

To Our Stakeholders

Message from the Chairman



Fiscal 2009 is the Stage in which we Prepare for Medium- and Long-term Growth

Turbulence in worldwide financial markets is having an unprecedented impact on the real economy. Inventory adjustments are coming to an end in some industries, but when capital investment will recover is still anyone's guess. Times like these, when the ebb in business conditions is at its most severe, reveal a company's underlying framework and expose elements that are hidden when the tide is high.

In these conditions, just as in an emergency situation, of all the management indices for growth, profits, safety, or other targets, safety is the most imperative, and it is essential that we strengthen Omron's central administration with a focus on the management elements of cash and people. Even more important, because they are directly related to the company's sustainability and future growth, are profit structure building and customer creation. This perspective is the motivation behind our designation of fiscal 2009 as the "year to solidify our footing and prepare for the future."

Structural Changes in Society and the Economy

Society and the economy are undergoing major structural changes, and when we emerge from the tunnel of recession, the world will undoubtedly be a different place.

China appears to be already moving into recovery, and emerging economies are establishing stronger presences than ever in the world economy. As the current economic crisis progresses, countries like Japan, where reliance on external demand has been exposed as a weakness, are revising their economic structures

to achieve balance between internal and external demand. The aim is to establish an optimal equilibrium between an export-oriented economy and an economy based on local production for local consumption. Our industrial society, which has achieved growth while producing more and more CO₂ emissions, is now seeking to transform itself into a low carbon, sustainable society that grows while reducing CO₂ output. In other words, we are evolving from a homogeneous society, where we want what the other person has, to a diversified society, where we want to live our own way and want things that fit our lifestyles. I believe this means that companies will need operating structures and management approaches catered to customers at an increasingly individual level.

The changes we are now seeing were predicted nearly 40 years ago by Omron's SINIC (Seed-Innovation to Need-Impetus Cyclic Evolution) theory, and we continue to apply this approach today in the adaptation and evolution of our business and technology. (Please see page 92 for further details on SINIC).

In this period of structural transformations in society and the economy, the Omron Group is rededicating itself to our corporate core value of "Working for the benefit of society." We are seeking to provide goods that reflect the level of affluence of today's society, but more importantly fulfill the essential purpose of goods, which is to improve people's lives by providing safety and security, promoting health, and preserving our environment. Omron endeavors to use its sensing and control technology to create new value and aims to fully manifest its corporate core value in its goods and services.

We are advancing a future-oriented management approach focused on medium- and long-term growth and have designated fiscal 2009 as the “year in which we solidify our footing and prepare for the future.”

Fortifying our On-Site Capabilities as a Foundation for Customer Creation

What is needed in our future-oriented management to “solidify our footing and prepare for the future?” After much contemplation, I recalled the Nishi Health System that Omron founder Kazuma Tateisi was so passionate about. While modern medicine generally views the heart as the pump that powers the circulation of blood throughout the body, the Nishi Health System recognizes that contractive motions of capillary blood vessels as they sense changes in external conditions also pump the blood. The heart instead serves primarily as a regulating tank for the blood the capillaries send to it, and arteries and veins are the pipes connecting the pump and tank. Put simply, the capillaries provide the vitality we need to live.

Applied to a business operation, the changes in the market and customers are the external changes, and the capillaries throughout the organization that sense those changes are the company’s on-site capabilities, including marketing, development, production, quality assurance, advertising, sales and maintenance. When it becomes too cold (recession), the capillaries don’t function fully and a person can’t survive, yet hasty improvements (quick fixes such as drastic cost cuts) will only result in a temporary recovery. True recovery requires reconnecting even the smallest capillaries and recreating a system that will supply energy to the whole body.

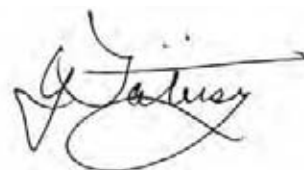
How healthy company’s on-site capabilities are in times of recession will be revealed in the changes of the company’s market share, which in the future will lead to wider gaps in business results between its

competitors. The Omron Group is fortifying its on-site capabilities so that each and every one of its capillaries is fully responsive to the changes in the market and in our customers.

We are further emphasizing our corporate core value as the heart and unifying force of the Omron Group and achieving the highest level of corporate governance based on our core values, the Omron Principals, which are shared globally throughout the Omron Group. I believe this is essential as we re-envision our profit structure, advance customer creation, and endeavor to make new contributions to society through the creation of social needs.

I wish to express my sincere gratitude to all our stakeholders and request your ongoing support as the Omron Group lays the groundwork for future growth.

August 2009



Yoshio Tateisi, Chairman of the BOD