

# OMRON Corporation

November 2002

## Agenda

1. Interim Results as of September 2002 *P3-P6*
2. Full-year Forecast for March 2003 *P7-P9*
3. Segment Data *P10-P15*
4. Structural Reforms *P16-P18*
5. Growth Strategy *P19-P24*

# Interim Results (P/L)



(Unit: Yen 1B, %)

	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Net sales	246.9	246.0	0.9 100%	256.2	-9.3 96%
Gross profit	94.9	83.0	11.9 114%	91.1	3.8 104%
<i>Gross margin</i>	<i>38.4%</i>	<i>33.7%</i>	<i>4.7%</i>	<i>35.6%</i>	<i>2.9%</i>
SG&A exp.	83.4	86.0	-2.6 97%	86.0	-2.6 97%
Operating income	11.5	-3.0	14.5 ---	5.1	6.4 225%
<i>Operating margin</i>	<i>4.7%</i>	<i>-1.2%</i>	<i>5.9%</i>	<i>2.0%</i>	<i>2.7%</i>
Non-operating exp.	24.2	18.0	6.2 134%	1.5	22.7 1613%
Pre-tax income	-12.7	-21.0	8.3 ---	3.6	-16.3 ---
<i>Pre-tax margin</i>	<i>-5.1%</i>	<i>-8.5%</i>	<i>3.4%</i>	<i>1.4%</i>	<i>-6.5%</i>
Net income	-9.7	-13.0	3.3 ---	2.2	-11.9 ---

# Interim Results (Sales)



(Unit: Yen 1B, %)

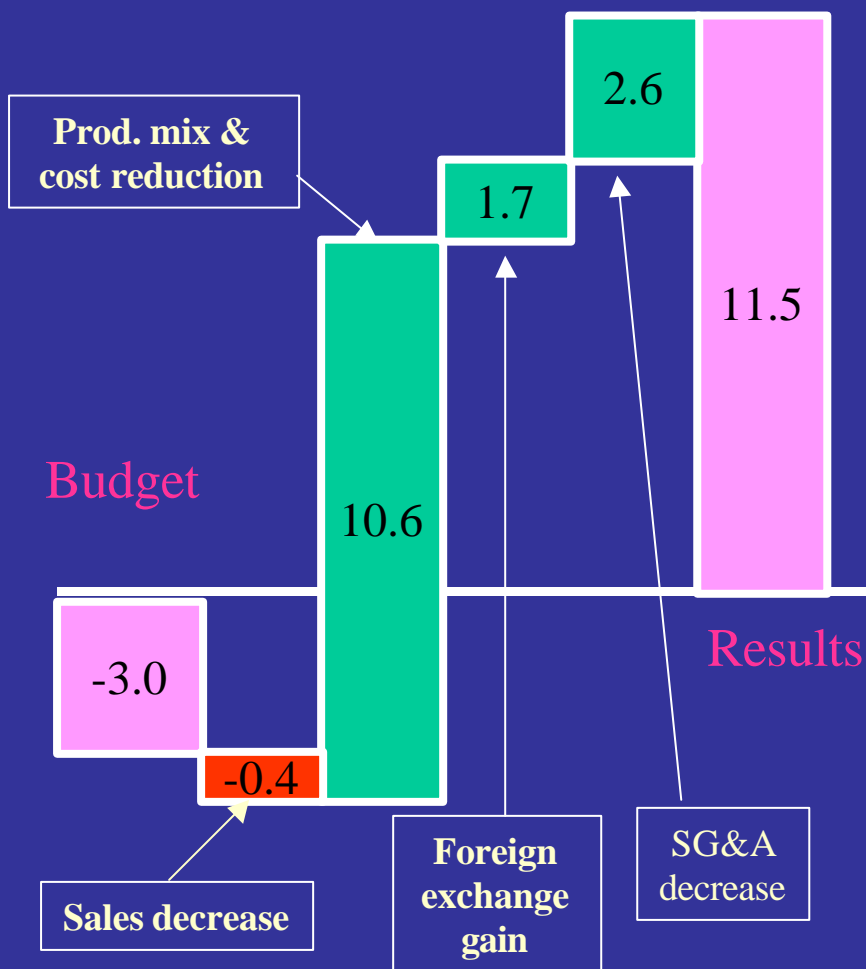
	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Domestic sales	144.4	149.0	-4.6 97%	163.6	-19.2 88%
Overseas sales	102.5	97.0	5.5 106%	92.6	9.9 111%
<b>Total</b>	<b>246.9</b>	<b>246.0</b>	<b>0.9</b> <b>100%</b>	<b>256.2</b>	<b>-9.3</b> <b>96%</b>
<b>IAB</b> : Industrial Automation Company	98.2	93.0	5.2 106%	93.7	4.5 105%
<b>ECB</b> : Electronic Components Company	67.3	65.0	2.3 104%	64.5	2.8 104%
<b>SSB</b> : Social Systems Business Company (Previous Segment)	41.8	46.5	-4.7 90%	55.4	-13.6 75%
<b>HCB</b> : Healthcare Company	20.4	18.5	1.9 110%	18.7	1.7 109%
<b>Others</b> : Creative Service Company and Business Development Group	19.2	23.0	-3.8 83%	23.9	-4.7 80%

## New Segment (Un-audited : For reference only)

<b>SSB</b> : Social Systems Solutions & Service Business Company	32.2	36.5	-4.3 88%		
<b>AMB</b> : Advanced Module Business Company	9.6	10.0	-0.4 96%		

# Interim Results (Operating Income)

## Components of O.I.



## Details of O.I.

(Unit: Yen 1B, %)

