

## ECB ELECTRONIC COMPONENTS BUSINESS

Manufacture and sales of electronic components for consumer electronics, mobile phones, telecommunications and industrial equipment, and amusement devices



ECB applies the Company's core technologies to strengthen its products and develop innovative *monozukuri* (the art of product creation) technology to enhance Omron's global competitiveness.

% of Net Sales  
**20%**



### Fiscal 2008 in Review

Sharp drop in sales in the second half of the year produced an operating loss. The LCD backlight operation concentrated on the small and medium-size device market.

ECB posted a net sales decline of 19.6% year on year to ¥123.9 billion and an operating loss of ¥2.0 billion in fiscal 2008.

In the first half of the fiscal year, ECB posted record sales in Japan for its reputed small-size LCD backlights and sales continued strong for input switches for mobile devices. Sales were also strong for relays and switches in China, accompanying growing local demand for low power consumption air conditioners and other consumer electronics. However, overall sales were strongly affected by the slowing growth of the semiconductor and automotive industries. Stagnant conditions in the business and consumer electronic equipment markets also contributed to the slowdown as well. Impacted by such factors, relays for printed circuit boards, switches, connectors, and other mainstay products slowed, resulting in a 9.5% decline in sales in the first half of the fiscal year.

Conditions deteriorated further in the second half as concern about the impending global recession compelled manufacturers to accelerate their inventory adjustment efforts, stalling demand even for items that had been moving quickly in the first half. The end result for this fiscal year was an overall 10.3% decline in ECB domestic sales.

ECB overseas sales plummeted 26.0% as the weak market conditions in Europe during the first half combined with an abrupt change in the second half in the business environment in China, which had been a persistent growth market. The stronger yen also greatly impacted overseas results.

Management determined that it would be extremely difficult to secure profit in this product category after careful consideration of the intensifying competition and strong downward pricing pressure for large-size LCD backlights for LCD TVs. As a result, they decided to dissolve the Company's operations related to large-size LCD backlights in fiscal 2010. Management will now focus on raising profits from its LCD backlight operations by setting its sights exclusively on the markets for small- and medium-sized LCD backlights.

### ECB Results and Plans

| Fiscal Year                    | (Billions of yen) |       |       |       |             |
|--------------------------------|-------------------|-------|-------|-------|-------------|
|                                | 2005              | 2006  | 2007  | 2008  | 2009 (Plan) |
| Net sales*                     | 97.7              | 138.4 | 154.2 | 123.9 | 112.0       |
| Domestic                       | 45.0              | 58.8  | 62.4  | 56.0  | 48.5        |
| Overseas                       | 52.7              | 79.6  | 91.8  | 68.0  | 63.5        |
| North America                  | 9.9               | 11.0  | 10.4  | 8.6   | 8.6         |
| Europe                         | 12.5              | 12.0  | 12.4  | 9.2   | 12.0        |
| Asia                           | 6.3               | 8.6   | 10.3  | 8.4   | 7.0         |
| China                          | 14.5              | 35.7  | 48.3  | 37.8  | 32.3        |
| Direct exports                 | 9.5               | 12.4  | 10.4  | 3.9   | 3.6         |
| Operating income*              | 11.2              | 13.1  | 12.6  | (2.0) | 3.0         |
| Operating income margin*       | 11.5%             | 9.5%  | 8.2%  | —     | 2.7%        |
| R&D expenses*                  | 7.8               | 8.1   | 8.2   | 8.1   |             |
| Depreciation and amortization* | 8.4               | 9.0   | 10.5  | 10.8  |             |
| Capital expenditures*          | 7.1               | 12.8  | 14.1  | 17.3  |             |

\* FY2009 (Plan) adopted from FASB Statement No.131, *Disclosures about Segments of an Enterprise and Related Information*.

\* Projections for FY2009 are based on exchange rates of ¥95/US\$ and ¥125/Euro.

