

OMRON

Integrated Report 2020

Year Ended March 31, 2020

To improve lives and contribute to a better society



The OMRON Principles

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

OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

- **Innovation Driven by Social Needs**
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**
Pursue new challenges with passion and courage.
- **Respect for All**
Act with integrity and encourage everyone's potential.

Management Philosophy

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

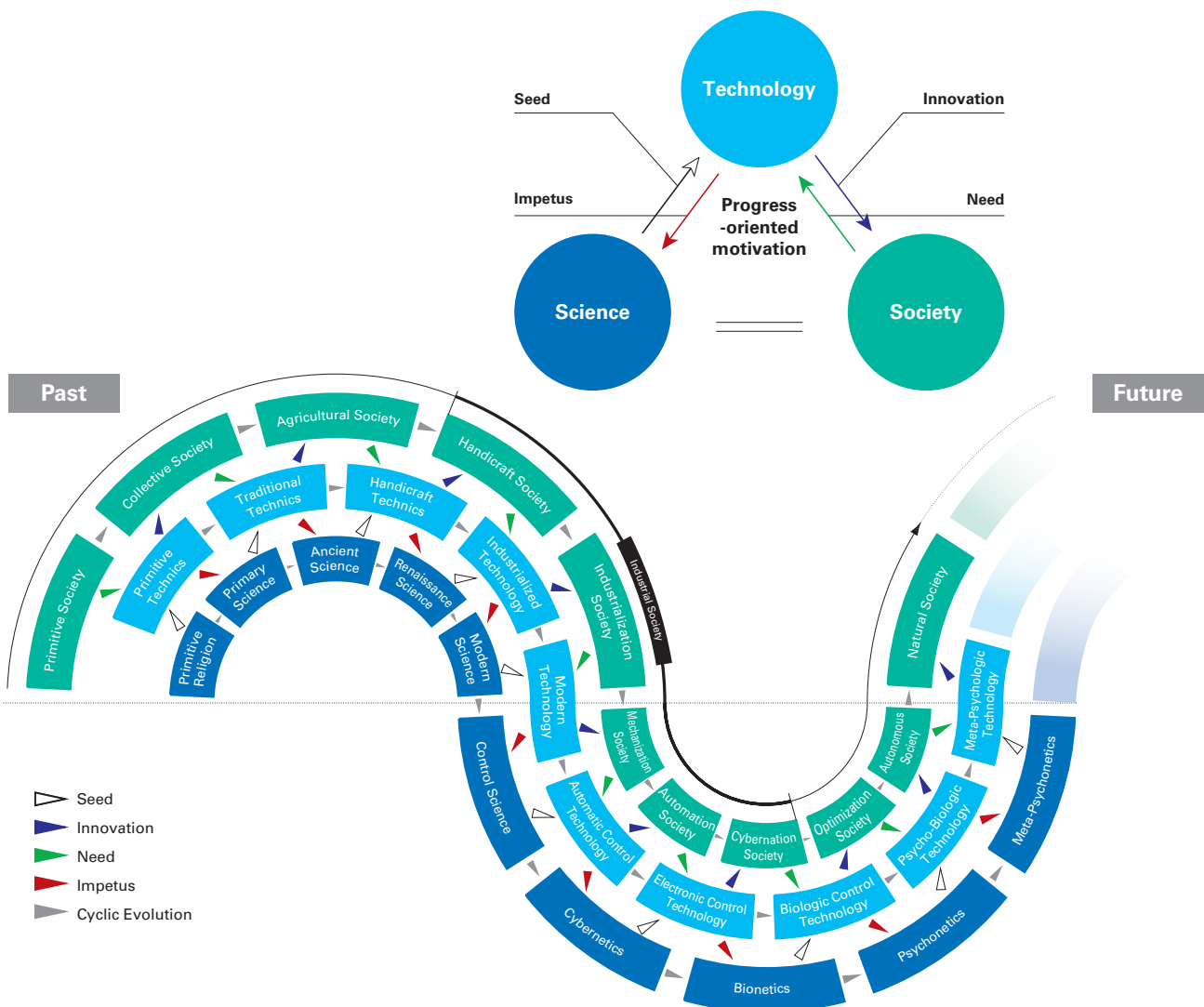
- We uphold a long-term vision and solve social issues through our business.
- We operate as a truly global company through our fair and transparent management practices.
- We cultivate strong relationships with all of our stakeholders through responsible engagement.

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

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

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

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



Integrated Report 2020 Contents

Vision	5	A History of Creating Value
	9	Value Creation Model
	11	Message from CEO
	17	Our Response to the Spread of Coronavirus Disease (COVID-19)
	19	Risk Management
	21	OMRON's Business and Fiscal 2019 Results
Strategy	24	Message from CFO
	28	ROIC Management
	29	VG2.0 Medium-Term Management Plan
	31	Sustainability Initiatives: Progress
Business	33	Industrial Automation Business (IAB)
	41	Electronic and Mechanical Components Business (EMC)
	45	Social Systems, Solutions and Service Business (SSB)
	49	Healthcare Business (HCB)
Technology	53	Message from CTO
	57	Open Innovation Initiatives
	59	Strengthen Technology Management
People	60	Human Resources Management
Environment	67	Environment
Governance	69	Message from the Chairman
	73	Corporate Governance
	83	Directors, Audit & Supervisory Board Members, and Executive Officers
Data	87	Financial Information and More
	97	Corporate Information and More



<About the Cover>

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

From the Publisher

COVID-19 has had a profound impact on society, economy, and people's lives and values. In the face of unprecedented adversity, OMRON has undertaken initiatives to fulfill its social responsibilities in the "with-COVID" world, placing the utmost priority on contributing to reducing the risk of further spread of COVID-19 and ensuring the safety of employees. In these circumstances, OMRON issued this Integrated Report 2020 with the main topic of OMRON's value creation toward improving future corporate value beyond the COVID-shock. Through messages from management and specific examples of initiatives undertaken by business units and employees, the Report describes how OMRON addresses social issues at each of "under-COVID," "with-COVID," and "after-COVID" stages.

For this issue, we made some changes to improve the content based on feedback from our stakeholders. First, we changed the overall structure of the Report in order to highlight materiality issues specific to OMRON. Specifically, we added 3 new independent sections: "Technology" "People" and "Environment." The "Technology" section summarizes our technology strategies, the "People" section describes progress in our human resources strategies, and the "Environment" section outlines our environmental initiatives. Second, we improved the description of the effectiveness of the Board of Directors. The Report describes the role of the Board of Directors and discussions at the meetings of the Board. In addition, the Report includes more details of the methodology for effectiveness evaluation, as well as progress and valuation related to high-priority issues in fiscal 2019. In an interview with Chairman of the Board of Directors, we attempted to elicit the effectiveness by reviewing the involvement of the Board of Directors in the process of transferring the Automotive Electronic Components Business. The disclosure of earnings forecasts for fiscal 2020 was postponed until the end of July because of the COVID-19 pandemic. This resulted in a one-month delay in publication of the Report.

We will continue to place great value on dialogue with our stakeholders. We look forward to hearing your honest opinions in this regard.

Executive Officer Global Investor &
Brand Communications HQ
Publisher, Integrated Report 2020
Tsutomu Igaki

Edition Team Members for Integrated Report 2020

Global Investor & Brand Communications HQ

Satomi Somekawa (Editor-in-Chief) Kanako Kimura (Deputy Editor-in-Chief)
Kisho Iida Kenji Kawauchi Hiroshi Oda Kazunori Yasui

Members for Integrated Report 2020

Industrial Automation Company

Junko Iida
Hidetaka Kitajima
Nobutaka Nakanishi

Electronic and Mechanical Components Company

Tomonori Seki
Yoshitaka Taishi
Michinao Maeba
Naru Yasuda

OMRON SOCIAL SOLUTIONS

Takahiro Iesato
Junko Yoshida

OMRON HEALTHCARE

Kaori Iijima
Yoichi Tomita

Technology & Intellectual Property HQ

Makoto Ohira
Yoko Kitamura

Global Investor & Brand Communications HQ

Haruki Onishi
Shunji Okumura
Noboru Shibata
Megumi Nakai
Susumu Hikita
Kazuki Matsuyama
Haruka Morimoto
Mana Yamamoto

Global Human Resources and Administration HQ

Ryota Ueshima
Yasuhiko Ueshima
Yoshinobu Kokufugata
Shuji Tatsuoka
Yasuteru Yamamoto

Global Risk Management and Legal HQ

Keiji Ota
Koji Okamoto
Yoshichika Tanabe
Sachiko Yagi

Sustainability Office

Rumi Ueyama
Masaru Kaizaki
Katsuhiko Sugii
Kashuku Hirao
Yasuyuki Hirakawa
Junko Hirata
Nami Matsuko
Yuki Yoshikawa

Board of Directors Office

Yuriko Sunaga
Naoki Nakai

Production cooperation

TAKARA PRINTING CO., LTD.
DIAMOND, Inc.
Delights co ltd.

A History of Creating Value

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

1. Opening Up the Automation Market (1955-)

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

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

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

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

Social Issues	Solutions OMRON has been providing		
<p>1950s</p> <p>Automation enabled mass production during the high-growth period</p> 	 <p>1943 Japan's first microswitch</p>	 <p>1960 World's first non-contact switch</p>	
<p>Now</p> <p>Address soaring labor costs, shortage of skilled technicians, and advanced manufacturing</p> 	 <p>2015 World's first high performance smart camera with multi-color light</p>	 <p>2016 World's first SCARA robot with predictive maintenance functions</p>	 <p>2020 World's first robotic integrated controller</p>

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

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

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

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

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



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

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


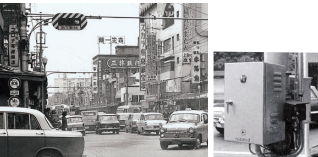



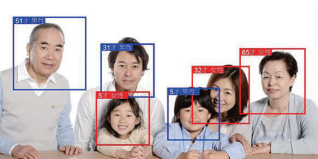



Based on this unique theory, we began research on health medical devices at the Central Laboratory in 1961. Since then, we have pursued the development of home blood pressure monitors to contribute to health through measurement technology based on the OMRON principles, "business should create value for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

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

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

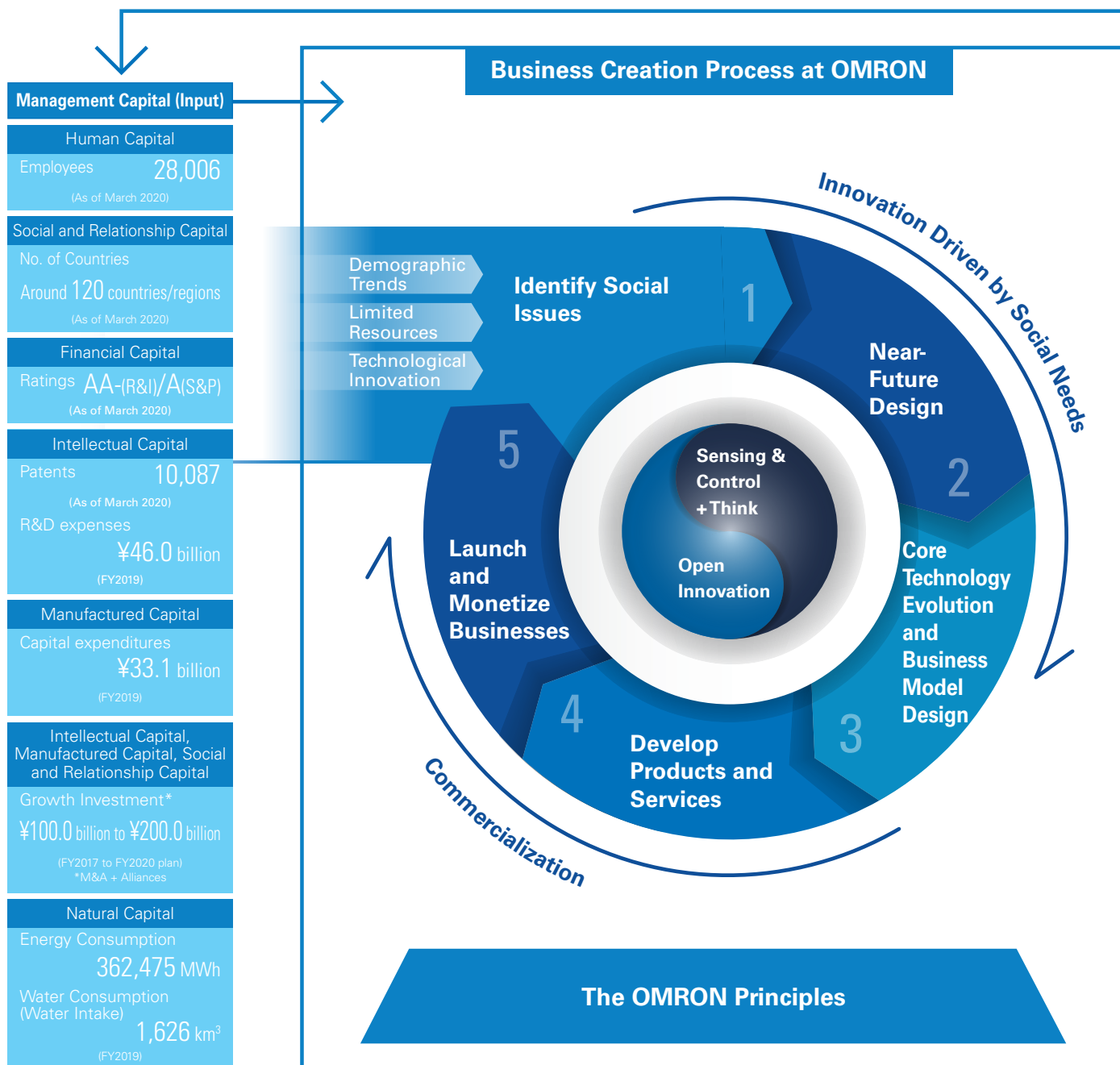


In addition to the examples above, OMRON has been providing society with a multitude of world's first, Japan's first, or industry's first solutions that contribute to creating a better society.

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

Value Creation Model

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



Business Creation Process at OMRON

Innovation Driven by Social Needs

1 Identify Social Issues

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

2 Near-Future Design

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

3 Core Technology Evolution and Business Model Design

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

Commercialization

4 Develop Products and Services

Develop products and services for customers and society.

5 Launch and Monetize Businesses

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



Message from the CEO

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

September 2020
President and CEO

Yoshihito Yamada

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

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

(Interviewer: Integrated Report Production Team)

What is Needed to Overcome this Unprecedented Crisis

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

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

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

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

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

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

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

[P69 Message from the Chairman →](#)

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

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

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

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

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

OMRON Principles Unleash the Passion of Our Employees

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

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

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

Principles into practice.

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

[P60 People →](#)

Fiscal 2019 Review and Fiscal 2020 Outlook

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

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

Selection and Decentralization Approaches

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

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

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

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

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

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

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

[P24 Message from the CFO](#) → [P53 Message from the CTO](#) →

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

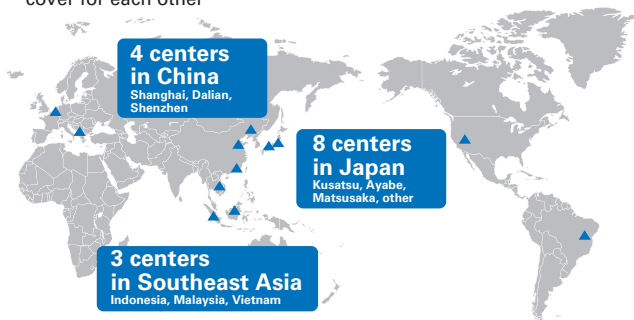
— With further adversity anticipated, how will OMRON survive fiscal 2020? What is your outlook for fiscal 2020 based on the first-quarter results?

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

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

BCP Framework in Supply Chain (Major Production Centers)

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



Changes in Financial Position (Billions of yen)

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

FY 2019 Results (Billions of yen)

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

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

Q1 FY2020 Results (Billions of yen)

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

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

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

[P25 Table: FY2020 Plan →](#)

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

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

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

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

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

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

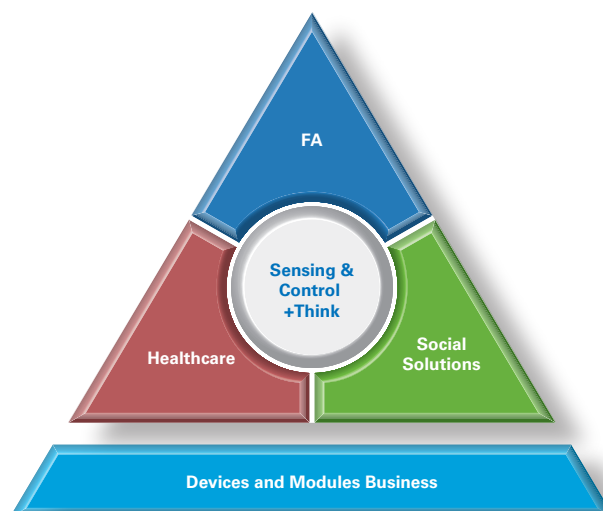
The first is the deepening of existing businesses in response to new needs. This includes, for example, businesses that deal with telehealth, and Industrial Automation Business such as robots for further labor saving. In the post-COVID society, there will be more and more progress in automation. It is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

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

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

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

OMRON Focus Domains



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

[P33 Business1 →](#)

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

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

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

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

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

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

[P31 Sustainability Initiatives: Progress →](#)

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

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

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

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

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

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

OMRON's Responses to the Corona crisis

January

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

February

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

March

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

April

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

May

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

Initiatives to Solve Social Issues Caused

Measures for Combating COVID-19 Through Our Business

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

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

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

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

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

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

by COVID-19

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



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

OMRON Employees in Spain joined an open ventilator development project



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

Toward the New Normal Era

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

Initiatives by Individual Businesses

Industrial Automation Business

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

P33 →

Electronic and Mechanical Components Business

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

P41 →

Social Systems, Solutions and Service Business

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

P45 →

Healthcare Business

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

P49 →

Integrated Risk Management During COVID-19

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

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

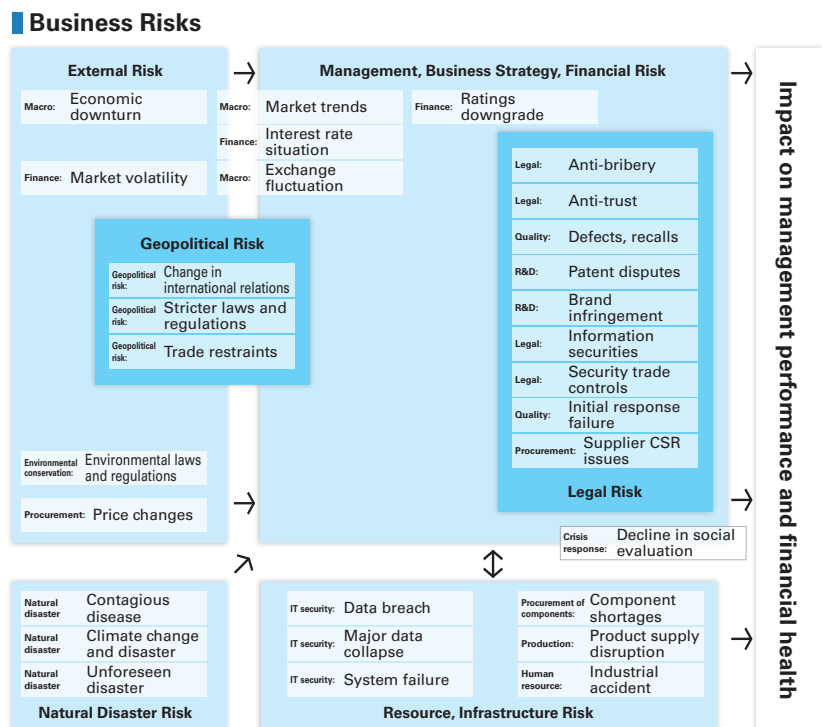
Integrated Risk Management for Supporting Global Business Activities

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

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

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

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

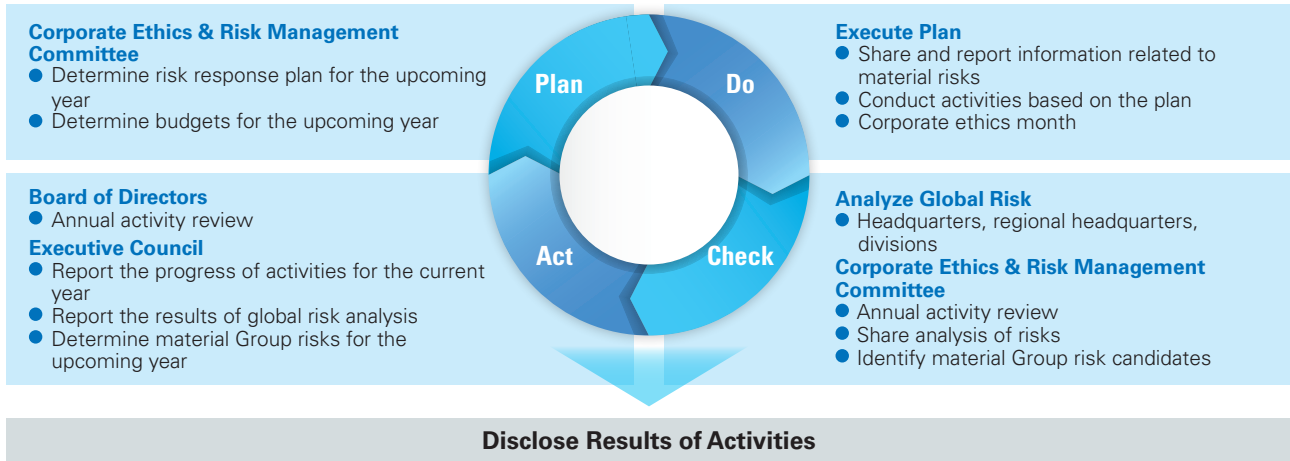


Graphic representation of the business risks as shown on <https://www.omron.com/global/en/ir/management/risk/>

Integrated Risk Management Structure

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

Activity Cycle for Integrated Risk Management



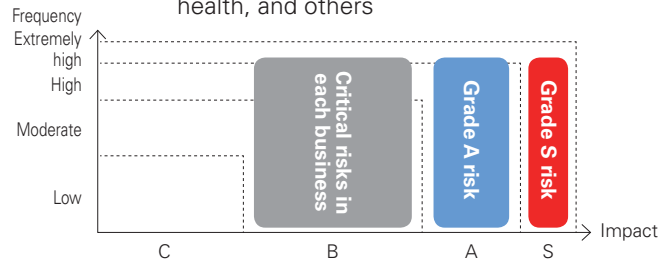
Critical Risk Management

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

FY2019 Critical Risks

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

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



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

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

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

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

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

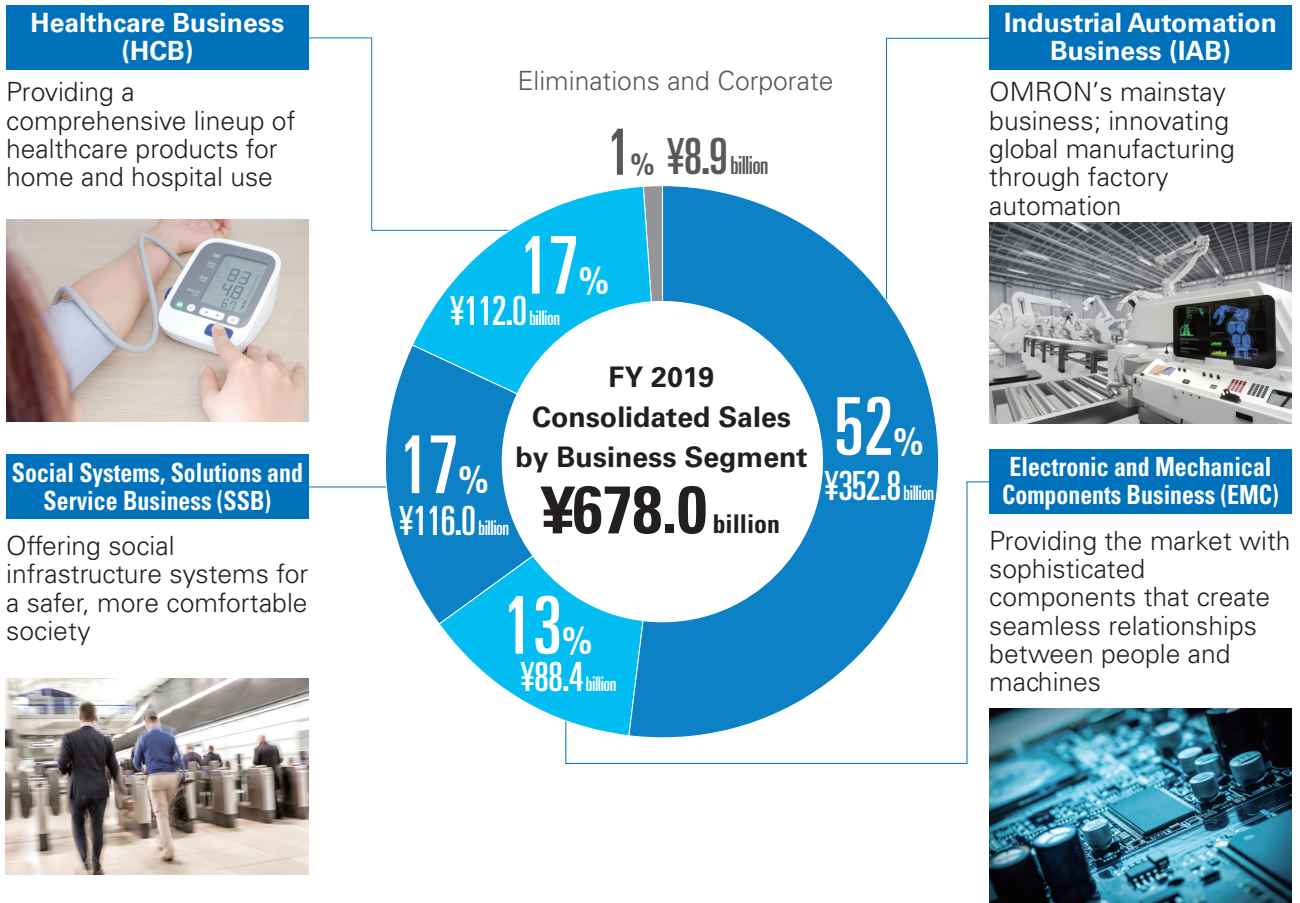


OMRON MANAGEMENT CENTER OF AMERICA
Americas Risk Manager
Kevin Bulatek

OMRON's Business and Fiscal 2019 Results

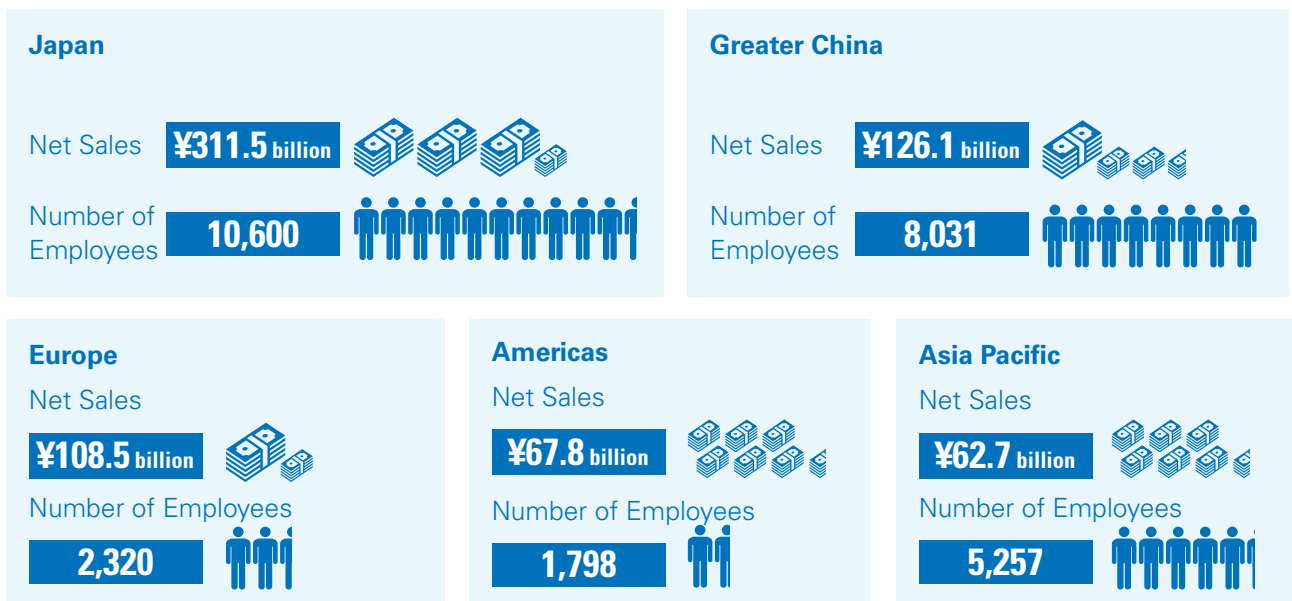
OMRON manufactures and sells market-leading sensing and control products in around 120 countries/regions around the world. Our products include control equipment, electronic components, social systems, and healthcare items.

Consolidated Sales Composition Ratio



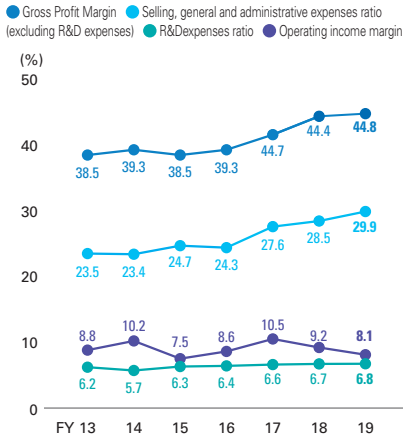
Net Sales and Number of Employees by Region

Net Sales **¥678.0 billion** Number of Employees **28,006** (Fiscal Year Ended March 31, 2020: Consolidated)

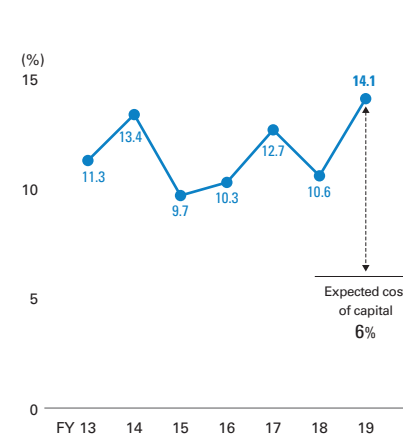


* Regional categories are defined as follows: Americas includes North America, Central America, and South America. Europe includes Europe, Russia, Africa, and Middle East. Greater China includes China, Taiwan, and Hong Kong. Asia Pacific includes Southeast Asia, Korea, India, and Oceania.

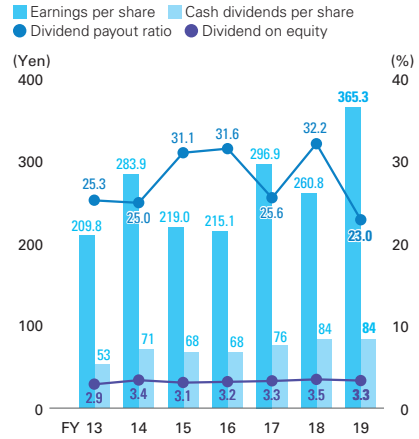
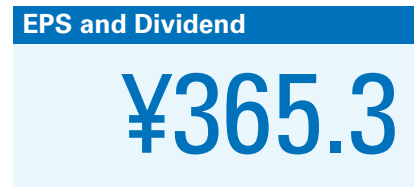
Financial Highlights



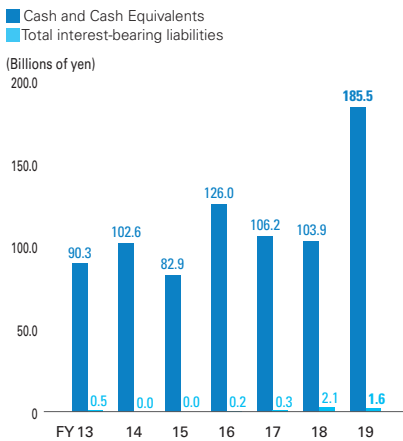
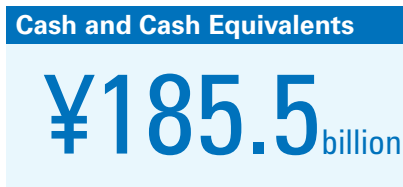
Gross profit margin reached a record high, driven by stronger group-wide earnings capacity



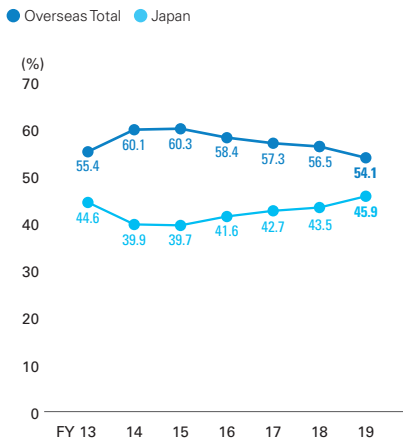
Our focus on ROIC management resulted in a 14.1% ROIC, far above our 6% expected cost of capital.



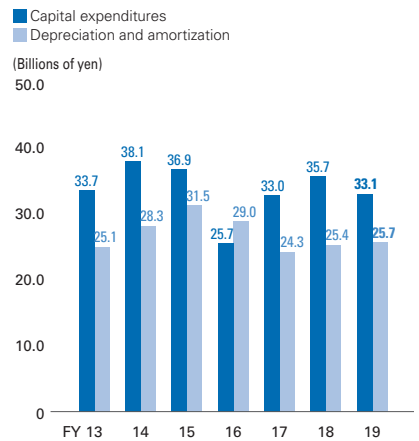
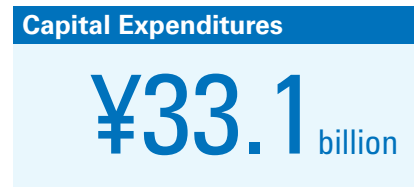
OMRON paid dividends of ¥84 per share, representing dividend on equity above our target of approximately 3%.



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



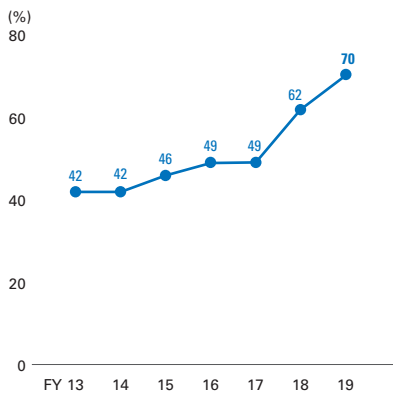
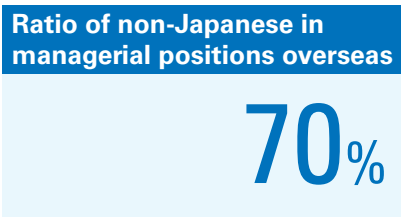
OMRON's overseas sales ratio remains over 50%.



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

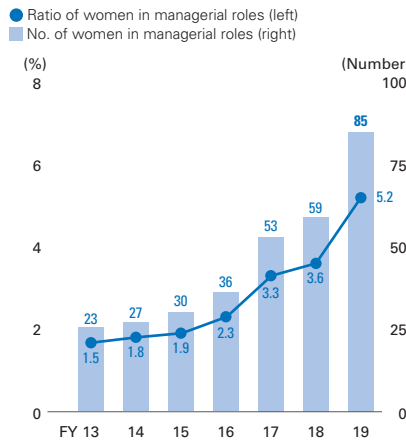
* The Automotive Electronics Components Business (AEC) was transferred, and the AEC business was classified as a "discontinued business." Accordingly, some financial data for fiscal 2017 and 2018 have been reclassified.

