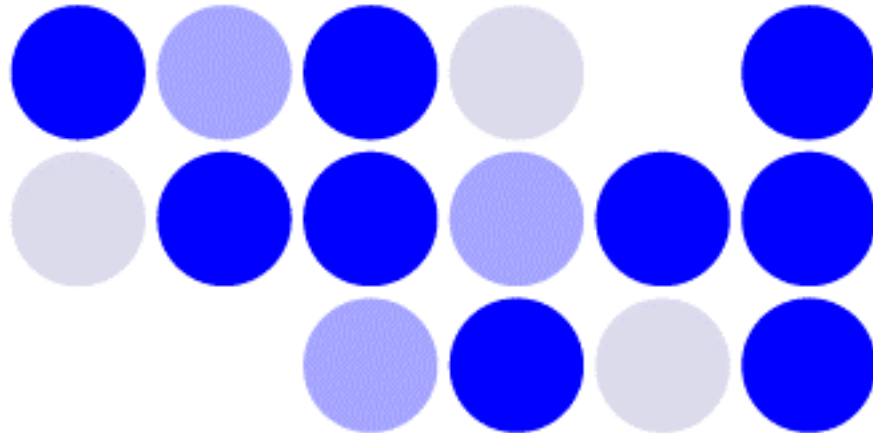


# Management Plans for the 3<sup>rd</sup> Stage of GD2010

- Strengthening Core Businesses and Aiming for Global No. 1 -



**January 10, 2008**  
**OMRON Corporation**  
**President & CEO Hisao Sakuta**



Using sensing and control technology to anticipate social needs  
**Omron sees itself as a group of business units that are global leaders in their respective industries**

## GD2010

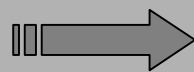
**Management objective:  
Long-term maximization of corporate value**

*By 2010*

**Achieving profit-driven growth**

*GD2010 1<sup>st</sup>-stage (Apr. 2001 – Mar. 2004) goal*

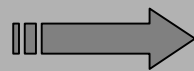
**Establishing a profit structure, achieving ROE of 10%**



**Achieved ROE of 10.2% in March 2004**

*GD2010 2<sup>nd</sup>-stage (Apr. 2004 – Mar. 2008) goal*

**Balancing growth and profits, doubling business value**



- **Business value<sup>1</sup> projected to double**
- **Earnings per share (EPS) projected to increase from 108 yen (FY03) to 200 yen (FY07)<sup>2</sup>**

