

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2002

May 8, 2002

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in the United States ("U.S. GAAP") except for Segment Information.

Omron Corporation

Shiokoji Horikawa, Shimogyo-ku,
Kyoto 600-8530, Japan
http://www.omron.com/index.html

Contact: Hitoshi Kondo

General Manager, Corporate Accounting and Financial H.Q., Accounting Department

Phone: +81-75-344-7070

Stock exchange listings: Tokyo, Osaka, Nagoya

Code number: 6645

Board of Directors meeting: May 8, 2002

Use of U.S. accounting standards: Yes

1. Results for Fiscal 2001 (April 1, 2001-March 31, 2002)

(1) Sales and Income

Note: All amounts in these financial statements and the attachments thereto are rounded to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on- year change (%)	Income (loss) before income taxes (¥ million)	Year-on-year change (%)
Fiscal 2001	533,964	(10.1)	4,221	(90.5)	(25,373)	—
Fiscal 2000	594,259	7.0	44,349	69.4	40,037	90.3

	Net income (loss) (¥ million)	Year-on-year change (%)	Earnings (loss) per share (basic) (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Income (loss) before income taxes /total assets (%)	Income (loss) before income taxes /net sales (%)
Fiscal 2001	(15,773)	—	(63.50)	—	(5.1)	(4.4)	(4.8)
Fiscal 2000	22,297	92.9	87.43	85.33	6.7	6.8	6.7

Notes: 1. Equity in earnings of affiliates: ¥75 million (Fiscal 2000: ¥75 million)

2. Changes in accounting methods: Yes

3. Average number of shares outstanding (consolidated): 248,401,803 shares (Fiscal 2000: 255,031,698 shares)

4. Year-on-year change for net sales, operating income, income (loss) before income taxes and net income (loss) is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2001	549,366	298,234	54.3	1,201.23
Fiscal 2000	593,144	325,958	55.0	1,311.12

Note: Number of shares outstanding at end of period (consolidated): 248,272,947 shares (Fiscal 2000: 248,611,236 shares)

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash used in investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2001	33,687	(40,121)	(12,056)	70,779
Fiscal 2000	50,796	(32,365)	(24,582)	85,621

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 133 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 13 companies

(5) Changes in scope of consolidation and application of the equity method:

Consolidation: (New) 3 companies (Eliminated) 2 companies

Equity method: (New) 2 companies (Eliminated) None

2. Projected Results for Fiscal 2002 (April 1, 2002-March 31, 2003)

	Net sales (¥ million)	Income (loss) before income taxes (¥ million)	Net income (loss) (¥ million)
6 months ending 9/02	246,000	(21,000)	(13,000)
Fiscal 2002	550,000	2,000	1,000

Reference: Estimated earnings per share (fiscal 2002): ¥4.03

Note: Please see pages 6-8 of the attached materials regarding the above projected results.

Summary of Results for Fiscal 2001 (April 1, 2001 – March 31, 2002)

1. Consolidated results

(Millions of yen, %)

	Year ended March 31, 2002	Year ended March 31, 2001	Year-on-year change (%)
Net sales	533,964	594,259	90%
Income (loss) before income taxes	(25,373)	40,037	-
[% of net sales]	[-4.8%]	[6.7%]	[-11.5 points]
Net income (loss)	(15,773)	22,297	-
Earnings (loss) per share (basic) (¥) (Note 3)	(65.04) (63.50)	87.43	(152.47) (150.93)

Notes:

1. The financial statements are prepared in accordance with U.S. GAAP.
2. Includes 133 consolidated subsidiaries and 13 affiliated companies accounted for by the equity method.
3. The top figure in "Earnings (loss) per share (basic)" was calculated using income or loss before cumulative effect of accounting changes.

2. Non-consolidated results

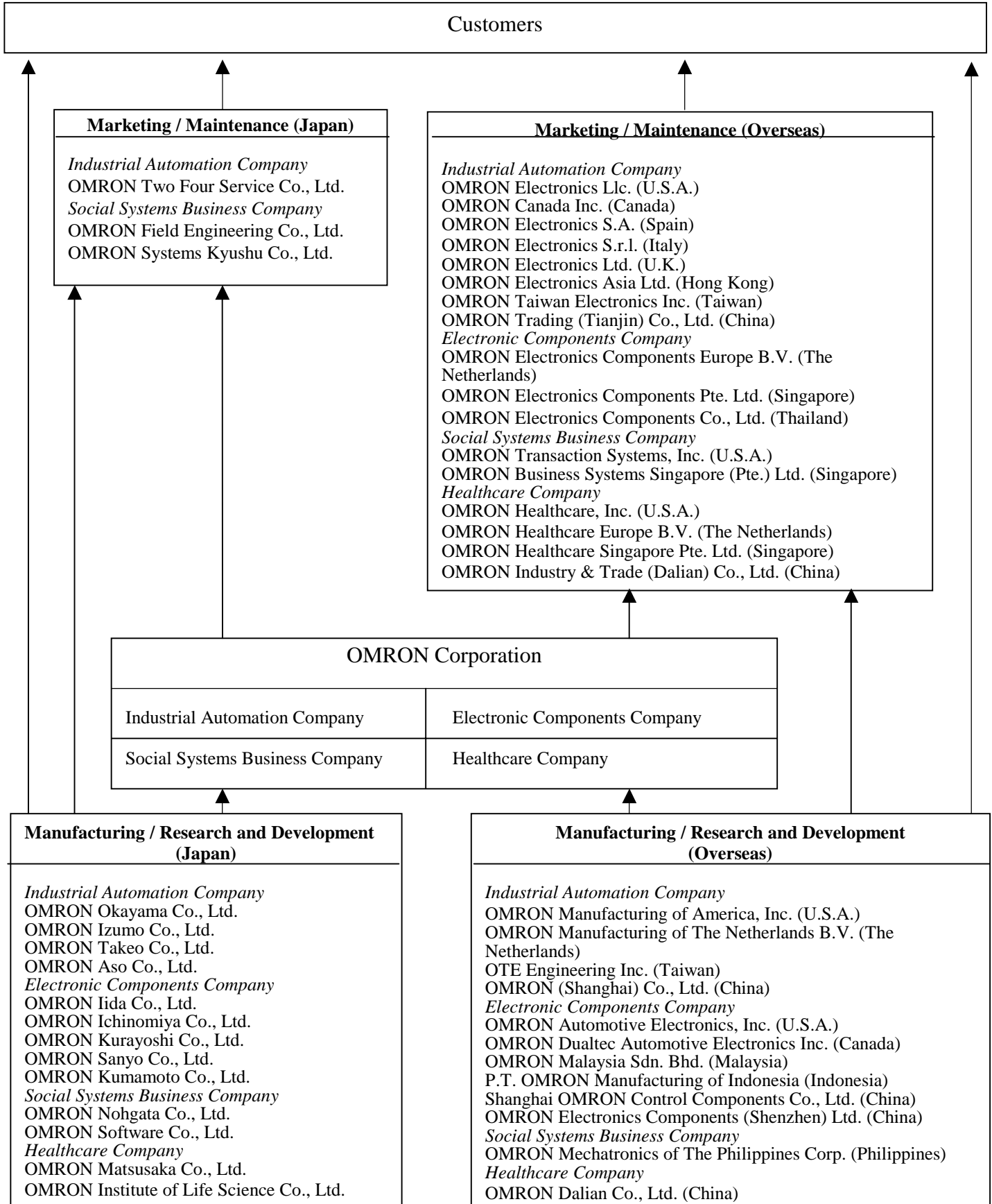
(Millions of yen, %)