Non-Financial Highlights



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

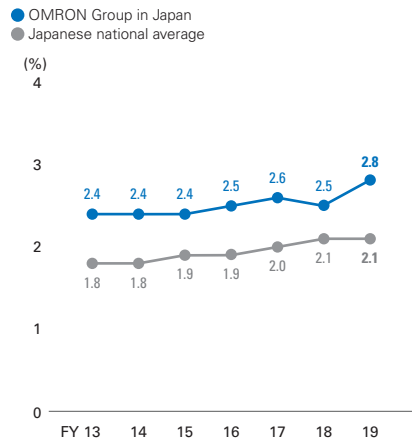
* From FY2018, concurrent positions for governance and development positions are excluded.



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

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

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

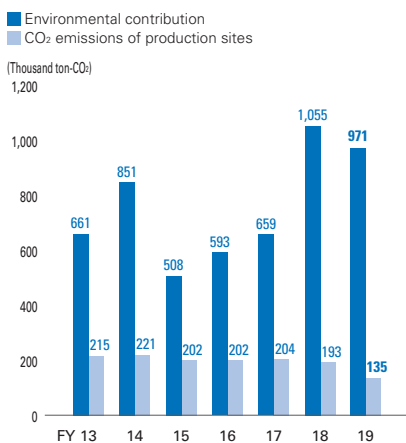


We are striving to create more employment opportunities and fulfilling work for disabled persons.

* Figures represent results as of June 20.

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

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



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

* Environmental Contribution = Volume of CO₂ emissions reduction contributed by society's use of the OMRON Group's energy generation and savings products and services.

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

Energy-Generation Product

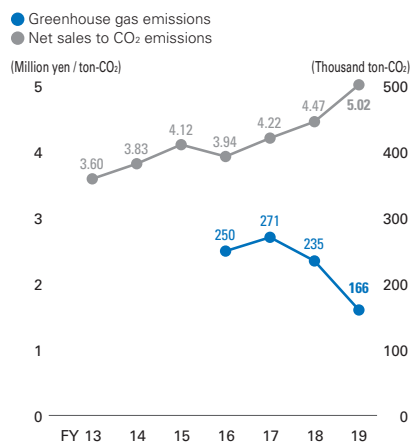
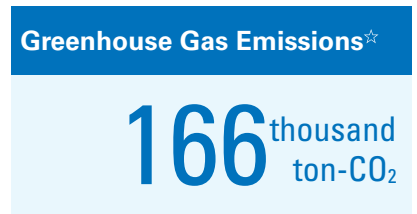


PV inverters

Energy-Saving Product



Electricity monitors (left) Environment ANDON (right)



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

* Net sales to CO₂ emissions: Net sales per one ton of CO₂ emissions

* Since fiscal 2016, OMRON has been using the following published figures for the CO₂ emissions coefficient associated with electric power: Japan: Ministry of the Environment - By Power Company (updated annually); China: National Development and Innovation Committee - By Power Company (updated annually); Other: IEA, by country (2011) <https://sustainability.omron.com/en/environ/reduce/co2/#co2>

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

Message from the CFO



To Solve Social Issues of the Future ROIC Management to Maximize Earning Ability

September 2020
Director, Senior Managing
Executive Officer
CFO and Senior General Manager,
Global Strategy HQ

Koji Nitto

Earning Capacity and Responsiveness to Change Displayed in the Midst of Adversity

— **The capabilities of a company can be tested based on how well they are able to respond to drastic changes in the environment. As CFO, how would you sum up fiscal 2019?**

In response to the impact of the trade friction between the United States and China that has continued since fiscal 2018, we revised our business forecasts downward when we announced our second quarter financial results for the fiscal year. In the fourth quarter, just as we started to see signs of recovery from that impact, we were struck by the unforeseen blow of the COVID-19 pandemic. Looking back now, it was an extremely harsh year. Even so, we reached the end of the fiscal year with better results than we had expected during the year.

Since fiscal 2011, OMRON has upheld Value Generation 2020 (VG2020), its long-term vision for the company that focuses on the growing capability, earning capacity, and responsiveness to change. I strongly believe that the reason we were able to overcome the harsh conditions of fiscal 2019 was that our earning capacity and responsiveness to change have steadily improved. The main focus in the evaluation of earning capacity is gross profit (GP) margin (gross profit on net sales), which is an indicator of our capacity to generate profits. This is the most important index

for OMRON to measure the value we have provided to customers. No matter how excellent the products we manufacture may be, we cannot increase our GP margin unless we can communicate the value those products offer appropriately and have customers buy them at appropriate prices. GP margin is, in a nutshell, our overall ability to earn profits that is a measure of the company's ability to get things done as a manufacturer, from planning to development, production, and sales. It includes its efforts to reduce costs, including variable costs, its ability to supply products in a timely manner, and its ability to improve customer value by proposing solutions. In that respect, in fiscal 2019, despite a decline in net sales, we achieved our highest ever GP margin of 44.8%, which gave us a major confidence boost. This is the outcome of the efforts that we have steadily pursued for over 10 years, with a focusing on that ability to earn profits.

In terms of responsiveness to change, I believe that continuous review of our business portfolio is key. In fiscal 2019, as well as the grave decision we made to sell off our Automotive Electronic Components Business (AEC), we proceeded to wrap up our Backlights Business, which had been a pending issue. This was the result of rebuilding our business structure in line with Portfolio Management, which is one of the pillars of ROIC Management that OMRON has been pursuing. Such a rebuilding of business structure is another major factor that contributed significantly to the

increase in GP margin by 3.6 percentage points* over the previous year. With the addition of the gains on the sale of the business, our financial position has become extremely strong.

* When the Automotive Electronic Components Business is excluded from the FY2018 results, fiscal 2019 GP margin is an increase of 0.4 percentage points over the previous year.

— President Yamada has said that, among the three abilities that we have focused on in the long-term vision, the growth power to push up our top line (net sales) further will be our challenge going forward. How would you support it?

I think that continuing to invest in future growth will be important. To this end, we will need to further enhance the operational excellence of our existing businesses. We will improve our GP margin by eliminating unreasonableness and waste, improving productivity, and providing value at an appropriate price. Then, the question becomes how much of the resources generated through those efforts we can divert into growth areas. No matter how excellent your growth strategy is, you cannot sow the seeds of growth without those resources. Of course, there is no guarantee that investments will generate growth, but it is a prerequisite for growth that you must continue to take risks and invest in future growth.

The entire company will work on ambidexterity in our management, deepening existing businesses, and exploring and establishing new businesses to push up our top line and acquire the capacity for self-driven growth. Some challenges may be difficult to overcome by one company alone. While ensuring the flexibility of our operations, we will also set our sights on partnerships, strategic alignments, M&As, and alliances.

— Due to the COVID crisis, the business performances of many companies in fiscal 2020 remain unclear. What is OMRON's outlook? Our plan target is to maintain a high level of GP margin at 44.8%, despite a forecast decline in net sales of 13%.

Regarding GP margin, the negative impact of exchange rates has been taken into account, so the plan target is unchanged from the previous year. If, however, we were to discount that impact, the forecast would be a substantive increase in GP margin of about 0.7 percentage points. We have already achieved a record high of 45.3% in the first quarter of fiscal 2020, so we anticipate that we will be able to achieve our target of 44.8% for the full fiscal year.

We have forecast operating income of ¥30 billion for this fiscal year, despite an anticipated significant decline in net sales of 13% year-on-year. We will steadily reduce fixed costs by ¥20 billion yen per annum as planned, but I think that the strengthening of GP margin, which indicates the ability of our core businesses to earn profits, will be a major contributing factor.

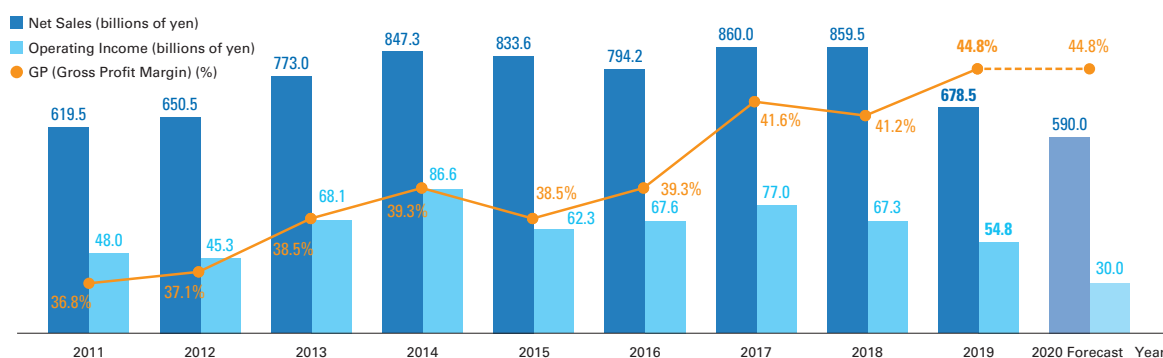
Fiscal 2020 is expected to be even more difficult than the previous year, but it is the understanding and cooperation of the people on the ground that has allowed us to set these targets. Behind those efforts is management based on the OMRON Principles. What does society expect of us and how can we contribute to society? The fact that the OMRON Principles are shared by all employees globally undoubtedly works as a driving force for us to get through these difficult times together. A sense of crisis alone is not enough to make people take action. Something that connects people to others is needed. For OMRON, that something is the OMRON Principles.

FY2020 Plan (Billions of yen)

	FY2020 Plan	Y/Y
Net Sales	590.0	- 13.0%
Gross Profit	264.5	- 12.9%
Operating Income	30.0	- 45.2%
Net Income	16.5	- 78.0%
Gross Profit Margin	44.8%	+ 0.0pt*

* +0.7 pt if exchange rate impact is excluded

Net Sales, Operating Income, GP (Gross Profit Margin) Results (FY2011-FY2020)



To Soar in the Post-COVID Era

— **President Yamada has positioned fiscal 2020 and 2021 as a period of preparation and transformation in anticipation of the post-COVID era, and says that the company will work on three challenges ((1) establishment of new businesses, (2) shift to service-based businesses and recurring businesses, and (3) overhaul of operations and digitalization).**

We will accelerate our challenge to shift our business model from goods to services. To this end, it will be necessary to establish incubation mechanisms for the generation of new businesses. This includes co-creation with external parties. Meanwhile, we will work on a review of our cost structures to reduce fixed costs and further reinforce our profitability. While our GP margin, which indicates earnings capability, has increased, problems remain with the level of SG&A (selling, general and administrative expenses), so we will need review efficiency and cost structure thoroughly. In addition, digitalization needs to be addressed urgently to improve the operational excellence of our existing businesses. With the need for a global overhaul and integration of our main systems, we are currently working at fever pitch on the overall conceptualization and design. This will entail changes in formats and procedures, which may cause discomfort and confusion on the front line. However, unless the entire company works together to overcome this, we will not be able to establish the foundations for data-based management. The next two years will be a critical period in our digital transformation (DX). With strong will and determination and, of course, with the appropriate level of funding, we will pursue this to completion.

— **So, you are saying that the next two years will be a critical period in OMRON's history?**

Because the COVID crisis has significantly changed the assumptions of our business, we redefined fiscal 2020 and fiscal 2021 as periods for the acceleration of transformation that will lead to the next stage of our growth.

The time of the 2008 global financial crisis was still an era of quantitative expansion, but that will end due to the COVID crisis and we will likely see qualitative shifts in many areas. I maintain a strong sense of crisis that, unless we can adapt to this change, we will not be able to survive. To enhance our responsiveness to change and to soar in the post-COVID era, we will accelerate our transformation over these two years.

— **President Yamada has heralded the concept of Selection and Decentralization. As CFO, how would you put this concept into practice?**

In order to survive and thrive in the post-COVID era, each existing business will need to enhance its autonomy, increase its speed, and take up the challenge of creating new value. At the same time, we will also need to take into full consideration the risks of keeping our businesses too fixed. OMRON currently has selected a business portfolio that comprises the three business domains of factory automation, healthcare, and social solutions, with the addition of the Electronic and Mechanical Components Business (EMC), but there is no guarantee that we will be able to continue with these domains forever. To build up the OMRON of the future, we need to generate businesses that will become new "pillars".

So, how to go about that? The key to that question is *decentralization*. As we select business domains that leverage our own strengths, we will strive to decentralize them to an appropriate degree to generate new business. You could say we will *select* how we go about that decentralization. OMRON started with control devices. The founder leveraged this technology to enter the healthcare business, later expanding the business into social systems such as automatic ticket gates at railway stations. If we had defined ourselves solely as a manufacturer of control devices, neither the Healthcare Business nor the Social Systems, Solutions and Service Business would ever have come into being. In other words, OMRON has been selecting its core technologies and decentralizing its business domains for a very long time.

— **Selection and decentralization also works because OMRON has established ROIC Management, is that correct?**

Exactly. Decentralization also requires discipline. This means instilling a mechanism, namely ROIC management, to strengthen discipline in all companies and business units, be they existing or new, and maintaining centripetal force. We need to achieve a high degree of balance between concentration, as a centripetal force, and decentralization, as a centrifugal force. Precisely because the OMRON Principles underpin that balance, we will be able to unite everyone in the same direction. We apply this to ROIC Management as well. Known as the Down-Top ROIC Tree, this process breaks ROIC down into the key performance indicators (KPIs) such as automation rate and the facilities turnover rate to find out how efficiencies achieved through improvements in business processes on the front

line lead to improved results. The Down-Top ROIC Tree serves to visualize this analysis. In addition, we thoroughly implement Portfolio Management, which evaluates businesses based on their economic and market values and imposes a hurdle ROIC rate of 10% on our approximately 60 business units. We have set this criterion at 10% because it would cover OMRON's estimated cost of capital of 6%, and we have informed all businesses that a failure to reach that target would be equivalent to a loss of corporate value. We have established a rule that, if a business's ROIC falls below 6%, it will be given a certain grace period in which to recover, and if the business is still unable to meet that bar, we will start considering divestiture. On the other hand, we also see growth potential as an important indicator. This is because growing businesses require larger investments and tend to be less profitable. In some cases, we may make further investments in such businesses, despite their being less profitable, to accelerate their growth. (Category B in the diagram at the bottom of the next page)

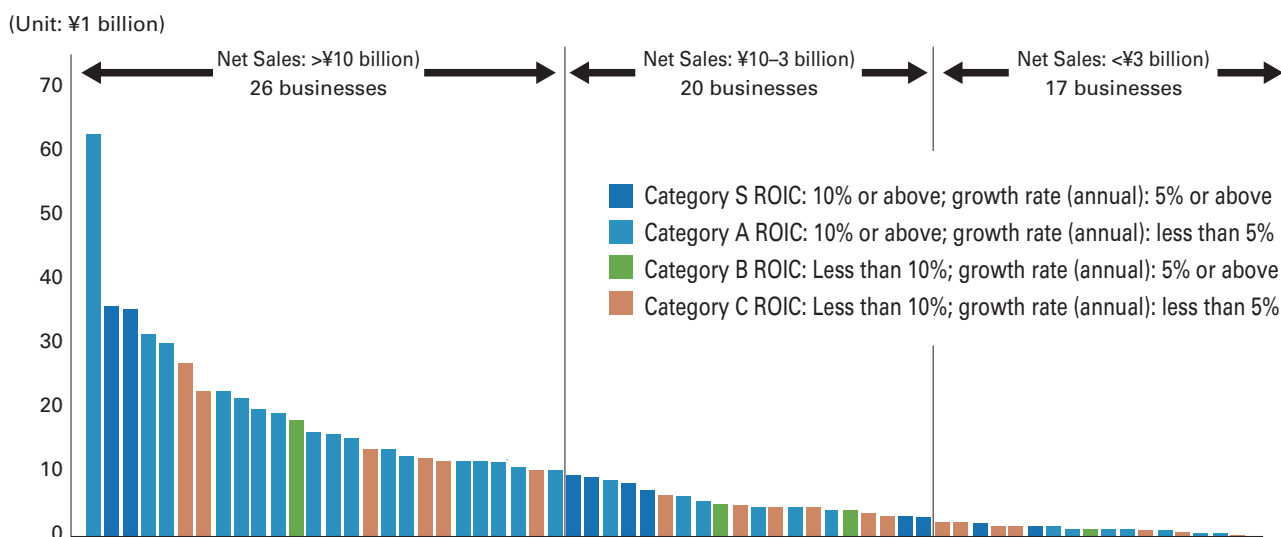
The indication of clear divestiture criteria actually allows employees to engage in new businesses with peace of mind.

— Finally, what will OMRON do to meet the expectations of its shareholders?

Despite announcing forecasts of lower net sales and income for the first quarter at the end of July, I understand the favorable reception of this announcement from the market to be an expression of the expectations of our stakeholders toward OMRON. My sense is that, because we are firmly holding to our long-term vision, more

companies are evaluating OMRON from a long-term perspective. To meet these expectations and continue to increase our corporate value, we will implement cash allocations based on capital efficiency in the order of growth investments, stable dividends, and treasury stock. Our standard for cash-on-hand is one to two months of monthly sales at normal times. This is a range of approximately ¥50 billion to ¥100 billion yen. In the current fiscal year, with the profit from last year's sale of the Automotive Electronic Components Business and in preparation for drastic changes in the business environment in with-COVID times, we have increased that amount to approximately ¥200 billion, which is equivalent to three to four months of monthly sales. Through the flexible use of this cash-on-hand, we will steadily implement investments for future growth even in the with-COVID era. Regarding dividends, although we have forecast falls in sales and income for this fiscal year, we will continue to pay a dividend of ¥84 per share. Due to the current difficulties in predicting the business environment, we will allocate capital appropriately in accordance with the DOE (Dividend on Equity) criteria. While maintaining discipline, by investing capital to ensure future growth, we will enhance our corporate value and meet the expectations of shareholders. As CFO, I will fulfill that responsibility.

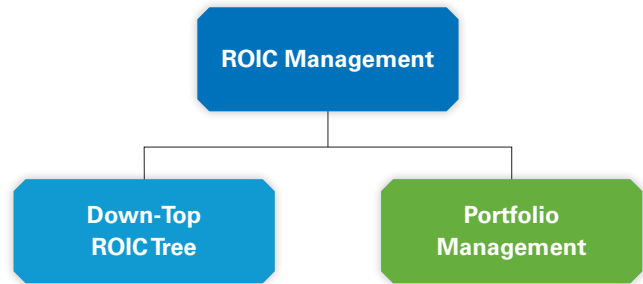
Business Units Subject to Portfolio Management (FY2019)



ROIC Management

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

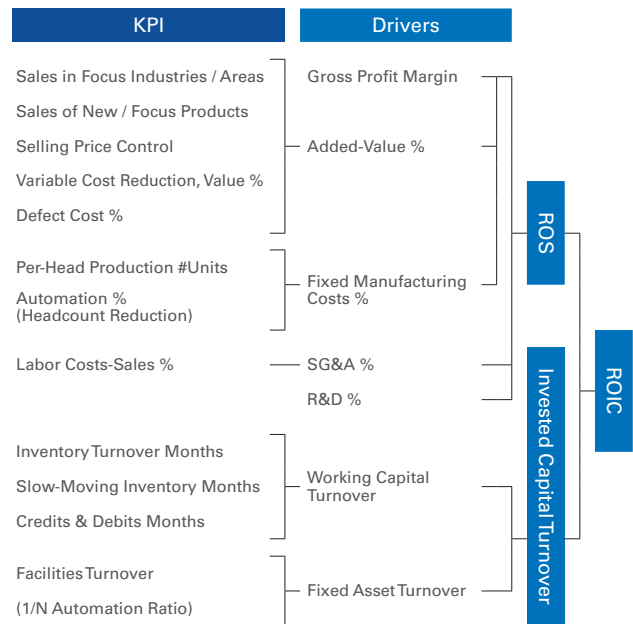
OMRON encompasses a number of business divisions with varied characteristics. We believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment.



Down-Top ROIC Tree

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

Down-Top ROIC Tree

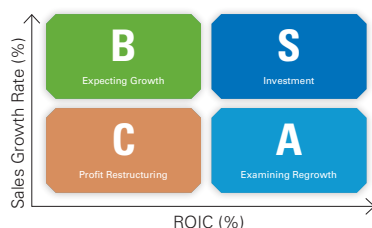


Portfolio Management

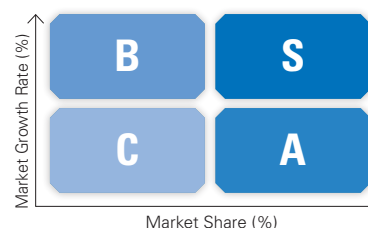
OMRON consists of approximately 60 business units, each subject to a portfolio management system that assesses the economic value of the unit according to (1) ROIC and (2) sales growth rate. In this way, OMRON management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in OMRON Group value.

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

Assessing Economic Value



Assessing Competitiveness



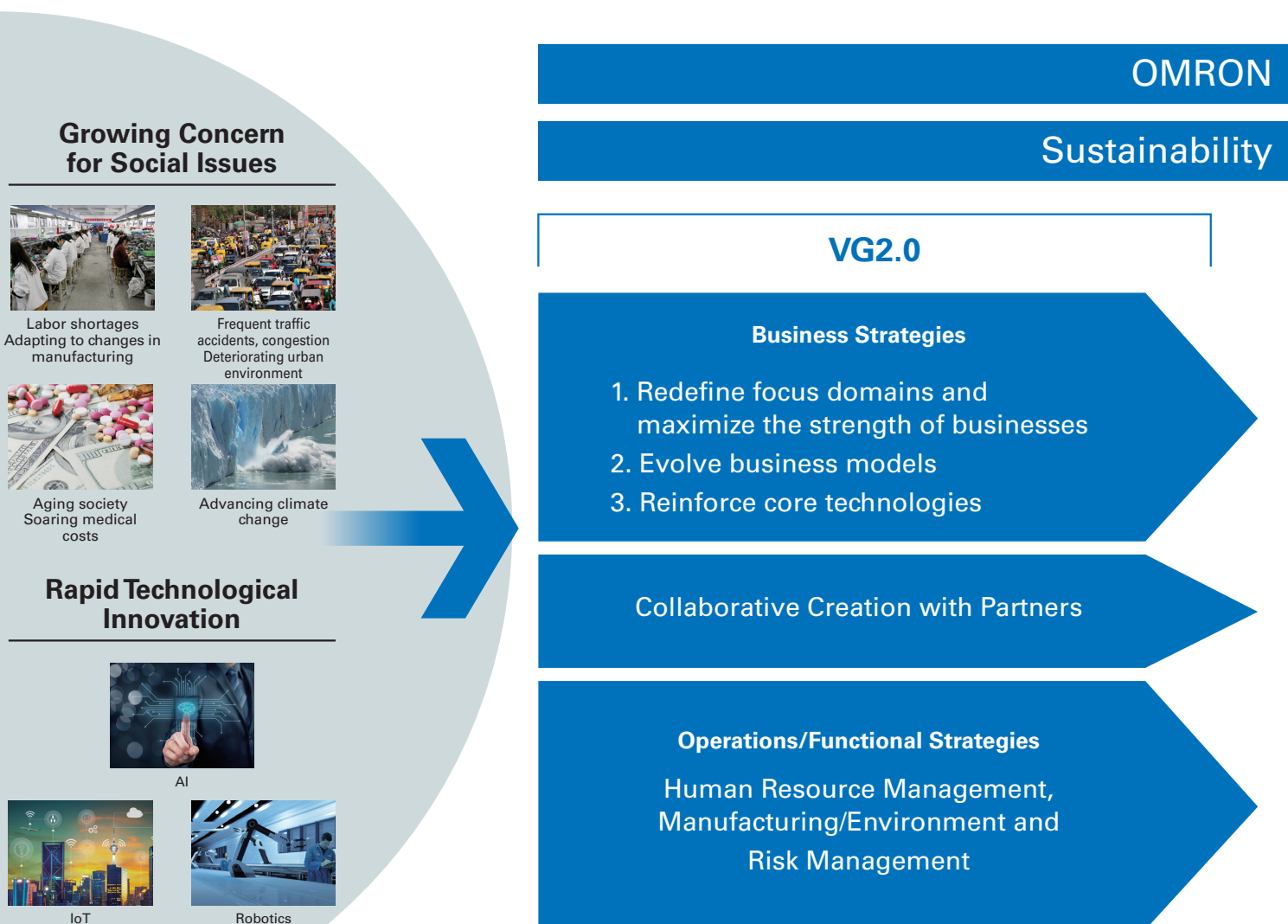
VG2.0 Medium-Term Management Plan

A Road Map Anchored in the Future

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

Innovation driven by social needs. It is the core tenet of the OMRON Principles and a concept driving us to solve social issues through leveraging open innovation with customers and partners. To achieve this, we have set the following three focused domains in growing market where we can exhibit our strength: Factory Automation (FA), Healthcare, and Social Solutions.

Given the spread of COVID-19, OMRON puts the highest priority on crisis response for ensuring business continuity and profitability for the 2 years between fiscal 2020 and fiscal 2021, assuming that the "with COVID-19" situation will remain during the period. Aiming for sustainable growth in a new normal era, we specified the 2 years as the period of transformation, which will lead to our next long-term vision, to accelerate business structure shift and strengthen profitability by maximizing the ability to respond to change. The next long-term vision period will begin in fiscal 2022.



* Goals for sustainable development adopted by the United Nations.

VG2.0 and Sustainability Initiatives

OMRON has aligned sustainability targets with our VG2.0 goals to pursue sustainable corporate value through the generation of social value. Based on the OMRON Sustainability Policy, we identified social issues in VG2.0 to be solved through focus domains, while selecting core sustainability issues to support our execution of VG2.0 as well as answer the expectations of our stakeholders. We set goals in these areas to achieve by fiscal 2020, and began working toward these goals in fiscal 2017. In the same year, we added progress toward VG2.0 and sustainability indicators* evaluated by third parties into the medium- and long-term performance-linked stock based compensation system for our officers and directors. [P31](#) →



2020-2021

Period of transformation for the next long-term vision

- Crisis Response for Ensuring Business Continuity
- Accelerate Business Transformation for Sustainable Growth

2030 Shared Goals (SDGs) Among International Society

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

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

* An evaluation based on the Dow Jones Sustainability Index (DJSI).

Sustainability Initiatives: Progress

Throughout fiscal 2019, we worked on our Sustainability Goals to be achieved by fiscal 2020.

We have made steady progress in solving individual issues by leveraging our company-wide management structure and through Sustainability Promotion Committee and Executive Council discussions and engagement activities in response to stakeholder evaluations.

The Board of Directors receives reports from operating divisions, oversight and supervising initiatives related to sustainability issues.

Solving Social Issues Through our Businesses (Three Domains)

OMRON has identified social issues to be solved in 3 business domains it focuses on. The Company has set targets for addressing the issues.

Factory Automation P33 →	
Social Issues to be Solved	<ul style="list-style-type: none"> ● Shrinking labor force, as an issue in global manufacturing ● Shortage of skilled workforce on production floors and requirements of increasingly advanced & diversifying manufacturing processes
Fiscal 2020 Goals	Generate applications to embody the concept of innovative-Automation in our four focused industries, establish control technologies, and develop new products—Generate Control Technologies for Manufacturing Innovation—
Fiscal 2019 Progress	<ul style="list-style-type: none"> ● More than 170 applications embodying innovative-Automation ● Responded flexibly to changes in product models and setups, and generate new value through improved operating capacity, “Flexible Production Line” that contributes to manufacturing innovation, and “Cell-Line Control System,” that fosters harmony between humans and machines

Healthcare P49 →	
Social Issues to be Solved	<ul style="list-style-type: none"> ● Increased incidence of brain diseases and cardiovascular diseases attributable to high blood pressure ● Increased worldwide prevalence of asthma and other respiratory diseases
Fiscal 2020 Goals	<ol style="list-style-type: none"> 1 Blood pressure monitor sales: 25 million units/year 2 Development of analytical technologies to continuously track blood pressure fluctuations 3 Nebulizer and wheeze detector sales: 7.65 million units/year
Fiscal 2019 Progress	<ol style="list-style-type: none"> 1 Blood pressure monitor sales: 20.01 million units/year 2 Completed clinical evaluation of wearable blood pressure monitor (relationship between hidden hypertension and underlying causes related to lifestyle activities; evaluation of accuracy during daily measurements) 3 Nebulizer and wheeze detector sales: 3.44 million units/year

Social Solutions P45 →	
Social Issues to be Solved	<ul style="list-style-type: none"> ● Increase in traffic accidents and traffic jam ● Global warming from CO₂ emissions ● Slow expansion of the renewable energy market
Fiscal 2020 Goals	Transport ● Creation of safe driving support systems and technologies Energy ● Cumulative shipped capacity of solar power/storage battery systems: 11.2GW ● Build an energy resource aggregation business using solar power/storage battery systems (Japan)
Fiscal 2019 Progress	Transport ● Introduced tailgating detection function Energy ● Solar power system: Cumulative shipping capacity 9.6GW ● Storage battery system: Cumulative shipping capacity 438MWh

Solving Issues Responding to Stakeholder Expectations

OMRON has set a total of 11 sustainability targets for issues to be addressed for strengthening its business base and responding to stakeholder expectations. Here, we will provide five examples of these targets.

Please visit our website for all targets. (URL:https://sustainability.omron.com/en/omron_csr/tasks_goals/)

Human Resources Management

Talent Attraction and Development

P60 →

Fiscal 2020 Goals	<ol style="list-style-type: none"> 1 Continue evolution of TOGA*¹ towards meeting OMRON Principles 2 Ratio of non-Japanese in managerial positions overseas: 66% 3 Accelerate the PDCA implementation through employee engagement surveys VOICE*²
Fiscal 2019 Progress	<ol style="list-style-type: none"> 1 TOGA has taken root as a process to share and recognize voluntary employee initiatives in practicing the OMRON Principles 2 Ratio of non-Japanese in managerial positions overseas: 70% (+8 points vs. prior year)* 3 Implemented improvement measures in response to organizational issues identified in our engagement survey VOICE

Respect for Human Rights and Labor Practices

P64 →

Fiscal 2020 Goals	<ol style="list-style-type: none"> 1 Define and adopt due diligence process 2 Implement analyses and corrective actions regarding human rights risks at all production sites
Fiscal 2019 Progress	<ol style="list-style-type: none"> 1 Initiatives to respect the human rights of not only own employees, but also those from service providers (employee dispatch companies and contractors) (OMRON Group in Japan) <ul style="list-style-type: none"> • Established and began operations of a system to protect the human rights of all persons working at our business locations • Completed management design and trial operations of a human rights risk management system for employee dispatch companies and contractors 2 Expanded the number of production facilities conducting human rights risks analysis/corrective actions: Total 19 locations

Manufacturing, Environment

Supply Chain Management

Fiscal 2020 Goals	<ol style="list-style-type: none"> 1 Sustainability self- assessment for important suppliers (Partner Suppliers): 100% implementation ratio 2 Sustainability self- assessment: Achieve RBA score of 85 or more
Fiscal 2019 Progress	<ol style="list-style-type: none"> 1 Completed sustainability self checks for all critical suppliers 2 Of the 12 companies scoring less than 85 points, we received plans from 11, agreeing on the details of the initiatives proposed

Environment

P67 →

Fiscal 2020 Goals	<ol style="list-style-type: none"> 1 Reduce total GHG emissions by 4% (vs. fiscal 2016) 2 Environmental contribution to exceed CO₂ emissions from production centers
Fiscal 2019 Progress	<ol style="list-style-type: none"> 1 Reduced total GHG emissions by 34% (vs. fiscal 2016) 2 Environmental contribution of 971kt-CO₂ > Production location CO₂ emissions: 135kt-CO₂

Risk Management

Privacy and Data Security

Fiscal 2020 Goals	<ul style="list-style-type: none"> ● Build a new information security system
Fiscal 2019 Progress	<ul style="list-style-type: none"> ● Improved security level of IT networks at global major sites

*1 TOGA: The OMRON Global Awards

*2 VOICE: VG OMRON Interactive Communication with Employee

Industrial Automation Business (IAB)

Domains

Factory Automation

Corresponding SDGs



With the vision to “bring innovation to manufacturing by automation, to enrich lives of people all over the world,” the Industrial Automation Business leverages OMRON technologies to create innovations in manufacturing. These innovations contribute to productivity advancements in the world’s manufacturing industry. Setting our unique innovative-Automation concept, our aim is to enrich the lives of people around the world by generating/making manufacturing innovations through our technologies and solutions based on the widest range of control devices in the industrial market.



Executive Vice President
Company President, Industrial
Automation Company

Yutaka Miyanaga

Digital Transformation Needed Rapidly in Manufacturing Floors

The environment surrounding the manufacturing industry has been undergoing great changes recently. This includes changes in needs in manufactured items and methods, manufacturing locations, and manufacturing personnel, as well as changes in seeds, such as artificial intelligence (AI), Internet of Things (IoT), robotics, and other technological innovations. To solve these challenges faced in manufacturing floors through innovations, OMRON came up with the unique innovative-Automation concept in 2016. By 2019, we had created more than 170 control applications highly integrated with software by making use of more than 200,000 industry-leading control devices. These control applications have been highly appraised by our customers.

COVID-19 has posed unprecedented challenges to the manufacturing floor. Lockdown and travel restrictions implemented to contain the pandemic have caused stagnation throughout the supply chains of manufacturing industries, accelerating the shift from centralized mass production through globalization to local production for local consumption.

In human-centered production floors, where social distancing is required, there are growing calls for diverse working styles, including remote work.

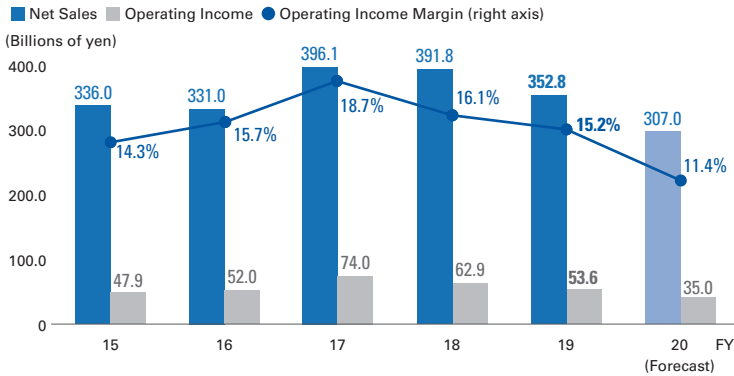
As a result, there is a rapidly growing demand for digital transformation (DX) that uses digital technologies to realize the fundamental manufacturing principles, *San Gen Shugi* (principle of three realities), which focus on real sites, real objects and real situations.

Solve New Challenges From the COVID-19 Crisis Leveraging innovative-Automation as a Partner for Manufacturing Floor Innovation

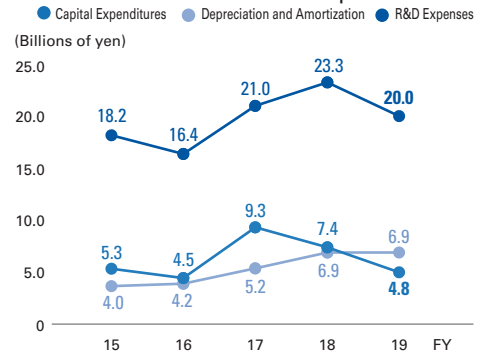
As a company that has been involved in upstream processes of manufacturing for many years, OMRON regards it as its social responsibility to contribute to reducing the risk of spreading COVID-19, to ensure the safety of its employees, and to support work sites that play an essential role in securing sustainable urban and social activities. The new challenges facing manufacturing in the with- and post-COVID eras may also create good opportunities for further innovation leveraging innovative-Automation. Specifically, we can introduce automation to increase resilience in production, or we can apply digital technologies to engineering environments that are highly dependent on human resources, such as design and modification of production facilities and start-up and maintenance of facilities. In June 2020, amid the COVID-19 pandemic, OMRON released an AI-mounted image processing system that contributes to labor saving and automation in the field of visual inspection. This was followed in July with the launch of the robotic integrated controller that enables advanced synchronization of robots and control devices comprising production facilities, and achieves remote engineering at any time and place. These products represent value that can only be provided by OMRON, a company that possesses all the necessary automation devices, including sensors, motion technologies, robots, and safety devices that comprise facilities, and enables automation in a comprehensive manner. To continue with manufacturing innovations in the new world after the COVID crisis, we are working to build remote, online, and other forms of support systems that take into account the health and safety of our customers to the fullest. As a good partner for manufacturing floor innovation, OMRON remains committed to solving new challenges with our customers.

