OMRON’s Business Strategy

July 8, 2008

Hisao Sakuta
President and CEO
OMRON Corporation
Notes:
1. The consolidated statements of Omron Corporation (the Company) are prepared in accordance with U.S. GAAP.
2. Projected results and future developments are based on information available to the Company at present, 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, (i) economic conditions affecting the Company’s businesses in Japan and overseas, (ii) demand trends for the Company’s products and services, (iii) the ability of the Omron Group to develop new technologies and new products, (iv) major changes in the fund-raising environment, (v) tie-ups or cooperative relationships with other companies, and (vi) movements in currency exchange rates and stock markets.
1. Corporate Profile
Corporate Profile

**Business Inauguration**
- May 10, 1933

**Sales**
- 763.0 billion yen (FY2007)

**Operating Income**
- 65.3 billion yen (FY2007)

**Assets**
- 617.4 billion yen (FY2007)

**Rating**
- A1 (By Moody’s Investors Service)

**Number of Employees**
- OMRON Group: 35,486
  - OMRON Corporation: 5,402
  - Japanese Subsidiaries: 6,520
  - International Subsidiaries: 23,564 (FY2007)
## Business Areas and Products

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Products and Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Automation Business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>IAB</strong></td>
<td>Sensing devices, control devices, safety devices, inspection systems</td>
</tr>
<tr>
<td><strong>Electronic Components Business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>ECB</strong></td>
<td>Relays, switches, connectors, LCD backlights, amusement equipment parts, mobile equipment parts, optical communication devices</td>
</tr>
<tr>
<td><strong>Automotive Electronic Components Business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>AEC</strong></td>
<td>Keyless entry systems, power window switches, automotive relays components, laser radars, TPMS, EPS (electronic power steering devices)</td>
</tr>
<tr>
<td><strong>Social Systems, Solutions and Service Business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>SSB</strong></td>
<td>Automated ticket gates and ticket vending machines, road management systems, security management systems, face recognition systems</td>
</tr>
<tr>
<td><strong>Healthcare Business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td>Professional &amp; home-use digital blood pressure monitors, body composition analyzers, thermometers, pedometers, nebulizers, healthcare services</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PC peripherals, RFID systems, energy management systems</strong></td>
<td></td>
</tr>
</tbody>
</table>
Composition of sales

(FY2007 Result)

- Healthcare Equipment: 11%
- Social Systems: 14%
- Automotive Electronics: 20%
- Electronic Components: 43%
- Others: 3%

Net Sales ¥763.0b

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2. GD2010: OMRON’s Long-term Corporate Vision
GD2010: Omron’s Long-term Corporate Vision

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

Management objective:
Long-term maximization of corporate value

By 2010

Achieving profit-driven growth

GD2010 1st-stage (Apr. 2001 – Mar. 2004) goal
Establishing a profit structure, achieving ROE of 10%

Achieved ROE of 10.2% in March 2004

Balancing growth and profits, doubling business value

- Business value* projected to double
- Earnings per share (EPS) projected to increase from 108 yen (FY03) to 186 yen (FY07)

* Based on internal calculations made during the 2nd stage
GD2010 Performance (Sales and Profits)

Sales, profit increased during 1st and 2nd stages
Sixth consecutive year of sales/profit growth achieved in FY07

1st Stage
- Establishing a profit structure
- 2001

2nd Stage
- Balancing growth and profits
- 2003

3rd Stage
- Achieving a growth structure
- 2007

March 2011

(Billions of yen)

Sales

Operating income

Operating profit margin

FY01 FY02 FY03 FY04 FY05 FY06 FY07

600 800

400

200

80

598.7 616.0 723.9 763.0

9.1% 9.9% 8.6% 8.6%

54.7 60.8 62.0 65.3

Recovery due to structural reform

Poor performance due to IT bubble burst

- IAB production structure reform
- SSB profitability improvement
- Increased sales through M&A

Sixth consecutive year of increase

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Maintained ROE of 10% in the 2nd stage
EPS expected to increase by 70%
GD2010 3rd-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
"Ideal Image" for the Omron Group in the 3rd Stage

Dreams, Pride and Confidence
Omron will strive to be a company that is recognized around the world

Innovation to create social needs

Dreams
Pride
Confidence

Working for the benefit of society

Continued profit generation

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How Omron Calculates Business Value

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

PV = \[ \sum \left( \frac{FCF}{R^*} \right) \]

* \( R^* \) = Reduction rate (capital cost)

In order to increase business value...

