening. The Group also implemented measures targeting medium-to-long-term earnings improvements. As a result, sales in emerging countries increased, and net sales were up by ¥122.5 billion year on year, or 18.8%, to ¥773.0 billion, accordingly.

By region, sales grew by 8.4% in Japan, by 25.6% in the Americas, by 25.5% in Europe, by 34.0% in the Greater China region, and by 31.8% in the Asia Pacific region. Performance in the Greater China region continued to lead other overseas segments in terms of both net sales and operating income.

### Cost of Sales and SG&A Expenses

Cost of sales increased by 16.3% year on year following higher net sales, while the cost of sales ratio declined by 1.4 percentage points, to 61.5%. In fiscal 2013, the average price per kilogram of silver was ¥76,713, lower than the level of ¥83,042 seen in the previous fiscal year. The average price per kilogram of copper, conversely, rose, to ¥733 from ¥686 in fiscal 2012.

SG&A expenses increased by ¥28.5 billion, or 18.7%, from the previous fiscal year, but the SG&A-to-sales ratio remained relatively unchanged at 23.5%. At the same time, R&D expenses were up by ¥4.4 billion, or 10.2%. This increase was due to the Company's strategy of steadily conducting investments as necessary for future growth. The R&D-to-sales ratio, however, declined from the previous fiscal year's 6.7%, to 6.2%.

### Other Expenses

Other expenses, net, rose by ¥1.9 billion year on year, to ¥6.0 billion, due to an increase in foreign exchange loss, net.

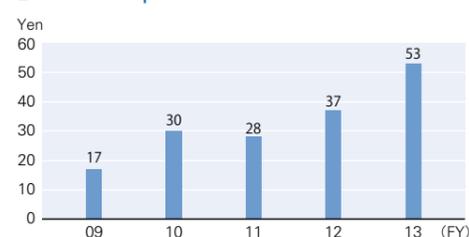
### Income before Income Taxes and Equity in Earnings of Affiliates, Net Income Attributable to Shareholders, and Profit Distribution

As a result of the previously mentioned factors, income before income taxes and equity in earnings of affiliates amounted to ¥62.0 billion, up by ¥20.8 billion from ¥41.2 billion recorded in the previous fiscal year. Likewise, net income attributable to shareholders was ¥46.2 billion, up by ¥16.0 billion from the previous year's ¥30.2 billion. Basic net income attributable to shareholders per share rose from ¥137.2 in fiscal 2012 to ¥209.8 in fiscal 2013.

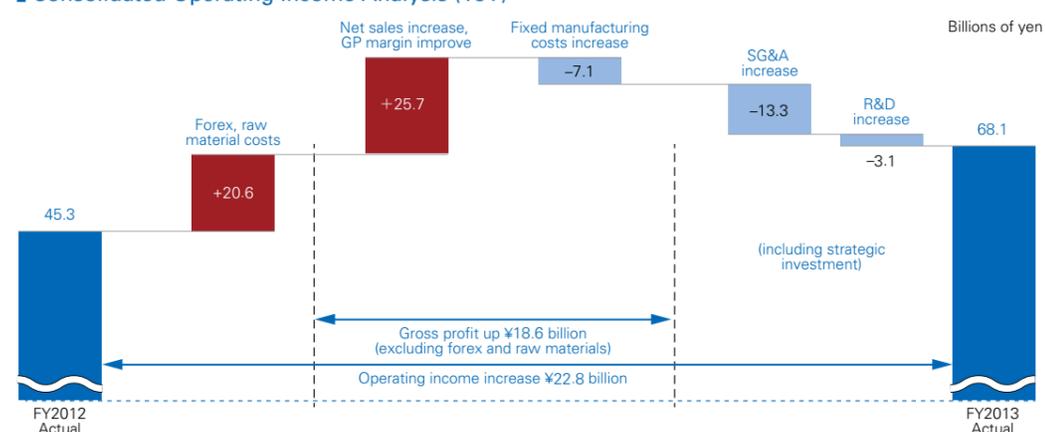
The Company's basic policy for dividend payments is to secure sufficient internal capital resources for future growth while stably and continually improving shareholder returns. Specifically, the target dividend payout ratio was raised to more than 25% in fiscal 2013, and a ratio of 30% will be targeted for fiscal 2016. The target for the dividend on equity (DOE) ratio will remain at 2% for the foreseeable future.

In accordance with this policy, the Company paid a total annual cash dividend of ¥53.0 per share, ¥16.0 per share higher than in the previous fiscal year. The consolidated dividend payout ratio was 25.3%, and the DOE ratio was 2.9% in fiscal 2013.

### Dividends per Share



### Consolidated Operating Income Analysis (YoY)



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

	FY2010	FY2011	FY2012	FY2013
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	62.5	63.2	62.9	61.5
Gross profit	37.5	36.8	37.1	38.5
Selling, general and administrative expenses	23.0	23.5	23.4	23.5
Research and development expenses	6.7	6.8	6.7	6.2
Other expenses, net	1.1	1.1	0.7	0.8
Income before income taxes and equity in earnings of affiliates	6.7	5.4	6.3	8.0
Income taxes	2.3	2.9	2.2	2.5
Net income attributable to shareholders	4.3	2.6	4.6	6.0

### Segment Information

Notes: 1. Segment operating income is prepared using the single-step method (which does not show individual income levels) based on U.S. GAAP. For easier comparison with other companies, operating income represents gross profit minus SG&A expenses and R&D expenses.  
2. In segment information, sales represent sales to external customers and exclude intersegment transactions. Conversely, operating income includes income from intersegment transactions before deductions of headquarters expenses and other non-apportionable amounts.

### 1. Review of Operations by Business Segment

#### Industrial Automation Business (IAB)

In Japan, IAB suffered from generally sluggish capital investment demand during the first half of fiscal 2013. In the second half of the year, however, recovery was seen centered on the semiconductor and electronic component industries. Sales of new products also contributed to performance, and full-year domestic sales were up accordingly. Overseas, the impact of political unrest and currency devaluation in certain Asian countries resulted in low demand related to electronic component industries in China and reduced demand for exports from China. Conversely, the Americas saw second-half recovery in factory automation demand and in oil and gas related businesses. South Korea's semiconductor, flat panel display, and automobile industries also experienced strong demand. As a result of these factors as well as the influences of yen depreciation, full-year sales increased substantially in all overseas areas.