1. Based on internal calculations made during the 2<sup>nd</sup> stage

2. These projections were announced with FY07 interim results in October 2007

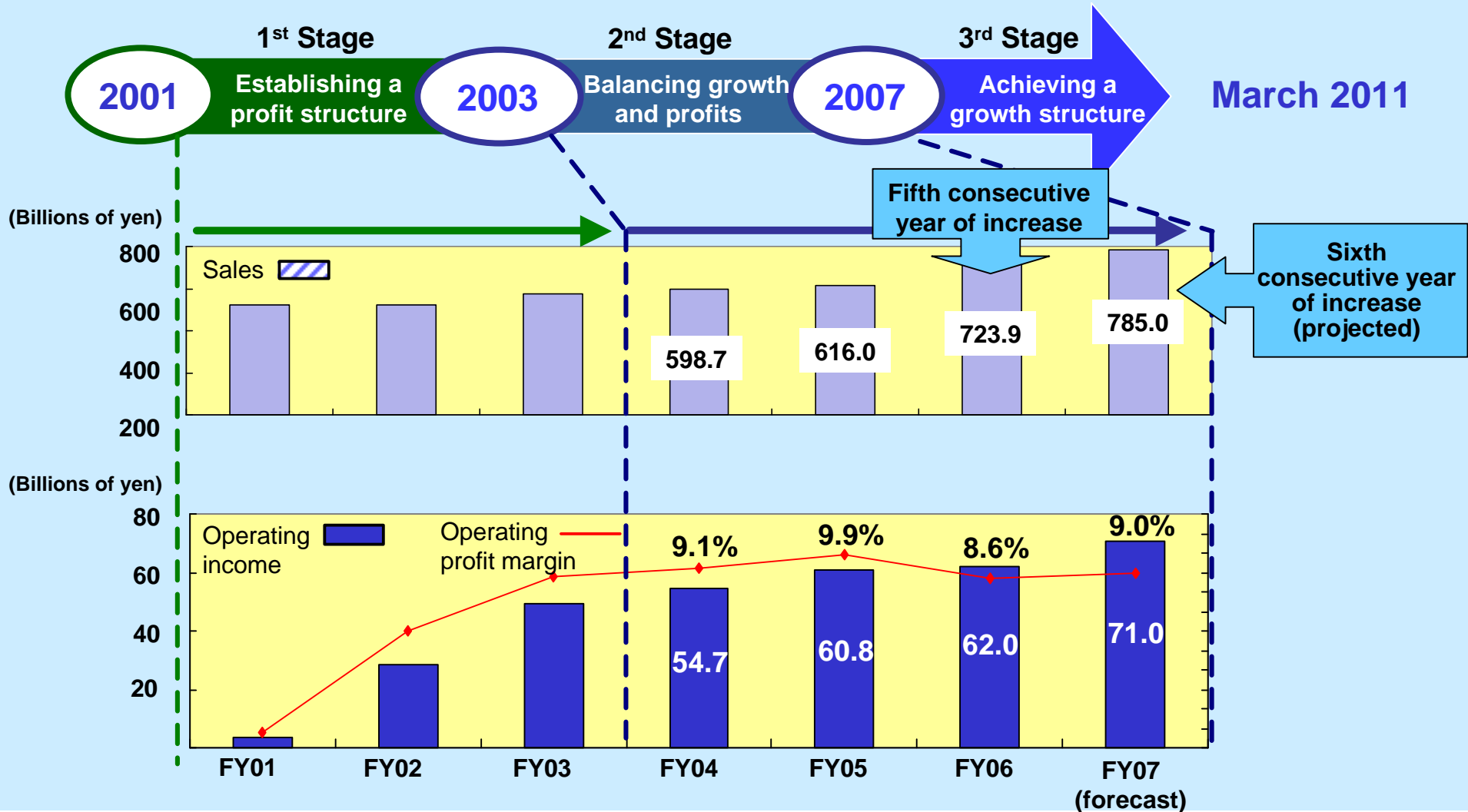


# GD2010 Performance (Sales and Profits)



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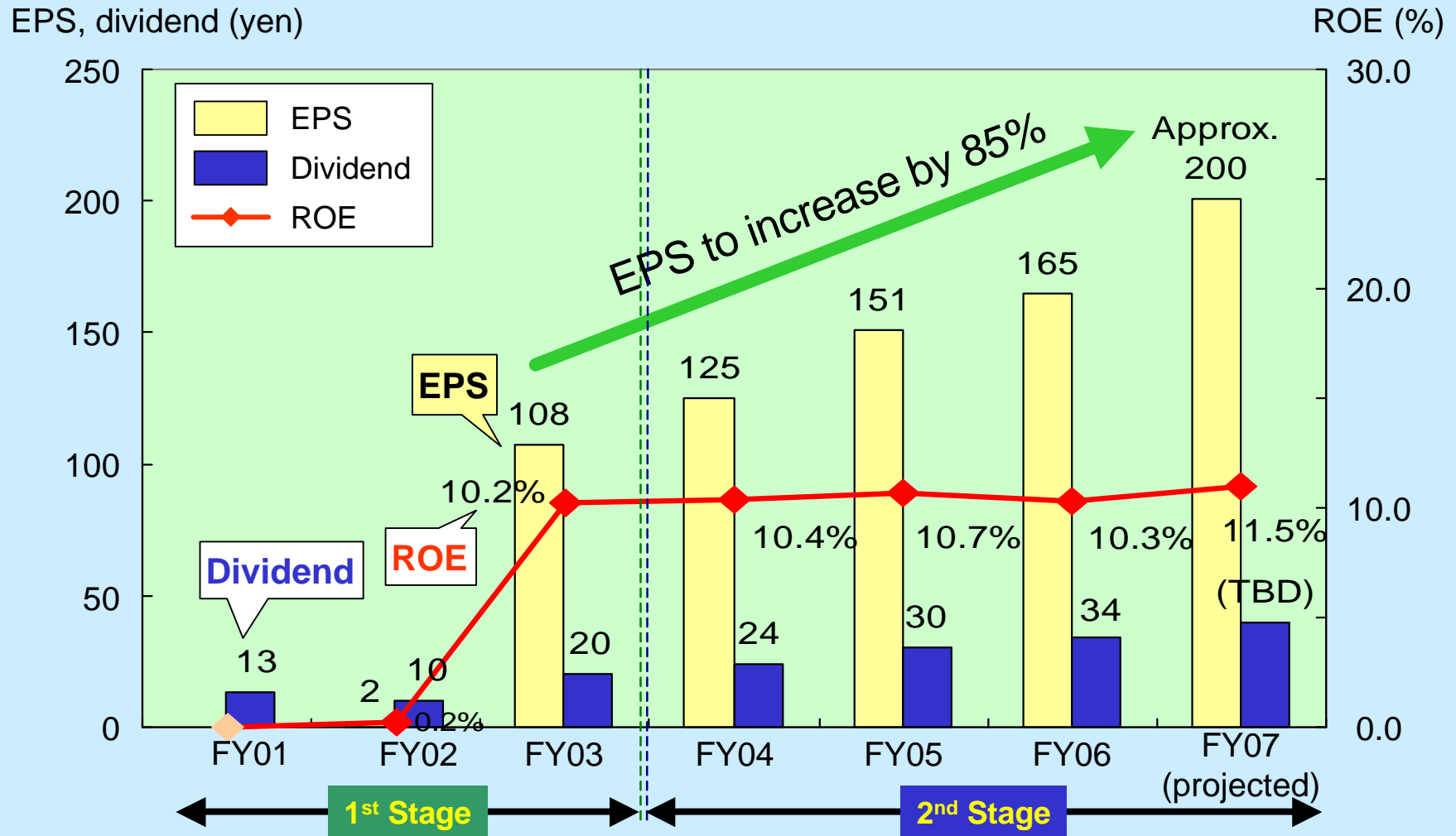
Sales, profit increased during 1<sup>st</sup> and 2<sup>nd</sup> stages  
**Sixth consecutive year of sales/profit growth projected for FY07**





