Annual Report 2009

Year ended March 31, 2009

OMRON

Sensing tomorrow™

Annual Report 2009

Cover
at Communication plaza

X-ray timer

1933:
The Origins of Innovation
A friend of Omron founder Kazuma Tateisi said to him, who worked as an X-ray machine salesman "If there were a high-precision timer for an X-ray photography capable of operating accurately at a speed of 1/20 of a second, it would be a huge success." Inspired by this, Mr. Tateisi began the work process ranging from sketching to production of the timer. In 1933, he delivered a handmade prototype to Nissei Hospital in Osaka, where it was tested and proved effective in operating at the required speed. After this, he soon began to receive large orders.

Definition of Terms
All references to "Omron" and "the Company" herein are to Omron Corporation and consolidated subsidiaries and affiliates.

Contents

Sustainability Report 2009

For information on Omron's sustainability initiatives, please refer to our Sustainability Report 2009, a report on social and environmental activities for our stakeholders, including employees, clients and customers, shareholders, and local communities.
http://www.omron.com/corporate/csr/

OMRON

PHILOSOPHY

A BETTER WORLD FOR ALL THROUGH **SENSING & CONTROL**

Core Competence and Business Domains

Omron is developing a global business of value that supports safety and security, health, and the environment in the business domains of industry, society, and lifestyle.

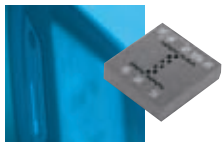
Sensing and Control: Our Core Competence

The value that Omron provides is in applying its core competence in sensing and control technologies providing functions approaching the human five senses (sight, hearing, smell, taste, and touch) to create an ideal balance and harmony between people and machines with devices.

Sales by Segment

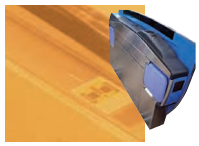
IAB Industrial Automation Business — 42%

ECB Electronic Components Business — 20%



AEC Automotive Electronic Components Business — 13%

SSB Social Systems Business — 13%



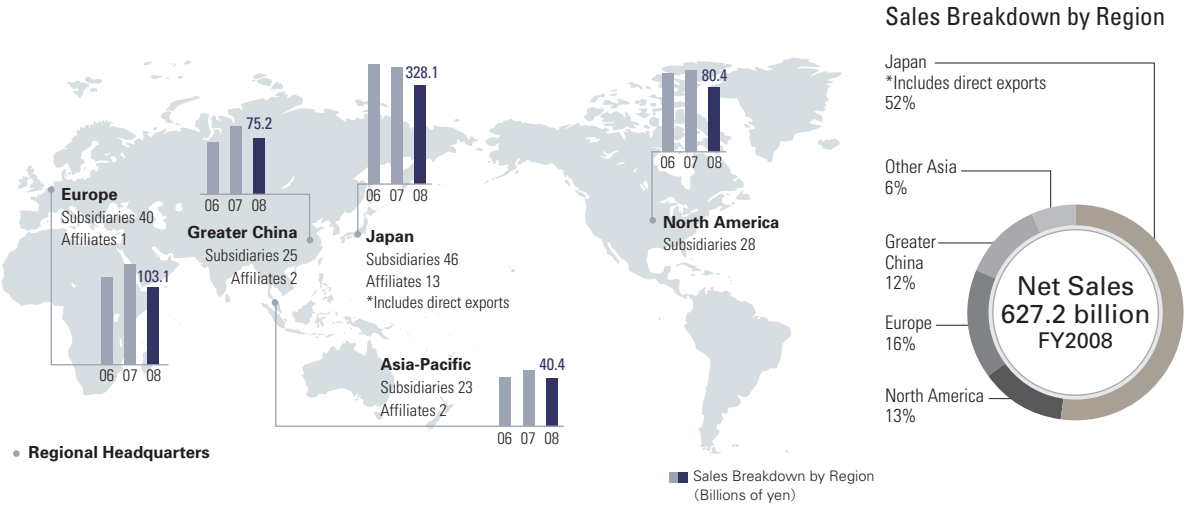
HCB Healthcare Business — 10%

Other Businesses

Environmental Solutions Business HQ, Electronic Systems & Equipments Division HQ, and Others — 2%

Global Network

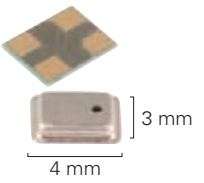
To meet customer demand, 'what they want when they want it', Omron has established a global network and a closely linked service system covering our operating regions of Japan, North America, Europe, Greater China, and Asia Pacific. Omron provides fast and efficient support to its business partners worldwide through its comprehensive support system, from development to production, distribution, and maintenance.



Core Technologies Supporting Sensing and Control

[1] Micromachining

Integrated circuit construction is typically two dimensional. Omron's micromachining technology employs micro electrical mechanical systems (MEMS) technology to enable three dimensional construction on a micrometer scale for semiconductors. This technology enables production of the world's smallest radio frequency relays and ultra-small gas and fluid pressure sensors.



[2] Microphotonics

Microphotonics is a light wave control technology based on reflected and lenticular optics, allowing greater miniaturization and integration by fabricating various optical component functions (brightness, speed, energy saving, etc.) on a single substrate as with IC and LSIs. Microphotonics technology realizes low-cost optical transmissions and offers potential for revolutionary devices using high-brightness LEDs and other technologies.

[3] Image Sensing

Image sensing technology mechanically recognizes the movement of an object, such as a human face, by detecting the transmission or reflection of light waves and generates detailed data on the object. This technology is used for a diverse range of applications, including quality inspection, safety in driving, and in security systems.

[4] Knowledge Information Control Technology

Omron possesses numerous patents in Japan for "fuzzy logic" technology resulting from its research on the theory of human behavior based on know-how and intelligence. By integrating an algorithm of human problem-solving processes into a machine-controlling device, the machine can learn and make decisions.

IAB Industrial Automation Business

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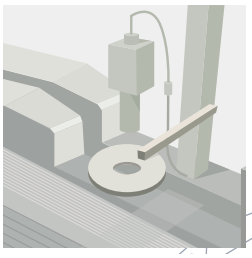
The top provider of control equipment for the manufacturing industry in Japan*, supporting *monozukuri* innovation worldwide

IAB provides a wide spectrum of equipment ranging from factory automation (FA) controllers to sensors, switches, relays, and safety equipment that meet some 100,000 specifications and support innovation in *monozukuri* (the art of product creation) and productivity improvement in all types of production operations. Commanding top domestic market share*, IAB is the Japanese manufacturing industry's leading supplier of control equipment.

(*July 2009, internal survey)

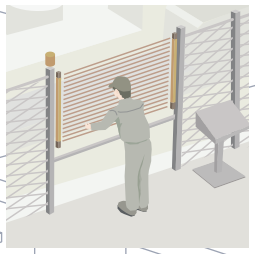


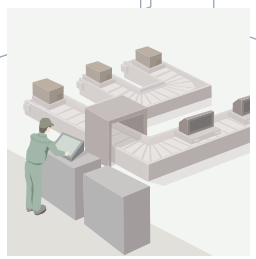
Sensors

At manufacturing sites for semiconductors, automobiles, consumer electronics, food, and a variety of other products, sensing technology provides high-precision inspection and measurement of an item's shape, position, gaps, and other characteristics to the nanometer scale (1 billionth of a meter), supporting enhancement of productivity and product quality.

Safety Components

Safety components contribute towards the creation of a safe workplace environment. They sense a worker's presence in areas where robot arms are in operation and in other defined danger zones and automatically shut down machinery or sound an alarm.





Programmable Logic Controllers

PLCs accurately process information received from sensors, timers, temperature controllers, switches, and other monitors to enable efficient control of machinery and facilities. Programmable terminals with touch panels facilitate easy control and changes to product line operations.

Sensing Devices

Vision Sensors

Digital Fiber Sensors

Network Automated Optical Inspection (AOI) Devices

UV-light Curing System

Control Equipment

Digital Timers and Electronic Counters

Temperature Controllers

Power Conditioners for Solar Power Generation Systems

Programmable Logic Controllers

Safety Devices

Safety Light Curtains

Safety Laser Scanners

ECB Electronic Components Business

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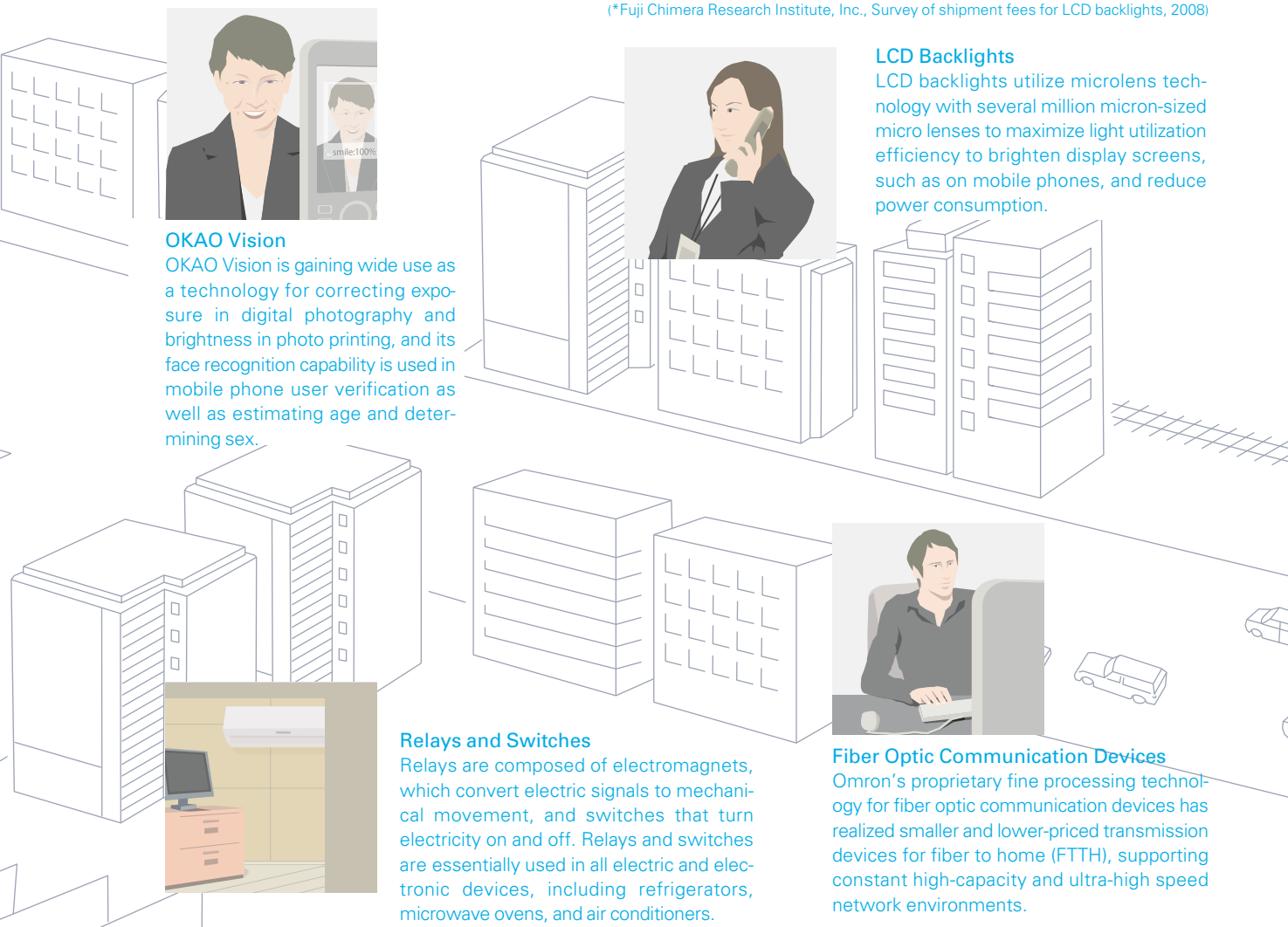
Global No.1 supplier of small-sized LCD backlights* and leading provider of cutting-edge technology

ECB offers an integrated manufacturing system for electronic components for consumer appliances, telecommunications equipment, mobile devices, amusement devices, office automation (OA), and other equipment incorporating our proprietary semiconductors and a wide range of components including all types of relays, switches, connectors, sensors, and optical fiber communications. In particular, Omron is the global leader in the development of cutting-edge devices using MEMS technology, and it holds top global market share in small-sized LCD backlights.

(*Fuji Chimera Research Institute, Inc., Survey of shipment fees for LCD backlights, 2008)



OKAO Vision

OKAO Vision is gaining wide use as a technology for correcting exposure in digital photography and brightness in photo printing, and its face recognition capability is used in mobile phone user verification as well as estimating age and determining sex.

LCD Backlights

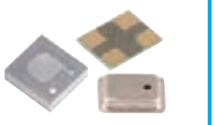
LCD backlights utilize microlens technology with several million micron-sized micro lenses to maximize light utilization efficiency to brighten display screens, such as on mobile phones, and reduce power consumption.

Relays and Switches

Relays are composed of electromagnets, which convert electric signals to mechanical movement, and switches that turn electricity on and off. Relays and switches are essentially used in all electric and electronic devices, including refrigerators, microwave ovens, and air conditioners.

Fiber Optic Communication Devices

Omron's proprietary fine processing technology for fiber optic communication devices has realized smaller and lower-priced transmission devices for fiber to home (FTTH), supporting constant high-capacity and ultra-high speed network environments.

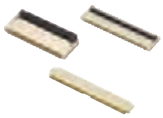


MEMS Microphones

RF MEMS Switches

Combination Jogs

Touch Sensors



FPC Connectors

Surface Mount Switches

LCD Backlights

Optical Splitter Modules

OKAO Vision Facial Image Sensing

Surface Mount High-frequency Receivers

AEC Automotive Electronic Components Business

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Contributing to safe and comfortable automobiles worldwide

AEC is an active contributor to the rapidly advancing car electronics market in the drive to realize a safe, comfortable, and environmentally friendly automotive society. The company conducts contracted design and development of all types of controllers, sensors, switches, relays, and new systems for automakers and electronic producers around the world. AEC provides the sensing and control technology for the future of auto manufacturing.

Electric Power Steering Controllers

Electric power steering controllers are loaded with high-output and high-precision functions which enable smooth steering of the vehicle. These devices help achieve energy savings and better mileage.

Electric Power Steering Controllers

Smart Entry

Smart entry devices are portable, wireless transmitters enabling automatic locking and unlocking of doors, authorization for remote engine start-up, and other functions.

Smart Entry Systems

Automotive Relays

Power Window Switches

Tire Pressure Monitoring Systems

Train Station Solutions

SSB solutions for railway stations enhance infrastructure system efficiency and support the development of new systems to enhance station safety, security, and functionality by gathering information via image sensing technologies monitoring the movement and characteristics of people inside stations and the surrounding facilities.

SSB Social Systems Business

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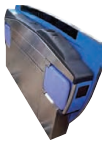

Automated Ticket Gates

Japan's No.1 supplier of railway infrastructure systems and creator of a wide variety of social systems

SSB provides a wide variety of systems to support social infrastructure centering on railway and traffic control systems. Recently, SSB has been a major contributor of IC card equipment for railway systems, building on its position as the top domestic supplier of automated ticket gates and ticket machines. The company has further expanded its business scope to contribute to the realization of a safe, secure, and comfortable society through innovative solutions utilizing image sensing technologies.

Traffic Control Systems

Road Traffic Solutions

In addition to control systems for traffic volumes and traffic conditions, SSB is developing next-generation traffic safety systems designed to prevent accidents by transmitting data on pedestrians, bicycles, and other objects collected by sensors to nearby vehicles.

HCB Healthcare Business

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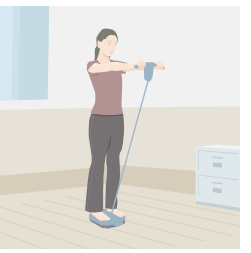
Healthcare at Home

HCB promotes "Healthcare at Home" to prevent, treat, and manage lifestyle-related diseases by providing home and professional use medical devices that measure biological and behavior information.

Global No.1 market share for digital home blood pressure monitors* and numerous products in the prevention, treatment, and health improvement fields

HCB provides equipment and services worldwide for personal and professional use to support the prevention, treatment, and health improvement fields. The company's digital home blood pressure monitors command top market shares, with approximately 70% of the domestic market and 50% of the global market. HCB's bio-information sensing technology has made it a leader in the home healthcare market, and it is pursuing the concept of home medical care to advance prevention, diagnosis, and treatment of lifestyle-related diseases. (*July 2009, internal survey)



Healthcare & Medical Devices for Home Use

Blood Glucose Meter

Digital Blood Pressure Monitors

Pedometers

Body Composition Monitors

Electric Toothbrushes

Medical Equipment for Hospital Use

Non-invasive Vascular Screening Devices

Others

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Discovering and fostering new business opportunities for Group growth strategies

The Others segment explores and develops new businesses outside the realm of the other segments. The Environmental Solutions Business Headquarters and Electronic Systems and Equipments Division Headquarters play a part in the Omron Group's growth strategy and are currently focusing on the CO_2 reduction solutions business and the embedded computers business.

Remote Energy Monitoring Systems

Embedded Mini-CPU Boards

CO_2 Reduction Solutions

We do not merely provide electric monitoring devices and electric sensors or devices related to energy savings, such as direct current (DC) relays, but rather we offer a solution-based business that combines all of these factors for the reduction of CO_2.

10-Year Financial Highlights Omron Corporation and Subsidiaries

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004
Operating Results (for the year): (note 2)						
Net sales	¥ 555,358	¥ 594,259	¥ 533,964	¥ 522,535	¥ 575,157	¥ 598,727
Gross profit	196,447	218,065	180,535	201,816	235,460	245,298
Selling, general and administrative expenses (excluding research and development expenses)	133,662	131,203	134,907	133,406	139,569	141,185
Research and development expenses	36,605	42,513	41,407	40,235	46,494	49,441
Operating income	26,180	44,349	4,221	28,175	49,397	54,672
EBITDA (note 3)	57,625	76,566	37,790	57,851	77,059	83,314
Net income (loss)	11,561	22,297	(15,773)	511	26,811	30,176
Cash Flows (for the year):						
Net cash provided by operating activities	59,926	50,796	33,687	41,854	80,687	61,076
Net cash used in investing activities	(34,180)	(32,365)	(40,121)	(30,633)	(34,484)	(36,050)
Free cash flow (note 4)	25,746	18,431	(6,434)	11,221	46,203	25,026
Net cash provided by (used in) financing activities	(23,785)	(24,582)	(12,056)	(1,996)	(28,119)	(40,684)
Financial Position (at year end):						
Total assets	579,489	593,144	549,366	567,399	592,273	585,429
Total interest-bearing liabilities	69,472	67,213	58,711	71,260	56,687	24,759
Total shareholders' equity	336,062	325,958	298,234	251,610	274,710	305,810
Per Share Data:						
Net income (loss) (basic)	45.0	87.4	(63.5)	2.1	110.7	126.5
Shareholders' equity	1,308.6	1,311.1	1,201.2	1,036.0	1,148.3	1,284.8
Cash dividends (note 5)	13.0	13.0	13.0	10.0	20.0	24.0
Ratios:						
Gross profit margin	35.4%	36.7%	33.8%	38.6%	40.9%	41.0%
Operating income margin	4.7%	7.5%	0.8%	5.4%	8.6%	9.1%
EBITDA margin	10.4%	12.9%	7.1%	11.1%	13.4%	13.9%
Return on shareholders' equity (ROE)	3.5%	6.7%	(5.1%)	0.2%	10.2%	10.4%
Ratio of shareholders' equity to total assets	58.0%	55.0%	54.3%	44.3%	46.4%	52.2%

Grand Design 2010 (GD2010) Long-term corporate vision (FY2001～FY2010)

FY2001～FY2003

1st Stage Establishing a Profit Structure

Concentrating on cost structure reform and restructuring the Company as a profit-generating business.

Achievements

- ROE 10%
- Withdrawal from unprofitable business, spin off of Healthcare business.
- Raising the level of corporate governance to the global standard.

Notes:
1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2009, of ¥98=$1.
2. Profit or loss (excluding the balance of obligation settled) recognized on the transfer of employee pension fund liabilities in March 31, 2006 is not included in "cost of sales," "selling, general & administrative expenses," or "research and development expenses," to enable easy comparison with previous fiscal years. It is assumed that this profit or loss is allocated in one lump sum.
3. EBITDA = Operating income + depreciation and amortization.
4. Free cash flow = Net cash provided by operating activities + net cash used in investing activities.
5. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.

Operating Income

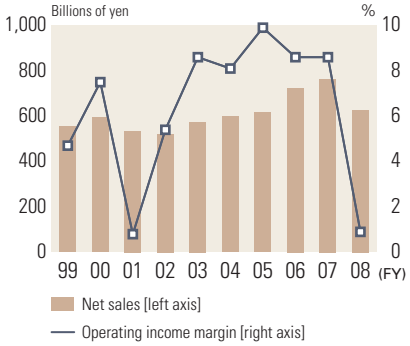
Omron applies "single step" presentation of income under US GAAP (i.e., the various levels of income are not presented) in its consolidated statements of income. For easier comparison to other companies, operating income is presented as gross profit less selling, general and administrative expenses and research and development expenses.

Discontinued Operations

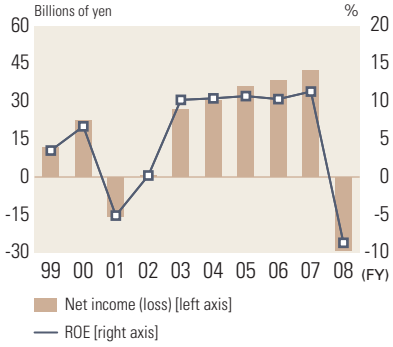
Figures for FY2002 onward have been restated to account for businesses discontinued in FY2007.

			Millions of yen	Thousands of U.S. dollars (note 1)
FY2005	FY2006	FY2007	**FY2008**	**FY2008**
¥ 616,002	¥ 723,866	¥ 762,985	**¥ 627,190**	**$ 6,399,898**
248,642	278,241	293,342	**218,522**	**2,229,816**
149,274	164,167	176,569	**164,284**	**1,676,367**
50,501	52,028	51,520	**48,899**	**498,969**
60,782	62,046	65,253	**5,339**	**54,480**
91,607	95,969	101,596	**38,835**	**396,276**
35,763	38,280	42,383	**(29,172)**	**(297,673)**
51,699	40,539	68,996	**31,408**	**320,490**
(43,020)	(47,075)	(36,681)	**(40,628)**	**(414,571)**
8,679	(6,536)	32,315	**(9,220)**	**(94,081)**
(38,320)	(4,697)	(34,481)	**21,867**	**223,133**
589,061	630,337	617,367	**538,280**	**5,492,653**
3,813	21,813	19,809	**54,859**	**559,787**
362,937	382,822	368,502	**298,411**	**3,045,010**
			Yen	U.S. dollars (note 1)
151.1	165.0	185.9	**(132.2)**	**(1.35)**
1,548.1	1,660.7	1,662.3	**1,355.4**	**13.83**
30.0	34.0	42.0	**25.0**	**0.26**
40.4%	38.4%	38.4%	**34.8%**	
9.9%	8.6%	8.6%	**0.9%**	
14.9%	13.3%	13.3%	**6.2%**	
10.7%	10.3%	11.3%	**(8.7%)**	
61.6%	60.7%	59.7%	**55.4%**	

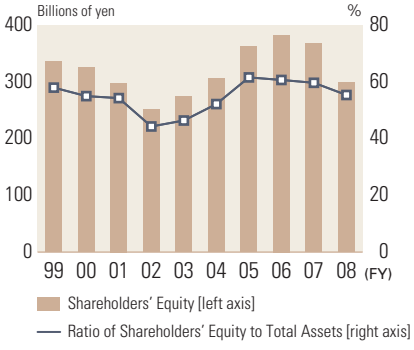
Net Sales and Operating Income Margin



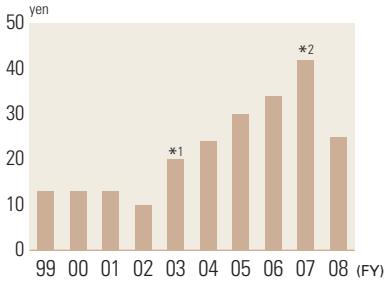
Net Income (Loss) and ROE



Shareholders' Equity and Ratio of Shareholders' Equity to Total Assets



Cash dividends



*1. Commemorative dividend amounting to ¥7.0 is included in the dividends for fiscal 2003.

*2. Commemorative dividend amounting to ¥5.0 is included in the dividends for fiscal 2007.

FY2004～FY2007 | FY2008～FY2010

2nd Stage Balancing Growth & Earnings

Reinforcing business foundations through aggressive investment in growth areas, such as M&A, and cost cutting.

Achievements

- Increased EPS (earnings per share) from ¥110.7 (FY2003) to ¥185.9 (FY2007).

3rd Stage

Achieving a Growth Structure

Fortification of growth business (high profitability)

Revision of 3rd stage due to abrupt change in business environment

Revival Stage

(from February 2009 to March 2011)

- **Emergency Measures (In fiscal 2009, reduce costs by ¥60 billion)** 14 months
- **Structural Reform (Strengthening of profit base over the medium term)** 26 months

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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 CO_2 emissions, is now seeking to transform itself into a low carbon, sustainable society that grows while reducing CO_2 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.