Due to the aforementioned, IAB net sales increased by 10.9% year on year, to ¥291.7 billion, and operating income rose by 23.6%, to ¥38.8 billion.

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

In Japan, sales of relays and switches to the consumer electronics industry were strong as a result of recovery in the domestic economy, the intense heat seen during the first half of fiscal 2013, and the demand rush preceding the consumption tax hike. As a result, full-year domestic sales were up. Overseas, mobile device demand was solid in China and South Korea, and we were able to expand our market share to consumer electronics manufactures in these countries. Also, demand for consumer and commercial products was robust in the Americas. Coupled with the influences of yen depreciation, these factors led to a large increase in overseas sales.

Due to the aforementioned, EMC net sales increased by 16.2% year on year, to ¥97.7 billion, while operating

income soared by 98.9%, to ¥8.7 billion, due to the success of ongoing cost reduction measures.

#### Automotive Electronic Components Business (AEC)

In Japan, certain customers relocated manufacturing operations overseas. The impacts of this trend offset the benefits of government stimulus measures, on going tax breaks for eco-friendly automobiles, and the demand rush that preceded the consumption tax hike. AEC sales were down in Japan accordingly. Overseas, demand recovery accelerated in North America, and the scale of China and other Asian markets continued to expand. As a result, sales were favorable in all overseas areas.

Due to the aforementioned, AEC net sales increased by 29.7% year on year, to ¥126.6 billion, and operating income grew by 81.4%, to ¥9.1 billion, due to the benefits of yen depreciation.

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

In the railway infrastructure business, brisk replacement demand for railway infrastructure equipment was seen due to recovered performance by railway companies and the pre-consumption tax hike demand increase. In addition, safety and security solutions centered on remote monitoring systems performed well, leading to increased sales. In the traffic control and road control systems business, performance was supported by solid demand for traffic control systems and solutions for preventing facility deterioration. Robust demand for the environmental solutions business's solar power related products resulted in strong sales, and increased sales of related installation services also contributed to improved performance.

Due to the aforementioned, SSB net sales rose by 20.3%, to ¥82.7 billion, and operating income jumped by 90.5%, to ¥5.6 billion.

## Healthcare Business (HCB)

In the home-use healthcare and medical device field in Japan, sales of mainstay blood pressure monitors and thermometers proved favorable, and we worked to stimulate new demand through the introduction of new products. Performance was also strong for use in medical institutions, and full-year domestic sales increased accordingly. Overseas, demand for healthcare and medical devices continued to increase in emerging countries, excluding Russia and certain Southeast Asian countries, while sales of blood pressure monitors rose in developed countries. Overseas performance was exceptionally strong overall, with sales showing large increases.

Due to the aforementioned, HCB net sales increased by 24.8%, to ¥89.3 billion, and operating income rose by 71.2%, to ¥7.5 billion, as a result of the benefits of ongoing cost reduction measures and yen depreciation.

## Other Businesses

The Environmental Solutions Business experienced a substantial increase in sales of PV inverters supported by rising interest in renewable energy. The Electronic Systems & Equipments Business suffered from reduced demand for industrial-use computers and contract development and manufacturing services for electronic devices. Conversely, sales of uninterruptible power supply units were favorable due to the rise in capital investment stemming from improved corporate performance as well as the demand rush that preceded the consumption tax hike. The Micro Devices Business

saw rapid growth in microphone demand. Meanwhile, the Backlight Business benefited from the brisk smartphone market as well as large performance contributions from the tablet PC field, which the Company entered in fiscal 2013.

Due to the aforementioned, the Other segment's net sales increased by 33.3% year on year, to ¥78.9 billion, and operating income surged by 243.5%, to ¥8.7 billion.

### Growth in Net Sales by Business Segment

	FY2011	FY2012	FY2013
IAB	(0.4)%	(2.9)%	10.9%
EMC	2.2	1.3	16.2
AEC	0.9	14.8	29.7
SSB	(10.4)	20.2	20.3
HCB	3.0	14.5	24.8
Other	7.8	10.7	33.3

### Composition of Net Sales by Business Segment

	FY2011	FY2012	FY2013
IAB	43.7%	40.4%	37.7%
EMC	13.4	12.9	12.6
AEC	13.7	15.0	16.4
SSB	9.2	10.6	10.7
HCB	10.1	11.0	11.5
Other	8.6	9.1	10.2

Note: The composition of net sales is based on the classifications reported in the Six-Year Summary (page 80).

## 2. Review of Operations by Region

### Japan

In Japan, economic recovery drove sales increases in a wide range of fields. During the second half of the fiscal year, capital investment demand for automation equipment improved, and this improvement combined with the fourth quarter's pre-consumption tax hike demand rush supported performance. As a result, sales in IAB, EMC, SSB, HCB, and the Other increased year on year. Accordingly, net sales in Japan rose by 8.4% year on year, to ¥344.8 billion. Sales increases were particularly strong in the second and third quarters, which contributed to a 50.4% year-on-year rise in operating income, to ¥47.4 billion.

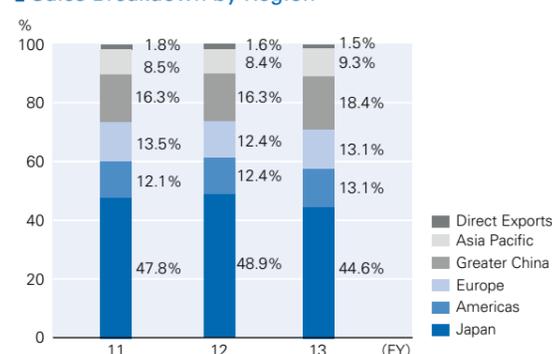
### Americas

In the Americas, uncertainty regarding U.S. monetary policy was dispelled, and the United States saw clear economic improvements in the forms of brisk corporate activity, higher wages, and a better job market. Sales were particularly strong for automotive electronic components as well as electronic components for the consumer and commercial product industries. While oil and gas related business conditions were sluggish during the first half of fiscal 2013, recovery was seen in the second half. As a result, net sales in the Americas rose by 25.6% year on year, to ¥101.0 billion. However, operating income was down by 80.8%, to ¥0.2 billion, due to higher costs associated with South American operations.