	Year ended March 31, 2002	Year ended March 31, 2001	Year-on-year change (%)
Net sales	347,223	429,306	81%
Ordinary income (loss)	(2,186)	28,120	-
[% of net sales]	[-0.6%]	[6.6%]	[-7.2 points]
Net income (loss)	(8,840)	16,839	-
Earnings (loss) per share (¥)	(35.59)	65.91	(101.50)
Cash dividends per share (¥)	6.50 (interim) 13.00 (fiscal year)	6.50 (interim) 13.00 (fiscal year)	-

1. The Omron Group

The Omron Group consists of Omron Corporation and 133 consolidated subsidiaries (52 in Japan, 81 overseas) and 13 affiliates (8 in Japan, 5 overseas). Under the internal company system used by Omron Corporation, business activities are carried out by the Industrial Automation Company, Electronic Components Company, Social Systems Business Company, Healthcare Company and Others (Creative Service Company, etc.).

The following chart shows the position of the main companies that make up the Omron Group.



(Attachment)

2. Management Policies

(1) Basic Management Policy

In the year ended March 31, 2002, Omron began implementing “Grand Design 2010” (GD2010), a vision that sets the basic policies for management of the Omron Group for the 10 years ending in 2010. In accordance with these basic policies, Omron has set the management objective of maximizing corporate value over the long term, based on the Company’s mission of contributing to the advancement of society, with the aim of becoming a 21st century company.

In the first phase of GD2010, in order to meet the challenge of global competition, we have set the following three mid-term targets, which we intend to achieve by March 2005:

ROE of 10%

Accelerate business divestitures and shift to a holding company structure

List stock on overseas exchanges, including the New York Stock Exchange

(2) Basic Policy for Distribution of Profits

For short-term distribution of profits, the Company plans to place greater weight on consolidated results in its basic dividend policy. Additionally, we will seek to provide steady returns of profits to shareholders, after securing the retained earnings needed for future business expansion and to deal with future changes in the business environment.

To generate long-term returns for shareholders, we have been repurchasing and retiring Company stock, and will continue to work toward steady profit distribution through measures including the use of a new system for acquisition of treasury stock.

(3) Policies on Lowering Stock Trading Unit

In its financial policy, Omron places importance on increasing the liquidity of the Company’s stock and increasing the number of shareholders. Considering the present stock price level and the minimum investment amount, Omron is considering lowering the stock trading unit to make it easier for shareholders to invest in Omron stock. Specific measures and time frames have not yet been decided.

(4) Targets for Management Indicators

In the aforementioned GD2010, Omron has set return on equity (ROE) as a management indicator, and aims to achieve ROE of 10% by the year ending March 2005 through growth in earnings.

(5) Long-Term Management Strategies

To ensure achievement of the mid-term targets established in GD2010, we have set “Maximization of Business Strength” as our policy for the next three fiscal years. Sub-divisions of this policy are “Accomplishing Group Productivity Structural Reforms” in the year ending March 2003, “From Structural Reform to Creation” in the year ending March 2004 and “Establishing a Structure for Growth” in the year ending March 2005. In particular, for the 18-month period from the beginning of April 2002 to the end of September 2003, we have begun implementing VIC21, a package of structural reform measures to improve productivity in all activities of the Omron Group, which we announced in November 2001. The broad goal of VIC21 is fortifying the measures of GD2010 in terms of both quality and speed, with three concrete targets: (1) reducing group-wide fixed and variable costs by ¥30 billion; (2) increasing the overseas production and procurement ratios by 50%; and (3) eliminating unprofitable and low-profit businesses.

(6) Issues Facing the Company

The products and services of Omron’s main businesses are used in plant and equipment investment of IT and semiconductor industries and as electronic components in manufacturing electronic and electrical equipment. Consequently, the slump in these industries had a major impact on Omron’s business results for the past fiscal year.

To stabilize Omron’s results and maintain continuous growth in the future, we will increase production in China and other overseas countries, and strengthen our cost competitiveness to withstand changes in demand. At the same time, we will work to develop new products and new businesses in fields where sensing and control technologies, Omron’s core competencies, can be applied more broadly.

(7) Measures for Optimizing Our Management Organization

Omron is aware that in a rapidly changing business environment, establishing a management structure that responds swiftly to the speed of changes, global standardization of management, and ensuring management transparency and fairness are essential measures for strengthening corporate governance. As part of these measures, we have worked to provide prompt information disclosure, moved to separate management and executive functions, and introduced outside directors and auditors. We will continue to promote these measures and carry out the management reforms necessary to survive and prosper as a global company.

(Attachment)

3. Results of Operations and Financial Condition

(a) Results of Operations

(1) Overview of the Fiscal Year

General Overview

During the fiscal year ended March 31, 2002, the U.S. economy, which had been the growth engine of the global economy, experienced a major downturn due to the slump in information technology (IT) and related industries, and recovery was delayed by the September 11 terrorist attacks. The impact of the slowdown in the United States was also felt in the economies of Asia and Europe, which remained weak. The Japanese economy also continued to slump. Lackluster consumer spending and falling exports and production led to a steep decline in corporate earnings, which resulted in a large drop in capital investment and a further worsening of the employment picture.

