

To Our Stakeholders

Message from the President



The Worst Net Loss in the Company's History

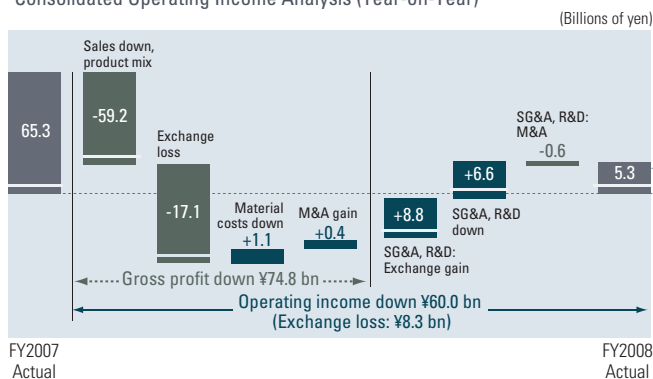
The business environment in fiscal 2008 took a devastating downturn in the third quarter that led manufacturers to further curb production activity while tightening and even freezing capital investment. These trends deeply impacted business in our core automotive, semiconductor, and liquid-crystal electronic components industries, resulting in consolidated net sales in fiscal 2008 falling 17.8% year on year to ¥627.2 billion. The main elements in this decline were the sharp rise in the value of the yen combined with plummeting demand in the Industrial Automation Business (IAB), Electronic Components Business (ECB), and Automotive Electronic Components Business (AEC), which generate over 70% of the Company's total sales. The decline in sales contributed to an accompanying drop in operating income, which plunged 91.8% year on year to ¥5.3 billion. The Company additionally booked impairment losses for goodwill, property, plant and equipment, and investment securities. The overall result was a net loss of ¥29.2 billion, marking the worst loss in Omron's history.

Shifting to a "Revival Stage" in which Nothing is Sacred

Fiscal 2008 was slated as the first year of the final three-year stage of the Company's long-term corporate vision, Grand Design 2010 (GD2010). However, in light of the dramatic changes in the operating environment we have revised our initial plan, in which we had aimed to accelerate growth. The revised plan comprises two strategic phases both commencing in February 2009. The first is "Emergency Measures," covering the 14-month period to March 2010, and the second is "Revival Stage (Structural Reform)" spanning the 26-month period to March 2011.

This revision to our medium-term management plan was ultimately necessitated by the subprime loan crisis and the so-called Lehman Shock. Although we repeatedly acknowledged the need to become "leaner," the dramatic change in the external business conditions has made it clear that we had gained excess "fat" while achieving six consecutive years of increased revenues and profits. I would like to express my deepest apologies for not recognizing the gravity of the situation and for our severe performance results for fiscal 2008.

Consolidated Operating Income Analysis (Year-on-Year)



Consolidated Operating Income by Segment

Business	FY2008	FY2007
IAB	20.5	51.9
ECB	-2.0	12.6
AEC	-6.4	1.4
SSB	5.4	7.0
HCB	4.8	9.4
Others	0	0.1
HQ Cost/Elimination	-17.0	-17.1
Total	5.3	65.3

We are confronting the challenges of the current conditions with the confidence that we will achieve profit levels exemplifying complete recovery.

At this point in time, the economic recession appears to have eased to a certain degree, but we have not crawled out from the bottom yet. As demand was brisk in the first half of fiscal 2008, we anticipate demand to remain substantially below the previous-year level in fiscal 2009.

Our foremost priority is to look toward the future and not only survive the current situation but to reemerge in a strong competitive position. We will take this opportunity to make our operations “lean and keen” and take a radical outside-the-box approach to reform our operations in the core IAB, ECB, and AEC segments, along with emergency measures to concentrate our resources on select domains.

Overcoming Adversity to Achieve Complete Recovery

We expect the severe operating environment for the Omron Group to persist in the coming year and forecast fiscal 2009 net sales falling a further 18.7% year on year to ¥510.0 billion. In addition, under the current situation, we are seeking to avoid producing a loss for the year and to achieve operating income of “positive zero” as a productive step for the future.

We are resolved to confront the challenges of the

current conditions with the confidence that we will achieve profit levels exemplifying a complete recovery. At this point in time, it is still impossible to set a target date for achieving recovery. In terms of results, however, we have set the bar for sales at the fiscal 2007 level of ¥750 billion and for operating income above ¥100 billion (compared with ¥65.3 billion in fiscal 2007). To achieve this, we plan to pare down our operation to only the most essential elements and substantially lower the break-even point for sales.

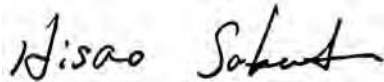
Dividends Depend on Bottom Line and Cash Reserves

We intend to continue our basic policy for shareholder return of maintaining a minimum 20% dividend payout ratio, and to continue aiming for a 2% dividend on equity (DOE) ratio. In fiscal 2008, taking into consideration that we had a net loss of ¥29.2 billion, we paid an annual dividend of ¥25 per share, which represented a ¥17 decrease from the previous fiscal year and a 1.7% DOE ratio.

Based on our target of achieving “positive zero” operating income in fiscal 2009, we do not expect to be able to meet our 2% DOE ratio standard. We will review our bottom line and cash reserve status when we have a better view of how the business environment will take shape for the year.

We ask for your patience and understanding until we can provide a reliable outlook for shareholder return for the coming year, and we appreciate your ongoing support as we pull together all of our resources to achieve full recovery of the Omron Group.

August 2009



Hisao Sakuta, President and CEO