### Europe

In Europe, corporate and consumer confidence improved, creating a modest recovery trend. Previously sluggish sales of electronic components for the consumer and commercial product industries benefited particularly from this recovery. HCB sales also expanded. Overall sales exceeded fiscal 2012's levels throughout the year, and income growth was exceptionally strong during the fourth quarter. As a result, net sales in Europe increased by 25.5% year on year, to ¥100.9 billion, and operating income rose by 68.6%, to ¥3.9 billion.

### Sales Breakdown by Region



## Greater China

In China, economic uncertainty persisted in light of sluggish corporate activity and consumer spending and a poor housing market, but growth rates remained high regardless. In particular, strong performance contributions were made by the large increases in sales of electronic components for the mobile device and consumer electronic industries, automotive electronic components, and medical devices. As a result, net sales in the Greater China region rose by 34.0% year on year, to ¥142.4 billion, and operating income increased by 58.3%, to ¥17.9 billion, with the Greater China region once again accounting for the largest portion of sales and income compared with other overseas segments.

## Asia Pacific

In the Asia Pacific region, political unrest and poor market sentiment in certain countries continued to create an air of uncertainty. Nevertheless, overall demand expanded for medical devices. Demand was also strong for automation equipment for the semiconductor, flat panel display, and automobile industries as well as for electronic components for the mobile device and consumer electronics industries. Performance exceeded fiscal 2012's levels throughout the year due to this trend, which was particularly robust in South Korea. As a result, net sales in the Asia Pacific region increased by 31.8% year on year, to ¥72.3 billion, and operating income rose by 77.5%, to ¥7.1 billion.

## Financial Condition

### Assets

Total assets amounted to ¥654.7 billion at the end of fiscal 2013, representing an increase of ¥81.1 billion, or 14.1%, compared with the previous fiscal year-end. This rise was mainly due to increases in cash and cash equivalents and notes and accounts receivable—trade accompanying substantially higher sales and income.

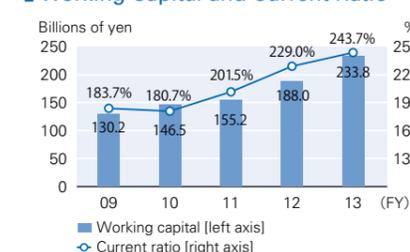
### Liabilities and Shareholders' Equity

Total liabilities amounted to ¥221.9 billion, up by ¥17.1 billion from the previous fiscal year-end. This increase was largely due to higher notes and accounts payable—trade.

Total shareholders' equity was up by ¥63.5 billion, to ¥430.5 billion. Factors behind this rise included the substantial increase in net income attributable to shareholders, foreign currency translation adjustments stemming from yen depreciation, and higher unrealized gains on available-for-sale securities due to stock price improvements. Accordingly, the shareholders' equity ratio rose by 1.8 percentage points, to 65.8%, compared with 64.0% at the end of the previous fiscal year. The debt / equity ratio was 0.52 times, showing improvement from the previous year's 0.56 times. Shareholders' equity per share was ¥1,956.06 at the

end of the fiscal year, compared with ¥1,667.04 per share at the previous fiscal year-end.

### Working Capital and Current Ratio



### Outstanding Interest-Bearing Debt and Debt / Equity Ratio



## Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥90.3 billion, a ¥34.5 billion increase from the end of the previous fiscal year. Changes in cash flows are described below.

### Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥79.0 billion, up by ¥26.0 billion from the previous fiscal year. Major factors included net income before the deduction of noncontrolling interests.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥31.1 billion, up by ¥2.7 billion from the previous fiscal year. This increase was the result of higher investments in such areas as production facilities.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥16.3 billion, down by ¥2.3 billion from the previous fiscal year. Major outflows included those to repay short-term debt and issue dividend payments.

### Free Cash Flow



# Business and Other Risks

A number of items may pose risks and influence the Omron Group's management results and financial condition (including share price), and Omron believes these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group's forecasts and assumptions as of June 25, 2014, the release date of its *Yukashoukenhoukokusho (Annual Securities Report)* filed under the Financial Instruments and Exchange Act of Japan).

## (1) Economic Conditions

The Omron Group conducts business worldwide, and its operations are affected by changes in macroeconomic conditions, trends in markets related to the Group's business, and fluctuations in economic conditions in Japan and overseas. Therefore, such factors may have an effect on the Group's operating results and financial condition. Furthermore, we assume that the ratio of overseas business will continue to increase as the Group actively expands globally. Accordingly, the Group maintains a solid structure resistant to changes in the external environment by, for example, coping with foreign exchange risk by expanding overseas production and increasing local procurement to improve the balance of foreign currency denominated income and expenditures. We also hedge foreign exchange risk through short-term forward contracts executed with financial institutions. Nonetheless, rapid fluctuations in the exchange rates of currencies, such as the U.S. dollar and the Euro, as well as a protracted period of yen strength, could have an impact on the Group's operating results and financial condition.

## (2) Legal and Regulatory Risks

The Omron Group operates worldwide and is therefore subject to a wide variety of laws and regulations, including labor laws, personal data protection laws, security trade control regulations, laws against bribery, and anti-monopoly laws. Our compliance efforts include training and education programs for our employees and others. Nonetheless, instances in which additional expenses are incurred to ensure compliance in the event of the enactment of new laws or regulations, changes to existing laws or regulations, or the adoption of stricter interpretations of laws or regulations could have an impact on the Group's operating results and financial condition.

## (3) Natural Disasters

The Omron Group has established a business continuity plan (BCP) that formulates necessary safety measures and steps to facilitate business continuity and the early restoration of operations in the event of a disaster, including earthquakes in the Nankai Trough or directly under the Tokyo metropolitan area, as well as hypothetical events, such as the outbreak of new influenza viruses. The Group and its business partners maintain operating bases around the world, making it virtually impossible to completely avoid the risks that would arise from an unforeseen disaster, infectious disease, pandemic, or other calamity. Especially considering the fact that disasters have recently been becoming greater in scale, a major event of an unforeseen scale could impact Group operations by, for example, causing a reduction of business, which could have an impact on the Group's operating results and financial condition.

## (4) International Relations

The Omron Group actively conducts such business activities as production and sales in overseas markets. The Group may be subject to operating difficulties in countries outside Japan related to possible social unrest due to factors including differences in culture or religion; political turmoil and uncertainty in economic trends; differences in business customs in areas, such as the structure of relationships with local businesses; issues regarding country-specific laws and regulations; changes in tax systems; security trade control regulations; and terrorism, armed conflicts, and other political circumstances. These operating difficulties associated with overseas operations may have an impact on the Omron Group's operating results and financial condition.