	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
<b>Total</b>	<b>11.5</b>	<b>-3.0</b>	<b>14.5</b>	<b>5.1</b>	<b>6.4</b>
			---		<b>225%</b>
<b>IAB</b>	<b>13.1</b>	<b>4.6</b>	8.5	<b>8.6</b>	4.5
			285%		152%
<b>ECB</b>	<b>7.0</b>	<b>3.9</b>	3.1	<b>4.3</b>	2.7
			179%		163%
<b>SSB*</b>	<b>-3.8</b>	<b>-5.0</b>	1.2	<b>-2.8</b>	-1.0
			---		---
<b>HCB</b>	<b>1.9</b>	<b>-0.4</b>	2.3	<b>0.4</b>	1.5
			---		475%
<b>Others</b>	<b>1.2</b>	<b>1.4</b>	-0.2	<b>2.1</b>	-0.9
			86%		57%
<b>HQ Cost and Eliminations</b>	<b>-7.9</b>	<b>-7.5</b>	-0.4	<b>-7.5</b>	-0.4
			---		---

\* Previous Segment : SSB includes AMB

# Interim Results (Non-Operating Exp.)



	Results	Budget	Previous
<b>Restructuring Charges</b>	<b>22.9</b>	<b>16.5</b>	<b>0.0</b>
Early retirement program	17.7	15.0	0.0
Other personnel related	1.1	0.0	0.0
Others	4.1	1.5	0.0
<b>Other Non-Operating. Exp.</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>
Valuation losses	1.1	0.5	1.5
Others	0.2	1.0	0.0
<b>TOTAL</b>	<b>24.2</b>	<b>18.0</b>	<b>1.5</b>

Programs executed during 1st half of FY2002

## Early Retirement Program

1,460 applicants

## Business Eliminations

**ECB: Withdrawal from paper handling unit business**

**SSB: Reorganized SSB and established AMB**

**Sold Parking system business**

others

## Office Consolidations

**Closed 3 factories**

**Closed Kumamoto R&D Center**

**HCB consolidated at Kyoto Sijyo Office**

others

(Unit: Yen 1B)

# Forecast for March 2003 (P/L)

(Unit: Yen 1B, %)

	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Net sales	535.0	550.0	-15.0 97%	534.0	1.0 100%
Gross profit	202.0	195.0	7.0 104%	180.5	21.5 112%
<i>Gross margin</i>	<i>37.8%</i>	<i>35.5%</i>	<i>2.3%</i>	<i>33.8%</i>	<i>4.0%</i>
SG&A exp.	172.0	174.0	-2.0 99%	176.3	-4.3 98%
Operating income	30.0	21.0	9.0 143%	4.2	25.8 714%
<i>Operating margin</i>	<i>5.6%</i>	<i>3.8%</i>	<i>1.8%</i>	<i>0.8%</i>	<i>4.8%</i>
Non-operating exp.	26.0	19.0	7.0 137%	29.6	-3.6 88%
Pre-tax income	4.0	2.0	2.0 200%	-25.4	29.4 ---
<i>Pre-tax margin</i>	<i>0.7%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>-4.8%</i>	<i>5.5%</i>
Net income	1.0	1.0	0.0 100%	-15.8	16.8 ---

# Forecast for March 2003 (Sales)

(Unit: Yen 1B, %)

	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Domestic sales	328.0	348.0	-20.0 94%	344.9	-16.9 95%
Overseas sales	207.0	202.0	5.0 102%	189.1	17.9 109%
<b>Total</b>	<b>535.0</b>	<b>550.0</b>	<b>-15.0</b> <b>97%</b>	<b>534.0</b>	<b>1.0</b> <b>100%</b>
<b>IAB</b> : Industrial Automation Company	197.5	193.0	4.5 102%	184.2	13.3 107%
<b>ECB</b> : Electronic Components Company	139.5	138.0	1.5 101%	131.9	7.6 106%
<b>SSB</b> : Social Systems Business Company (Previous Segment)	119.5	128.5	-9.0 93%	128.1	-8.6 93%
<b>HCB</b> : Healthcare Company	42.5	40.0	2.5 106%	40.6	1.9 105%
<b>Others</b> : Creative Service Company and Business Development Group	36.0	50.5	-14.5 71%	49.2	-13.2 73%

## New Segment (Un-audited : For reference only)

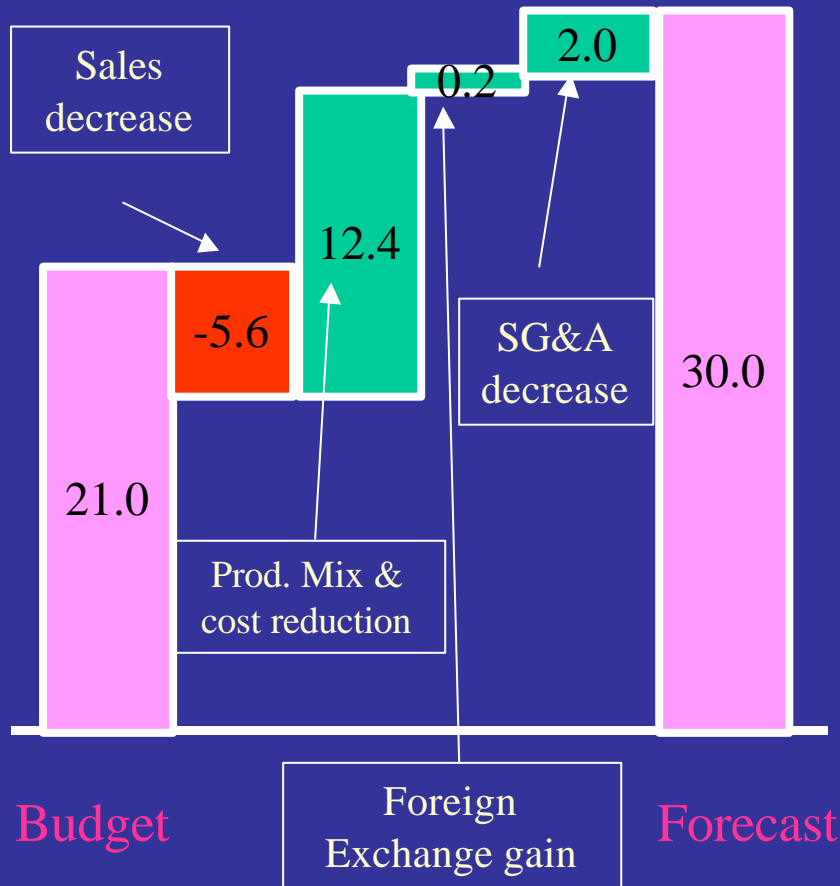
<b>SSB</b> : Social Systems Solutions & Service Business Company	99.5	106.5	-7.0 93%		
<b>AMB</b> : Advanced Module Business Company	20.0	22.0	-2.0 91%		