In markets related to Omron, restrained capital investment in the semiconductor and IT-related industries and deteriorating results in the electrical machinery and electronics industries led to lower demand for control system equipment. As a result, sales in Omron's core Industrial Automation Company and Electronic Components Company declined substantially. Restrained investment by domestic financial institutions and railway companies had a large negative impact on the Social Systems Business Company. Sales of the Healthcare Company were limited to a small increase due to weak domestic consumer spending. Overall, consolidated net sales for the fiscal year totaled ¥533,964 million, a year-on-year decrease of 10 percent.

In income categories, reflecting the decline in net sales, operating income, although remaining in the black, declined 90 percent year-on-year to ¥4,221 million. Omron posted extraordinary losses on the reduction of nonperforming assets in connection with business restructuring, and on securities valuation losses. As a result, the Company recorded a net loss before income taxes of ¥25,373 million and a net loss of ¥15,773 million.

Segment Information

Because of divisional restructuring among companies, prior-year results for net sales of internal companies were recalculated in order to show a more realistic comparison.

- Industrial Automation Company

Private-sector capital investment declined sharply, especially in the semiconductor and IT-related industries, and despite an apparent bottoming out in the latter part of the second half, companies maintained a cautious stance toward capital investment. As a result, severe conditions prevailed throughout the fiscal year. In this environment, Omron introduced products and provided solutions that meet needs related to safety, information and the environment at production sites. However, with the extremely low inclination to invest, domestic sales declined sharply. Overseas, although the yen's depreciation had a positive effect on results when converted into yen, sales in North America were weak due to continuing capital investment adjustments. In Asia, worsening conditions in IT-related industries had a major effect on capital investment as a whole, resulting in a large drop in sales. Sales in Europe were firm, however, supported by the favorable effect of exchange rates. Sales in China also increased over the prior fiscal year, owing to factors including strengthening of sales, including direct distribution, and investment in business infrastructure.

As a result, total net sales of the Industrial Automation Company were ¥186,984 million, a year-on-year decrease of 18 percent.

- Electronic Components Company

In Japan, the rapid deterioration in IT-related industries such as semiconductors and electronic components, along with weak capital investment, led to a large decline in sales of semiconductor and consumer and commerce (C&C) components. However, the amusement components and automotive electronic components sectors posted solid sales. In the North American market, the economic slowdown, combined with the large impact from the terrorist attacks, resulted in a major decline in sales to the manufacturing, electrical appliance and communications industries. Automotive electronic component sales were expected to decrease considerably after the terrorist attacks, but the zero interest-rate policy supported favorable sales overall without a major decline. In Southeast Asia, results were affected by the slowdown in the U.S. economy, and despite relatively healthy sales to the electrical appliance market, intensifying price competition with manufacturers in China and a drop in sales to the communications industry led to lackluster sales overall.

As a result, net sales of the Electronic Components Company totaled ¥128,193 million, a year-on-year decline of 1 percent.

- **Social Systems Business Company**

In the banking systems business, the absence of special demand for equipment to handle new bank notes, which contributed to sales in the prior fiscal year, resulted in a decrease in equipment investment capacity among customers, particularly banks. In the commerce market, the bankruptcy of major retailers and other factors resulted in a tough business environment. However, by providing products that meet current trends, such as ATMs for convenience stores, and conducting aggressive sales activities for new types of ATMs, automated loan machines and other products, Omron was able to maintain stable sales. In the public transportation systems sector, the implementation of the PassNet system in the Kanto region generated major demand for new equipment in the prior fiscal year; in this fiscal year, there was a large reactionary decline in demand. Efforts to introduce and expand sales of new automated ticket vending machines and automated entry/exit machines were unable to compensate for this drop in demand. In the traffic control and road information systems sector, budget tightening by local governments led customers to severely curtail investment, and sales fell sharply.

As a result of these factors, net sales of the Social Systems Business Company totaled ¥124,627 million, a year-on-year decrease of 12 percent.

- **Healthcare Company**

In the domestic market, continued weakness in consumer spending combined with changes in the consumption structure and the distribution industry for a very difficult business environment. In response to progress in restructuring in the distribution industry, diversification of sales spaces and polarization of stores, Omron strengthened sales expansion measures, including practicing area management and promoting creation of sales spaces tailored to individual stores. In addition, we introduced a new type of body fat monitor, a nebulizer that uses a new atomization method, and the first thermometer in Japan that measures body temperature from the underarm in 5 seconds. However, the weakness in consumer spending and the specter of deflation resulted in a decrease in sales. Overseas, the depreciation of the yen had a positive effect, and sales were generally solid in Europe, North America and Asia. In particular, firm consumption trends in North America and robust consumption in China supported sales in those markets. In the health services sector, a new business for Omron, we worked to create a new business model with the *Kenko Tatsujin* series as the core.

As a result, the Healthcare Company posted net sales of ¥40,617 million, an increase of 3 percent year-on-year.

- **Others**

Demand for the consulting and outsourcing businesses of the Creative Service Company was solid as companies implemented structural reforms.

In the Business Development Group, competition increased due to the entry of other companies in the photo-sticker machine business, but sales increased substantially due to growth in the number of installed units. In the automated answering system business, demand expanded in areas such as call centers for financial institutions. Sales of PC peripheral equipment decreased due to the market slump and price declines, as well as lower-than-expected store sales of ADSL modems.

As a result of these factors, net sales of other businesses totaled ¥53,543 million, a year-on-year decrease of 4 percent.

Distribution of Profits

Following the basic policy for shareholder dividends described earlier, Omron will maintain the year-end dividend at ¥6.50 per share, for total dividends of ¥13.00 per share for the full fiscal year.

(2) Outlook for the Fiscal Year Ending March 31, 2003

General Outlook

Looking ahead, inventory adjustments in IT-related fields and other areas are making steady progress worldwide. In addition, the U.S. economy, which is expected to lead the recovery of the world economy, appears to be bouncing back faster than anticipated after the terrorist attacks. In Japan, Asia and Europe, expectations are growing for the expansion of production, exports and capital investment from the recovery of the U.S. economy. However, a strong rebound associated with real demand after inventory adjustments will require more time. The Japanese economy in particular is likely to be limited to a mild recovery, held back by the risk of structural concerns such as the shift of manufacturing overseas and the resulting employment problem.

With the challenging business environment expected to continue, Omron will make strategic investments in the future growth of its two core businesses, the Industrial Automation Company and the Electronic Components Company. Additionally, we will implement the measures in VIC21 and accelerate structural reforms to carry out the urgent task of building a firm corporate structure that is not dependent on market recovery.