## (5) Human Resources

Cross-border and cross-corporation personnel movements and opportunities for employees of a variety of nationalities to work together are expanding in line with increasing globalization. Accordingly, labor troubles may arise due to differences in culture, customs, and treatment. In addition, the Company is exposed to risks including the inability to secure a sufficient number of superior candidates for management-level positions to proceed with the localization of management and the possibility of a rise in employee wages in Asia. The materialization of such risks could have an impact on the Group's operating results and financial condition. Furthermore, the Group could be adversely affected by risks related to occupational health and safety, such as occupational accidents that impact employees or facilities. The materialization of these risks could have an impact on the Group's operating results and financial condition.

## (6) Management of Funds

The Omron Group raises funds by issuing commercial paper and other means. Therefore, financial market instability, rising interest rates in Japan, or a rating agency downgrade could result in restrictions on fund-raising and an increase in financing costs, which could affect the Group's operating results and financial condition. In order to maintain flexibility in capital expenditures and M&A at the global level, as well as to improve capital efficiency, the Group pays close attention to the level of cash reserves and the deployment of funds. Cash reserves are held as working capital or as a source of funds for business investment and are not employed for financial investment purposes.

## (7) Information Security

The Omron Group possesses operationally important information and obtains confidential personal information and information on its business partners in the course of business. The Omron Group is taking steps to reinforce control over the information the Group handles and further improve employee information literacy with the goal of preventing misappropriation of that information by third parties due to theft or loss. Nonetheless, it is possible that leaks of such information could occur due to unforeseen circumstances.

The Group is strengthening countermeasures for cyber-attacks against its information systems and reinforcing IT governance. Regardless, damage, alteration, or leaks of important data, system stoppages, or similar incidents caused by cyber-attacks surpassing the assumed system security level could have an impact on the Group's operating results and financial condition.

## (8) Risks Associated with R&D, Patent Rights, and Other Intellectual Property Rights

The Omron Group continues to create new products that achieve greater levels of value by adhering to technical standards. However, when developing products in response to standards that are still in the process of being formulated, there is a possibility that details of the finalized standards may differ from those at the drafting stage. In such situations, additional R&D investment may be required, which could have an impact on the Group's operating results and financial condition.

The Omron Group researches the intellectual property rights of third parties when conducting R&D and design activities. Nevertheless, a dispute could arise during business activities if a third party claims that the Group has violated its intellectual property rights. In regard to relationships with employees as well, the Omron Group has developed systems to compensate employees for inventions and addresses such inventors in an appropriate manner. Regardless, disputes regarding the value of an invention could arise with inventors.

In regard to brand management, it is possible that the Group could suffer damages should a third party use the "Omron" brand in a fraudulent manner and manufacture and sell products similar to those of the Group. In recent years, there has been a rise in the use of domain names similar to "Omron" overseas. The Group has initiated prompt and appropriate countermeasures against such fraudulent use. Nonetheless, it is difficult to comprehend fully and take action against all aspects of improper domain name registration, so the danger exists that fraudulent business activities using "Omron" or a similar domain name could damage trust in the Group. A serious dispute due to such inappropriate use of the Omron Group's intellectual property could have an impact on the Group's operating results and financial condition.

## (9) Production

The Omron Group has manufacturing bases outside Japan, including in China as well as in other Asian countries, and supplies products to customers worldwide through its international sales offices. To ensure continued manufacturing stability, the Company has established and is executing the measures called for under its BCP, which covers the entire supply chain from production through logistics, including IT. Nonetheless, disaster, disease, labor disputes, deterioration of public order, terrorism, international relations issues, and other disturbances can cause a partial or full cessation of production, which could have an impact on the Group's operating results and financial condition if supplies to customers are disrupted.

## (10) Purchasing and Procurement

Obtaining raw materials and parts of sufficient quality in a timely manner and in necessary quantities is absolutely essential to the Group's manufacturing. Therefore, we stringently select suppliers for reliability. Nonetheless, limits on supply or other supply issues could arise in such cases as significant supply chain disruption due to an accident or a disaster, the imposition of supply limits or cessation due to management issues at the supplier, or a broad increase in market demand. In such cases, difficulties in changing suppliers, securing additional suppliers, or switching to different parts under such conditions could have an impact on the Group's operating results and financial condition.

While the Group contracts with suppliers to determine prices, the market prices for such materials as petrochemicals, steel, silver, copper, rare earths, and other raw materials are linked to increased demand in emerging countries as well as the influx of capital into these countries. Resulting price increases can affect manufacturing costs and could have an impact on the Group's operating results and financial condition.

The Omron Group is expected to respond to various, increasingly more complex expectations from customers and society in areas across the entire supply chain. These expectations include addressing conflict mineral issues and making business activities more eco-friendly. The Group requests that suppliers adhere to CSR-compliant procurement policies. However, in the event that suppliers are unable to respond to these demanding standards, the Group's ability to procure necessary materials and products may be impeded, and sales of the Group's products may suffer as a result. Such a situation could have an impact on the Group's operating results and financial condition.

## (11) Quality Assurance

The Omron Group develops and manufactures products and provides services in accordance with its ISO-certified quality control system. A Groupwide quality check system is in place that entails quality inspections and other activities aimed at the ongoing improvement of the quality of the Group's entire line of products and services. Through these efforts, the Group seeks to maximize customer satisfaction by providing higher quality products and services based on its "quality-first" principle. However, as it is virtually impossible to predict all of the conditions under which Omron products will be used, it has become difficult to guarantee that defects or that recalls will not occur. Changing conditions in Japan have necessitated greater attention to consumer protection. Product quality is also increasingly a major issue overseas. The risk of a recall due to a major product defect or the inability to conduct appropriate first-response and other emergency measures to the materialization of such risks could adversely affect Omron's reliability or brand image, and sales could decline as a result. Such a situation could have an impact on the Group's operating results and financial condition.

## (12) Environmental Conservation

The Group must comply with a wide variety of environmental laws and regulations, including those related to climate change, air and water pollution, hazardous substances, waste, product recycling, and the contamination of soil and groundwater. In the future, it is possible that the Group will face difficulty in complying with environmental laws and regulations, meeting additional obligations for measures to improve the environmental soundness of operations, or responding to other expectations. These factors, or some unforeseeable circumstance, could result in the Group incurring additional environment-related expenses. Furthermore, the Group's operations could be halted due to violations of environmental regulations or customers could be lost due to failure to comply with environmental regulations. These situations could have an impact on the Group's operating results and financial condition.