Business Highlights

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

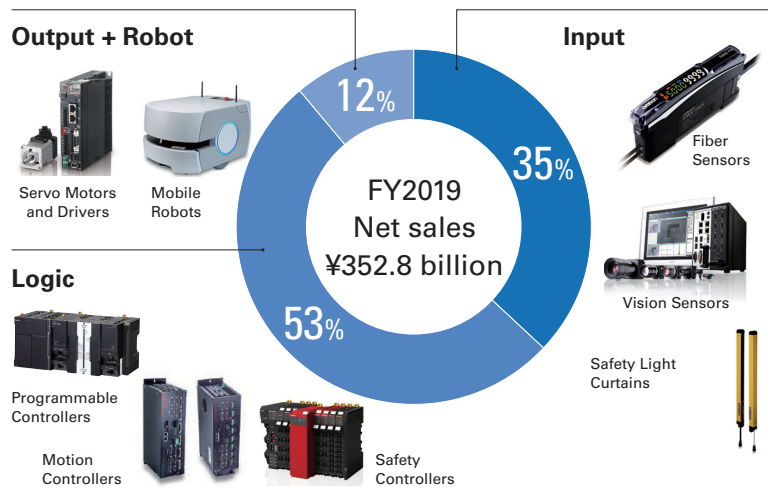


Fiscal 2019 Results and Fiscal 2020 Plan

In fiscal 2019, although demand for capital investment in the digital industry remained low from the beginning of the fiscal year, signs of recovery were seen in the second half, with some investment in semiconductor-related businesses rebounding. On the other hand, demand in the automobile industry was limited as a result of restrained investment due to a decline in global new car sales. Combined with the impact of foreign exchange due to yen appreciation, among others, net sales decreased year on year. Due to the decline in net sales and the impact of foreign exchange, operating income decreased year on year.

In fiscal 2020, we continue to intensify our efforts to offer solutions for solving issues in manufacturing floors. In addition, we place focus on responding to the growing demand for automation and labor saving due to the impact of COVID-19. We expect that it will take time for a recovery to be seen in demand for capital investments in the automobile industry. In light of the continued challenging business environment described above, we forecast net sales for fiscal 2020 to be lower than the previous year. Due to the decline in net sales and the impact of yen appreciation, we forecast operating income to decrease year on year.

Sales by Product



Progress of Sustainability Initiatives

Social Issues to be Solved

- Labor shortages (shrinking labor force in developed countries and lack of skilled workers in emerging economies)
- Respond to increasingly advanced and diversified manufacturing processes

Fiscal 2020 Goals

- New innovative-Automation products across four focus industries
– Control technology for manufacturing innovation –

Fiscal 2019 Progress

INPUT

- Number of employees: 9,791
- R&D expenses: ¥20.0 billion
- Capital expenditures: ¥4.8 billion (Total of 37 Automation Centers/ 2 new PoCs)

OUTPUT

- Net sales: ¥352.8 billion
- Operating Income: ¥53.6 billion (Operating Income Margin: 15.2%)
- Created more than 170 control applications to realize innovative-Automation
- Created new values, including new production line "Cell Line Control System" where people and machines can cooperate
- Launched the autonomous mobile robot LD-250 and expanded automation applications
- Three partnerships for accelerating innovative-Automation

OUTCOME

- Improve productivity at manufacturing plants through innovative-Automation



SDGs 8.2.1

- Increase added value in secondary industries through innovative-Automation



SDGs 9.2.1

Further Deepening innovative-Automation

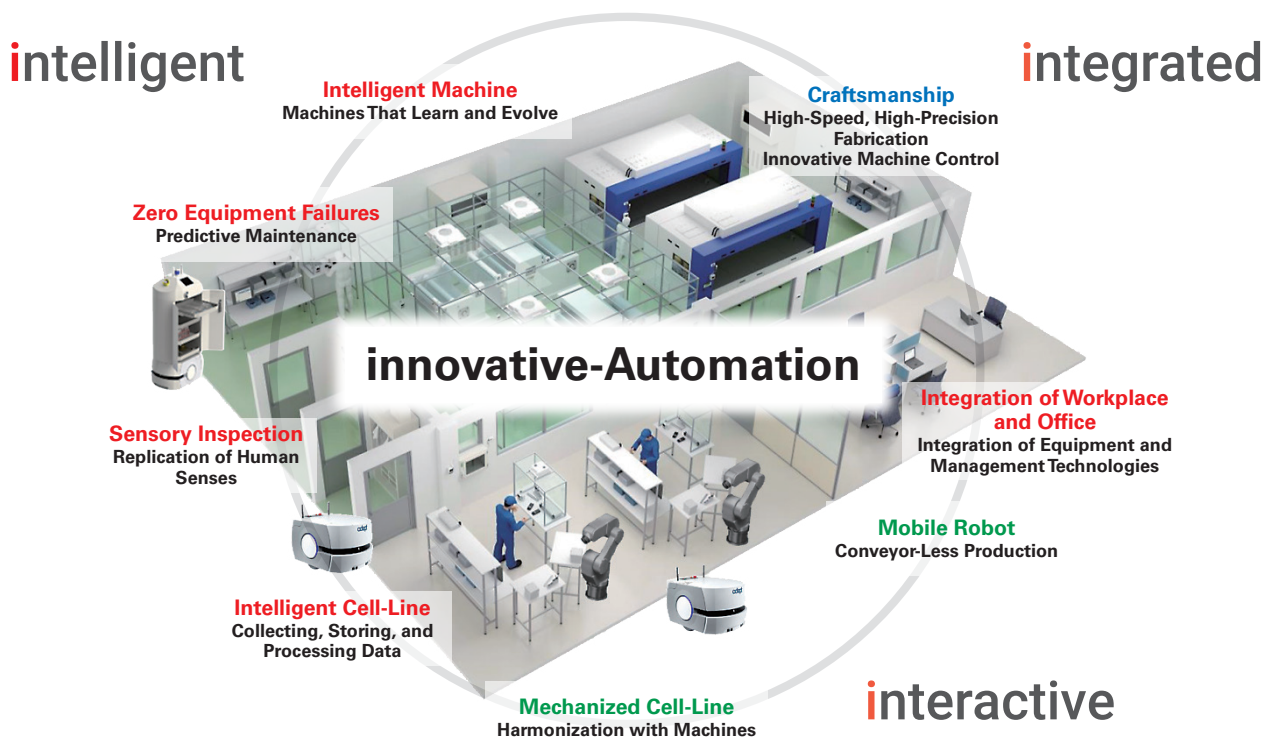
OMRON works to solve issues in manufacturing floors with the unique value creation concept, innovative-Automation. As the name suggests, “innovation” forms a key part of this concept. We have been involved deeply in our customers’ front-line operations and created an array of control applications highly integrated with software. We deliver these applications to customers in a wide range of industries around the world, including automobile, digital, and food businesses. The Automation Centers (ATCs) are production hubs for these control applications.

The ATCs are intended to provide a place where our sales engineers and customers can simulate equipment for use on-site and test and demonstrate solutions for issues faced by the customers in their manufacturing floors. In January 2020, OMRON opened AUTOMATION CENTER TOKYO (ATC-TOKYO) in a highly accessible location in Shinagawa, Tokyo. ATC-TOKYO is our 37th global ATC. ATC-TOKYO is the world’s largest* ATC that simulates a manufacturing environment. At ATC-TOKYO, visitors can experience and verify AI, IoT, robotics, and other latest factory automation technology. With the ATC-TOKYO as our flagship base, more than 1,000 sales engineers support our customers in solving their issues around the world.

Now, society is shifting focus from things to experiences (or services). Previous to this shift, we have been working on the manufacturing site data utilization service “i-BELT” since 2017. The service is intended to improve manufacturing productivity and quality. The i-BELT is a co-creative service that makes use of digital technology. With the i-BELT service, OMRON combines customers’ knowledge with our unique know-how that we have accumulated in control devices and software as a company well-versed in front-line manufacturing operations. In this way, we promote the transformation of our customers’ front-line operations through on-site survey, creation of an environment for data collection and visualization, ongoing analysis, and improvement suggestions. In November 2019, OMRON formed a partnership with Siemens for the open platform MindSphere® in order to solve challenges faced in globally diversified manufacturing floors. Through the partnership, OMRON is expanding the service area of i-BELT. OMRON’s strength lies in solving issues at the edge, and Siemens has the cloud-based IoT platform. Through the partnership between the two companies, we seek to make use of vast amounts of manufacturing floor data to raise the improvement levels of front-line operations in quality and quantity, as well as to solve issues across multiple manufacturing bases at a time.

In September 2019, OMRON reached an agreement with NTT DOCOMO and Nokia for a joint demonstration using the fifth-generation mobile communications system (5G) in manufacturing floors.

We combine NTT DOCOMO’s insight into communications technology, Nokia’s base-station platform knowledge, and our expertise in automation of manufacturing front-line operations to evaluate jointly the usefulness and potential of 5G with the aim of developing communications technology required in manufacturing floors of the future.



* In terms of floor area among all of OMRON’s ATCs as of September 2020.

Initiatives in Fiscal 2019 to Deepen innovative-Automation

World's Largest Flagship Base of OMRON's FA Technology "ATC-TOKYO"

At ATC-TOKYO, customers can experience and test solutions that are tailored to challenges they face with technologies and applications created through an optimal combination of our more than 200,000 control devices. Adjacent to ATC-TOKYO is AUTOMATION CENTER TOKYO POC LAB (POC-TOKYO). At the POC-TOKYO, we perform work verifications with industrial robots, autonomous mobile robots, and other various robots; test equipment that customers have brought in; conduct demonstration tests simulating the customers' operating environments; and provide technical training for introducing these devices. In this way, ATC-TOKYO provides customers with total support, giving them the chance to not only "experience" cutting-edge manufacturing technologies, but also "verify," "learn skills for," and "develop" devices.



ATC-TOKYO

Comments from the General Manager of the Automation Center

Manufacturing floors are entering a period of major transition, and is facing challenges relating to advances in manufacturing processes, high-mix low-volume production, and shortage of skilled workers. ATC-TOKYO works with customers to solve manufacturing challenges of the future by providing opportunities to experience the latest technology combining AI, IoT, robotics, and other cutting-edge technologies in a simulated manufacturing environment. Going forward, we will also work on new styles of solutions through digital transformation that combine reality with virtual reality.

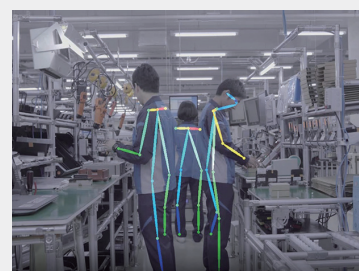


Japan
General Manager, Automation Center
Seki Yamazaki

Commencement of Demonstration Trials on the Use of 5G in Factories in Cooperation with NTT DOCOMO and Nokia



The trials by the three companies will test the usefulness and possibilities of 5G wireless communications, including high-speed, large-capacity, low-latency, and simultaneous multiple connections in factories. As a future application of 5G, we aim to realize layout-free production lines whereby high-mix low-volume production lines using autonomous mobile robots can be constructed freely. We will also provide operators with real-time coaching to support early mastery of skills by collecting and analyzing video data that capture the line of movement and physical movements of operators and giving them immediate feedback on differences from skilled operators. In this way, we aim to level of cooperative work between humans and machines.



Analyzing operator movements

Comments from Our Partner

5G is expected to be utilized in many industries, therefore NTT DOCOMO is working hard on promoting the introduction of 5G for wireless communication in manufacturing settings, as one of the most promising use cases. We are grateful for the chance to cooperate with OMRON and Nokia since fiscal 2019 in the examination and demonstration trials for the use of 5G in manufacturing floors. OMRON has extensive insight and expertise in factory automation devices, control technology, and manufacturing. OMRON is a very strong partner in solving the challenges faced by manufacturing industries. Through the collaboration, we would like to contribute to OMRON's efforts to improve operating efficiency on manufacturing floors by taking advantage of the features of 5G, such as high speed, large capacity, low latency, and simultaneous multiple connections.



NTT DOCOMO, INC.
Senior Vice President
General Manager of 6G Laboratories
Mr. Takehiro Nakamura

Contribute to Manufacturing Innovation in the With-COVID Era

The spread of COVID-19 has had a major impact on the manufacturing industry. OMRON has continued to make efforts to ensure a stable supply and provide support in various ways through its global production network and sales/service bases. These efforts include increasing the production of pharmaceuticals and other medical-related products that play an important role in anti-virus measures, starting up new facilities, supporting the production of food and other products indispensable for everyday life, and establishing production lines that avoid the “three Cs” (“closed spaces,” “crowded places,” and “close-contact settings”) on manufacturing floors.

On the medical front, in particular, OMRON has supported the increased production of medical-related products such as medical face masks and gowns, which are in short supply, and antibody test kits for COVID-19. We have also begun to address new needs arising from COVID-19. One such example is a disinfecting robot mounted with an ultraviolet (UV) light irradiator using the autonomous mobile robot.

The disinfecting robot takes advantage of its non-human characteristics, in particular, its immunity to pathogens, and is equipped with a UV light irradiator. It is operated by setting the locations, routes, and time for sterilization and disinfection, and has already been adopted at various facilities in more than 10 countries around the world, including Poland, France and Canada. OMRON helps reduce the burden on healthcare professionals and disinfecting personnel, and also helps prevent the risk of infection from spreading, by supplying the mobile robots to its partner, which develops disinfecting robots, and supporting their introduction.

OMRON has pursued a new relationship of harmony between humans and machines based on its automation philosophy, “To the machine, the work of the machine; to humankind, the thrill of unfettered creativity.” No matter how automation technology advances, human’s flexibility and senses will never be surpassed by machines. There has long been a need for labor saving in production floors through the automation of assembly and inspection processes that are commonly performed by human resources. Following the outbreak of COVID-19, a new labor saving method is required to avoid the three Cs in human-centered manufacturing environments, such as cell lines. As a solution to meet this need, collaborative robots that work with human operators are attracting attention. Placing these collaborative robots between human operators makes it possible to avoid the three Cs on manufacturing floors, ensuring the safety of the operators while contributing to productivity at the same time. In this way, OMRON contributes to constructing manufacturing environments that can cope with the shortage of workers by ensuring optimal cooperation between humans and machines, even in the event of unforeseen circumstances such as COVID-19.



Conventional human-centered manufacturing floor



Manufacturing floor where humans and machines harmonize

Solve Social Issues in the With-COVID Era

Supporting the Increased Production of Antibody Test Kits for COVID-19

With the increasing demand for antibody test kits for COVID-19, OMRON developed a robotic solution that connects a cutting machine and a packaging machine in cooperation with the equipment manufacturer, KRAUS-MASCHINENBAU. In just a few months, we built production lines to increase production at Senova Immunoassay Systems in Germany, which develops and produces test kits. OMRON has automated conventional manual production processes and achieved a significant increase in speed, contributing to increased production of test kits, for which there is increased demand.

Employee Comments

"We are pleased that we can use our technology to support the global efforts in the fight against the corona virus to a small extent. In times like these and in flexible production of the future, cooperation is the key. We are proud that we follow with this project the OMRON Principles: "to improve lives and contribute to a better society."

Jörg Krause, Germany Area Sales Manager



Antibody test kit for COVID-19



Automating Disinfection Work in Hospital with Mobile Robots

At the Royal Hobart Hospital in Australia, medical staff had to carry large quantities of used medical equipment to a disinfection room, and the risk of contracting COVID-19 during this process was a cause for concern. In collaboration with A.E. Atherton & Sons, OMRON developed an automated solution for disinfecting medical equipment by linking disinfection equipment with the mobile robot. This solution reduces the risk of infection for medical staff, relieves them from hard labor, and contributes to creating a better working environment.

Employee Comments

The automated disinfection process not only reduced the risk of injury from hard labor, but it also improved the work efficiency of hospital staff and contributed to a better working style. We were able to share the OMRON Principles with our partner and deliver Australia's first solution.

John Merret, Australia Business Development Manager



Automated solution disinfecting for medical equipment



Preventing the Spread of Infection during Disinfection Work with a Disinfecting Robot Mounted with an Ultraviolet Light Irradiator

In Poland, where COVID-19 is spreading, we focused on the disinfecting effects of ultraviolet rays. We have provided mobile robots to ControlTEC, a company developing disinfecting robots equipped with ultraviolet light irradiators, as part of our efforts to prevent the infection from spreading. The product is currently being used in public facilities, such as hospitals, schools, and hotels in Poland, reducing the risk of infection during disinfection work and contributing to the health and safety of healthcare professionals and others.

Employee Comments

Many companies have realized that automation can provide them with valuable support in coping with this COVID-19 challenge. It is thanks to OMRON's Principle of solving social issues that we were able to come up with an optimal solution based on technology.

Jaroslawn Drzazga, Poland Field Sales Engineer



Disinfecting robot mounted with an ultraviolet light irradiator



Innovative Products That Contribute to Post-COVID Manufacturing

COVID-19 has brought major changes to manufacturing floors. Key to these changes is the massive transformation brought about by the latest digital technology, digital transformation (DX). We expect to see further diversification in the way people work, and acceleration in the automation of manufacturing front-line operations. OMRON has launched solutions for accelerating the digital transformation on production floors and the innovation of manufacturing. These solutions include an image processing system with defect detection AI to automate visual inspections, an autonomous mobile robot capable of carrying the heaviest class payload*¹ in the world, and a robotic integrated controller that integrates and controls robots and control devices.

The image processing system with defect detection AI makes use of the knowledge that OMRON has accumulated over more than 30 years in the field of visual inspection. Even an engineer with no expertise in AI can bring out the system's high inspection performance by getting the system to learn from only about 10 images. The image processing system incorporates AI technology that reproduces "human sensibility" and "expert experience" in order to detect defects that up to now were difficult to detect with a machine without relying on human experience. This system contributes significantly to the automation of visual inspection, which will become more critical due to the shortage of labor.

The autonomous mobile robot capable of carrying loads of up to 1,500 kg safely automates the transportation of heavy loads, such as large automotive components and voluminous pallet loads, that would have traditionally been moved using forklifts. In response to the increasing demand for labor saving in manufacturing floors, it can be used in combination with the mobile robot capable of transporting loads of up to 250 kg to automate monotonous and dangerous tasks and provide flexible and optimal autonomous transportation.

The robotic integrated controller solves traditional challenges in manufacturing, including high-mix low-volume production, rapid start-up of production facilities, and shortage of skilled technicians, and contributes to promoting the digital transformation of manufacturing, such as remote and virtual operations, which are new needs that have emerged due to COVID-19.

The robotic integrated controller is the world's first*² controller that makes it possible to control a robot and control devices with a single controller. This previously required separate controllers and software. Integrating ILOR+S*³, which are sensors, motions, robots, safety products—devices necessary for automation that comprise facilities—with a single controller makes it possible to control robots and peripheral mechanisms in real time and in full synchronization.

This enables manufacturers to automate sophisticated and complex tasks, such as inspection and assembly, with robots. This is a value that can only be provided by OMRON, a company that possesses all the ILOR+S devices. In addition, we have made it possible to use the same programming language to control robots and machines, which used to be controlled with separate programming languages. This enables design and modification simulations for production facilities, and the remote start-up, adjustment, and maintenance of facilities, to be performed in a virtual environment.

These products and applications automate tasks that previously had to be performed manually, and facilitate remote styles of engineering, based on the innovative-Automation concept. OMRON is also working to provide value through new methods of sales activities in real and remote environments by promoting digital transformation. We will remain committed to manufacturing innovation required in the post-COVID world by deepening innovative-Automation to solve challenges in manufacturing floors.



Image processing system with defect detection AI
(Released in June 2020)



Autonomous mobile robots
(Released in July 2020)



Robotic integrated controller
(Released in July 2020)

*¹ As of July 2020 (comparison based on catalogue specs of autonomous mobile robots/internal survey)

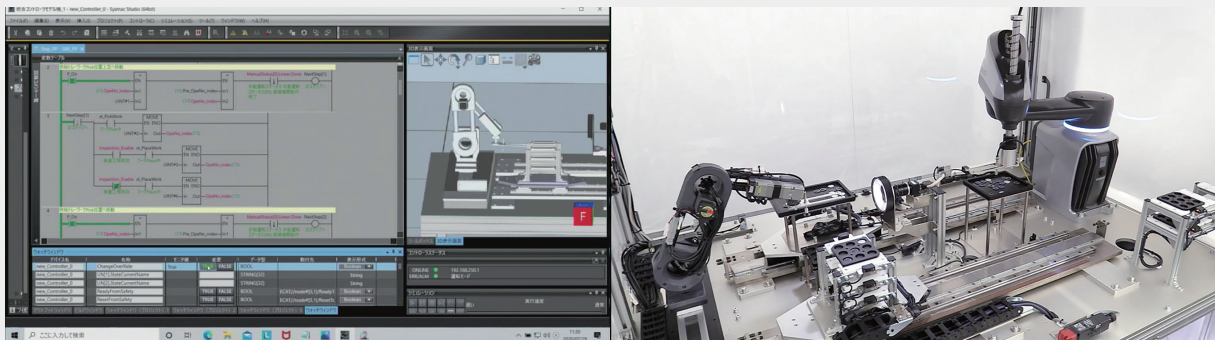
*² Internal survey based on the status of patent applications and registrations as of November 2019

*³ ILOR+S in an abbreviation for Input (input devices such as sensors), Logic (control devices such as controllers), Output (output devices such as motors), Robot, and Safety (safety devices to ensure the safety of equipment)

innovative-Automation to Transform Conventional Perceptions of *San Gen Shugi*

World's First Robotic Integrated Controller That Enables Remote Manufacturing

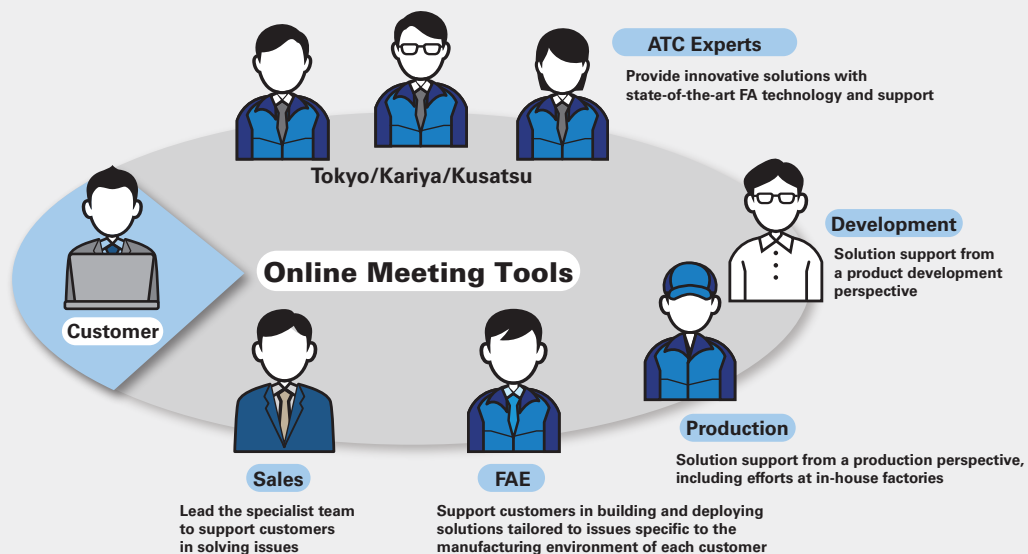
The robotic integrated controller makes it possible to manage robots and control devices with a single piece of software. This allows users to check the performance of all of the equipment before setting up the actual facility, check facilities in operation from a remote location, and repair and maintain facilities. For example, in the event of a problem in an overseas facility, a user can virtually check the facility from a remote location without actually visiting the location, and address the problem with members on-site. Toward a future characterized by advancements in remote work and other new styles of work, we will transform the conventional perceptions of *San Gen Shugi* in manufacturing with our robotic integrated controller and create new value based on the deepened innovative-Automation concept.



Remote maintenance using simulations

Online Support by Manufacturing Environment Specialist Team Serving as a Partner for Front-line Innovation

Sales teams have also begun working to dramatically improve efficiency in resolving customer issues by utilizing digital technology. We have begun to deliver value that can only OMRON can provide as a company working together with customers to solve their issues. For example, we have introduced new forms of sales, including virtual ATC tours and online live communication with ATCs to test customer equipment remotely. In addition, we have utilized digital technology to explore new ways of solving customer issues by forming a global online team of experts in sales, development, ATC operations, production, and other sections from all over the world, with specialist skills and extensive experience. We will continue to take on the challenge of proposing the innovative-Automation concept through this specialist team, combining real-world and online support.



Issues Resolved Remotely by a Global Specialist Team

Electronic and Mechanical Components Business (EMC)

Domains
Corresponding
SDGs

Devices and Modules that Support OMRON Growth



The mission of the Electronic and Mechanical Components Business (EMC): “With our devices and modules, create customer value, and contribute to society.” EMC is OMRON’s core business unit as a global component supplier of relays, switches, connectors and sensors that act as eyes and ears for wide variety of products playing a vital role in switching and connecting devices, for customers across various industries including smartphones, home appliances, automotive and industrial equipment manufacturers.



Managing Executive Officer
Company President, Electronic and
Mechanical Components Company

Shizuto Yukumoto

Transformation into a Business That Creates Value for Customers and Continues to Develop Innovative Module Products that Contribute to People and Societies around the World

The EMC segment has faced three major changes in recent years. The first is social changes. Social issues are becoming more diverse and serious, as evident from labor shortages due to the declining birthrate and aging population, and the widening use of electric vehicles and renewable energy as a response to rapid global warming. The second is the change in customer behavior. Technological innovations in AI, IoT, and robotics have advanced at a much faster pace than expected, and customers are looking for partners with technological capabilities. The last change relates to competition. The emergence of multiple new players, particularly in emerging economies, has led to rapid commoditization.

For EMC to continue to grow sustainably in its own right in the face of these changes, it required a significant change in its conventional business model. To that end, since 2017, we have focused on three key initiatives to transform our business into one that provides not only stand-alone devices but also modules that combine multiple technologies, in order to be a partner of choice with the ability to co-create value with our customers.

The first involves redefining the target customers for our modules, in other words, the focus domains. We see the accelerating “shift to smarter equipment” and the “shift to battery-powered and direct-current power sources,” as typified by electric vehicles and storage battery systems, as two major trends, and have identified industries related to these trends as our focus domains.

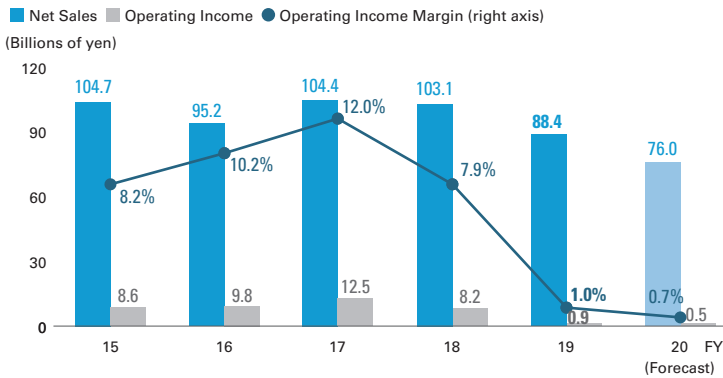
The second is the provision of value through a combination of the strengths we have cultivated. The strengths of the EMC are “devices” such as relays and sensors, and the “technologies” in producing these products, such as fine-processing techniques and software embedding. We are building a framework and organization for developing modules that deliver value to our customers by combining these strengths.

The third is the consolidation of strengths that support the development of modules. Before, the EMC’s strengths in technologies, quality, and production, cultivated through providing devices over many years, were scattered globally. By consolidating these elements, we were able to not only reinforce our organizational strengths but improve efficiency. This has resulted in a significant improvement particularly in production efficiency.

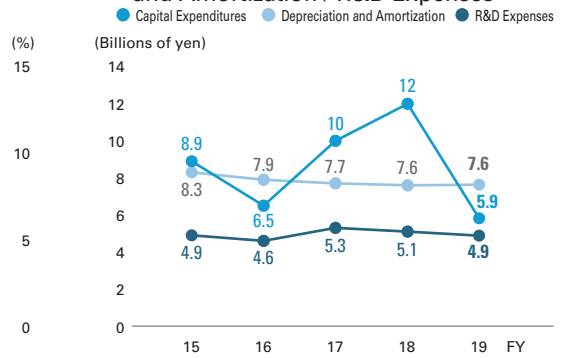
With the current COVID shock, there is a growing demand for smarter equipment, such as non-contact temperature measurement systems and devices that operate without manually activating a switch. EMC will realize its transformation into a business that continues to develop devices and modules that create value for customers and contribute to people’s lives and the advancement of societies around the world by supplying core components that help solve social issues through our customers’ products and services.

Business Highlights

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

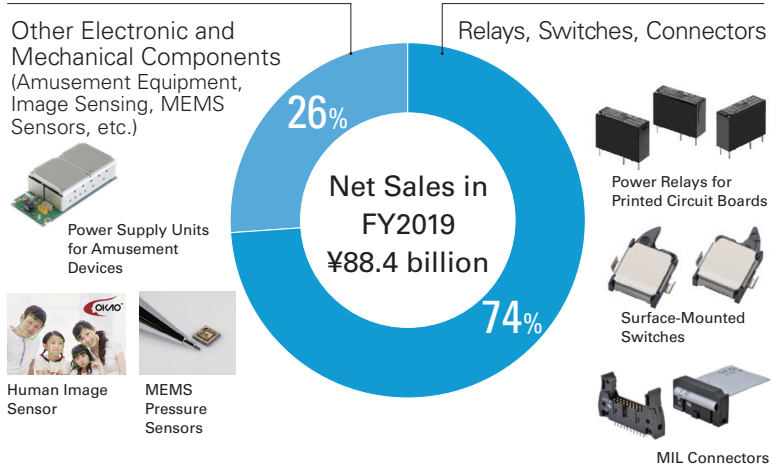


Fiscal 2019 Results and Fiscal 2020 Plan

In fiscal 2019, in China, home appliances, machine tools and automotive demand declined significantly as a result of reduced capital investment caused by lower exports and decline in consumer purchase sentiment. Demand also declined in the Americas and Europe due to weak customer sentiment. Combined with the impact of foreign exchange due to yen appreciation, net sales decreased significantly compared to the previous year. Operating income also decreased significantly compared to the previous year due to the impact of foreign exchange in addition to lower net sales to external customers and OMRON Group businesses.

In fiscal 2020, we expect the impact of the spread of COVID-19 to continue, and that it will take time for a market recovery to be seen in the automobile industry in particular. The business environment for the consumer and commercial products market is also expected to continue to be challenging, and we forecast net sales for fiscal 2020 to be lower than the previous year. Due to the decline in net sales and the impact of yen appreciation, we forecast operating income to decrease compared to the previous year.

Sales by Product



Progress of Sustainability Initiatives

Social Issues to be Solved

- Solve social issues relating in the domains of FA, Healthcare and Social Solutions

Fiscal 2020 Goals

- As a device and module business supporting focus domains, contribute to achieving sustainability goals in each domain

Fiscal 2019 Progress

INPUT

- Number of employees: 7,743
- Research and development expenses: ¥4.9 billion
- Capital expenditures: ¥5.9 billion

OUTPUT

- Net sales: ¥88.4 billion
- Operating income: ¥0.9 billion

OUTCOME

- Advanced sustainability goals in each domain through the provision of devices and modules

Development of Devices and Modules that Create Value for Customers

In EMC, we have cultivated our strengths in “devices” such as relays and sensors, and the “technologies” in producing these products, such as fine processing techniques, algorithm development, and compact software embedding. We are developing devices and modules that create value for customers by combining these strengths. Here are two such examples.

Seismic Sensor That Detects Tremors and Damage to Buildings from Earthquakes

OMRON contributes to enabling people to live safe and secure lives by providing advanced electronic component for equipment and devices that support society.

One such component is the mechanical seismoscope for gas meters installed in homes and commercial facilities.

The seismoscope is a key component of a gas meter that detects strong shaking above a certain intensity as an earthquake. It has been used in gas meters for many years as a security function component to prevent secondary disasters such as a fire by automatically shutting off the gas supply in the event of an earthquake.

In Japan, the importance of securing the lifeline after a major earthquake came to be widely recognized after the Great East Japan Earthquake of 2011. With respect to gas meters, there was increasing demand for a system to shut off the gas supply automatically only in the event of an earthquake registering 5 or above on the seismic intensity scale, not only as a safety measure to detect and shut off the gas supply during an earthquake, but also to ensure a stable supply of gas in areas with less damage. To meet this demand, there was a need for a sensor that could accurately determine seismic intensity than the conventional seismoscopes.

To solve this problem, we developed the world’s smallest class* seismic sensor that incorporates a 3-axis acceleration sensor with OMRON’s unique algorithm. This seismic sensor analyzes the data obtained from the 3-axis acceleration sensor using a unique SI value calculation algorithm to calculate the SI value which enables the scale of the earthquake to be determined with high precision. This enables accurate earthquake determination of 5 or above on the seismic intensity scale, and gas companies can provide a stable supply of gas according to the extent of the damage.

In addition, the compact and low power consumption features of this seismic sensor make it ideal for installation in equipment. This was achieved through a combination of OMRON’s in-device edge processing technologies.

Moreover, the sensor comes with a memory function that can record the magnitude of earthquake, for use in further enhancing the safety of gas supply system itself. This will enable gas companies to collect earthquake data and formulate appropriate recovery measures based on the seismic intensity and collapsed building information, and the damage situation, in each area.



Seismic sensor



Gas meter installed with a seismic sensor

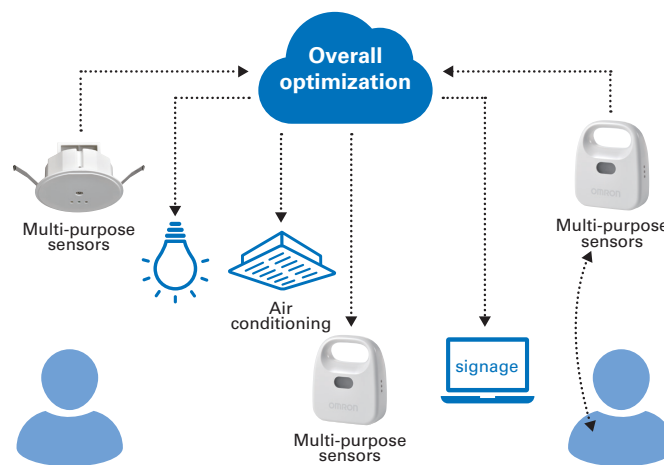
* As a sensor for measuring and outputting SI values. As of November 6, 2015. Internal survey.

Virtual Modules Essential for Creating Comfortable Work Environments While Also Saving Energy

Work styles in which people actively choose their work locations according to their individual circumstances, such as the content and progress of their work, have drawn much attention in recent years. Such styles of work are expected to lead to improved productivity by facilitating communication and collaboration with a diverse range of people and enabling people to handle individual tasks with a high level of concentration. Eliminating the need for fixed seating can also be expected to improve operational efficiency in the office and thus save energy.