# Forecast for March 2003 (Operating Income)



## Components of O.I.



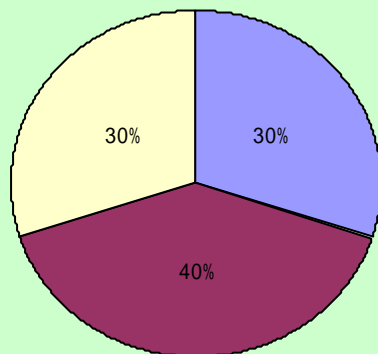
## Details of O.I.

(Unit: Yen 1B, %)

	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
<b>Total</b>	<b>30.0</b>	<b>21.0</b>	<b>9.0</b>	<b>4.2</b>	<b>25.8</b>
			<b>143%</b>		<b>714%</b>
IAB	21.6	15.4	6.2	12.1	9.5
			140%		179%
ECB	14.8	11.7	3.1	7.9	6.9
			126%		187%
SSB	0.5	2.7	-2.2	-3.0	3.5
			19%		---
HCB	3.4	1.3	2.1	1.6	1.8
			262%		213%
Others	2.2	3.9	-1.7	2.6	-0.4
			56%		85%
HQ Cost and Eliminations	-12.5	-14.0	1.5	-17.0	4.5
			---		---

# IAB : Industrial Automation Company

## Control Components and Systems for Factory Automation, and other sectors



**System Components (30%)**

Programmable logic controllers, motion controllers and others

**Sensor Components (30%)**

Proximity sensors, photoelectric sensors and other sensors

**Industrial Components (40%)**

Relays, switches, timers and others

### 1<sup>st</sup> half results

### Full-year forecast

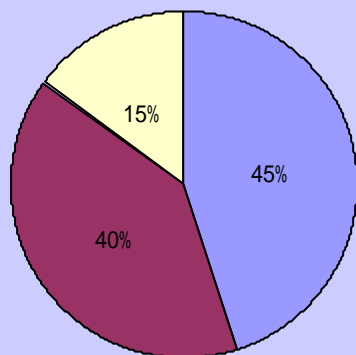
(Unit: Yen 1B, %)

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	49.1	45.0	4.1 109%	49.7	-0.6 99%
Overseas	49.1	48.0	1.1 102%	44.0	5.1 112%
Europe	25.3	25.4	-0.1 100%	23.4	1.9 108%
Americas	10.3	9.6	0.7 107%	8.8	1.5 117%
Asia	5.9	5.3	0.6 111%	5.3	0.6 111%
China+	7.6	7.7	-0.1 99%	6.5	1.1 117%
<b>Total</b>	<b>98.2</b>	<b>93.0</b>	<b>5.2 106%</b>	<b>93.7</b>	<b>4.5 105%</b>
Operating Income	Results	Budget	Difference Ratio	Previous	Difference Ratio
<b>Total</b>	<b>13.1</b>	<b>4.6</b>	<b>8.5 285%</b>	<b>8.6</b>	<b>4.5 152%</b>

Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	99.5	95.0	4.5 105%	95.5	4.0 104%
Overseas	98.0	98.0	0 100%	88.7	9.3 110%
Europe	51.5	52.1	-0.6 99%	47.9	3.6 108%
Americas	19.9	19.1	0.8 104%	18.5	1.4 108%
Asia	11.7	11.6	0.1 101%	10.2	1.5 115%
China+	14.9	15.2	-0.3 98%	12.1	2.8 123%
<b>Total</b>	<b>197.5</b>	<b>193.0</b>	<b>4.5 102%</b>	<b>184.2</b>	<b>13.3 107%</b>
Operating Income	Forecast	Budget	Difference Ratio	Previous	Difference Ratio
<b>Total</b>	<b>21.6</b>	<b>15.4</b>	<b>6.2 140%</b>	<b>12.1</b>	<b>9.5 179%</b>

# ECB : Electronic Components Company

Electronics Components for Cars, Home Appliances, Telecommunications, OA, etc.



**EMC Group (45%)**

**(Electronic Mechanical Components)**

**Automotive Components (40%)**

**Other Components (15%)**

For home appliances, telecommunications, industrial machinery

Relays, switches, sensors and other devices for automotives

For amusement, OA products, MLA and other devices

## 1<sup>st</sup> half results

## Full-year forecast

(Unit: Yen 1B, %)

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	31.9	31.5	0.4 101%	32.2	-0.3 99%
Overseas	35.4	33.5	1.9 106%	32.3	3.1 110%
Europe	6.0	6.3	-0.3 95%	5.0	1.0 120%
Americas	17.9	16.3	1.6 110%	16.4	1.5 109%
Asia	6.3	6.2	0.1 102%	5.6	0.7 113%
China+	5.2	4.7	0.5 111%	5.3	-0.1 98%
Total	67.3	65.0	2.3 104%	64.5	2.8 104%

Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	68.0	68.5	-0.5 99%	65.7	2.3 104%
Overseas	71.5	69.5	2.0 103%	66.2	5.3 108%
Europe	12.6	13.1	-0.5 96%	11.1	1.5 114%
Americas	36.2	34.2	2.0 106%	33.7	2.5 107%
Asia	12.4	12.5	-0.1 99%	11.2	1.2 111%
China+	10.3	9.7	0.6 106%	10.2	0.1 101%
Total	139.5	138.0	1.5 101%	131.9	7.6 106%