# GD2010 Performance (EPS, ROE, Dividends)

Maintained ROE of 10% in the 2<sup>nd</sup> stage  
EPS expected to increase by 85%

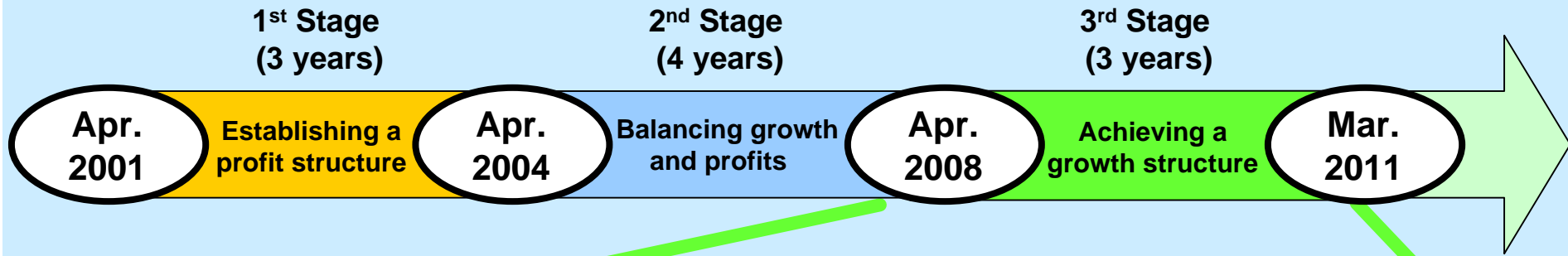




# **Management Plans for the 3<sup>rd</sup> Stage of GD2010 (April 2008 – March 2011)**



**Raise business value by an annual average of at least 10%**



## GD2010 3<sup>rd</sup>-stage Mid-term Goal

Raise business value by an annual average of at least 10%

### Performance Indicators

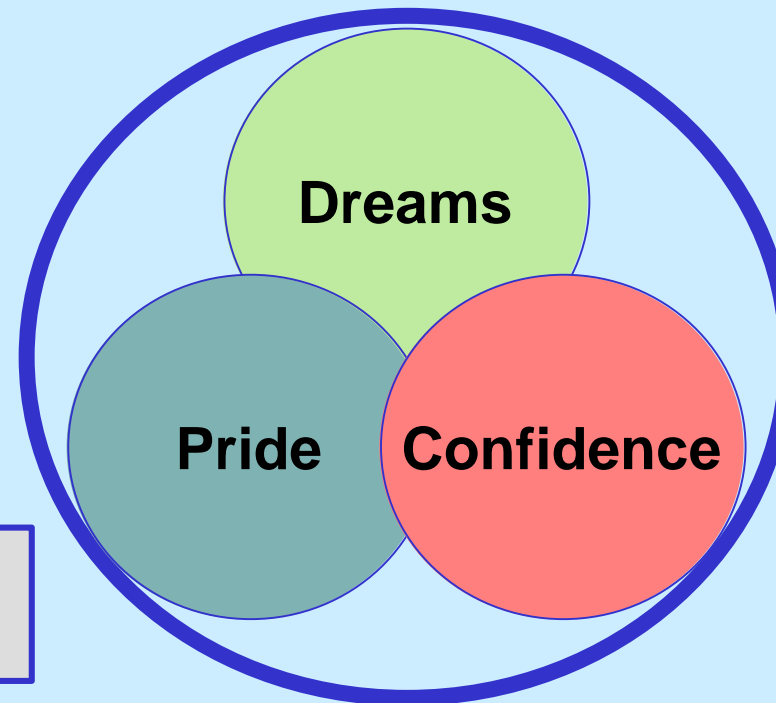
- ROIC (Return on Invested Capital): 12% or more
- ROS (Return on Sales): Approx. 10%
- Capital efficiency: 10% ROIC Improvement



## Dreams, Pride and Confidence

Omron will strive to be a company that is recognized around the world

Innovation driven  
by social needs

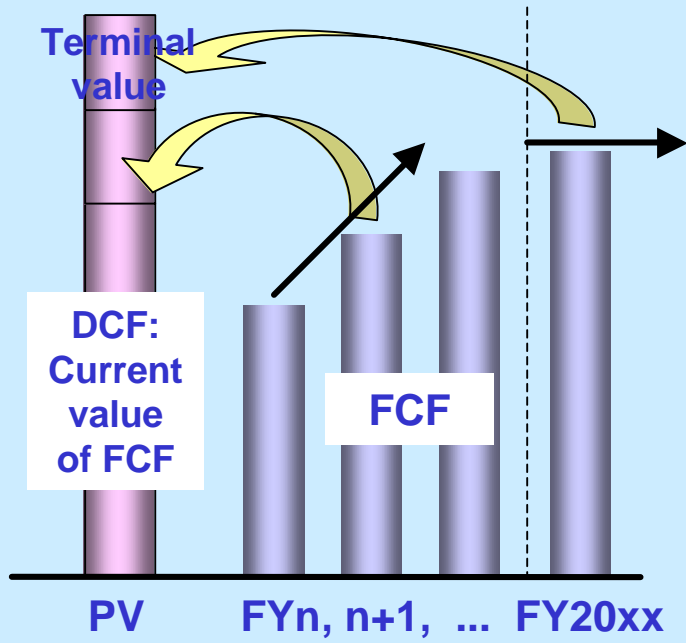


Working for the  
benefit of society

Continued profit  
generation



**Present business value (PV) = Total current value of future free cash flow (FCF) generated by each business**



In order to increase business value...