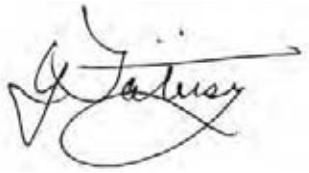
Applied to a business operation, the changes in the market and customers are the external changes, and the capillaries throughout the organization that sense those changes are the company's on-site capabilities, including marketing, development, production, quality assurance, advertising, sales and maintenance. 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

Message from the President

The Worst Net Loss in the Company's History

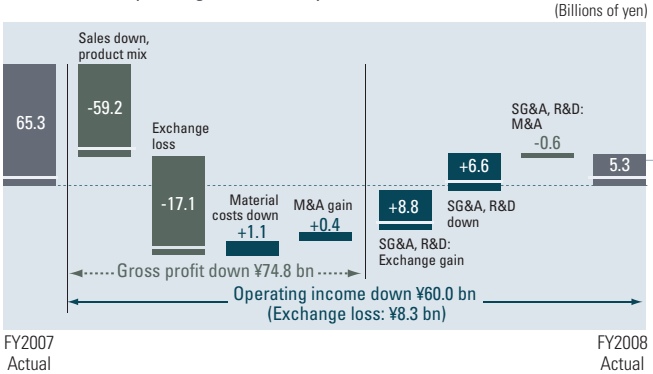
The business environment in fiscal 2008 took a devastating downturn in the third quarter that led manufacturers to further curb production activity while tightening and even freezing capital investment. These trends deeply impacted business in our core automotive, semiconductor, and liquid-crystal electronic 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

(Billions of yen)

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.

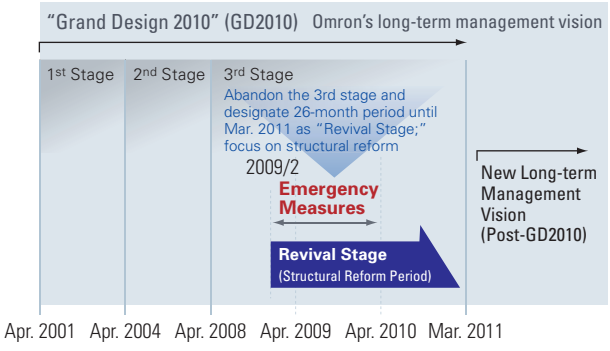
At this point in time, the economic recession appears to have eased to a certain degree, but we have not crawled out from the bottom yet. As demand was brisk in the first half of fiscal 2008, we anticipate demand to remain substantially below the previous-year level in fiscal 2009.

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.



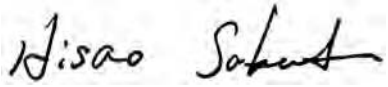
Dividends Depend on Bottom Line and Cash Reserves

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

President Sakuta Discusses Omron's Future
"Downsizing for Success" and our Motto, "Change! Challenge! Create!"

Hisao Sakuta,
President and CEO

Q Please explain the "operating income of positive zero" objective for fiscal 2009.

"Operating Income of Positive Zero" is "Downsizing for Success"

We have been aiming to achieve an operating income margin of 10% as a validation of a solid profit structure. We saw our income margin peak at 9.9% in fiscal 2005; however, we only expect to maintain a breakeven margin in fiscal 2009.

We have opted to refer to it as "positive zero" rather than simply "zero" profit. The reason behind this is that instead of becoming apathetic and randomly cutting costs and investments to strike a balance between income and expenses, we will maintain certain costs and continue investing in what is necessary for the Company's future and to nurture our competitive merits. In other words, we strongly believe we must forge ahead with "downsizing for success." Another aspect of this approach is to be humble yet with a positive frame of mind for "starting fresh from zero."

FY2008 Actual and FY2009 Plan

(Billions of yen)

	FY2008 Actual	FY2009 Plan
Net sales	627.2	510.0
Gross profit	218.5	175.0
SG&A expenses	164.3	135.0
R&D expenses	48.9	40.0
Operating income	5.3	0
Non-operating loss, net	-44.4	-3.5
Net loss before taxes	-39.1	-3.5
Net loss	-29.2	-2.0

Q What are the key emergency measures for achieving operating income of "positive zero?"

Cutting Fixed Costs by ¥55 Billion and Variable Costs by ¥5 Billion

We are implementing emergency measures to cut approximately ¥60 billion in costs in fiscal 2009. We also plan to reorganize both our business domains and management structure as part of an extensive reform of our operating structures, with the aim of lowering manufacturing fixed costs and variable cost ratios and setting the foundation for fortifying our earnings base for the medium and long term. Specific measures will include cutting labor costs by rescinding a portion of director compensation and management salaries, setting up performance-based salary systems, and restricting overtime work. Since the Company is essentially in crisis mode, we will strictly limit spending, including even R&D expenses, and restrain capital investment for the future unless there is specific objective and a clear schedule for producing return. Advertising costs, overhead costs, and other peripheral outflows will also be limited to the bare essentials.

Also, steps taken in fiscal 2008 to lower goodwill and property, plant and equipment are beginning to produce results, including reducing depreciation costs. We estimate that these measures will put us on track to cut approximately ¥55 billion in fixed costs. Additionally, we plan to lower variable costs by approx-

FY2009: Items for Improvements in Profit & Loss Structure

		Target value (approx.)
Reduce fixed costs	• Labor costs, overhead costs • Depreciation (restraints on investment) • Depreciation (impairment of fixed assets)	¥55 bn
Reduce variable costs	• Raw material costs and others	¥5 bn

imately ¥5 billion by reducing spending on raw materials and other items.

We are also preparing to consolidate our large-scale liquid-crystal backlight operations and have made the decision to shut down six domestic and overseas productions sites of semiconductor products, automotive components, and other products. The effects of these measures should begin appearing in fiscal 2009 and contribute to further lowering fixed costs and other expenses.

Emergency Measures
(Generate profit in FY2009 through cost cuts)

Profit Generation
[1] Cost cutting
Advertising, R&D, indirect costs, etc.
[2] Withdrawal from underperforming businesses
Four businesses in Japan/abroad (ECB, AEC)
[3] Reduction of other fixed costs
Return of part of directors', executive officers', and managers' compensation, ban on overtime work, etc.

Cash Flow Creation
- Freeze on large-scale investments
- Reduction in ordinary investments

Structural Reform
(Strengthen profit base over the medium term)

1. Business Domain Reform
Restructure 3 control-based businesses: IAB, ECB, and AEC
- IAB: Strengthen front line and profit base
- ECB: Re-strengthen mechanical components business
- AEC: Implement thorough efforts to improve profitability

2. Operational Structure Reform
(1) Elimination and consolidation of production bases, (2) variable cost structure reform, (3) IT structure reform, (4) head office function reform

Q How will you reorganize the Company's business domain?

Restructuring Core Segments (IAB, ECB, and AEC) to Consolidate Strengths

We have redefined our business domains as industry, society, and lifestyle and will accordingly realign the business structures of the three core segments— IAB (Industrial Automation Business), ECB (Electronic Components Business), and AEC (Automotive Electronics Business)—, which in fiscal 2008 contributed approximately 75% of Omron's total sales.

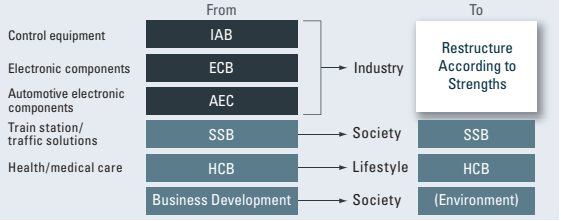
Our aim is to enhance the usage efficiency of management resources and fortify the individual business strengths of each segment by reorganizing the three core segments in the industry domain. Specifically, we will strengthen the marketing capabilities of IAB, fortify the production and development operations of ECB, and spin off AEC segment operations to enable each business to develop to full strength.

Omron is a collection of diverse strengths and weaknesses. While we are fully aware of our many weaknesses, rather than seeking to shore up our weak points, we are restructuring with a focus on making our strengths even stronger. We are seeking to strengthen IAB's marketing capabilities, using distribution channels for general-purpose products and to enhance our global production and technical capabilities for control devices used in mechanical components (relays, switches, connectors, and other electronic components used in machinery), which are fundamental to all three main control-based businesses.

We anticipate growing demand for mechanical components in the BRICs and other emerging economies. However, the market environment is changing and competition is intensifying, particularly from Chinese companies. We are therefore taking steps to fortify our leading position now to ensure our continuing competitiveness in the future.

Business Domain Reform

- Omron will restructure its business domains into three categories: Industry, Society and Lifestyle.
- Looking to the future, Omron will implement business domain reform to standardize the operations of its 3 control-based businesses and avoid dispersal of resources.



Q What other specific steps will be taken to consolidate strengths?

Strengthening IAB Marketing Capabilities and Fortifying ECB Production and Development

We have extensively discussed whether the best marketing strategy for IAB would be to conduct direct sales or use distributor sales channels. We believe a distributor-based sales structure is the most effective for broadening sales of general-purpose products like mechanical components to a large number of users. Moreover, IAB uses this sales structure very effectively and has become the industry's top supplier of mechanical components on a global scale. IAB is also very strong in Quality, Cost, and Delivery (QCD), which is essential to remaining a leading competitor in mechanical components field.

From this perspective, consolidating our strengths means shifting human resources to augment IAB's domestic sales and marketing capabilities and developing more deeply integrated operations with distributors. We plan to fortify IAB operations primarily by adding approximately 300 people, representing

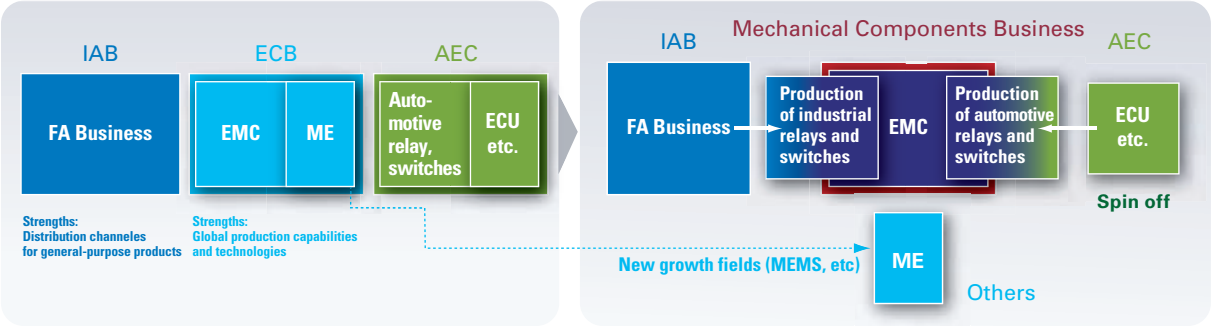
a roughly 50% increase in staff, and creating stronger alliances with domestic distributors. We also plan to integrate the sales and marketing functions of ECB's distribution channels into IAB.

Omron's share of the domestic market for control equipment remains solid at roughly 40%, according to Nippon Electric Control Equipment Industries Association standards, but it has slipped by five percentage points over the past 10 years. Our performance objective is to regain market share of 45% over the short term.

We have decided to have ECB focus its expertise on mechanical components and rename the segment the Electronic and Mechanical Components (EMC) Business Company, with the new name taking effect in September 2009. EMC will take over the development and manufacturing of mechanical components currently conducted in each of the IAB, ECB, and AEC segments to provide integrated development and manufacture of industrial, consumer electronics, telecommunication, and automotive relays, switches, and connectors.

With ECB focusing on mechanical components, micro electronic (ME) components operations will be shifted from ECB to the Others segment. Micro electronic components encompass liquid-crystal backlights and micro electro mechanical systems (MEMS), to which Omron has dedicated significant effort to date. ME is rapidly developing into a new growth field and will be under my direct supervision as we aggressively develop and expand our ME operations.

Consolidating strengths of the three main control-based businesses



FA: Factory Automation EMC: Electronic and Mechanical Components (Electronic mechanical components, such as relays, switches, connectors, etc.) ME: Micro Electronic components (Electronic components, MEMS, and other electronic components such as liquid-crystal backlights, etc.) ECU: Electronic Control Units (Automotive electronic control units)

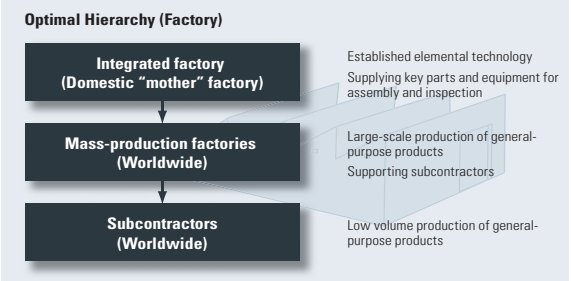
Q The three main control-based businesses remain susceptible to economic fluctuations. What steps have been taken to address this issue?

Building a Production Structure Resilient to Fluctuations in Demand

The industrial sector is the main market for IAB, ECB, and AEC and, for that reason, their results are inevitably prone to fluctuate with the economy. We can, however, take steps to make them more adaptable to changes in the business climate by dispersing operations geographically and diversifying business content. Nevertheless, the global recession has made this susceptibility glaringly apparent. While acknowledging that an impact is inevitable during periods of growing economic uncertainty, we must urgently increase their resilience to fluctuations in demand.

One step, which we will take while concurrently ramping up production capacity for EMC, will be to create an optimized, hierarchical manufacturing system. We are gathering our specialized technologies in materials, processing, metal molds, and other areas into our integrated "mother" plant in Japan. These technologies form the nucleus from which arises the unmatched strength of Omron's products. From this centralized factory, we will then supply products, assembly equipment, and inspection equipment to mass-production plants and subcontractors around the world. We will also retool our second-tier mass-production factories around the world for mass production of general-purpose products and continue supporting our subcontractors in other regions by commissioning small-scale production of general-purpose products. This three-tier hierarchy of manufacturing operations will further raise QCD while remaining resilient to fluctuations in demand.

Efficient And Strengthened Production Capabilities by Three-tiered Hierarchy System



Q How will AEC be transformed in light of the huge impact the global recession has had on the automotive industry?

AEC to be Spun Off to Leverage Autonomous Management and Collaborative R&D, and Operations Catered to the Automotive Industry

Worldwide automobile production has been rapidly declining since reaching a peak in 2007. The industry has been simultaneously undergoing a major transition, bringing rapid growth in demand for compact cars and eco cars along with an increasing need for electronic components. From a long-term perspective, this shift presents a business opportunity for AEC. However, since increasing sales is meaningless if the business still produces a loss, going forward AEC must stress the distinct strengths of its automotive products.

We are therefore reorganizing AEC by shifting the mechanical components operation to ECB and focusing AEC resources on developing its distinct strengths in electronic control units (ECUs) and other automotive electronics. AEC will continue developing ECUs on Omron's sensing and control technology with a focus on electronic equipment for auto bodies that will contribute to the realization of comfortable and easy-to-use automobiles. The primary focus will be power window switches and keyless entry systems along with next-generation automotive systems, such as passive entry and engine push-start systems (please see page 37 for details). Our strategy is to raise profitability by focusing on specific technologies with worldwide applications.

In addition, automotive electronics are being used in a wider range of applications as the industry rapidly advances development of hybrid vehicles, electric cars, and other environmentally friendly automobiles. As the applications become more diverse, the technology is becoming increasingly sophisticated and complex, raising the importance of vigorous and flexible collaborative R&D and operations with other companies.

The changes in the automobile industry have made it vital that we modify our previous approach of some Omron Group companies supplying automotive parts to all clients on an equal basis. To this end, we plan to promote the transformation of AEC into a highly specialized company that specializes in electronic equipment for auto bodies by spinning it off in April 2010 to leverage the benefits of autonomous management, the ability to concentrate on core clients, and greater latitude for collaborations with other companies for product concept generation and business realization.

Q What operational reforms will be implemented as part of Omron's structural reform?

Four Areas of Management Reform

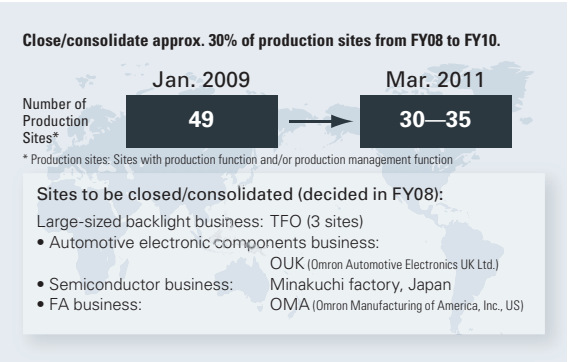
Management reform will be carried out in four categories. First, we will consolidate our 49 domestic and overseas production sites and reduce the number of sites by one-third. Six production sites are now being shut down, including the Minakuchi Factory (semiconductor manufacturing operations were shifted to the larger Yasu Factory) and the automotive electronic components manufacturing facility in England (we are continuing to meet demand in Europe through exports from other factories). We will keep implementing management reforms as necessary.

The second operational reform will be to revise the variable costs structure. We will continue to develop common product formats and to progress with standardization. At the same time, we will reduce the number of parts that must be purchased, conduct bulk purchases to lower materials costs, and decrease the number of man-hours necessary for inspection of components, quality assurance, and final product inspection. Through these measures, we are aiming to lower the variable cost ratio by 2.5 percentage points by fiscal 2011 in comparison to fiscal 2008.

Third is reform of our IT structure. We began reforming the Group's IT structure in fiscal 2007 with the aims of improving our administrative efficiency and establishing an infrastructure for information sharing throughout our worldwide manufacturing, sales, development, and finance operations. We have budgeted ¥10 billion for investment over a four-year period and expect to have a new IT infrastructure in full operation in fiscal 2010.

The fourth operational reform concerns the functions of the head offices. We will take a scalpel to the swelling administrative expenses incurred at the head offices as our global operations expanded. The head office staff activities will be divided into support and strategic functions and strictly evaluated for necessity and value to trim any and all excess.

Closure/Consolidation of Sites



Q Is the Company advancing any growth strategies in new areas?

Activating Omron Group Synergies for Full-fledged Entry to the Environmental Business

We believe the Omron Group has unique capabilities to help tackle pressing environmental issues. Responding to global warming and other environmental issues is critical for the future of humanity, and it has been estimated that by the year 2050 we must reduce total global emissions of greenhouse gases (CO_2), by half of the year 2000 level. Achieving this presents a major challenge that will require groundbreaking new technology and ideas. From our point of view, this is the type of challenge that is perfectly suited for developing new businesses for our environmental business.

In March 2009, we established and commenced full-fledged operations of the Environmental Solutions Business Headquarters, which is under my direct supervision. The headquarters is focusing on providing CO_2 emission reduction solutions for retail stores, factories, distribution operations, offices, schools, and various other sites and developing total environmental solutions to help clients realize their environmental management objectives.

The Omron Group had previously been developing environmental businesses for CO_2 emission reduction through each of its business segments. The Environmental Solutions Business Headquarters works laterally with IAB, ECB, and other business segments to integrate components used in each segment's environmental solutions operations. It also develops solutions by identifying areas to monitor and provides specific control solutions to further reduce CO_2 emission volumes.

Environmental business is a new direction that will leverage the synergies of the Omron Group. We are aiming for the environmental business, including the contribution from the Environmental Solutions Business Headquarters, to generate ¥50 billion in sales in fiscal 2013.

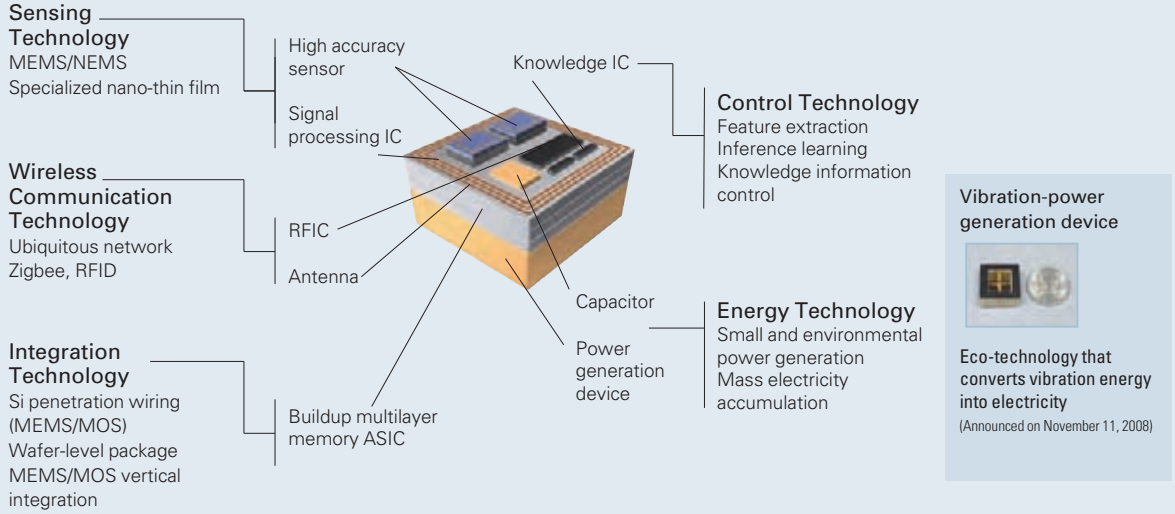
Q What other growth fields are you focusing on in addition to the environmental business?

Actively Developing Sensor Networks, MEMS, and Vision Sensing

Advances in sensing technology are increasing the range of potential applications and generating a shift in needs from basic sensing and control functions to information management functions aimed at fulfilling specific objectives. Sensors are playing an increasingly central role for supporting administrative functions related to safety, product quality, equipment lifecycles, work environment, and the health and behavior of people at manufacturing sites as well as across the broader spectrum of industry, society, and lifestyle. This is evident in the intense interest that has been generated in our face recognition systems (see page 25 for details).

I am speaking in futuristic terms, but we are conducting research in several areas to expand and advance sensor applications, such as further integrating our MEMS technology into sensor networks (intercommunicating sensors) and autonomous sensors required for household electric power generation devices. I also believe we are moving closer to realizing vibration sensors that can sense the changes in vibrational activity that occur as structures age and can be used in bridges or buildings for safety and prevention against structural collapse. These sensors could also be paired with permanent sensor systems that can generate electricity from extremely subtle vibrational movement.

Technology Driving Future Growth: Progress in Sensing



Q What are the Company's policies regarding capital, such as its shareholder return and financial policies?

Reinforcing Our Defense with Loans and Improving Cash Flow

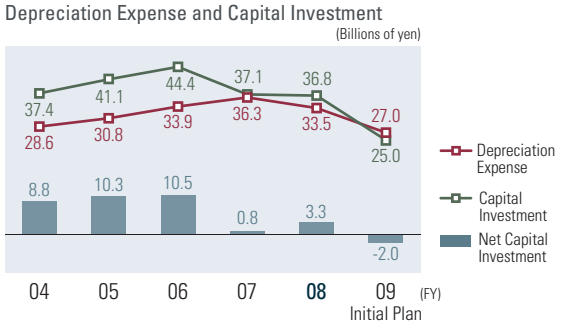
Omron's policy on the distribution of profits is to provide the maximum amount possible to shareholders from the Company's surplus cash account after determining that sufficient funds are maintained for internal reserves for essential R&D, capital investment, and other business growth-related investment, and in consideration of the current level of free cash flow. Our policy is to maintain a minimum 20% dividend payout ratio and to target 2% dividend on equity (DOE) ratio.

In fiscal 2008, taking into consideration the result of a ¥29.2 billion net loss, we distributed ordinary dividends of ¥25 per share, representing a ¥17 decrease from the previous fiscal year and a DOE ratio of 1.7%. We have not yet set the dividend rate for fiscal 2009 as we feel it is prudent to wait until we have a better idea of how business conditions will develop and how the Company is progressing toward its forecast targets in this environment.

Our financial policy at present is to preserve our cash holdings to ensure we are fully prepared for unanticipated contingencies. In fiscal 2008, we secured approximately ¥20 billion in long-term loans for this purpose. In fiscal 2009, we plan to improve total cash flow by approximately ¥25 billion by lowering inventories (¥15 billion) and reducing capital investment (¥10 billion). In accordance with the anticipated ongoing decline in sales in fiscal 2009, we plan to reduce R&D expenses by ¥8.9 billion and reduce the proportion of R&D expenses to sales down to 7.8%.

Investment in R&D is directly related to investment in business growth and is not usually an area where we would want to economize. Given the current economic environment, however, we are concentrating R&D spending on fortifying our competitiveness in mechanical components and in specific fields with strong growth potential, particularly MEMS and environmental businesses.

Depreciation Expense and Capital Investment



Q How will Omron be changed when it emerges from this difficult period?

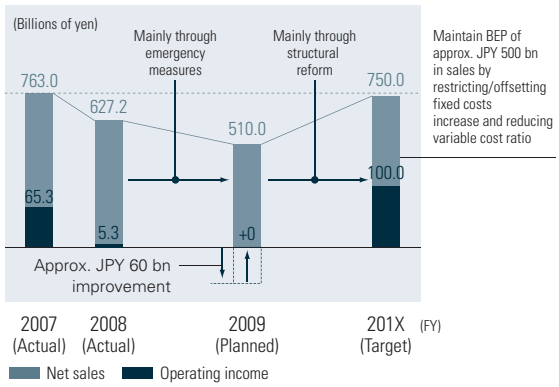
Operating Income of ¥100 Billion when Sales Recover to ¥750 Billion

When we reached our high point for operating income—¥65.3 billion in fiscal 2007— the Company had been in business for 75 years. For fiscal 2009, a mere two years later, we are challenging ourselves to attain positive zero operating income. Nevertheless, as we discussed earlier, we are approaching this as "positive zero" because it will represent a significant structural reform achievement.

We plan to steadily reinforce our profit structure and substantially lower our breakeven sales point as foundational steps for the Company's future. Our specific goal is to reform and improve our profit structure so that when we raise sales back to the ¥750 billion level achieved in fiscal 2007, our profit structure will yield operating income not of ¥65.3 billion but surpassing ¥100 billion.

The Omron Group is not content to bow our heads and wait for the storm to blow over. We are forging ahead with our heads held high as we put into practice our motto— "Change! Challenge! Create!"

Strengthen Profit Base in the Medium Term



Feature 1 Dialogue between Omron President and CEO Hisao Sakuta and Outside Director Kazuhiko Toyama

Overcoming Crisis through Governance —Management in Times of Adversity—

Outside Director Kazuhiko Toyama brings a unique perspective as an investor and business leader with management experience at a consulting company and as the former COO of the Industrial Revitalization Corporation of Japan. Mr. Toyama and Omron President Hisao Sakuta conducted an insightful dialogue on the the fundamental essence of the current economic recession, the role of outside directors, the importance of a company's on-site capabilities, and the governance needed to overcome an economic crisis.