Operating Income	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	7.0	3.9	3.1 179%	4.3	2.7 163%

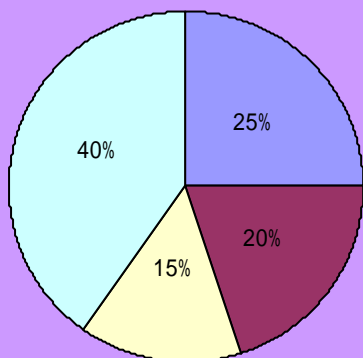
Operating Income	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	14.8	11.7	3.1 126%	7.9	6.9 187%

# SSB: Social Systems Business Company (Previous Company)



## SSB : Social Systems Solutions and Service Business Company

Provides solutions and services to financial institutions, railway companies and traffic sector



New Segment

- To Financial Institutions (25%)** Selling ATM, BTR and solutions
- To Railway Companies (20%)** Selling pass-gate, ticket vending machines
- To Traffic Sector (15%)** Selling systems to traffic control sector
- Service and Maintenance(40%)** Engineering and maintenance work and others

### 1<sup>st</sup> half results

### Full-year forecast

(Unit: Yen 1B, %)

#### New SSB (New Segment)

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	32.2	36.4	-4.2		
			88%		

Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	99.5	106.5	-7.0		
			93%		

#### Previous SSB (Previous Segment) Audited. Including AMB.

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	41.8	46.5	-4.7	55.4	-13.6
			90%		75%

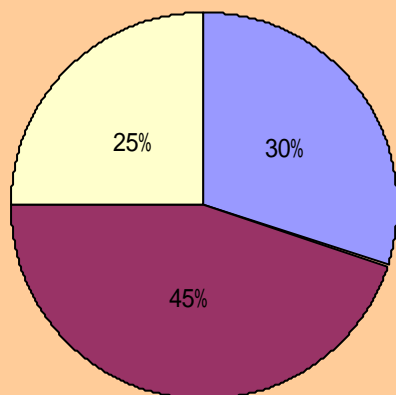
Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	119.5	128.5	-9.0	128.1	-8.6
			93%		93%

Operating Income	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	-3.8	-5.0	1.2	-2.8	-1.0
			76%		136%

Operating Income	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	0.5	2.7	-2.2	-3.0	3.5
			19%		-17%

# AMB : Advanced Module Business Company

## Financial modules and railway modules



**Financial devices for domestic customers (30%)**

Selling ATMs to domestic manufacturers

**Financial devices for overseas customers (45%)**

Selling ATMs to overseas manufacturers

**Modules and other devices (25%)** Selling modules and railway devices

### 1<sup>st</sup> half results

### Full year forecast

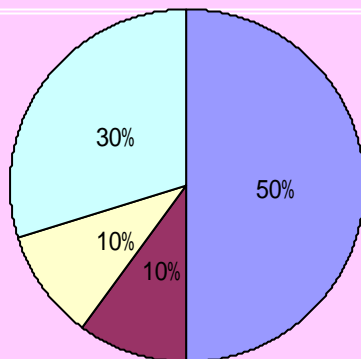
(Unit: Yen 1B, %)

Sales	Results	Budget	Difference	
				Ratio
Japan	3.3	4.2	-0.9	79%
Overseas	6.3	5.8	0.5	109%
Americas	0.2	0.1	0.1	---
Asia	0.1	0.1	0.0	100%
China	0.1	0.7	-0.6	14%
Exports	5.9	4.9	1.0	120%
Total	9.6	10.0	-0.4	96%

Sales	Forecast	Budget	Difference	
				Ratio
Japan	7.0	9.0	-2.0	78%
Overseas	13.0	13.0	0.0	100%
Americas	0.3	0.3	0.0	---
Asia	0.1	0.1	0.0	100%
China	0.3	1.3	-1.0	23%
Exports	12.3	11.3	1.0	109%
Total	20.0	22.0	-2.0	91%

# HCB : Healthcare Company

## Home and professional medical devices



**Blood pressure monitors (50%)**

**Thermometers (10%)**

**Nebulizers (10%)**

**Other products (30%) : Massage chairs, massagers, etc.**

### 1<sup>st</sup> half results

### Full-year forecast

(Unit: Yen 1B, %)

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	9.6	9.0	0.6 107%	9.3	0.3 103%
Overseas	10.8	9.5	1.3 114%	9.4	1.4 115%
Europe	3.0	2.6	0.4 115%	2.6	0.4 115%
Americas	6.3	5.7	0.6 111%	5.6	0.7 113%
Asia	0.6	0.5	0.1 120%	0.5	0.1 120%
China+	0.9	0.7	0.2 129%	0.7	0.2 129%
<b>Total</b>	<b>20.4</b>	<b>18.5</b>	<b>1.9 110%</b>	<b>18.7</b>	<b>1.7 109%</b>
Operating Income	Results	Budget	Difference Ratio	Previous	Difference Ratio
<b>Total</b>	<b>1.9</b>	<b>-0.4</b>	<b>2.3 -475%</b>	<b>0.4</b>	<b>1.5 475%</b>

Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	19.5	19.0	0.5 103%	19.0	0.5 103%
Overseas	23.0	21.0	2.0 110%	21.6	1.4 106%
Europe	7.1	6.1	1.0 116%	6.3	0.8 113%
Americas	12.7	12.4	0.3 102%	12.6	0.1 101%
Asia	1.3	1.0	0.3 130%	1.1	0.2 118%
China+	1.9	1.5	0.4 127%	1.6	0.3 119%
<b>Total</b>	<b>42.5</b>	<b>40.0</b>	<b>2.5 106%</b>	<b>40.6</b>	<b>1.9 105%</b>
Operating Income	Forecast	Budget	Difference Ratio	Previous	Difference Ratio
<b>Total</b>	<b>3.4</b>	<b>1.3</b>	<b>2.1 262%</b>	<b>1.6</b>	<b>1.8 213%</b>