$$PV = ? \left\{ \frac{FCF}{R^*} \right\}$$

\*R= Reduction rate (capital cost)

**Increase in FCF**

- Increase in profits
- Decrease in working capital

**Decrease in reduction rate (capital cost)**

- Increased capital efficiency



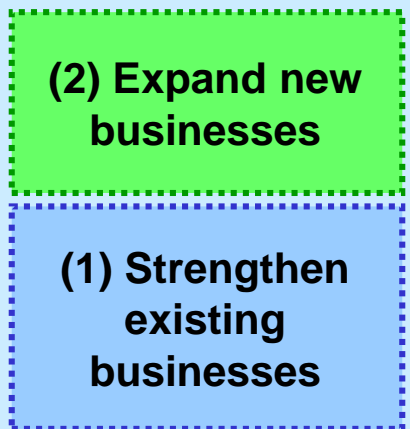


## Strengthen existing businesses and expand new businesses to achieve sustainable growth

### Mid-term goal

**Avg. BV growth per year = 10%**

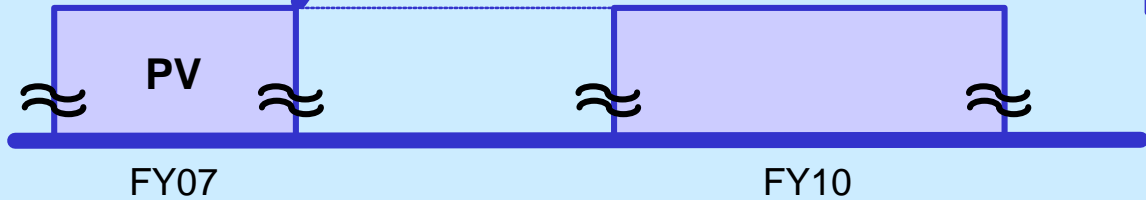
### BV gain breakdown



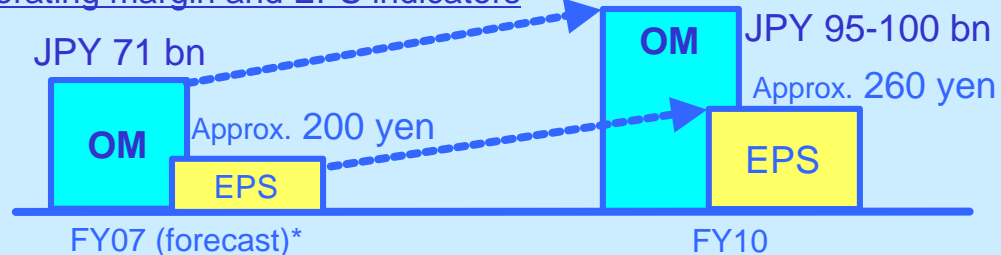
### Measures

(1) Core sensing and control technology  
 (2) Anticipate new social needs in the areas of security/safety, healthcare and environmental preservation

Work to increase:  
 (1) Business value of key businesses in each business segment  
 (2) Sales in Greater China



### Operating margin and EPS indicators



**Higher business value through improved profitability, coming mainly from reinforced existing businesses**



# 1-1 Strengthening Existing Businesses (Key Measures by Segment)

## Existing Businesses

### Boost business value of key businesses in each business segment

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

<sup>1</sup>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. <sup>2</sup>Electromechanical business: Existing electronic components businesses (relays, switches, etc.). <sup>3</sup>Microelectronics business: Electronic components business in the advanced technology domain (LCD backlights, etc.)