However, in the past, air conditioning, lighting and other equipment in a buildings had their own sensors and were controlled independently. To operate office spaces more comfortably and efficiently, and to promote further improvement in productivity and energy saving, it is necessary to develop a system that optimizes the office space overall.

OMRON, Nikken Sekkei Ltd, KYOWA EXEO CORPORATION, WHERE, Inc., and Kanda Tsushinki Co., Ltd. have been working together since April 2020 to develop and test a sensor and facility control network system to save energy and optimize office spaces at the same time. The network system aims to optimize the overall office space by analyzing environmental data on temperature, humidity, brightness level and other conditions obtained from various sensors installed in the office, and then centrally controlling air conditioning, lighting and other equipment.



Overview of the sensor and facility control network system

OMRON's environmental sensor and thermopile motion sensor provide "vision and senses" which are indispensable to this network system. The environmental sensor is an ultra-compact, complex sensing device packed with six sensors. By analyzing the data from each sensor, it can measure eight types of environmental data, including temperature, humidity, illuminance, atmospheric pressure, and discomfort index. The motion sensor uses a unique algorithm to analyze temperature data obtained from non-contact temperature sensors to accurately determine how many people there are within a scope of approximately 13m².*

By combining the environmental sensor and the motion sensor and using these as a virtual module, it is possible to ascertain in real time how many people there are in the office and where, as well the conditions of the space around them. This makes it possible to provide a comfortable space that has been optimized overall in which the temperature and brightness levels are adjusted according to actual conditions.



Environmental sensor



Thermopile motion sensor

* Detects conditions in an area measuring 3.6 m × 3.6 m when installed on a 3 m ceiling.

Social Systems, Solutions and Service Business (SSB)

Domains

Corresponding SDGs

Social Solutions



The mission of the Social Systems, Solutions and Service Business (SSB) is “Creating a society in which the people of the world live in safety, security, and comfort.” We provide a wide range of terminals and systems, including PV inverters, storage batteries, railway station systems such as automated ticket gates and ticket vending machines, traffic and road management systems, payment systems, and UPS that protect equipment from unexpected power disruption which cause data loss. We also provide total solutions ranging from software development to comprehensive maintenance services to support the social infrastructure.



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

Toshio Hosoi

Realizing a Well-being Society Where People Can Continue to Live a Safe, Secure, and Comfortable Life in the New Normal Era

Looking ahead to the future, there are many social issues to be solved in front of us. COVID-19 has changed social structures, lifestyles and even our business styles. Amidst these rapid changes, as a company entrusted with the task of providing social systems, OMRON has to identify new social issues and resolve them in addition to maintaining the social infrastructure.

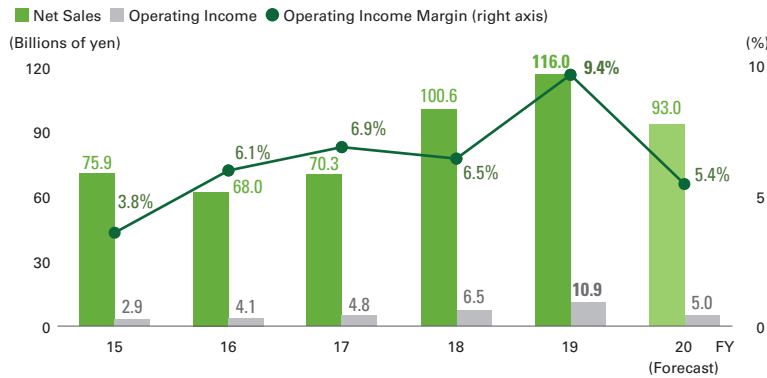
The SSB has defined “labor saving,” “resilience,” and the “environment” as the three social issues to be solved by 2030. Labor saving is a major issue for maintaining social infrastructure functions. Necessity of labor saving is growing even more in response to the demand of non-contact systems due to the COVID-19 pandemic.

Railway companies, our customers, are taking initiatives to maintain and improve their services and optimize their operations by the

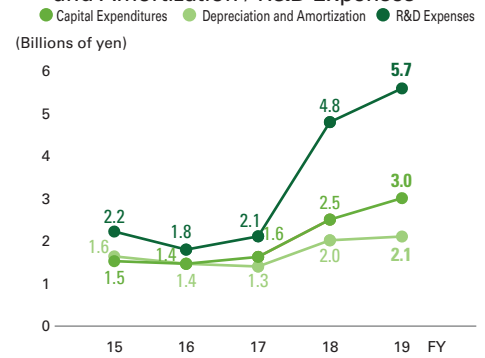
concept of saving labor through “coexistence of people and machines.” The initiatives include automating passenger support desk work handled by railway station attendants and using remote monitoring systems that enable centralized management of multiple facilities. For our initiatives in resilience, we aim to build a “strong” infrastructure assuming that disasters will occur and respond to the increasing frequency and severity of natural disasters on a global scale. We will accelerate our initiatives from the broad perspective of solving region-specific issues to build safe and secure communities. By combining our infrastructure monitoring technologies including water level monitoring to detect river flooding before it occurs with local governments’ information and knowledge. In the field of the environment, we take initiatives to promote renewable energy and optimize energy usage in response to climate change caused by global warming. In fiscal 2020, we merged the Environmental Solutions Business, which was under the direct control of headquarters. This resulted in adding energy control technologies cultivated in the development of environmental components such as PV inverters and storage batteries to our existing capabilities in software development and engineering. Leveraging this additional capability, we contribute to creating a sustainable society by creating systems for managing and coordinating energy demand on a regional basis, as well as sharing energy in the event of a disaster. The SSB will continue challenging to realize a safe, secure, and comfortable society required in the new normal era by solving these social issues through social automation, which combines our automation technologies based on AI, IoT, and robotics and providing total solutions in the fields of energy, transport, lifestyle services, and communities.

Business Highlights

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

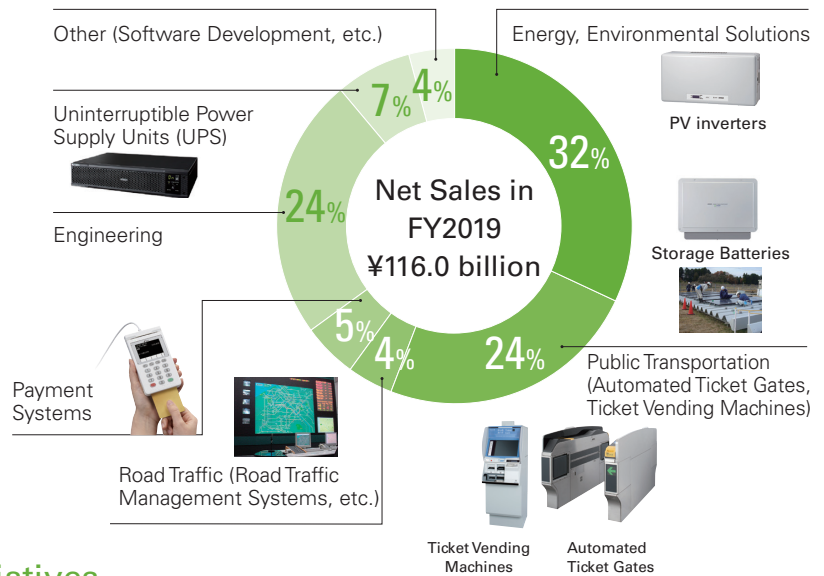


Fiscal 2019 Results and Fiscal 2020 Plan

In fiscal 2019, the SSB segment experienced strong demand for upgrades in the Public Transportation and Road Management Systems Business. In response, we proposed solutions tailored to the needs of our customers. In addition, the Environmental Solutions Business reported strong performance for the year, experiencing growing demand for storage battery systems. Net sales increased significantly compared to the prior fiscal year. Operating income increased significantly year on year, mainly due to higher net sales and improved profitability.

In fiscal 2020, we expect to see significant changes in investment among customers in the Public Transportation Business due to the impact of lower travel revenues. Although the Energy System Components Business is seeing a growing market for storage battery systems, the impact of the spread of COVID-19 has limited customer business activities, likely resulting in weak sales for the segment. As a result, we forecast net sales for fiscal 2020 to be lower than the previous year. Due to the decline in net sales, we forecast operating income to decrease year on year.

Sales by Product



Progress of Sustainability Initiatives

Social Issues to be Solved

- Contribute to achieving a smart society in which people around the world can continue to lead a safe, secure, comfortable, and clean life
- Global warming from CO₂ emissions
- Slow growth of the renewable energy market

Fiscal 2020 Goals

- Create driving safety support systems and technologies
- Cumulative shipped capacity of solar power/storage battery systems: 11.2GW
- Build the energy resource aggregation business using solar power/storage battery systems (Japan)

Fiscal 2019 Progress

INPUT

- Number of employees: 3,237
- Research and development expenses: ¥5.7 billion
- Capital expenditures: ¥3.0 billion

OUTPUT

- Net sales: ¥116.0 billion
- Operating income: ¥10.9 billion
- Launched tailgating detection function for the driving safety support system
- Cumulative shipped capacity of solar power systems: 9.6GW
- Cumulative shipped capacity of storage battery systems: 438MWh

OUTCOME

- Environmental contribution by SSB products and services: 898kt-CO₂



SDGs Goal 7.1.2



SDGs Goal 13.2.1

Promoting the Development of Resilient Communities That Are Resistant to Disasters

In recent years, floods and landslides caused by torrential rain and other natural disasters are increasing in frequency and severity in Japan. Previous natural disaster countermeasures were formed by systematic preparations and set procedures based on a tendency identified from past observation data. However, the recent natural disasters are beyond our expectations and they continue to set new records in scale. It is getting difficult to limit the damage using conventional countermeasures. Each local community needs to build a resilient system that can cope with events exceeding expectations, and to minimize the damage by making decisions and acting autonomously. This is becoming a social issue.

This article introduces our initiatives; the next-generation of disaster prevention “Visualization” that we are working on in cooperation with Maizuru City in Kyoto Prefecture.

Next-Generation Disaster Prevention: Visualization

To build resilient communities, it is necessary to first detect risks that could cause extensive damage to each region in real time, and then visualize them on a community-wide basis. However, local governments, which are responsible for implementing these measures are facing financial difficulties due to aging and depopulation. We therefore set out to develop a compact monitoring system for visualizing regional disaster prevention information, narrowing down the functions of sensors for detecting risks by utilizing our own assets.

We are now in the process of incorporating the monitoring system into Maizuru City’s portal site and setting up the system within the city. By combining data from tide gauges, river water level gauges, rain gauges and other disaster-prevention sensors installed throughout the city with the map data of the local government, the system allows local government employees and residents to view all disaster prevention-related information on one screen. This advanced initiative has been selected as a model for enhancing national resilience* under the Cross-ministerial Strategic Innovation Promotion Program of the Cabinet Office.



Monitoring Business Department
Business Development HQ

Toshiyuki Kinami

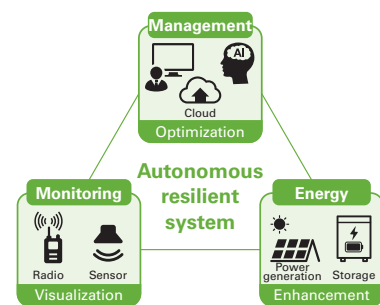


Monitoring system being developed with Maizuru City

Aiming for Realizing an Autonomous Resilient System

The benefits of a resilient system are not only to minimize damage, but also minimize the burden on local government employees and residents in the event of a disaster so that they can focus on a quick recovery. To build an autonomous resilient system, it is necessary to combine the “visualization” function to monitor risks in real time, “enhancement” to supply energy required for supporting life in an emergency, and an “optimization” function to manage the operations of the region.

We contribute to the creation of a sustainable society by introducing autonomous resilient systems to local governments in Japan.



Autonomous resilient system which the SSB is building



Having been selected as a SDGs Future City, Maizuru City is aiming for a community, where people can enjoy interaction, a convenient and well-being country life. Developing a safe community by solving disaster prevention issues is the cornerstone of this initiative. We would like to further promote this initiative in collaboration with OMRON SOCIAL SOLUTIONS.

Manager of Flood Control Sewerage Construction Division,
Department of Water and Sanitation, Maizuru City

Mr. Sunao Higashiyama

* Realization of an information system that ensures each citizen can evacuate safely and make decision for an early recovery in the event of a large-scale disaster.

Lifestyle Service Automation for Improving Services and Saving Labor

In Japan, the labor shortage caused by the declining birthrate and aging population is becoming a serious issue year by year. Particularly in the hotel industry, where the number of hotels has increased rapidly due to the continuing demand for inbound tourism, labor shortage has become a serious social issue. OMRON entered the automation business in the area of hotel operations in 2018. With the aim of streamlining and saving labor in hotel operations, we have developed and introduced “Smare,” a self check-in terminal. Recently, the necessity of preventive measures against COVID-19 increased demand for further contactless service through automation. The article below introduces the application check-in model introduced at APA HOTEL.

It's All for Our Customers: Developing an Application Check-in Model that Enables a High Level of Hospitality

APA HOTEL, a leading company in the hotel industry, has adopted Smare. They consulted us for solutions to improve the service to their customers. This led to developing the app check-in model for APA app subscribers. The current self check-in service for their registered members took time in its procedures. To solve this issue, we need to combine APA HOTEL's knowledge and our automation technologies to realize their “Always Pleasant Amenity (APA)” concept. The application check-in model was the result of this collaboration, shortening the waiting time to the last one second and escorting customers to their rooms which realized a higher level of hospitality.

The application check-in model does not merely reduce check-in time; it also minimizes the risk of infections from human contact. By eliminating the need to hand over room keys, customers do not need to wait at the front desk and can go directly to their rooms. Furthermore, by streamlining front desk work, it frees up the staff's time which they can devote to entertaining the customers.

We will continue to advance our automation business in the hotel industry by developing remote and centralized hotel management system, and robots that can clean and monitor. Through these initiatives, we will contribute to solving the labor shortage issues and offering lifestyle services with enhanced safety, security, and comfort.



Business Development
Department, Social Solution
Business HQ

Ryoji Ohashi



Application Check-in Model



As indicated in our company name, APA HOTEL aims to constantly provide safe, secure and comfortable accommodation services for customers.

We have worked on cutting-edge initiatives with OMRON SOCIAL SOLUTIONS ever since we opened our first APA HOTEL in 1984. In developing the application check-in model, OMRON showed understanding towards our goal and motto: “Time Is Life.” OMRON and our staff considered how to shorten the check-in speed as much as possible and realized a system that not only affords comfortable, but also stress-free check-in for customers and reduced the risk of COVID-19 infection. In addition to the check-in model, I am looking forward to working together to realize a more comfortable accommodation service together.

Director, IT Department,
APA HOTEL

Mr. Tomonari Kozuka

Healthcare Business (HCB)

Domains

Corresponding
SDGs

Healthcare



The mission of our Healthcare Business is “To help realize healthy and comfortable lives for people around the world.” By living up to this mission, we have developed healthcare products and services with a focus on usability and accuracy of readings. This is intended to allow anyone to take measurements easily and correctly, with accuracy that ensures reliability for medical use. OMRON has achieved certification for medical use for a variety of devices in various countries, including blood pressure monitors, digital thermometers, and nebulizers (devices that deliver asthma medication through inhalation by patients). Moreover, OMRON also provides services that are compatible with each country’s/region’s social infrastructures and healthcare system, which varies from country to country. These products and services are now available in more than 110 countries across the world.



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

Isao Ogino

Achieving Zero Events Aimed at Eliminating Cerebrovascular / Cardiovascular Diseases

Currently, some 1 billion people worldwide are reported to suffer from hypertension. In Japan, this number is estimated to be 43 million. The most frightening aspect of hypertension is that disease progression usually occurs while symptoms remain unnoticed, yet it still can cause serious cerebrovascular or cardiovascular conditions such as strokes or heart attacks.

To prevent the incidence of these serious diseases arising from high blood pressure, OMRON has been advocating the use of blood pressure monitoring at home for more than 40 years, in collaboration with medical professionals. At the same time, OMRON has worked to raise public awareness of hypertension treatment and prevention through home blood pressure monitoring. Despite this rising awareness, ischemic heart disease still remains the leading cause of death worldwide, with stroke being the second leading cause.

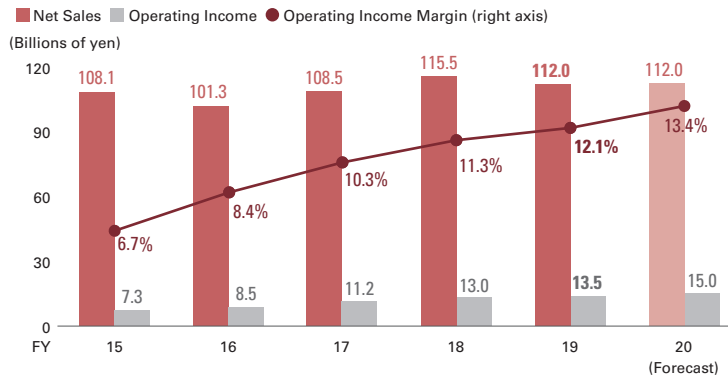
As such, we have set forth the vision for our Cardiovascular Business: “Reducing the incidence of cerebrovascular and cardiovascular disease caused by high blood pressure to Zero (Zero Events)” in 2015. Since then, we have been committed to supplying devices and services that are useful for treatment and prevention of hypertension worldwide. In recent years, OMRON has released many innovative devices, such as a wearable watch-type blood pressure monitor that allows users to check their blood pressure anywhere at any time and quickly detect abnormal conditions, and a blood pressure monitor with an ECG function that enables simple monitoring of blood pressure and electrocardiogram data at home. Both of these devices have been certified as medical equipment. In 2016, OMRON globally launched a health management app, named “OMRON connect,” which enables data measured with home-use devices to be easily recorded and displayed on a user’s smartphone. So far, this app has generated more than 1.9 million downloads. Moreover, the measurement data collected by OMRON connect is compatible with apps from various service providers worldwide. To keep up with the future advancement of healthcare systems and corporate wellness, OMRON is committed to developing services that use these devices, along with the collected data, to prevent progression of chronic diseases and assist in treatment. The challenge now is putting these services into practice throughout the world. The services include remote medical consultation support services, specific health guidance support service, and lifestyle improvement support service.

The global spread of COVID-19 has had a profound impact on social infrastructure, as well as people’s values and lifestyles. In the midst of these changes, the importance of health management at home, which we have continuously advocated, is being seen in a new light. As such, we will proactively collaborate with our partners to create new services to address emerging issues, such as shortages of medical professionals and medical resources, and the need to avoid the risk of secondary infections arising from hospital visits.

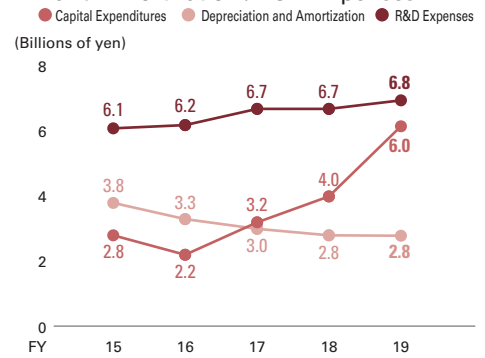
* Source: World Health Organization “The top 10 causes of death”

Business Highlights

Net Sales / Operating Income / Operating Income Margin



Capital Expenditures / Depreciation and Amortization / R&D Expenses

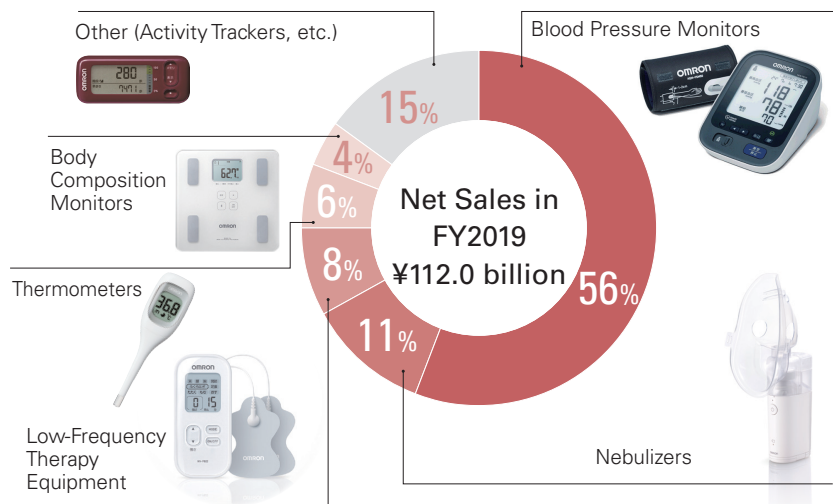


Fiscal 2019 Results and Fiscal 2020 Plan

In fiscal 2019, the demand for blood pressure monitors in China, Europe and Asia remained firm. Meanwhile, demand in Japan was sluggish due to the increase in consumption tax and other factors, while in North America, demand declined due to the trade friction between the United States and China. In the fourth quarter, COVID-19 had a global impact. Combined with the negative effects of the yen's appreciation, net sales decreased year on year. Despite this impact from the foreign exchange situation, operating income increased year on year, mainly because of productivity improvements and efficient use of fixed costs.

In fiscal 2020, we anticipate increasing demand for blood pressure monitors and thermometers, in response to the growing need for health management to counter the impact of COVID-19. Further, we intend to expand our online channels for sales amid restrictions on non-essential travel outside the home. On the other hand, we anticipate a negative foreign exchange impact stemming from a strong yen. As a result, we project that net sales for fiscal 2020 will be at the approximate level of the previous year. We expect operating income to increase significantly, driven by improved gross profit margin resulting from increased sales of high-value-added products.

Sales by Product



Progress of Sustainability Initiatives

Social Issues to be Solved

- Increased incidence of brain diseases and cardiovascular diseases attributable to hypertension
- Increased worldwide prevalence of asthma and other respiratory diseases

Fiscal 2020 Goals

- Blood pressure monitor sales: 25 million units/year
- Development of analytical technologies to continuously track blood pressure fluctuations
- Nebulizer and wheeze detector sales: 7.65 million units/year

Fiscal 2019 Progress

INPUT

- Number of employees: 3,758
- Research and development expenses: ¥6.8 billion
- Capital expenditures: ¥6.0 billion
- Number of operating countries: More than 110

OUTPUT

- Net sales: ¥112.0 billion
- Operating income: ¥13.5 billion
- Blood pressure monitor sales: 20.01 million units/year
- Began clinical trials using wearable blood pressure monitors
- Nebulizer and wheeze detector sales: 3.44 million units/year
- Developed innovative devices and services, and actively promoted education for medical professionals and consumers, in order to raise their awareness regarding the importance of Zero Events
- Promoted wider use of home blood pressure monitors in emerging countries (especially India) by holding "OMRON Academy" education programs for doctors in 12 locations and blood pressure monitoring workshops for consumers in 10 cities across India

OUTCOME

- Reduced the incidence of cerebrovascular and cardiovascular diseases by wider use of home blood pressure monitors in emerging countries (especially India)



SDG 3.4.1

Seeking Continuity of Care for Hypertension Patients

The COVID-19 pandemic brought about new issues, which accelerated the widespread practice of telemedicine globally. However, patients with hypertension, diabetes, or other chronic diseases must still pay regular visits to hospitals or clinics and have ongoing treatment. But by doing so, these patients have the risk of getting seriously ill with COVID-19, which is likely to keep them away from regular treatment visits.

OMRON is developing a remote patient monitoring service that allows patients to measure vital signs at home using our blood pressure monitor, ECG monitor, and/or a body composition monitor with scale and share the data with their physicians/nurses in a timely manner. This helps patients to receive appropriate advice from their physicians from the comfort of their homes, without the need for visiting a hospital. Going forward, we will continue to propose new approaches to telemedicine that are adaptable to the upcoming “new normal,” as we seek to contribute to the management and prevention of chronic diseases.

Remote Patient Monitoring System for Hypertension

In August 2020, OMRON launched a remote patient monitoring (RPM) system for hypertension, called VitalSight™ at the New York-based Mount Sinai Hospital, one of the leading and most respected hospitals in North America. With VitalSight™, which is part of our telemedicine initiatives, patients with hypertension can directly send their daily blood pressure readings and body composition data measured at home to the hospital’s electronic medical record system via the dedicated communications hub or “OMRON connect” health management app. This enables both patients and their physicians/nurses to share the patient’s data. The deployment of this RPM system enables physicians/nurses to keep track of their patient’s day-to-day conditions, thus helping them choose a more effective therapy suitable for each patient. Patients, in turn, can share their health data with their physicians on a daily basis, which helps motivate them to become more involved in treatment. This contributes to improved medical compliance and continuity of treatment. OMRON has been strengthening its data service business in the United States in response to the launch of telemedicine reimbursement under Medicare, which is the federal health insurance program for American citizens or 5-year legal residents who are 65 or older. Going forward, we will continue to present new RPM-based hypertension treatment solutions in North America, where nearly one in two adults has high blood pressure.



Receiving remote consultation services (illustration)



Example of a VitalSight patient kit

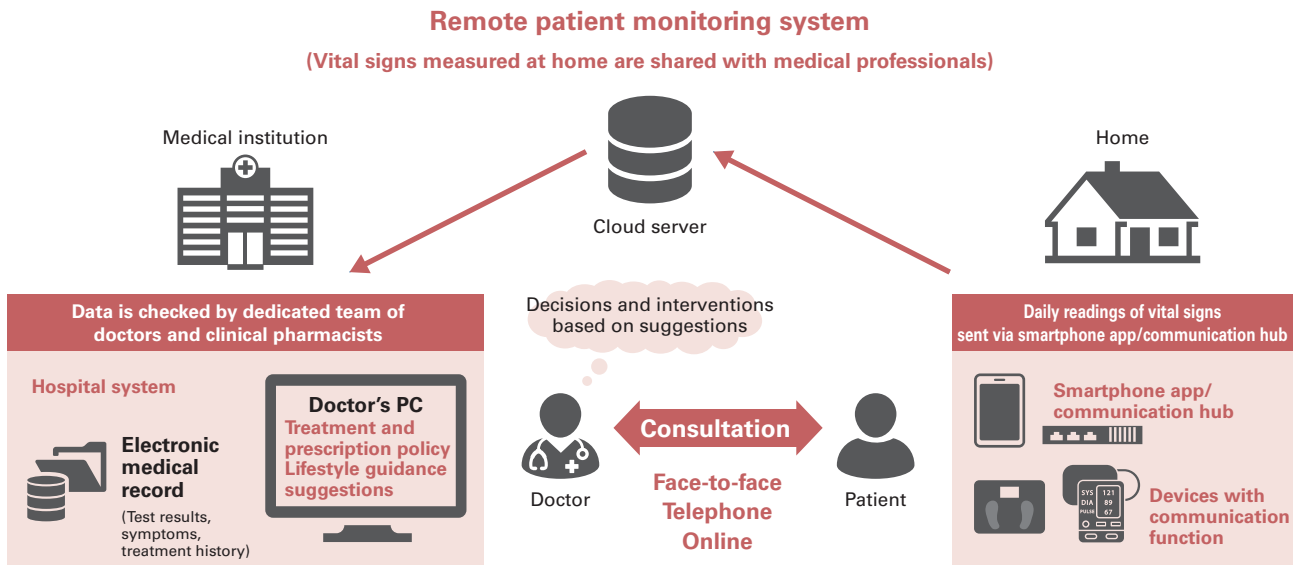
Online Hypertension Consultation Support Service

In Japan, online consultation is regarded as supplementary to face-to-face consultation. Presently, of the 43 million hypertensive patients, those who are undergoing treatment and have their blood pressure appropriately controlled account for a mere 27% (12 million), while those who are receiving treatment but are not having their blood pressure controlled properly account for 29% (12.5 million). While 11% (4.5 million) are leaving their condition untreated even though they know they have hypertension, 33% (14 million) are not even aware that they have hypertension.

According to those who are aware that they have hypertension but are not receiving treatment or not having their blood pressure controlled properly, hospital visits are a burden to elderly people, and those in their prime lack the time to visit a clinic. These are some of the factors that cause them to discontinue treatment of hypertension. To address those issues, OMRON launched an online hypertension consultation support service, called “telemedEASE BP™” in May 2019 through partnership with an incorporated association called telmedEASE. This system provides a one-stop service for online hypertension management, allowing patients to perform all tasks from day-to-day blood pressure tracking to making a doctor’s appointment, receiving a diagnosis and prescription, receipt of medication, and even the payment of healthcare fees from the patient’s home or office. Due to the accelerated spread of COVID-19, the effectiveness of telemedicine consultations has been widely recognized in Japan as well, leading to hopes for the easing of regulations.

By taking the future of hypertension care into consideration, OMRON is determined to accelerate the development of devices and services that can contribute to more effective treatment of hypertension in Japan as well as the United States, Europe and Asia.

Overview of the Remote Patient Monitoring System



Comments from an Employee in Charge of the Remote Patient Monitoring System in the United States

In response to the global increasing demand for telehealth, OMRON Healthcare has begun to develop the VitalSight™ remote patient monitoring system for hypertensive patients, under the initiative of the new business development team in the U.S. This system is intended to provide both patients and physicians with innovative, effective, and efficient hypertension management solutions.

Patients with hypertension can share their blood pressure readings measured at home with their physicians, thus receiving continuous treatment from their home. With the unprecedented impact of COVID-19, this capability has become more important, making it urgently necessary to launch VitalSight™ as soon as possible. In response, OMRON Healthcare's New Business Team has collaborated with many groups within Mount Sinai Hospital in New York, specifically the organization's Population Health and Clinical Pharmacist teams, to launch the service in August. This service encourages patients to actively participate in their blood pressure management along with their physicians, enabling proactive intervention before the incidence of a cardiovascular event, such as stroke. This, we believe, should help realize our vision of "Going for Zero," intended to eliminate cardiovascular diseases caused by high blood pressure. Going forward, we will further extend our collaborations with more medical partners. At the same time, we will continue challenging ourselves to develop VitalSight™ into a leading service model that will drive OMRON Healthcare's development of innovative remote patient monitoring solutions.

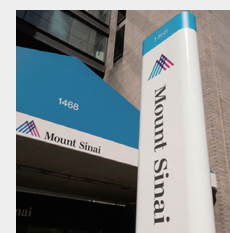


Omron Healthcare (USA)
Client Success Manager
- VitalSight™

Adriana Benassi

Comments from a Hospital which Adopted the Remote Patient Monitoring System in the United States

The ability to monitor patients at home during the pandemic – and on an ongoing basis – is critical. Our collaboration with OMRON Healthcare helps make patients active participants in their own health care and extends the reach of clinicians, who receive a continuous stream of their patients' real-time health data so that they can proactively intervene as necessary. Additionally, we are focusing first on our most vulnerable patients, who bear the consequences of disparities in care – in part, due to lack of technology access. This program requires no technology and comes at no cost for the device, with little-to-no cost for service.



Mount Sinai Hospital
SVP and Chief Medical Officer

Dr. Rob Fields



Message from the CTO

Creating New Business Quickly by Visualizing the Process of Innovation and Discussion

September 2020
Director, Senior Managing Executive Officer, CTO and
Senior General Manager, Technology & Intellectual
Property HQ and Senior General Manager, Innovation
Exploring Initiative HQ

Kiichiro Miyata

How will we achieve innovation in an age of VUCA?

— In your position as CTO, what impact do you think that the spread of COVID-19 across the world has had on OMRON?

The current era was already being described as an age of VUCA (Volatility, Uncertainty, Complexity, and Ambiguity), and this pandemic has impressed on us the undeniable reality of that view. Precisely because the world is now so uncertain and unpredictable, we will no longer be able to compete using the methods we have used in the past.

We must have multiple options at all times in preparation for an ever-changing future.

OMRON has been taking a backcasting approach to the creation of new business, starting from specific points in the near future ranging from three to ten years from now. One example is the Innovation Exploring Initiative HQ (IXI), a company-wide platform established in 2018 to create innovation with near future design. Over the past two years, IXI has been developing various near-future scenarios and exploring business models necessary for the realization of those scenarios. Testing these scenarios and models with a trial-and-error

approach, occasionally pivoting (deliberating from various angles) along the way, this HQ has been exploring the sprouts of new business. Facing the COVID-19 pandemic convinced us that we had not been wrong in adopting such an approach. In the age of VUCA, it is essential for OMRON's growth that, as we move toward the future, we have various options running concurrently.

— There is an established theory that holds that large companies are slow to generate innovation. Since its foundation, OMRON has realized innovation through the encouragement of venture spirit. What has IXI achieved over the past two years?

To acquire the capacity for self-driven growth, we are working on “ambidexterity in management,” by which I mean development for the deepening of existing businesses and exploring new business models for the future. IXI's role in this process is the exploration of new business models for the future.

For the past two years since 2018, an enormous number of ideas have come in from across the OMRON group. From those many ideas, six projects are currently in the business verification stage. They include a project under a partnership agreement with Oita Prefecture to provide long-term care prevention services for the elderly, as

well as an agri-automation project in China. Although these projects are all in different sectors, they have one thing in common, namely, they are all data-driven businesses. In other words, leveraging sensing technologies, one of the OMRON's core technologies, to collect various data and connecting that data to true social needs is giving rise to new business opportunities.

— Is this not something that the existing business units could achieve themselves?

In this age of VUCA in which we find ourselves, it is not realistic to take action based on only one scenario. To respond to a changing future, we need to have multiple scenarios at hand and keep repeating the cycle of validation and pivoting. That takes time and effort, and, inevitably, efficiency declines will ensue. That kind of redundancy is not something that can be tolerated in our existing business units, which have budget responsibilities. For this reason, it is the role of IXI to explore new social needs and commercialize those needs, things that cannot be achieved within frameworks of our existing businesses.

Knowledge Management Essential for the Creation of New Business

— Conversely, have other issues emerged?

One issue that emerged was the inability as an organization to build a mechanism for “knowledge management” to accompany the exploration of new social needs and the commercialization of those needs.

In particular, we focused on the judgement of business ideas that provide the starting point for projects. The key here was whether we have the perceptive capacity to seek out true social needs. At first glance, we can discover several business ideas that would appear to incorporate social needs, but if our discernment of those needs is lacking and they end up falling into the category of individual needs, even if they are commercialized, the business could not be scaled up. If we were to merely expand the individual needs of specific customers to some extent, we could only expect sales in the order of around ¥1 billion at most. At OMRON, we have set the hurdle (minimum criterion) for new business at ¥3 billion in sales, so unless a business model addresses true social

needs, we will not be able to launch it as a new business.

In the process toward commercialization after selection of the business ideas, in more than a few cases, the project relied on the individual efforts of particular team members. In other cases, the project lost speed as it headed toward launch because of a lack of driving force caused by insufficient leadership from management.

Based on these reflections, with the aim of not only creating new businesses but also sharing and utilizing knowledge to increase the certainty of such businesses, we established a mechanism we call the Integrated Innovation Process, which combines both processes (refer to the diagram on the next page). This mechanism consists of four phases: Phase 0—Business Idea Selection, Phase 1—Strategy Formulation, Phase 2—Business Verification & Technology Validation, and Phase 3—Business Development, where investment comes in. Key checkpoints have also been set between Phase 0 and Phase 1 and between Phase 2 and Phase 3. The former is the Business Idea Judgement Meeting, and the latter is the Investment Committee.

At the initial stage of Phase 0, we put out a call for business ideas. All employees are welcome to raise their hands, and in fact, we receive ideas from all divisions across the OMRON group. However, as I mentioned earlier, the key is to have the perceptive capacity needed to seek out true social needs. At this stage, a judgement of whether or not the business has scaling-up potential is required. The first checkpoint, the Business Idea Judgement Meeting, plays that important role. IXI and the Technology & Intellectual Property HQ, which is responsible for R&D, have each been assigned one employee with extensive business experience both inside and outside OMRON and a particularly discerning eye regarding the keys to the success or failure of new businesses. They assess the proposed business ideas with both the perceptive capacity to determine whether or not the ideas can respond to true social needs and a commercial sense to decide whether the ideas have scaling-up potential as businesses.