- **Increase in FCF**
  - Increase in profits
  - Decrease in working capital

- **Decrease in reduction rate (capital cost)**
  - Increased capital efficiency

DCF: Current value of FCF

Terminal value:

PV: FYn, n+1, ..., FY20xx
Scenario for Achieving 3rd-stage Mid-term Goal

Strengthen existing businesses and expand new businesses to achieve sustainable growth

<Mid-term Goal>

Avg. BV growth per year ≥ 10%

(1) Strengthen existing businesses (approx. 80%)
(2) Expand new businesses (approx. 20%)
Expand business in China

(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 Income and EPS indicators

<table>
<thead>
<tr>
<th>FY07 (Result)</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>JPY 65.3 bn</td>
</tr>
<tr>
<td>EPS</td>
<td>186 yen</td>
</tr>
</tbody>
</table>

Higher business value through improved profitability, coming mainly from reinforced existing businesses
# Key Measures by Segment

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

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Measures and Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Automation Business (IAB)</strong></td>
<td>Focus on the security/safety and environment-related applications domain in factory automation (FA). Prioritize high value-added businesses such as safety, QLM(^1) and micro PLC businesses.</td>
</tr>
<tr>
<td><strong>Electronic Components Business (ECB)</strong></td>
<td>In Micro Electro Mechanical Systems (MEMS) business, focus on high value-added products that can translate various phenomena - such as pressure, acceleration, flow, temperature and sound – into valuable information with the use of &quot;sensing &amp; control&quot; technologies.</td>
</tr>
<tr>
<td><strong>Automotive Electronic Components Business (AEC)</strong></td>
<td>Seek high growth especially in the electric power steering (EPS) market.</td>
</tr>
<tr>
<td><strong>Social Systems, Solutions and Service Business (SSB)</strong></td>
<td>Position social sensors systems(^2) business as another business pillar to realize security and safety at stores, stations, facilities, factories and more.</td>
</tr>
<tr>
<td><strong>Healthcare Business (HCB)</strong></td>
<td>Realize &quot;Healthcare at Home&quot; with online healthcare service as a basis, to promote total healthcare solution packages for the lifestyle-disease prevention and treatment.</td>
</tr>
</tbody>
</table>

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\(^1\) QLM business is 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.

\(^2\) Social sensors are expected to contribute to security/safety of society by accurately reading and analyzing the movement of people, cars and other objects on display, along with other tracking information.
(1)-1 Strengthening Existing Businesses - Re-positioning ourselves as global no. 1 -

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.

- Relays
- QLM (automated optical inspection systems)
- Safety equipment
- Micro PLCs
- LCD backlights
- EPS
- Blood pressure monitors
- Body composition monitors

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)

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

Sales in Greater China

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03</td>
<td>325</td>
</tr>
<tr>
<td>FY04</td>
<td>411</td>
</tr>
<tr>
<td>FY05</td>
<td>412</td>
</tr>
<tr>
<td>FY06</td>
<td>726</td>
</tr>
<tr>
<td>FY07</td>
<td>928</td>
</tr>
<tr>
<td>FY10</td>
<td>1800</td>
</tr>
</tbody>
</table>

Growth of 20% or more
Growth of 30% or More
Approx. 1800

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(2)-1 Expanding New 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

<table>
<thead>
<tr>
<th>Domain/Contribution</th>
<th>Theme(s) Including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security/safety: Industry (Improved quality, efficiency)</td>
<td>Laser microfabrication MEMS</td>
</tr>
<tr>
<td>Security/safety: Society (Security)</td>
<td>Face recognition systems Social sensors¹</td>
</tr>
<tr>
<td>Healthcare (Home medical care)</td>
<td>Online healthcare management</td>
</tr>
<tr>
<td>Environment/energy (Energy/resource saving)</td>
<td>Energy consumption measurement Solar power conditioners²</td>
</tr>
</tbody>
</table>

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

Target growth for new businesses in the 3rd stage

Net sales

FY07 ≈ ≈ FY10 ≈ ≈ FY20

Approx. 7%

Approx. 15%

¹ 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

² Devices that convert solar-generated DC power into AC power for use in the home
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 3rd stage: Security/safety

Security: Face recognition systems
Security/safety at stores, stations, factories and more

- Surveillance
  - Monitor suspicious people and behavior in order to help prevent crimes
  - Ease public fear
    - Target detection
    - Crime prevention/identification of repeat offenders
    - Suspicious behaviors detection
    - Crime prevention

- Body and face image sensing
- Improved security/safety

- Customer marketing service
  - Monitor customer trends (e.g., number, sex, age) in order to provide better service
  - Provide valuable info

- Improved comfort/convenience

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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 3rd stage: Healthcare

**Home healthcare management: Online healthcare management**
Total solutions for lifestyle-related disease prevention/treatment

- **Biology/behavior info. sensing**
  - Blood pressure
  - Blood sugar
  - Body composition
  - Steps walked

- **Lifestyle-related disease prevention/ treatment service package**
  - Report/ recommendations
  - Algorithm
  - Targets
    - Patients/consumers
    - Private companies
    - Insurers/employers
    - Medical institutions
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 3rd stage: Environmental preservation

**Energy: Energy Consumption Measurement**

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

- Central monitor/Analysis software
- Serial communication or Ethernet
- Fieldbus
- Site/production line
- Remote facilities
- Power measurement sensors
- Wireless transmission
- Ethernet

