



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

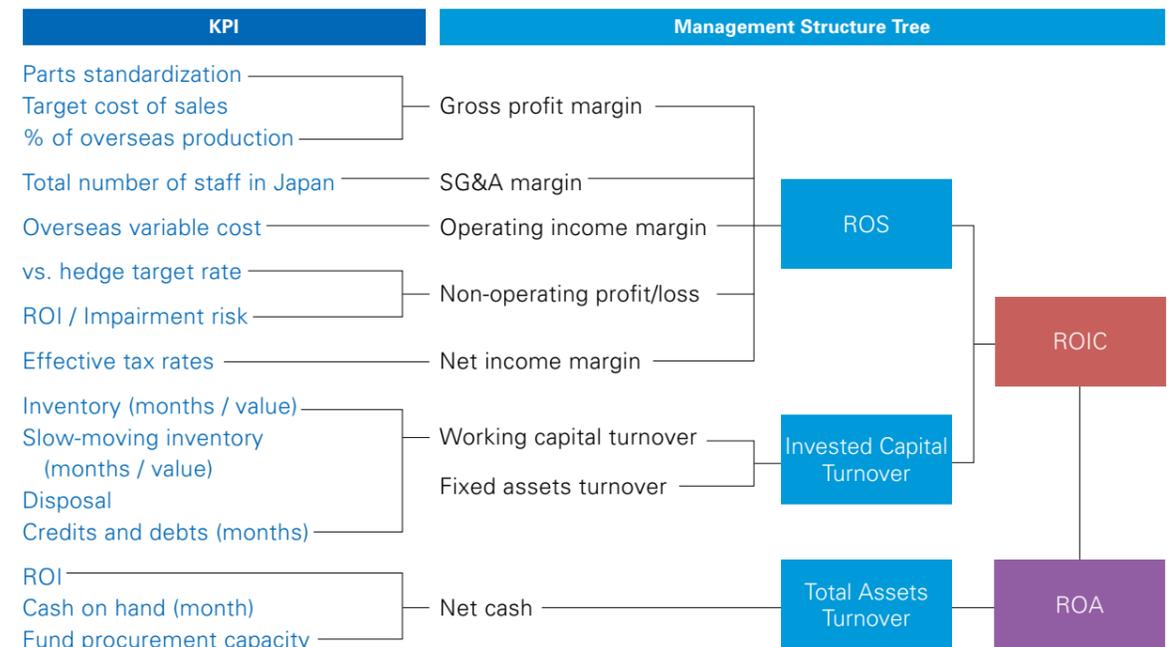
To create returns for shareholders, we will use the capital surplus accumulated over the years to conduct share buybacks as the situation allows.

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

Utilizing a Unique Down-Top ROIC Tree

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

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



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

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

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

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

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