One of the most amazing things about Kazuma Tateishi, the founder of OMRON, was that he not only focused on true social needs and developed products that did not yet exist at the time, such as automated ticket vending machines and home healthcare equipment, but he also leveraged his commercial sense to grow them into OMRON's

main businesses of today. This Integrated Innovation Process came about by visualizing those methodologies of the founder and arranging them into a more contemporary format. It could be described as an innovation compass befitting the age of VUCA.

The Integrated Innovation Process is a tool that not only points us in the direction we need to go, but also identifies what stage a project is at and what decisions need to be made. For example, suppose a certain project has hit a wall. In this case, the business idea's premises may be wrong or some important factor may be lacking from the strategy. If that is the case, we need to go back to the appropriate phase and re-examine the premise or strategy.

In order to evaluate them objectively and quickly, it is important to visualize the current status and progress of project. The Integrated Innovation Process allows all members of IXI and the Technology & Intellectual Property HQ to review the status of each project online. Discussion is also held openly, with more than 100 members voluntarily participating in each discussion. The reason for my insistence on this kind of mechanism of open knowledge management is that innovation attempts have a tendency to become personal. If we cannot visualize the process, there is a possibility that individuals could take over the whole project or, conversely, due to an inability to obtain cooperation from those around them, an excessive burden could be placed on the people in charge of a project, causing it to collapse. Also, if we do not accumulate the knowledge obtained through the process at the appropriate strategic points, we will not be able to learn from

past mistakes next time. To ensure that innovation does not become a mere product of chance, we need to accumulate and share knowledge as an organization and increase the speed and accuracy of new business creation.

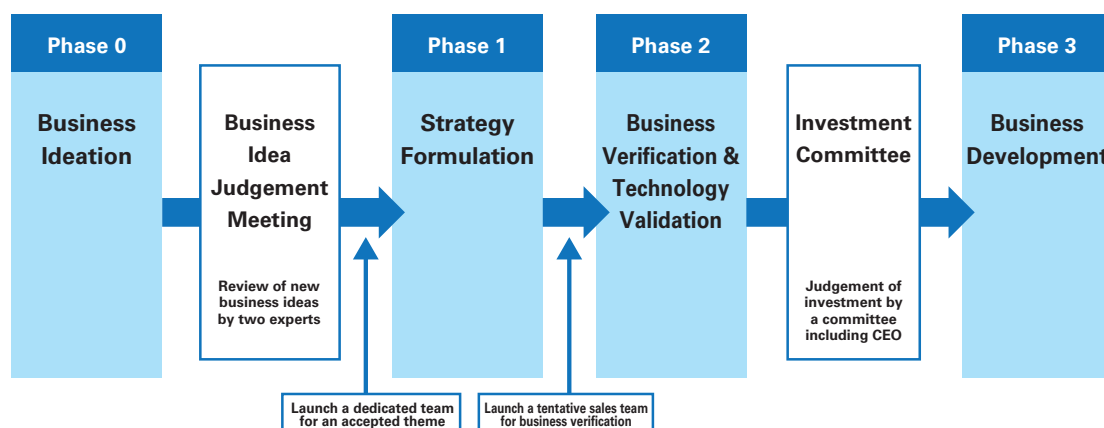
As evidenced by the many companies that fall into a dilemma, innovation is not a straightforward task. We must nurture the buds of opportunities while responding flexibly to unforeseen circumstances. However, time waits for no man. The most important thing we should do is to speed up. The Integrated Innovation Process is not a rubber-stamping process by any means, but a mechanism to accelerate innovation.

Advancing Projects Through Repeated Cycle of Strategy Formulation and Verification

— Could you give us a more detailed explanation of the process by which ideas advance to commercialization?

For example, suppose we have a theme of “remote medical consultation service” in Phase 0. At the starting point, OMRON does not need to be the subject in this context. We begin by drawing a picture of the future from the perspective of who will dominate the world of remote consultation service. Once that picture has been envisaged, we start discussing what kinds of business OMRON could develop in that space and what scale we could expect that business to achieve. In other words, in Phase 0, we draw up the big picture of the project.

Integrated Innovation Process



Then, at the first checkpoint, the Business Idea Judgement Meeting, the business potential of the project will be assessed from the perspectives of perception of social needs and scaling-up potential. Once the go-ahead is given at the Business Idea Judgement Meeting, a project team will be formed to start the strategy formulation process in Phase 1. The team will envisage issues such as deregulation and advances in medical technology that would be needed for remote consultation services, as well as the strategies of our competitors. It will then come up with concrete visions for products and services that would leverage OMRON's strengths.

Next, in Phase 2, a virtual sales force (a team that will not be given a sales quota but that will work on the ground to test whether or not the envisaged products and services would sell) will be launched and the process of business verification will commence. Concurrently with that process, the technology needed for those products and services will also be validated. For both business and technology models, if a gap emerges between strategy and reality, the teams will pivot as many times as necessary. Depending on cases, they go back to the previous phase to rework the theme or strategy.

After that process of formulation and verification has been repeated several times and prospects for commercialization have emerged, the project will then be put to the second checkpoint, the Investment Committee. This Committee will assess the project from comprehensive perspectives, including business scale, concrete strategies, and feasibility, and determine whether the project should proceed to Phase 3 for full-scale business development.

As I mentioned earlier, there are six projects in progress and one of those is an agri-automation project in China which is now proceeded to this Phase 3. In March 2020, we established a new company, OMRON Smart Agri Technologies Co., Ltd. in Shanghai, where we have embarked on the final step of validating and evaluating the project's business potential in China, while assessing the status of fresh food distribution in China.

— At which phase does President and CEO Yamada join the process?

CEO joins the process from the Investment Committee, just before Phase 3. When he takes part, one thing that CEO Yamada always asks about is "exit criteria." We need to show him specific

criteria, using concrete numbers such as "unless we achieve at least XXX yen in sales or a market share of at least XX% within X years, we will withdraw from the project." I also commit to those criteria. It may be a new business, but a certain level of discipline is essential.

— This approach of repeated trial and error is sure to nurture your personnel, isn't it?

Exactly. Looking back over the past two years in IXI, all of the team members who have been involved in the project have learned tremendous lessons by experiencing a variety of trial-and-error processes, and they have definitely experienced growth. In that respect, this innovation creation process can also be described as a human resource development process. The process is actually an innovation itself.

Having said that, creating new business with ¥3 billion or more in sales is certainly no easy task. Therefore, the project team members need to have the perceptive capacity to discern true needs and the commercial sense to scale businesses up, as well as a strong will to succeed in business, whatever it takes. OMRON needs more people like this, who are brimming with an entrepreneurial spirit

Another important point is the commitment of management. Management must be prepared to work together with front-line staff and not foist the creation of new business entirely onto them. Unlike business organizations that have a vertical structure, an innovative organization should be a flat and open network structure. Therefore, we need to approach the creation of new business as a company-wide battle.

Armed with our new weapon of the Integrated Innovation Process which combine the wisdom from across the OMRON group, even we fail, we will turn them to good account. Never giving up, we will boldly meet the challenge of innovation in the age of VUCA, with our venture spirit.

Open Innovation Initiatives



OMRON VENTURES CO., LTD.
President and CEO

Tomoko Inoue

OMRON VENTURES strives to create a new world by joining hands with entrepreneurs who seriously believe they can change the world.

OMRON believes that, to solve social issues that are becoming increasingly serious and diverse, it is important to create new business and strengthen existing businesses through open innovation that is not constrained by conventional frameworks. For this reason, in July 2014, we established our own corporate venture capital (CVC) to use investment as a means of deepening collaboration with startup companies that have creative technologies and ideas but we didn't have connections with before. That CVC is OMRON VENTURES CO., LTD (OVC).

In the six years since its establishment, OVC has invested in 15 startups. One of its earliest investments was in an agriculture-related startup, Organic nico Co., Ltd. This company's business idea and technology are currently being put to use in an agri-automation project in China, leading to the creation of a new business for OMRON.

To Collect the World's Cutting-edge Technologies

I became OVC's second President and CEO in April 2018. Under the VG2.0 Medium-Term Management Plan that began in 2017, we designated certain focus domains, including factory automation, healthcare, and social solutions and determined to accelerate innovation driven by social needs and sow the seeds for future growth through open innovation.

To achieve this, it is more important than ever that we cast our antenna across the world and continue to identify trends of cutting-edge technology and

businesses that have yet to sprout. Accordingly, in 2018, OVC made a significant change to its investment strategy. Until then, our investments had concentrated mainly on Japan, putting small amounts into startups with which our business divisions could collaborate in some way from the time of the investment. In a shift from that strategy, we decided to invest reasonably large amounts in early-stage startups that included seeds, in regions such as the United States, Europe, and Israel, where the world's cutting-edge technologies and business ideas are concentrated.

Since changing our investment strategy in 2018, we have invested in 7 startup companies in the United States, Israel, and the United Kingdom. All of these companies have unique technologies and ideas.

For example, Realtime Robotics, Inc. (United States), in which we invested in October 2019, is developing technology for real-time motion planning of industrial robots. This technology can significantly reduce the time needed to program robots' movements to avoid collisions with various obstacles, which currently takes hundreds of hours. If this technology is commercialized, there is potential for an immediate expansion in the adoption of robots. The validation of the technology is currently in progress at multiple factories. In the healthcare field, we invested in AIRx Health Inc. in the Silicon Valley in March 2020. This company is developing a unique business model for remote patient monitoring in the United States. Telehealth has attracted much attention during the COVID-19 pandemic, but it is something that patients,

doctors, and hospitals had been calling for even before the pandemic. This company's business model has the potential to change the future of healthcare.

In medical equipment in particular, it is extremely difficult for a single startup to handle the entire business from development to sales. With a system in which new technology developed by a startup can be connected to actual healthcare settings, after which a large, established company would be responsible for the scaling up of the technology, we will see the spread of the kinds of products and services that society really needs. It is my belief that it is precisely because corporate venture capital like OVC exists that innovation is generated and that more people are able to enjoy the benefits of that innovation.

Never Slow Down on Investments in Startups that Are Growing in Importance

As we have come through the COVID-19 pandemic, social issues that, until now, OMRON has identified through backcasting, have become more and more apparent. In particular, the need for labor-saving with the use of robots and remote patient monitoring is likely to accelerate. I want us to create a new world by joining hands with entrepreneurs all over the globe who see things in their own freeway, who are unencumbered by conventional practice, and who seriously believe they can change the world. In particular, in today's society that is overflowing with data, we aim to create new value by leveraging the data as an asset, to realize a world that is free from disease, a world where humans and machines work together in harmony, a world that enables optimization of an autonomous individual simultaneously with optimization of the whole. To this end, OVC will not slow down in its investment in the seeds of OMRON's future growth and continue to invest in aggressive startups.

OVC Investment Track Record

May 2015	Plant Life Systems Co., Ltd. (Japan: cultivation support systems)
Jun. 2015	3D Media Co., Ltd. (Japan: 3D recognition technology) In 2018, the company's name was changed to Kyoto Robotics Corporation.
Jul. 2015	Organic nico Co., Ltd. (Japan: production technology for organic vegetables)
Mar. 2016	Life Robotics Inc., (Japan: collaborative robot)
Oct. 2016	Exvision Corporation (Japan: high-speed vision technology)
May 2017	Vegitalia Inc. (Japan: agricultural IoT business)
Jun. 2017	Lark Technologies Inc. (United States: Health management applications for improving lifestyle habits)
Dec. 2017	mofiria Corporation (Japan: biometrics business)
Oct. 2018	De-Identification Ltd. (D-ID) (Israel: privacy protection technology for facial images)
Nov. 2018	Connected Signals, Inc. (United States: real-time, predictive traffic signal algorithms and data for vehicle use)
May 2019	Theranica Bio-Electronics Ltd. (Israel: advanced electrical neuromodulation devices for the acute treatment of migraine)
Jun. 2019	Patients Know Best Limited (UK: Health data sharing system)
Oct. 2019	Realtime Robotics, Inc. (United States: Real-time motion planning technology for industrial robots)
Mar. 2020	Avails Medical, Inc. (United States: Devices for use in antibiotic susceptibility testing)
Mar. 2020	AIRx Health Inc. (United States: Remote patient monitoring)

interview



Peter Howard
CEO, Realtime Robotics, Inc.

Realtime Robotics, Inc. aims to become the cornerstone of a wave of robotics automation by providing innovative technologies that will become the "common core" that will dramatically simplify robotics application and reduce their costs. OMRON is one of the world's top automation companies and has wonderful product lines that complement our products and vision.

OMRON VENTURES CO., LTD. has a good understanding of our value proposition and provides the support that will allow us to build the appropriate connections that we need in OMRON. Going forward, we will continue to work closely with OMRON VENTURES to realize our vision.



Vijay Rajasekhar
CEO, AIRx Health Inc.

AIRx Health Inc. is creating a scalable measure for health teams to triage (prioritize according to risk) and manage the health status of high-risk patients, including those with chronic diseases and novel coronavirus infections. By linking OMRON's medical devices with AIRx Health's software and remote consultation platforms, medical teams can dramatically improve medical outcomes with remote patient monitoring (RPM). We were impressed by OMRON VENTURES' enthusiasm and the speed of their decision making, which is on a par with that of prominent venture capital firms in Silicon Valley. We look forward to working with OMRON VENTURES to realize our common vision of improving the health of our several millions of patients around the world.

open innovation

Strengthening Technology Management

To enhance its ability to bring innovation driven by social needs, OMRON has been engaged in strengthening core technologies, accelerating innovation, and strengthening intellectual property. This section highlights some of the progress made in fiscal 2019.

Strengthening Core Technologies

In fiscal 2019, we worked on creating new technologies, acquiring cutting-edge technologies through the corporate venture capital OVC, and implementing cutting-edge technologies in society through our business activities.

Creating new technologies

OMRON developed the decentralized learning technology Decentralized X that enhances the performance of artificial intelligence (AI) by integrating multiple machine learning models rather than aggregating field data in one place (November 2019)

Acquiring cutting-edge technologies through OVC [P57](#) →

Implementing cutting-edge technologies in society through our business activities

- Industrial Automation Business: Launched the industry's first image processing system with defect extraction AI, which reproduces human sensibility and expert experience (June 2020)
- Social Systems, Solutions and Service Business: Initiated demonstration trials of a station guidance robot featuring voice-interactive AI engine that supports four languages (Japanese, English, Chinese, and Korean) (September 2019)
- Healthcare Business: Launched the world's first blood pressure monitor with an electrocardiograph (ECG) that enables users to monitor ECG data easily at home in the United States (May 2019)

Accelerating Innovation

IXI has been exploring new business models and is working on six business verification and development projects as of July 2020.

Major commercialization verification projects

- Project under a partnership agreement with Oita Prefecture to provide long-term care prevention services for the elderly (business verification phase)
- Organic tomato agri-automation project in China (business development phase)

Strengthening Intellectual Property

OMRON has been engaged in intellectual property activities based on its business, technology, and intellectual property strategies. In fiscal 2019, we continued to work on "Patent Dojo" and Invention Reward System to enhance the ability of our engineers to apply for patents. These efforts have led to an increase in the number of patents held by OMRON and recognition from external organizations.

Number of patents held

- 10,087 (increased by 305 from the previous fiscal year)

External recognition

- OMRON was selected for the fourth consecutive year as a Top 100 Global Innovator, an award recognizing the best 100 innovative companies and research institutes
- OMRON ranked 1st for the number of national patent applications for technology using AI in production plant management (survey by NeoTechnology, Inc.)

Example of Accelerating Innovation: Agri-automation Project

In recent years, China has seen rising health awareness and changes in food preferences. This resulted in a rapid increase in demand for fresh and delicious raw vegetables that are safe to eat. Organic or low-pesticide cultivation in a greenhouse is the best way of producing vegetables that are delicious and safe. However, this requires advanced farming skills and experience, such as careful temperature and humidity control, and measures against diseases and pests.

OMRON has developed an Agricultural Cultivation Support Service that uses information and communication technology (ICT) to visualize data on the growth of vegetables and their growing environment, including temperature, humidity, and hours of sunlight. The service also provides Alert and Recommend functions, as necessary.

The Agricultural Cultivation Support Service offers assistance based on scientific evidence at each step of the farming process, from raising seedlings, planting, and cultivation to shipment, thus enabling farmers to produce high-quality vegetables. In addition, process management and traceability are ensured through data accumulation, making it easier for producers to assure consumers of safety and security.

We are currently conducting demonstration trials in eight regions of China in collaboration with agricultural corporations, food manufacturers, and the agricultural sector of the Chinese government, with the aim of fully commercializing the service.

Human Resources Management

Corresponding
SDGs



Employees are the most critical element to promote OMRON Principles Management. As employees supporting the growth of OMRON, we enjoy our work and commit to building an attractive company that accepts the challenge of creating social needs that solve social issues.

We create and evolve conditions where the company and its employees can grow together.

OMRON Principles Unleash the Passion of Employees

Our goal is to solve social issues through business by creating and evolving a working environment where the company and its employees can grow together. In an employee- or people-oriented manner, it can be put otherwise as follows: if employees can unleash and exercise their abilities and passions to the fullest, we will be able to solve more social issues and ensure that OMRON and its employees can grow together.

To this end, OMRON emphasizes “resonant management,” which focuses on how we can share the OMRON Principles with each and every employee and create resonance. It is important to work as a team to address social issues.

There are limits to what you can do alone, but a team can solve bigger social issues. Every team needs a purpose. OMRON has a clear purpose; putting the OMRON Principles into practice. Our ideal organization is a group of teams formed of individuals sympathetic to the Principles to solve social issues in a self-motivated manner.

Each team must include people with diverse specialties and experiences and a leader who bring the team together. Each team member needs to refine and increase his or her specialty skills, and the team leader is expected to combine the diverse skills of members to lead the team to success and improve the team’s ability.



Senior General Manager,
Global Human Resources and
Administration HQ

Masahiko Tomita

Progress and Issues in VG2.0 Human Resources Strategies

To achieve the goals set in the VG2.0, OMRON focused the most on fostering global leaders and empowering diverse talent in its human resources strategies.

For cultivating global leaders, we have pursued the Global Core Positions and Core Human Resources Strategies. The Global Core Positions were established as the most important position to lead OMRON’s sustainable growth and business model transformation. Qualified future leaders are assigned to this position at the right time. In addition, we have discovered talent with the potential to assume the position in the future and foster successors to enhance our pipeline. In particular, we have been focusing on the recruitment of local human resources and producing a steady flow of results. Social issues, places where we solve them, and partners with whom we work together are has globalized. With the increasing importance of local perceptions and prompt decision making, it will be our greatest strength that the local talent who have grown, learned, and worked there takes the core positions. Consequently, the ratio of non-Japanese in managerial positions overseas, which accounts for approximately one third of the Global Core Positions, has increased significantly from 49% in fiscal 2017, when VG2.0 began, to 70% in fiscal 2019.

As for the empowerment of diverse human resources, at the inception of the VG2.0, we identified requirements for human resources needed to execute the strategies and combined hiring and internal development processes to deploy a diverse range of talent with unprecedented capabilities and experience on a global basis. In Japan, the mass recruiting of new graduates has been very common. At OMRON, the number of hiring career employees exceeded that of new graduates in the 3 years from fiscal 2017 to fiscal 2019. Career employees have quite diverse capabilities and experience. The collaboration among career workers or between existing employees and other employees leads to innovation. With the OMRON Principles as the starting point of the collaboration, diverse capabilities, experiences, and views are intermingled to bring innovation and solve social issues. In this way, our Diversity & Inclusion efforts have made good progress.

However, new issues have emerged. Until now, we have focused on increasing the number of diverse employees. The next step is to further enhance the capabilities of individuals. We are taking on the challenge of visualizing and connecting diverse capabilities on a global scale.

Next Challenge Accelerated by COVID-19

We feel that COVID-19 has greatly pushed the clock forward as a driver of social change. From the perspective of human resources management, while the dualistic question is asked whether we should work from home or at office, COVID-19 provided an opportunity to think about the advantages of face-to-face communication and the role of an office. A more significant implication of COVID-19 is that leaders and specialties who are the most eligible for the purpose in each case but scattered around the globe can form the best team in a flexible combination of remote and face-to-face communications across countries and regions. We realized the possibility of creating greater value and communications timely and faster.

To this end, OMRON will remain committed to fostering global leaders and empowering diverse human resources. To build best teams with global members more quickly and flexibly, we will promote the recruitment and internal development of strong global leaders who can practice the OMRON Principles and deliver results, as well as specialists with more advanced skills and abundant experience.

In addition, we are working on introducing the Global Human Resources Management System (G-HRMS) in order to centralize and visualize human resources information. The G-HRMS will be put into operation on a step-by-step basis in fiscal 2021 and will be able to list human resources information scattered all over the world in fiscal 2022. This will enable us to assign the right people to the right positions on a global scale. Employees will be able to have an opportunity for diverse work experience across countries and regions. Visualizing their capabilities and experience gained will lead to further career advancement.

To provide a basis on which each and every employee can display their abilities to the fullest, we continue to work on ensuring the health and human rights of all people working at OMRON and the safety of workplaces. This is exactly the practice of the OMRON Principles by Human Resources division. This is also the realization of one of Our Values, "Respect for All," and is the role undertaken by human resources division.

We are responsible for promoting the advancement of OMRON's employees and organizations throughout the Group and are committed to solving social issues through our business. We will continue to create and evolve conditions where the Company and its employees can grow together.

Key Initiatives for VG2.0 Human Resources Strategies

Management	Ideal Conditions	Major Initiatives to Date
Fostering Global Leaders	The right people with adequate qualifications and capabilities are assigned to managerial positions, and an adequate successor pipeline is in place to sustain the conditions	<ul style="list-style-type: none"> Succession plans have been developed and implemented to assign the right people to the right Global Core Positions The assignment of local human resources to the Global Core Positions has been promoted to make prompt decisions based on local perceptions (ratio of non-Japanese > 70%) Appointment to regional managerial positions has been promoted, and the effort to discover and foster next-generation management personnel on a global basis has also been accelerated
Empowering of Diverse Human Resources	Employees with diverse skills and experience play an active role, collaborate, and create new values	<ul style="list-style-type: none"> Diverse talent has been recruited on a global scale to expand diversity (number of new hires between FY2017 and FY2019: 867 persons) Recruitment methods have been devised globally (e.g., expanding direct recruitment). Post-hire training programs have been standardized globally The empowerment of women has been promoted in Japan (ratio of women in managerial roles increased from 3.3% in 2017 to 5.9%* in April 2020*)
Encourage Self-motivated Employees	Employees always work to increase their motivation and improve skills to achieve results that are a source of competitiveness	<ul style="list-style-type: none"> In Japan, a total of 97 employees (2017-2019) took advantage of an open recruitment and an application system intended to encourage self-motivated career development Retention and engagement have been improved by visualizing career paths and publishing and posting vacant positions Region-specific enlightening programs concerning leadership, management, skills for each job category, etc. have been provided
Visualize Human Resources and Organization	G-HRMS is in place to visualize human resources and ensure that the right people are assigned to the right positions at the right time	<ul style="list-style-type: none"> G-HRMS has been put in place to visualize the abilities, experience, and skills of employees An employee engagement survey has been conducted to find out what employees really think and thereby visualize the state of workplace and organization To managers, 360 degree feedback has been provided
Practice the OMRON Principles	The OMRON Principles serve as the Company's unifying and driving force	<ul style="list-style-type: none"> The circle of resonance has been expanded through the advancement of TOGA for practicing the OMRON Principles (advancement of "externalization," "walk the talk," and "resonance") The circle of resonance has been expanded outside the Company to create even greater value with external partners that cannot be achieved internally

* As of April 20, 2020. In the domestic OMRON group, the number of women in managerial positions ratio.

★ Indicates independent assurance performed by a third party. [P103](#) →

Global Core Positions and Core Human Resources Strategies

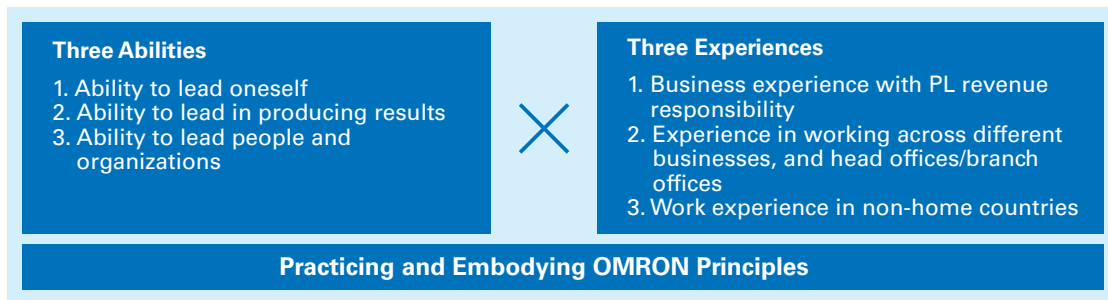
Global Core Positions

The Global Core Positions are the most important executive positions that lead the OMRON Group's management and business. Currently, approximately 200 positions are in place globally, and a person suited to the role of each position is assigned. As a rule, a person assuming the position must be a division director or higher level administrator, although it depends on the size of the organization to which such a person belongs.

Three Abilities and Three Experiences Required for All Core Human Resources

OMRON has established requirements of abilities and experiences for core human resources taking the Global Core Positions. In addition to the specialties and other requirements for each core position, three abilities and three experiences are required as common requirements to drive OMRON's management and business. The foundation for this concept is the practice and embodiment of the OMRON Principles.

Three Abilities and Three Experiences Required for All Core Human Resources



System to Assign the Right People to the Right Global Core Positions on an Ongoing Basis

In order to assign the right people to the right Global Core Positions on an ongoing basis, we operate a system to discover and foster next-generation management human resources.

● Deploy Human Resources to Global Core Positions

Led by the Global Human Resources and Administration HQ, which oversees human resources as a head office division, candidates for placement in Global Core Positions are listed through discussions with related divisions and management. The President and CEO finalizes the selection and assignment.

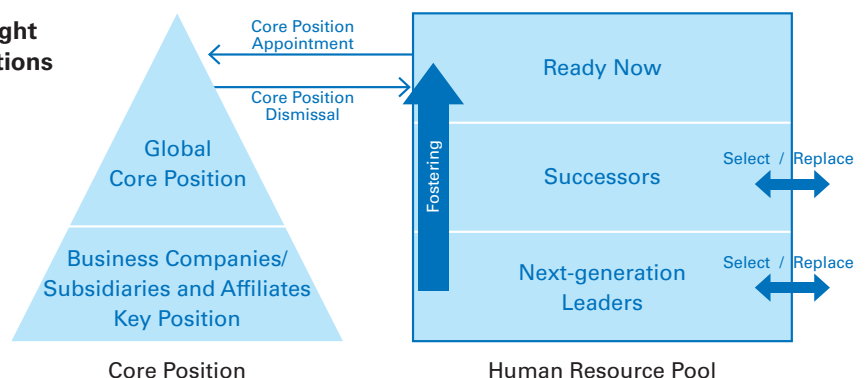
● Develop and Implement Succession Plans

A person assuming a core position is responsible for selecting and fostering his or her successor candidates. Approximately 400 successors have been selected and trained by management and core position incumbents.

● Discover and Foster Next-generation Leaders

Most of the successor candidates for next-generation leaders are selected from employees under the age of 35. This is because we believe that it is difficult for them to gain all of the three experiences after being appointed as a successor or assigned to a key position. In addition to employees meeting all of the requirements of three abilities, the next-generation leaders include individuals recommended by several core position incumbents. We have selected approximately 200 next-generation leaders and cultivate them by providing opportunities to accumulate the three experiences with a focus on stretch assignments. We intend to foster leaders who can discover and solve issues on their own. In addition, we support their growth by holding dialog sessions in which management and core position incumbents act as mentors to the future leaders and through educational programs to acquire management literacy.

Overview of System to Assign the Right People to the Right Global Core Positions on an Ongoing Basis

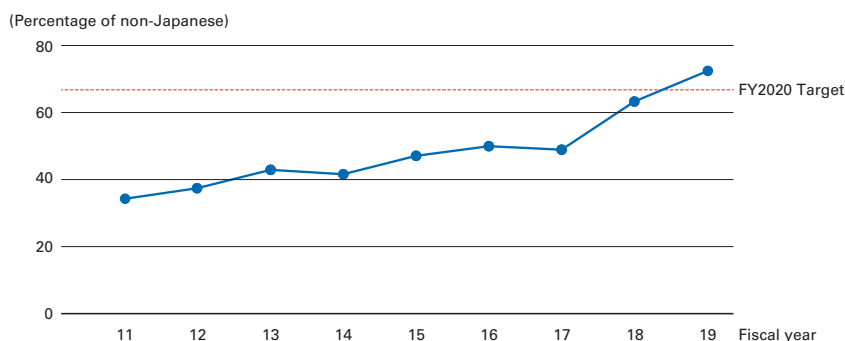


Results of Global Core Positions and Core Human Resources Strategies

The Global Core Positions and Core Human Resources Strategies has enabled us to assign the right people to approximately 200 Global Core Positions on an ongoing basis.

The ratio of non-Japanese in core positions overseas, on which we have focused since fiscal 2017, reached 70% in fiscal 2019, exceeding the fiscal 2020 target of 66% one year ahead of schedule. The number of non-Japanese Executive Officers increased from one person in April 2011 to four persons in April 2020.

Changes in the ratio of non-Japanese in core positions overseas*



FY2019 Results

70%

In 1995, I joined OMRON as a production control manager at a factory of Electronic and Mechanical Components Company (OMR) in Shanghai, China. After that, I worked on business supervision and management planning. In 2013, I became the President of OMR. In 2017, I had charge of manufacturing innovation in China at the Head Office as an Executive Officer of OMRON. In April 2020, I was appointed President of OMRON (CHINA) CO., LTD. (OMCC), the regional headquarters for the Greater China region.

This diverse experience has been a great asset for me in considering what I should do as the President of the regional headquarters for the Greater China region. In particular, I gained a broad perspective through opportunities to engage in dialogue with customers and the OMRON management team during my time as the

President of OMR and during training sessions for selected employees. Through work experience at OMR, I acquired a sense of agility and business acumen. At the Head Office, I grasped the issues in manufacturing, business management, and human resource development in China from a comprehensive perspective.

As the OMCC's first President from China, I will make use of these experiences to expand the circle of resonance of practicing the OMRON Principles among OMRON's employees and society in China. China has grown significantly over the past decade and has faced enormous social issues. In addition, the recent COVID-19 pandemic brought about a major change in the way people work. We are committed to fulfilling our functions as a regional headquarters, supporting OMRON's businesses in responding to China's speed, whereby contributing to the development of Chinese society.

We will inherit the OMRON Principles and OMRON's DNA, and develop talent for successors capable of conducting business operations rooted in China, from a comprehensive perspective encompassing not only Greater China but also the entire territory of the OMRON Group.



Executive Officer
President, OMRON (CHINA)
Jian Xu

* "Core positions overseas" is synonymous with the disclosed "managerial positions overseas."

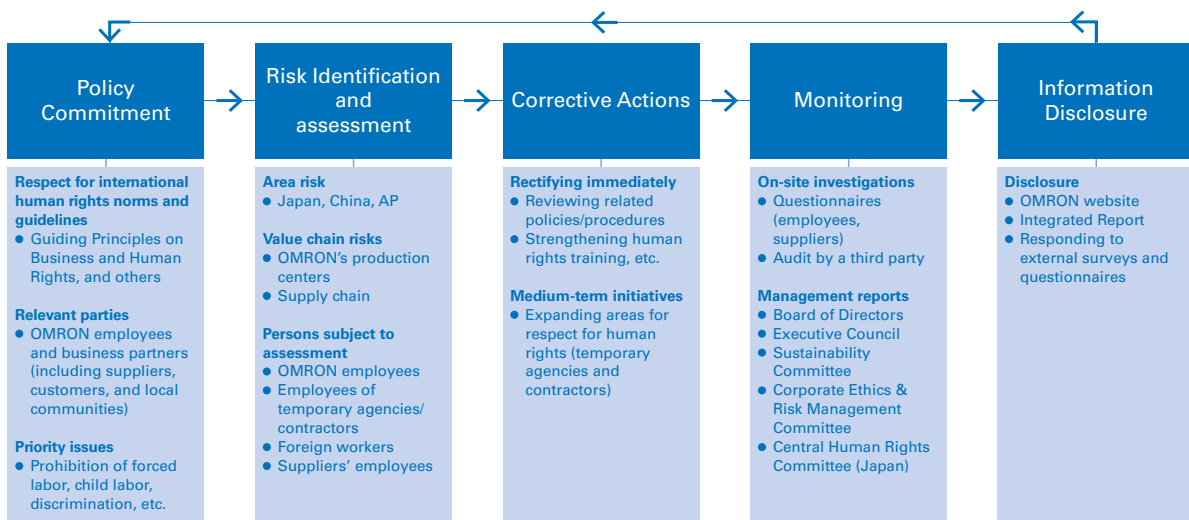
Respect for Human Rights

As declared in the OMRON Principles, Our Values include Respect for All. In our view, Respect for All is the value that underlies all of our activities, including respect for human diversity, personality, and individuality, as well as the pursuit of a decent life and work. We believe that acting with integrity in our dealings with people at all times will lead to increased trust from society and the Company's existence.

Human Rights Policies in Line with International Norms and Guidelines

OMRON has formulated the Sustainable Conduct Policies which sets forth environmental and social issues to be addressed by OMRON and policies for dealing with the issues, with reference to international norms and guidelines such as the International Bill of Human Rights. The Sustainable Conduct Policies declares that we will respect the fundamental human rights of individuals and will not engage in discrimination or human rights violations for any reason. To this end, we respect the United Nations Guiding Principles on Business and Human Rights, establish procedures for identifying, preventing, mitigating, and rectifying negative impacts on human rights, and strengthen efforts to fulfill our corporate responsibility to respect human rights on a company-wide basis.

Due Diligence Process for Human Rights



Respecting Human Rights of All People Working for OMRON

OMRON works to ensure that the human rights of all people working at its business offices are always respected. In fiscal 2019, we revised our human rights policies and decided to exert an influence on business partners involved in our business.

To protect the human rights of all people working on our company premises, in fiscal 2019, we began providing the employees of contractors undertaking production, development, in-house logistics, security, food service, cleaning, and other services and working at our business sites in Japan with access equivalent to that provided to OMRON employees to human rights training opportunities as well as to an whistleblowing system and other relief measures.

Human Rights Initiatives During COVID-19 Pandemic

The spread of COVID-19 has brought about an unprecedented and growing interest in corporate initiatives for human rights issues such as the safety and health of employees, including suppliers. OMRON is addressing the negative impacts of COVID-19 on human rights.

Consultation Desk for COVID-19

We have set up a consultation desk at each business site in Japan for general consultations on concerns of individuals regarding the recent spread of COVID-19. We also provide consultation through whistleblowing system with due consideration of privacy protection. These two contact points are available not only to our full-time employees but also to temporary employees, part-time employees, and employees of contractors.

The OMRON Global Awards (TOGA)

OMRON pursues the goal of improving society by solving social issues through our business based on the OMRON Principles. TOGA initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the entire Group across the world to ensure that all employees are aware of, and understand, the Principles, which are the source of OMRON’s strength, and to expand the circle of empathy and resonance.