(Attachment)

Regarding the outlook for results for the fiscal year ending March 2003, assuming exchange rates of 125 yen to the U.S. dollar and 110 yen to the euro, we project net sales of ¥550.0 billion, operating income of ¥21.0 billion, income before income taxes of ¥2.0 billion and net income of ¥1.0 billion. Sales growth in the Industrial Automation Company and Electronic Components Company will contribute to the increase in net sales. Operating income will improve substantially due to the increase in net sales and cost reductions from the previously mentioned structural reforms. Income before income taxes and net income will be limited to low levels due to expenses related to the structural reforms.

On a non-consolidated basis Omron forecasts net sales of ¥348.0 billion, ordinary income of ¥1.0 billion and a net loss of ¥5.0 billion.

Outlook by Business Segment

- **Industrial Automation Company**

The domestic economy is expected to recover moderately in the second half, while overseas economies are projected to rebound earlier, with growth in Asia and China. Total net sales of the Industrial Automation Company are projected to increase 5 percent.

- **Electronic Components Company**

A moderate recovery is expected in consumer and commerce (C&C) components, and the automotive electronic component and amusement sectors are expected to remain firm. In addition, new products will be introduced. Total net sales of the Electronic Components Company are projected to increase 5 percent.

- **Social Systems Business Company**

Capital investment among financial institutions and railway companies is expected to remain weak, but expansion is projected in sales of traffic control systems and overseas sales of modules. Total net sales of the Social Systems Business Company are expected to remain essentially unchanged.

- **Healthcare Company**

With weak consumer spending continuing in Japan and firm consumption overseas, major growth in demand for healthcare products is not anticipated. Total net sales of the Healthcare Company are projected to decrease 2 percent.

- **Others**

Solid growth is expected to continue in the consulting business of the Creative Service Company and the photo-sticker machine business of the Business Development Group, and new products will be developed in the PC peripheral equipment business. Total net sales of other businesses are projected to increase 3 percent.

Distribution of Profits

For distribution of profits in the fiscal year ending March 2003, as mentioned earlier, final profit for the year is expected to remain low due to the effect of extraordinary losses resulting from structural reforms of the Omron Group. As a result, we plan to reduce total cash dividends to ¥10 per share, including an interim dividend of ¥5 per share.

(Attachment)

(b) Financial Condition

(1) Fiscal Year Ended March 31, 2002

For the year ended March 31, 2002, cash flow provided by operating activities totaled ¥33,687 million. A primary factor behind the increase was that a large portion of the net loss of ¥15,773 million consisted of losses that do not detract from cash flow, such as securities valuation losses and the reserve for losses on business contraction. Other factors included increased depreciation and decreases in notes and accounts receivable and inventories due to lower net sales. Net cash used in investing activities was ¥40,121 million, as restrained investment in property, plant and equipment because of the decrease in results offset expenditures on the construction of the Keihanna R&D Laboratory. Net cash used in financing activities was ¥12,056 million due to repayment of long-term debt and payment of cash dividends.

As a result of the above, in addition to the effect of exchange rates, cash and cash equivalents at the end of the period decreased ¥14,842 million from a year earlier to ¥70,779 million.

(2) Outlook for the Fiscal Year Ending March 31, 2003

With regard to cash flow in the fiscal year ending March 31, 2003, cash flow-related expenses, such as one-time severance payments resulting from structural reforms, and temporary capital needs, such as funds for construction of the Keihanna R&D Laboratory, are anticipated. Additionally, as companies increasingly liquidate cross-shareholdings, we will consider buying back our own stock from the market and holding it as treasury stock in order to maintain and increase shareholder value. We will strive to meet these capital requirements as much as possible with internal funds through measures such as reducing inventories and improving fund management efficiency groupwide. However, we expect that additional borrowings will also be necessary.

Projections of results and future developments are based on information available to the Company at the present time, 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, the economic conditions surrounding the Company's businesses in Japan and overseas, demand trends for the Company's products and services, and movements in currency exchange rates and stock markets.

(Attachment)

4. Consolidated Financial Statements

Consolidated Statements of Income

(Millions of yen)

	Year ended		Year ended		Increase (decrease)
	March 31, 2002		March 31, 2001		
Net sales	533,964	100.0%	594,259	100.0%	(60,295)
Cost of sales	353,429	66.2	376,194	63.3	(22,765)
Gross profit	180,535	33.8	218,065	36.7	(37,530)
Selling, general and administrative expenses	134,907	25.3	131,203	22.1	3,704
Research and development	41,407	7.7	42,513	7.1	(1,106)
Operating income	4,221	0.8	44,349	7.5	(40,128)
Interest expenses, net	223	0.0	111	0.0	112
Foreign exchange loss, net	1,506	0.3	1,389	0.3	117
Other expenses, net	27,865	5.3	2,812	0.5	25,053
Income (loss) before income taxes and minority interests	(25,373)	(4.8)	40,037	6.7	(65,410)
Income taxes:	(9,348)	(1.8)	17,318	2.9	(26,666)
Current	6,783		22,720		(15,937)
Deferred	(16,131)		(5,402)		(10,729)
Minority interests	132	0.0	422	0.0	(290)
Income (loss) before cumulative effect of accounting changes	(16,157)	(3.0)	22,297	3.8	(38,454)
Cumulative effect of accounting changes (after consideration of tax effect)	384	0.0	—	—	384
Net income (loss)	(15,773)	(3.0)%	22,297	3.8%	(38,070)

(Attachment)

Consolidated Balance Sheets

ASSETS

(Millions of yen)

	As of		As of		Increase (decrease)
	March 31, 2002		March 31, 2001		
Current assets:	277,498	50.5%	328,879	55.5%	(51,381)
Cash and cash equivalents	70,779		85,621		(14,842)
Notes and accounts receivable, trade	114,906		133,798		(18,892)
Allowance for doubtful receivables	(2,755)		(2,194)		(561)
Inventories	74,617		91,593		(16,976)
Deferred income taxes	13,001		12,186		815
Other current assets	6,950		7,875		(925)
Property, plant and equipment:	152,294	27.7	159,119	26.8	(6,825)
Land	46,979		50,479		(3,500)
Buildings	108,547		113,414		(4,867)
Machinery and equipment	133,672		132,945		727
Construction in progress	8,642		5,680		2,962
Accumulated depreciation	(145,546)		(143,399)		(2,147)
Investments and other assets:	119,574	21.8	105,146	17.7	14,428
Investments in and advances to associates	785		853		(68)
Investment securities	43,431		57,500		(14,069)
Leasehold deposits	10,653		11,159		(506)
Deferred income taxes	43,901		17,986		25,915
Other	20,804		17,648		3,156
Total assets	549,366	100.0%	593,144	100.0%	(43,778)