*Messrs. Toyama and Sakuta were interviewed by the annual report editor.

OUTSIDE DIRECTOR KAZUHIKO TOYAMA SHARES HIS THOUGHTS

Kazuhiko Toyama

Kazuhiko Toyama has previously held positions at The Boston Consulting Group K.K. and played a role in helping to found and later serving as President and Representative Director of Corporate Directions, Inc., Japan's first independent management strategy consultancy, which successfully turned around 41 companies in Japan. In 2003, Mr. Toyama was appointed Executive Managing Director and COO of the Industrial Revitalization Corporation of Japan at its inception, and in April 2007, he founded Industrial Growth Platform, Inc., which provides management support services focused on realizing long-term, sustainable business operations and elevating corporate value, and assumed the role of CEO and Representative Director.

The "Global Bubble" Has Burst

—— What do you view as the fundamental essence of the current economic crisis?

Mr. Sakuta I believe the "global bubble" has burst. You could even go so far as to say that one of our values has crumbled. I think many companies are starting to ask themselves, "Why does this company exist? What's our purpose?" I believe that is the first step in the process of adjustment or normalization. As a matter of fact, all kinds of bubbles arose one after another. I think the current economic crisis is the result of economic activities and values that place too much emphasis on money gone too far.

Mr. Toyama All economies experience bubbles and bubble bursts at certain intervals. The situation has now progressed to an adjustment stage, but I don't think this will be the last time a bubble like this occurs. At the same time, the occurrence of bubbles is irregular and not cyclical, and can happen in any type of economic system. For example, Japan's massive economic bubble in the 1980s occurred despite a very closely regulated, financial industry that was so controlled under the convoy-fleet system that it could have been called economic socialism. The conditions are very different this time, since the bubble arose from a system in the United States that could be described as laissez-faire. The real world we live in is too complex for academics to come up with economic theories to prevent bubbles.

Check the Company's "Common Sense"

—— The current economic environment has led to much discussion about outside directors. What do you consider to be the primary role of outside directors?

Mr.Toyama A company is an organic entity. Companies are driven by a collection of stakeholders, or strictly speaking, a group of stakeholders with slightly different interests. The important thing to note is that there must not be an entity in that organization that has absolute power and that is not monitored by any individual or group. It is essential for the health of a company to have a mutual oversight and control working among stakeholders. Outside directors play a role in providing such oversight and control. At the same time, the position of the outside director is not absolute, as it is monitored by the General Meeting of Shareholders and the capital markets. I think the outside director is one of the pieces that create that check mechanism.

—— What do you expect of an outside director?

Mr. Sakuta No company purposely acts against accepted common sense. Nevertheless, companies tend to be made up of individuals with similar values. At Omron, the outside directors provide external perspectives to ensure the common sense of the Company does not go against the common sense of society at large. We have not had an instance so far where the values of the internal directors were at odds with those of the outside directors. In practice, our outside directors offer a fresh perspective during discussions of our business activities and objectives.

On-site Capabilities Cannot be Improved at the Worksite Alone

—— You have said that on-site capabilities are important. What are you doing to increase the Company's on-site capabilities?

Mr. Sakuta I always tell our employees to make their jobs more interesting. The Company has a wide range of people involved in production, development, sales, planning, and other operations, and each person has their own understanding of their assignment. I think the starting point for raising our on-site capabilities is for each employee to focus on the specific issues at their own worksite and try to think of solutions. At the same time, raising our on-site capabilities is not done only at the worksite. It's important to approach it from a position that is one step above the ground level as well.

Feature 1 Dialogue between Omron President and CEO Hisao Sakuta and Outside Director Kazuhiko Toyama

Our on-site capabilities will improve when we bring these approaches together.

—— As an outside director, how do you feel about this approach?

Mr. Toyama On-site capability functions as a part of a very organic interweaving of elements. Because one person's capabilities are limited, capabilities in reality only arise in relationships. In contrast, blindly following a strategic formula of keeping some parts and eliminating others can break down important relationships within a company and become an exercise of merely conforming to the strategy that will inevitably lead to failure. The challenge is to find the optimal balance of emotion and logic, and I think Omron is one company that has found that balance.

Corporate Philosophy is the Growth Driver

—— How are the Omron Principles put into practice?

Mr. Sakuta To me, the Omron Principles are just like oxygen. We may not always be conscious of their presence, but we can't survive without them. The biggest challenge is getting all our employees to understand the principles for themselves so they can decide how to manifest the principles in their actions. The principles are meaningless if they do not lead to action. While we don't force our employees to act out the principles, we frequently visit work sites to discuss them with our

employees. As their understanding deepens, the principles naturally begin to show in their actions.

Mr. Toyama Governance is a crucial element for hedging against terrible consequences, but effective governance alone is not enough to raise a company's corporate value. Rather, I believe that a company's principles are the fundamental source of strength for future growth. When the values held by a company's top executives as well as by all of its employees are values that society recognizes, society then pays for the products that reflect those values. That, I believe, is precisely what corporate value is.

6.7 Billion Stakeholders

—— Omron's corporate motto is "working for a better life, a better world for all." How does Omron define "world?"

Mr. Sakuta In this context, I understand "world" as "people with common interests."

—— Is it just interests?

Mr. Sakuta "Interests" goes beyond money and extends to the interests shared by all 6.7 billion people living on the Earth and our children, future generations. I believe that maintaining a global environment that will support the survival of mankind is a common interest for everyone. I believe our corporate motto, "At work for a better life, a better world for all," aligns quite closely with this view.

—— In other words, Omron has 6.7 billion stakeholders. How do you prioritize among them?

Mr. Sakuta When I was appointed president, I always said employees were first, followed by our customers, and then our shareholders. However, after six years in this position, my perspective has changed. A company cannot exist without the support of all its stakeholders, so I no longer see it as a matter of priority. Each stakeholder is essential.

Mr. Toyama It is a bad example of reductionist thinking to break down everything into separate elements and create a hierarchy. Stakeholders have a mutually dependent existence, and it's a mistake to rank them and put shareholders at the top. People try to explain social phenomena breaking down the whole into individual elements and pointing to one specific causality that puts them together. That way of thinking is not rooted in reality.

The current series of collapses of economic bubbles have made shareholders aware of their mutual interdependence, and I think now is a good time for all of us to take another look at our role and investment decisions in terms of governance.

In other words, I think of shareholders as holding the stakeholder baton over a long time frame. While there will always be shareholders, there is a time when each shareholder receives the baton to carry it for a time along the continuum. If shareholders have a responsibility to society, it is to consider diverse factors from various perspectives, including improving the long-term sustainability of corporate value, and pass the baton to the next generation of shareholders, just as all lives on Earth pass their batons on to the next generation.

Shared Timelines

—— What did you learn from your experience at the Industrial Revitalization Corporation of Japan about what is necessary for companies to make it through times of crisis?

Mr. Toyama In times like these, it's important to return to the basics and reconstruct the current issues as they are without colored lenses and think what the company should do. It's also an important time for managers and all shareholders to be humble and apply their essential intellectual curiosity to reconsider what is happening and what the company's direction should be. Some companies will go into hibernation while others will bravely implement creative destruction that will put distance between themselves and other companies.

Feature 1 Dialogue between Omron President and CEO Hisao Sakuta and Outside Director Kazuhiko Toyama

It's a difficult time for all companies, which must confront decidedly different issues depending on short-, medium-, and long-term time frames. Stakeholders are tested on how they address these different issues while sharing their different time frames. Simply taking an idealistic long-term approach might lead to bankruptcy in a year, which would completely negate any plans for 10 years in the future. Yet concentrating solely on resolving the issue at hand could force a company to sacrifice something that would be important a decade from now. That's why I think it is important to ask shareholders and all stakeholders to help find solutions that will work in the short, medium, and long term.

These periods of adversity are the time to cultivate human resources, which is essentially the same as improving "on-site capabilities." I think you'll find that people grow more in times of hardship than when times are good; in retrospect, that's been true in my life. A company's ability to grow over the long term is ultimately decided by the strengths and relationships of its individual employees. The current conditions are an opportunity for many companies, and I think Omron is one of those companies.

—— Is Mr. Toyama's role as an outside director therefore to accommodate the time frames of various stakeholders?

Mr. Toyama That is one of my jobs, but I believe I must represent the perspective of how Omron can continue developing and evolving over a longer time frame and on a broader axis. My job is not to represent the interests of any single stakeholder. As an outside director, my job is to provide perspective for the Company's overall corporate value. I believe I have been asked to do the best I can to help guide the Company over a longer time frame and on a broader axis.

—— What expectations do you have for Mr. Toyama as an outside director for the Company?

Mr. Sakuta We are envisioning scenarios for the Company when conditions are bad rather than when conditions are good. In these circumstances, I would like Mr. Toyama to take a hard look at Omron using his abundant real-world experience at the Industrial Revitalization Corporation of Japan. I would also like him to provide perspective from outside the "village community" that a company can become. The input of Mr. Toyama and our other outside director, Mr. Masamitsu Sakurai, who has a wealth of experience in management at a company similar to Omron, will be invaluable as management seeks optimum solutions for further enhancing the quality of Omron's corporate value.

The Birth of Smile Scan

— The Front Line Leads the Way —

In February 2009, Omron released a new sensor technology that immediately generated media buzz for its innovativeness and surprising applicability. Smile Scan, which measures the degree of a person's smile, was an instant hit. We now report back from the front lines, where the concept of Smile Scan developed.

*Interviewed by the annual report editor.

OMRON MAKES IT POSSIBLE

—— Why did you decide to focus on the face?

Mr. Ogawa Omron is an industry leader in sensor technology. Using sensors to "visualize" objects and images is a fundamental competency of Omron, and applying sensors to visualize society is a specific focus of the Social Systems Business (SSB). What does that mean exactly? Omron has focused its business development on places where people gather, such as train stations, roads, and commercial facilities, and the social climate has inevitably increased need for safety and security in these locations. The application domain of sensing and control technology is also broadening and is now used for such diverse purposes as creating comfortable places and promoting communication among people to new applications in environmental fields.

When we first considered how sensors could be used on people —the core component of society— we realized that face recognition presented an enormous range of unique applications that could be pursued.

A Product of Our Enthusiasm

—— Where did the idea to develop Smile Scan come from?

Mr. Sogo Fundamentally, sensors and controllers are used to enhance safety and security, so it was by no means obvious how a sensor that measures people's smiles could be turned into a marketable product. Although we were able to use it to demonstrate the unique capabilities of our sensors, to be honest, I never thought it could be commercialized. Then, one of our employees who is closely in touch with customer needs included it in a product catalogue and told us, "We have to make this into a product." Taking his advice, we put it onto a list of product proposals for our customers and received positive feedback from train station workers, nurses, and many others saying they wanted to give it a try.

The World's Finest Face Recognition Technology

—— How was Smile Scan developed, and how does it work?

Mr. Ohashi As we were researching and developing the face recognition technology, we gradually started noticing the unique changes that occur when a person smiles, such as the lowering of the corners of the eyes, the rising corners of the mouth, and increasing wrinkles in certain places. Smile Scan measures and quantifies those changes and gauges a smile on a range from 0 to 100.

—— It detects wrinkles too?

Mr. Ohashi Yes, it does. However, increasing the number of points where we gather information increases the amount of data to be processed and ultimately slows the processing speed. The real challenge was paring down the data to only that which is necessary to produce an accurate reading. To enable instantaneous data processing, it was critical to create the leanest possible algorithm for the application environment and objective and then to sense with pinpoint accuracy only the absolutely essential data.

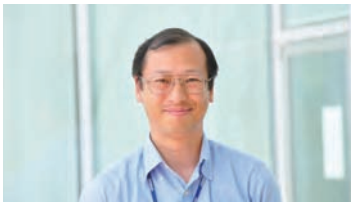
—— Is this an example of an Omron strength that is unmatched by other companies?

Toshinobu Ogawa
Social Systems Solutions Business Company
Social Sensor Solutions Division
Strategy & Planning Department
Manager

I would like to see Smile Scan used as a component of an innovative solutions business.

Koji Sogo
Social Systems Solutions Business Company
Social Sensor Solutions Division
Solution Engineering Department
General Manager

There are innumerable applications yet to be discovered. As we uncover them, I am looking forward to developing the second- and third-generation Smile Scans.



Makoto Ohashi
Social Systems Solutions Business Company
Social Sensing Products Department
Assistant Manager

We will partner with various companies to create fascinating uses for the technology.

Mr. Sogo This technology is something we can be proud of. The high-speed and consistently accurate face recognition we have achieved is the result of examining a massive amount of facial data and developing very specific high-performance technology. The face recognition algorithm was developed based on an image database of more than five million faces collected over more than a decade.

More Accurate Than Subjective Judgment

—— Are the devices more accurate than the human eye?

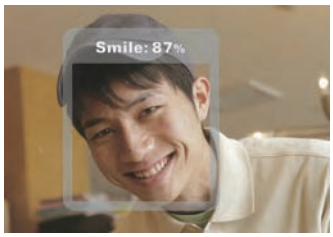
Mr. Ohashi The same standards are used to measure every smile, which enables a more objective and quantitative evaluation than the human eye is usually capable of, particularly for complicated smiles. For example, in terms of the capability to determine gender and age, people often have some difficulty discerning if a person is in their 20s or 30s. However, a device programmed to identify a person's sex and age estimates whether the subject is male or female and young or old without subjective parameters. The devices can process a higher volume of data faster and produce assessments more accurately than a person can.

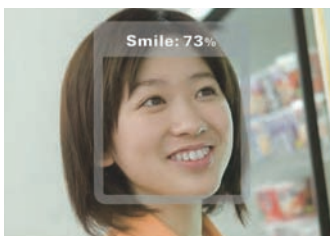
Half of Annual Sales Target Achieved in the First Quarter

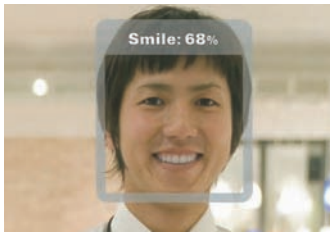
—— What has been the reaction to Smile Scan?

Mr. Ogawa The first use of Smile Scan was by medical staffs in a hospital that wanted to harness the effect the smiling faces of doctors and nurses to increase patient satisfaction. Recently, we are receiving increasing interest from the restaurant industry. In terms of volume, we think sales are off to a good start. Our target was to sell 100 units in this first year, and we have already sold 50 units in the first quarter (of fiscal 2009). This is a product that will find an increasing number of applications, and we see it as an elemental entry product for developing our solutions business. We are considering developing a higher-grade model in response to media attention as well as to the spontaneous emergence of potential applications.

Smile Scan

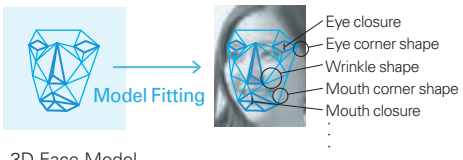






Smile Scan utilizes a specially programmed sensor to capture an image of a person's face and automatically gauges the degree of their smile from zero to 100%.

Real-time Smile Measurement Technology

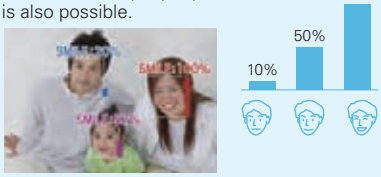


3D Face Model

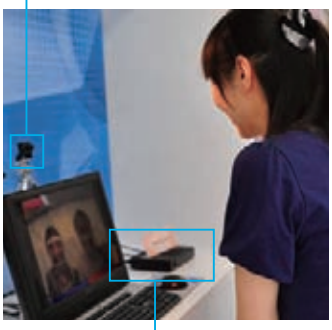
Fitting Result

Integrated Inference

Simultaneous analysis of smiles for multiple people is also possible.



Small analog camera



Sensor unit



Important to Create Ongoing Relationships to Identify and Resolve New Issues

—— The Electronic Components Business (ECB) is also developing products from its OKAO Vision face recognition technology. What are your thoughts on that?

Mr. Ohashi ECB is integrating its OKAO vision face recognition technology with precision processing technology into components for camera-equipped mobile phones and other devices. The objectives are slightly different, as ECB is developing products for consumer electronics, such as household electronics, while SSB is advancing its face recognition technology for its social systems solutions business. Maintaining ongoing and constructive relationships with client companies involved with social systems will be important so we can work together to develop solutions to new issues that arise during the operation and maintenance of the products.

It will be necessary to expand the sensor capabilities to products that go beyond simply "seeing" to "observing" and "diagnosing." Our first step in that direction was the release in summer 2008 of "segment sensor" products capable of estimating a person's sex and age based on facial features. Segment sensors analyze a face based on feature correlations. For example, a child's face differs from an adult's face because the eyes are bigger and higher, the space between the eyes and eyebrows is wider, and the nose and mouth are smaller.

Segment sensors can be placed at entryways or aisles in train stations, department stores, or supermarkets to identify the movement activities of men and women and people of different ages, or to assess whether product lineups match the target customer. This data could contribute enormously to a store's marketing effectiveness and support continuous improvement in store management. Segment sensors are uniquely effective solution devices.

Seeing the Unseeable

—— Is Omron's high-level consulting know-how also needed for effective solutions?

Mr. Ogawa The technology we have developed for our railway infrastructure and traffic control systems is very highly specialized, and I believe it provides a platform for us to be the industry leader in solutions development for public facilities. We have accumulated extensive know-how from our experience in developing, installing, and operating loyalty-based discount systems for commercial facilities during which we had to examine such issues as how increasing loyalty points affects consumer patterns and sales. Our face recognition technology is a leading-edge technology that basically makes it possible to "see" data that was previously invisible. Determining how that data can be used and even what would be useful once it becomes visible are emerging issues. Working closely with the device users, that is, our customers, will be essential, and we will bring the full depth of our experience to play as we seek to realize the vast potential benefits of the new technology.

—— Will Smile Scan also be used to develop Omron's solutions business?

Mr. Sogo In the future, store operators could utilize smile measurement data as an indicator of cheerfulness within the store or other elements that are now considered intangible yet could become functional data for maintaining and improving business. It's even said that crime occurs less often in cheerful and pleasant environments, so this data could also contribute to safety and security.

As Mr. Ogawa said, Smile Scan is fundamentally an elemental entry product to initiate and invite new business. I would like to see Smile Scan used as a component of a proposal-based business that leads to real business solutions created by listening to the opinions and needs of users, primarily at commercial facilities, to maximize the sensor ability to gauge a person's attributes and monitor the activities and flow of visitors.

INVESTMENT TO REDUCE CO_2 STRENGTHENS COMPANIES

Masaki Teshigahara
Executive Officer
Senior General Manager
Environmental Solutions Business

CO_2 Reduction Solutions

Omron will contribute to the fulfillment of the environmental management objectives upheld by different companies through our CO_2 reduction solutions. We will achieve this through the effective use of sensing and control technologies, the dependability of which has been proven over time and is evident from its versatile applicability in fields ranging from manufacturing sites to social infrastructures, and in such areas relating to industrial and social applications as well as in our everyday lives.

One of Omron's CO_2 reduction solutions, Green Automation, effectively "visualizes" otherwise imperceptible CO_2 emissions, and it centrally manages information on areas that have been detected for improvements. Subsequently, this enables all employees, from administrators to on-site workers, to monitor the details of environmental measures and energy usage on a real-time basis during operations. "Visualizing" CO_2 facilitates company-wide environmental management by processing and providing data relevant to the measures being activated on each of the administrative, management, and on-site levels.

Our total support services begin with consultation on tangible CO_2 reduction measures and plan implementation and continue through installation, maintenance, and servicing of equipment with the ultimate result of improved efficiency, even with reduced CO_2 emissions. Omron's CO_2 reduction solutions transform the economic benefits of reducing carbon into a point of company strength and contribute to the maximization of the return on carbon (ROC)* ratio.

* Return on carbon (ROC) is a new profit indicator that measures the amount of CO_2 emissions a company produces (representing the amount of energy consumed) to generate earnings.

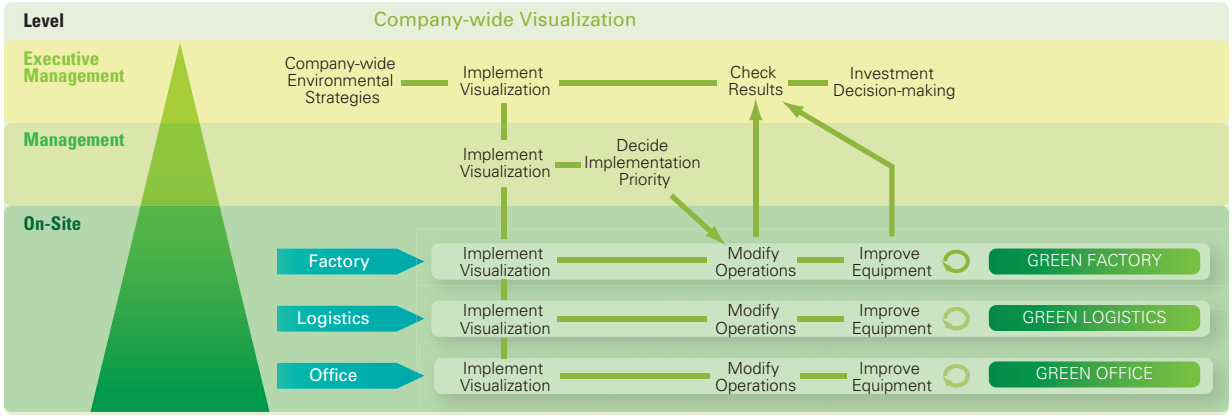
Linking the School New Deal Program to Business Growth

Omron's environmental solutions are effective for a wide range of social needs beyond commercial applications. Omron energy management systems are "visualizing" the energy consumed at 283 kindergartens, elementary, junior high, and high schools in Kyoto. The City of Kyoto Board of Education estimates that the systems saved approximately ¥40 million in electric power costs in fiscal 2006.

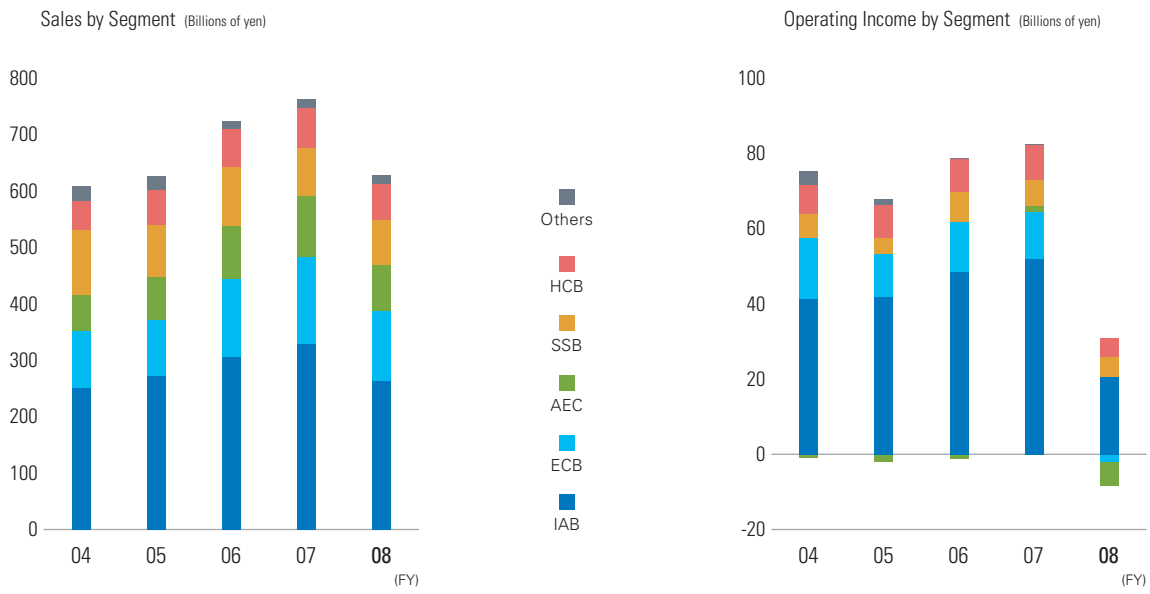
The School New Deal Program being advanced by the Japanese government calls for solar power generation systems to be installed in elementary, junior high, and high schools across the nation beginning in fiscal 2009.

Omron aims to expand its environmental business by contributing to CO_2 reduction efforts and promoting environmental education using an effective combination of solar panel utilization and the energy management system that were successfully demonstrated in the Kyoto school district.

Company-wide Visualization

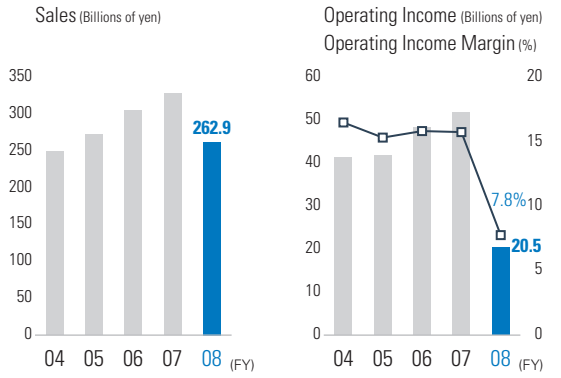


Segment Sales and Operating Income



IAB INDUSTRIAL AUTOMATION BUSINESS

Sales by Segment 42%

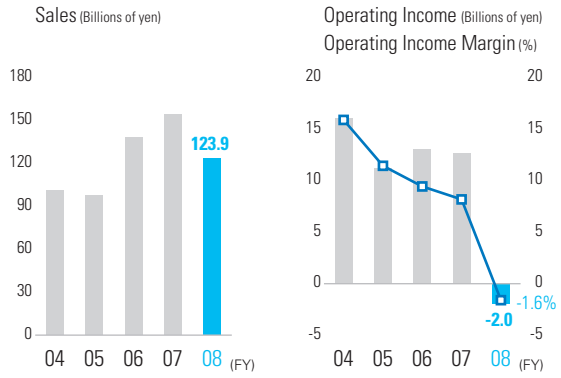


Outlook

IAB is fortifying its customer service and support operations and expanding collaborative sales channel operations with the aim of raising sales. The segment is concentrating on fields where development investment is projected to continue while upgrading its solution proposal capabilities with a focus on issues pertaining to quality, safety, and the environment. IAB is also preparing to aggressively introduce products catered to markets in developing countries.