# 1-2 Strengthening Existing Businesses

## – Re-positioning ourselves as global no. 1 –



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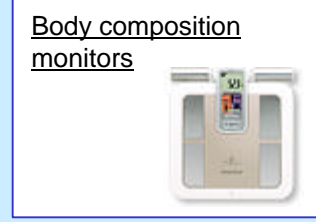
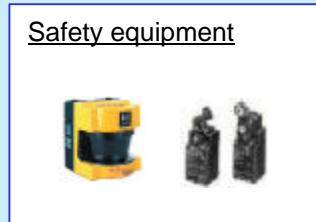
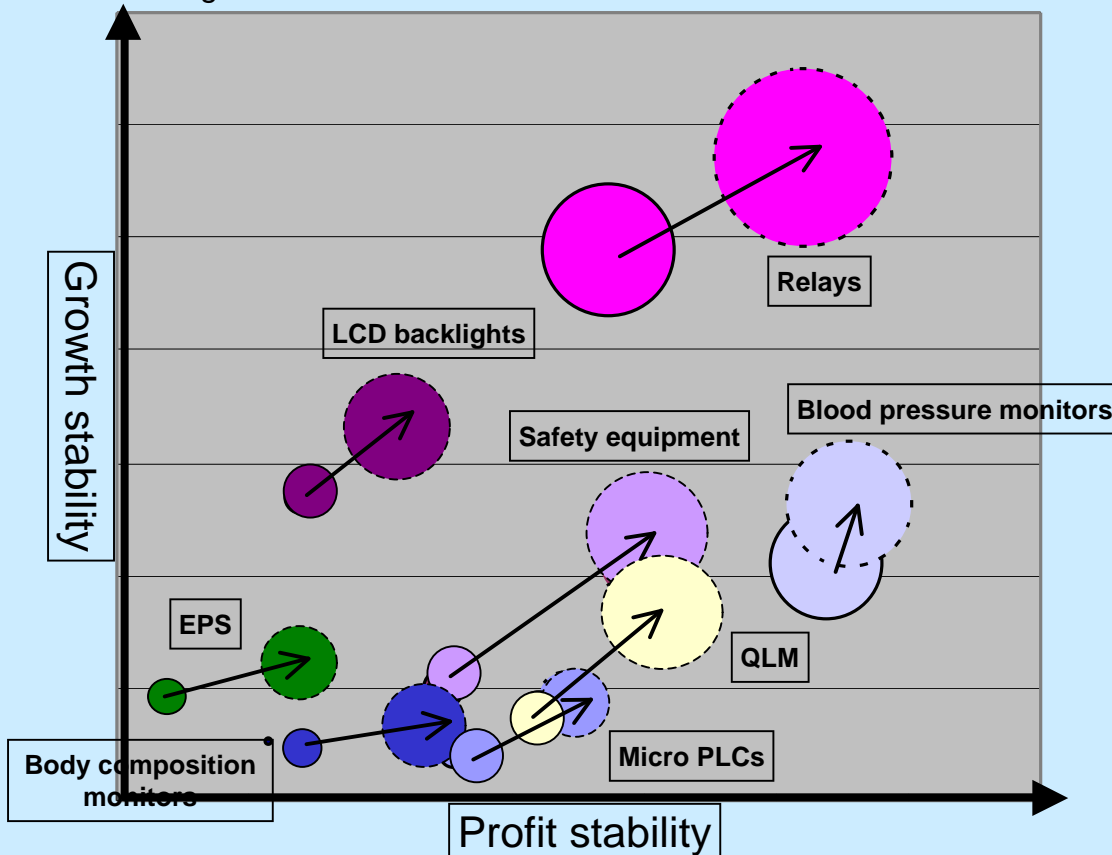
### Existing Businesses

Increasing business value by focusing on certain businesses

## Company-wide efforts to strengthen business in eight areas

### Strategy: Shift to global no. 1

Enhance the value of each business through portfolio management. Omron wants to be seen as a group of business units, each of which is a global leader in its market sector.



Note: We will also keep working to strengthen existing business units that are already global no. 1 (e.g. photoelectric/proximity sensors)