(Attachment)

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

	As of		As of		Increase (decrease)
	March 31, 2002		March 31, 2001		
Current liabilities:	129,445	23.6%	183,390	30.9%	(53,945)
Bank loans	14,723		8,916		5,807
Notes and accounts payable, trade	60,000		82,225		(22,225)
Accrued expenses	22,748		24,484		(1,736)
Income taxes payable	3,832		14,797		(10,965)
Deferred income taxes	315		579		(264)
Other current liabilities	26,635		26,049		586
Current portion of long-term debt	1,192		26,340		(25,148)
Long-term debt	42,796	7.8	31,957	5.4	10,839
Deferred income taxes	436	0.1	23	0.0	413
Termination and retirement benefits	75,367	13.7	48,929	8.2	26,438
Other long-term liabilities	291	0.0	370	0.1	(79)
Minority interests in subsidiaries	2,797	0.5	2,517	0.4	280
Total liabilities	251,132	45.7	267,186	45.0	(16,054)
Shareholders' equity					
Common stock	64,082	11.7	64,082	10.8	—
Additional paid-in capital	98,705	18.0	98,705	16.6	—
Legal reserve	7,660	1.4	7,652	1.3	8
Retained earnings	155,069	28.2	174,077	29.4	(19,008)
Accumulated other comprehensive income (loss)	(25,363)	(4.6)	(17,346)	(2.9)	(8,017)
Foreign currency translation adjustments	(7,402)		(13,712)		6,310
Minimum pension liability adjustments	(21,224)		(7,251)		(13,973)
Net unrealized gain on securities	3,331		3,617		(286)
Net unrealized loss on derivatives	(68)		—		(68)
Treasury stock	(1,919)	(0.4)	(1,212)	(0.2)	(707)
Total shareholders' equity	298,234	54.3	325,958	55.0	(27,724)
Total liabilities, minority interests and shareholders' equity	549,366	100.0%	593,144	100.0%	(43,778)

(Attachment)

Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2000	64,082	98,705	7,250	173,804	(7,168)	(611)
Net income				22,297		
Cash dividends				(3,284)		
Transfer to legal reserve			402	(402)		
Foreign currency translation adjustments					7,286	
Minimum pension liabilities					(7,251)	
Unrealized gain (loss) on available-for-sale securities					(10,213)	
Acquisition of treasury stock						(749)
Exercise of stock options						148
Share buyback and retirement				(18,338)		
Balance, March 31, 2001	64,082	98,705	7,652	174,077	(17,346)	(1,212)
Loss before cumulative effect of accounting changes				(16,157)		
Cumulative effect of accounting changes				384	(412)	
Cash dividends				(3,227)		
Transfer to legal reserve			8	(8)		
Foreign currency translation adjustments					6,310	
Minimum pension liabilities					(13,973)	
Unrealized gain (loss) on available-for-sale securities					(286)	
Unrealized gain on derivatives					344	
Acquisition of treasury stock						(725)
Exercise of stock options						18
Balance, March 31, 2002	64,082	98,705	7,660	155,069	(25,363)	(1,919)

(Attachment)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001	Increase (decrease)
Operating Activities:			
Net income (loss)	(15,773)	22,297	(38,070)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	33,569	32,217	
Net loss on sales and disposals of property, plant and equipment	1,314	760	
Loss on impairment of property, plant and equipment	6,815	—	
Net gain on sales of short-term investments and investment securities	(1,008)	(3,703)	
Loss on impairment of investment securities and other assets	17,199	2,460	
Bad debt expense	520	3,810	
Termination and retirement expenses	2,616	4,990	
Deferred income taxes	(16,131)	(5,402)	
Minority interests	132	422	
Cumulative effect of accounting changes	(384)	—	
Change in assets and liabilities			
Notes and accounts receivable-trade, net	19,402	(5,593)	
Inventories	17,403	(13,320)	
Other assets	2,279	875	
Notes and accounts payable-trade	(22,291)	3,620	
Income taxes payable	(10,992)	3,438	
Accrued expenses and other	(1,082)	4,140	
Other, net	99	(215)	
Net cash provided by operating activities	33,687	50,796	(17,109)
Investing Activities:			
Proceeds from sales or maturities of short-term investments and investment securities	3,111	9,746	(6,635)
Purchase of short-term investments and investment securities	(6,181)	(5,761)	(420)
Capital expenditures	(38,896)	(37,583)	(1,313)
Decrease (increase) in leasehold deposits	506	(538)	1,044
Proceeds from sales of property, plant and equipment	1,450	1,953	(503)
Acquisition of minority interests	(111)	(182)	71
Net cash used in investing activities	(40,121)	(32,365)	(7,756)
Financing Activities:			
Net borrowings (repayments) of short-term bank loans	5,786	(1,371)	7,157
Proceeds from issuance of long-term debt	13,102	715	12,387
Repayment of long-term debt	(26,970)	(1,650)	(25,320)
Dividends paid	(3,267)	(3,337)	70
Treasury stock	(725)	(749)	24
Exercise of stock options	18	148	(130)
Share buyback	—	(18,338)	18,338
Net cash used in financing activities	(12,056)	(24,582)	12,526
Effect of exchange rate changes on cash and cash equivalents	3,648	3,102	546
Net decrease in cash and cash equivalents	(14,842)	(3,049)	(11,793)
Cash and cash equivalents at beginning of period	85,621	88,670	(3,049)
Cash and cash equivalents at end of period	70,779	85,621	(14,842)
Notes to cash flows from operating activities:			
Interest paid	1,264	1,765	(501)
Taxes paid	17,748	19,257	(1,509)
Notes to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	1,516	1,803	(287)

(Attachment)

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries and companies accounted for by the equity method

	Year ended March 31, 2002	Year ended March 31, 2001	Increase (decrease)
Consolidated subsidiaries	133	132	1
Unconsolidated subsidiaries accounted for by the equity method	—	—	—
Affiliates accounted for by the equity method	13	11	2
Total	146	143	3

Names of principal subsidiaries and affiliates

Consolidated subsidiaries: OMRON Kumamoto CO., LTD., OMRON Europe B.V.

Affiliates accounted for by the equity method: SOURITSU ELECTRIC CORPORATION

Changes in scope of consolidation and application of the equity method:

Consolidated subsidiaries

(New) 3 companies (OMRON Electronic Components Europe B.V. and two others)

(Eliminated) 2 companies

Affiliates accounted for by the equity method:

(New) 2 companies

2. Accounting Policies

Changes in accounting methods are as follows.