# Consolidated Balance Sheets

OMRON Corporation and Subsidiaries  
March 31, 2013 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 55,708	¥ 90,251	\$ 876,223
Notes and accounts receivable - trade	158,911	174,216	1,691,417
Allowance for doubtful receivables	(1,988)	(1,812)	(17,592)
Inventories	91,013	97,677	948,320
Deferred income taxes	17,611	22,688	220,272
Other current assets	12,439	13,473	130,806
<b>Total Current Assets</b>	<b>333,694</b>	<b>396,493</b>	<b>3,849,446</b>
<b>Property, Plant and Equipment:</b>			
Land	26,591	26,344	255,767
Buildings	137,821	140,495	1,364,029
Machinery and equipment	156,186	171,192	1,662,058
Construction in progress	6,729	7,126	69,184
<b>Total</b>	<b>327,327</b>	<b>345,157</b>	<b>3,351,038</b>
Accumulated depreciation	(200,492)	(209,591)	(2,034,864)
<b>Net Property, Plant and Equipment</b>	<b>126,835</b>	<b>135,566</b>	<b>1,316,174</b>
<b>Investments and Other Assets:</b>			
Investments in and advances to affiliates	17,939	21,349	207,272
Investment securities	38,193	51,117	496,282
Leasehold deposits	6,914	6,950	67,476
Deferred income taxes	30,612	20,918	203,087
Other assets	19,450	22,311	216,613
<b>Total Investments and Other Assets</b>	<b>113,108</b>	<b>122,645</b>	<b>1,190,730</b>
<b>Total</b>	<b>¥ 573,637</b>	<b>¥ 654,704</b>	<b>\$ 6,356,350</b>

U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
<b>Current Liabilities:</b>			
Short-term debt	¥ 5,570	¥ 488	\$ 4,738
Notes and accounts payable - trade	75,592	85,218	827,359
Accrued expenses	32,818	39,897	387,350
Income taxes payable	3,907	6,340	61,553
Other current liabilities	27,814	30,764	298,680
<b>Total Current Liabilities</b>	<b>145,701</b>	<b>162,707</b>	<b>1,579,680</b>
Deferred Income Taxes	595	2,167	21,039
Termination and Retirement Benefits	56,944	50,683	492,068
Other Long-Term Liabilities	1,634	6,369	61,835
<b>Shareholders' Equity:</b>			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2012 and 2013			
Issued: 227,121,372 shares in 2012 and 2013	64,100	64,100	622,330
Capital surplus	99,066	99,067	961,816
Legal reserve	10,876	11,196	108,699
Retained earnings	253,654	287,853	2,794,689
Accumulated other comprehensive income (loss)	(44,349)	(15,162)	(147,204)
Treasury stock, at cost: 7,032,043 shares in 2013			
6,992,907 shares in 2012	(16,385)	(16,545)	(160,631)
<b>Total Shareholders' Equity</b>	<b>366,962</b>	<b>430,509</b>	<b>4,179,699</b>
Noncontrolling Interests	1,801	2,269	22,029
<b>Total Net Assets</b>	<b>368,763</b>	<b>432,778</b>	<b>4,201,728</b>
<b>Total</b>	<b>¥573,637</b>	<b>¥654,704</b>	<b>\$6,356,350</b>

## Consolidated Statements of Income

OMRON Corporation and Subsidiaries  
Years Ended March 31, 2012, 2013 and 2014

	Millions of yen			Thousands of U.S. dollars
	FY2011	FY2012	FY2013	FY2013
<b>Net Sales</b>	<b>¥619,461</b>	<b>¥650,461</b>	<b>¥772,966</b>	<b>\$7,504,524</b>
<b>Costs and Expenses:</b>				
Cost of sales	391,574	408,954	475,758	4,619,011
Selling, general and administrative expenses	145,662	152,676	181,225	1,759,466
Research and development expenses	42,089	43,488	47,928	465,320
Other expenses, net	6,589	4,106	6,048	58,717
<b>Total</b>	<b>585,914</b>	<b>609,224</b>	<b>710,959</b>	<b>6,902,514</b>
<b>Income before Income Taxes and Equity in Earnings of Affiliates</b>	<b>33,547</b>	<b>41,237</b>	<b>62,007</b>	<b>602,010</b>
<b>Income Taxes</b>	<b>17,826</b>	<b>14,096</b>	<b>19,475</b>	<b>189,078</b>
<b>Equity in Loss (Earnings) of Affiliates</b>	<b>(631)</b>	<b>(2,976)</b>	<b>(3,782)</b>	<b>(36,718)</b>
<b>Net Income</b>	<b>16,352</b>	<b>30,117</b>	<b>46,314</b>	<b>449,650</b>
<b>Net Income (Loss) attributable to noncontrolling interests</b>	<b>(37)</b>	<b>(86)</b>	<b>129</b>	<b>1,252</b>
<b>Net Income attributable to shareholders</b>	<b>¥ 16,389</b>	<b>¥ 30,203</b>	<b>¥ 46,185</b>	<b>\$ 448,398</b>

	Yen			U.S. dollars
	FY2011	FY2012	FY2013	FY2013
<b>Per Share Data:</b>				
<b>Net Income attributable to shareholders</b>				
Basic	¥74.46	¥137.20	¥209.82	\$2.04
Diluted	74.46	137.20	—	—