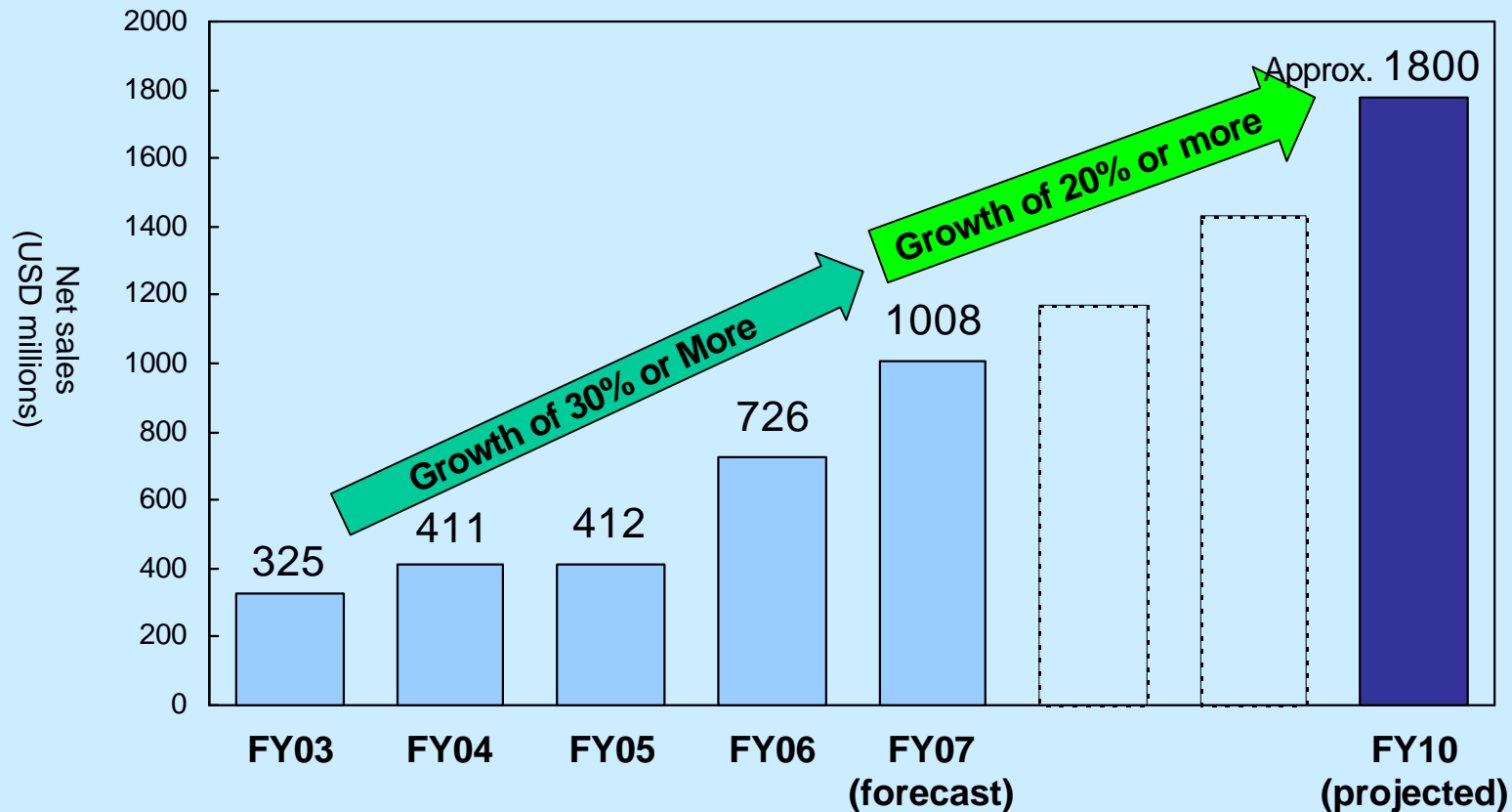


# 1-2 Strengthening Existing Businesses (Growth in Greater China)

## Existing Businesses

**Projecting average annual growth of 20% or more**  
In the 3<sup>rd</sup> stage, we must work to secure return on investments made in the 2<sup>nd</sup> stage

### Sales in China





# 2-1 Expanding New Businesses

## Existing Businesses

Anticipating social needs in the areas of security/safety, healthcare and environmental preservation

**New businesses to account for 15% of consolidated sales in FY20**

### Domain/ Contribution

**Security/safety: Industry**  
(Improved quality, efficiency)

**Security/safety: Society**  
(Security)

**Healthcare**  
(Home medical care)

**Environment/energy**  
(Energy/resource saving)

### Theme(s) Including:

Laser microfabrication  
MEMS

Face recognition systems  
Social sensors<sup>1</sup>

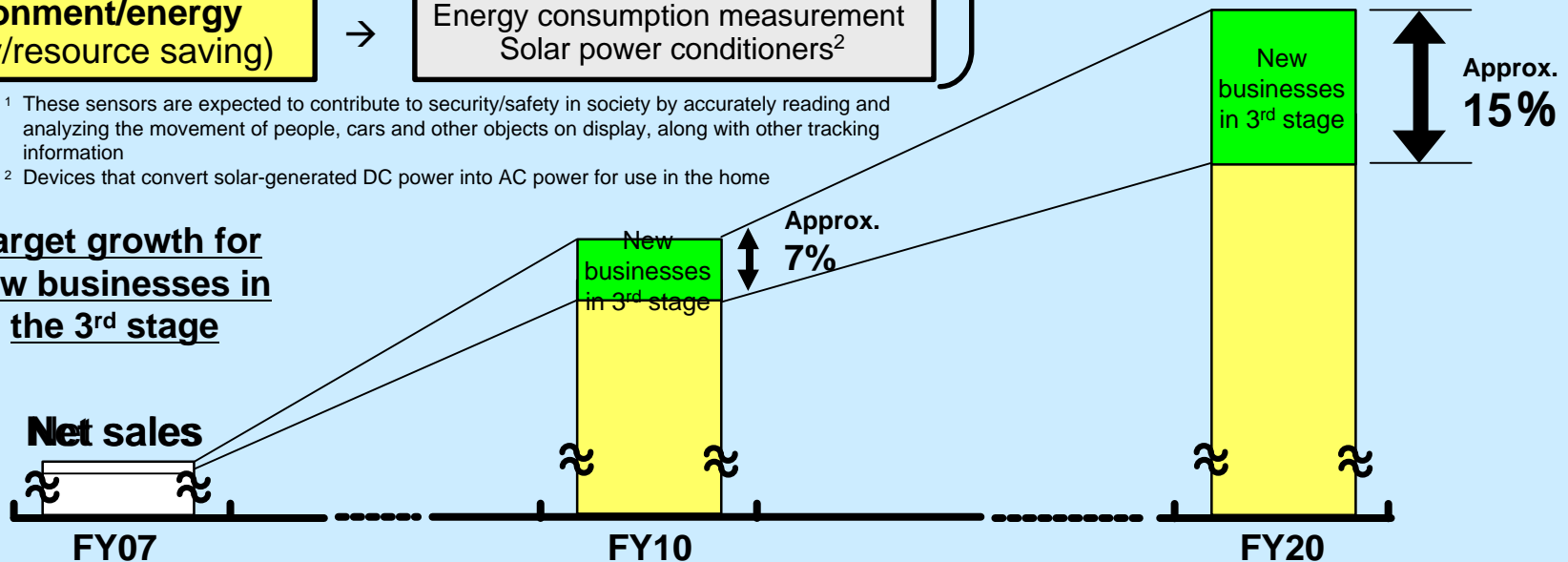
Online healthcare management

Energy consumption measurement  
Solar power conditioners<sup>2</sup>

**Approach to new business development in the 3<sup>rd</sup> stage: Aim for growth over the next 10 years and beyond**

<sup>1</sup> These sensors are expected to contribute to security/safety in society by accurately reading and analyzing the movement of people, cars and other objects on display, along with other tracking information  
<sup>2</sup> Devices that convert solar-generated DC power into AC power for use in the home