(Application of new accounting standards)

Accounting standards for derivatives and hedging

Effective from the year ended March 31, 2002, the Company adopted the provisions of Statement of Financial Accounting Standard ("SFAS") No. 133 ("Accounting for Derivative Instruments and Hedging Activities") and SFAS No. 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133"), as issued by the Financial Accounting Standards Board ("FASB") of the United States. Both standards require companies to recognize all derivatives as either assets or liabilities in the balance sheets and to measure these instruments at fair market value. Changes in the fair market value of derivatives are recorded either in shareholders' equity or in net income, depending on whether the derivative is used in hedging activities.

The effect from the adoption of these statements at the beginning of the period, net of related taxes, is disclosed as "Cumulative effects of accounting changes" directly before "Net income (loss)" in the consolidated statements of income.

3. Comprehensive Income

Comprehensive income (loss) in addition to other comprehensive income (loss) in net income (loss) is as follows:

Year ended March 31, 2002: (¥23,790 million)

Year ended March 31, 2001: ¥12,119 million

Other comprehensive income (loss) includes changes in foreign currency translation adjustments, minimum pension liability adjustments, unrealized gains (losses) on available-for-sale securities and unrealized gains (losses) on derivatives.

(Attachment)

5. Segment Information

1. Business Segment Information

Fiscal 2001 (April 1, 2001-March 31, 2002)

(Millions of yen)

	Industrial Automation Business	Electronic Components Business	Social Systems Business	Healthcare Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	186,984	128,193	124,627	40,617	53,543	533,964	—	533,964
(2) Intersegment sales and transfers	6,426	19,701	8,990	218	47,323	82,658	(82,658)	—
Total	193,410	147,894	133,617	40,835	100,866	616,622	(82,658)	533,964
Operating expenses	181,296	139,950	136,648	39,210	98,278	595,382	(65,639)	529,743
Operating income (loss)	12,114	7,944	(3,031)	1,625	2,588	21,240	(17,019)	4,221

(Additional information)

Certain products and regions which had previously been included in intersegment sales and transfers of the Electronic Components business are classified directly as outside sales effective from the year ended March 31, 2002. In accordance with this change, sales to outside customers in the Electronic Components business increased by ¥15,495 million, sales to outside customers in the Industrial Automation business decreased by ¥13,948 million, and sales to outside customers in Other decreased by ¥1,547 million. In addition, intersegment sales and transfers of the Electronic Components business decreased by ¥9,020 million.

Fiscal 2000 (April 1, 2000-March 31, 2001)

(Millions of yen)

	Industrial Automation Business	Electronic Components Business	Social Systems Business	Healthcare Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	239,225	117,910	141,928	39,327	55,869	594,259	—	594,259
(2) Intersegment sales and transfers	8,489	35,418	9,767	242	46,926	100,842	(100,842)	—
Total	247,714	153,328	151,695	39,569	102,795	695,101	(100,842)	594,259
Operating expenses	215,197	135,213	145,305	39,009	103,432	638,156	(88,246)	549,910
Operating income (loss)	32,517	18,115	6,390	560	(637)	56,945	(12,596)	44,349

Note: "Other" includes the Creative Service Company, the Business Development Group and other divisions.

(Attachment)

2. Area Segment Information

Fiscal 2001 (April 1, 2001-March 31, 2002) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	357,868	65,559	65,305	45,232	533,964	—	533,964
(2) Intersegment sales and transfers	67,774	512	478	26,002	94,766	(94,766)	—
Total	425,642	66,071	65,783	71,234	628,730	(94,766)	533,964
Operating expenses	409,664	63,092	63,868	69,802	606,426	(76,683)	529,743
Operating income	15,978	2,979	1,915	1,432	22,304	(18,083)	4,221

Fiscal 2000 (April 1, 2000-March 31, 2001) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	423,825	64,373	61,038	45,023	594,259	—	594,259
(2) Intersegment sales and transfers	79,677	681	631	23,606	104,595	(104,595)	—
Total	503,502	65,054	61,669	68,629	698,854	(104,595)	594,259
Operating expenses	455,405	61,323	57,765	64,114	638,607	(88,697)	549,910
Operating income	48,097	3,731	3,904	4,515	60,247	(15,898)	44,349

3. Overseas Sales

	Fiscal 2001 March 1, 2001-April 31, 2002	Fiscal 2000 March 1, 2000-April 31, 2001	Increase (decrease)
North America (Percentage of total sales)	67,068 12.6%	64,960 11.0%	103.2%
Europe (Percentage of total sales)	67,026 12.5%	62,442 10.5%	107.3%
Asia (Percentage of total sales)	55,016 10.3%	54,886 9.2%	100.2%
Total (Percentage of total sales)	189,110 35.4%	182,288 30.7%	103.7%

(Attachment)

6. Securities

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," among marketable securities held by the Company and its subsidiaries, available-for-sale securities are stated at fair value reflecting unrealized gains and losses.

Short-term investments and investment securities include debt securities and equity securities. For marketable securities included among these, the acquisition cost or amortized cost, unrealized gain and loss, and fair value are as follows.

As of March 31, 2002

Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	33	—	—	33
Equity securities	31,185	8,346	(815)	38,716
Total investment securities	31,218	8,346	(815)	38,749

As of March 31, 2001

Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	20	—	—	20
Equity securities	43,392	15,646	(7,622)	51,416
Total investment securities	43,412	15,646	(7,622)	51,436

*Indicates amortized cost for debt securities and acquisition cost for equity securities.

(Attachment)

7. Breakdown of Sales

Net sales by consolidated company

(Millions of yen)

	Year ended March 31, 2002		Year ended March 31, 2001		Increase (decrease)
Industrial Automation Company	186,984	35.0%	227,691	38.3%	(17.9)%
Electronic Components Company	128,193	24.0	129,444	21.8	(1.0)
Social Systems Business Company	124,627	23.4	141,928	23.9	(12.2)
Healthcare Company	40,617	7.6	39,327	6.6	3.3
Others	53,543	10.0	55,869	9.4	(4.2)
Total	533,964	100.0%	594,259	100.0%	(10.1)%

Note: Certain products and regions for the year ended March 31, 2001 have been reclassified in accordance with the revision of sales routes.