ECB ELECTRONIC COMPONENTS BUSINESS

Sales by Segment 20%



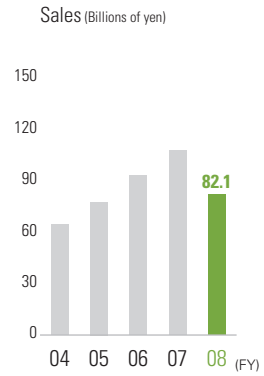
Outlook

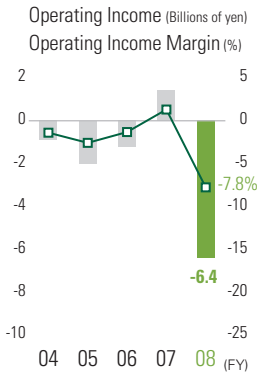
As of September 21, 2009, ECB will become a business that specializes in mechanical components such as relays, switches, and connectors to reinforce our *monozukuri* (the art of product creation) capabilities.

ECB is concentrating its overseas activities on environment related markets with promising future growth potential.

AEC
AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

Sales by Segment **13%**



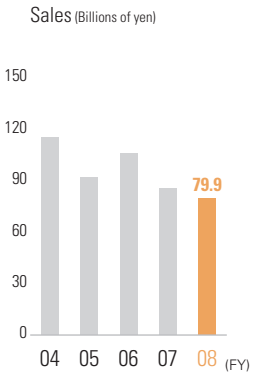


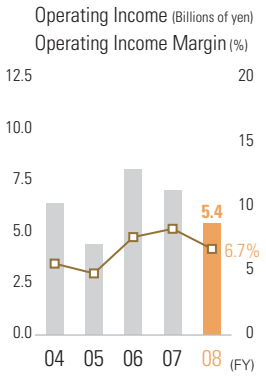
Outlook

While the recovery of the automobile industry is expected to be slow and protracted, we will focus on the electronic equipment for auto bodies by applying our proven knowledge and expertise in this field. AEC is also focusing on products for environmentally friendly vehicles.

SSB
SOCIAL SYSTEMS BUSINESS

Sales by Segment **13%**



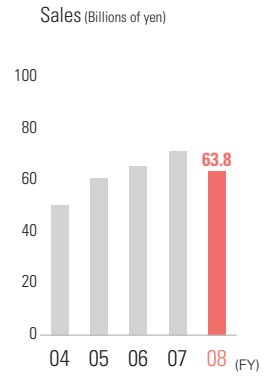


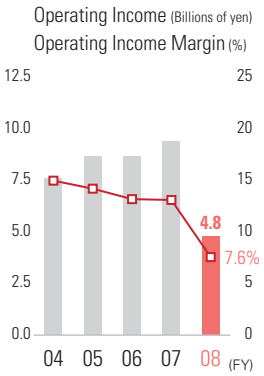
Outlook

SSB expects sluggish business conditions to result in a sharp decline in sales. This segment is focusing on creating new safety-and security-related businesses with railway companies. This segment is aiming to expand sensing business sales to the social sector through the newly established social sensor solutions business.

HCB
HEALTHCARE BUSINESS

Sales by Segment **10%**



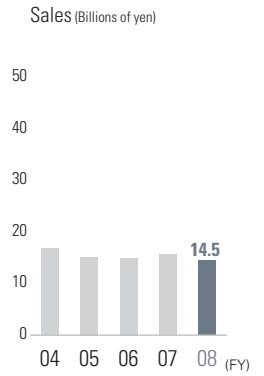


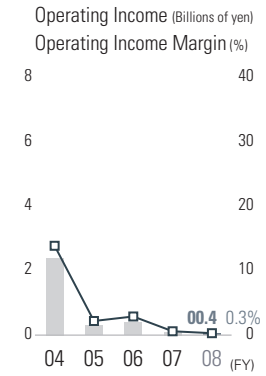
Outlook

HCB is expecting business to be slow overall in the year ahead as market conditions in Japan and other developed countries become even more harsh with continuing sluggish private consumption and restrained capital investment. Interest in health-related issues is expected to remain high in developing countries, and the segment anticipates that demand for healthcare equipment will continue to grow.

OTHERS

Sales by Segment **2%**





Outlook

In the Others, we plan to continue steadily expanding energy consumption monitoring and related services. We will also support client efforts to address environmental issues, particularly global warming, and assist client companies to realize their environmental management objectives by developing and proposing countermeasure and providing equipment and systems that help clients visualize environmental data.

IAB INDUSTRIAL AUTOMATION BUSINESS

Manufacturing and sales of control systems for factory automation

IAB focuses on promoting quality, safety, and environment solutions for production sites and reinforcing the competitiveness of its core general-purpose components.

% of Net Sales
42%

Fiscal 2008 in Review

Restrained equipment investment in the manufacturing sector caused earnings to plummet in the third quarter

IAB net sales declined 20.0% year on year to ¥262.9 billion and operating income fell 60.6% to ¥20.5 billion in fiscal 2008.

Capital investment by the Japanese semiconductor, electronic components, automobile, and other sectors was already in a gradual declining trend at the start of the year, but when the economic crisis deepened in the third quarter, many companies suddenly began postponing or freezing plans for large-scale equipment investment. IAB sales were hit hard, with full-year domestic sales ultimately down 19.2% year on year.

Under the circumstances, IAB highlighted its solutions business, focusing on quality, safety, and the environment, and stepped up marketing of its application sensors, safety components, and other devices. While this management strategy had some success, it was still not enough to make up for the sharp drop in sales of its core general-purpose components.

The economic situation also impacted overseas sales, which plummeted 20.7%. In North America, demand in the oil- and gas-related industries started recovering and safety equipment sales were brisk in the first half. The automobile and other industries were investing to enhance existing facilities, but this trend came to a halt in the second half. IAB sales in North America ultimately ended down 10.7% for the year. In Europe also, in the first half, demand for motion controllers, safety components, and other systems was growing, and sales of power conditioners for solar-power generators were strong. Demand deteriorated from strong to stagnant in the second half in Italy, Spain, Eastern Europe, and other areas, and overall sales in Europe ended up down 23.5% for the year. The repercussions from the economic situation inevitably spread to the Greater China region, and IAB sales in China fell a similar 25.5% for the year. The one bright spot was the Asia Pacific region, where the region's growth momentum supported a 6.9% growth in sales.

IAB Results and Plans

(Billions of yen)

Fiscal Year	2005	2006	2007	**2008**	2009 (Plan)
Net sales*	272.7	305.6	328.8	**262.9**	193.0
Domestic	136.2	140.8	144.1	**116.4**	84.5
Overseas	136.5	164.8	184.7	**146.5**	108.5
North America	25.4	34.8	35.6	**31.7**	24.7
Europe	69.6	81.3	92.3	**70.7**	51.0
Asia	12.7	14.0	16.2	**17.4**	15.4
China	24.0	28.8	34.6	**25.7**	17.2
Direct exports	4.8	5.8	6.0	**1.0**	0.2
Operating income*	41.9	48.5	51.9	**20.5**	5.0
Operating income margin*	15.4%	15.9%	15.8%	**7.8%**	2.6%
R&D expenses*	18.5	18.1	19.5	**18.2**	
Depreciation and amortization*	10.2	11.2	11.7	**10.1**	
Capital expenditures*	10.0	13.7	8.4	**8.9**	

* 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.

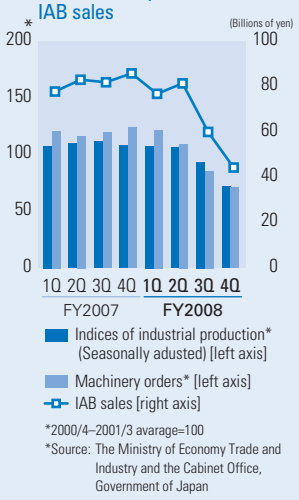
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

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

Check It Out!

Analysis of external environment

Indices of industrial production and machinery orders, IAB sales



*2000/4–2001/3 avarage=100

*Source: The Ministry of Economy Trade and Industry and the Cabinet Office, Government of Japan

IAB sales trends move on a half-year time lag to indices for industrial production and machinery orders.

Yoshinobu Morishita
Senior Managing Officer
Company President,
Industrial Automation Company

Business Strategy and Outlook for Fiscal 2009

Fortify the business base of general-purpose components for future growth

We forecast a decline of 26.6% year on year to ¥193.0 billion in net sales and a decrease of 75.6% to ¥5.0 billion in operating income in fiscal 2009.

Inventory adjustments in the manufacturing sector are progressing and some economic indicators are pointing to improving business conditions. Nevertheless, it remains to be seen uncertain when a full-fledged recovery will start. We anticipate equipment investment to be restrained for some time even after business conditions hit bottom, and forecast IAB sales falling 42.9% in the first half and 1.9% in the second half in fiscal 2009.

In line with the Company's sweeping restructuring (see page 15 for details), IAB plans to reorganize its production structure and deepen coordination with ECB* to enhance operating efficiency.

In Japan, the Company will strengthen its marketing abilities for general-purpose components, which are one of its leading product lines, by reassigning sales staff from AEC and other internal companies. IAB will also seek to raise general-purpose component sales from the current low levels by providing comprehensive service support and intensifying usage of its various sales channels.

IAB is also aggressively developing quality, safety, and environmental solutions for the photovoltaic and rechargeable battery sector, next-generation equipment sector, and other growth industries where we anticipate steady investment going forward. Overseas, IAB will revise its production and development operating structures in China to enhance its cost competitiveness and will develop the emerging markets in Russia, Brazil, and South Africa.

* As of September 21, ECB's name will be changed to EMC (Electronic and Mechanical Components Business Company).

What's New

Improving photovoltaic cell production quality and productivity rates

The rapid expansion of the photovoltaic cell market is increasing the need for highly efficient, high-quality production methods. Cells used in solar-powered batteries are extremely thin, just 0.2 mm thick, and are easily chipped and cracked during the manufacturing process. Flawed cells in a solar-powered panel are a common cause of defective products, and manufacturers are introducing inspection systems to test for defects.

The inspection systems that are currently used present several problems. For example, they become unstable if the cell shape or size changes or if the flow or positioning of the cells is inconsistent. In addition, the complexity involved in setting and adjusting the systems means that getting them up and running requires a significant amount of time.

IAB analyzed every aspect of the photovoltaic cell manufacturing process and developed a profile tracking and defect inspection software program that automatically identifies cell shapes, sizes, and positioning. The system incorporates the Company's leading image processing technology, which allows the image settings to be focused and brightened digitally. The result is a straightforward inspection system that is stable and reliable and does not require extensive training or experience.

Cell defect inspection software for the photovoltaic cell industry using vision sensors

Micro PLCs

Omron realized dramatic cost savings for its micro programmable logic controllers by conducting a cost review of each individual component. Our micro PLCs significantly simplify programming and wiring systems.

Safety Products

Safety sensors are key to creating a safe working environment at manufacturing sites. These sensors ensure that doors and gates on equipment and at facilities are closed when a person tries to enter a danger zone.

Automatic Optical Inspection Device

Omron's automatic optical inspection (AOI) devices provide high-precision inspection of substrates used in backbone equipment for automotive electronic components, mobile phones, and other equipment. AOI devices are also solutions for the prevention of flaw repetition and improved manufacturing quality for a digital society.

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

(Billions of yen)

Fiscal Year	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.

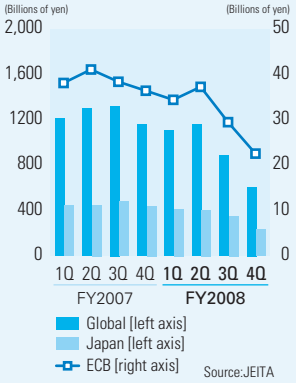
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

* 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.

AEC AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

Manufacture and sales of electronic components for automobiles

AEC is restructuring to improve the profitability of its operations and enhancing the value-added features of its products to keep pace with the rapidly evolving needs of the car electronics market.

% of Net Sales
13%

Fiscal 2008 in Review

The sharp drop in automobile demand in the second-half caused sales to plummet, resulting in an operating loss.

AEC net sales declined 23.6% year on year to ¥82.1 billion. After regaining profitability last year, operating income dropped back to a ¥6.4 billion loss in fiscal 2008. Sales were up year on year in the first half as strong demand in Japan for electric power steering controllers and other components more than made up for faltering vehicle production volumes in the United States and Europe amid rising gasoline prices and economic slowdowns. In China, newly established projects resulted in first-half in sales reaching roughly double the level that was attained in the previous year.

In the second half, however, the United States, which is the world's largest automobile market, became the epicenter for the spreading global recession, and overall automobile demand fell vastly more than anticipated. Demand had held firm in China and developing nations in the first half, but souring economic conditions led to dwindling demand in those markets as well. In Japan, the United States, and Europe, demand began shifting away from mid- and large-size vehicles to more economical small cars. AEC sales were also deeply impacted by the large-scale inventory reductions and production cuts automakers began implementing at the start of the new calendar year. As a result, AEC second half sales fell far below the previous year level.

The rapid and severe changes in the economic environment have led management to implement strict measures to improve the efficiency of operations. In addition to eliminating unprofitable operations, management has decided to shut down Omron Automotive Electronics UK Ltd., which was established in 1987 to manufacture automotive switches and controllers, by the end of March 2011 as a step to reorganizing the global production structure.

AEC Results and Plans

(Billions of yen)

Fiscal Year	2005	2006	2007	**2008**	2009 (Plan)
Net sales*	77.6	93.3	107.5	**82.1**	60.0
Domestic	27.2	26.1	28.0	**25.0**	24.5
Overseas	50.4	67.2	79.5	**57.1**	35.5
North America	28.8	37.9	42.4	**27.9**	21.8
Europe	6.2	9.8	13.9	**9.0**	1.5
Asia	15.1	16.2	18.3	**12.5**	8.0
China	0.1	1.4	3.1	**4.7**	4.0
Direct exports	0.0	2.0	1.9	**3.0**	0.2
Operating income*	(2.0)	(1.2)	1.4	**(6.4)**	0.0
Operating income margin*	—	—	1.3%	—	0.0%
R&D expenses*	6.7	7.1	8.3	**7.3**	
Depreciation and amortization*	7.0	8.1	8.0	**5.4**	
Capital expenditures*	11.2	8.9	9.1	**5.6**	

* 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.

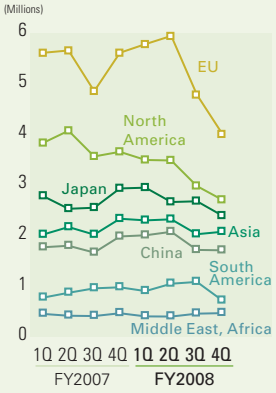
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

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

Check It Out!

Analysis of external environment

Worldwide automobile production



Source: CSM Worldwide, Inc.

Automobile production output declined sharply, particularly in the United States and European markets, beginning in the second half of fiscal 2008.

Yoshinori Suzuki
Managing Officer
Company President
Automotive Electronic Components Company

Business Strategy and Outlook for Fiscal 2009

Establish an effective fixed-cost structure for bottom-level automobile production conditions

We forecast net sales declining 26.9% year on year to ¥60.0 billion and operating income reaching the breakeven point in fiscal 2009.

We anticipate extremely severe market conditions in the first half of fiscal 2009, with new car sales declining in Japan and slow recovery for consumer spending in the United States, the largest automobile market. We forecast first-half sales falling 43.6% from the still-strong sales level of the previous fiscal year. We do not expect a speedy recovery in automobile sales; however, automakers will have made progress in reducing inventory levels. Thus, we forecast second-half sales to decrease 0.6%, a slight reduction from the second half in the previous fiscal year.

AEC's global sales have risen rapidly with the expansion of the automobile market. However, conditions in the automobile market have taken a dramatic turn for the worse. Automobile demand has plummeted and leading automakers in the United States have filed for bankruptcy. In these severe conditions, AEC will focus on revising its operating structure and rebuilding its earning strength.

Management is focusing on constructing a fixed-cost operating structure that will function effectively with automobile production volumes at their lowest levels. Specific measures will be to focus on providing products for small cars and environmentally friendly vehicles; improving our supply of highly-integrated modules and related software technology needed for advanced production technology; expanding operations in low-cost production regions, such as in China and Thailand; and restructuring the North America production bases.

We decided to spin off AEC in April 2010 in an effort to improve its earnings and to develop it into a business that specializes in electronic equipment used in auto bodies. We plan on quickly adapting to market needs by applying our proven knowledge and expertise in this field and through our active, yet agile collaboration with other companies.

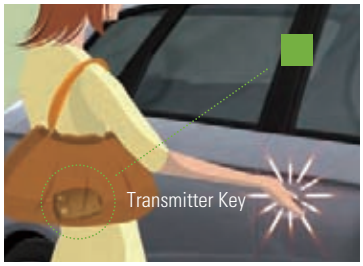
What's New

Passive entry & push start (PEPS) systems for enhanced convenience and security

AEC has expanded the functions of keyless entry systems into a dual passive entry & push start (PEPS) system. PEPS combines a passive entry system enabling automobile owners to lock and unlock doors without taking the portable remote transmitter (key fob) out of one's pocket or bag, instead allowing them to simply touch a button on the car door. Also, the passive engine start system starts and turns off the car engine by pressing a switch on the driver's side of the dashboard.

Combining the locking systems and engine on/off functions demands a high-precision security function. Backed by many years of developing and marketing wireless technology, AEC has been able to develop precision technology that allows the transmitter key to lock and unlock the door only when the key is outside the car and to start the engine only when the transmitter is detected inside the car.

AEC continues to hone its wireless technology to provide products that will further enhance convenience and security.



Passive Entry Systems
Passive entry systems enable car doors to be locked and unlocked without handling the transmitter key but by pressing a switch on the door or door handle.

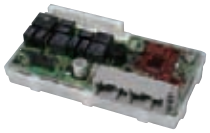
Passive Engine Start Systems
Passive engine start systems enable car engines to be started or shut down without handling the transmitter key but by pressing a switch from the driver's seat of a car.

Electric Power Steering Controllers

Electric power steering controllers facilitate automobile steering. Electric (motorized) power steering systems are more fuel efficient than conventional hydraulic steering systems.

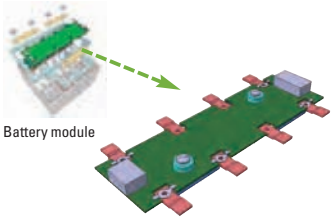
Multifunction Control Units

Multifunction control units combine several functions, such as windshield wipers and door locks, into a single control unit. The units reduce the amount of wires used, save space, and reduce vehicle weight.



Battery Cell Monitor Units

Cell monitor units gauge the voltage and temperature of batteries in electric vehicles.



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

(Billions of yen)

Fiscal Year	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.

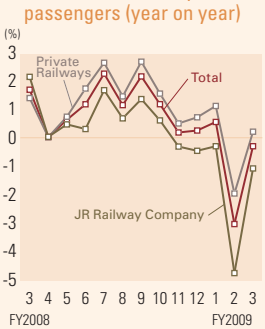
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

* 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 automation 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

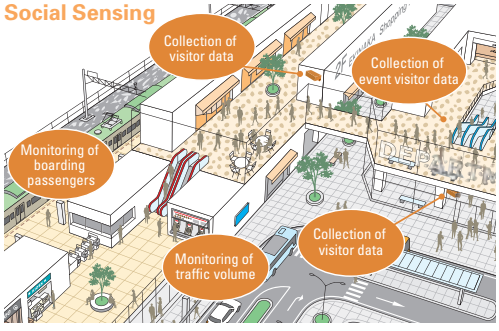
Segment Sensors—Marketing solutions using face recognition technology in commercial facilities

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.

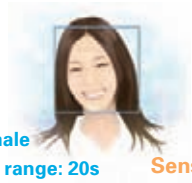
The increasing diversity in people's lifestyles is changing the market landscape from an age of "make it and someone will buy it" to an age in which buyers must be provided with a motivation to purchase a product or they will not buy it. Responding to this transformation is a major management issue in 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 image-sensing technology to identify specific attributes other than age and sex.

Social Sensing



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



Female
Age range: 20s
Sensing

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.

HCB HEALTHCARE BUSINESS

Health and medical devices and services for home and medical institutions

Omron Healthcare Co., Ltd. (HCB) is seeking to expand business in emerging countries and developing products in line with its "Healthcare at Home" concept and its long-term business plan.

% of Net Sales
10%

Fiscal 2008 in Review

The economic recession and strong yen led to declines in sales and income

HCB net sales declined 10.9% year on year to ¥63.8 billion and operating income fell 48.5% to ¥4.8 billion in fiscal 2008.

Sales of pedometers and electric toothbrushes were brisk in Japan in the first half. Sales of home blood pressure monitors and body composition monitors, which were already slowing in the first half, plummeted in the second half as business conditions worsened and major retailers stepped up their inventory adjustments. Legislation by the Japanese government requiring physical examinations and health guidance to be offered to all holders of national health insurance aged 40 to 70 in fiscal 2008, did not create the desired, stimulating effect for the market.

Equipment sales to medical institutions were boosted in the first half by large-scale orders but started falling in the second half as institutions reduced spending on new equipment. Full-year sales to medical institutions ultimately fell below the previous year level.

Overseas sales held strong in the first half, supported by expanded sales channels via major distributors in North America. Sales were also brisk for blood pressure monitors in developing countries, specifically China and Russia and countries in Eastern Europe and the Middle East, where awareness of lifestyle-related disease prevention is growing as living standards rise. However, sales in developing nations slowed considerably when the economic recession intensified in the second half. This slowdown, coupled with the strong yen, resulted in sales in developing countries declining 3.1% for the full fiscal year.

Recognizing the challenging conditions, HCB launched aggressive marketing initiatives to boost sales in China and focused on fulfilling needs for its higher-priced line of blood pressure monitors. HCB also conducted dynamic marketing campaigns focused on Mother's Day, Father's Day, and other occasions, and displayed large-scale advertisements accompanied by in-store promotions. These efforts successfully raised full-year overseas sales above the previous year level.

HCB Results and Plans

(Billions of yen)

Fiscal Year	2005	2006	2007	**2008**	2009 (Plan)
Net sales*	61.1	65.7	71.6	**63.8**	61.5
Domestic	30.3	32.8	35.0	**28.3**	29.0
Overseas	30.8	32.9	36.6	**35.5**	32.5
North America	15.4	13.8	12.5	**12.0**	11.0
Europe	10.6	13.1	15.9	**14.3**	12.0
Asia	1.6	2.1	2.1	**2.1**	2.2
China	2.9	3.6	5.5	**6.7**	6.8
Direct exports	0.2	0.3	0.7	**0.4**	0.5
Operating income*	8.7	8.7	9.4	**4.8**	4.0
Operating income margin*	14.2%	13.2%	13.1%	**7.6%**	6.5%
R&D expenses*	3.3	3.9	4.3	**4.4**	
Depreciation and amortization*	1.1	1.0	1.1	**1.2**	
Capital expenditures*	1.6	1.5	2.4	**1.8**	

* 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.

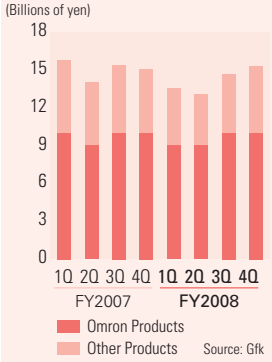
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

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

Check It Out!

Analysis of external environment

Changes in domestic electronics market (blood pressure monitors)



Domestic sales of blood pressure monitors were slightly affected by sluggish market conditions, but end-user sales regained a recovery track in the fourth quarter of fiscal 2008.

Yoshihito Yamada
Executive Officer
Company President
Representative Director and CEO,
Omron Healthcare Co., Ltd.

Business Strategy and Outlook for Fiscal 2009

Expand business in developing nations where health awareness is rising

We forecast a decline of 3.6% year on year to ¥61.5 billion in net sales and a decrease of 17.4% to ¥4.0 billion in operating income in fiscal 2009.

We expect the market environment to become more severe in Japan and other developed countries with mature economies as the economic recession continues to dampen private consumption and limit investments by medical institutions. Accordingly, we anticipate sluggish sales of healthcare devices and equipment for medical institutions. Economic conditions will likely make a temporary drop in consumption unavoidable in China, India, Eastern Europe, the Middle East, and other developing countries, but the potential for medium- and long-term growth in the healthcare equipment markets in these countries and regions remains unchanged.

HCB plans to continue developing innovative equipment based on its "Healthcare at Home" concept of personal health management which allows medical facilities to utilize, data measured at home. In line with this, HCB is developing healthcare devices compatible with wireless Bluetooth, FeliCa contactless IC cards, and other communications technology, and devices that are compatible with various types of equipment, such as computers and mobile phones. Following the shift in focus from treatment to prevention, HCB is fortifying its ability to develop new product proposals for equipment used in the prevention of lifestyle-related diseases, such as vascular screening devices.

Overseas, we plan to actively introduce products in lower price brackets in countries where health consciousness is rising as a strategy to stimulate demand and further establish the Company's presence in developing markets.

What's New

Expanding sales in developing countries, capturing top Russian market share for blood pressure monitors

HCB is aggressively investing to fortify its marketing capabilities in developing countries, primarily China, Russia, India, Mexico, and Brazil, where the standard of living is rising and the growing number of people with lifestyle-related diseases is increasing public awareness of health issues.

