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Omron Announces Management Plans for the Third Stage of Long-term Corporate Vision, “GD2010”

OMRON Corporation’s (TOKYO: 6645; ADR: OMRNY; “Omron”, “the Company”) Board of Directors today confirmed management plans for the third stage of the Company’s long-term corporate vision, “Grand Design 2010” (GD2010), which is due to start from April 2008 and will cover the three years from FY 2008 to FY 2010.

Omron began implementing GD2010 in April 2001, and is now in the final year of the vision’s second stage (FY 2004 to FY 2007).

Throughout the first and second stages of GD2010, Omron has increased its revenue and income for the most part according to plan. ROE of at least 10%, a goal set for the end of FY 2004, was achieved one year ahead of schedule in FY 2003 (the final year of the first stage). Omron is also on target to meet its second stage goal of “doubling total business value¹” in FY 2007 (the final year of the second stage).

“Raising business value by an annual average of at least 10%” is Omron’s midterm goal for the third stage, which begins in April 2008. Having identified core existing businesses in each business segment, Omron will now work to strengthen these via a strategy geared to shift each business into the global no. 1 position in its respective market (i.e. achieving the highest business value in the market). Omron will boost its profitability as a result of this, and also through return on investments made in Greater China and continued business growth in that market. From the third stage onwards, Omron will leverage its strengths in sensing and control technology, setting its sights over a decade into the future with a focus on the fields of safety/security, healthcare and environmental preservation, to expand and create new businesses driven by social needs.

In terms of concrete performance indicators, Omron envisages revenues of JPY 1 trillion and operating income of JPY 95 – 100 billion (with an operating margin of approximately 10%) as it aims to complete its transformation into a profitable, growth company by 2010.

¹ Business value is defined as the total current value of future free cash flows generated by individual businesses.

1. “GD2010” Third Stage – Background

(1) “GD2010” Long-term Corporate Vision

Omron is following the basic policies outlined in its long-term corporate vision, GD2010, for management of the Group during the period from FY 2001 to FY 2010. While pursuing its mission of contributing to society’s development, Omron aims to achieve its management objective of long-term maximization of corporate value, and create a “21st century company”. Omron designated “maintaining ROE of at least 10% and ensuring continued growth” as an indicator for measuring its success in these endeavors.

(2) Positioning of the Third Stage

Working towards the long-term maximization of corporate value, GD2010’s management objective, Omron has divided this ten-year period into three stages. As the culmination of GD2010, the third and final stage should see Omron complete its transformation into a profitable, growth company.

1st Stage: “Establishing a Profit Structure” FY 2001 – FY 2003

2nd Stage: “Balancing Growth and Profits” FY 2004 – FY 2007

3rd Stage: “Achieving a Growth Structure” FY 2008 – FY 2010

2. Overview of GD2010 Third Stage

(1) A Vision for the Omron Group

In GD2010, Omron defined its vision for the company as “creating a 21st century company”. In the third stage, the Company will renew its commitment to this vision by focusing on “dreams”, pride” and “confidence”.

- “Dreams” refer to innovation driven by social needs
Omron will focus on needs related to security/safety, healthcare and environmental preservation, and develop products that are completely new to the market. Additionally, Omron will work to modify existing products and technologies so that they can be used easily, anywhere, anytime and by anyone who needs them. The Company will show consistent commitment to fulfilling these two social needs.
- Omron will take “Pride” in its social contributions, as a company that is working for the benefit of society.

In line with its core corporate value of “working for the benefit of society”, Omron will

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strive to make a continued contribution to society through its business operations.

- “Confidence” coming from continued profit generation

Omron regards profits as a reflection of society's expectations for a company. By earning society's trust and regard, Omron will generate a continuous profit stream that will inspire confidence.

(2) Third Stage Midterm Goals

Omron has set “raising business value by an annual average of at least 10%” as its midterm goal for the third stage. The following measures have been designated as indicators of its performance against this target.

Income from Investments	Return on Investment Capital (ROIC): At least 12%
Profitability	Return on Sales (ROS): Approx. 10%
Capital Efficiency	Turnover of invested capital: 10% improvement

(3) Key Strategies

“Becoming global no. 1” in existing businesses and building up business in China will be key strategies in the third stage. In addition, Omron will seek to create and expand new businesses with a clear plan as to their development over the next ten years and beyond.

- 1) Strengthening existing businesses

(i) Becoming global no.1

Omron will focus on key businesses in each segment and implement strategies designed to make them global no. 1 in their respective markets, thus ensuring a rise in profitability. Omron defines “global no. 1” as the business that boasts the greatest business value in a given market. In order to move its businesses closer to the no. 1 position, Omron will formulate strategies based on its own business portfolio management methods. Key strategies are outlined by segment below:

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Segment	Key Measures	
Industrial Automation Business (IAB) Control devices for factory automation	Focus on the security/safety and environment-related applications domain ¹ in factory automation (FA). Prioritize high value-added businesses such as safety ² , QLM ³ and micro PLC businesses.	Relay Business Aim for global no. 1 share by maximizing relay manufacturing expertise and enhancing profitability.
Electronic Components Business (ECB) Electronic components for home appliances/communications equipment	Improve profitability in the electromechanical business ⁴ by enhancing production capacity. Work to expand the LCD backlight business in the microelectronics business ⁵ .	
Automotive Electronic Components Business (AEC)	Aim to become no. 1 in the electric power steering (EPS) market through profitable business expansion.	
Social Systems, Solutions and Service Business (SSB)	Stabilize profitability and expand applications in the railway station management and traffic management businesses.	
Healthcare Business (HCB) Healthcare/ medical equipment	Realize both earnings and growth by building up the lifestyle-related disease prevention and treatment business.	

¹ Applications domain: A core domain for expanding IAB's business through capitalizing on new technologies and needs related to quality, safety and the environment

² Safety business: Manufacturing and sales of control devices designed to ensure the safety of production workers and machinery, and related consulting services.

³ QLM business: A business centered around the provision of solutions that both equip machines with quality inspection capabilities comparable with those of human experts, and enable efficient and effective quality control/ improvement.

⁴ Electromechanical business: Existing electronic components businesses (relays, switches, etc.)

⁵ Microelectronics business: Electronic components business in the advanced technology domain (LCD backlights, etc.)

(ii) Sales Growth in Greater China

Omron aims to achieve growth of at least 20% in the third stage while working to secure returns on investments made in the second stage. The sales forecast for 2010 is approximately USD 1.8 billion.

2) Expansion of new businesses

In the third stage, Omron will set plans extending over a decade into the future, focusing on the areas of security/safety, health and environmental preservation, and create and expand new businesses driven by social needs. Specific themes are given below. Omron aims to grow these new businesses so that they account for approximately 15% of total consolidated revenue by FY 2020.

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Domain		Omron's contribution	Theme(s)
Security/ safety	Industry	Improved quality, efficiency	Laser microfabrication, MEMS
	Society	Security	Face recognition systems, Social sensors
Healthcare		Home medical care	Online healthcare management
Environmental preservation/ Energy		Energy conservation/ resource saving	Energy consumption measurement, Solar power conditioners

(4) Performance Indicators

To measure business value improvement in the third stage, Omron has made the following projections for FY 2010 revenue and operating income.

	2010
Revenue	JPY 1 trillion
Operating income	JPY 95-100 billion
Operating margin	Approx. 10%
Earnings per share (EPS)	Approx. JPY 260

Projected results and future developments are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Major factors influencing Omron's actual results include, but are not limited to, economic conditions affecting the Company's businesses in Japan and overseas, demand trends for the Company's products and services and movements in currency exchange rates and stock markets, among others.