# Other segment



## Business Development Group Creative Service Company

**Business Development Group** Entertainment devices and software  
 PC peripheral devices,  
 Voice recognition systems  
 Machine to machine business                      others

**Creative Service Company** Logistics, personnel, office services, advertising, etc.

(Unit: Yen 1B, %)

### 1<sup>st</sup> half results

Sales	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	18.3	22.8	-4.5 80%	23.6	-5.3 78%
Overseas	0.9	0.2	0.7 450%	0.3	0.6 300%
Total	19.2	23.0	-3.8 83%	23.9	-4.7 80%

Operating Income	Results	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	1.2	1.4	-0.2 86%	2.1	-0.9 57%

### Full-year forecast

Sales	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Japan	34.5	50.0	-15.5 69%	48.4	-13.9 71%
Overseas	1.5	0.5	1.0 300%	0.8	0.7 188%
Total	36.0	50.5	-14.5 71%	49.2	-13.2 73%

Operating Income	Forecast	Budget	Difference	Previous	Difference
			Ratio		Ratio
Total	2.2	3.9	-1.7 56%	2.6	-0.4 85%

# Structural Reform

## Action time frame

- April 2002- September 2003

## Objectives

- Reduce consolidated fixed & variable costs  
by 30 billion yen
- Increase overseas production by 50%
- Eliminate non/low profit yielding businesses



# Executed Structural Reform Programs

## Personnel cost reduction

1,460 persons : Early retirement program  
394 persons : Sold Omron Alphatec Corp. to IBM  
291 persons : Closure of 3 domestic factories

## Other cost reductions

Closed or sold 7 subsidiaries (Omron Alphatec and others)  
Reorganized or sold 4 businesses (Parking systems at SSB and others)  
Consolidated offices of HCB  
Closed Kumamoto R&D Center  
Closed 3 domestic factories (Omron Amakusa and others)  
Finalized agreements to sell 9 assets (properties)

## Other programs

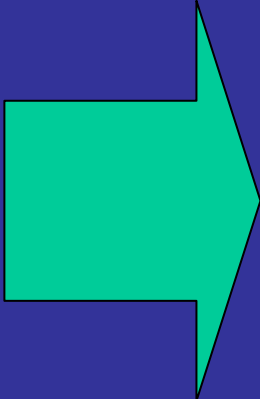
Division and reorganization of SSB

# Projected Cost Savings

Projected achievement of original target of reducing total fixed and variable costs by 30B yen

**Projected cost savings**

	March 2003	
	Plan	Forecast
Personnel cost	4.0 B	<b>8.0 B</b>
General Exp.	1.5 B	<b>2.5 B</b>
Variable Cost / G.P.	5.0 B	<b>6.0 B</b>
<b>Total</b>	<b>10.5 B</b>	<b>16.5 B</b>



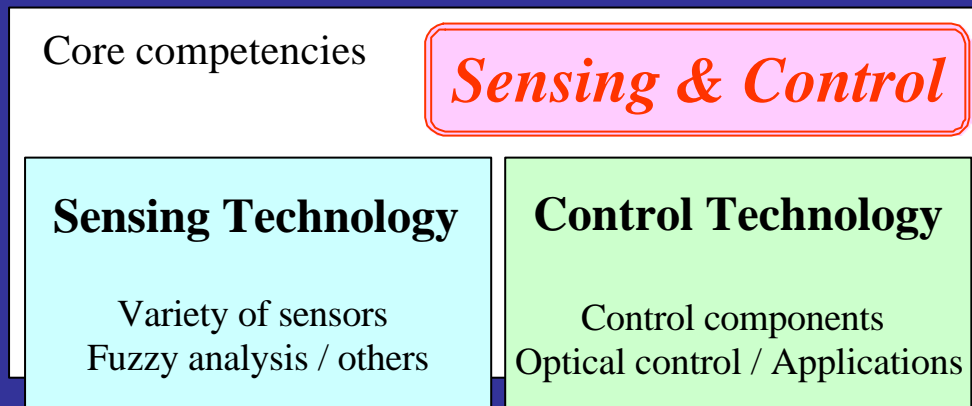
March 2004
Plan
<b>15.0 B</b>
<b>9.0 B</b>
<b>6.5 B</b>
<b>30.5 B</b>

# Growth Strategy (Long-term direction : GD2010)



In the ubiquitous society (broadband)