HCB is actively fortifying its worldwide business infrastructure and increasing recognition of the Omron brand as it establishes footholds in growth markets. The Company established a branch office in Russia in 2005 and reorganized its agency network. In October 2008, HCB offered a lineup of blood pressure monitors that succinctly matched the needs in the Russian market, and as quickly as March 2009 claimed top market share (research by RMBC). HCB also actively expanded its sales network across China by adding three new service centers during 2008, and now operates 20 marketing offices and 62 service centers. A marketing office was also established in Mexico in February 2009, and a full-time manager was dispatched from Japan to the marketing office in India. As we solidify our position in growth markets, we are strengthening business infrastructure and raising the profile of the Omron brand.

Digital Blood Pressure Monitor "Spot Arm" HEM-1020

The HEM-1020 digital blood pressure monitor automatically notifies users whether or not their arm is in the correct position, which it determines from the angle of the arm band. Users can relax and get a reading without bending their elbow.

MediClean Sonic Electric Toothbrush HT-B551

The HT-B551 MediClean Sonic Electric Toothbrush is the world's first toothbrush with a built-in three-dimensional acceleration sensor. The sensor detects which area of the teeth is being brushed and automatically adjusts the bristle movement for the most effective brush application.

Jog Style Activity Monitor HJA-300

Omron's Jog Style Activity Monitor HJA-300 allows individual data input for personalized calculation of physical exertion. Personalized programming captures detailed individual data for activities ranging from walking to jogging and other high-stress activities and increases the accuracy of data related to calories burned.

ENVIRONMENTAL SOLUTIONS BUSINESS HQ, ELECTRONIC SYSTEMS & EQUIPMENTS DIVISION HQ, AND OTHER BUSINESSES

Providing environmental equipment and solutions, computer peripheral equipment, and industrial embedded CPU boards

In fiscal 2009, the Business Development Group was reorganized into the Environmental Solutions Business Headquarters and the Electronic Systems and Equipments Division.

% of Net Sales
2%

Fiscal 2008 in Review

Earnings declined despite efforts to meet the demand for energy conservation equipment

In fiscal 2008, net sales in this division declined 7.0% year on year to ¥14.5 billion and operating income broke even.

In existing businesses, restrained capital investment led to sluggish sales of uninterruptible power supply units, broadband routers, and other devices in the computer peripheral equipment business. Intensifying competition caused a decline in sales of radio frequency identification (RFID) devices, which are the core products of the new businesses segment. Sales of energy monitoring systems expanded amid growing awareness of energy consumption issues.

Business Strategy and Outlook for Fiscal 2009

Establishment of the Environmental Solutions Business Headquarters and Electronic Systems and Equipments Headquarters

We forecast an increase of 20.4% year on year to ¥17.5 billion in net sales and an operating loss of ¥1.0 billion in fiscal 2009.

In fiscal 2009, the environmental products and computer peripheral equipment businesses carried out by the Business Development Group were established as independent operations and respectively designated the Environmental Solutions Business Headquarters and Electronic Systems and Equipments Headquarters. In addition, the RFID business was transferred to the Industrial Automation Business (IAB) and Electronic Components Business (ECB).

The Environmental Solutions Business Headquarters is focused on growing operations of the existing energy management business as well as the industrial and social environmental solutions business. The Omron Group has taken extensive steps to measure and make visible the energy used by each of the Group companies with the result of significant energy savings through fiscal 2008.

The new Environmental Solutions Business Headquarters is charged with cultivating the environmental business operations currently dispersed throughout the Group to create a new profit base for the company, with the objective of raising the total net sales from environmental operations to ¥50.0 billion in fiscal 2013.

The operations of the Electronic Systems and Equipments Headquarters are focused on the computer peripheral equipment business and expanding the market for embedded computers that are optimized for industrial applications requiring the highest level of reliability and consistent long-term supply capabilities.

Embedded Mini-CPU Boards

Omron's embedded central processing unit (CPU) board is a high performance and low energy consumption processor the size of a credit card. Designed specifically to provide the high level of reliability and long-term steady supply essential for industrial applications, the CPU board's small size vastly facilitates product development of industrial electronic devices.

Other Businesses Results and Plans

(Billions of yen)

Fiscal Year	2005	2006	2007	2008	2009 (Plan)
Net sales*	15.2	15.0	15.6	**14.5**	17.5
Domestic	15.0	14.9	15.4	**14.3**	16.5
Overseas	0.2	0.1	0.3	**0.2**	1.0
Operating income*	0.3	0.4	0.1	**0.0**	(1.0)
Operating income margin*	2.2%	2.9%	0.6%	**0.3%**	—
R&D expenses*	10.2	9.7	8.6	**7.5**	
Depreciation and amortization*	1.0	1.3	1.7	**3.2**	
Capital expenditures*	7.0	3.6	1.4	**1.4**	

* 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.

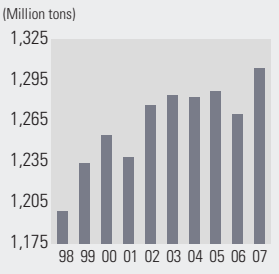
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and head office expenses that are not apportionable.

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

Check It Out!

Analysis of external environment

Changes in Japan's CO_2 emissions level



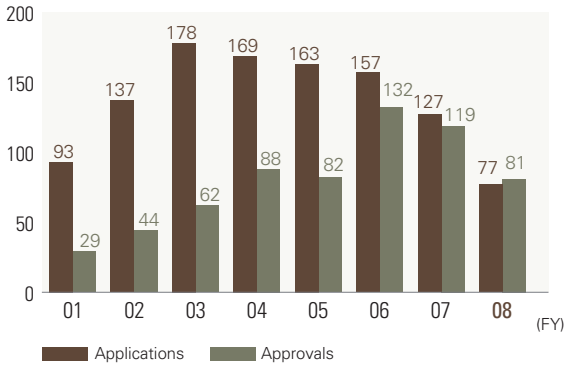
Source: Based on the data of National Institute for Environmental Studies

CO_2 emission volumes in Japan are rising both overall and on a per-person basis.

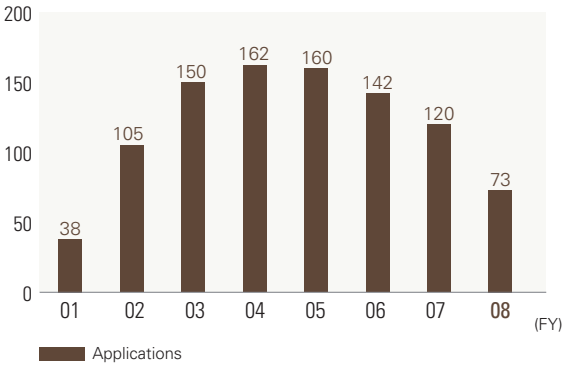
Intellectual Property Strategy

The Intellectual Property Center contributes to the effective use of the Omron Group's intellectual asset by analyzing and visualizing potential value and effectiveness of Omron and other companies' technologies from an independent standpoint. The Center plays a crucial role in technology management, supporting the long-term maximization of Omron's corporate value.

Patent Applications and Approvals in the United States



Patent Applications in China



Contributing to Efficient and Effective Investment in Development

The Intellectual Property Center invests in intellectual property focused on core business themes with the objective of contributing to business through the efficient and effective use of limited management resources. Investments are made from the immediate perspective of fortifying current core businesses and from the long-term perspective of advancing in the direction of next-generation technological innovation to ensure that the core businesses will remain vital in the future.

Investment target areas are selected using rigorous reviews of the investment effects and follow a policy of utilizing the minimum investment necessary in areas determined to be absolutely essential, such as reducing business risks and improving business positioning.

The Center also conducts identification and analysis of technological trends in new markets, such as the developing energy market, to ensure we are fully prepared "to create Omron-style business using fundamental Omron technology" without missing the positive developments that occur in the business environment.

The Center conducts operations in accordance with economic conditions while helping to maximize the results of developmental investment by strengthening the Group's internal coordination and ability to respond to rapidly changing market conditions. This is done by looking at the Group's fundamental technologies through a larger framework and by firmly incorporating them into each business unit's operations. The Center is a key component for supporting the growth of Omron's business value over the long term.

Capabilities

We are continuing to develop our intellectual property capabilities on a global scale for the period beyond the Grand Design 2010 (GD2010) management plan. To ensure the most effective use of resources during the current global recession, our overseas activities related to intellectual property are being concentrated in China and the United States.

In China, we have expanded both our production and development capabilities and are establishing intellectual property functions to support localized innovation. However, several issues must still be resolved before we can begin raising expectations for the local creation of key technologies in the medium and long term. We are working to quickly establish a working environment conducive to global development and are conducting local training on intellectual property issues to establish a corporate culture that fully respects intellectual property rights. We are also providing intensive training in Japan for Chinese staff to cultivate local, intellectual property management and specialist staff as well as with the aim of greatly enhancing our intellectual property capabilities in China. Similar training and staff development programs are being conducted at local subsidiaries in the United States.

We are making steady progress in fortifying our foundation for global intellectual property capabilities through the active cultivation of staff capable of providing significant contributions to the Group's intellectual property at our global operating sites. We are also establishing an intellectual property management system and reducing intellectual property risks to achieve results that are key components of strong global intellectual capabilities.

Promoting Globalization of Intellectual Property

Intellectual Property and R&D-related Data

Fiscal Year	2004	2005	2006	2007	2008
Number of patents					
Applications	1,216	1,509	1,300	1,255	1,119
Approvals	676	705	836	943	826
Total patents	4,426	4,538	5,206	5,717	5,205
R&D expenses (billions of yen)	49.4	50.5	52.0	51.5	48.9
Sales/R&D expense ratio	8.1%	8.1%	7.1%	6.7%	7.7%
R&D staff (number of employees)	1,384	1,591	1,630	1,622	1,509

Corporate Governance, Compliance, and Risk Management

Omron is committed to maintaining and exercising a proper governance system while increasing management transparency. To firmly establish a high standard of corporate ethics, we will continue to enhance our compliance system and strengthen a risk management framework that supports ongoing improvement in corporate value.

Corporate Governance

Basic Policies

Omron is making an effort to enhance its corporate governance based on the belief that the most crucial factor in earning stakeholders' support is to establish an optimal management structure and execute fair and appropriate business operations while ensuring the proper functioning of a verification system (monitoring system), and to realize the aim for continuous corporate growth.

In line with this basic policy, Omron maintains an executive officer system with clearly segregated management oversight and business execution functions to oversee business activities. Directors other than the president do not concurrently serve as executive officers. In addition, the system of internal companies vests each department's top management with wide-ranging authority with the aim of accelerating decision making and improving operating efficiency. In June 2008, Omron established the Corporate Governance Committee to further enhance management fairness and transparency.

Management and Oversight Structure

Omron has decreased the number of members of its Board of Directors to seven to improve efficiency and support substantive discussion. In addition, the president is the only director that is also directly involved in business execution. The other directors are distanced from day to day business execution and serve to fulfill a management monitoring function. To increase objectivity in management and to strengthen management oversight, the Chairman of the Board of Directors and the CEO are segregated. The Chairman of the Board of Directors serves as a monitor representing stakeholders and does not take part in the execution of business.

Advisory committees (personnel, compensation and president & CEO selection) have been established with the two outside board members chairing the committees to enhance objectivity and transparency for nomination, promotion and compensation of directors/executive officers as well as nomination of the president.

Auditing Functions

The Board of Corporate Auditors, consisting of four auditors (including three outside corporate auditors), monitors governance practices, management conditions, and the daily activities of management and directors. The Group Audit Office, which functions directly under the President & CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. The Audit Office also offers specific advice for improving business functions.

Appointment of Outside Directors

To allow the Board of Directors to monitor business practices from a position that represents Omron's shareholders and other stakeholders, outside directors now represent two out of seven board members. In addition, three out of four corporate auditors are external.

Emphasizing the independence of outside directors and external auditors, Omron has specified strict criteria for qualification of candidates, which are even more exacting than the regulations of Japanese Corporate Law. For example, candidates for outside directors and the organizations to which they belong must not have assumed the role of representative or employee of the independent accounting auditor for the Omron Group for five years prior to the nomination, may not be a director of any principal partner, and may not be a principal shareholder of the Omron Group.

Director Compensation

The Compensation Advisory Committee under the Board of Directors determines the compensation structure for directors and corporate auditors. The committee comprises four directors, excluding the chairman, vice chairman, and president. The chairman of the committee, appointed by resolution of the Board of Directors, is an outside director. This is to ensure objectivity and to increase transparency.

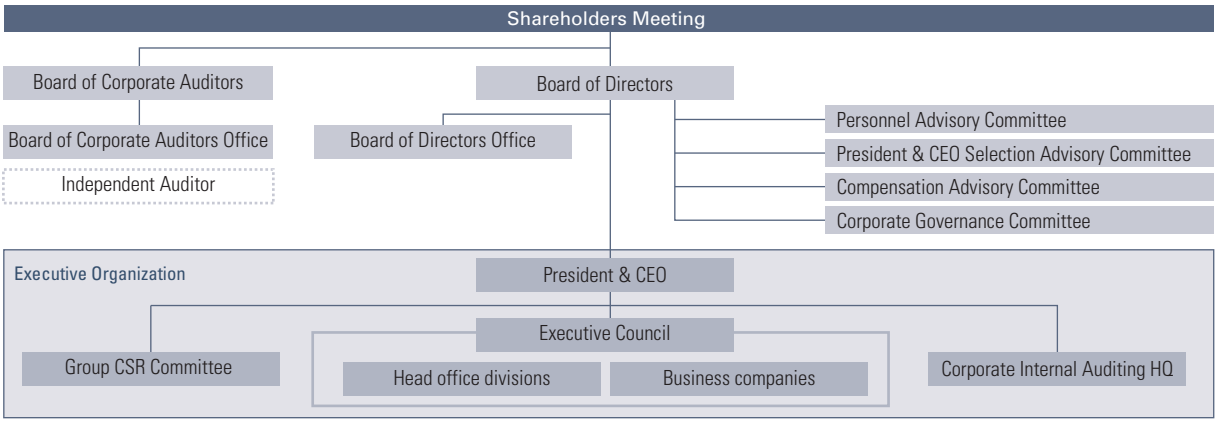
Directors' and Corporate Auditors' Remuneration (FY2008)

	No. of People (Retiring Officers)	Remuneration (Millions of Yen)
Directors	11 (4)	388
Corporate Auditors	5 (1)	80
Total	16 (5)	468
No. of Outside Directors and External Corporate Auditors included in Total	7 (2)	67

- Director compensation consists of basic compensation (monthly salary), bonus, and stock-based compensation*.
- Outside director compensation consists of basic compensation (monthly salary).
- Corporate auditor compensation consists of basic compensation (monthly salary).

* Stock-based compensation is administered following guidelines specifying set remuneration amounts to be paid on a monthly basis and utilized to acquire Company stock (through a director stock ownership plan), which is then held during the individual's tenure.

Corporate Governance Structure



Board of Directors (BOD)
The BOD decides important business matters such as company objectives and management strategies, while overseeing the business practices.

Board of Corporate Auditors
This board verifies the effectiveness of the corporate governance system and its implementation, while also monitoring the day-to-day operations of executives including directors. The board consists of four corporate auditors, three of whom are outside auditors.

Personnel Advisory Committee
This committee, chaired by an outside director, sets election standards for directors, corporate auditors, and executive officers, selects candidates, and evaluates current executives.

Compensation Advisory Committee
Chaired by an outside director, this committee determines the compensation structure for directors, corporate auditors, and executive officers, sets evaluation standards, and evaluates current executives.

Corporate Governance Committee
Chaired by an outside director, this committee discusses measures to continuously enhance corporate governance and increase fairness and transparency in management.

President & CEO Selection Advisory Committee
Chaired by an outside director, this committee dedicated to nomination of the President, this committee deliberates on selection of the new President for the next term and a succession plan in preparation for a contingency.

Executive Council
This council determines and reviews important business operation matters that are within the scope of authority of the President.

Comments by Outside Director

Career Summary

April 1966 Joined Ricoh Company
June 1992 Appointed Director
June 1994 Appointed Managing Director
April 1996 Appointed President and Representative Director
April 2007 Appointed Chairman and Representative Director (current position)
June 2008 Appointed Director of Omron Corporation (current position)

Masamitsu Sakurai

I am honored to be reappointed as an outside director for Omron Corporation.

In this economic crisis, which is said to be the worst in a century, we have reached the point where we will learn exactly how the coordinated worldwide financial policies and fiscal stimulus measures will be able to restore vitality to the global economy. I firmly believe that the world's corporations and industries must act as the engine in this revitalization.

In addition to deciding the current policies and measures, I believe we also must set a medium- and long-term course for the Japanese economy and society. I think it is crucial that we consider the future "make up" of Japan, in other words, what long-term vision we should have for Japan as a nation, and in doing so we must not forget that fundamental structural changes will be needed to realize that vision.

One important area in which the advanced nations of the world are demonstrating their leadership is the establishment of a framework for preventing global warming in accordance with the Post Kyoto Protocol treaty. Japan is taking the initiative to implement changes needed to create a low-carbon society. Realizing a low-carbon society is pivotal for Japan as a nation and for fortifying the global competitiveness of Japanese companies.

Omron is taking an active role by working to reduce the CO_2 emissions from its operations and also through its contribution to the School New Deal Program recently announced by Japan's Ministry of Education, Culture, Sports, Science and Technology to provide technological upgrades to schools in Japan.

I am eager to apply my experience to help guide Omron's management activities as a company working to shape Japan's future as a nation.

Kazuhiko Toyama

Dialogue between the President Sakuta and Mr. Toyama is on page 20.

Internal Controls

Omron conducts two audits to ensure the healthy and effective operation of its organization. The Internal Control Comprehensive Audit is conducted to ensure that the internal controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding. The Management Audit examines the solutions and improvement measures implemented for specific management issues.

The Internal Control Comprehensive Audit includes a self-assessment system of check sheets designed to enable the audited department to deepen understanding of issues identified in the audit and implement more effective improvement activities. In addition, the Company has established a Corporate Auditor Office and placed full-time auditors in each of four regions of business (the United States, Europe, Asia Pacific, and Greater China) to implement the Internal Control Comprehensive Audit at its business sites worldwide.

Award of Excellence received at the 2009 Integrity Award Grand Prize

In recognition of the broad coverage and high level of integrity and transparency of its internal control system, Omron was awarded the Award of Excellence at the 2009 Integrity Award Grand Prize ceremony held by the Integrity Award Council. The Company was particularly commended for its longstanding management commitment to systematizing and practicing CSR.

Compliance and Risk Management

Note: Please see Business and Other Risks on page 58 for further details.

Basic Policies

Omron continually sees to strengthen its compliance system and maintain a risk management framework to support fair and appropriate business operations through proper administration and control of risk in every aspect of its management and business and to ensure steady corporate growth and preservation of management resources.

Global Promotion of Compliance Activities

The Omron Group has established a corporate ethics promotion system designed not only for domestic affiliated companies but for affiliates outside Japan as well under the Group CSR Committee, which oversees CSR implementation and activities. In fiscal 2008, the Company appointed corporate ethics officers in the Greater China and Asia Pacific regions. We plan to keep appointing corporate ethics promotion officers in our operating regions around the world and conduct training on legal and other issues, as we seek to realize comprehensive compliance coverage for the entire Omron Group. We have also designated each October as Corporate Ethics Month in Japan and are inviting external ethics experts to conduct executive training and providing on-the-job training for all employees.

Upgrading Whistle Blower Hotline

Omron maintains a whistle blower hotline that protects the privacy and anonymity of employees and encourages early discovery of legal violations and employee transgressions of the CSR Practice Guidelines to support immediate communication to management and early correction. In Japan and North America, a whistle blower hotline is in place inside and outside of the company for Omron Group executives, full-time employees and temporary staff as well as their families. In fiscal 2008, a direct access newly became available through the electronic bulletin board on Intranets in Japan, in addition to conventional telephone and email accesses.

In fiscal 2008, a total of 24 hotline contacts were made in Japan and 8 in North America. The greatest number of contacts in Japan sought advice regarding labor standards compliance and respect for individuality and diversity, which numbered 10. During the fiscal 2008 Corporate Ethics Month, the Company provided power harassment recognition training and conducted discussions centered on the theme of human rights at worksite training sessions targeting all employees.

Fortifying Information Security Management

Omron is continually upgrading its information security management system to protect against leaks and ensure the appropriate handling of confidential information supplied from business associates, personal information and its own company information. In fiscal 2007, the Company launched the Information Security Management Committee to establish management controls and promote employee education on information security issues.

In fiscal 2008, Omron continued education for all Group employees in Japan, while also reviewing and reinforcing individual information management rules.

This resulted in full-establishment of a PDCA cycle in Japan to support review of information management status under the promotion system. In the future, Omron will strive to improve and disseminate regulations and verify whether information security is also maintained properly in regions outside Japan.

Crisis Management

Omron has established Basic Crisis Management Guidelines designed to minimize the impact of events that, when they arise or as they are occurring, have the potential to significantly impair management resources and business continuity or that can damage social trust (value) in the Company. Based on these guidelines, the Company has specified a separate set of Basic Disaster Countermeasures for natural disasters, such as earthquakes, storms, and floods, and incidents of explosions, fire, or other calamity.

In fiscal 2008, the Company commenced a comprehensive review of its crisis management policies centered on countermeasures for a worldwide outbreak of a new influenza virus. Following the recommendations in the Japanese government action plan and health guidelines, the Company is revising its countermeasures, policies, and actions plan (such as business continuity planning, infection control measures) to ensure maximum effectiveness.

BASIC POLICIES STIPULATED IN OMRON'S CRISIS MANAGEMENT RULES

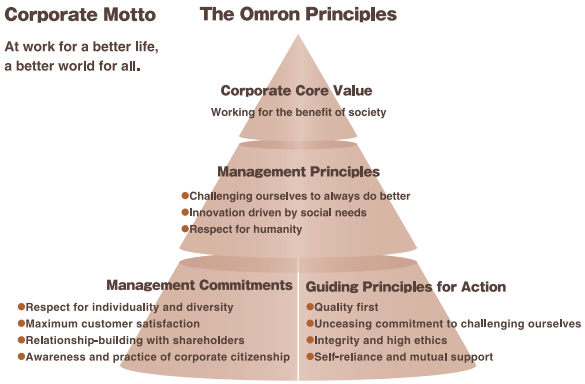
1. Place human life and personal safety at the top of the list of priorities.
2. Give high priority to legal/regulatory compliance and respect for social rules.
3. Minimize the negative impact of crises on customers and society.
4. Curtail the negative impact of crises on Omron's business and strive to ensure smooth continuation and quick restoration of business operations.
5. Take necessary measures in a sincere and consistent manner.
6. Disclose information appropriately and remain accountable.

Corporate Social Responsibility (CSR)

Actively practicing the Omron Principles is an integral part of fulfilling our corporate social responsibility. CSR is a fundamental aspect of our management strategy, and we accordingly have set specific objectives for our CSR.

Working for the Benefit of Society

We place the fundamental tenet of "Working for the benefit of society" at the highest level in our corporate value. This belief is our core value that a company exists to serve society, and that only when this is accomplished should the company earn profits, enjoy sustainable growth and receive trust and respect from society as a good corporate citizen. The belief is also to emphasize our commitment to the stakeholders in the society. This is the very spirit behind the Omron Corporate Motto established in 1959, "At work for a better life, a better world for all," which we practice in every facet of our activities.



CSR Basic Policies

The long-term management vision GD2010 that will culminate in fiscal 2010 places the Company's involvement in society at the forefront and outlines three aspects of our social participation: 1. contributing to a better society through business operations; 2. always demonstrating fairness and integrity in the promotion of corporate activities; and 3. showing a commitment to addressing societal issues as a concerned party. We are diligently and conscientiously reviewing and addressing issues as we set specific objectives and exercise CSR management with a view to enhancing the Company's long-term corporate value.

CSR Management System

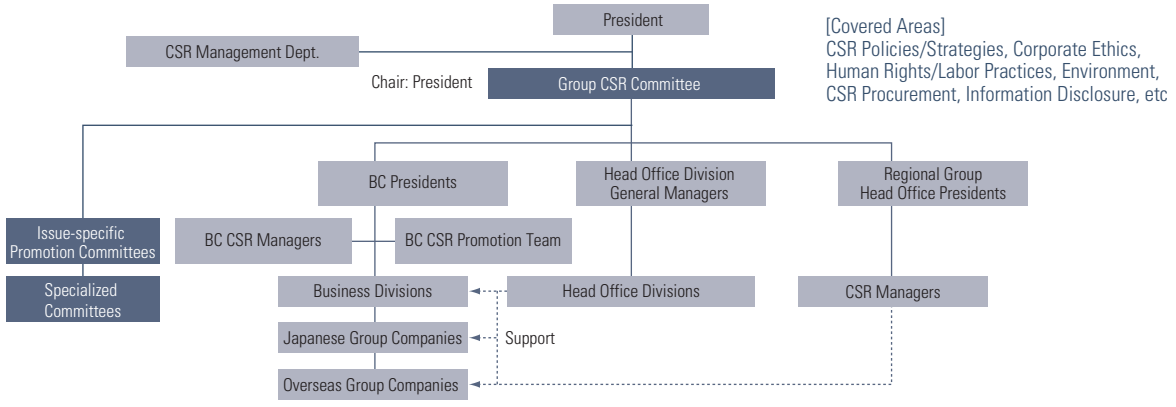
Omron considers it essential to embed CSR into its management strategies, and to practice CSR as part of its business operations. As such, Omron has worked to strengthen its CSR management system globally.

In the end of fiscal 2007, the Group CSR Committee was set up to help the management team assess the overall status of CSR and define the specific issues that the Omron Group faces. Chaired by the president, the committee's main tasks include formulating the Omron Group's CSR policy and strategies as well as promotion and monitoring of CSR activities in key areas. Members are presidents of business companies, general managers of head office administrative divisions, and presidents of regional group head offices. Business companies and head office divisions (including the environment department and the legal affairs department) are responsible for putting into action the policies and strategies determined by the committee.

Issues Identified by the Sustainability Strategy Assessment

To objectively grasp its own CSR management status, Omron conducted diagnoses of its sustainability strategies in fiscal 2008 using tools developed by an external consulting firm. As a result, several issues were discovered including the insufficient assessment of overseas sites' work environments by the head office and business companies, lack of systematized CSR education for employees, and others. Bases on these findings, Omron intends to enhance global-level CSR activities while at the same time strengthening on-side capabilities to promote CSR practices.

