

SSB SOCIAL SYSTEMS BUSINESS

Providing solutions and services for realizing a secure, safe, and comfortable society



SSB is aggressively reforming its business structure and positioning the social sensor solutions business to be a leading driver of future business growth.

% of Net Sales
13%



Fiscal 2008 in Review

Performance suffered from restrained capital investment

SSB net sales declined 6.3% year on year to ¥79.9 billion and operating income fell 24.0% to ¥5.4 billion in fiscal 2008.

In the railway infrastructure business, demand continued to grow for ticket gates, system monitoring panels, data collection equipment, and other equipment related to new rail line construction in the first-half, but rapidly deteriorating business conditions led customers to restrain capital investment in the second-half, causing full-year railway infrastructure sales to end up below the previous year level.

Market contraction for traffic control and road management systems continued from the previous year, and sales remained sluggish amid restrained public sector investment.

In maintenance operations related to the aforementioned segments, railway infrastructure-related project orders grew for IC systems and projects connected to new railway construction, but the increases in those segments were not enough to make up for the overall impact from the contracting credit industry and restrained capital investment.

The ID management solutions business was impacted by the sharp reduction in the manufacturing industry and a dip in demand for projects related to electronic payment.

Software business sales declined as demand subsided for account settlement software in the logistics industry, which was a main driver for segment demand last year, and decreasing commissioned development projects for the mobile phone industry.

SSB Results and Plans

Fiscal Year	(Billions of yen)				
	2005	2006	2007	2008	2009 (Plan)
Net sales*	91.8	105.9	85.2	79.9	66.0
Domestic	90.5	101.8	81.0	75.5	65.5
Overseas	1.3	4.1	4.2	4.4	0.5
North America	0.2	0.5	0.6	0.2	0.0
Europe	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0
Direct exports	1.1	3.6	3.6	4.1	0.5
Operating income*	4.4	8.1	7.0	5.4	4.0
Operating income margin*	4.8%	7.6%	8.3%	6.7%	6.1%
R&D expenses*	3.9	5.1	2.6	3.4	
Depreciation and amortization*	3.2	3.3	3.3	2.8	
Capital expenditures*	4.3	3.9	1.7	1.9	

* 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.

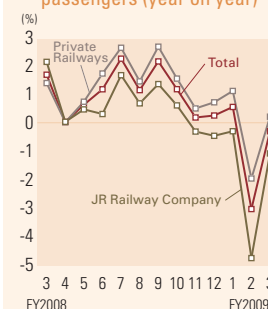
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

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

Check It Out!

Analysis of external environment

[Reference] Change in the number of rail transport passengers (year on year)



Source: Rail Transport Overview, Ministry of Land, Infrastructure, Transport and Tourism

SSB's business covers a broad range of society, and there are no specific economic indicators that link closely to performance. In the railway segment, for example, SSB sales are strongly influenced by customer budgets for IC card equipment installation and new railway construction plans, and these budgets are determined by railway company revenues, which largely depend on the number of passengers in a particular year.

Hiroshi Fujiwara

Managing Officer

Company President,

Social Systems Solutions Business Company



Business Strategy and Outlook for Fiscal 2009

Building up the social sensor solutions business and advancing structural reform

We forecast a decline of 17.4% year on year to ¥66.0 billion in net sales and a decrease of 25.3% to ¥4.0 billion in operating income in fiscal 2009.

We expect the sluggish business conditions and restrained public investment trend to persist throughout fiscal 2009 and lead to full-year sales declines for the railway infrastructure systems and other businesses. While unfavorable conditions persist, SSB management will continue to reinforce its organizational structure and lay the groundwork for a growth structure for the future. While continuing to develop further system needs for enhancing security and safety in the railway industry, we established the social sensor solutions business.

The social sensor solutions business is developing sensor technology for the social sector using technology cultivated from its extensive operations in factory automa-

tion and other fields. Sensors located in public settings can be used to identify and gather data on the movement and changes in movement of people, automobiles, and other objects. The data can then be used to support the creation of safer and more secure communities.

SSB is also stepping up to the challenge to leverage the strengths of the Omron Group to develop new markets for the Group's products and technologies. SSB is currently making great strides in developing wider applications for the Group's image processing technologies. Image sensors are being developed for various applications ranging from improving safety in train stations by sensing the flow of people and crowd congestion on train platforms, to enhancing marketing and sales by identifying visitors to commercial facilities, to identifying vehicles entering factory sites for theft prevention. (Refer to page 25.)

What's New

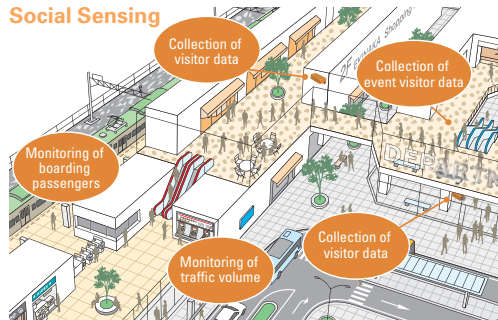
Segment Sensors—Marketing solutions using face recognition technology in commercial facilities

SSB launched "segment sensors" as its first foray into the social sensor market. Introduced in fiscal 2008, segment sensors integrate Omron's proprietary face recognition technology with strategically positioned cameras, for example in entryways or at commercial facilities. Using the images captured by the cameras, the sensors identify and collect data on the age, sex, and other attributes of each visitor.

The increasing diversity in people's lifestyles is changing the market landscape from an age of "make it and someone will buy it" to an age in which buyers must be provided with a motivation to purchase a product or they will not buy it. Responding to this transformation is a major management issue in the retail industry. It is becoming increasingly critical for store operators to accurately identify their customers along with the changing trends in customer attributes and to implement swift and astute adjustments to their product lineups. Segment sensors are pivotal to meeting these needs.

SSB is also seeking to expand the applications for segment sensors outside the retail industry. Solutions are under development for wider area coverage, such as for the expanding commercial use of space inside train stations, and products using

Social Sensing



Sensors detecting movement in train stations and commercial facilities contribute to optimal facility design and planning.

image-sensing technology to identify specific attributes other than age and sex.



Bicycle and Pedestrian Sensors

Sensors are fundamental components for realizing Japan's national Driving Safety Support System. Mounted primarily at intersections, sensors help prevent accidents involving bicyclists and pedestrians.



Non-Contact IC Card Automated Ticket Gates

Non-contact IC-card automated ticket gates instantly read information contained on an IC card held above the machine. These new automatic ticket gates control passenger access via a non-contact IC-card system.

