Q1 How are the strategies of the “GLOBE STAGE” progressing, and what initiatives are being implemented in preparation for the following “EARTH STAGE”?  

First of all, I have to tell you that we made a downward revision to the performance targets for the “GLOBE STAGE.” Originally, we targeted net sales of ¥750.0 billion, operating income of ¥100.0 billion, and a gross profit margin of 42%, but we revised these targets to net sales of ¥710.0 billion, operating income of ¥58.0 billion, and a gross profit margin of 39%. It was a hard decision, but one that was fully considered. One reason for the revision was out-of-control external factors, including unfavorable foreign exchange rates, natural disasters, and global economic recession. However, we admit that there were also internal issues, such as our vulnerability to foreign exchange. We have already taken steps to address this issue. Also, performance in the Industrial Automation (IA) Business, which is sensitive to capital investment trends, was lower than expected.

Looking on the brighter side, we’ve been on the right course in that the GLOBE STAGE is a period for the establishment of profit and growth structures on a global basis. We conducted necessary investments, centered on the core IA Business (IAB & EMC), regardless of the harsh operating environment. These investments were geared toward developing competitive products and expanding sales networks in emerging countries. We intend to turn these investments into success. While up until just recently a headwind has been blowing in the external operating environment, it is possible that this may change to a tailwind. Should this occur, the investments and preparations we have advanced until now will generate substantial returns, particularly in the factory automation.
We conducted necessary investments, centered on the core IA Business, regardless of the harsh operating environment.

(FA) markets of emerging countries, where demand will be supported by economic growth, higher personnel expenses, and rising quality consciousness. While the IA Business may face ups and downs in its growth pace, it is sure to realize growth over the long term.

Profit structure reforms were another area of focus. We have implemented measures to minimize the impacts of foreign exchange rate fluctuations, steadily constructing profit structures that are resilient to external changes. Profitability is also being boosted in non-IA Business, such as AEC, SSB, and HCB. In addition, our environmental solutions business, a new area of focus, is developing into a highly promising business by generating revenues at a faster pace than had been initially anticipated.

While implementing reforms, we are also taking action with the next EARTH STAGE now in view. In the EARTH STAGE, our focus will be targeting new value generation for growth. We are allocating management resources to focus businesses to facilitate the development of the new products and sales networks that will be necessary for future growth.

Policy for Fiscal 2013

Complete the GLOBE STAGE!

Transform Omron into a stronger company that demonstrates synergies between growth potential, profitability, and responsiveness to change

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What are your projections for the environmental solutions business and other businesses that address social needs?

Let me take our HCB and environmental solutions business as examples. HCB aims to contribute to improving the health of people around the world through its products. Presently, we are seeing a rise in the number of sufferers of respiratory illnesses in emerging nations, where air pollution issues are growing ever graver. In addition, changes in lifestyle environments are resulting in an increase in the number of people with high blood pressure, diabetes, and other cardiovascular related diseases, and this is becoming a serious social issue. In this market environment, contributing to healthcare will require higher awareness whereby people monitor and manage their health condition at home as well as in hospitals. Should the concern for disease prevention rise in emerging countries, it could lead to a decrease in serious event risks related to heart attacks, strokes, or other inflections. To facilitate such a change, Omron is working to foster proper understanding with regard to health issues among practitioners, such as doctors and pharmacists, and patients alike. At the same time, we are developing and selling easy-to-use healthcare devices to meet the local circumstances and specific demand. HCB currently operates in more than 110 countries around the world, and we are actively expanding sales channels in this business with a particular focus on emerging nations. In fiscal 2012, this focus area recorded a 30% year-on-year increase in sales on a yen basis. In fiscal 2013, we will aggressively develop the business to increase our contribution to addressing growing healthcare issues.

In the environmental solutions business, we are working to resolve social issues in the clean energy field through the sale of PV inverters for solar power generation systems and DC power relays for electric vehicles.

In particular, installations of PV inverters doubled in fiscal 2012 due to the benefits of the feed-in tariff scheme for renewable energy that was launched in Japan during July 2012. We expect the market will expand in light of concerns for the depletion of fossil fuel reserves and environmental pollution, such as that from CO₂ emissions.

Personally, I have the highest expectations for energy-saving businesses in the FA market. Energy management at production sites will be more important than ever to lead to an expansion of business opportunities for the Company. Omron itself is vigorously advancing electricity-saving initiatives at its plant in Kyoto. By leveraging the knowledge gained through this venture, we will grow energy-saving businesses targeting manufacturing markets around the world.
You mentioned transforming Omron into a stronger company that demonstrates synergies between growth potential, profitability, and responsiveness to change. What exactly do you mean by “responsiveness to change”?

Put simply, it’s the ability to transform risks and changes into opportunities, and when I say changes I am referring to both positive and negative changes.

We can’t do business without taking negative changes and risks into consideration. We must take steps to limit the impacts of risks on our business. Even an unprecedented event, such as the Great East Japan Earthquake of 2011, must be incorporated into medium-to-long-term management plans. For example, based on what we learned from the earthquake, we reevaluated our production sites in consideration of the risk of a large-scale natural disaster. And we developed systems that will allow the production operations at one site to be quickly shifted to another should that site be temporarily unable to produce. I believe that the ability to create benefits from risks is one form of responsiveness to change.