Highlights of TOGA Program

TOGA encourages employees to set their own goals for solving social issues to help them experience the connection between their work and the OMRON Principles, with the aim of fostering a culture of ongoing aspirations to put the OMRON Principles into practice. We share and publicly praise the OMRON Principles practiced in everyday work and workplaces, expanding the circle of empathy and resonance in practicing the OMRON Principles. TOGA program is ongoing throughout the year. Thirteen teams that pass preliminary selections from our organizations around the world are invited to come to Kyoto to present their initiatives for practicing the OMRON Principles at the OMRON Global Meet on May 10th, the OMRON Group Founder’s Day. These teams bring back news of how other team initiatives were received to their local workplaces, sharing their experiences with their co-workers and expanding the circle of empathy and resonance throughout the world.

TOGA Process

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

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

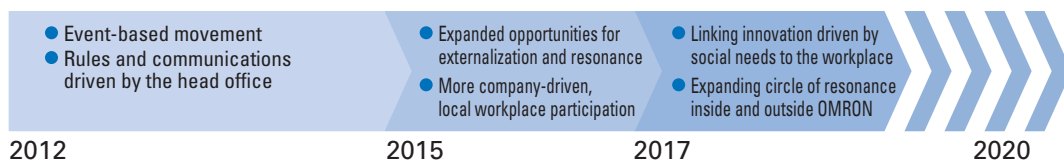


TOGA Evolution

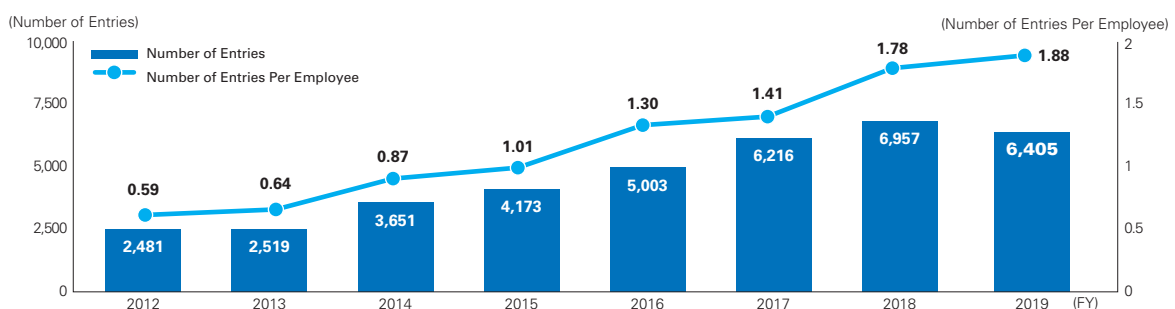
In fiscal 2019, TOGA drew a total of 6,405 entries from around the world. The total number of entries decreased due to the transfer of the Automotive Electronic Components Business, but the number of entries per employee has continued to increase each year. TOGA has taken root as a process to share and recognize voluntary employee initiatives in practicing the OMRON Principles. For further innovation driven by social needs, we continue to practice the Principles across departments and in cooperation with external partners.

The circle of empathy and resonance that originates from TOGA now involves people outside OMRON as well, and has led to new innovation driven by social needs. A typical example is the “Promoting Metabolic Management Centers (MMCs)” in China, which received the Gold Award in fiscal 2017. Details of this example are introduced on the following page.

TOGA Evolution



Number of TOGA Entries and Entries Per Employee



Example of Putting the OMRON Principles into Practice

Medical Treatment Innovation Offers Unified Patient Administration: Establishing the Metabolic Management Center (MMC)

(Fiscal 2017 Gold Award, China)

In China, the number of patients with diabetes has increased rapidly as a result of improvements in living standards and is said to have exceeded 110 million. Diabetes is a serious disease that can lead to various complications such as liver diseases, neurological diseases, visual impairments, and a range of other complications. In China, patients who develop complications need to visit several different hospitals and clinical departments for each symptom. This has placed a considerable burden on patients and the lack of access to proper medical care has become a social issue.

To address this issue, a team led by Zhenjie Li of OMRON MEDICAL (BEIJING) Co., Ltd. has worked to establish the Metabolic Management Center (MMC) that enables one-stop management of patient information by doctors, so that patients can receive the optimal care for complications. However, clinical departments in China were vertically segmented so that it was difficult to even share each patient information. There was no environment to receive one-stop medical treatment.

To change this situation, Li and his team members attended almost 100 conferences in a year and explained the importance of MMC. As a result of this effort, the team gained the understanding and support for the MMC of doctors from different clinical departments attending those conferences, as well as the Chinese government, ophthalmology testing equipment companies, pharmaceutical companies, and medical IT companies, among others. In 2016, MMC equipped with blood pressure monitors, arteriosclerosis measuring devices, ophthalmologic diagnostic equipment, testing kits, and other test devices to treat complications of diabetes was introduced at a hospital for the first time.

Since then, MMC has quickly spread across China's provinces and regions. Now, a total of 484 hospitals have set up the MMC. More than 950 hospitals intend to adopt the system. The circle of resonance for the MMC has been expanding even further. The first MMC Health Convenience Store, offering easy access and a seamless connection between home and healthcare, opened at a major pharmacy chain located in the heart of Shanghai, China. The MMC Health Convenience Store is equipped with latest medical facilities such as MMC and iHEC.* It allows patients to receive advanced medical examinations including arteriosclerosis tests and fundusoscopic examinations at local pharmacies which were previously available only in hospitals. For those who continue to visit the store and register as a member, we will share each person's ID and medical data with medical institutions operating MMC or iHEC so that patients with diabetes can receive drugs prescribed based on their medical records, without visiting hospitals. This MMC Health Convenience Store is expected to open another 30 stores by the end of 2020.

The circle of resonance for OMRON's efforts to contribute to the healthy lives of people in China continues to grow. We are confident that the service will contribute to achieving our goal of "zero cerebrovascular and cardiovascular events" by getting more actively involved in the treatment of hypertension and intervening before events such as stroke occur.

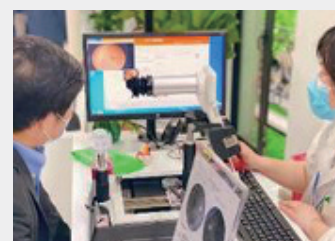
Going forward, we will continue with our challenge of expanding our collaboration to include more healthcare partners and becoming a service model that serves as a driving force for OMRON Healthcare's remote consultation service initiatives.



Zhenjie Li of OMRON MEDICAL (BEIJING) Co., Ltd.



Major pharmacy chain in Shanghai housing the MMC Convenience Store



Receiving medical examination at the MMC Convenience Store

* iHEC: intelligent Hypertension Excellence Center. The Center collects and analyzes data from various healthcare devices on a cloud-based platform and uses the results to provide guidance from hypertension specialists and doctors.



Disclosure of Climate Change-Related Information based on TCFD*1

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

Governance

OMRON has designated response to climate change as one of its key sustainability issues under its medium-term management plan. We are carrying out specific initiatives in accordance with annual targets and plans approved by the Sustainability Committee and the Executive Council. These initiatives are monitored and supervised by the Board of Directors, based on reports on their content and progress. Part of the medium-to-long-term, performance-linked compensation for internal directors and executive officers incorporates evaluations based on sustainability indicators evaluated by third parties.

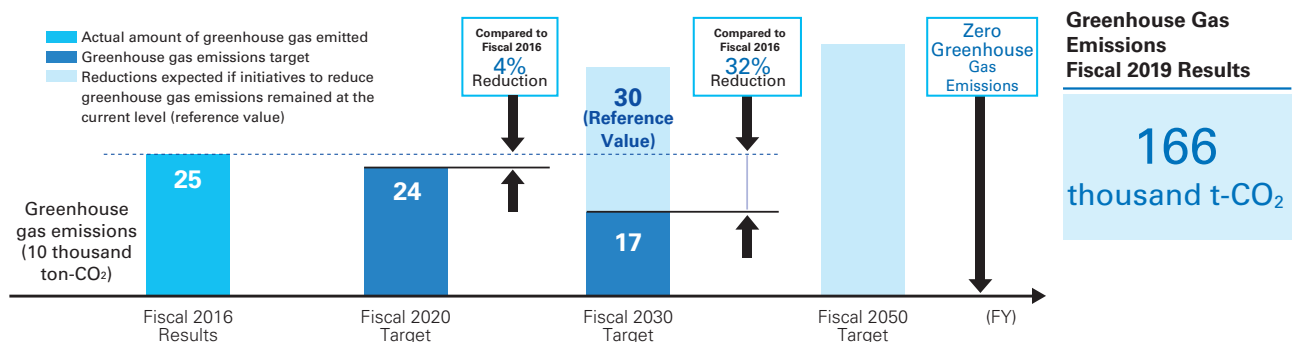
Risk Management

Under its integrated management structure, OMRON manages risks that have a significant impact on management and finances as key management risks. We also analyze climate change risks as part of our integrated risk management. We collect and analyze a wide range of information on risk factors such as regulations relating to climate change and their impact on business, by conducting audits of environmental legal compliance assessment globally, assessing vulnerability of each site to natural disasters (flooding, torrential rain, water shortages, etc.) which are expected to increase in scale and frequency as a result of climate change, and making preparations for business continuity.

Indicators and Targets

OMRON has designated greenhouse gas emissions as an indicator for climate change, and has set OMRON Carbon Zero with the goal of reducing greenhouse gas emissions to zero by fiscal 2050. Using the Scope 1 and 2 greenhouse gas emissions quantities of fiscal 2016 as a baseline, we backcast from fiscal 2050 to set reduction targets for fiscal 2030 and fiscal 2020.*2 A target for Scope 3 is also under consideration.

Under OMRON Carbon Zero, we are targeting a 32% reduction in greenhouse gas emissions by fiscal 2030, compared to fiscal 2016. This represents a reduction of approximately 300 thousand t-CO₂ (reference value) by fiscal 2030 from the reductions expected if initiatives to reduce greenhouse gas emissions remained at the current level. If a carbon tax were to be introduced by 2030 in the countries where OMRON operates,*3 the financial impact of reducing greenhouse gas emissions is estimated to be between ¥0.99 billion and ¥3.3 billion.*4



In fiscal 2019, we reduced greenhouse gas emissions to 166 thousand t-CO₂, a 34% reduction compared to fiscal 2016. This was achieved by continuing to procure renewable energy-derived electricity in Japan, which we started to do in fiscal 2018, in addition to promoting energy conservation measures at each site, and installing a new PV inverter system. OMRON will continue its efforts to reduce greenhouse gas emissions, aiming to reduce the emissions to zero by 2050.

*1: TCFD (Task Force on Climate-related Financial Disclosures): Task force to develop recommendations for climate-related financial disclosures established by the Financial Stability Board (FSB), an international body committed to the stabilization of financial systems.

*2: Greenhouse gas emissions calculated from sales forecasts, including the Automotive Electronic Components Business (AEC) that was sold off in October 2019. In considering targets to align with the SBT criteria in fiscal 2017, we set 2016, the year of the latest values, as the reference year. (SBT: Science Based Targets. Science-based, medium- to long-term targets for reducing greenhouse gases.)

*3: Assumes the inclusion of the United States, Brazil, and EU countries in addition to Japan, China, Indonesia, and other Southeast Asian countries where OMRON's sites are based.

*4: Assumes a unit charge for carbon tax of USD30 to USD110. Converted at the rate of JPY110 = USD1) Source: Carbon Pricing Corridors - The Market View 2018, CDP

Strategy: Scenario Analysis

OMRON began analyzing scenarios from the Social Solutions domain, which offers energy generation, energy storage, and energy conservation products and services to help customers maximize their energy efficiency.

We identified and organized risks and opportunities based on two scenarios as announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency, and others: one assuming a rise in global average temperature of 4°C or more, and the other assuming that the increase in global average temperature was kept to below 2°C (1.5°C in some cases) as agreed under the Paris Agreement. As a result, we reaffirmed the need to promote the widespread use of renewable energy to contribute to solving the climate change issue.

Going forward, we will evaluate the impact for each scenario, and also carry out scenario analysis in other domains, to use the results in formulating our next long-term vision.

Scenario Analysis Conducted in the Environmental Solutions Business of the Social Solutions Domain

● Assumed period: Fiscal 2030

● Scenario adopted:

- IPCC/RCP8.5 (a rise in global average temperature of 4°C or more above pre-industrial level)
- IEA/SDS (in part, IPCC/SR1.5) (increase in global average temperature kept to below 2°C (1.5°C in some cases))

	Risks and opportunities identified in the scenario analysis	OMRON's response to the risks and opportunities identified
Migration risks	<ul style="list-style-type: none"> ● Increase in business costs (introduction of carbon tax, emissions trading, etc.) as a result of complying with climate change regulations ● Intensifying competition due to entries from other industries and by overseas companies, changes in customer needs, etc. ● Increase in business costs due to circular economy regulations (making it mandatory to provide repairable products), which are expected to accelerate with climate change response 	<ul style="list-style-type: none"> ● Systematic promotion of energy conservation and renewable energy (introduction of high-efficiency air-conditioning equipment, expansion of in-house renewable energy-based power generation, purchase of Renewable Energy Certificates, etc.) ● Development of products and services that help reduce greenhouse gas emissions ● Review of products planning and design, etc.
Physical risks	<ul style="list-style-type: none"> ● Disruption of the supply chain due to increased severity of natural disasters (flooding, torrential rain, water shortages, etc.) ● Increase in operating costs for air conditioning and cooling systems due to higher average temperatures 	<ul style="list-style-type: none"> ● Measures for Business Continuity Planning (BCP) (decentralization of material suppliers, production sites, etc.) ● Introduction of in-house renewable energy-based power generation ● Avoid procuring electricity from the power grid during high-load periods when unit prices are high by combining storage batteries with supply/demand control technologies
Opportunities	<ul style="list-style-type: none"> ● Expansion of renewable energy, energy storage and energy management markets due to rapid progress of decarbonization in energy supply and consumption processes <ul style="list-style-type: none"> • Companies and local governments: Accelerated adoption of renewable energy and energy storage systems, which are distributed power sources, due to increasing demand for decarbonization and disaster prevention • General households: Increased popularity of self-generation, storage and consumption of electricity ● Advancement in energy management that can solve electricity supply/demand balance issues associated with the spread of renewable energy ● Promotion of green recovery (economic stimulus measures and environmental conservation) in response to the impact of COVID-19 	<ul style="list-style-type: none"> ● Expanded sales of PV inverters and storage batteries, capturing the growing demand for renewable energy and energy storage at companies, homes, and local governments ● Establishment of an energy management business using solar power and storage batteries ● Study of new business development in anticipation of advances in the circular economy ● Attracting ESG investment and enhancing the added value of our products through proactive response to climate change and the circular economy

* Risks and opportunities detailed above include not only those related to the Environmental Solutions Business, but also those related to the entire company.

Comment from an Employee Who Took Part in the Scenario Analysis

This initiative made me realize that climate change is a major issue for human survival, and for companies that do not work to solve this issue, the value of their existence will be called into question. We will continue to work to create products and services to realize a society that can make more effective use of renewable energy, which is regarded as the most promising solution.



Energy Solutions Business HQ, OMRON SOCIAL SOLUTIONS

Tatsuya Komamine

Message from the Chairman



For Value Creation Across the Future OMRON's Ever-Evolving, Unique Governance

September 2020
Chairman

Fumio Tateishi

Over the years, OMRON's corporate governance has continued to evolve based on the OMRON Principles. In fiscal 2015, OMRON introduced board of directors evaluations to further improve the effectiveness of the Board of Directors. It is especially in uncertain times that the Board of Directors is called on to be its most effective. We asked Chairman of OMRON, Fumio Tateishi, about how effective the Board of Directors has been, citing specific examples.

(Interviewer: Integrated Report Production Team)

— Editor (in bold): OMRON has been working to build and reinforce its governance systems since the 1990s, when corporate governance was still in its early stages in Japan. Could you tell us about how OMRON's Board of Directors has evolved through those efforts?

The history of OMRON's governance began in 1996, when Nobuo Tateishi, the then Chairman of OMRON, participated as Japan's representative in a business advisory group of the Organisation for Economic Co-operation and Development (OECD). From the OECD's activities, he came to recognize the importance of governance and the need for Japanese companies to introduce corporate governance. Holding to the adage, "start with the first step," OMRON established its Management Personnel Advisory Committee (today's Personnel Advisory Committee) in 1996. In 1999, it cut the number of directors from 30 to 7 and introduced an executive officer system at the same time. These were quite advanced initiatives at that time in Japan.

Subsequently, outside directors were brought onto the Board in 2001 and the positions of Chairman of the Board of Directors and CEO were separated in 2003. That same year, the Compensation Advisory Committee was established, followed by the CEO Selection Advisory Committee in 2006 and the Corporate Governance Committee in 2008. A process of evaluating the Board of Directors was introduced in 2015 to evaluate the effectiveness of the Board, and executive directors (excluding the Chairman of the Board) were abolished in 2017 to enhance the oversight functions of the Board. In this way, for the past quarter of a century, OMRON has been improving the Board of Directors' effectiveness, step by step.

One of the most unique features of OMRON's corporate governance framework is that the CEO is not a member of any of the advisory committees. Further, all advisory committees are chaired by outside directors, which ensures a high degree of transparency, objectivity, and effectiveness. For example, to realize both effectiveness and objectivity, the Board evaluation process, which was introduced in fiscal 2015, is carried out by the Corporate Governance Committee, which is chaired by an outside director and whose five members are all outside directors and outside members of the Audit & Supervisory Board.

In this process, the outcomes of the evaluation of the Board's operations are analyzed every fiscal year, and, based on the analysis, operational policies and important themes for the following

year are decided.

In this way, as well as building up our corporate governance framework step by step, most recently, we have been improving the Board's effectiveness by rotating the PDCA cycle of this Board of Directors evaluation process.

— In fiscal 2019, the Board of Directors, which has led the evolution of the corporate governance system over the past 25 years, came to deliberate on a major proposal to transfer one of our main businesses, the Automotive Electronic Components Business (AEC), to Nidec Corporation. There must have been several hurdles in the process that led to the final decision. What were the deliberations like?

OMRON has positioned corporate governance as the mechanism by which management based on the OMRON Principles will be accelerated and corporate value will be enhanced over the long term. Since the Board of Directors evaluation process was introduced, our aim has been to turn the Board of Directors into something akin to a "monitoring board," one that focuses on the discussion of key medium- and long-term issues. In fact, 70% of the Board's agenda is now given over to topics that concern medium- and long-term strategies. This is why the Board of Directors also deliberated on the AEC from short-, medium-, and long-term perspectives.

As symbolized by EVs (electric vehicles) and ADASs (Advanced Driver-Assistance Systems), the automotive electronic components market is entering a once-in-a-century period of great transformation.

The Board of Directors refrained from making short-sighted assessments about the transfer of the AEC, and instead deliberated on the matter from mid- and long-term perspectives based on the OMRON Principles before reaching a determination. My view is that we were able to achieve this precisely because the three conditions needed to achieve it were in place. Those three conditions were management based on the OMRON Principles, underpinned by the OMRON Corporate Motto established by the founder in 1959, management based on our long-term vision that has been reviewed every 10 years since 1991, and the strengthening of our corporate governance over the past 25 years.

In the process of these deliberations, the matter was considered from many different angles, and the Directors raised various questions, such as whether we really ought to be selling off a business

whose earnings are on a par with the industry average, and whether, even if we did sell it, should we sell off the entire business, which could provide a foothold into growth areas such as EVs and ADAS.

In making a final decision, we debated the matter multiple times from three different points. Specifically, the first point was whether OMRON would be able to contribute to future social development through the Automotive Electronic Components Business according to the OMRON Principles. In other words, would OMRON be able to remain the best owner of that business? The second point was whether the business could continue to create new value and be needed by society under Nidec Corporation's management. In other words, would Nidec Corporation be the best option for the business? The third point was whether, if the business were to be sold, the employees working in the Automotive Electronic Components Business would be able to keep hold of their dream of solving social issues in the automobile industry.

Regarding the first point, as I mentioned earlier, the automobile industry is entering a once-in-a-century period of great transformation, the impacts of which are also being felt in the automotive electronic components market. In the area of electronic control units (ECU), where OMRON's control technologies can demonstrate their strength, cars now have about 70 such units, but these are predicted to be aggregated into only three in-vehicle computers in the future. In such a severe environment, OMRON would need to make large investments over the next five to ten years to ensure that the AEC could offer OMRON value to society. However, given our policy of positioning the Industrial Automation Business (IAB) and Healthcare Business (HCB) as our growth businesses and investing aggressively in those areas, it would have been difficult to invest in the AEC to the same degree. For these reasons, we reached the conclusion that it would be best to transfer the operation of the business to another party who would be capable of creating value in the future while the business was still competitive and performing sufficiently in terms of net sales and profit.

Regarding the second point, if Nidec Corporation, whose strengths lie in motor technology, and OMRON AEC business, whose strengths lie in control technology, were to come together, they would be able to create competitive modules. We determined that such a pairing would be the best

option for allowing the AEC business to contribute to the automobile industry and to broader society beyond that over the long term.

The last point concerned the motivation of the employees. We decided that, by transferring the AEC to Nidec Corporation, it could continue to contribute to the automobile industry for the next 10, or even 20 years, and its employees would be able to engage in their work with hopes and dreams. Having said that, a change of company is a massive change for employees. I asked executive management to explain the transfer carefully to the employees, so that they could stay positive and perform to their fullest ability even after the transfer.

The most important thing is for the AEC business to grow even further after the transfer by contributing to society. This is an example of putting the OMRON Principles into practice.

— In the end, OMRON was able to achieve the best negotiations with the best timing, but what do you think was the most important point that made that possible?

I think there were two key points. The first is the future potential of the AEC business in the automobile industry.

The other point is that the Board of Directors has conducted discussions on important themes from mid- to long-term perspectives. The very reason we were able to make a prompt decision with such good timing was that oversight and executive functions were already communicating with each other in a constructive manner.

The decision on the sale of the business was made through business portfolio management (PPM) under OMRON's ROIC management. From around 2006, OMRON started to focus on return on invested capital (ROIC) and to evaluate its businesses based on ROE and ROA as well. At that time, ROIC was still only an indicator of the results of business evaluations, but after Yamada became CEO, he formally advocated ROIC management in fiscal 2013. Since then, the individual businesses have been asked to achieve return on invested capital (ROIC) over and above capital costs. Since the company's foundation, OMRON has pursued innovation driven by social needs without limiting itself to certain domains. We have strived to create greater social value by withdrawing from businesses in which it had become difficult to create social value and concentrating our management resources on businesses with higher potential. Our pursuit to date of ROIC management

that is conscious of capital costs is what enabled us to make the decision to transfer the AEC Business.

— **How will the Board of Directors perform its role during the current COVID crisis and as we head toward the new normal era post-COVID?**

Our first priority is to protect the health and safety of our employees. On that premise, we have asked the executive side to strive to keep the business running, and we check whether or not a balance between the two is being achieved. The executive was actually swift in its responses by stepping up remote work to keep our employees safe and resuming production to fulfill our supply responsibilities to our customers. The very reason the executive function was able to act so quickly was that, because the Board of Directors has been communicating constructively with the executive function in normal times and evaluating it accurately, the executive function has had the confidence to put its responses in place even under such crisis conditions.

The next key theme for the Board of Directors in fiscal 2020 is to consider the role that OMRON should play in the post-COVID era. There are three points to discuss on this theme.

Firstly, how will society change and what form will it take in the post-COVID era? Secondly, in the new normal era post-COVID, what kind of social needs will drive innovation at OMRON? Thirdly, what kinds of new businesses will meet those social needs? What should our business model, including that of our existing businesses, look like?

Currently, one of the most important items on the Board of Directors' agenda is the growth of OMRON. To this end, we recognize the extreme importance of thinking about the post-COVID era. Specifically, creating new businesses that will provide new business pillars and transforming our business model from a goods-based to a service-based one will be key. However, these new challenges also come with risks. Taking into account the opinions of our experienced outside directors and outside members of the Audit & Supervisory Board, the Board of Directors will accelerate new innovation driven by social needs by providing mechanisms and an environment to support the executive function as it takes on challenges and risks in the lead-up to the post-COVID era.

— **Recently, stock exchanges and institutional investors are calling for the further acceleration of ESG-based and diversity-based management. How will the Board of Directors respond to these kinds of global demands?**

Commitment to ESG is the epitome of the practice of the OMRON Principles. OMRON's position is that the practice of the OMRON Principles equals the promotion of sustainability. By that I mean that we are engaging in ESG with the belief that accelerating the practice of the OMRON Principles will accelerate the promotion of sustainability. In 2016, we deliberated on the OMRON Sustainability Policy and identified our material sustainability issues (materialities). Since the Sustainability Office was established under the direct control of the Board of Directors in 2017, the Board of Directors has selected sustainability as a key theme and has been checking the state of progress and the issues on a regular basis. Our sustainability initiatives are also linked to our directors' remuneration. Specifically, we have adopted the Dow Jones Sustainability Index (DJSI) as our sustainability evaluation index, which we are using to accelerate our initiatives, by reflecting the index in medium-to-long-term performance-linked remuneration.

Regarding the diversity of the Board of Directors, we have worked to incorporate more diverse perspectives and views by having outside directors and outside members of the Audit & Supervisory Board on the board from an early stage. Diversity really is essential for dealing with today's chaotic external environment. I believe that, as well as gender and nationality, diversity can be achieved by bringing together the strengths of people with diverse views and different business experiences. I also believe that innovation can be created by diverse human resources performing to their full ability. As such, I have urged the executive function to promote diversity.

OMRON will work to create the kind of value that only OMRON can offer by responding to social needs such as SDGs. To this end, the Board of Directors will strive to achieve sustainable improvement of corporate value through the continuous exercise of its oversight function.

Corporate Governance

Basic Stance for Corporate Governance

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

OMRON Corporate Governance Policies

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

* OMRON Corporate Governance Policies <https://www.omron.com/global/en/about/corporate/governance/policy/>

Corporate Governance Initiatives

	1999	2003	2011
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Chair of the Board of Directors / CEO	President served as both		2003: Chairman serves as chair of the Board of Directors; president serves as CEO
Separation of management oversight and business execution	30 directors	1999: Revised articles of incorporation, setting number of board members to 10 or fewer	2017: Eliminated board titles*
		1999: Adopted executive officer system	2017: Positioned president as an executive officer
Advisory Board	1999: Advisory Board		
Outside Director		2001: One outside director	2003: Two outside directors (seven directors) 2015: Three outside directors (eight directors)
Audit & Supervisory Board Member (Independent)	1998: One member	1999: Two members	2003: Three members (four auditors) 2011: Two members (four auditors)
Advisory and Other Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee
			2003: Compensation Advisory Committee
			2006: CEO Selection Advisory Committee
			2008: Corporate Governance Committee
Corporate Philosophy	1959: Corporate Motto	1990: OMRON Principles	1998: Revised 2006: Revised 2015: Revised
OMRON Corporate Governance Policies			2015: Established

* Not including chairman of the Board

Corporate Governance Framework

OMRON has elected to be a company with an Audit & Supervisory Board.

The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. OMRON has separated the management oversight and business execution functions within the company, creating a system whereby the majority of Board Directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one-third of the total number of directors on the board.

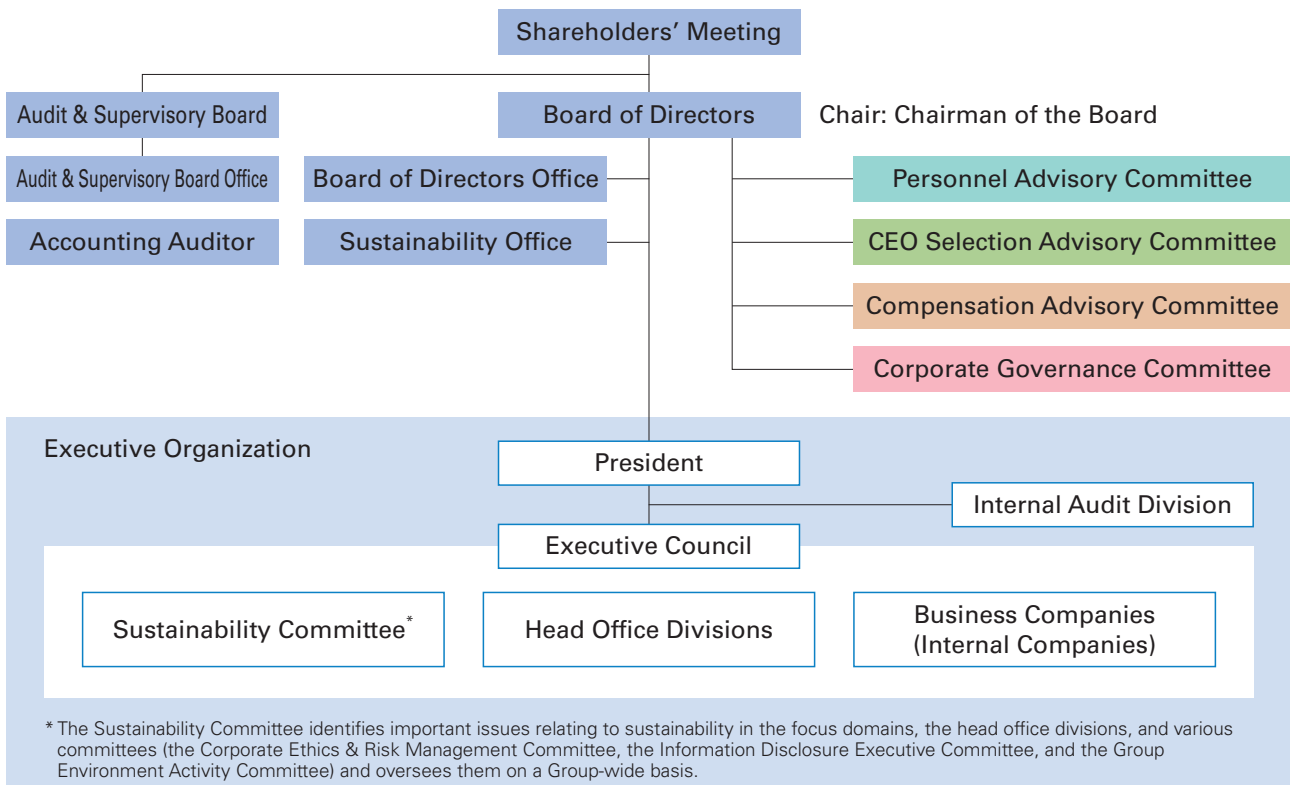
To increase objectivity on behalf of the Board of Directors, the titles and roles of chairman of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority.

OMRON has established several advisory committees to enhance the oversight functions of the Board of Directors. These committees include the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The Personnel Advisory Committee, the CEO Selection Advisory Committee, and the Compensation Advisory Committee are all chaired by outside directors with at least half of the committee members being outside directors. The CEO is not a member of any of these committees. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit & Supervisory Board. This structure offers another layer of transparency and objectivity to the decision-making process.

In these policies, OMRON has created a hybrid governance framework that combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee.

Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2019 at a rate of 100%. Outside members had an attendance rate of 100% at the 13 meetings of the Audit & Supervisory Board.

Fiscal 2020 OMRON's Corporate Governance Structure



Board of Directors
Selects board directors, auditors, and executive officers, determines compensation for directors and executive officers, makes decisions on important business issues, and performs other supervisory functions.

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

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

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

Personnel Advisory Committee
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; deliberates on proposed candidates.

Executive Council
Deliberates and discusses important operational matters within the scope of the authority of the president and CEO; determines future direction.

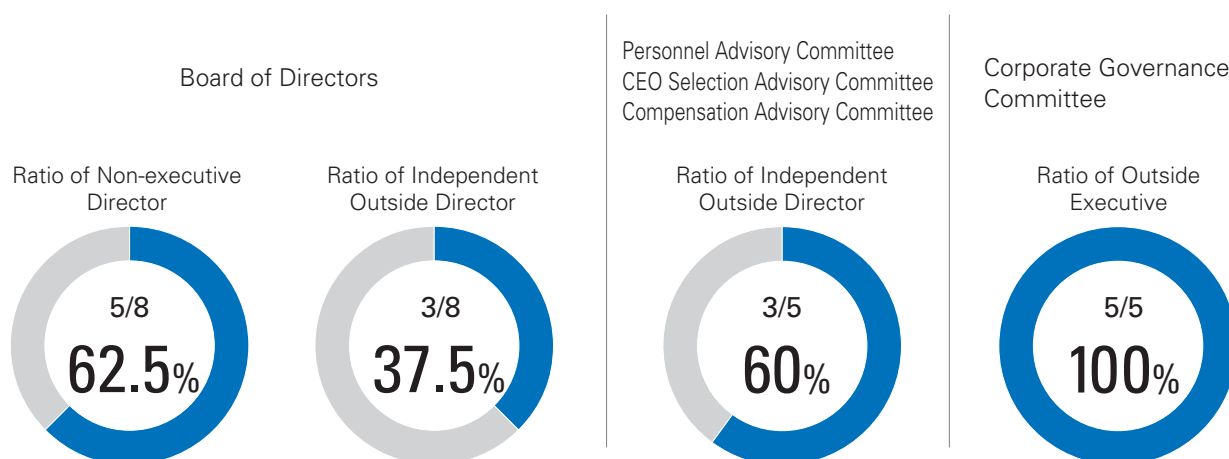
CEO Selection Advisory Committee
Deliberates candidates for selection as new CEO; deliberates succession plans and candidates in the event of an emergency.

Fiscal 2020 Advisory Committee

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

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

Composition of the Board of Directors and Each Committee



Director Compensation

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

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

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

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

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

Compensation Policy for Directors

- ① **Basic Policy**
 - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
 - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
 - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.
- ② **Structure of Compensation**
 - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
 - Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- ③ **Base Salary**
 - The amount of a base salary shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
- ④ **Performance-Linked Compensation**
 - As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets.
 - As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
 - The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.
- ⑤ **Compensation Governance**
 - All compensation for directors shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors

(1) Compensation Composition Ratio

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

$$\text{Base salary} : \text{Short-term performance-linked compensation (bonuses)} : \text{Medium-to-long-term, performance-linked compensation (Performance-linked and Share-based Incentive Plan)} = 1:1:1.5^*$$

*Referring to Representative Director, President and CEO

*The ratio is based on the assumption that the performance targets are set as 100% for each performance-linked compensation.

(2) Base Salary

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

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

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

$$\text{Base amount for each position} \times \text{Performance score (Operating income 50\%, net income 50\%)} \times \text{ROIC score} = \text{Short-term performance-linked compensation (bonuses)}$$

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

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

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

$$\text{Base amount for each position} \times \text{Performance score (Net sales 30\%, EPS 70\%)} \times \text{ROE score} \times \text{Sustainability evaluation}^* = \text{Stock compensation (performance-linked)}$$

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

* Sustainability Evaluation

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

Initiatives Towards Improving the Board of Directors' Effectiveness

Status of Initiatives Towards Improving the Board of Directors' Effectiveness

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and strives to boost the OMRON Group's competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the oversight functions of Board of Directors through initiatives for improving its effectiveness. Such initiatives are undertaken in a cycle of (1) evaluation of Board of Directors' effectiveness, and (2) determination of the operational policy and focus themes of Board of Directors and formulation and implementation of annual plans.

(1) Evaluation of Board of Directors' effectiveness

The Company's evaluation of Board of Directors' effectiveness is conducted by Corporate Governance Committee chaired by a Director (Independent) and comprising only Directors (Independent) and Audit & Supervisory Board Members (Independent) (hereinafter "Outside Executives").

Outside Executives act as members of Board of Directors while having the perspectives of all stakeholders including the shareholders.