CSR Management Structure



CSR through Business Activities: Targets and Results

GD 3rd Stage (FY2008–10) focus activities/targets

Take on challenge of creating products/services that contribute to solving social issues with focus on four areas of safety, security, health, and environment.

*Rating: Self-assessment was conducted to comprehensively evaluate the progress of activities, including achievement of GD-III (third stage of Grand Design 2010) targets (FY2008–10), degree of global expansion of activities, external evaluation and comparison with other companies, etc.

○ More progress than initially expected △ Progress × Needs more effort

FY2008 results	Rating*	FY2009 policy/targets
Safety and Security (Products/services for various sectors of society)		
Ensuring safety and security for production sites Promoted safety businesses (various safety sensors) to maintain safety at worldwide production sites.	△	Ensuring safety and security for production sites Continue promoting safety business to maintain safety at global production sites. Note: Aim to establish an indicator for objective measurement of progress by the end of FY2009.
Toward a safer, more secure society Launched social sensor solutions business that contributes to safety and security of society in 4 domains-train stations, roads, industry and commerce. Released 4 vision sensors as core products. Participated in large-scale demonstration tests for driving safety support systems (DSSS) sponsored by Universal Traffic Management Society of Japan.		Toward safer, more secure road transportation Continue tests with car manufacturers to verify the effectiveness of DSSS systems.
Embedded personal computers that ensure equipment safety and security Promoted R&D for RAS sensing technology for enhancing reliability, availability, and serviceability of industrial-use electronic devices using computer technology. Adopted RAS sensing technology for industrial products that require extremely high reliability.		Embedded personal computers that ensure equipment safety and security Promote adoption of common platform, standardization, and options for RAS sensing technology to expand the range of products employing the technology. Note: Aim to establish an indicator for objective measurement of progress by the end of FY2009.
Health (Products/services supporting lifestyle disease prevention/treatment)		
Contributed to prevention, treatment, and management of lifestyle diseases through blood pressure monitors, thermometers, pedometers, and vascular screening devices in 100+ countries throughout the world.	△	Offer home and professional use products/services that help prevent, treat, and manage lifestyle diseases globally. Accelerate sales expansion by meeting needs of emerging and fast-growing countries in FY2009. Note: Aim to establish an indicator for objective measurement of progress by the end of FY2009.
Environment (Products/services supporting a small carbon footprint society)		
Environmental solutions Conducted in-house verification of CO_2 reduction solutions business that helps companies prevent global warming. Confirmed possible reduction of 11% in electricity consumption (reduction of 90 tons CO_2 per month) through system deployment in a Group company. (See "Special Feature 1" for more details.)	△	Environmental solutions Promote CO_2 reduction solutions business designed to help companies prevent global warming. • Achieve CO_2 emissions reduction rate of approx. 10% on average among client company sites employing Omron solutions. • Develop a new method for further reduction in CO_2 emissions and conduct in-house verification.
Environmental components business • Promoted solar power conditioner*1 business related to new energy sources. • Promoted environmental sensing business (ionizers*2, particle sensors*3, etc., which contribute to a cleaner production environment). • Developed battery management system for next-generation electric vehicles. *1 A solar power conditioner converts DC power from solar panels to home-use AC power, and connects it to a commercial power source from the power company. *2 An ionizer can neutralize and eliminate static electricity generated in production processes. *3 A particle sensor enables high-precision monitoring of airborne particles.		Environmental components business • Promote solar power conditioner business related to new energy sources. • Promote environmental sensing business. • Deploy battery management system on next-generation electric vehicles. Note: Aim to establish an indicator for objective measurement of progress by the end of FY2009.

Inclusion in Internationally Renowned SRI Indices

Highly recognized for its proactive CSR practices, Omron has been included in two international SRI indices: Morningstar SRI Index and Ethibel Sustainability Index. Omron is also included in several SRI and eco-friendly funds such as the Corporate Governance Fund set up by Japan's Pension Fund Association. Since fiscal 2008, Omron has also been included in ASN Bank's SRI trust fund in the Netherlands in recognition of the Company's commitment to addressing human rights (as of March 31, 2009).

For more details about Omron's CSR activities, please see our Sustainability Report 2009.
http://www.omron.com/corporate/csr/

Directors, Corporate Auditors, and Executive Officers

As of June 23, 2009

Kazuhiko Toyama
Director (external)

Masamitsu Sakurai
Director (external)

Hisao Sakuta
President and CEO

Yutaka Takigawa
Director and Executive Vice President

Fumio Tateisi
Director and Executive Vice Chairman

Yoshio Tateisi
Chairman of the BOD

Keiichiro Akahoshi
Director and Executive Vice President

Directors

Chairman of the BOD
Yoshio Tateisi

Director and
Executive Vice Chairman
Fumio Tateisi

President and CEO
Hisao Sakuta

Director and
Executive Vice President
Keiichiro Akahoshi

Director and
Executive Vice President
Yutaka Takigawa

Directors (external)
Kazuhiko Toyama
Masamitsu Sakurai

Corporate Auditors

Soichi Yukawa
Satoshi Ando
Hidero Chimori
Eisuke Nagatomo

Executive Advisor

Nobuo Tateisi

Executive Officers

Senior Managing Officers
Yoshinobu Morishita

Managing Officers
Koichi Imanaka
Takuji Yamamoto
Yoshinori Suzuki
Hideo Higuchi
Hiroshi Fujiwara
Kazunobu Amemiya
Yutaka Fujiwara
Kojiro Tobita

Executive Officers
Akio Sakumiya
Tatsunosuke Goto
Yoshisaburo Mogi
Hiroshi Miyagawa
Koichi Tada
Kiichiro Kondo
Shigeki Fujimoto
Masahiro Ijiri
Masaki Arao
Masayuki Tsuda
Hideji Ejima
Masaki Teshigahara
Taiji Sogo
Yoshihito Yamada
Masaki Haruta
Koji Doi
Hisato Takano
Takashi Ikezoe

Financial Section (U.S. GAAP)

CONTENTS

Notes: Financial Highlights, Six-year Financial Summary, Fiscal 2008 Management's Discussion and Analysis, and Business and Other Risks are unaudited.

Financial Highlights

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008, and 2007

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2008	FY2007	FY2006	**FY2008**
For the year:				
Net sales	**¥ 627,190**	¥ 762,985	¥ 723,866	**$ 6,399,898**
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**(39,133)**	64,166	64,279	**(399,316)**
Income (Loss) from continuing operations	**(29,172)**	39,329	37,094	**(297,673)**
Net income (loss)	**(29,172)**	42,383	38,280	**(297,673)**
Per share data (yen and U.S. dollars):				
income from continuing operations				
Basic	**¥ (132.2)**	¥ 172.5	¥ 159.8	**$ (1.35)**
Diluted	**—**	172.4	159.7	**—**
Net income (loss)				
Basic	**(132.2)**	185.9	165.0	**(1.35)**
Diluted	**—**	185.8	164.9	**—**
Cash dividends (Note 1)	**25.0**	42.0	34.0	**0.26**
Capital expenditures (cash basis)	**¥ 37,477**	¥ 37,848	¥ 44,689	**$ 382,418**
Research and development expenses	**48,899**	51,520	52,028	**498,969**
At year end:				
Total assets	**¥ 538,280**	¥ 617,367	¥ 630,337	**$ 5,492,653**
Total shareholders' equity	**298,411**	368,502	382,822	**3,045,010**

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2009 of ¥98=$1.

Six-year Summary

Omron Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
Net sales (Note 2 and 3)**:**						
Industrial Automation Business	**¥ 262,922**	¥ 328,811	¥ 305,568	¥ 272,657	¥ 250,329	¥ 229,638
Electronic Components Business	**123,937**	154,233	138,352	97,699	101,127	88,988
Automotive Electronic Components Business	**82,109**	107,521	93,321	77,593	64,558	58,824
Social Systems Business	**79,886**	85,223	105,944	91,804	115,205	135,997
Healthcare Business	**63,797**	71,562	65,726	61,090	50,583	46,962
Other Businesses	**14,539**	15,635	14,955	15,159	16,925	14,748
	627,190	762,985	723,866	616,002	598,727	575,157
Costs and expenses:						
Cost of sales	**408,668**	469,643	445,625	383,335	353,429	339,697
Selling, general and administrative expenses	**164,284**	176,569	164,167	157,909	141,185	139,569
Research and development expenses	**48,899**	51,520	52,028	55,315	49,441	46,494
Subsidy from the government	**—**	—	—	(41,339)	—	—
Other expenses (income), net	**44,472**	1,087	(2,233)	(2,724)	2,225	3,491
	666,323	698,819	659,587	552,496	546,280	529,251
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**(39,133)**	64,166	64,279	63,506	52,447	45,906
Income taxes	**(10,495)**	24,272	25,595	26,701	21,482	19,930
Minority interests	**(277)**	217	238	150	264	411
Equity in loss (earnings) of affiliates	**811**	348	1,352	493	1,483	(92)
Income (Loss) from continuing operations	**(29,172)**	39,329	37,094	36,162	29,218	25,657
Income from discontinued operations, net of tax (Note 4)	**—**	3,054	1,186	802	958	1,154
Cumulative effect of accounting change, net of tax	**—**	—	—	(1,201)	—	—
Net income (loss)	**(29,172)**	42,383	38,280	35,763	30,176	26,811
Per share data (yen):						
Income (Loss) from continuing operations						
Basic	**¥ (132.2)**	¥ 172.5	¥ 159.8	¥ 152.8	¥ 122.5	¥ 105.9
Diluted	**—**	172.4	159.7	152.7	120.8	103.0
Net income (loss)						
Basic	**(132.2)**	185.9	165.0	151.1	126.5	110.7
Diluted	**—**	185.8	164.9	151.1	124.8	107.5
Cash dividends (Note 1)	**25.0**	42.0	34.0	30.0	24.0	20.0
Capital expenditures (cash basis)	**¥ 37,477**	¥ 37,848	¥ 44,689	¥ 40,560	¥ 38,579	¥ 38,115
Total assets	**538,280**	617,367	630,337	589,061	585,429	592,273
Total shareholders' equity	**298,411**	368,502	382,822	362,937	305,810	274,710
Value indicators:						
Gross profit margin (%)	**34.8**	38.4	38.4	37.8	41.0	40.9
Income (Loss) before tax/Net sales (%)	**(6.2)**	8.4	8.9	10.3	8.8	8.0
Return on sales (%)	**(4.7)**	5.6	5.3	5.8	5.0	4.7
Return on assets (%)	**(6.8)**	10.3	10.5	10.8	8.9	7.9
Return on equity (%)	**(8.7)**	11.3	10.3	10.7	10.4	10.2
Inventory turnover (times)	**4.54**	4.96	5.27	5.34	5.09	4.66
Price/earning ratio (times)	**(8.7)**	10.7	19.1	22.2	18.5	23.3
Assets turnover (times)	**1.09**	1.22	1.19	1.05	1.02	0.99
Debt/equity ratio (times)	**0.804**	0.675	0.647	0.623	0.914	1.156
Interest coverage ratio (times)	**6.01**	44.34	57.82	69.95	52.05	41.63

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. The Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for 2003 have been reclassified in accordance with the change.
3. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.
4. In accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets," the figures of the consolidated statements of income for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation. See Note 15 to the consolidated financial statements.

Note: The business divisions are presented using their abbreviated names
Industrial Automation Business (IAB), Electronic Components Business (ECB), Automotive Electronic Components Business (AEC), Social Systems Business (SSB), Healthcare Business (HCB).

Market Environment

1. Macroeconomic Environment

The subprime loan crisis originating in the United States had strong repercussions on the real economies in countries around the world in fiscal 2008, and when conditions deteriorated abruptly in the third quarter, the economic conditions took on the characteristics of a global recession. Japan's economy, which relies heavily on exports, was critically damaged during the year. The steep drop in demand and the appreciating value of the yen deeply impacted corporate earnings while employment conditions deteriorated markedly and private consumption continued to decline.

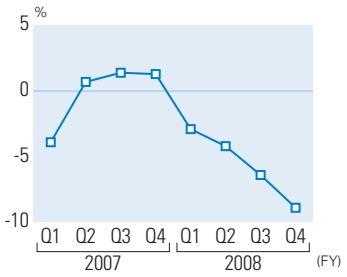
Growth Rates of Real GDP for Each Country/Region

CY	Japan	U.S.	EU	China
2007	2.4	2.0	2.7	13.0
2008	-0.6	1.1	0.9	9.0
2009 Estimates	-6.2	-2.8	-4.2	6.5

Source: IMF "World Economic Outlook," April 2009

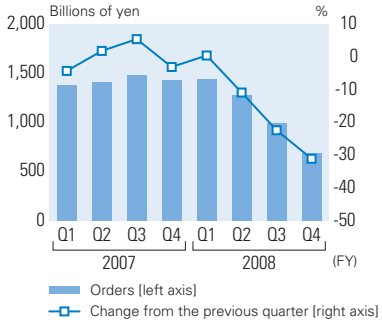
Domestic Macroeconomic Environment

Real Private Capital Investment



Note: Seasonally adjusted
Source: Cabinet Office, Government of Japan

Machinery Orders (Manufacturing)



Note: Seasonally adjusted
Source: Cabinet Office, Government of Japan

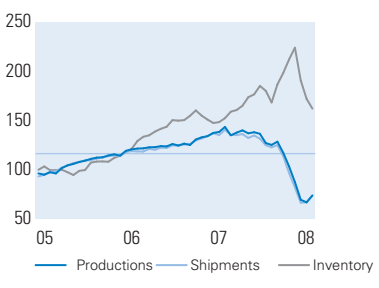
2. The Omron Group Market Environment

The business environment was extremely harsh for the Omron Group in fiscal 2008. Most manufacturing industries, including the Group's clients in the automotive and semiconductor industries, implemented production adjustments and reduced or postponed capital spending, particularly following the degeneration of business conditions in the third quarter.

Demand plummeted for the Company's core factory automation control equipment. Strict inventory adjustments in the business and consumer equipment sectors also led to a steep drop in demand for electronic components. The steep production cuts in the automotive industry also led to a further decline in demand for automotive electronics. On the positive side, demand grew in the first half in some regions for blood pressure monitors and other health-related equipment on growing health consciousness in emerging economies.

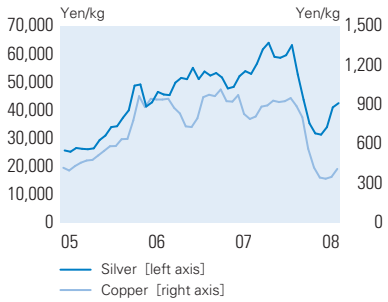
External factors influencing profits included a sharp decline in raw material prices and the strengthened yen beginning when economic conditions soured in the third quarter. The strong yen also impacted profits as the average exchange rates increased by ¥13.4 to ¥100.7 versus the U.S. dollar and by ¥17.4 to ¥144.5 versus the euro from the previous fiscal year.

Indices of Electronic Parts and Devices
(Seasonally adjusted indices, 2005 average =100)

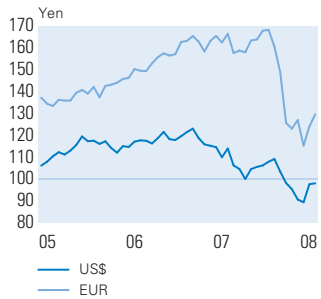


Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Exchange Rates



Overview of Consolidated Results and Financial Condition

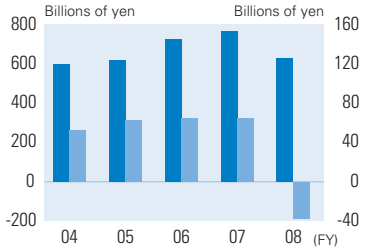
Note: Segment operating income is prepared using the single-step method (that does not show individual income levels) based on U.S. GAAP. For easier comparison to other companies, operating income represents gross profit minus selling, general and administrative expenses, and research and development expenses.

In this market environment, Omron's fiscal 2008 consolidated net sales declined 17.8% year on year to ¥627.2 billion and operating income plummeted 91.8% to ¥5.3 billion despite efforts to reduce costs in every business segment, restricting large investment, and launching wide-ranging structural reform of business operations with the objective of reestablishing our revenue bases. The Company also recorded a consolidated net loss before income taxes of ¥39.1 billion and a net loss of ¥29.2 billion, largely as a result of impairment losses for goodwill, property, plant and equipment, and investment securities.

Total assets declined 12.8% from the previous fiscal year owing to reduced sales and asset impairment losses. The net loss contributed to a 19.0% year-on-year decline in total shareholders' equity, which lowered the equity ratio to 55.4%, from 59.7% at the end of the previous fiscal year.

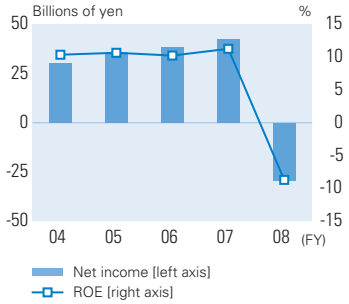
Return on equity (ROE) fell to -8.7%, as the Group was unable to extend its streak of maintaining ROE above its benchmark 10% level for five consecutive years.

Net Sales & Net Income before Income Taxes



* Figures have been restated to account for businesses discontinued in FY2007.

Net Income & ROE



Review and Analysis of the Statements of Income

Sales

Consolidated net sales declined 17.8% year on year to ¥627.2 billion as the global recession and the strong yen led to declining revenue in all business segments. By region, sales declined 15.6% in Japan and decreased in all other regions as well, falling 21.1% in North America, 23.3% in Europe, 17.7% in the Greater China region, and 13.5% in Southeast Asia.

Cost of Sales and SG&A Expenses

The decline in sales led to a 13.0% year-on-year decrease in cost of sales. However, the cost to sales ratio rose 3.6 percentage points to 65.2%. Raw materials prices, which had risen sharply in the previous fiscal year, dropped back as economic conditions worsened, but sales revenue was strongly impacted by downward pressure on product prices and the sharp rise in the value of the yen.

SG&A expenses were reduced by 7.0% from the previous fiscal year as a result of company-wide efforts to counter the decline in sales by cutting costs and restricting large investment. The Company reduced R&D by 5.1%, but the rapidity of the drop in sales resulted in the SG&A expense ratio growing 3.1 percentage points to 26.2% and the R&D expense ratio rising 1.0 percentage point to 7.7%.

Other Expenses (Income) *See Note 12 on page 79

The net amount of other expenses (income) was a net loss of ¥44.5 billion, as loss in this category expanded ¥43.4 billion from the previous fiscal year. The main factors were impairment losses for goodwill, property, plant and equipment, and investment securities.

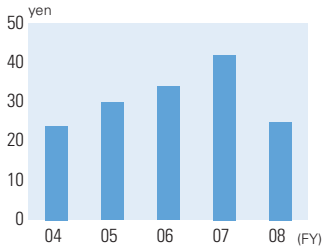
Net Income before Income Taxes, Net Income, and Profit Distribution

As a result of the above, net income before income taxes decreased ¥103.3 billion from ¥64.2 billion in the previous fiscal year to a net loss before income taxes of ¥39.1 billion. Net income declined ¥71.6 billion from ¥42.4 billion

to a net loss of ¥29.2 billion in fiscal 2008. Basic net income per share decreased to a ¥132.2 net loss per share, down from ¥185.9 in the previous year.

Based on our profit distribution policy (see page 19) and in consideration of the earnings results, ordinary dividends of ¥25 per share were distributed in the fiscal year under review.

Dividends per Share



Costs, Expenses, and Income as Percentages of Net Sales

	FY2008	FY2007	FY2006
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**65.2**	61.6	61.6
Gross profit	**34.8**	38.4	38.4
Selling, general and administrative expenses	**26.2**	23.1	22.6
Research and development expenses	**7.7**	6.7	7.2
Interest expenses (income), net	**0.0**	(0.1)	(0.1)
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**(6.2)**	8.4	8.9
Income taxes	**(1.6)**	3.2	3.6
Income (Loss) from continuing operations	**(4.7)**	5.2	5.1
Income from discontinued operations	**—**	0.4	0.2
Net income (loss)	**(4.7)**	5.6	5.3

Segment Information

Note: Segment operating income is prepared using the single-step method (that does not show individual income levels) based on U.S. GAAP. For easier comparison to other segment companies, operating income represents gross profit minus selling, general and administrative expenses, and research and development expenses.

Note: In segment information, sales represents sales to external customers and excludes inter-segment transactions. Conversely, operating income includes income from inter-segment income transactions before deductions of headquarters expenses and other non-apportionable amounts.

Please refer to pages 32–42 for detailed segment business results, fiscal 2009 outlook, and strategy.

1. Review of Operations by Business Segment

IAB (Industrial Automation Business)

IAB net sales declined 20.0% year on year to ¥262.9 billion and operating income fell 60.6% to ¥20.5 billion. Sales were suppressed by the postponement and cancellation of large-scale equipment investment projects beginning in the third quarter, particularly in the semiconductor, flat panel display, and automotive industries. Sales were also down sharply in the Asia Pacific and Greater China regions, where sales had been holding relatively firm.

ECB (Electronic Components Business)

ECB net sales decreased 19.6% year on year to ¥123.9 billion and operating income declined from ¥12.6 billion in the previous fiscal year to a ¥2.0 billion operating loss in fiscal 2008. The result was mainly due to a further decline in demand from the semiconductor and automotive industries in the second half, stepped up inventory adjustment measures in the business and consumer equipment sectors, and a loss of the previously steady momentum in orders for small-sized backlights and input switches for mobile devices.

AEC (Automotive Electronic Components Business)

AEC net sales declined 23.6% year on year to ¥82.1 billion and operating income declined from ¥1.4 billion in the previous fiscal year to a ¥6.4 billion operating loss in fiscal 2008. The primary factors were the spikes in gasoline prices and the global recession, which combined to sharply reduce automobile demand. Sales were also sluggish in China and emerging economies, largely due to declines in unit sales of mid- and large-size vehicles.

SSB (Social Systems Business)

SSB net sales decreased 6.3% year on year to ¥79.9 billion and operating income fell 24.0% to ¥5.4 billion. New railway line construction led to increased demand for railway infrastructure equipment, but the overall restrained spending for corporate capital investment and public sector investment ultimately drew down sales.

HCB (Healthcare Business)

HCB net sales declined 10.9% year on year to ¥63.8 billion and operating income decreased 48.5% to ¥4.8 billion. Sales of home blood pressure monitors and body composition monitors plummeted amid stagnant demand in the healthcare and medical equipment markets. Sales were improving in the first half due to expanded sales channels in North America and growing demand for blood pressure monitors in China, Russia, Eastern Europe, and the Middle East. However, full-year sales declined, from the impacts of the global recession and strong yen in the second half.

Others

Other Business net sales declined 7.0% year on year to ¥14.5 billion and operating income dropped 49.4% to ¥4.4 million. Increasing consumer consciousness regarding energy consumption supported steady sales of electricity usage monitoring services. Sales declined for uninterruptible power supply units and broadband routers.

Growth in Net Sales by Business Segment

	FY2008	FY2007	FY2006
IAB	**(20.0)%**	7.6%	12.1%
ECB	**(19.6)**	11.5	41.6
AEC	**(23.6)**	15.2	20.3
SSB	**(6.3)**	(19.6)	15.4
HCB	**(10.9)**	8.9	7.6
Others	**(7.0)**	4.5	(1.3)

Composition of Net Sales by Business Segment

	FY2008	FY2007	FY2006
IAB	**41.9%**	43.1%	42.2%
ECB	**19.8**	20.2	19.1
AEC	**13.1**	14.1	12.9
SSB	**12.7**	11.2	14.6
HCB	**10.2**	9.4	9.1
Others	**2.3**	2.0	2.1

2. Review of Operations by Region

Japan

The rapid deterioration in economic conditions led to domestic sales declines of between 10% to 20% for each of the IAB, ECB, AEC, and HCB segments. Restrained capital investment by railway companies held domestic sales flat for the SSB segment. Net sales in Japan declined 15.6% year on year to ¥328.1 billion and operating income decreased 83.3% to ¥8.4 billion in fiscal 2008.

North America

Sales in North America were brisk for IAB's oil-related and safety businesses, but the severe production cuts by the automobile industry strongly impacted the sales results of AEC. Net sales in North America fell 21.1% year on year to ¥80.4 billion and operating income declined from ¥2.1 billion in the previous fiscal year to a ¥0.7 billion operating loss.

Europe

IAB sales in Europe declined 23.5% amid severe deterioration in the business environment in Italy, Spain, and Eastern Europe. HCB recorded rising sales of blood pressure monitors in Russia, Eastern Europe, and the Middle East, but posted declining sales for the year following a downturn in demand in the second half.

Net sales in Europe fell 23.3% year on year to ¥103.1 billion and operating income decreased 55.7% to ¥6.5 billion.

Greater China

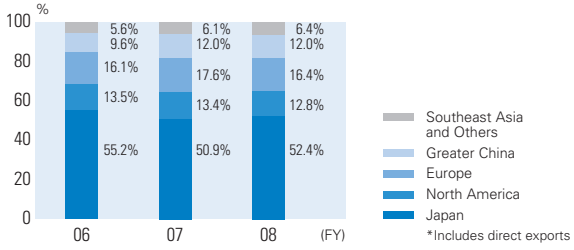
In the Greater China region, encompassing China, Hong Kong, and Taiwan, the rapid worsening in business conditions as the global economy deteriorated led to IAB and ECB sales declines of 25.5% and 21.7%, respectively. HCB posted 22.5% sales growth on expanding demand for blood pressure monitors.

Total net sales in the Greater China region declined 17.7% year on year to ¥75.2 billion and operating income decreased 61.4% to ¥3.1 billion.

Southeast Asia and Others

The economic recession and rapid strengthening of the yen were the major factors behind sales drops of 18.3% and 31.6% for ECB and AEC, respectively, in the region. IAB sales edged up 6.9%. Net sales in the Southeast Asia and other areas declined 13.5% year on year to ¥40.4 billion and operating income fell 67.1% to ¥1.5 billion.