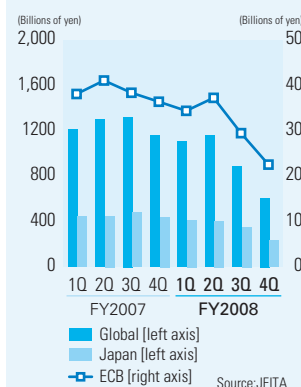
\* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

\* Projected figures for R&D costs, depreciation costs, and capital expenditures are not publicized.

### Check It Out!

#### Analysis of external environment

Global shipment of electronic components and ECB sales.



ECB sales plummeted as a result of the rapid and widespread implementation of inventory adjustment measures following the sharp deterioration in business conditions in the second half of fiscal 2008.

Akio Sakumiya  
Executive Officer  
Company President  
Electronic Components Company



## Business Strategy and Outlook for Fiscal 2009

Focus on regaining profitability and fortifying *monozukuri* of mechanical components

We forecast a decline of 9.6% year on year to ¥112.0 billion in net sales and an improvement to ¥3.0 billion in operating income in fiscal 2009. We anticipate sales continuing to fall at a steep 26.2% year-on-year pace in the first half followed by an upturn to growth of 13.1% in the second half as industry inventory adjustments are concluded and sales begin recovering overseas.

In fiscal 2009, ECB will take over automotive relay operations from the Automotive Electronic Components Business (AEC).

ECB will consolidate IAB's relay and switch product manufacturing operations and AEC's relay products into the mechanical components business, to minimize the impact of contracting markets and reestablish a foundation for continuing competitiveness in the medium and long terms. The Company aims to centralize and strengthen its overall manufacturing operations by building up each

company's materials, metal mold, processing, and other component technologies (manufacturing methods). Subsequently, ECB will be renamed as EMC (Electronic and Mechanical Components Business Company) on September 21, 2009, as a part of the reorganization of Omron's three control-based businesses. EMC will specialize in mechanical components, namely relays, switches and connectors.

We also plan to focus on developing the micro electronics (ME) business by using our precision processing technology and applying other methods to add value and enhance product customization. This will include bringing the MEMS, CMOS, and other production lines into the Yasu Factory to combine our semiconductor and component manufacturing operations with the aim of further establishing the Company's competitive leadership. Furthermore, as of September 21, 2009, MEMS, semiconductors and LCD backlights, which had been parts of the ME business and which are still in the incubation stage, will be transferred to the Others segment.

## What's New

### Flexible 0.59 mm thin sheet-type LCD backlight

Small-size LCD backlights brighten mobile phone and other mobile device screens from behind to provide consistently bright display in the dark or in direct sunlight. Omron applied its technologies in light-wave control and ultra precise microreplication to develop and manufacture backlights that set a new standard for brightness and low power consumption. We then developed a groundbreaking 0.59-millimeter ultrathin sheet that was one-third thinner than existing sheets and capable of operating even when bent.



Omron achieved a significant improvement in LED brightness by using a proprietary special processing method called "radial prism structure" to create a microprism array. By applying this to the connectors of optical waveguide which function to transmit uniform light from the LED light source to the screen, the percentage of light transmitted to the LED screen increased to 95% from the previous 75%.

The precision processing and microreplication technologies that resulted from our trial-and-error approach also enabled the mass production of sheet-type LCD backlights using the intricate radial prism structure. The innovation of flexible backlighting creates opportunity for new concepts in display devices.

### RF MEMS Switches

In September 2008, Omron released the world's smallest packaged MEMS chip that realizes small size, high radio frequency (RF) transmission at 10 GHz, and reliable execution of over 100 million on-off switches.



\* As of September 21, 2009, ME Business will be transferred to the Others segment.

### Touch Sensor Solutions

Omron has joined with Renesas Technology to develop capacitive touch sensor solutions\* for the broadening range of touch sensor applications for home appliances, mobile phones, and other devices.



\* Capacitive touch sensors are sensors that are activated by electric charges stored in the sensor to switch electric charges on or off.

### Narrow Pitch FPC Connectors

Omron's ultra-slim connector for flexible printed circuits (FPCs) with a superior impact-resistant backlock mechanism has an ultra-low 0.25 mm pitch, making it ideal for mobile phones and other mobile devices. Our FPC connectors use approximately 20% less substrate surface area.