Projected net sales for the fiscal year ending March 31, 2003 by consolidated company

(Millions of yen)

	Year ending March 31, 2003		Year ended March 31, 2002		Increase (decrease)
Industrial Automation Company	193,000	35.1%	184,185	34.5%	4.8%
Electronic Components Company	138,000	25.1	131,862	24.7	4.7
Social Systems Business Company	125,000	22.7	124,627	23.4	0.3
Healthcare Company	40,000	7.3	40,617	7.6	(1.5)
Others	54,000	9.8	52,673	9.8	2.5
Total	550,000	100.0%	533,964	100.0%	3.0%

Note: Certain products and regions for the year ended March 31, 2002 have been reclassified in accordance with the revision of sales routes.

(Attachment)

Changes in Board of Directors, Corporate Auditors and Executive Officers

As of June 25, 2002

1. Candidates for Corporate Auditors

Standing auditor: Tsutomu Ozako (currently Managing Officer and General Manager, Quality and Environmental Headquarters)

Outside auditor: Hidero Chimori (currently Lawyer, member of Osaka Bar Association)

2. Retiring Corporate Auditor

Tomoaki Nishimura

3. Retiring Managing Officers

Current Position		New Position
Executive Vice President General Manager, Research and Development Headquarters	Tatsuro Ichihara	
Managing Officer General Manager, Financial and Accounting Headquarters	Masaaki Sadatomo	
Managing Officer General Manager, Quality and Environmental Headquarters	Tsutomu Ozako	Corporate Auditor
Managing Officer General Manager, Customer Sales Department, General Sales Division, Industrial Automation Company	Masaki Kobayashi	President, OMRON Field Engineering Co., Ltd.
Managing Officer Manager, IT R&D Laboratory, Research and Development Headquarters	Hiroshi Tatebayashi	President, OMRON Software Co., Ltd.

Results for the Fiscal Year Ended March 31, 2002: Supplemental Materials

Consolidated Performance

Net sales by company

(Billions of yen)

		Year ended March 31, 2002	Year ended March 31, 2001	Year-on-year change (%)
Industrial Automation Company	Domestic	95.6	130.8	(26.9)%
	Overseas	91.4	96.9	(5.7)
	Total	187.0	227.7	(17.9)
Electronic Components Company	Domestic	65.6	74.7	(12.1)
	Overseas	62.6	54.7	14.2
	Total	128.2	129.4	(1.0)
Social Systems Business Company	Domestic	114.7	131.8	(13.0)
	Overseas	9.9	10.1	(2.0)
	Total	124.6	141.9	(12.2)
Healthcare Company	Domestic	19.0	20.8	(9.0)
	Overseas	21.6	18.5	17.1
	Total	40.6	39.3	3.3
Other	Domestic	50.0	53.9	(7.2)
	Overseas	3.6	2.1	75.9
	Total	53.6	56.0	(4.2)
Total	Domestic	344.9	412.0	(16.3)
	Overseas	89.1	182.3	3.7
	[% of total]	[35.4%]	[30.7%]	[+4.7 points]
	Total	534.0	594.3	(10.1)

Geographical segment sales

Domestic	Omron	268.4	329.6	(18.6)%
	Subsidiaries	76.5	82.4	(7.1)
Total of domestic sales		344.9	412.0	(16.3)
Direct exporting		13.0	11.9	9.8
Overseas subsidiaries	North America	65.6	64.4	1.8
	Europe	65.3	61.0	7.0
	Asia and Others	45.2	45.0	0.5
Total of overseas sales		189.1	182.3	3.7

Average currency exchange rate

(One unit of currency, in yen)

USD	125.7	110.8	+14.9 yen
EUR	110.9	100.6	+10.3 yen

Projected Results for the Year Ending March 31, 2003

Net sales by company

(Billions of yen)

		Year ending March 31, 2003 (est.)	Year ended March 31, 2002	Year-on-year change (%)
Industrial Automation Company	Domestic	95.0	95.5	(0.6)%
	Overseas	98.0	88.7	10.6
	Total	193.0	184.2	4.8
Electronic Components Company	Domestic	68.5	65.7	4.3
	Overseas	69.5	66.2	5.0
	Total	138.0	131.9	4.7
Social Systems Business Company	Domestic	113.5	114.7	(1.1)
	Overseas	11.5	9.9	16.2
	Total	125.0	124.6	0.3
Healthcare Company	Domestic	19.0	19.0	0.3
	Overseas	21.0	21.6	(3.1)
	Total	40.0	40.6	(1.5)
Other	Domestic	52.0	50.0	4.1
	Overseas	2.0	2.7	(26.1)
	Total	54.0	52.7	2.5
Total	Domestic	348.0	344.9	0.9
	Overseas	202.0	189.1	6.8
	[% of total]	[36.7%]	[35.4%]	[+1.3 points]
	Total	550.0	534.0	3.0

Note: Figures for the year ended March 31, 2002 have been restated in accordance with business restructuring.

Geographical segment sales

Direct exporting		13.5	13.0	3.7%
Overseas subsidiaries	North America	66.0	65.6	0.7
	Europe	71.5	65.3	9.5
	Asia and Others	51.0	45.2	12.8
Total of overseas sales		202.0	189.1	6.8

Income and loss

Net sales	550.0	534.0	3.0%
Operating income	21.0	4.2	397.5
Income (loss) before income taxes	2.0	(25.4)	—
Net income (loss)	1.0	(15.8)	—

Return on equity

	0.3%	(5.1)%	+5.4 points
--	------	--------	-------------

Capital expenditures / Depreciation / R&D Expenses

Capital expenditures	40.0	38.6	3.6%
Depreciation	32.0	32.2	(0.7)
R&D expenses	42.0	41.4	1.4

Average currency exchange rate

(One unit of currency, in yen)

USD	125.0	125.7	-0.7 yen
EUR	110.0	110.9	-0.9 yen

Implementation of Structural Reforms for Group Productivity

In November 2001, Omron Corporation announced its Structural Reforms for Group Productivity. Concrete action measures for the plan have been finalized, and we expect to carry them out by September 2003.

Objectives of Structural Reforms for Group Productivity

These reforms are aimed at creating powerful businesses that can be global winners. To that end, in response to changes in the business environment, we are accelerating the measures contained in GD2010, our long-term management vision, with a focus on quality and speed. Every management resource will be reexamined to raise the total productivity of the Omron Group.