U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

## Consolidated Statements of Comprehensive Income (Loss)

OMRON Corporation and Subsidiaries  
Years Ended March 31, 2012, 2013 and 2014

	Millions of yen			Thousands of U.S. dollars
	FY2011	FY2012	FY2013	FY2013
<b>Net Income</b>	<b>¥16,352</b>	<b>¥30,117</b>	<b>¥46,314</b>	<b>\$449,650</b>
<b>Other Comprehensive Income (Loss), net of tax:</b>				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	(1,613)	22,523	18,946	183,942
Reclassification adjustment for the portion realized in net income	(892)	(43)	(1)	(10)
<b>Net unrealized gain and loss</b>	<b>(2,505)</b>	<b>22,480</b>	<b>18,945</b>	<b>183,932</b>
Pension liability adjustments:				
Pension liability adjustments arising during the year	625	(21)	326	3,165
Reclassification adjustment for the portion realized in net income	(704)	(894)	1,375	13,350
<b>Net unrealized gain and loss</b>	<b>(79)</b>	<b>(915)</b>	<b>1,701</b>	<b>16,515</b>
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	460	2,317	10,002	97,107
Reclassification adjustment for losses on impairment realized in net income	227	693	—	—
Reclassification adjustment for net gains on sale realized in net income	(188)	(425)	(1,116)	(10,835)
Reclassification adjustment for net gains on share exchange in net income	(74)	—	—	—
<b>Net unrealized gain and loss</b>	<b>425</b>	<b>2,585</b>	<b>8,886</b>	<b>86,272</b>
Net gains (losses) on derivative instruments:				
Unrealized holding gains (losses) arising during the year	3	(455)	(1,409)	(13,679)
Reclassification adjustment for net gains (losses) realized in net income	(57)	549	1,249	12,126
<b>Net unrealized gain and loss</b>	<b>(54)</b>	<b>94</b>	<b>(160)</b>	<b>(1,553)</b>
<b>Other Comprehensive Income (Loss)</b>	<b>(2,213)</b>	<b>24,244</b>	<b>29,372</b>	<b>285,166</b>
<b>Comprehensive Income</b>	<b>14,139</b>	<b>54,361</b>	<b>75,686</b>	<b>734,816</b>
<b>Comprehensive Income (Loss) attributable to noncontrolling interests</b>	<b>(44)</b>	<b>74</b>	<b>314</b>	<b>3,049</b>
<b>Comprehensive Income attributable to shareholders</b>	<b>¥14,183</b>	<b>¥54,287</b>	<b>¥75,372</b>	<b>\$731,767</b>

U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

## Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries  
Years Ended March 31, 2012, 2013 and 2014

	Number of common shares issued	Millions of yen								
		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, 2011</b>	<b>239,121,372</b>	<b>¥64,100</b>	<b>¥99,081</b>	<b>¥9,574</b>	<b>¥250,824</b>	<b>¥(66,227)</b>	<b>¥(44,599)</b>	<b>¥312,753</b>	<b>¥899</b>	<b>¥313,652</b>
Net income					16,389			16,389	(37)	16,352
Cash dividends paid to OMRON Corporation shareholders, ¥28 per share					(6,164)			(6,164)		(6,164)
Cash dividends paid to noncontrolling interests									(15)	(15)
Transfer to legal reserve				460	(460)					
Other comprehensive income (loss)						(2,206)		(2,206)	(7)	(2,213)
Acquisition of treasury stock							(10)	(10)		(10)
Sale of treasury stock			(3)		(32)		113	78		78
<b>Balance, March 31, 2012</b>	<b>239,121,372</b>	<b>64,100</b>	<b>99,078</b>	<b>10,034</b>	<b>260,557</b>	<b>¥(68,433)</b>	<b>¥(44,496)</b>	<b>320,840</b>	<b>840</b>	<b>321,680</b>
Net income					30,203			30,203	(86)	30,117
Cash dividends paid to OMRON Corporation shareholders, ¥37 per share					(8,145)			(8,145)		(8,145)
Cash dividends paid to noncontrolling interests									(2)	(2)
Equity transaction with noncontrolling interests and other			(12)					(12)	889	877
Transfer to legal reserve				842	(842)					
Other comprehensive income (loss)						24,084		24,084	160	24,244
Acquisition of treasury stock							(9)	(9)		(9)
Sale of treasury stock					(0)		1	1		1
Retirement of treasury stock	(12,000,000)				(28,119)		28,119			
<b>Balance, March 31, 2013</b>	<b>227,121,372</b>	<b>64,100</b>	<b>99,066</b>	<b>10,876</b>	<b>253,654</b>	<b>¥(44,349)</b>	<b>¥(16,385)</b>	<b>366,962</b>	<b>1,801</b>	<b>368,763</b>
Net income					46,185			46,185	129	46,314
Cash dividends paid to OMRON Corporation shareholders, ¥53 per share					(11,666)			(11,666)		(11,666)
Equity transaction with noncontrolling interests and other									154	154
Transfer to legal reserve				320	(320)					
Other comprehensive income (loss)						29,187		29,187	185	29,372
Acquisition of treasury stock							(161)	(161)		(161)
Sale of treasury stock			1				1	2		2
<b>Balance, March 31, 2014</b>	<b>227,121,372</b>	<b>¥64,100</b>	<b>¥99,067</b>	<b>¥11,196</b>	<b>¥287,853</b>	<b>¥(15,162)</b>	<b>¥(16,545)</b>	<b>¥430,509</b>	<b>¥2,269</b>	<b>¥432,778</b>

	Number of common shares issued	Thousands of U.S. dollars								
		Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Shareholders' Equity	Noncontrolling interests	Total Net Assets
<b>Balance, March 31, 2013</b>	<b>227,121,372</b>	<b>\$ 622,330</b>	<b>\$ 961,806</b>	<b>\$ 105,592</b>	<b>\$ 2,462,660</b>	<b>\$ (430,573)</b>	<b>\$ (159,077)</b>	<b>\$ 3,562,738</b>	<b>\$ 17,485</b>	<b>\$ 3,580,223</b>
Net income					448,398			448,398	1,252	449,650
Cash dividends paid to OMRON Corporation shareholders, \$0.51 per share					(113,262)			(113,262)		(113,262)
Equity transaction with noncontrolling interests and other									1,495	1,495
Transfer to legal reserve				3,107	(3,107)					
Other comprehensive income (loss)						283,369		283,369	1,797	285,166
Acquisition of treasury stock							(1,563)	(1,563)		(1,563)
Sale of treasury stock			10				9	19		19
<b>Balance, March 31, 2014</b>	<b>227,121,372</b>	<b>\$ 622,330</b>	<b>\$ 961,816</b>	<b>\$ 108,699</b>	<b>\$ 2,794,689</b>	<b>\$ (147,204)</b>	<b>\$ (160,631)</b>	<b>\$ 4,179,699</b>	<b>\$ 22,029</b>	<b>\$ 4,201,728</b>

U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

## Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries  
Years Ended March 31, 2012, 2013 and 2014