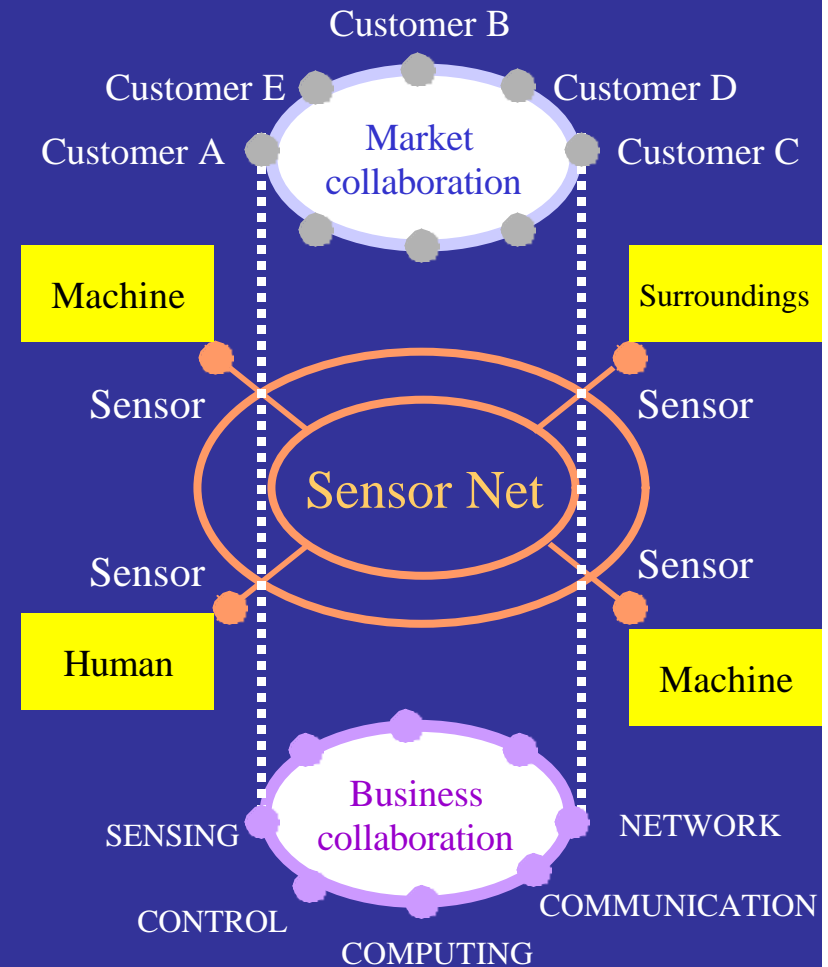
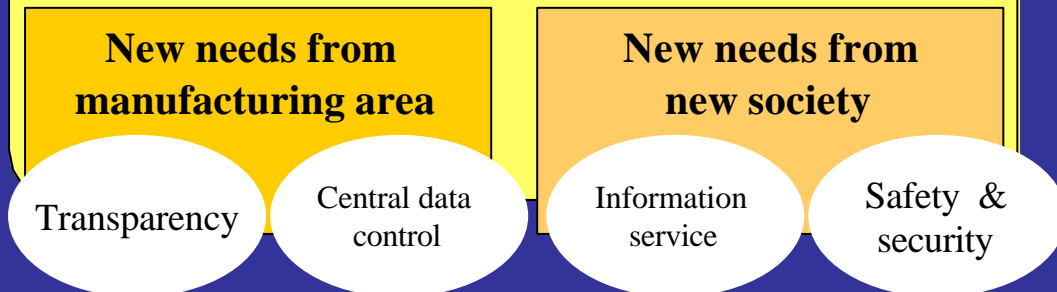
= Omron will provide **sensor net solutions**