### Target growth for new businesses in the 3<sup>rd</sup> stage



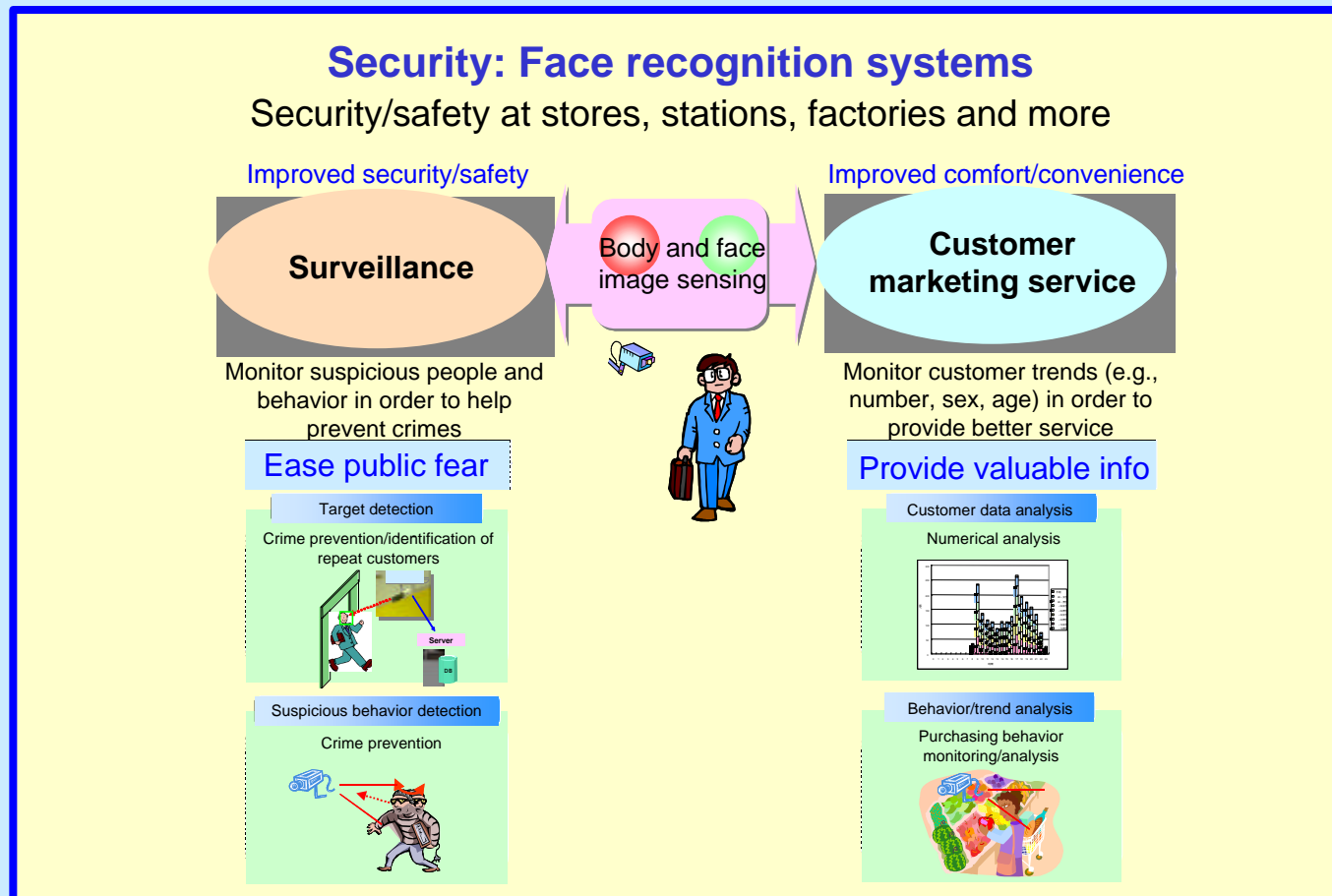


## 2-1 Expanding New Businesses Application (1/3)

### New Businesses

Using our core sensing and control technology, we will create new businesses with an eye to the future 10 or more years from now

- Example of new business application in the 3<sup>rd</sup> stage: Security/safety





## 2-1 Expanding New Businesses Application (2/3)

### New Businesses

Using our core sensing and control technology, we will create new businesses with an eye to the future 10 or more years from now