	Millions of yen			Thousands of U.S. dollars
	FY2011	FY2012	FY2013	FY2013
<b>Operating Activities:</b>				
Net income	¥ 16,352	¥ 30,117	¥ 46,314	\$ 449,650
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	22,617	22,452	25,089	243,582
Net loss on sales and disposals of property, plant and equipment	861	578	1,146	11,126
Loss on impairment of long-lived assets	671	3,265	804	7,806
Net gain on sale of investment securities	(307)	(677)	(1,714)	(16,641)
Loss on impairment of investment securities	391	1,086	501	4,864
Loss on impairment of goodwill	2,009	153	—	—
Termination and retirement benefits	(5,669)	(4,433)	(4,417)	(42,883)
Deferred income taxes	9,981	3,762	2,170	21,068
Equity in loss (earnings) of affiliates	(631)	(2,976)	(3,782)	(36,718)
Changes in assets and liabilities:				
Increase in notes and accounts receivable - trade	(6,838)	(5,827)	(6,613)	(64,204)
Decrease (increase) in inventories	(6,538)	8,641	(325)	(3,155)
Decrease (increase) in other assets	(483)	21	(32)	(311)
Increase (decrease) in notes and accounts payable - trade	682	(5,927)	5,824	56,544
Increase (decrease) in income taxes payable	(1,562)	3,121	2,277	22,107
Increase in accrued expenses and other current liabilities	388	1,519	10,883	105,660
Other, net	22	(1,817)	919	8,922
Total adjustments	15,594	22,941	32,730	317,767
Net cash provided by operating activities	31,946	53,058	79,044	767,417
<b>Investing Activities:</b>				
Proceeds from sale or maturities of investment securities	693	1,658	2,840	27,573
Purchase of investment securities	(911)	(0)	(2,179)	(21,155)
Capital expenditures	(27,502)	(30,383)	(32,218)	(312,796)
Decrease (increase) in leasehold deposits, net	(101)	457	75	728
Proceeds from sale of property, plant and equipment	2,307	836	794	7,709
Decrease (increase) in investment in and loans to affiliates	(480)	(1,884)	209	2,029
Sale of business, net of cash acquired	—	90	26	252
Acquisition of business, net of cash acquired	(1,012)	141	(672)	(6,524)
Purchase of noncontrolling interests	—	(10)	—	—
Other, net	520	624	—	—
Net cash used in investing activities	(26,486)	(28,471)	(31,125)	(302,184)
<b>Financing Activities:</b>				
Net repayments of short-term debt	(26,744)	(13,273)	(5,135)	(49,854)
Dividends paid by the Company	(6,604)	(6,164)	(10,566)	(102,583)
Dividends paid to noncontrolling interests	(15)	(2)	—	—
Proceeds from equity transactions with noncontrolling interests	—	819	22	214
Other, net	(129)	70	(619)	(6,010)
Net cash used in financing activities	(33,492)	(18,550)	(16,298)	(158,233)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(1,446)</b>	<b>4,414</b>	<b>2,922</b>	<b>28,369</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(29,478)</b>	<b>10,451</b>	<b>34,543</b>	<b>335,369</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>74,735</b>	<b>45,257</b>	<b>55,708</b>	<b>540,854</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>¥ 45,257</b>	<b>¥ 55,708</b>	<b>¥ 90,251</b>	<b>\$ 876,223</b>

U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014, of ¥103 = \$1.

# Internal Control Section

## Management's Report on Internal Control

### NOTE TO READERS:

The following is an English translation of the management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information. There are differences between an assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB").

In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on annual consolidated net sales (after the elimination of transactions between consolidated companies), and companies with net sales of approximately two-thirds of the total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

### Management's Report on Internal Control

#### 1. Matters relating to the basic framework for internal control over financial reporting

Yoshihito Yamada, Representative Director and President; and Yoshinori Suzuki, Representative Director and Executive Vice President and CFO are responsible for designing and operating effective internal control over financial reporting of Omron Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinion)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

#### 2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2014 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated

subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-method affiliated companies determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

#### 3. Matters relating to the results of the assessment

The above assessments determined that the Company's internal control over financial reporting was effective as of the last day of the fiscal year under review.

#### 4. Additional notes

No material items to report.

#### 5. Special notes

No material items to report.

June 25, 2014

Yoshihito Yamada  
Representative Director  
and President  
Omron Corporation

Yoshinori Suzuki  
Representative Director and  
Executive Vice President and CFO  
Omron Corporation

# IR Activities Focusing on Engagement

With its investor relations (IR) policy emphasizing interactive communication with investors through engagement, Omron provides timely and accurate information on the Company's business conditions and management policies. Omron also aims to reflect investors' comments in its management strategies to the fullest extent possible to maximize corporate value.

## Activities in Fiscal 2013

### Communications with individual investors

Number of events — **27**  
Number of participants — **2,140**  
IR events, such as corporate presentations and investor fairs

### Communications with institutional investors

Number of direct interactions with investors — **932**  
Private meetings and teleconferences between the president and investors in Japan and overseas, IR conferences, tours of plants in Japan and China (Shanghai and Guangzhou), observation of technological exhibitions, and other activities

### Shareholders' meeting held on June 20, 2013

Number of attending shareholders — **772**  
Percentage of voting rights exercised — **85.5%**

### Disclosing Information through IR Website

We employ an IR site and various other tools to support engagement with shareholders and other investors by disclosing information on product development and sales activities tailored to specific markets as well as information on operating performance. Our IR site features a message from the president, explanations of our strategies and operating performance, and video footage. IR materials are made available in both Japanese and English simultaneously to realize timely disclosure and to minimize disparities between the information available to investors in Japan and investors overseas.

Input and feedback obtained through these activities are relayed via the IR Department to the Company's senior management.

Based on such feedback, Omron is accelerating initiatives to improve the efficiency, transparency, and effectiveness of management. For example, we utilized stakeholder input in evolving ROIC-based management and revising executive compensation systems.

As an example of improvements, we introduced the shareholder benefit program in fiscal 2013. Going forward, we will continue to draw on feedback of stakeholders to help formulate various management strategies.



*Integrated Report 2013* received the best integrated reporting award from the World Intellectual Capital Initiative (WICI) Japan, the Japanese branch of the WICI.

This report also received a commendation in the Nikkei Annual Report Awards 2013, sponsored by Nikkei Inc.

In the 2013 Vision Awards held by League of American Communications Professionals LLC, this report received a total of five awards, including the platinum award in the Equipment, Machinery & Instruments industry category.