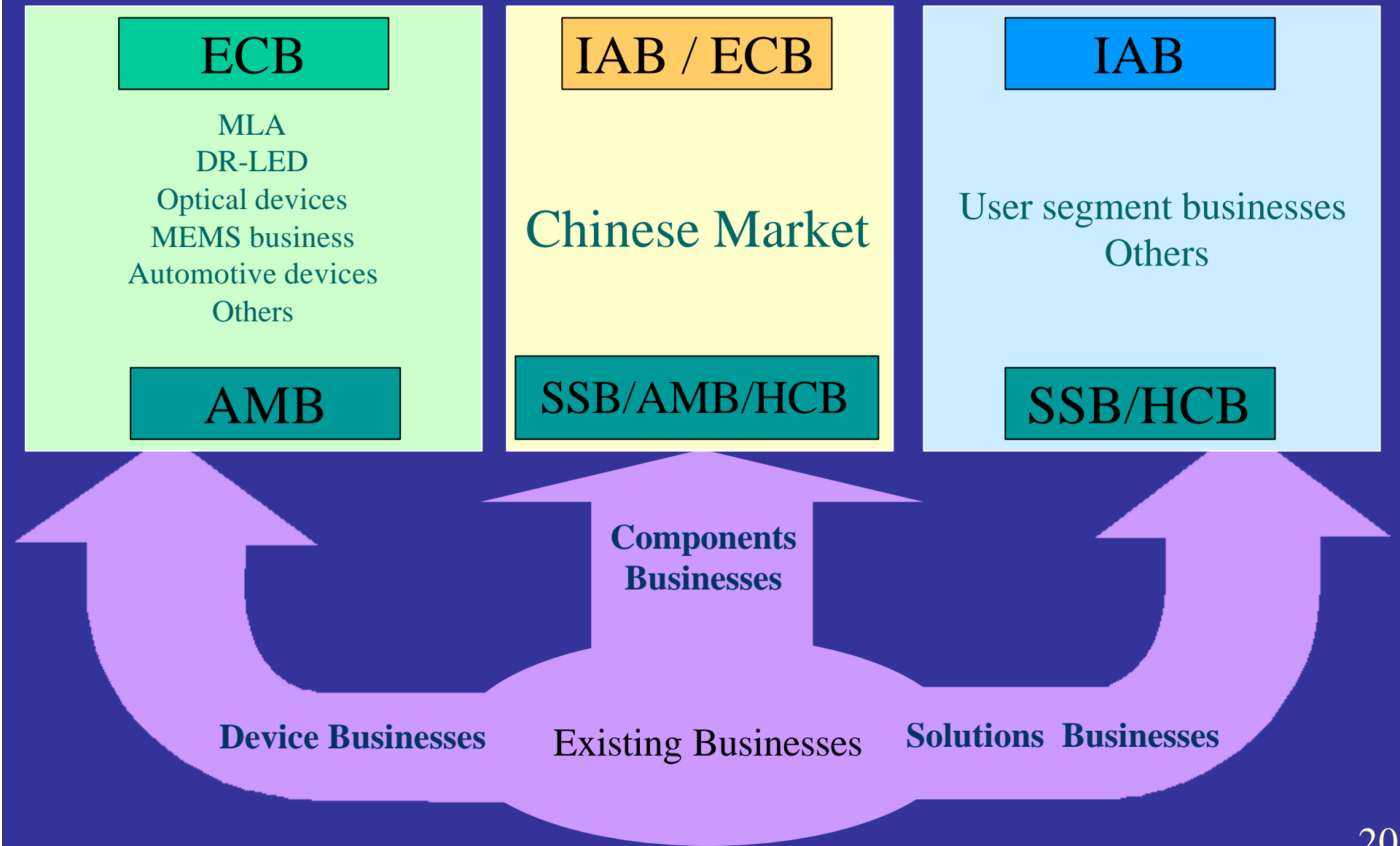
+  
Network Technologies

||

## Sensor Net Solutions



# Growth Strategy (Direction)



## *“Only One” products creation*

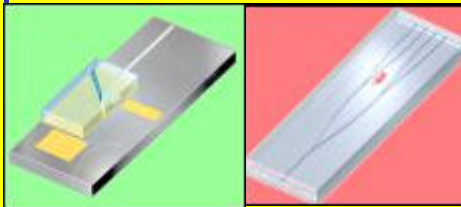
### ***MLA***

Micro Lens Array



### ***SPICA***

Stacked Polymer optical  
IC/Advanced



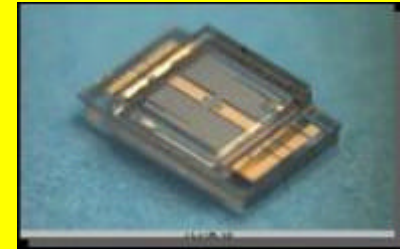
### ***DR-LED***

Double Reflection - LED



### ***MEMS***

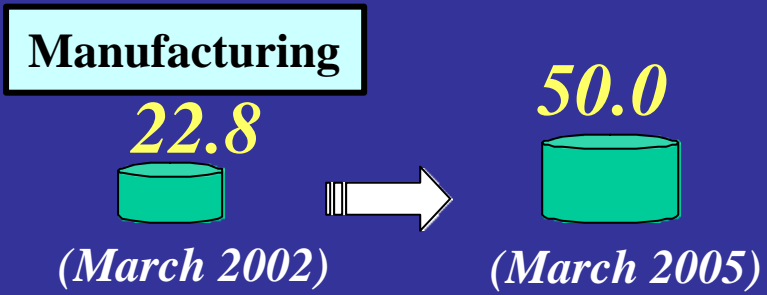
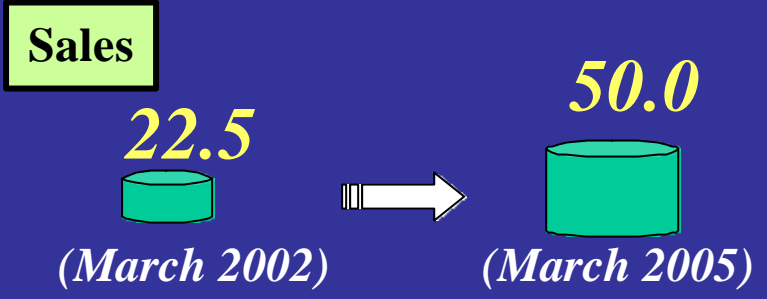
Micro Machined Relay



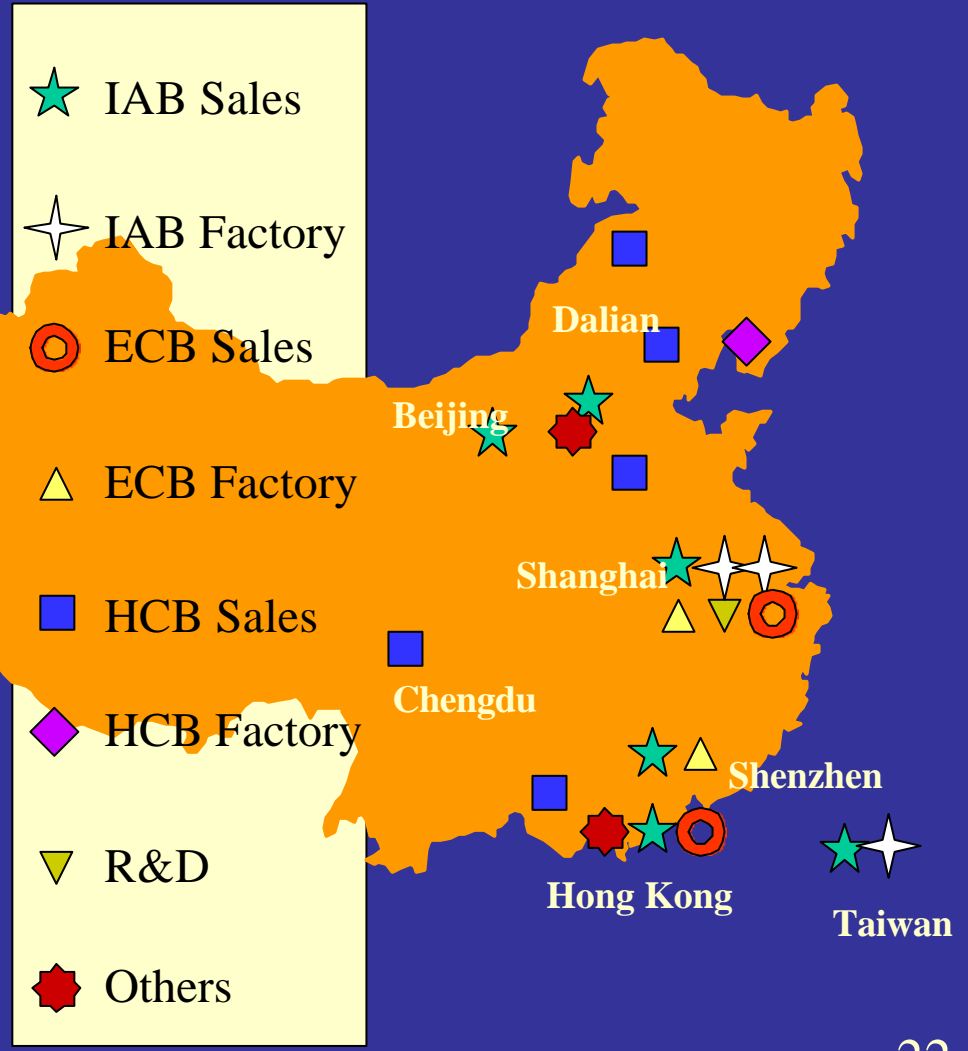
# Chinese Market



(Unit: Yen 1B)