Sales Breakdown by Region



Financial Condition

Assets

Total assets amounted to ¥538.3 billion in fiscal 2008, representing a decrease of ¥79.1 billion, or 12.8%, from the end of the previous fiscal year. The decline was primarily due to booking impairment losses for goodwill of ¥16.8 billion, property, plant and equipment of ¥21.2 billion, and investment securities of ¥5.4 billion along with a ¥53.3 billion decrease in notes and accounts receivable-trade associated with the drop in sales and a ¥10.4 billion decline in inventories.

Liabilities and Shareholders' Equity

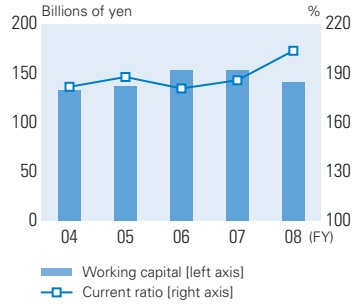
Current liabilities, long-term liabilities, and minority interests in subsidiaries amounted to ¥239.9 billion in fiscal 2008, a decline of ¥9.0 billion, or 3.6%, from the previous fiscal year. Notes and accounts payable-trade declined ¥36.5 billion from the previous fiscal year, while an increase in loans raised interest-bearing liabilities by ¥35.1 billion, to ¥54.9 billion. Termination and retirement benefits increased by ¥16.9 billion, or 26.6%, from the previous fiscal year.

Total shareholders' equity amounted to ¥298.4 billion, representing a ¥70.1 billion, or 19.0%, decrease from the previous fiscal year in addition to a net loss of ¥29.2 billion, primarily due to the strong yen and the differences from securities revaluation.

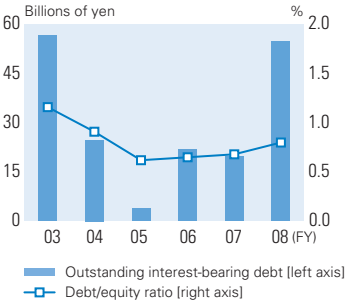
As a result, the shareholders' equity ratio decreased 4.3 percentage points to 55.4%, from 59.7% in the previous fiscal year, and the debt/equity ratio increased from 0.675 to 0.804 over the same period.

Net assets per share based on the number of shares outstanding at the end of the fiscal year was ¥1,355.41, compared to ¥1,662.32 at the end of the previous fiscal year.

Working Capital & Current Ratio



Outstanding Interest-bearing Debt & Debt/Equity Ratio



Cash Flow

Cash and cash equivalents at the end of the fiscal year amounted to ¥46.6 billion, a ¥6.0 billion increase from the end of the previous year.

Cash Flow from Operating Activities

Cash flow from operating activities decreased by ¥37.6 billion from the previous year to ¥31.4 billion, primarily due to the ¥29.2 billion net loss and the increase in the non-expenditure item of depreciation and amortization from booking impairment losses for goodwill and property, plant and equipment.

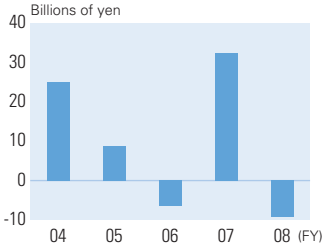
Cash Flow from Investing Activities

Cash flow from investing activities saw a net outflow of ¥40.6 billion representing a ¥3.9 billion increase in outflow from the previous fiscal year. The increase was largely due to decreased proceeds from the sale of property and equipment and this is despite limiting capital investment spending below the original plan for the year.

Cash Flow from Financing Activities

Cash flow from financing activities saw a net inflow of ¥21.9 billion, representing a ¥56.3 billion increase from the net outflow in the previous fiscal year. Inflow from the increase in loans was larger than dividend payments and other outflows.

Free Cash Flow



Business and Other Risks

Regarding a number of items described in the Status of Business and the Status of Accounting of this report, some items may pose risks and influence the Omron Group's management results and financial condition (including share price), and Omron believes that these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group's forecasts and assumptions as of June 24, 2009 (date of submission of the Securities Report).

(1) Economic Conditions

The primary business of the Omron Group is consumer and commercial electronic components used in the manufacture of electrical and electronic equipment, as well as control system equipment used by manufacturing sectors and in capital investment-related areas. Accordingly, demand for Omron Group products is affected by economic conditions in these markets.

Both in Japan and overseas, therefore, market forces affecting suppliers to, and purchasers from, the Omron Group can result in the contraction of demand for our products, thereby possibly having a negative impact on the Group's operating results and financial condition.

(2) Risks Accompanying Overseas Business Activities

The Omron Group actively conducts business activities such as production and sales in overseas markets. The Group may be subject to operating difficulties in countries outside Japan related to possible social unrest due to factors including differences in culture or religion, political turmoil and uncertainty in economic trends, differences in business customs in areas such as the structure of relationships with local businesses and collection of receivables, specific legal systems and investment regulations, changes in tax systems, labor shortages and problems in the labor-management relationship, terrorism, wars, and other political circumstances.

These risks associated with overseas operations may have a negative impact on the Omron Group's operating results and financial condition.

(3) Exchange Rate Fluctuation

The Omron Group has 120 overseas affiliated companies and continues to reinforce its business operations in overseas markets, such as China, for which major market growth is anticipated in the future. The percentage of consolidated net sales accounted for by overseas sales during fiscal 2008 was 49.7%, and Omron expects further increases in the overseas operations ratio due to factors such as production shifts. The Omron Group seeks to hedge against exchange rate risk, for example by balancing imports and exports denominated in foreign currencies. Exchange rate fluctuations, however, could have a negative impact on the Omron Group's operating results and financial condition.

(4) Product Defects

Based on its core corporate value of "Working for the benefit of society," the Omron Group has declared maximum customer satisfaction to be one of its management philosophies and implements it by providing the best quality products and services based on the Group's motto of "Quality first." In particular, the Group has established strict quality control standards and built a quality control system, and develops and manufactures its products accordingly. A Group-wide quality check system is in place for the ongoing improvement of the quality of the Group's entire line of products and services.

Nevertheless, taking into consideration of any changes arising in the clients' environment, there is no assurance that all of the Group's products are without defects, and that recalls will not occur in the future. Large-scale recalls and/or product defects resulting in liability-related damages could impose huge costs, severely influence evaluations of the Omron Group, and result in reduced sales. Such events could exert a negative impact on the Group's operating results and financial condition.

In addition, to respond to an EU directive banning the use of lead, cadmium, and certain other chemical substances in electric and electronic products in the European Union from July 2006, the Omron Group, in cooperation with its suppliers, is in the process of investigating the status of regulated chemical substances in all of the components and materials the Group uses, and is accelerating efforts to switch to substitute components and materials that do not contain regulated chemical substances with a view to completely eliminating regulated substances from all the Group's products throughout the world in order to make them more environmentally friendly. However, delays in the switchover beyond customer deadlines due to a late response by suppliers in providing substitute components and other factors could result in liability-related damages or a violation of the EU directive, which could have a negative impact on the Omron Group's operating results and financial condition.

(5) Research and Development Activities

Based on a policy of securing a balance between growth and income, the Omron Group invests aggressively in R&D as part of its technology-centered business operations for the realization of sustainable growth. As a result, the R&D expenses ratio remains at approximately 8%.

The Omron Group strives to increase the new product

contribution ratio by reflecting such considerations as market needs in its R&D projects and goals. However, factors such as delays in R&D or insufficient technological capabilities that result in a decrease in the R&D new product contribution ratio could have a negative impact on the Omron Group's operating results and financial condition.

(6) Information Leakage

The Omron Group acquires personal information and classified customer information through its business processes and acquires important information in the course of business. The Omron Group is taking steps to reinforce control over the information the Group handles and to further improve employees' information literacy, with the goal of preventing external entry into its internal information systems and misappropriation by third parties resulting from theft or loss of that information.

Unanticipated leakage of internal information, however, due for example to invasion of internal information systems using technology exceeding implemented security levels, could exert a negative impact on the Omron Group's operating results and financial condition.

(7) Risks Associated with Patent Rights and Other Intellectual Property Rights

The Omron Group conducts research on technology developed by other companies and in the public domain in the course of its R&D and design activities. A very large number of intellectual property rights exist within the Group's range of business and products, and new intellectual property rights are declared on a daily basis. The potential therefore exists that a third party could present a claim regarding one of the Group's specific products or components, which could have a negative impact on the Group's performance or financial condition.

When exercising our intellectual property rights during efforts to resolve issues related to the intellectual property rights of the Group, disputes with third parties could arise, such as oppositional tactics from the third party subject to the exercise of rights. The Omron Group takes appropriate measures to recognize and compensate employees for inventions, such as through the Employee Invention Compensation Program and the Invention Commendation Program. Disputes regarding the value of an invention can arise with inventors, including inventors who have retired from the Group.

The Omron Group has accumulated technology and expertise allowing it to differentiate its products from those of its competitors. However, the ever-increasing sophistication of counterfeit product manufacturing and sales methods and other factors make it virtually impossible to completely protect all of the Group's proprietary technology and expertise in certain regions, including China. The Group implements strategic measures to protect its intellectual property rights, but the circulation of low-quality counterfeit items fraudulently bearing the Omron brand has the potential to damage the trust in the Group's products and the Group's brand image and could have a negative impact on the Group's operating activities.

Omron has focused on brand management since its inception and in recent years has initiated prompt and appropriate countermeasures to the use of domain names similar to "Omron" that have appeared overseas. Identifying and taking action against all such fraudulent domain names that have been registered is virtually impossible. The danger exists that the same or a similar name to "Omron" could be used in a fraudulent business transaction that could damage the trust in the Group.

(8) Natural Disasters

A natural disaster, fire, or other calamity, including a large-scale earthquake in Japan's Tokai, Tonankai, or Tokyo metropolitan areas, could lead to reduced production capability or temporary disruption of distribution and sales routes. The Omron Group has implemented the necessary safety measures and taken steps to facilitate the continuity and early restoration of business operations in the case of such an event. The Group maintains operating bases in Japan and around the world, making it virtually impossible to completely avoid the risks that would arise from an unforeseen natural disaster or other calamity.

The Omron Group is also formulating action plans, including establishing policies and business continuity plans, for the entire Group as preventive measures for a worldwide flu epidemic. A rapidly spreading influenza virus that develops into a worldwide pandemic within a short period could lead to temporary closures of operating facilities and reductions in operations considered unnecessary and nonessential that could impact the Group's business activities.

Events such as the above could have a negative impact on the Group's performance or financial condition.

Consolidated Balance Sheets

Omron Corporation and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and cash equivalents	**¥ 46,631**	¥ 40,624	**$ 475,827**
Notes and accounts receivable – trade	**113,551**	166,878	**1,158,684**
Allowance for doubtful receivables	**(2,562)**	(2,211)	**(26,143)**
Inventories (Note 3)	**84,708**	95,125	**864,367**
Deferred income taxes (Note 13)	**16,522**	19,690	**168,592**
Other current assets	**17,141**	9,948	**174,908**
Total current assets	**275,991**	330,054	**2,816,235**
Property, plant and equipment:			
Land	**26,753**	27,126	**272,990**
Buildings	**120,244**	128,183	**1,226,980**
Machinery and equipment	**143,801**	167,036	**1,467,357**
Construction in progress	**9,061**	6,277	**92,459**
Total	**299,859**	328,622	**3,059,786**
Accumulated depreciation	**(167,324)**	(175,946)	**(1,707,388)**
Net property, plant and equipment	**132,535**	152,676	**1,352,398**
Investments and other assets:			
Investments in and advances to affiliates	**15,638**	16,645	**159,571**
Investment securities (Note 4)	**31,682**	39,139	**323,286**
Leasehold deposits	**7,784**	8,087	**79,429**
Deferred income taxes (Note 13)	**53,783**	28,151	**548,806**
Other (Note 6)	**20,867**	42,615	**212,928**
Total investments and other assets	**129,754**	134,637	**1,324,020**
Total	**¥ 538,280**	¥ 617,367	**$ 5,492,653**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 2) 2009
Current liabilities:			
Short-term debt (Note 8)	**¥ 32,970**	¥ 17,795	**$ 336,429**
Notes and accounts payable – trade	**58,179**	94,654	**593,663**
Accrued expenses	**24,791**	30,622	**252,969**
Income taxes payable	**711**	8,959	**7,255**
Other current liabilities (Note 13)	**17,899**	24,517	**182,643**
Current portion of long-term debt (Note 8)	**488**	522	**4,980**
Total current liabilities	**135,038**	177,069	**1,377,939**
Long-term debt (Note 8)	**21,401**	1,492	**218,378**
Deferred income taxes (Note 13)	**941**	3,887	**9,602**
Termination and retirement benefits (Note 10)	**80,443**	63,536	**820,847**
Other long-term liabilities	**476**	863	**4,857**
Minority interests in subsidiaries	**1,570**	2,018	**16,020**
Shareholders' equity (Note 11)**:**			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2009 and 2008, respectively			
Issued: 239,121,372 shares in 2009 and 2008, respectively	**64,100**	64,100	**654,082**
Capital surplus	**99,059**	98,961	**1,010,806**
Legal reserve	**9,059**	8,673	**92,439**
Retained earnings	**231,388**	266,451	**2,361,102**
Accumulated other comprehensive loss (Note 18)	**(60,744)**	(28,217)	**(619,837)**
Treasury stock, at cost — 18,958,944 shares in 2009 and 17,441,564 shares in 2008	**(44,451)**	(41,466)	**(453,582)**
Total shareholders' equity	**298,411**	368,502	**3,045,010**
Total	**¥ 538,280**	¥ 617,367	**$ 5,492,653**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Net sales	**¥ 627,190**	¥ 762,985	¥ 723,866	**$ 6,399,898**
Costs and expenses:				
Cost of sales	**408,668**	469,643	445,625	**4,170,082**
Selling, general and administrative expenses	**164,284**	176,569	164,167	**1,676,367**
Research and development expenses	**48,899**	51,520	52,028	**498,969**
Other expenses (income), net (Note 12)	**44,472**	1,087	(2,233)	**453,796**
Total	**666,323**	698,819	659,587	**6,799,214**
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**(39,133)**	64,166	64,279	**(399,316)**
Income taxes (Note 13)	**(10,495)**	24,272	25,595	**(107,092)**
Income (Loss) from continuing operations before minority interests and equity in loss of affiliates	**(28,638)**	39,894	38,684	**(292,224)**
Minority interests	**(277)**	217	238	**(2,827)**
Equity in loss of affiliates	**811**	348	1,352	**8,276**
Income (Loss) from continuing operations	**(29,172)**	39,329	37,094	**(297,673)**
Income from discontinued operations, net of tax (Note 15)	**—**	3,054	1,186	**—**
Net income (loss)	**¥ (29,172)**	¥ 42,383	¥ 38,280	**$ (297,673)**

	Yen			U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Per share data (Note 16)**:**				
Income (Loss) from continuing operations				
Basic	**¥ (132.2)**	¥ 172.5	¥ 159.8	**$ (1.35)**
Diluted	**—**	172.4	159.7	**—**
Income from discontinued operations				
Basic	**—**	13.4	5.2	**—**
Diluted	**—**	13.4	5.2	**—**
Net income (loss)				
Basic	**(132.2)**	185.9	165.0	**(1.35)**
Diluted	**—**	185.8	164.9	**—**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Net income (loss)	**¥ (29,172)**	¥ 42,383	¥ 38,280	**$ (297,673)**
Other comprehensive income (loss), net of tax (Note 18)**:**				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	**(16,537)**	(12,342)	7,907	**(168,745)**
Reclassification adjustment for the portion realized in net income	**—**	—	6	**—**
Net change in foreign currency translation adjustments during the year	**(16,537)**	(12,342)	7,913	**(168,745)**
Minimum pension liability adjustments	**—**	—	1,658	**—**
Pension liability adjustments				
Pension liability adjustments arising during the year	**(10,838)**	(6,707)	—	**(110,592)**
Reclassification adjustment for the portion realized in net income	**(487)**	(369)	—	**(4,969)**
Net change in pension liability adjustments during the year	**(11,325)**	(7,076)	—	**(115,561)**
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	**(6,722)**	(6,647)	(560)	**(68,592)**
Reclassification adjustment for losses on impairment realized in net income	**2,987**	1,315	85	**30,480**
Reclassification adjustment for net gains on sales realized in net income	**(3)**	(905)	(475)	**(31)**
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	**—**	—	(5,983)	**—**
Net unrealized gains (losses)	**(3,738)**	(6,237)	(6,933)	**(38,143)**
Net gains (losses) on derivative instruments:				
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**787**	1,178	(1,208)	**8,031**
Reclassification adjustment for net gains (losses) realized in net income	**(1,714)**	(727)	1,172	**(17,490)**
Net gains (losses)	**(927)**	451	(36)	**(9,459)**
Other comprehensive income (loss)	**(32,527)**	(25,204)	2,602	**(331,908)**
Comprehensive income (loss)	**¥ (61,699)**	¥ 17,179	¥ 40,882	**$ (629,581)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

		Millions of yen					
	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2006	249,121,372	¥ 64,100	¥ 98,724	¥ 8,082	¥ 227,791	¥ (2,971)	¥ (32,789)
Net income					38,280		
Cash dividends, ¥34 per share					(7,839)		
Transfer to legal reserve				174	(174)		
Other comprehensive income						2,602	
Adjustment to initially apply SFAS No.158 (Note 10)						(2,644)	
Acquisition of treasury stock							(11,204)
Sale of treasury stock			1				2
Exercise of stock options			10		(1)		585
Grant of stock options			93				
Balance, March 31, 2007	249,121,372	64,100	98,828	8,256	258,057	(3,013)	(43,406)
Amendment to adoption of FIN No.48					(266)		
Net income					42,383		
Cash dividends, ¥42 per share					(9,415)		
Transfer to legal reserve				417	(417)		
Other comprehensive loss						(25,204)	
Acquisition of treasury stock							(22,348)
Sale of treasury stock			1				7
Retirement of treasury stock	(10,000,000)				(23,858)		23,858
Exercise of stock options			(4)		(33)		423
Grant of stock options			136				
Balance, March 31, 2008	239,121,372	64,100	98,961	8,673	266,451	(28,217)	(41,466)
Net loss					**(29,172)**		
Cash dividends, ¥25 per share					**(5,505)**		
Transfer to legal reserve				**386**	**(386)**		
Other comprehensive loss						**(32,527)**	
Acquisition of treasury stock							**(2,995)**
Sale of treasury stock			**(3)**				**10**
Grant of stock options			**101**				
Balance, March 31, 2009	**239,121,372**	**¥ 64,100**	**¥ 99,059**	**¥ 9,059**	**¥ 231,388**	**¥ (60,744)**	**¥ (44,451)**

	Thousands of U.S. dollars (Note 2)					
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2008	$ 654,082	$ 1,009,806	$ 88,500	$ 2,718,888	$ (287,929)	$ (423,123)
Net loss				**(297,673)**		
Cash dividends, $0.26 per share				**(56,174)**		
Transfer to legal reserve			**3,939**	**(3,939)**		
Other comprehensive loss					**(331,908)**	
Acquisition of treasury stock						**(30,561)**
Sale of treasury stock		**(31)**				**102**
Grant of stock options		**1,031**				
Balance, March 31, 2009	**$ 654,082**	**$ 1,010,806**	**$ 92,439**	**$2,361,102**	**$ (619,837)**	**$ (453,582)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Operating activities:				
Net income (loss)	**¥ (29,172)**	¥ 42,383	¥ 38,280	**$ (297,673)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**33,496**	36,343	33,923	**341,796**
Net loss on sales and disposals of property, plant and equipment	**1,983**	963	6,445	**20,235**
Loss on impairment of property, plant and equipment	**21,203**	168	1,441	**216,357**
Net gain on sales of investment securities	**(64)**	(1,571)	(954)	**(653)**
Loss on impairment of investment securities and other assets	**5,401**	2,297	682	**55,112**
Loss on impairment of goodwill	**16,813**	—	—	**171,561**
Gain on contribution of securities to retirement benefit trust	**—**	—	(10,141)	**—**
Termination and retirement benefits	**(1,390)**	(1,722)	(1,403)	**(14,184)**
Deferred income taxes	**(13,895)**	(131)	3,887	**(141,786)**
Minority interests	**(277)**	217	238	**(2,827)**
Equity in loss of affiliates	**811**	348	1,352	**8,276**
Net gain on sale of business	**—**	(5,177)	—	**—**
Changes in assets and liabilities:				
Notes and accounts receivable – trade, net	**47,526**	4,977	(19,773)	**484,959**
Inventories	**5,776**	(3,002)	(13,955)	**58,939**
Other assets	**(7,689)**	644	2,248	**(78,459)**
Notes and accounts payable – trade	**(34,046)**	5,305	(5,674)	**(347,408)**
Income taxes payable	**(8,044)**	(2,663)	(2,244)	**(82,082)**
Accrued expenses and other current liabilities	**(8,290)**	(10,846)	6,480	**(84,592)**
Other, net	**1,266**	463	(293)	**12,918**
Total adjustments	**60,580**	26,613	2,259	**618,163**
Net cash provided by operating activities	**31,408**	68,996	40,539	**320,490**
Investing activities:				
Proceeds from sales or maturities of investment securities	**1,742**	3,955	1,643	**17,775**
Purchase of investment securities	**(6,151)**	(7,456)	(2,108)	**(62,765)**
Capital expenditures	**(37,477)**	(37,848)	(44,689)	**(382,418)**
Decrease (increase) in leasehold deposits	**228**	417	(9)	**2,327**
Proceeds from sales of property, plant and equipment	**1,046**	5,038	17,930	**10,673**
Acquisition of minority interests	**—**	—	(15)	**—**
Decrease (increase) in investment in and loans to affiliates	**(16)**	(850)	(1,189)	**(163)**
Proceeds from sale of business, net	**—**	8,089	—	**—**
Payment for acquisition of business entities, net	**—**	(8,026)	(18,638)	**—**
Net cash used in investing activities	**(40,628)**	(36,681)	(47,075)	**(414,571)**
Financing activities:				
Net borrowings (repayments) of short-term debt	**15,291**	(3,523)	13,812	**156,031**
Proceeds from issuance of long-term debt	**20,000**	28	242	**204,082**
Repayments of long-term debt	**(916)**	(772)	(455)	**(9,347)**
Dividends paid by the Company	**(9,507)**	(8,252)	(7,680)	**(97,010)**
Dividends paid to minority interests	**(13)**	(7)	(9)	**(133)**
Acquisition of treasury stock	**(2,995)**	(22,348)	(11,204)	**(30,561)**
Sale of treasury stock	**7**	7	3	**71**
Exercise of stock options	**—**	386	594	**—**
Net cash used in financing activities	**21,867**	(34,481)	(4,697)	**223,133**
Effect of exchange rate changes on cash and cash equivalents	**(6,640)**	(205)	1,943	**(67,755)**
Net increase (decrease) in cash and cash equivalents	**6,007**	(2,371)	(9,290)	**61,296**
Cash and cash equivalents at beginning of the year	**40,624**	42,995	52,285	**414,531**
Cash and cash equivalents at end of the year	**¥ 46,631**	¥ 40,624	¥ 42,995	**$ 475,827**

See notes to consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Omron Corporation (the "Company") is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications and control technologies. The Company conducts business in over 30 countries around the world and strategically manages its worldwide operations through five regional management centers in Japan, North America, Europe, Asia-Pacific and Greater China. Products, classified by type and market, are organized into five major business segments and an "Others" segment, as described below.

Industrial Automation Business (IAB) manufactures and sells control components and systems including programmable logic controllers, sensors and switches used in automatic systems in industry. In the global market, the Company offers many services, such as those involving labor-saving automation, environmental protection, safety improvement, and inspection-automization solutions for highly developed production systems.

Electronic Components Business (ECB) manufactures and sells electric and electronic components found in such consumer goods as home appliances as well as such business equipment as telecommunications systems, vending machines and office equipment.

Automotive Electronic Components Business (AEC) develops and produces automotive electronic components and other equipment for automakers and automotive electronic components manufacturers throughout the world.

Social Systems Solutions Business (SSB) encompasses the sale of card authorization terminals, ticket gates, automated ticket vending machines, electronic panels and terminal displays for traffic information and monitoring purposes, mainly for the domestic market.

Healthcare Business (HCB) sells blood pressure monitors, digital thermometers, body composition monitors, nebulizers, electronic therapy and other devices aimed at both the consumer and institutional markets.

Others consists of businesses with high growth potential. The group provides the peripheral equipment used in office automation equipment, modems, scanners and uninterrupted power supplies and energy consumption monitoring services in environmental fields.

Basis of Financial Statements

The accompanying consolidated financial statements, stated in Japanese yen, include certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States of America, except for the omission of segment information required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information." Certain reclassifications have been made to amounts previously reported in order to conform to 2009 classifications.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (together the "Companies"). All significant intercompany accounts and transactions have been eliminated.

Investments in which the Companies have a 20% to 50% interest (affiliates) are accounted for using the equity method.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, and securities purchased with resale agreements and money market instruments.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

Marketable Securities and Investments

The Companies classify all of their marketable debt and equity securities as available-for-sale. Available-for-sale securities are carried at market value with the corresponding recognition of net unrealized holding gains and losses as a separate component of accumulated other comprehensive income (loss), net of related taxes, until recognized. If necessary, individual securities classified as available-for-sale are reduced to fair value by a charge to income in the period in which the decline is deemed to be other than temporary. The Companies principally consider that an other-than-temporary impairment has occurred when the decline in fair value below the carrying value continues for over nine consecutive months. The Companies may also consider other factors, including their ability and intent to hold the applicable investment securities until maturity, and the severity of the decline in fair value.

Other investments are stated at the lower of cost or estimated net realizable value. The cost of securities sold is determined on the average cost basis.

Inventories
Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or market. Also overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or market.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment has been computed principally on a declining balance method based upon the estimated useful lives of the assets. The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment.