The Securities Analysts Association of Japan presented the Company with the 2013 Award for Excellence in Corporate Disclosure in the Electric / Precision industry category, selecting Omron as No.1 from among 23 other companies in this category.

### Inclusion in SRI Indexes

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



Asia Pacific (AP)

As of July 2014

# Corporate Information / Stock Information As of March 31, 2014

**Date of Formation**  
May 10, 1933

**Date of Establishment**  
May 19, 1948

**Paid-in Capital**  
¥64,100 million

**Number of Employees**  
(Consolidated)  
36,842

**Common Stock**  
**Issued**  
227,121 thousand shares  
**Share unit number**  
100 shares  
**Number of shareholders**  
26,757

**Stock Listings**  
Tokyo Stock Exchange  
Frankfurt Stock Exchange

**Ticker Symbol Number**  
6645

**Accounting Date**  
March 31

**Annual Shareholders' Meeting**  
June

**Custodian of Register of Shareholders**  
Mitsubishi UFJ Trust and Banking Corporation

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

**Head Office**  
Shiokoji Horikawa,  
Shimogyo-ku,  
Kyoto 600-8530, Japan  
Tel: +81-75-344-7000  
Fax: +81-75-344-7001

## Overseas Headquarters

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

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

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

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

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

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

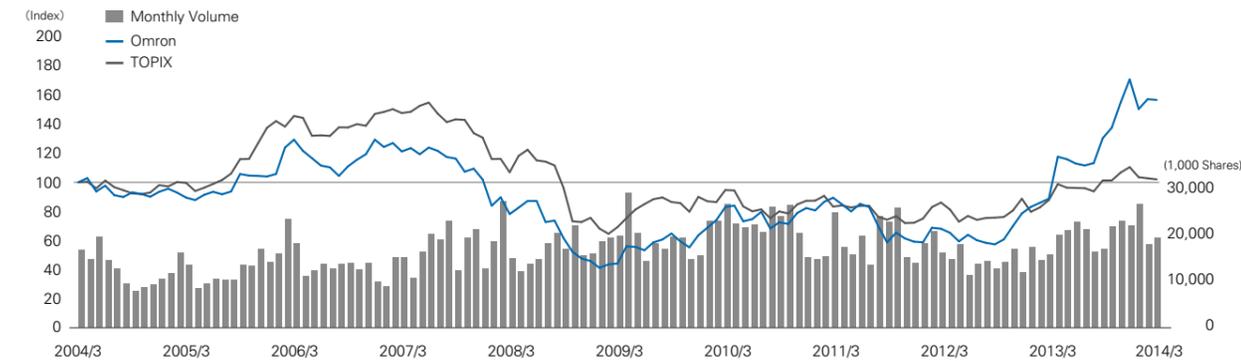
## Major Japanese Manufacturing, Sales & Marketing, and Research & Development Locations

**Manufacturing**  
Kusatsu Office  
Ayabe Office  
Yasu Office

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

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

## Stock Price and Monthly Trading Volume\* Tokyo Stock Exchange and Osaka Securities Exchange



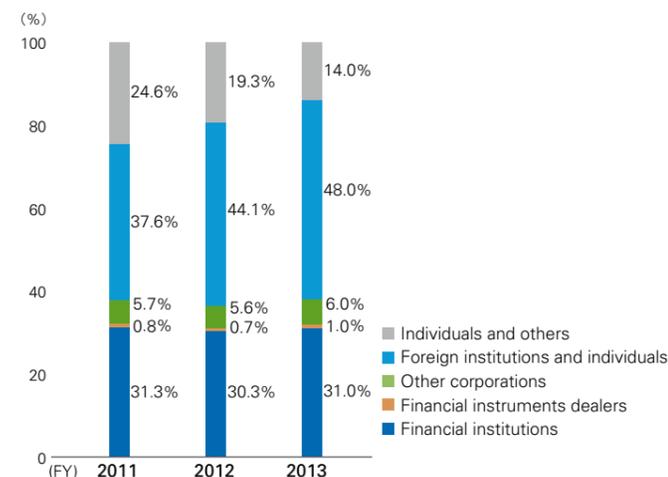
Note: Share index (2004/3E = 100)

## Yearly High and Low Prices\*

FY	High (¥)	Low (¥)
2004	2,885	2,150
2005	3,620	2,210
2006	3,590	2,615
2007	3,510	1,950
2008	2,385	940
2009	2,215	1,132
2010	2,418	1,749
2011	2,357	1,381
2012	2,478	1,436
<b>2013</b>	<b>4,730</b>	<b>2,213</b>

\* Stock price and trading volume information is for the 1st section of the Osaka Securities Exchange before July 16, 2013, and for the 1st section of the Tokyo Stock Exchange thereafter.

## Ownership and Distribution of Shares



## Publication of Integrated Report 2014

Omron Corporation is dedicated to driving innovation through its business activities. We quickly provide the products and services that society requires, thereby contributing to the development of the global society while growing as a company.

We emphasize the following three principles: management adhering to the Omron Principles, highly transparent and effective corporate governance systems, and constructive engagement with stakeholders founded on voluntary disclosure. These principles guide us in conducting management from a long-term perspective as we pursue ongoing improvements in corporate value, shareholder value, and brand value.

On the business front, Omron is strengthening its global vertical-horizontal management system (a matrix management system for business units) while conducting business portfolio management and utilizing return on invested capital (ROIC) as a management indicator.

Therefore, it would not be too much to say that integrated thinking has long been built into our management.

We took great care in designing *Integrated Report 2014* to communicate to all stakeholders Omron's ability to create value from a long-term perspective, referring to international frameworks for integrated reports, such as those by the International Integrated Reporting Council (IIRC) and the World Intellectual Capital Initiative (WICI).

We welcome your honest opinions and feedback.

July 2014

**Satoshi Ando**  
Executive Officer  
Senior General Manager,  
Investor Relations Headquarters

## Website

For more detailed information, please refer to our website.



**About Omron**  
<http://www.omron.co.jp/> (Japanese)  
<http://www.omron.com/> (English)



**Investor Relations**  
<http://www.omron.co.jp/ir/> (Japanese)  
<http://www.omron.com/ir/> (English)



**CSR**  
<http://www.omron.co.jp/about/csr/> (Japanese)  
<http://www.omron.com/about/csr/> (English)

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# OMRON



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