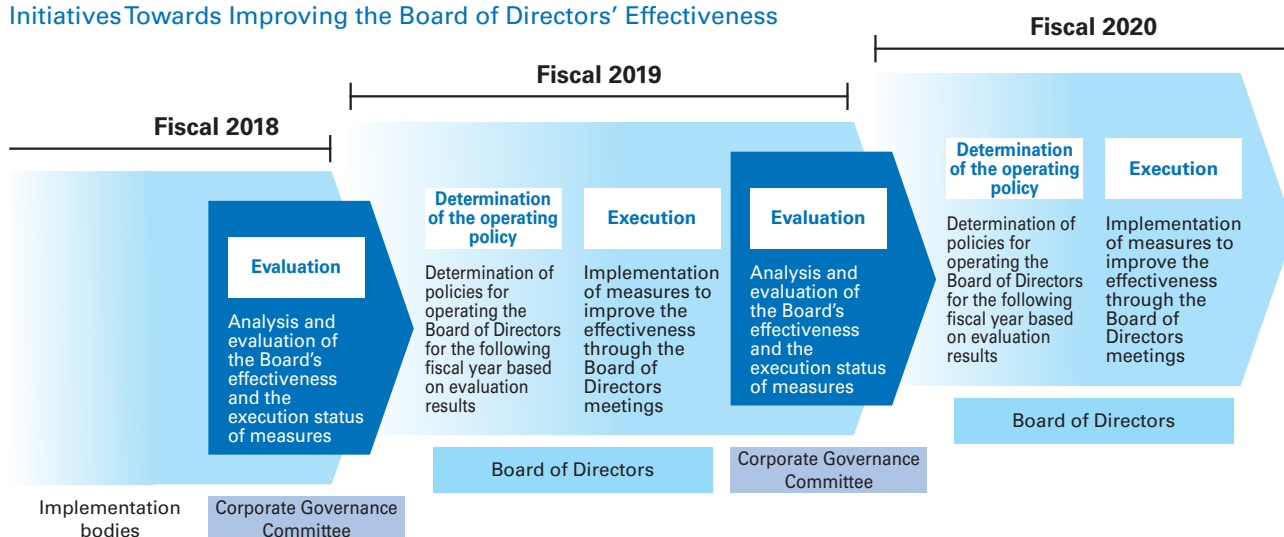
Corporate Governance Committee, which is composed only of Outside Executives, performs evaluations in order to ensure that evaluations are both objective and effective.

(2) Determination of the operational policy and focus themes of Board of Directors and formulation and implementation of annual plans

Based on the evaluation results by Corporate Governance Committee in (1) and the business environment, etc., Board of Directors determines its operational policy and focus themes for the next fiscal year. Board of Directors formulates and implements annual plans based on this operational policy.

The Company continues to improve Board of Directors' effectiveness by implementing (1) and (2) above on a yearly basis. Corporate Governance Committee has evaluated these initiatives to be the Company's unique, optimal activities that are both objective and effective. Board of Directors recognizes the Company's initiatives as being more effective than evaluations by third parties.

Initiatives Towards Improving the Board of Directors' Effectiveness



Evaluation of the Board of Directors' Effectiveness for Fiscal 2019

The methods of the evaluation of Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2019 are as described below.

(1) Evaluation Methods

(i) Self-evaluations by Directors and Audit & Supervisory Board Members

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the content of discussions at meetings of Board of Directors and the extent of oversight functions exercised, immediately following each meeting of Board of Directors held in and after July 2019.

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of Board of Directors over the course of the year following the meeting of Board of Directors held in March 2020.

(ii) Interviews by the Chairman of Board of Directors

- The Chairman of Board of Directors conducted individual interviews with Directors and Audit & Supervisory Board Members between January and March 2020.

(iii) Evaluation by Corporate Governance Committee

- Corporate Governance Committee conducted evaluations of the focus themes in (i) above in March 2020.
- The effectiveness of Board of Directors was evaluated in May 2020, although this was done later than usual due to COVID-19. The evaluation was based on the overall results of self-evaluations conducted in fiscal 2019 in (i) above, and the results of the interviews in (ii) above.

(2) Self-evaluation Items

Self-evaluation items are as follows. Evaluations were performed from the perspectives of whether or not Board of Directors sufficiently exercised its oversight functions, and whether it contributed to the exercise of its oversight functions. Evaluations are performed by completing anonymous questionnaires. For each evaluation item, answers are provided using five-point scales and free comment fields.

(i) Self-evaluations performed immediately following meetings of Board of Directors

- Content of discussions at the meeting of Board of Directors
- Extent of oversight functions exercised by Board of Directors are demonstrated

(ii) Self-evaluations for the entire year, performed at the end of the fiscal year

1. Operation of Board of Directors
 - 1) Policy for the operation of Board of Directors for fiscal 2019
 - 2) Focus themes set forth in the operational policy
 - 3) Deliberations and reports regarding issues other than focus themes
 - 4) Board of Directors operational policy and focus themes for fiscal 2020
2. Issues Other than Operation of Board of Directors
 - 1) Separate meetings
 - 2) Provision of information such as worksite tours
 - 3) Self-evaluations performed immediately following the meetings of Board of Directors
3. Advisory Committees
4. Other Overall Issues regarding Board of Directors

(iii) Other self-evaluations (evaluations performed when new officers are appointed, when medium-term management plans are formulated, when changes are made to the corporate governance system, etc.)

- Scale and composition of Board of Directors
- State of operations of Board of Directors
- Operation of the advisory committees

Results of Evaluation of Board of Directors' Effectiveness for Fiscal 2019

Corporate Governance Committee conducted an evaluation of Board of Directors' effectiveness for fiscal 2019 and reported the results of the evaluation at Board of Directors meeting held on June 23.

Board of Directors Operational Policy for Fiscal 2019

"In fiscal 2019, which is the third year of OMRON's medium-term management plan, "VG2.0," Board of Directors will exercise its oversight functions by looking ahead to the completion of VG2.0 and the next long-term vision, which will be launched in fiscal 2021."

Focus Themes Set Forth in the Operational Policy

- Confirmation of the direction of long-term strategies with the next long-term vision in mind
- Continuing initiatives concerning the information system and quality strategies
- Initiatives to respond to changes in the internal and external business environment in fiscal 2019-2020

(1) General comments on evaluation

(i) Operation of Board of Directors (Operation in accordance with the operational policy, selection/discussion of focus themes, deliberation/reporting items in areas other than focus themes)

As fiscal 2019 was the third year of OMRON's medium-term management plan, "VG2.0," Board of Directors' operation was determined to be conducted by looking ahead to the next long-term vision. As such, Board of Directors determined its operational policy in a way that would exercise its oversight functions by taking the completion of VG2.0 and the next long-term vision into consideration. As such, the Board set forth the three focus themes. Based on this, the President & CEO and other executive officers implemented each focus theme, and reported its status to Board of Directors. As for the strategies based on VG2.0, the status of business execution was reported to Board of Directors, including each business company's short-term management plan, reorganization of business domains, and deliberation on potential M&A projects. Quality risks and matters subject to disciplinary actions were uniquely specified by the Company as items to be reported on a quarterly basis from the perspective of risk management, and reported accordingly.

In response to reports made by each executive officer, the Board members engaged in active discussions in order to understand the direction of executing each business operation, share issues, and to determine the need for continuous monitoring. As for the divestiture of the automotive electronic component business, discussions were comprehensive, from the underlying policy to detailed risk management. Because OMRON's business environment underwent a radical change in the fiscal year under review, executive officers reported the status of business as necessary and various suggestions were made by Outside Executives.

Corporate Governance Committee decided that Board of Directors was effectively putting its oversight function to use, by recognizing the Board's operation based on its operational policy and discussions with regard to each focus theme from a medium- to long-term perspective. Directors and Audit & Supervisory Board members including Outside Executives spoke out based on their experience and knowledge, while executive officers took the opinions of Board of Directors very seriously, which helped them enhance their strategies and initiatives. At the Board meetings, discussions were conducted not only for pointing out issues regarding individual matters subject to deliberation and those reported, but also reflecting the perspective of medium- to long-term business growth and human resources development. In general, discussions among the Board members were oriented toward enhancing the feasibility of strategies. As such, Corporate Governance Committee concluded that Board of Directors was exercising its oversight functions. As for quality risks and matters subject to disciplinary action, both of which were specified as items to be reported regularly on a quarterly basis, it was confirmed that their initiatives had been instilled deeply into each worksite, and that the systems for these initiatives were functioning properly. Accordingly, Corporate Governance Committee considered that this indicated an improvement resulting from the Board's continuous practice of its oversight functions. In the fiscal year under review, the OMRON Group's business environment experienced radical changes caused by the US-China trade war and the COVID-19 pandemic. The Committee recognized that in response to this situation, Board of Directors' engaged in discussion on specific matters, such as things that need to be done to deal with the present situation, and those that need to be done in preparation for the time after these events eventually come to an end. The Committee understood that Board of Directors engaged in not only discussions intended to solve short-term issues but also those reflecting a medium- to long-term perspective.

(ii) Items other than the operation of Board of Directors

To improve the effectiveness of Board of Directors, the Board strived to increase information sharing opportunities by planning separate meetings and other opportunities to provide information. In the fiscal year under review, new initiatives were launched, including meetings for Outside Executives to exchange opinions with each other, as well as the practice of self-evaluations immediately following each Board meeting.

Corporate Governance Committee recognized that Board of Directors' initiatives aimed at promoting the provision of information to Outside Executives properly served as opportunities to improve the Board's effectiveness. These initiatives included workplace tours, information exchange among Outside Executives, and set-up of opportunities for communication between the President & CEO and Outside Executives. As for the Outside Executives' opinion exchange meeting, an initiative launched in the fiscal year under review, the Committee recognized the need for further enhancing its functionality. The Committee considered the self-evaluations performed immediately following each Board of Directors meeting to be effective and useful for improving the Board's effectiveness, and as an initiative unique to the Company.

(2) Overview of Board of Directors' operation

(i) Initiatives regarding focus themes

Focus theme: Confirmation of the direction of long-term strategies with the next long-term vision in mind

Board of Directors specified its operational policy for fiscal 2019 as exercising its oversight functions by looking ahead to the next long-term vision, which is to be launched in fiscal 2021. Accordingly, the Board identified confirmation of the direction of the next long-term vision as one of its focus themes. Based on this, the President & CEO made a primary report for the next long-term vision. This report on the next long-term vision focused on "things to uphold," "things to evolve," and the "direction of the OMRON Group's evolution." These were determined by redefining the impact social transformation has on the Company's business based on the anticipation that the society envisioned with the present medium-term management plan, "VG2.0," would undergo transformation toward 2030. With regard to this report, Board of Directors discussed the perspective to take for evaluation of the current medium-term management plan, "VG2.0;" the presuppositions on which the next long-term vision should be based, its significance, and methods for setting the vision's objectives; the way of management when putting the vision into practice; the responsibility of OMRON HQ; talent necessary for realizing the vision; methods of sharing the vision externally and internally, and other matters.

Corporate Governance Committee recognized that the discussion regarding the planning of the next long-term vision at Board of Directors meeting helped Outside Executives fully understand the direction of enhancing corporate value through the execution of business operations. The Committee then determined that Board of Directors was exerting its oversight functions more effectively, with Outside Executives suggesting the importance of incorporating a diversity of viewpoints from internal and external sources, and the perspective of giving excitement and motivation to employees. The Committee also made an additional comment, describing the need for continuously fulfilling its oversight functions through the opportunities of periodic reporting and discussions toward the perfection of the next long-term vision.

Focus theme: Continuing initiatives concerning information system strategies

Based on the recognition of issues related to existing IT systems, the Company has been implementing a Group-wide IT system strategy formulated in fiscal 2018, with the aim of achieving the ideal management system. As such, Board of Directors specified this as a focus theme for fiscal 2019, as it was in fiscal 2018. Accordingly, the President & CEO and the CFO reported the implementation status of the Group-wide IT system strategy in fiscal 2019, with a focus on what the Group-wide IT system strategy aims to achieve, and the progress of the implementation of each management system. In response, Board of Directors engaged in a discussion on such matters as standardization of the IT system, visualization of existing tasks necessary for the IT system standardization, the creation of a step-by-step roadmap for improving feasibility, the need for experienced personnel, the integration of efforts with frontline staff members to promote the project, etc.

Corporate Governance Committee found that Board of Directors, through a discussion regarding continuous implementation of initiatives regarding the information system, became aware of the direction of the IT system strategy, which executive officers had identified and had been promoting as one of the top-priority management challenges, as well as its progress. The Committee also found that items that require the utmost attention when putting plans into practice were shared among Board members based on Outside Executives' suggestions regarding issues and risks related to the implementation of plans. Due to these reasons, Corporate Governance Committee concluded that Board of Directors exercised its oversight functions. Moreover, because issues such as the need for reinforcing project management, reflecting its nature of being a long-term project, as well as the need for experienced personnel, concerns about all-around goals were brought up, Corporate Governance Committee considered that Board of Directors was generally performing appropriate oversight. The Committee added a comment that the Board should continuously fulfill its oversight functions for strategies related to information systems, by taking opportunities for periodic reporting and discussions.

Focus theme: Continuing initiatives concerning quality strategies

Since fiscal 2018, the Company has been working on rebuilding its quality management system (QMS) in order to reinforce its quality capabilities, which is one of the Company's top-priority challenges, based on the awareness of issues related to its existing QMS. Accordingly, Board of Directors specified this as a focus theme for fiscal 2019, as it was done in fiscal 2018. In fiscal 2019, a round of effectiveness audits toward rebuilding QMS has been completed across the Group. As such, the President & CEO and the CTO reported common issues that require focus, and key initiatives for fiscal 2020 intended to solve them. In response, Board of

Directors reconfirmed the Group-wide framework of QMS, and discussed the auditing for effectiveness tailored for each business's characteristics, human resources development to nurture auditors for effectiveness, etc. Corporate Governance Committee recognized that discussions regarding continuing initiatives concerning quality strategies at Board of Directors helped realize anew that executive officers were addressing this issue by specifying it as one of its top-priority management challenges. Moreover, the Committee noted that various suggestions for ensuring the practice of quality strategies were made by Outside Executives. Due to these reasons, Corporate Governance Committee concluded that Board of Directors properly exercised its oversight functions. Moreover, the Committee recognized that the Board was performing appropriate oversight as a whole, because the need for focusing on highly effective processes was also brought up for discussion. This was to avoid the possibility that QMS would become a formality through reliance on a single unified activity, which could eventually cause a reduction of quality.

Focus theme: Initiatives to respond to changes in the business environment

Aware that the speed of changes in the business environment has recently continued to accelerate, Board of Directors specified recognition of the business environment as one of its focus themes for fiscal 2019. Accordingly, the President & CEO and the CFO reported on the changes in the business environment recognized through the execution of business and initiatives to respond to them as part of the agenda of quarterly results review. With regard to this report, Board of Directors confirmed the growth of business and investment themes of focus, and discussed ways of improving accuracy in the projection of results, in response to changes in the business environment.

Corporate Governance Committee determined that Board of Directors exercised its oversight functions, as the Board strengthened understanding of each business company's methods for detecting and analyzing changes in their respective business environments, and made specific proposals regarding the challenges the Company should tackle in these times of economic recession.

(ii) Other deliberation/reporting items

Board of Directors deliberated 28 issues to be resolved at Board of Directors meeting, as well as 29 reported issues. These included regular meeting agendas such as quarterly results and other matters for which deliberation is legally required, as well as quality risks and matters subject to disciplinary action.

Board of Directors operational policy for fiscal 2020 and its focus themes

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2020. Based on the results of this discussion, Board of Directors operational policy for fiscal 2020 and its focus themes were determined at Board of Directors meeting held on July 28.

Board of Directors Operational Policy for Fiscal 2020

"To enable the OMRON Group to deliver new value in this period of social structure transformation, Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives."

Focus Themes

- Business operations with COVID-19 in mind
- Response to increasing geopolitical risks
- Creation of new businesses in the period of transformation and taking on the challenge of new business model development
- Building a new core information system
- Determination of the direction of next long-term vision with new values in mind

Message from New Outside Director



Izumi Kobayashi

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

On My Appointment as Outside Director

It is a great honor for me to be appointed as a new Outside Director of OMRON in June of this year. I have worked in global financial institutions for approximately 30 years. For 25 of those years, I worked at an American investment bank. The remaining five years, I worked for international organizations and have been involved in work for developing countries around the world. Working with people of diverse cultures and opinions, there were many occasions in which I felt that although I am Japanese, my ideas and ways of prioritizing issues have somehow strayed from the norm in the Japanese companies' business operation. On the other hand, being in that environment has made me realize Japan's strengths and the points that we should promote more to the world.

To aim for sustainable value creation, it is necessary to think from both angles: improving overall productivity and investing adequately for the future. In addition, since independent outside directors are elected by the shareholders, we are required to be balanced in the way we look at short-term gain and future benefit, and the benefit to wide-ranging stakeholders, including employees, customers, and the broader community, to fulfil our responsibilities of oversight.

My appointment as a director happened to take place in the middle of the global pandemic of COVID-19. This pandemic has caused an economic recession of a global scale. On the other hand, it has given us the opportunity to move forward with the transition to a "new society" that we had been considering for many years but could not take a step toward. The focus of this transition is digitalization, but at the same time, the pandemic has also had an enormous impact in terms of visualizing structural issues such as global warming, working styles, and inequality. Sustainable value creation can only be achieved by responding to the way people live and the needs of society. Society is now undergoing a transformation due to the pandemic. Companies need to change and respond more freely and flexibly by freeing themselves from the constraints of conventional business administration and organizational structures while looking to the future. Such changes will have a major impact not only on products and services, but also on the way the organization should be and the relationship between the companies and their employees. I am hopeful that OMRON has the spirit to respond adequately to these kinds of changes. My mission as a director is to oversee management as it boldly faces changes and to support the development of an organization as it takes advantage of new buds sprouting both within and outside the company and helps them bear abundant fruit, sometimes with a firm hand and at other times with patience. Lastly, I look forward to playing a role in introducing the OMRON brand that originated in Kyoto to the world.

Career Outline

Apr. 1981	Joined Mitsubishi Chemical Industries, Limited (now Mitsubishi Chemical Corporation)	Nov. 2008	Executive Vice President, Multilateral Investment Guarantee Agency, The World Bank Group
Jun. 1985	Joined Merrill Lynch Futures Japan Inc.	Apr. 2015	Vice Chairperson, Japan Association of Corporate Executives
Dec. 2001	President and Representative Director, Merrill Lynch Japan Securities Co., Ltd.	Jun. 2016	Governor, Japan Broadcasting Corporation
		Jun. 2020	Outside Director, OMRON (to present)

Directors

Directors



Fumio Tateishi

Chairman
CEO Selection Advisory
Committee Member

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



Yoshihito Yamada

President and CEO

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



Kiichiro Miyata

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

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



Koji Nitto

Director
Senior Managing Executive Officer, CFO
Compensation Advisory Committee
Member

Apr. 1983 Joined OMRON
Mar. 2011 Senior General Manager,
Global Resource
Management HQ
Jun. 2011 Executive Officer
Mar. 2013 Senior General Manager,
Global SCM and IT
Innovation HQ
Apr. 2013 Managing Executive Officer
Mar. 2014 Senior General Manager,
Global Strategy HQ (to
present)
Apr. 2014 Senior Managing Executive
Officer (to present)
Jun. 2014 Director (to present)
Apr. 2017 Chief Financial Officer (CFO)
(to present)

Directors



Satoshi Ando

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

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

* As of June 2020

Outside Directors



Eizo Kobayashi

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

Apr. 1972 Joined ITOCHU Corporation
Jun. 2000 Executive Officer, ITOCHU
Corporation
Apr. 2002 Managing Executive Officer,
ITOCHU Corporation
Jun. 2003 Representative Director and
Managing Director, ITOCHU
Corporation
Apr. 2004 Representative Director and
Senior Managing Director,
ITOCHU Corporation
Jun. 2004 President and CEO,
ITOCHU Corporation
Apr. 2010 Chairman and Representative
Director, ITOCHU Corporation
Jun. 2011 Chairman, ITOCHU Corporation
Jun. 2013 Outside Director, OMRON
(to present)
Jun. 2016 Chairman, ITOCHU Corporation
Apr. 2018 Senior Representative,
ITOCHU Corporation
Apr. 2020 Director Emeritus, ITOCHU
Corporation (to present)



Takehiro Kamigama

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

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



Izumi Kobayashi

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

Apr. 1981 Joined Mitsubishi Chemical
Industries Limited (now
Mitsubishi Chemical
Corporation)
Jun. 1985 Joined Merrill Lynch
Futures Japan Inc.
Dec. 2001 President and
Representative Director of
Merrill Lynch Japan
Securities Co., Ltd.
Nov. 2008 Executive Vice President of
Multilateral Investment
Guarantee Agency, The
World Bank Group
Apr. 2015 Vice Chairperson of Japan
Association of Corporate
Executives
Jun. 2016 Governor of Japan
Broadcasting Corporation
Jun. 2020 Outside Director, OMRON
(to present)

Audit & Supervisory Board Members

Audit & Supervisory Board Members (Full-time)



Kiichiro Kondo

Audit & Supervisory Board Member (Full-time)

Apr. 1977 Joined Mitsui Ocean Development & Engineering Co., Ltd.
 Jan. 1988 Joined Mitsui Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)
 Apr. 1999 Joined OMRON
 Mar. 2007 Senior General Manager, Public Solutions Business Department, Social Systems Solutions and Service Business Company
 Jun. 2007 Executive Officer
 Apr. 2011 President and CEO, OMRON SOCIAL SOLUTIONS Co., Ltd.
 Jun. 2011 Managing Executive Officer
 Jun. 2015 Audit & Supervisory Board Member (Full-time) (to present)



Kiyoshi Yoshikawa

Audit & Supervisory Board Member (Full-time)

Apr. 1983 Joined OMRON
 Mar. 2010 Senior General Manager, Monozukuri Innovation HQ
 Jun. 2010 Executive Officer
 Apr. 2016 Managing Executive Officer
 Jun. 2019 Audit & Supervisory Board Member (Full-time) (to present)

Audit & Supervisory Board Members (Independent)



Hideyo Uchiyama

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

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



Tadashi Kunihiro

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

Apr. 1986 Registered as attorney with the Daini Tokyo Bar Association; Joined Nasu & Iguchi Law Office
 Jan. 1994 Established Kunihiro Law Office (now T. Kunihiro & Co. Attorneys-at-Law)
 Jun. 2017 Audit & Supervisory Board Member (Independent), OMRON (to present)

* As of June 2020

Executive Officers

President



Yoshihito Yamada

CEO

Executive Vice President



Yutaka Miyanaga

Company President,
Industrial Automation Company

Senior Managing Executive Officers



Kiichiro Miyata

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



Koji Nitto

CFO and Senior General Manager,
Global Strategy HQ

Managing Executive Officer



Shizuto Yukumoto

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



Seigo Kinugawa

CEO, OMRON EUROPE,
Industrial Automation Company



Toshio Hosoi

President and CEO,
OMRON SOCIAL SOLUTIONS



Masahiko Tomita

Senior General Manager,
Global Human Resources and
Administration HQ



Isao Ogino

President and CEO,
OMRON HEALTHCARE



Junta Tsujinaga

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



Nigel Blakeway

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

* As of June 2020

Executive Officers



Goshi Oba

Chairman and President,
OMRON INDUSTRIAL AUTOMATION
(CHINA)



Shinji Fukui

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



Takayoshi Oue

Senior General Manager,
Global Finance and Accounting HQ



Masako Kubo

President and CEO,
OMRON EXPERTLINK



Takashi Kitagawa

Senior General Manager,
Board of Directors Office



Seiji Takeda

General Manager,
Corporate Planning Dept.,
Global Strategy HQ



Shuji Tamaki

Senior General Manager,
Global Risk Management and Legal HQ



Taisuke Tateishi

Senior General Manager,
Energy Solutions Business HQ,
OMRON SOCIAL SOLUTIONS



Makoto Ota

Senior General Manager,
Production Division HQ, Electronic and
Mechanical Components Company



Katsuhiko Shikata

President and CEO,
OMRON FIELD ENGINEERING



Tsutomu Igaki

Senior General Manager,
Global Investor & Brand
Communications HQ



Virendra Shelar

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



Jian Xu

President and CEO,
OMRON (CHINA)



Masayuki Yamamoto

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



Kenji Eda

Senior General Manager,
Global Procurement and Quality
Management HQ



Robert Black

President, CEO and COO,
OMRON ELECTRONICS (USA),
Industrial Automation Company

* As of June 2020

Financial Results

Fiscal 2019 in Review

Consolidated Earnings

The business environment surrounding the OMRON Group in fiscal 2019, the third year of the VG2.0 medium-term management plan, was underscored by severe conditions globally. The U.S.-China trade frictions from the beginning of the fiscal year resulted in weak business sentiment among manufacturers, while the negative impact of the spread of COVID-19 beginning in the fourth quarter expanded.

In this environment, the OMRON Group results for net sales and operating income underperformed the prior fiscal year. The OMRON Group recorded a record high in gross profit margin, owing to earnings structure reforms conducted jointly among manufacturing, sales, and development across our organization, steadily improving our earnings capacity. Net income attributable to OMRON shareholders rose significantly compared to the previous fiscal year. This result was due to a gain on sale of ¥51.5 billion recorded in connection with the completion of the transfer of the Automotive Electronic Components Business (AEC) to the Nidec Corporation Group on October 31, 2019.

Consolidated Statements of Income

Net Sales





OMRON Group net sales for fiscal 2019 amounted to ¥678.0 billion, down 7.5% from the prior year. Despite signs of recovery in certain areas of the digital industry during the second half of the fiscal year, our Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales compared to the prior fiscal year due to weakening capital investment in the automobile and other industries. Meanwhile, our Public Transportation (Automated Ticket Gates, Ticket Vending Machines) and Road Management Systems businesses experienced firm demand for upgrades, which helped drive Social Systems, Solutions and Service Business (SSB) sales significantly higher. The Healthcare Business (HCB) reported lower sales due to slow demand in Japan and North America.

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

Gross profit margin was 44.8%, up 0.4 points from the prior year, owing to earnings structure reforms conducted jointly among manufacturing, sales, and development across our organization. Selling, general and administrative expenses were down ¥5.9 billion to ¥203.0 billion, mainly due to company-wide efforts to control and reduce fixed costs. Research and development expenses fell ¥3.3 billion year on year to ¥46.0 billion, mainly due to detailed selection in research and development projects.

Operating Income and Net Income Attributable to OMRON Shareholders

OMRON Group operating income for the year was ¥54.8 billion (18.6% decrease), while our operating income margin was 8.1% (1.1-point decrease). Net income attributable to OMRON shareholders came in at ¥74.9 billion (37.9% increase). This result was due to a gain on sale of ¥51.5 billion recorded in connection with the completion of the transfer of the Automotive Electronic Components Business (AEC) to the Nidec Corporation Group.

Net sales ¥678.0 billion YoY -7.5% 	Gross profit margin 44.8% YoY +0.4%pt 
Operating income ¥54.8 billion YoY -18.6% 	Net income attributable to OMRON shareholders ¥74.9 billion YoY +37.9% 
Average exchange rate during the period	USD ¥109.1 EUR ¥121.2 RMB ¥15.7

Review of Financial Condition

Total assets at the end of fiscal 2019 amounted to ¥758.1 billion, an increase of ¥8.2 billion compared to the end of the prior fiscal year. This was mainly due to an increase in cash and cash equivalents and the recording of right-of-use assets under operating leases.

Total liabilities decreased ¥18.0 billion to ¥225.5 billion, mainly due to a decrease in termination and retirement benefits stemming from a revision to our corporate pension plan, in addition to a decrease in liabilities held for sale due to the completion of the transfer of the Automotive Electronic Components Business.

Total net assets increased ¥26.3 billion compared to the end of the prior fiscal year to ¥532.6 billion, mainly due the recording net income attributable to OMRON shareholders. Our shareholders' equity ratio was 70.0%, up 2.8 points compared to 67.2% at the end of the prior fiscal year. Accordingly, the Company has maintained a firm financial foundation.

Capital Expenditures

Strictly selecting targets for investments, such as base investments, total capital investments of ¥33.1 billion were made during fiscal 2019, representing a 7.2% decrease compared to the prior fiscal year.

Cash Flows

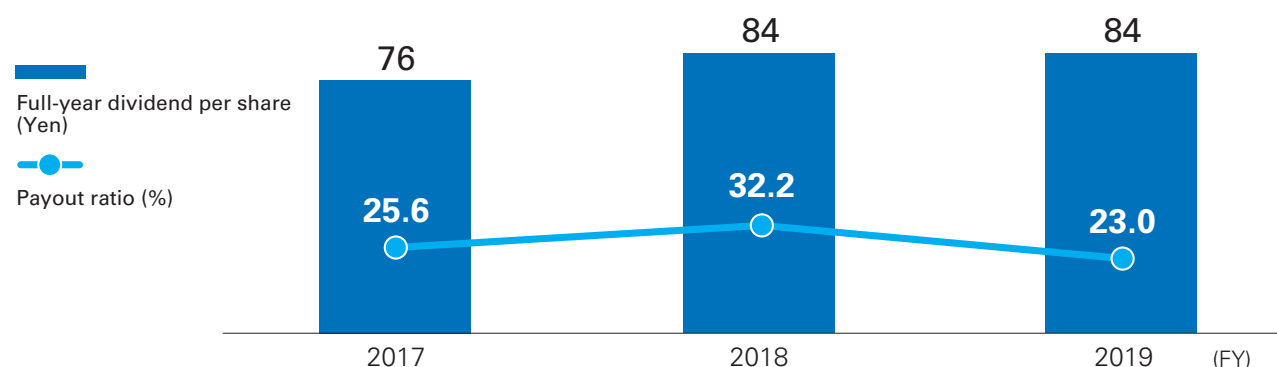
Net cash provided by operating activities for the fiscal year amounted to ¥89.8 billion (an increase in cash provided of ¥18.5 billion compared to the prior fiscal year). This result was mainly due to the recording of net income (¥75.3 billion, up ¥20.3 billion year on year) and increases in notes and accounts payable-trade and income taxes payable. Net cash provided by investing activities was ¥28.6 billion (an increase in cash provided of ¥63.6 billion compared to the prior fiscal year). This result was mainly due to the recognition of a gain in connection with the transfer of a business. Free cash flows (cash provided by operating activities less cash provided by investing activities) amounted to ¥118.4 billion, an increase of ¥82.1 billion compared to the prior fiscal year. Net cash used in financing activities was ¥29.4 billion, which was a decrease in net cash used of ¥11.4 billion compared to the prior fiscal year. This result was mainly due to dividends paid and stock buybacks. In addition to the preceding, changes in foreign currency translation were factors having an impact on cash and cash equivalents. As a result, the balance of cash and cash equivalents at March 31, 2020 amounted to ¥185.5 billion, an increase of ¥81.7 billion compared to the end of the prior consolidated fiscal year.

Dividend Policy

Our basic policy for profit distribution is to aim for sustainable corporate value growth, and thus OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the Company makes decisions regarding ongoing profit distribution to shareholders in consideration of capital efficiency. The Company has established a guideline of approximately 30% in payout ratio and approximately 3% of DOE for profit distributions for the period covered by the VG2.0 medium-term management plan.

Our full-year dividend for fiscal 2019 was ¥84 per share, the same as the prior fiscal year. As a result, our dividend payout ratio was 23.0%, and our dividend on equity ratio was 3.3%.

Full-year dividend per share and dividend payout ratio



Outlook for Fiscal 2020

The OMRON Group forecasts a significant decline in sales and income in fiscal 2020, based on the assumption that the impact of the global COVID-19 pandemic will persist during the current fiscal year at the least.

In terms of net sales, we project a significant decrease from the prior fiscal year due mainly to sluggish demand associated with the stagnation of manufacturing and sales activities and reduction in capital investments of our customers in the Industrial Automation Business (IAB), Electronic and Mechanical Components Business (EMC), and Social Systems, Solutions and Service Business (SSB). In the Healthcare Business (HCB), we expect firm demand associated with the rise in healthcare needs globally. We will continue our efforts to strengthen our product capabilities and carry out structural reform, and thus expect our gross profit margin to be level with the prior fiscal year when we reached a record high. Also, while carrying out initiatives to reduce fixed costs in an amount of approximately ¥20.0 billion annually as planned at the beginning of the fiscal year, we will continue to make investments indispensable for future growth, with a view to the post-COVID-19 era. Based on the above assumptions, we project a significant decline in operating income year on year.

The spread of COVID-19 has had an impact on our personal values and industrial structures, accelerating social reform in a variety of areas. New social issues have emerged, leading to more potential business opportunities. OMRON will accelerate initiatives to leverage business opportunities in our three focus domains for the post-COVID-19 world. Some examples of tying opportunities to growth include our factory automation business, which is pursuing new projects to expand 5G, a part of future social infrastructure supporting medical and food product security and safety. This business is also working on new automation projects to prevent the spread of disease on production floors. In the healthcare field, we are solving social issues through remote medicine services and other programs. We also plan to integrate our Social Systems, Solutions and Service Business and Environmental Solutions Business to accelerate social solutions in energy management and other fields. At the same time, we intend to strengthen our IT infrastructure. Moving forward, the OMRON Group will reach new levels of growth power, earnings power, and ability to respond to change, allowing us to make a dramatic leap ahead after the impact of COVID-19 has settled.

	FY2019	FY2020	Change
Net sales	¥678.0 billion	¥590.0 billion	-13.0%
Gross profit (Gross profit margin)	¥303.7 billion (44.8%)	¥264.5 billion (44.8%)	-12.9% [+0.0%pt]
Operating income (Operating income margin)	¥54.8 billion (8.1%)	¥30.0 billion (5.1%)	-45.2% [-3.0%pt]
Income before income taxes from continuing operations	¥51.8 billion	¥25.0 billion	-51.8%
Net income attributable to OMRON shareholders	¥74.9 billion	¥16.5 billion	-78.0%
Average USD exchange rate	¥109.1	¥106.5	-¥2.6
Average EUR exchange rate	¥121.2	¥119.6	-¥1.6
Average RMB exchange rate	¥15.7	¥15.0	-¥0.7

Note 1: Net income attributable to OMRON shareholders for FY2019 includes income from discontinued operations (including gain on sales of AEC).

Net income attributable to OMRON shareholders for FY2019 calculated by excluding the impact of income from discontinued operations is ¥39.2 billion, and the rate of change calculated based on the above assumption is -57.9%.

Note 2: From FY2020, the OMRON Group has changed the method of depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries from the declining-balance method to the straight-line method. In line with this change, depreciation and amortization for FY2020 is expected to decrease by approximately ¥2.0 billion when compared with the amount calculated using the previous method.

Consolidated Financial Statements

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries
March 31, 2019 and 2020

	(Millions of yen)	
ASSETS	FY2018	FY2019
Current Assets:		
Cash and cash equivalents	¥ 103,850	¥ 185,533
Notes and accounts receivable - trade	149,171	134,786
Allowance for doubtful receivables	(861)	(759)
Inventories	120,379	104,301
Assets held for sale	73,331	441
Other current assets	14,103	22,837
Total Current Assets	459,973	447,139
Property, Plant and Equipment:		
Land	21,746	20,446
Buildings	118,036	129,110
Machinery and equipment	151,355	147,038
Construction in progress	11,316	5,467
Total	302,453	302,061
Accumulated depreciation	(187,370)	(187,535)
Net Property, Plant and Equipment	115,083	114,526
Investments and Other Assets:		
Right-of-use assets under operating leases	—	30,327
Goodwill	40,532	38,568
Investments in and advances to affiliates	26,022	29,251
Investment securities	28,997	25,782
Leasehold deposits	7,533	7,486
Deferred income taxes	42,537	37,416
Other assets	29,201	27,629
Total Investments and Other Assets	174,822	196,459
Total	¥ 749,878	¥ 758,124

	(Millions of yen)	
LIABILITIES AND SHAREHOLDERS' EQUITY	FY2018	FY2019
Current Liabilities:		
Notes and accounts payable - trade	¥ 71,360	¥ 64,496
Accrued expenses	38,290	37,179
Income taxes payable	3,174	2,516
Short-term operating lease liabilities	—	11,070
Liabilities held for sale	27,730	—
Other current liabilities	35,001	36,038
Total Current Liabilities	175,555	151,299
Deferred Income Taxes	733	1,717
Termination and Retirement Benefits	55,036	40,236
Long-Term Operating Lease Liabilities	—	19,820
Other Long-Term Liabilities	12,243	12,463
Total Liabilities	243,567	225,535
Shareholders' Equity:		
Capital	64,100	64,100
Common stock		
Authorized: 487,000,000 shares in FY2018		
487,000,000 shares in FY2019		
Issued: 213,958,172 shares in FY2018		
206,244,872 shares in FY2019		
Capital surplus	100,233	100,521
Legal reserve	21,826	20,981
Retained earnings	433,639	451,768
Accumulated other comprehensive income (loss)	(70,200)	(83,606)
Treasury stock	(45,386)	(23,349)
8,596,608 shares in FY2018		
4,306,748 shares in FY2019		
Total Shareholders' Equity	504,212	530,415
Noncontrolling Interests	2,099	2,174
Total Net Assets	506,311	532,589
Total	¥ 749,878	¥ 758,124

* The consolidated balance sheets for FY2018 have been reclassified in line with the classification change of the Automotive Electronic Components Business (AEC) to discontinued operations.