- Topics in 2002**
- Established China HQ (April)
  - IAB / Established EMS managing company (July)
  - ECB / Opened Shenzhen factory (June)
  - HCB / Established R&D company (Oct)



## *User Segment Business*

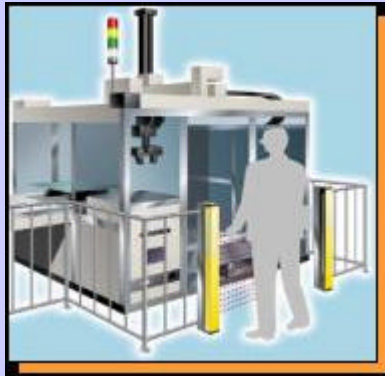
- ◆ Focus on auto, semiconductor, food processing industries
- ◆ Provide high value and unique solutions

## Sales expectations

**24B yen**

**(Mar. 05)**

12B yen (Mar.03)



**Domestic solutions businesses**

*Safety, environment, quality, traceability and others*

**13B yen (Mar. 05)**



**Inspection systems**

*PCB solder inspection  
Lead-free solution*

**7B yen (Mar. 05)**

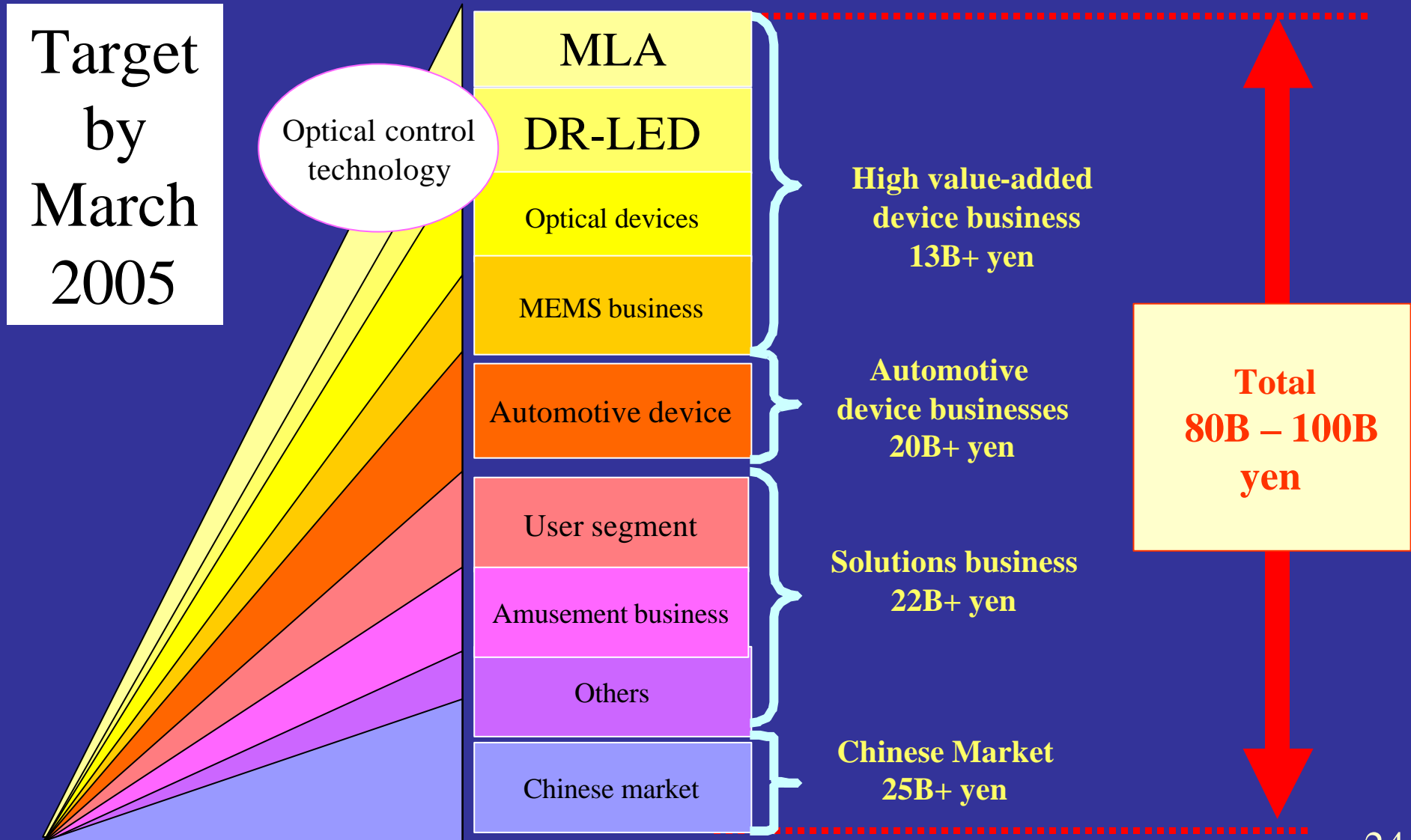


**Overseas solutions businesses**

*Spread domestic applications  
Spread to non-FA market*

**4B yen (Mar. 05)**

# Growth Strategy (Target Volume)





## NOTE

The performance forecasts presented in these slides were calculated based on the best information and assumptions available to us.

Factors including, but not limited to, domestic and international economic conditions, relative demand for Omron's products and services, currency exchange rate fluctuations and stock market trends are unpredictable and subject to change. Consequently, actual performance may differ from the performance forecasts.

**OMRON**

*Sensing tomorrow™*