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

- Highly accurate measurement
- Telecommunication (e.g., wireless, power line-dependent)
Use semiconductor technology to strengthen sensing and control technology

**MEMS** (Micro Electro Mechanical Systems)

**OMRON Yasu Factory (Shiga Prefecture, Japan)**

Site area: 42,000m²
Floor area: 39,900m²

MEMS microphone chip
Increasing Business Value by an Annual Average of at Least 10%: Indicators

Estimated growth and profitability by segment in FY2010

- SSB
- ECB (excluding OPT)
- HCB
- IAB
- AEC

Increasing growth and profits

Growth rate in the past 3 years (average, %)

ROS (%)
Prospects for Business Value Improvement – ECB

ECB will achieve ROS of 10% or more in FY2010

ECB Sales and OP

Measures to improve ROS by FY2010

1) Maximize profitability of relay business, expand switch/connector business

2) Improve profitability of small- and mid-sized backlight business
   - Sales expansion
   - Profitability improvement (ROS 4% point improvement)

3) Expand micro device business
   - MEMS sales expansion

(Billions of yen)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales</th>
<th>OP</th>
<th>ROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2006</td>
<td>138.4</td>
<td>13.1</td>
<td>7%</td>
</tr>
<tr>
<td>FY2007</td>
<td>154.2</td>
<td>12.6</td>
<td>7%</td>
</tr>
<tr>
<td>FY2008 (Planned)</td>
<td>154.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2009</td>
<td></td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>FY2010 (Target)</td>
<td>210.0-220.0</td>
<td>21.0-23.0</td>
<td>9-11%</td>
</tr>
</tbody>
</table>
Prospects for Business Value Improvement – AEC

AEC will achieve ROS of 5% in FY2010

AEC Sales and OP

Measures to improve ROS by FY2010

1) Expand EPS business and improve profitability
   - Expand global sales
   - Use product mix to improve profitability

2) Improve productivity
   - Central purchasing
   - Optimal site production

3) SG&A control
   - SCM process innovation
Supplementary Information
IAB Products

Industrial Automation

Net sales: ¥328.8b / Operating profit: ¥51.9b

- PLC
- Safety sensors
- Temperature Controllers
- Sensors
- Timers
- AOI
ECB Products

Electronic Components

Components for home appliances, mobile phones, telecommunication equipments, amusements and Back light units

Net sales : ¥154.2 b / Operating profit: ¥12.6b
AEC Products

Automotive Electronic Components

Net sales: ¥107.5b / Operating profit: ¥1.4b

- Keyless entry system
- Laser Radar
- EPS
- Power window switches
- Mirror control switches
- Relays
- Power seat switches
- TPMS

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SSB Products

Social Systems

Public Transportation Systems and Modules
Traffic and Road Management Systems

Net sales: ¥85.2 b / Operating profit: ¥7.0b

Automated Passenger Gates
Ticket Vender

Security Solution Business
Entrance security
Zone security
Mobility security
Traffic and Road Management Systems

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Healthcare Equipment

Net sales: ¥71.6 b / Operating profit: ¥9.4 b

Home use devices
- Body composition analyzers
- Digital Blood Pressure Monitors
- Thermometer
- ECG
- low-frequency massage device

Professional medical devices
- inpatient blood pressure monitoring devices
- Operating room
- Hospital room
- Central monitors
- Exhaled gas monitors
- Medical examination
- Full-automatic blood pressure monitors
- Vascular screening devices

Solidify its position in the professional segment of the medical business by acquisition of COLIN
# Other Information

<table>
<thead>
<tr>
<th>Stock Listings</th>
<th>Osaka, Tokyo, Nagoya, Frankfurt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticker Symbol Number</td>
<td>6645</td>
</tr>
<tr>
<td><strong>ADR (American Depositary Receipts)</strong></td>
<td></td>
</tr>
<tr>
<td>Type</td>
<td>Level 1 with sponsorship</td>
</tr>
<tr>
<td>ADR Ratio</td>
<td>1 ADR = 1 Common Stocks of Omron</td>
</tr>
<tr>
<td>Listing</td>
<td>Over the Counter (OTC)</td>
</tr>
<tr>
<td>Symbol</td>
<td>OMRNY</td>
</tr>
<tr>
<td>Depositary</td>
<td>JPMorgan Chase Bank</td>
</tr>
<tr>
<td>Homepage</td>
<td><a href="http://www.omron.co.jp">http://www.omron.co.jp</a> (Japanese)</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.omron.com">http://www.omron.com</a> (English)</td>
</tr>
<tr>
<td><strong>Contact</strong></td>
<td>Investor Relations Department</td>
</tr>
<tr>
<td></td>
<td>Tel. : +81-3-3436-7170</td>
</tr>
<tr>
<td></td>
<td>E-mail : <a href="mailto:omron_ir@omron.co.jp">omron_ir@omron.co.jp</a></td>
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