Six Structural Reforms

The Structural Reforms for Group Productivity consists of six structural reforms: business structure reform, manufacturing structure reform, purchasing process reform, management productivity reform, head office structure reform, and asset structure reform. Measures for each of these are as follows:

I. Business Structure Reform

Objective: Create powerful businesses by (1) implementing thorough selection and concentration, (2) reviewing business processes, and (3) switching to optimal business units (optimal business size in terms of profit).

• Measures

A. Selection and Concentration

1. Withdrawal from Low-profit and Unprofitable Businesses

ECB: Exit domestic manufacturing and sale of paper handling units for office machinery.

SSB: Review low-profit businesses during first half of fiscal 2002.

CSB: Sell or withdraw from low-profit business during fiscal 2002.

2. Dissolution of Unprofitable Subsidiaries

CSB: Dissolve Bell Sante Co., Ltd. (a fitness company) at end of March 2002. (previously announced)

BDG: Dissolve HRC and MAMA (agricultural companies) at end of March 2002. (previously announced)

3. Closure of Manufacturing Subsidiaries

IAB: Close OMRON Nomura Matsuno Co., Ltd. in June 2002. (previously announced)

ECB: Close OMRON Hitoyoshi Co., Ltd. and OMRON Amakusa Co., Ltd. in June 2002. (previously announced)

B. Review of Business Processes

1. Conversion of Manufacturing Subsidiaries into Business Bases

ECB: Marketing, development and manufacturing functions of the relay business will be integrated and centralized at manufacturing subsidiary OMRON Kumamoto Co., Ltd. to strengthen its role as a base for the relay business.

2. Consolidation and Disposal of R&D Bases

ECB: We will close the Kumamoto R&D Laboratory in August 2002 and transfer its development functions to OMRON Kumamoto.

Head Office: The Tsukuba R&D Laboratory and Kyoto R&D Laboratory will be closed, and their functions will be consolidated at the Keihanna R&D Laboratory to be completed in 2003.

C. Switch to Optimal Business Units

1. Division and Restructuring of Companies

SSB: To shift to a high-value-added business structure, SSB will be divided and restructured into the Advanced Module Business Company, which will perform development, manufacturing and sales of modules, and the Social Systems Solution & Service Business Company, which will comprise the system solutions business and service businesses such as maintenance.

2. Assessment of Business Independence and Review of Business Strategy Units

CSB: Assessment of independence for businesses grouped under internal companies will be completed by the first half of 2002. After completing the assessments, the form of the CSB Company as a business strategy unit will be revised according to the direction of each business.

3. Integration of Locations

HCB: In August 2002, planning, development and marketing functions will be consolidated and locations will be integrated in Kyoto. After this integration, the optimum business operating structure will be considered, with spin-offs a possibility.

II. Manufacturing Structure Reform

Objective: Create an optimum global manufacturing network.

• **Measures**

1. Strengthening of overseas production, centered on China (strengthen production facilities in Shenzhen, China and Philippines, consignment production in China)
2. Reduction of Group production capacity in Japan by 25% (mainly IAB, ECB)
3. Functional conversion of manufacturing divisions (convert to business bases, shift resources to service businesses, etc.)

III. Purchasing Process Reform

Objective: Lower Group costs and pursue the best prices by expanding central purchasing areas.

• **Measures**

1. Expansion of Central Purchasing Scope
To increase cost effectiveness, we will expand the scope of central purchasing of the Group from commodities to manufactured goods. Toward this end, we plan to strengthen the head office's central purchasing function and double the number of staff.
2. Strengthening Purchasing and Procurement in China
In tandem with the shift of production to China in the Manufacturing Structure Reform, we will also strengthen central purchasing and procurement functions in China.

IV. Management Productivity Reform

Objective: Improve human productivity to succeed in global competition. Measures will be implemented first at the parent company, followed by domestic subsidiaries.

• **Measures**

1. Expand wage differential at managerial level by implementing impartial evaluation and compensation based on duties and performance.
2. Right-size the organization at the managerial level.

V. Head Office Structure Reform

Objective: In preparation for establishing a holding company, create a head office that represents and oversees the Omron Group.

• **Measures**

1. Streamlining and Organizational Downsizing to Minimum Necessary Functions
In June 2002, the head office organization will be consolidated from 11 divisions at present to 7 divisions. Scaling down functions will reduce head-office fixed costs and personnel by 10%.

VI. Asset Structure Reform

Objective: Pursue thorough asset efficiency from the perspectives of reduction of total assets, reallocation of resources and reduction of asset maintenance costs.

• **Measures**

1. Sell idle assets and underutilized assets at 15 locations.

2. Sell closed or transferred facilities (Kumamoto R&D Laboratory, Tsukuba R&D Laboratory, Kyoto R&D Laboratory)

▪ **Early Retirement Program**

With the implementation of these structural reforms, it is expected that the Omron Group in Japan will have approximately 1,000 surplus employees. While gradually reducing this surplus, we will expand the number of employees retiring voluntarily by introducing an early retirement program as outlined below. Eligibility will be expanded and payments added based on the standards of the New Life Challenge (NLC) support plan.

- Implementation unit: Simultaneously throughout the company (separate plans to be introduced at subsidiaries)
- Application period: July through August 2002
- Eligibility: Age between 30 and 59, and at least 10 years of service
- Additional retirement payment: 2.5 times annual salary at age 55, structured in stages

▪ **Measures to Build a Growth Structure**

To be a global winner, in addition to accomplishing structural reforms, we also must actively invest resources in fields with high profit potential in the future. Together with these structural reforms, we will strengthen our presence in the following key businesses and key areas.

1. Key Businesses

(1) High Value-Added Modules and Devices

- Optical device business (ECB), automotive component business (ECB), amusement equipment business (ECB), MEMS business (ECB), module business (SSB), etc.

(2) Software, Service and Solutions Business

- User segment business (IAB), safety and security business (companywide), M2M business (companywide), lifestyle improvement and support service business (HCB), solution and service business (SSB), etc.

2. Key Areas

- With China as the key area, we will boost production capacity and strengthen our development and sales system. To support those efforts, in April 2002 a China head office was established, and is aiming for net sales of ¥50 billion and production output of ¥50 billion, for a total of ¥100 billion, in the year ending March 2005.

Abbreviations:

IAB: Industrial Automation Company

ECB: Electronic Components Company

SSB: Social Systems Business Company

HCB: Healthcare Company

CSB: Creative Service Company

For further information on these supplemental materials, contact:

Yukio Uchida

General Manager, Public Relations Department

OMRON Corporation

Shiokoji Horikawa, Shimogyo-ku

Kyoto 600-8530, Japan

Phone: +81-75-344-7175