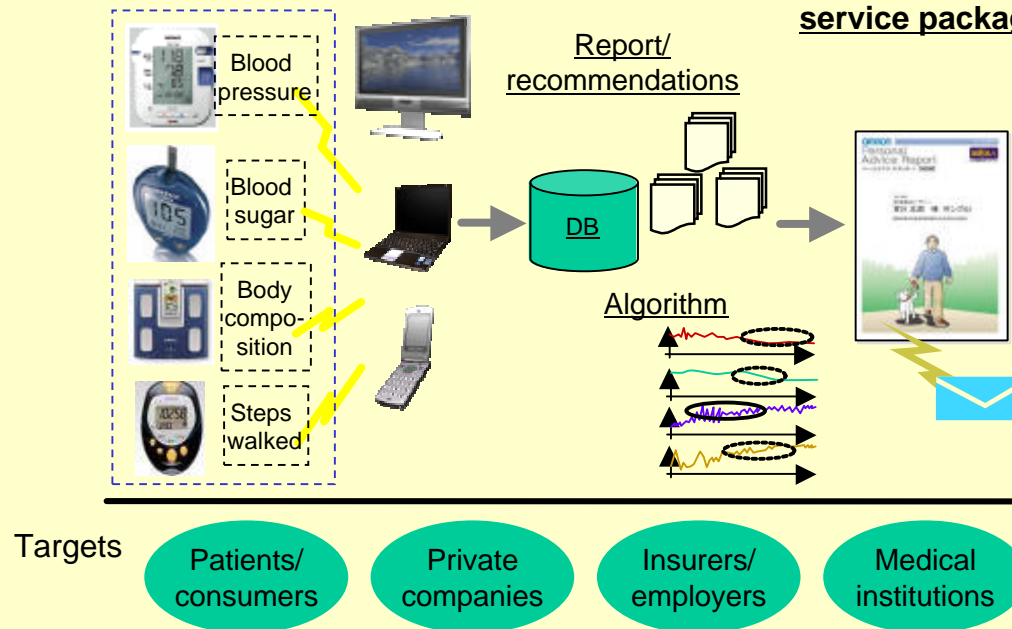
- Example of new business application in the 3<sup>rd</sup> stage: Healthcare

### Home healthcare management: Online healthcare management

Total solutions for lifestyle-related disease prevention/treatment

#### Biology/behavior info. sensing

#### Lifestyle-related disease prevention/ treatment service package





## 2-1 Expanding New Businesses Application (3/3)

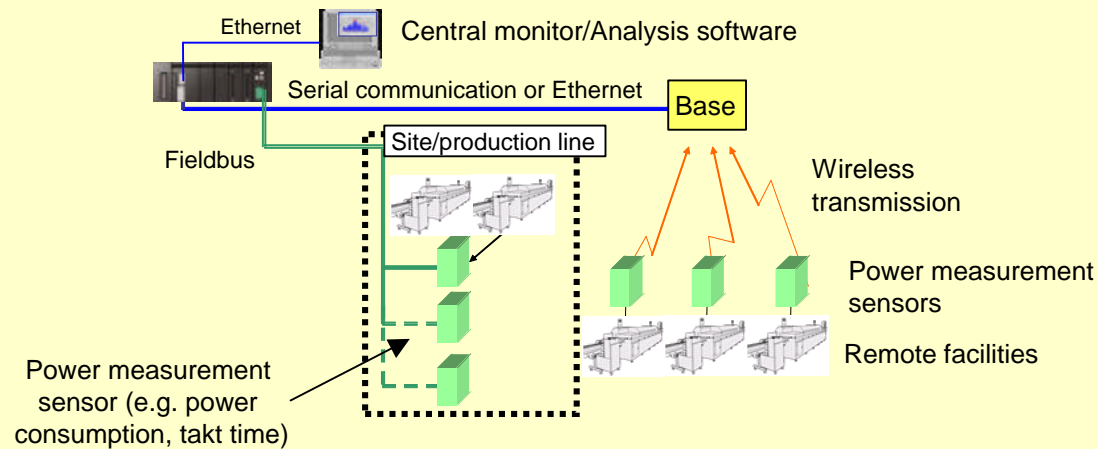
### New Businesses

Using our core sensing and control technology, we will create new businesses with an eye to the future 10 or more years from now

- Example of new business application in the 3<sup>rd</sup> stage: Environmental preservation

### Energy: Energy Consumption Measurement

In response to Japan's new energy-saving law  
(energy consumption management by site/product)



Omron must develop technology that better identifies and addresses energy consumption issues

Highly accurate measurement

+

Telecommunication  
(e.g. wireless, power line-dependent)





Existing Businesses

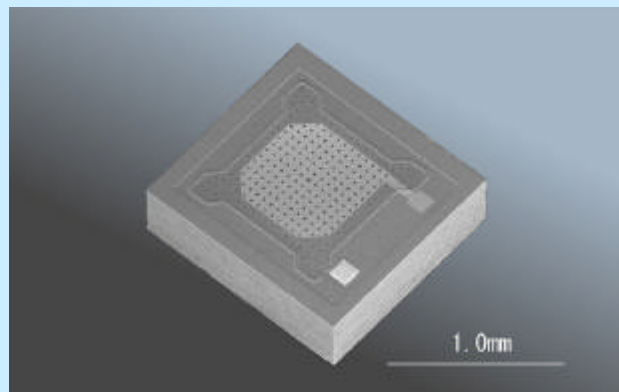
New Businesses

## Use semiconductor technology to strengthen sensing and control technology

### MEMS (Micro Electro Mechanical Systems)



← RF  
(Radio Frequency)  
MEMS switch  
on a wafer



MEMS microphone chip

### OMRON SEMICONDUCTORS Co., Ltd. (OSC) Shiga Prefecture, Japan



Site area: 42,000m<sup>2</sup>  
Floor area: 39,900m<sup>2</sup>





**Performance indicators for FY10**

Net Sales	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.

**OMRON**

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