Moreover, as a global company, we need to respond to changes on a global scale. Over the past two years, we have placed a particular focus on making our operations more resilient to fluctuations in foreign exchange rates and rises in personnel expenses in emerging nations. Faced with the strong yen, we worked to limit the impacts of foreign exchange on profits by increasing transactions in foreign currencies, procuring more items locally, and other means. Also, we installed automation systems into our own factories in China and other Asian countries to offset the rise in personnel expenses in these countries.

At the same time, we recognize that positive changes represent opportunities we must grasp. Since the introduction of the “Abenomics” economics stimulus plan, the too-high yen became weaker and export-oriented companies in Japan are tending healthy. We are working to quickly reap the benefits of these and subsequent accompanying market changes, seeking to turn the various risks and changes that surround the Company into opportunities so that we may transform Omron into a stronger company.

How are you pursuing increased shareholder value in management?

To raise corporate value, we are looking at both the quantitative and qualitative sides of operations. For the quantitative side, we emphasize management of capital costs and cash flows in our operations.

Looking at capital costs to begin with, we utilize the management index of return on invested capital (ROIC) to ensure that each business generates returns that are appropriate in consideration of their individual capital costs. This index is considered from the stage of developing strategies for each business, and we evaluate investment projects and propose improvement measures for asset efficiency accordingly.

Next, we are focusing on cash flow management to realize growth. Currently, free cash flow is positive, and net cash is trending upward. While we are of course always considering returns to shareholders, at the moment we feel it is best to invest these funds in future growth, through such means as M&A activities.

Finally, to further reinforce this quantitative focus, from fiscal 2013, we have established the new position of Chief Financial Officer (CFO). We anticipate the CFO, by serving as the “brain” of the financial side of operations, will be a driving force in boosting both the quality and speed of decisions related to portfolio management.
The post of CFO has been filled by Yoshinori Suzuki, who was previously responsible for management of AEC. Mr. Suzuki has accumulated a wealth of financial knowledge throughout his career. He also has a strong reputation in the Company for his ability to reconstruct AEC as its company president during a time when the business was performing quite poorly. Moreover, Mr. Suzuki has been responsible for Companywide management in the past, when he was placed in charge of formulating management strategies. For these reasons, we have very high expectations for him. With the new inclusion of the CFO in the management team, we will conduct even more effective management with our emphasis on improving corporate value.

**Is there anything else you view as important in enhancing corporate value?**

Developing human resources and cultivating the corporate culture are both crucial tasks as these elements underpin corporate activities. As the Company will continue to expand its business on the global stage and seek to transform into a stronger company, the development of human resources around the world is crucial. Currently, we have defined 170 "core positions," and we are actively working to discover and promote human resources to fill these positions. In particular, we are working to fill overseas management positions locally. Elsewise, we are still faced with diversity issues, such as the promotion of women. However, we are taking steps to address these issues by establishing specialized teams.

In regard to corporate culture, in fiscal 2012 we inaugurated The OMRON Global Awards (TOGA). This award program was designed to reward employees for acting on the spirit we have held since our founding and embarking on bold undertakings to meet ambitious goals they themselves have declared. The program was also designed to cultivate a corporate culture that encourages employees to take on new challenges without fear of failure. In this competition, more than 20,000 entries, representing over half of our staff worldwide, formed teams that stepped across national and organizational boundaries. Then, on “Founder’s Day” in May 2013, awards were presented to the top 13 teams. We intend to continue this initiative into the future. What matters most is to
We are boldly addressing social issues on a global basis to make Omron a social must.

proactively take on difficult tasks. For this reason, I hope to cultivate a superior corporate culture that will inspire employees to unite as a strong team that communicates openly and continues to endeavor to do great things, whether or not we hold such events.

Also, I am aware that communication forms the basis of a good corporate culture. In accordance with this belief, we hold “The KURUMAZA,” a meeting in which I speak directly with employees. In fiscal 2012, I visited a number of production sites, principally in Asia. No suit and tie, I walk around factories in work clothes and speak to the staff therein. Speaking face-to-face makes it easier for me to express myself and for employees to express themselves as well. This also enables me to directly learn issues in these worksites.

Outside of work, cheering on our women’s handball team is an important event. The Omron Handball Team has been reigning champion of the women’s league in Japan. As a handball player myself in my student days, I get over-excited when it comes to handball. Cheering our team with employees is thus a special occasion for me. In particular, the championship match of the Japan league, held in March 2013, was incredibly exciting as we rooted for our team until our throats were sore and shared in the victory together.

In closing, I would like to share with you something that is of exceptional importance to myself. This is the Omron Principles. Currently, roughly two-thirds of the employees that advance Omron’s international operations are non-Japanese. As such, a diverse range of values exist within the Company. For this reason, the Omron Principles play an important role as the binding force that unites all employees throughout the Group. The spirit embodied by these principles and our corporate motto guide us as we work to overcome cultural and language barriers and form a tightly knit team in which all members hold high ambitions. We continue to boldly take on new challenges to address global issues as we strive to make Omron a company that people around the world require, with high expectations. Please look forward to the future endeavors of Team Omron.