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2018, 2019 and 2020

(Millions of yen)

	FY2017	FY2018	FY2019
Net sales	¥ 732,306	¥ 732,581	¥ 677,980
Costs and Expenses:			
Cost of sales	404,721	407,097	374,278
Selling, general and administrative expenses	201,777	208,895	202,954
Research and development expenses	48,622	49,335	45,988
Other expenses, net	2,053	1,342	2,924
Total	657,173	666,669	626,144
Income before Income Taxes and Equity in Earnings of Affiliates	75,133	65,912	51,836
Income Taxes	19,968	17,016	11,270
Equity in Earnings of Affiliates	(1,754)	1,578	963
Net Income from Continuing Operations	56,919	47,318	39,603
Net Income from Discontinued Operations	6,587	7,673	35,732
Net Income	63,506	54,991	75,335
Net Income Attributable to Noncontrolling Interests	347	668	440
Net Income Attributable to OMRON Shareholders	¥ 63,159	¥ 54,323	¥ 74,895

(Yen)

	FY2017	FY2018	FY2019
Per Share Data:			
Net Income Attributable to OMRON Shareholders:			
Net Income Attributable to OMRON Shareholders from Continuing Operations	¥ 265.89	¥ 223.95	¥ 191.00
Net Income Attributable to OMRON Shareholders from Discontinued Operations	30.96	36.84	174.26
Basic	¥ 296.85	¥ 260.78	¥ 365.26
Diluted	—	—	—

* The consolidated statements of income for FY2018 and FY2017 have been reclassified in line with the classification change of the Automotive Electronic Components Business (AEC) to discontinued operations.

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2018, 2019 and 2020

(Millions of yen)

	FY2017	FY2018	FY2019
Net Income	¥ 63,506	¥ 54,991	¥ 75,335
Other Comprehensive Income (Loss), Net of Tax:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	3,153	(4,419)	(23,674)
Reclassification adjustment for the portion realized in net income	—	(109)	(119)
Net unrealized gain (loss)	3,153	(4,528)	(23,793)
Pension liability adjustments:			
Pension liability adjustments arising during the year	451	(11,419)	7,033
Reclassification adjustment for the portion realized in net income	2,335	2,556	3,365
Net unrealized gain (loss)	2,786	(8,863)	10,398
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	3,695	—	—
Reclassification adjustment for the portion realized in net income	(2,034)	—	—
Net unrealized gain (loss)	1,661	—	—
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(514)	32	77
Reclassification adjustment for the portion realized in net income	920	(73)	(160)
Net unrealized gain (loss)	406	(41)	(83)
Other Comprehensive Income (Loss)	8,006	(13,432)	(13,478)
Comprehensive Income	71,512	41,559	61,857
Comprehensive Income Attributable to Noncontrolling Interests	349	651	368
Comprehensive Income Attributable to OMRON Shareholders	¥ 71,163	¥ 40,908	¥ 61,489

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2018, 2019 and 2020

(Millions of yen)

	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Noncontrolling Interests	Total net assets
Balance, March 31, 2017	213,958,172	¥ 64,100	¥ 99,138	¥ 17,813	¥ 346,000	¥ (57,363)	¥ (659)	¥ 469,029	¥ 1,728	¥ 470,757
Net Income					63,159			63,159	347	63,506
Cash dividends paid to OMRON Corporation shareholders, ¥76 per share					(16,083)			(16,083)		(16,083)
Cash dividends paid to noncontrolling interests								—	(215)	(215)
Equity transactions with noncontrolling interests and other			6		1			7	(6)	1
Stock-based payment			444					444		444
Transfer to legal reserve				2,127	(2,127)			—		—
Other comprehensive income (loss)						8,004		8,004	2	8,006
Acquisition of treasury stock							(19,030)	(19,030)		(19,030)
Balance, March 31, 2018	213,958,172	64,100	99,588	19,940	390,950	(49,359)	(19,689)	505,530	1,856	507,386
Cumulative impact of the application of FASB Accounting Standards Update 2016-01 and 2018-03*1					7,650	(7,426)		224		224
Balance, April 1, 2018 (reflecting application of FASB Accounting Standards Update 2016-01 and 2018-03)	213,958,172	64,100	99,588	19,940	398,600	(56,785)	(19,689)	505,754	1,856	507,610
Net Income					54,323			54,323	668	54,991
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests								—	(343)	(343)
Equity transactions with noncontrolling interests and other								—	(65)	(65)
Stock-based payment			645					645		645
Transfer to legal reserve				1,886	(1,886)			—		—
Other comprehensive income (loss)						(13,415)		(13,415)	(17)	(13,432)
Acquisition of treasury stock							(25,697)	(25,697)		(25,697)
Balance, March 31, 2019	213,958,172	64,100	100,233	21,826	433,639	(70,200)	(45,386)	504,212	2,099	506,311
Net Income					74,895			74,895	440	75,335
Cash dividends paid to OMRON Corporation shareholders, ¥84 per share					(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests								—	(293)	(293)
Equity transactions with noncontrolling interests and other			2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries			(74)	(2,386)	2,460			—		—
Stock-based payment*2			360					360		360
Transfer to legal reserve				1,541	(1,541)			—		—
Other comprehensive income (loss)						(13,406)		(13,406)	(72)	(13,478)
Acquisition of treasury stock							(18,541)	(18,541)		(18,541)
Cancellation of treasury stock					(40,578)		40,578	—		—
Balance, March 31, 2020	206,244,872	¥ 64,100	¥ 100,521	¥ 20,981	¥ 451,768	¥ (83,606)	¥ (23,349)	¥ 530,415	¥ 2,174	¥ 532,589

*1 Represents the impact of applying FASB Accounting Standards Update 2016-01 and 2018-03.

*2 Includes ¥(275) million, the amount of decrease in capital surplus due to changes in the estimates of stock-based payment.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2018, 2019 and 2020

(Millions of yen)

	FY2017	FY2018	FY2019
Operating Activities:			
Net Income	¥ 63,506	¥ 54,991	¥ 75,335
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,465	30,459	28,605
Net loss (gain) on sale and disposals of property, plant, and equipment	949	(1,098)	(1,487)
Impairment losses on long-lived assets	911	196	498
Net loss on valuation of investment securities	—	563	1,170
Net loss on sale of investment securities	(3,003)	—	43
Impairment losses on investment securities	155	—	—
Termination and Retirement Benefits	2,706	3,818	(436)
Deferred income taxes	(2,607)	(383)	(125)
Equity in earnings of affiliates	(1,754)	1,578	963
Gain on sales of business	14	(407)	(51,450)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	(3,210)	(534)	12,944
Decrease (increase) in inventories	(17,409)	(3,491)	10,704
Increase in other assets	(6,113)	(294)	(6,422)
Decrease in notes and accounts payable - trade	4,116	(5,401)	(1,319)
Increase (decrease) in income taxes payable	(614)	(2,775)	15,614
Increase (decrease) in accrued expenses and other current liabilities	6,276	(6,851)	3,570
Other, net	285	874	1,600
Total adjustments	10,167	16,254	14,452
Net Cash Provided by Operating Activities	73,673	71,245	89,787
Investing Activities:			
Proceeds from sale or maturities of investment securities	3,776	465	1,423
Purchase of investment securities	(649)	(602)	(2,344)
Capital expenditures	(38,542)	(39,045)	(37,629)
Decrease (increase) in leasehold deposits, net	(634)	(193)	62
Proceeds from sale of property, plant, and equipment	990	3,475	4,565
Increase in investments in affiliates	—	(498)	(2,231)
Proceeds from sale of business, net of cash paid	(427)	1,817	64,460
Acquisition of business, net of cash acquired	(20,445)	(830)	—
Other, net	89	454	333
Net Cash Provided by (Used in) Investigating Activities	(55,842)	(34,957)	28,639
Financing Activities:			
Net borrowings (repayments) of short-term debt	951	2,109	6,365
Dividends paid by the Company	(15,378)	(16,776)	(17,250)
Dividends paid to noncontrolling interests	(215)	(343)	(293)
Acquisition of treasury stock	(18,530)	(25,716)	(18,571)
Other, net	90	(57)	(319)
Net Cash Used in Financing Activities	(33,082)	(40,783)	(29,430)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,248	1,722	(13,713)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,003)	(2,773)	75,283
Cash and Cash Equivalents at Beginning of the Year	126,026	113,023	110,250
Cash and Cash Equivalents at End of the Year	113,023	110,250	185,533
Cash and Cash Equivalents from Discontinued Operations at End of the Year	6,800	6,400	—
Cash and Cash Equivalents from Continuing Operations at End of the Year	¥ 106,223	¥ 103,850	¥ 185,533

* Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations.

11-Year Financial and Non-Financial Highlights

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

Long-Term Management Strategy

Grand Design 2010 (GD2010)

	FY2009	FY2010	FY2011	FY2012
Financial Indicators:				
Operating Results:				
Net sales	¥524,694	¥617,825	¥619,461	¥650,461
Gross profit	184,342	231,702	227,887	241,507
Selling, general and administrative expenses (excl. R&D expenses)	133,426	142,365	145,662	152,676
R&D expenses	37,842	41,300	42,089	43,488
Operating income	13,074	48,037	40,136	45,343
EBITDA ^(Note 1)	40,088	71,021	62,753	67,795
Net income (loss) attributable to OMRON shareholders	3,518	26,782	16,389	30,203
Cash Flows:				
Net cash provided by operating activities	42,759	41,956	31,946	53,058
Net cash used in investing activities	(18,584)	(20,210)	(26,486)	(28,471)
Free cash flow ^(Note 2)	24,175	21,746	5,460	24,587
Net cash provided by (used in) financing activities	(20,358)	3,333	(33,492)	(18,550)
Financial Position:				
Total assets	532,254	562,790	537,323	573,637
Cash and cash equivalents	51,726	74,735	45,257	55,708
Total interest-bearing liabilities	36,612	45,519	18,774	5,570
Total shareholders' equity	306,327	312,753	320,840	366,962
Per Share Data:				
Net income (loss) attributable to OMRON shareholders (EPS) (Yen)	16.0	121.7	74.5	137.2
Shareholders' equity	1,391.4	1,421.0	1,457.5	1,667.0
Cash dividends ^(Note 3) (Yen)	17	30	28	37
Dividend payout ratio	106.4%	24.7%	37.6%	27.0%
Other Financial Data:				
Gross profit margin	35.1%	37.5%	36.8%	37.1%
Operating income margin	2.5%	7.8%	6.5%	7.0%
EBITDA margin	7.6%	11.5%	10.1%	10.4%
Return on invested capital (ROIC)	1.0%	7.8%	4.8%	8.6%
Return on equity (ROE)	1.2%	8.7%	5.2%	8.8%
Ratio of shareholders' equity to total assets	57.6%	55.6%	59.7%	64.0%
Total return ratio ^(Note 4)	106.7%	25.2%	37.7%	27.0%
Capital expenditures	19,524	23,192	28,341	28,285
Depreciation and amortization	27,014	22,984	22,617	22,452
Ratio of overseas sales	50.7%	51.4%	52.2%	51.1%

Non-Financial Indicators:

Number of employees	36,299	35,684	35,992	35,411
Ratio of overseas employees to total employees	68.1%	67.8%	67.7%	67.4%
Ratio of non-Japanese in managerial positions overseas ^(Note 5)	—	—	34%	36%
Ratio of women in managerial roles (OMRON Group in Japan) ^(Note 6)	—	—	—	1.4%
Number of women in managerial roles	—	—	—	22
Ratio of employees with disabilities (OMRON Group in Japan) ^(Note 7)	2.1%	2.2%	2.2%	2.2%
Number of patents held ^(Note 8)	5,218	5,452	5,959	6,448
Environmental contribution (thousand ton-CO ₂)	—	193	189	313
CO ₂ emissions of production sites (thousand ton-CO ₂)	—	187	193	203
Net sales to CO ₂ emissions (million yen / ton-CO ₂)	—	3.31	3.21	3.21
Greenhouse gas emissions (thousand ton-CO ₂)	—	—	—	—

Note: 1. EBITDA = Operating income + Depreciation and amortization
 2. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
 3. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.
 4. Total return ratio = (Total dividends paid + Amount of shares repurchased) / Net income (loss) attributable to OMRON shareholders (does not include repurchases of less than one trading unit)
 5. The ratio of local employees to the number of important positions determined by OMRON depending on the size of the overseas OMRON Group companies, concurrent positions for governance and development positions are excluded.
 6. Figures represent results as of April 20.
 In the domestic OMRON group, the number of women in managerial positions ratio.
 7. Figures represent results as of June 20.
 Group companies in Japan that must observe the "Promotion of the Employment of Persons with Disabilities Law" (June 2019: including 20 consolidated subsidiaries) and follow the law's method of calculation of the ratio of employment of persons with disabilities.
 8. Patent information is as of March 31 each year.

★ Indicates assurance performed by independent third party.

☆ Indicates verification or review performed by independent third party.

P103 →

Value Generation 2020 (VG2020)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	(Millions of yen)						
	¥772,966	¥847,252	¥833,604	¥794,201	¥732,306	¥732,581	¥677,980
	297,208	332,607	320,812	312,161	327,585	325,484	303,702
	181,225	198,103	205,735	193,093	201,777	208,895	202,954
	47,928	47,913	52,790	50,539	48,622	49,335	45,988
	68,055	86,591	62,287	68,529	77,186	67,254	54,760
	93,144	114,930	93,747	97,495	101,501	92,609	80,466
	46,185	62,170	47,290	45,987	63,159	54,323	74,895
	79,044	77,057	84,207	77,875	73,673	71,245	89,787
	(31,125)	(39,517)	(67,116)	(15,041)	(55,842)	(34,957)	28,639
	47,919	37,540	17,091	62,834	17,831	36,288	118,426
	(16,298)	(29,303)	(31,550)	(15,012)	(33,082)	(40,783)	(29,430)
	654,704	711,011	683,325	697,701	744,952	749,878	758,124
	90,251	102,622	82,910	126,026	106,223	103,850	185,533
	488	0	0	156	298	2,086	1,593
	430,509	489,769	444,718	469,029	505,530	504,212	530,415
	209.8	283.9	219.0	215.1	296.9	260.8	365.3
	1,956.1	2,254.4	2,080.0	2,193.7	2,400.4	2,455.2	2,626.6
	53	71	68	68	76	84	84
	25.3%	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%
	38.5%	39.3%	38.5%	39.3%	44.7%	44.4%	44.8%
	8.8%	10.2%	7.5%	8.6%	10.5%	9.2%	8.1%
	12.1%	13.6%	11.2%	12.2%	14.6%	12.6%	11.9%
	11.3%	13.4%	9.7%	10.3%	12.7%	10.6%	14.1%
	11.6%	13.5%	10.1%	10.1%	13.0%	10.8%	14.5%
	65.8%	68.9%	65.1%	67.2%	67.9%	67.2%	70.0%
	25.3%	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%
	33,653	38,143	36,859	25,692	33,027	35,661	33,110
	25,089	28,339	31,460	28,966	24,315	25,355	25,706
	55.4%	60.1%	60.3%	58.4%	57.3%	56.5%	54.1%
	36,842	37,572	37,709	36,008	36,193	35,090	28,006
	69.1%	69.7%	69.3%	68.3%	68.1%	67.6%	62.2%
	42%	42%	46%	49%	49%	62%	70% *
	1.5%	1.8%	1.9%	2.3%	3.3%	3.6%	5.2%
	23	27	30	36	53	59	85
	2.4%	2.4%	2.4%	2.5%	2.6%	2.5%	2.8% *
	6,635	7,194	7,686	8,224	8,774	9,782	10,087
	661	851	508	593	659	1,055	971 ☆
	215	221	202	202	204	193	135
	3.60	3.83	4.12	3.94	4.22	4.47	5.02 ☆
	—	—	—	250	271	235	166 ☆

Operating Income

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

Changes in Accounting Policies

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

Financial Data Reclassification

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

Corporate Information As of March 31, 2020

Established

May 10, 1933

Incorporated

May 19, 1948

Capital

¥64,100 million

Number of Employees (Consolidated)

28,006

Common Stock

Issued 206,245 thousand shares

Trading Unit 100 shares

Number of Shareholders 32,238

Stock Listings

Tokyo Stock Exchange, Frankfurt

Stock Exchange

Securities Code

6645

Fiscal Year-End

March 31

Annual Shareholders' Meeting

June

Custodian of Register of

Shareholders

Mitsubishi UFJ Trust and Banking Corporation

Depositary and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank, N.A.

Head Office

Shiokoji Horikawa,

Shimogyo-ku, Kyoto

600-8530, Japan

Tel : +81-75-344-7000

Fax: +81-75-344-7001

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

Manufacturing & Development

Kusatsu Office
Okayama Office
Ayabe Office
Yasu Office

Research & Development

Keihanna Technology
Innovation Center

Sales & Marketing

Tokyo Office
Osaka Office
Nagoya Office
Mishima Office

Subsidiaries and Affiliates

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

Regional Headquarters

North America

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

Europe

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

Greater China

OMRON MANAGEMENT
CENTER OF CHINA (Shanghai)

Asia Pacific

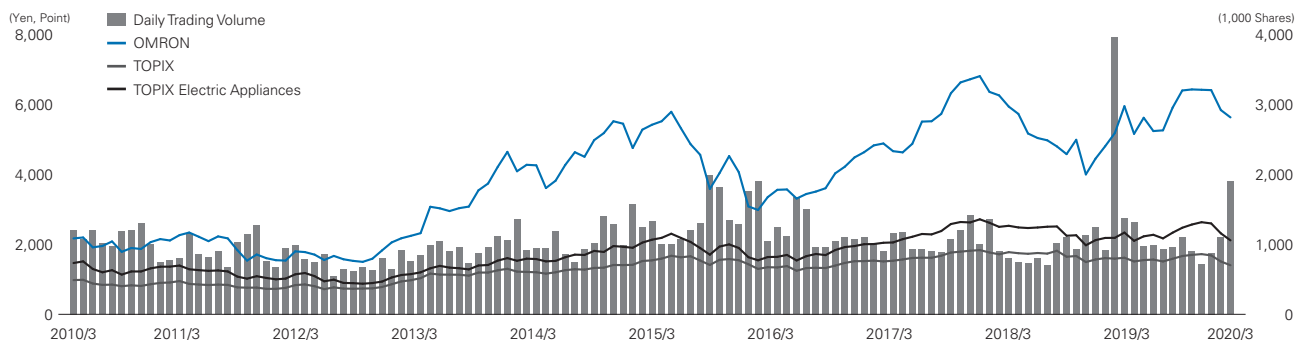
OMRON MANAGEMENT
CENTER OF ASIA PACIFIC
(Singapore)

Korea

OMRON MANAGEMENT
CENTER OF KOREA (Seoul)

Stock Information

Share Price and Volume



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

Total Shareholder Return (TSR*1)

FY	2015	2016	2017	2018	2019
OMRON	63.1%	92.6%	119.4%	101.0%	110.9%
TOPIX	89.2%	102.3%	118.5%	112.5%	101.8%
TOPIX Electric Appliances	78.4%	99.5%	123.7%	110.4%	108.9%

*1 Represents total investment return to shareholders, combining capital gains and dividends.
 The calculation of this figure is a required disclosure under Cabinet Office Ordinance.
 † This figure reflects period-end value for fiscal years beginning with fiscal 2015, assuming an investment at the fiscal 2014 year-end closing price.

52-Week High / Low, Volatility*2

FY	High (¥)	Low (¥)	Volatility (%)
2019	6,870	4,410	32.3
2018	6,300	3,740	34.5
2017	7,670	4,385	27.1
2016	5,120	3,045	32.5
2015	5,900	2,742	40.0
2014	5,800	3,365	30.9
2013	4,730	2,213	39.7
2012	2,478	1,436	29.9
2011	2,357	1,381	36.5
2010	2,418	1,749	34.7

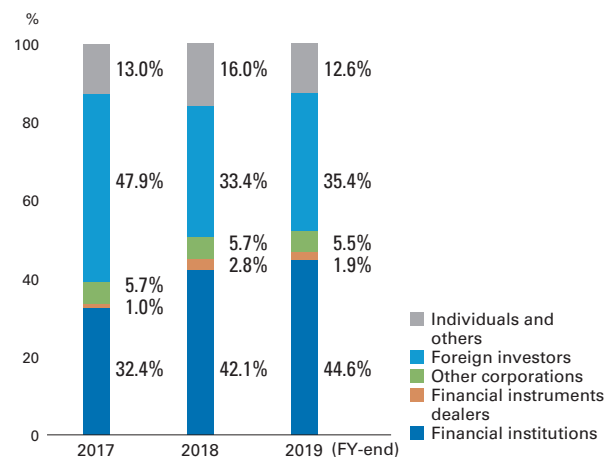
*2 Volatility: Price fluctuation risk expressed in standard deviations

Dividends per Share / Payout Ratio

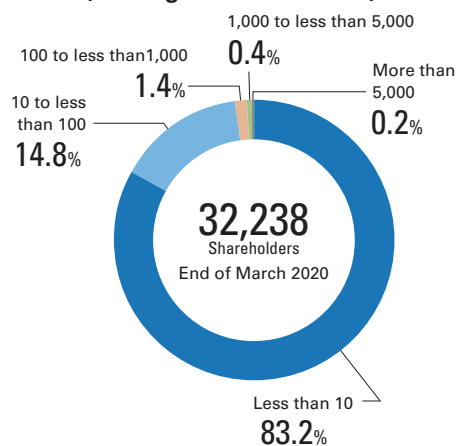
FY	Dividends per Share (¥)	Payout Ratio (%)
2019	84	23.0
2018	84	32.2
2017	76	25.6
2016	68	31.6
2015	68	31.1
2014	71	25.0
2013	53	25.3
2012	37 ^{*3}	27.0
2011	28	37.6
2010	30	24.7

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

Ownership and Distribution of Shares



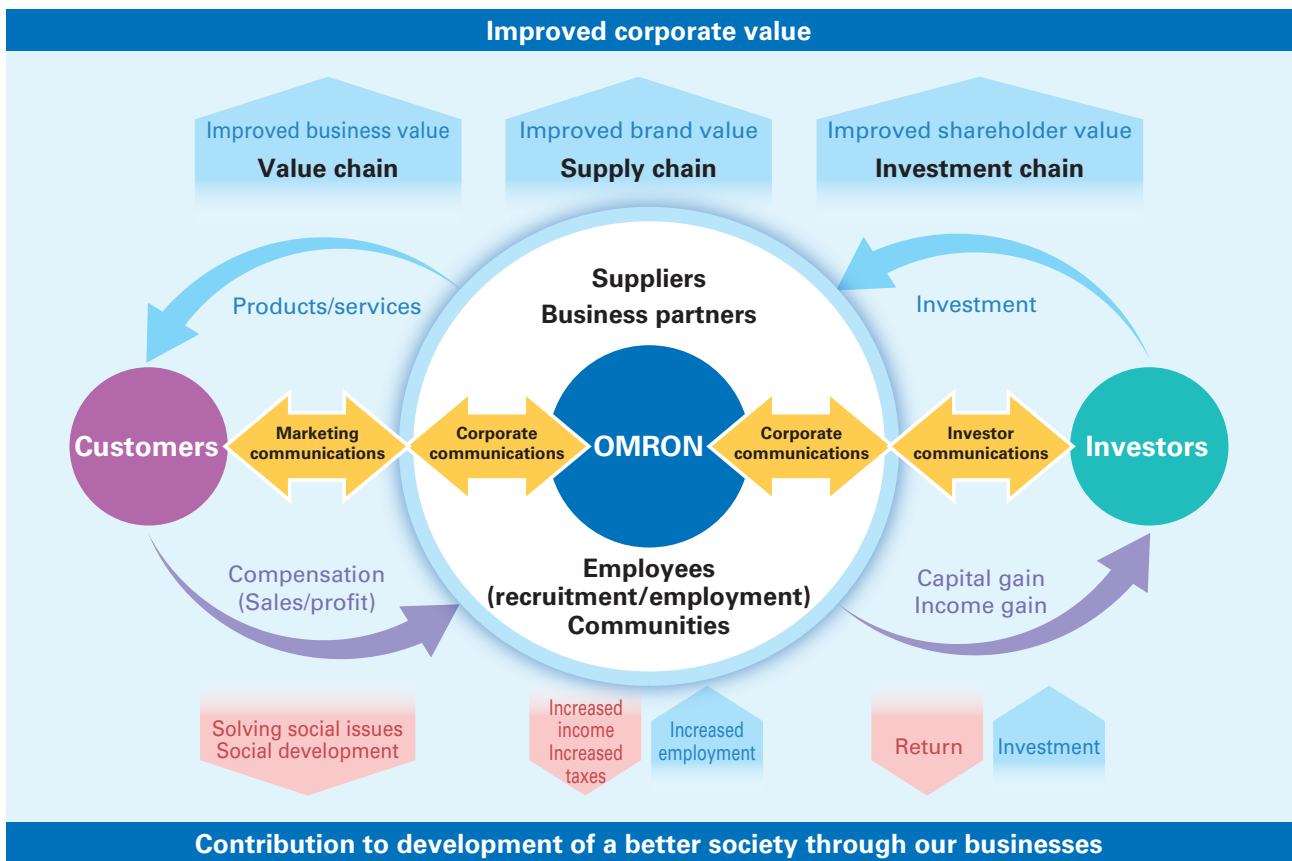
Shareholder Distribution by Number of Shares Held (Trading unit: 100 shares)



Responsible Engagement With Our Stakeholders

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

Responsible Engagement with Our Stakeholders



Case Studies: Dialogues with Stakeholders

Marketing communications / Dialogues with customers

In the Healthcare Business, we are promoting dialogue with healthcare professionals and consumers to spread the importance of home blood pressure monitoring. In fiscal 2019, we expanded our activities globally, holding educational programs for healthcare professionals called “OMRON Academy” in 12 locations across India and blood pressure measurement events for consumers in 10 cities. We will continue to promote achieving “zero events (zero cerebrovascular and cardiovascular events)” in various locations by having people understand the importance of home blood pressure monitoring and utilize these events for medical care.



The OMRON Academy

Corporate communications / Dialogues with suppliers

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



Global Partner Conference
(May 2019)

Corporate communications / Dialogues with business partners

At OMRON, we strive to create business through co-creation with business partners. Industrial Automation Business is conducting trials utilizing the fifth-generation mobile communication system (5G) in factories and other manufacturing sites under the collaborative efforts of NTT DOCOMO, NOKIA, and OMRON. We jointly evaluate the usefulness and possibilities of 5G with the aim of solving the challenges facing the manufacturing industry and developing communications technology required in manufacturing sites of the future.



Announcement of joint trial by three companies (September 2019)

Corporate communications / Dialogues with employees

Since 2016, OMRON has been conducting the engagement survey VOICE that aims to listen directly to feedback from our global employees, identify management issues, and take actions to solve those issues. In fiscal 2019, we introduced an application program for personnel transfer in response to requests from employees in the fiscal 2018 survey. The application program provides employees with opportunities to advertise their talents and transfer to other department to challenge themselves in even if there are no job openings. By reflecting the opinions of employees, we will work to create a company where employees can play an active role.



A poster calling on employees to reply to VOICE

Corporate communications / Dialogues with communities

OMRON is working to solve community-specific social issues. In March 2020, the Social Systems, Solutions and Service Business signed a comprehensive collaboration agreement with Uki City, Kumamoto Prefecture to mutually engage in a collaborative effort to realize Society 5.0 that solves regional issues with new technologies. We will contribute to developing sustainable towns through the introduction of management systems that utilize IoT for disaster prevention sensors and the introduction of renewable energy management systems to public facilities.



Comprehensive collaboration agreement signed with Uki City (March 2020)

Investor communications / Dialogues with investors

OMRON strives to raise corporate value through dialogues with shareholders and investors. In fiscal 2019, we held the 82nd Ordinary General Meeting of Shareholders, as well as the third ESG Meeting. At the ESG Meeting, we took the opportunity to explain OMRON's business, initiatives for human resources centered on management based on the OMRON Principles, climate change initiatives, and corporate governance. We fielded many questions and listened to opinions from the shareholders and investors who participated in the meeting. Also, we implemented a total of 680 interviews with institutional investors in fiscal 2019. The knowledge we received from interactions with our shareholders and investors has led to improvements in our management initiatives.



The 82nd Ordinary General Meeting of Shareholders (June 18, 2019)



Fiscal 2019 ESG Meeting
(February 17, 2020)

OMRON Recognitions

OMRON Innovations Recognized



Selected as Top 100 Global Innovator 2019

OMRON was selected for a fourth consecutive year from fiscal 2016 as a Top 100 Global Innovator, an award recognizing the best 100 innovative companies and research institutes.



Coverage in Various Indexes

We are honored to have been included for the tenth consecutive year in the Dow Jones Sustainability (DJSI) Asia/Pacific Index from 2010 and for the third consecutive year in the DJSI World Index from fiscal 2017. We have also been included for the sixth consecutive year in the MSCI ESG Leaders Index from 2015 and for the fifth consecutive year in the FTSE4Good Index Series. We have also been included in a range of other indexes.

ESG Indexes



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



2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

Major Indexes in Japan

Since March 2019, we have been included as one of the 225 stocks that make up the Nikkei Stock Average.



OMRON Contributions to Sustainability Recognized

Designated 2020 Health & Productivity Stock Selection

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



Selected as a Nadeshiko Brand

OMRON was recognized for our engagement in diversity promotion activities for the third consecutive year.



Received the SDGs Strategy/ Economic Value Award at the Nikkei SDGs Management Grand Prix

OMRON was recognized and awarded for our company-wide efforts to put the OMRON Principles and management based on the OMRON Principles into practice.



Awarded Gold rating, the highest distinction from EcoVadis, for sustainability for the first time

OMRON was highly recognized and awarded for our approaches in environmental fields in CSR activities.



OMRON Communications Recognized

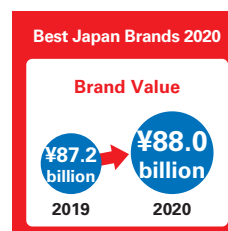
Received the Winners Award at the Japan Branding Awards 2019

We received a high evaluation as a "company that implements excellent branding" selected by Interbrand Japan.



Ranked No.45 in Best Japan Brands 2020

We were included in the Japan business brand evaluation ranking announced each year by Interbrand Japan for the third consecutive year and our brand was valued at ¥88.0 billion.




Independent Third-Party Assurances

To enhance the reliability of the information presented in Integrated Report 2020, the following information associated with social and environmental performance provided herein has been assured or reviewed by independent third parties*.

Data subject to independent assurance

- Ratio of non-Japanese in managerial positions overseas (P32, 96)
- Ratio of women in managerial roles (OMRON Group in Japan) (P61)
- Ratio of employees with disabilities (OMRON Group in Japan) (P96)



Independent Assurance Report

To the President and CEO of OMRON Corporation

We were engaged by OMRON Corporation (the "Company") to undertake a limited assurance engagement of the social performance indicators marked with "*" (the "Indicators") for the period from April 1, 2019 to March 31, 2020 (with the exception of the Indicator "ratio of women in managerial roles" which is as of April 20, 2020) included in its Integrated Report 2020 (the "Report") for the fiscal year ended March 31, 2020.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature, form, and are less in extent than for a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's headquarters selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG Aya Saitoh Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
October 27, 2020

Data subject to independent assurance

- GHG emissions (P23, 32, 96)
- Net sales to CO₂ emissions (P23, 32, 96)

Data subject to independent review

- Environmental contribution (P23, 32, 96)

INDEPENDENT ASSURANCE STATEMENT

To: OMRON Corporation

Business Veritas Japan Co., Ltd. (Business Veritas) has been engaged by OMRON Corporation (OMRON) to provide limited assurance on selected data presented in the integrated information included within the scope of work described below.

Selected Information

The scope of our assurance work has limited to assurance over the following information included within the "Social Responsibility" data page of the OMRON Corporate Website (the "Website") as reported therein by OMRON Group only for the period of internal management for the period of April 1, 2019 through March 31, 2020 (the "Reporting Period").

Reporting Period

1) Ratio of non-Japanese in managerial positions overseas (P32, 96)
2) Ratio of women in managerial roles (OMRON Group in Japan) (P61)
3) Ratio of employees with disabilities (OMRON Group in Japan) (P96)

Assurance Basis

1) We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board (IAASB) (2015).
2) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
3) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
4) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
5) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.

Assurance Standard

We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board (IAASB) (2015).
2) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
3) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
4) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.
5) We performed our assurance work in accordance with the Reporting Criteria by conducting an assurance work.

Assurance Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG Aya Saitoh Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
October 27, 2020

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

In Memory of Yoshio Tateishi, Honorary Advisor



Yoshio Tateishi, Honorary Advisor and former President and CEO of OMRON Corporation, passed away on April 21, 2020. Tateishi served as OMRON's third President for 16 years between 1987 and 2003. During his tenure as President, Tateishi established the OMRON Principles, changed the name of the company from Tateisi Electronics Company to OMRON Corporation, and formulated the company's first long-term vision, Golden '90s Plan, among others. Through the globalization of OMRON and the strengthening of its governance, he built the basis for the current growth of OMRON. In 2007, Tateishi became President of Kyoto Chamber of Commerce and Industry and worked to promote the local economy in Kyoto, the city that nurtured OMRON. We would like to express our sincere appreciation for the support and friendship extended to him during his lifetime.

<Covered Organizations>

As a general rule, this report covers 148 companies in the OMRON Group, consisting of OMRON Corporation, 129 consolidated subsidiaries, and 19 nonconsolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2020).

<Covered Period>

Fiscal 2019 (April 1, 2019 through March 31, 2020). However, this report includes some disclosure items and business activities that were initiated after April 2020.

<References>

This integrated report conforms to the integrated reporting frameworks recommended by the International Integrated Reporting Council and the World Intellectual Capital Initiative and refers to Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry. Sustainability-related disclosures have been written with reference to the GRI Standards.



<Caution Concerning Performance Forecasts Statements>

Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors.

See "Outlook for Fiscal 2020" on page 87 of this report when using the projection of results and conditions of assumptions for the results.

In this report, an emphasis was placed on communicating financial information, sustainability information, and content disclosed in various reports posted on our website as well as content that OMRON is working for sustainable enhancement of corporate value in an easy-to-understand manner. Please see the OMRON website for details.

Investor Relations

<https://www.omron.com/global/en/ir/>

Sustainability Information

• Sustainability initiatives

<https://sustainability.omron.com/en>

• GRI Content Index

https://sustainability.omron.com/en/guide_line/

• Major Sustainability Data

<https://sustainability.omron.com/en/performance/>

Reports

• Corporate Governance Report

https://www.omron.com/global/en/assets/file/about/corporate/governance/policy/20200803_governance_report_e.pdf