Goodwill and Other Intangible Assets
The Companies account for their goodwill and other intangible assets in accordance with SFAS No.142, "Goodwill and Other Intangible Assets," which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. SFAS No.142 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment until its life is determined to no longer be indefinite.

Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of other than by sale are considered held and used until disposed of. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Costs
Advertising costs are charged to earnings as incurred. Advertising expense was ¥7,146 million ($72,918 thousand), ¥8,648 million and ¥9,600 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Shipping and Handling Charges
Shipping and handling charges were ¥7,399 million ($75,500 thousand), ¥8,121 million and ¥8,571 million for the years ended March 31, 2009, 2008 and 2007, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

Termination and Retirement Benefits
Termination and retirement benefits are accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Post retirement Plans" based on the fiscal year-end fair value of plan assets and the projected benefit obligations of employees, and are disclosed in accordance with SFAS No.132 (revised 2003), "Employers' Disclosures about Pensions and Other Post retirement Benefits" and SFAS No.158. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Company.

Income Taxes
Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards and tax credit carryforwards. Future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, are recognized to the extent that such benefits are more likely than not to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Companies adopted FASB Interpretation ("FIN") No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109," for the year beginning after April 1, 2007. The amount of tax benefit related to tax position were recognized greater than 50 percent likely of being realized based on available information at the reporting date.

The Company and certain domestic subsidiaries compute current income taxes based on the consolidated taxable income as permitted by Japanese tax regulations for the year beginning after April 1, 2006.

Product Warranties
A liability for the estimated warranty related cost is established at the time revenue is recognized and is included in other current liabilities. The liability is established using historical information including the nature, frequency, and average cost of warranty claims.

Derivatives
Derivative instruments and hedging activities are accounted for in accordance with SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133," SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," and SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No.133." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

For foreign exchange forward contracts, foreign currency swaps and interest rate swaps on the date the deriv-

ative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge or "foreign currency" hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow or foreign currency hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies' policy, all foreign exchange forward contracts, foreign currency swaps and interest rate swaps entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow or foreign currency hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

Cash Dividends

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Resulting dividends payable are included in Other current liabilities in the consolidated balance sheets.

Revenue Recognition

The Companies recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred, the sales price is fixed or determinable, and collectibility is probable. These criteria are met when products are received by customers or services are performed.

Stock-Based Compensation

The Companies applied revised SFAS No.123, "Share Based Payment," and recognized a stock-based compensation cost measured by the fair value method.

New Accounting Standards

In December 2007, the FASB issued SFAS No.141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS 141R will not have a material impact on the Companies' consolidated financial statements.

In December 2007, the FASB issued SFAS No.160, "Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No.51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments then a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS 160 will not have a material impact on the Companies' consolidated financial statements.

In March 2008, the FASB issued SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No.133" ("SFAS 161"). SFAS 161 amends and expands the current disclosures required by SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires to provide greater transparency about how and why an company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its interpretations, and how derivative instruments and related hedged items affect a company's financial position, results of operations and cash flows. SFAS 161 does not change the existing standards relative to recognition and measurement of derivative instruments and hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS 161 will not have a material impact on the Companies' consolidated financial statements. See Note 20 for the disclosures required by SFAS161.

In December 2008, the FASB issued FSP FAS No.132(R)-1,"Employers' Disclosures about Post retirement Benefit Plan Assets" ("FSP 132R-1"). FSP 132R-1 requires additional disclosures about plan assets including investment allocation, fair value of major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132R-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132R-1 will not have a material impact on the Companies' consolidated financial statements.

In May 2009, the FASB issued SFAS No.165, "Subsequent Events" ("SFAS 165"). SFAS 165 defines disclosures about the date through which companies have evaluated subsequent events and the nature and financial effect of nonrecognized subsequent events. SFAS 165 is effective for fiscal year ending after June 15, 2009. The adoption of SFAS 165 will not have a material impact on the Companies consolidated financial statements.

2. Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of the readers outside of Japan and has been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products	**¥ 49,122**	¥ 53,128	**$ 501,245**
Work-in-process	**13,068**	16,656	**133,347**
Materials and supplies	**22,518**	25,341	**229,775**
Total	**¥ 84,708**	¥ 95,125	**$ 864,367**

4. Marketable Securities and Investments

Investment securities include debt and marketable equity securities and consist of available-for-sale and held-to-maturity securities. Cost, gross unrealized holding gains and losses and fair value of the securities at March 31,2009 and 2008 were as follows:

	Millions of yen							
	2009				2008			
	Cost (*)	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities	**¥ 19**	**¥ —**	**¥ —**	**¥ 19**	¥ 1,541	¥ —	¥ —	¥ 1,541
Equity securities	**20,602**	**7,042**	**(1,237)**	**26,407**	20,802	12,932	(662)	33,072
Total available-for-sale securities	**¥ 20,621**	**¥ 7,042**	**¥ (1,237)**	**¥ 26,426**	¥ 22,343	¥ 12,932	¥ (662)	¥ 34,613

	Thousands of U.S. dollars			
	2009			
	Cost (*)	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Available-for-sale securities				
Debt securities	**$ 194**	**$ —**	**$ —**	**$ 194**
Equity securities	**210,224**	**71,857**	**(12,622)**	**269,459**
Total available-for-sale securities	**$ 210,418**	**$ 71,857**	**$ (12,622)**	**$ 269,653**

(*) Cost represents amortized cost for debt securities and acquisition cost for equity securities.

	Millions of yen				Thousands of U.S. dollars			
	2009							
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Amortized Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Held-to-maturity securities								
Debt securities	**¥ 200**	**¥ —**	**¥ —**	**¥ 200**	**$ 2,041**	**$ —**	**$ —**	**$ 2,041**

Maturities of debt securities classified as available-for-sale and held-to-maturity securities at March 31 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due after one year through five years	¥ 119	¥ 119	¥ 41	¥ 41	$ 1,214	$ 1,214
Due over five years	¥ 100	¥ 100	¥ 1,500	¥ 1,500	$ 1,020	$ 1,020

Gross unrealized holding losses and fair value of certain available-for-sale, equity securities, aggregated by length of time that such securities have been in a continuous unrealized loss position at March 31 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 months						
Equity securities	¥ 3,740	¥ (1,237)	¥ 6,270	¥ (662)	$ 38,163	$ (12,622)

Proceeds from sales of available-for-sale securities were ¥26 million ($265 thousand), ¥3,403 million and ¥976 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Gross realized gains on sales were ¥7 million ($71 thousand), ¥1,534 million and ¥805 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Realized losses on sales were ¥1 million ($10 thousand) for the years ended March 31, 2009, and there were no gross realized losses on sales for the years ended March 31, 2008 and 2007.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥5,062 million ($51,653 thousand), ¥2,228 million and ¥144 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥5,256 million ($53,633 thousand) and ¥4,526 million at March 31, 2009 and 2008, respectively. Investments with an aggregate cost of ¥5,105 million ($52,092 thousand) were not evaluated for impairment because (a) the Companies did not estimate the fair value of those investments as it was not practicable to do so and (b) the Companies did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

5. Acquisition

In August 2006, the Company acquired 100% of the issued common stock of Pioneer Precision Machinery Corporation (now Omron Precision Technology Co., Ltd., "OPT") for cash in the aggregate amount of ¥7,721 million.

This acquisition was to expand and strengthen LCD backlights business from small-size to large-size.

The consolidated financial statements for the year ended March 31, 2007 include the operating results of OPT from the date of acquisition. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen
Current assets	¥ 18,299
Property, plant and equipment	3,788
Investments and other assets (*)	3,855
Current liabilities	(16,284)
Long term liabilities	(1,937)
Net assets acquired	¥ 7,721

(*) Investments and other assets include acquired goodwill of ¥2,179 million.

In September 2006, Omron Management Center of America, Inc., a subsidiary of the Company, acquired 100% of the issued common stock of Scientific Technologies Incorporated (now Omron Scientific Technologies Incorporated, "OSTI") for cash in the aggregate amount of ¥11,667 million.

This acquisition was to fulfill line-up of safety equipment, expand safety business and create cutting-edge equipment.

The consolidated financial statements for the year ended March 31, 2007 include the operating results of OSTI from the date of acquisition. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen
Current assets	¥ 2,463
Property, plant and equipment	458
Investments and other assets (*)	11,360
Current liabilities	(795)
Long term liabilities	(1,819)
Net assets acquired	¥ 11,667

(*) Investments and other assets include acquired goodwill of ¥7,044 million.

In June 2007, the Company acquired 95% of the issued common stock of Laserfront Technologies Co., Ltd. (now Omron Laserfront Inc., "OLFT") for cash in the aggregate amount of ¥8,099 million.

This acquisition was to expand laser business by enhancing line-up of products focusing on laser processing technology.

The consolidated financial statements for the year ended March 31, 2008 include the operating results of OLFT from July 2007. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen
Current assets	**¥ 6,186**
Property, plant and equipment	**619**
Investments and other assets (*)	**7,354**
Current liabilities	**(3,863)**
Long term liabilities	**(1,940)**
Minority interest	**(257)**
Net assets acquired	**¥ 8,099**

(*) Investments and other assets include acquired goodwill of ¥3,668 million

6. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		**2009**	
	Gross amount	**Accumulated amortization**	Gross amount	Accumulated amortization	**Gross amount**	**Accumulated amortization**
Intangible assets subject to amortization:						
Software	**¥ 30,280**	**¥ 21,900**	¥ 38,875	¥ 25,210	**$ 308,980**	**$ 223,469**
Other	**3,458**	**2,535**	4,416	2,845	**35,285**	**25,868**
Total	**¥ 33,738**	**¥ 24,435**	¥ 43,291	¥ 28,055	**$ 344,265**	**$ 249,337**

Aggregate amortization expense related to intangible assets was ¥6,462 million ($65,939 thousand), ¥6,769 million and ¥5,762 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	**¥ 3,745**	**$ 38,214**
2011	**2,722**	**27,776**
2012	**1,525**	**15,561**
2013	**746**	**7,612**
2014	**178**	**1,816**

Intangible assets not subject to amortization at March 31, 2009 and 2008 were immaterial.

The carrying amount of goodwill at March 31, 2009 and 2008 and changes in its carrying amount for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 22,236**	¥ 19,021	**$ 226,898**
Acquisition	**—**	4,131	**—**
Impairment	**(16,813)**	—	**(171,561)**
Foreign currency translation adjustments and other	**(1,455)**	(916)	**(14,847)**
Balance at end of year	**¥ 3,968**	¥ 22,236	**$ 40,490**

In accordance with SFAS No.142, the Companies recognized the impairment losses for the fiscal year ended March 31, 2009 related to goodwill allocated to the reporting units of Industrial Automation business, Electronic Components Business, Automotive Electronic Component Business and Healthcare Business. The amounts were ¥9,406 million ($95,980 thousand), ¥191 million ($1,949 thousand), ¥662 million ($6,755 thousand) and ¥6,554 million ($66,878 thousand), respectively. Due to the sharp deterioration of business environment in automobile sector, FPD sector and medical equipment sector, the fair value of the associated reporting unit was decreased. The impairment losses are included in other expenses (income), net in the consolidated financial statements of operations. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

7. Impairment loss on Long-lived Assets

In accordance with SFAS No.144, the Companies recognized the impairment losses for the fiscal year ended March 31, 2009 on long-lived assets in Industrial Automation business, Electronic Components Business, Automotive Electronic Component Business and Other Business. The amounts were ¥5,361 million ($54,704 thousand), ¥5,788 million ($59,061 thousand), ¥9,699 million ($98,969 thousand) and ¥355 million ($3,622 thousand), respectively. Due to the sharp deterioration of the business environment in the automobile, FPD and semiconductor sectors, the carrying amount of the certain groups of assets exceeded their fair value. The impairment losses are included in other expenses (income), net in the consolidated financial statements of operations. The fair value of the group assets was estimated using the expected present value of future cash flows.

8. Short-Term Debt and Long-Term Debt

Short-term debt at March 31 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Commercial Paper			
The weighted average annual interest rates	**¥ 31,000**	¥ 16,000	**$ 316,327**
2008 0.8%			
2009 0.8%			
Unsecured debt:			
The weighted average annual interest rates	**1,970**	1,795	**20,102**
2008 5.1%			
2009 3.9%			
Total	**¥ 32,970**	¥ 17,795	**$ 336,429**

Long-term debt at March 31 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unsecured debt:			
The weighted average annual interest rates	**¥ 20,000**	¥ 384	**$ 204,082**
2008 2.9%			
2009 1.3%			
Other	**1,889**	1,630	**19,276**
Total	**21,889**	2,014	**223,358**
Less portion due within one year	**488**	522	**4,980**
Long-term debt, less current portion	**¥ 21,401**	¥ 1,492	**$ 218,378**

The annual maturities of long-term debt outstanding at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	**¥ 488**	**$ 4,979**
2011	**20,049**	**204,582**
2012	**49**	**500**
2013	**50**	**510**
2014	**52**	**531**
Thereafter	**1,201**	**12,255**
Total	**¥ 21,889**	**$ 223,357**

As is customary in Japan, additional security must be given if requested by a lending bank, and banks have the right to offset cash deposited with them against any debt or obligation that becomes due and, in case of default and certain other specified events, against all debt payable to the banks. The Companies have never received any such requests.

As is also customary in Japan, the Company and domestic subsidiaries maintain deposit balances with banks with which they have short- or long-term debt. Such deposit balances are not legally or contractually restricted as to withdrawal.

Total interest cost incurred and charged to expense for the years ended March 31, 2009, 2008 and 2007 amounted to ¥1,257million ($12,827 thousand), ¥1,537 million and ¥1,116 million, respectively.

9. Leases

The Companies do not have any material capital lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Leases that expire generally are expected to be renewed or replaced by other leases. At March 31, 2009, future minimum rental payments applicable to non-cancelable leases having initial or remaining non-cancelable lease terms in excess of one year were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	**¥ 2,724**	**$ 27,796**
2011	**2,343**	**23,908**
2012	**1,963**	**20,031**
2013	**1,725**	**17,602**
2014	**1,474**	**15,041**
Thereafter	**7,746**	**79,040**
Total	**¥ 17,975**	**$ 183,418**

Rental expense amounted to ¥13,787 million ($140,684 thousand), ¥13,292 million and ¥12,598 million for the years ended March 31, 2009, 2008 and 2007, respectively.

10. Termination and Retirement Benefits

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees. Benefits were based on the employee's years of service, with some plans considering compensation and certain other factors. The Company, effective from April 2004, and its domestic subsidiaries, effective from April 2005, introduced an amended plan to establish a new formula for determining pension benefits including a "point-based benefits system," under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and performance. If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligations under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law. The Company and substantially all domestic subsidiaries had a contributory termination and retirement plan which was interrelated with the Japanese government social welfare program and consisted of a substitutional portion requiring employee and employer contributions plus an additional portion established by the employers.

Periodic pension benefits required under the substitutional portion were prescribed by the Japanese Ministry of Health, Labour and Welfare, commence at age 65 and continue until the death of the surviving spouse. Benefits under the additional portion were usually paid in a lump sum at the earlier of termination or retirement although periodic payments were available under certain conditions.

On March 31, 2007, the Companies adopted the recognition and disclosure provisions of SFAS No.158. SFAS No.158 required the Companies to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of their pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss) as pension liability adjustments. Before adoption of SFAS No.158, an additional minimum pension liability was recognized based on a plan's accumulated benefit obligation (projected benefit obligation, less future compensation increase), pursuant to SFAS No.87.

Obligations and Funded Status

The following table is the reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 159,025**	¥ 154,529	**$ 1,622,704**
Service cost, less employees' contributions	**3,976**	3,992	**40,571**
Interest cost	**3,180**	3,091	**32,449**
Actuarial loss	**2,877**	2,772	**29,358**
Benefits paid	**(5,064)**	(4,306)	**(51,673)**
Settlement paid	**(1,042)**	(1,053)	**(10,633)**
Benefit obligation at end of year	**¥ 162,952**	¥ 159,025	**$ 1,662,776**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 89,729**	¥ 93,462	**$ 915,602**
Actual return on plan assets	**(9,723)**	(4,516)	**(99,214)**
Employers' contributions	**5,272**	5,120	**53,796**
Benefits paid	**(3,991)**	(3,284)	**(40,724)**
Settlement paid	**(1,042)**	(1,053)	**(10,633)**
Fair value of plan assets at end of year	**¥ 80,245**	¥ 89,729	**$ 818,827**
Fair value of assets in retirement benefit trust at beginning of year	**10,828**	13,750	**110,490**
Actual return on assets in retirement benefit trust	**(3,788)**	(2,922)	**(38,653)**
Fair value of assets in retirement benefit trust at end of year	**¥ 7,040**	¥ 10,828	**$ 71,837**
Funded status at end of year	**¥ (75,667)**	¥ (58,468)	**$ (772,112)**

Amounts recognized in the consolidated balance sheet at March 31, consist of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Termination and retirement benefit	**¥ (75,667)**	¥ (58,468)	**$ (772,112)**

Amounts recognized in accumulated other comprehensive income (loss) at March 31, consist of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Net actuarial loss	**¥ 87,474**	¥ 70,637	**$ 892,592**
Prior service cost	**(17,855)**	(19,708)	**(182,194)**
	¥ 69,619	¥ 50,929	**$ 710,398**

The accumulated benefit obligation at March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Accumulated benefit obligation	**¥ 158,225**	¥ 154,412	**$ 1,614,541**

Components of net Periodic Benefit Cost

The expense recorded for the contributory termination and retirement plans included the following components for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost, less employees' contributions	**¥ 3,976**	¥ 3,992	¥ 3,954	**$ 40,571**
Interest cost on projected benefit obligation	**3,180**	3,091	3,091	**32,449**
Expected return on plan assets	**(3,128)**	(2,955)	(3,411)	**(31,918)**
Amortization	**826**	625	612	**8,429**
Net periodic benefit cost	**¥ 4,854**	¥ 4,753	¥ 4,246	**$ 49,531**

The unrecognized net actuarial loss and the prior service benefit are being amortized over 15 years.

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2010 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	**¥ 2,725**	**$ 27,806**
Prior service cost	**(1,853)**	**(18,908)**

Measurement Date

The Company and certain of its domestic subsidiaries use March 31 as the measurement date for projected benefit obligation and plan assets of the termination and retirement benefits.

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31, 2009 and 2008 are as follows:

	2009	2008
Discount rate	**2.0%**	2.0%
Compensation increase rate	**2.0%**	2.0%

Weighted-average assumptions used to termination and retirement benefit cost for the years ended March 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Discount rate	**2.0%**	2.0%	2.0%
Compensation increase rate	**2.0%**	2.0%	2.0%
Expected long-term rate of return on plan assets	**3.0%**	3.0%	3.0%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

Plan Assets

The Company's pension plan weighted-average asset allocation (except for assets in retirement benefit trust) by asset category is as follows:

	2009	2008
Asset category		
Cash	**0.9%**	1.7%
Equity securities	**19.4%**	16.3%
Debt securities	**44.5%**	48.4%
Life insurance company general accounts	**17.1%**	14.6%
Other	**18.1%**	19.0%
Total	**100.0%**	100.0%

The assets in the retirement benefit trust at March 31, 2009 and 2008 consisted of 95.3%, 98.1% equity securities, respectively, and consisted of 4.7%, 1.9% other, respectively.

The Company investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio comprised of the optimal combination of equity and debt securities in order to produce a total return that will match the expected return on a mid-term to long-term basis.

Target allocation of plan assets is 20% equity securities, 66% debt securities and life insurance company general account and 14% other for both 2009 and 2008.

The Company evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the model portfolio. The Company revises the model portfolio to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Equity securities include a common stock of the Company in the amounts of ¥6 million ($61 thousand) (0.01% of total domestic plan assets), and ¥4 million (0.00% of total domestic plan assets) at March 31, 2009, and 2008, respectively.

Cash Flows

Contributions

The Companies expect to contribute ¥8,567 million ($87,418 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2010.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	**¥ 6,114**	**$ 62,388**
2011	**7,215**	**73,622**
2012	**6,880**	**70,204**
2013	**7,054**	**71,980**
2014	**6,805**	**69,439**
2015-2019	**35,983**	**367,173**

Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets were ¥2,691 million ($27,459 thousand) and ¥2,135 million ($21,786 thousand), respectively, at March 31, 2009 and ¥2,891 million and ¥2,691 million, respectively, at March 31, 2008.

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits are paid at the earlier of the employee's termination or mandatory retirement age, except for payments to directors and corporate auditors which require approval by the shareholders before payment. The Companies record provisions for termination benefits sufficient to state the liability equal to the plans' vested benefits, which exceed the plans' accumulated benefit obligations.

The aggregate liability for the termination plans excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2009 and 2008 was ¥4,776 million ($48,735 thousand) and ¥5,068 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2009, 2008 and 2007 was ¥702 million ($7,163 thousand), ¥258 million and ¥1,167 million, respectively.

11. Shareholders' Equity

Japanese companies are subjected to the Corporate Law.

The Corporate Law requires that all shares of common stock be issued with no par value and at least 50% of amount paid of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Corporate Law permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Corporate Law also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Corporate Law, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Corporate Law was ¥36,549 million ($372,949 thousand) at March 31, 2009, based on the amount recorded in the parent company's general books of account.

Stock Options

The Companies has authorized the grant of options to purchase common stock of the Company to certain directors and executive officers of the Company under a fixed stock option plan.

Under the above plan, the exercise price of each option exceeded the market price of the Company's common stock on the date of grant and the options expire 5 years after the date of the grant. Generally, options become fully vested and exercisable after 2 years. A summary of the Company's fixed stock option plan activity and related information for the years ended March 31, 2009 is as follows:

		Yen	
Fixed options	Shares	Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at April 1, 2006	973,000	¥ 2,384	
Granted	217,000	3,031	¥ 539
Exercised	(260,000)	2,284	
Expired	(25,000)	2,306	
Options outstanding at March 31, 2007	905,000	¥ 2,570	
Granted	237,000	3,432	¥ 744
Exercised	(181,000)	2,131	
Expired	(3,000)	1,913	
Options outstanding at March 31, 2008	958,000	¥ 2,868	
Granted	**—**	**—**	**¥ —**
Exercised	**—**	**—**	
Expired	**(120,000)**	**2,435**	
Options outstanding at March 31, 2009	**838,000**	**¥ 2,930**	
Options exercisable at March 31, 2009	**601,000**	**¥ 2,733**	

		U.S. dollars	
Fixed options	Shares	Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2008	958,000	$ 29.27	
Granted	**—**	**—**	**$ —**
Exercised	**—**	**—**	
Expired	**(120,000)**	**24.85**	
Options outstanding at March 31, 2009	**838,000**	**$ 29.90**	
Options exercisable at March 31, 2009	**601,000**	**$ 27.89**	

The following summarizes information about fixed stock options at March 31, 2009:

	Shares	Weighted-average remaining contractual life	Range of exercise prices		Weighted-average exercise price	
			Yen	U.S. dollars	Yen	U.S. dollars
Options outstanding	**838,000**	**1.86 years**	**¥ 2,550 to ¥ 3,432**	**$ 26.02 to $ 35.02**	**¥ 2,930**	**$ 29.90**
Options exercisable	**601,000**	**1.31 years**	**¥ 2,550 to ¥ 3,031**	**$ 26.02 to $ 30.93**	**¥ 2,733**	**$ 27.89**

The fair value of each option grant was estimated as of the grant date using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007
Risk-free interest rate	1.343%	1.540%
Volatility	27.8%	28.0%
Dividend yield	1.166%	1.068%
Expected life	3.5 years	3.5 years

No fixed stock options were granted for the years ended March 31, 2009.

The Black-Scholes option valuation model used by the Company was developed for use in estimating the fair value of fully tradable options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. It is management's opinion that the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Stock-based compensation cost recognized for the year ended March 31, 2009 was ¥101 million ($1,031 thousand). As of March 31, 2009, total compensation cost related to nonvested options and not yet recognized was ¥24 million ($245 thousand), and the weighted-average period over which it is expected to be recognized is 0.25 years.

There were no cash received from options exercised under the plan for the year ended March 31, 2009.

When options are exercised, the Company will grant the Company's treasury stock.

12. Other Expenses (Income), net

Other expenses (income), net for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net loss on sales and disposals of property, plant and equipment	**¥ 1,983**	¥ 963	¥ 6,427	**$ 20,235**
Loss on impairment of property, plant and equipment	**21,203**	168	1,441	**216,357**
Loss on impairment of investment securities and other assets	**5,401**	2,297	682	**55,112**
Loss on impairment of goodwill	**16,813**	—	—	**171,561**
Net gain on sales of investment securities	**(64)**	(1,571)	(954)	**(653)**
Gain on contribution of securities to retirement benefit trust	**—**	—	(10,141)	**—**
Interest income, net	**(173)**	(828)	(710)	**(1,765)**
Foreign exchange loss, net	**(1,060)**	1,251	1,086	**(10,816)**
Dividend income	**(786)**	(525)	(654)	**(8,020)**
Other, net	**1,155**	(668)	590	**11,785**
Total	**¥ 44,472**	¥ 1,087	¥ (2,233)	**$ 453,796**

13. Income Taxes

The provision for income taxes for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Current income tax expense	**¥ 3,400**	¥ 24,403	¥ 21,688	**$ 34,694**
Deferred income tax expenses, exclusive of the following	**(14,866)**	(367)	3,541	**(151,694)**
Change in the valuation allowance	**971**	236	366	**9,908**
Total	**¥ (10,495)**	¥ 24,272	¥ 25,595	**$ (107,092)**

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 41.0% in 2009, 2008 and 2007.

The effective income tax rates of the Companies differ from the normal Japanese statutory rates as follows for the years ended March 31:

	2009	2008	2007
Normal Japanese statutory rates	**41.0%**	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
Permanently non-deductible items	**(1.6)**	0.9	0.5
Tax credit for research and development expenses	**1.2**	(4.6)	(4.0)
Losses of subsidiaries for which no tax benefit was provided	**(11.9)**	1.0	3.7
Difference in subsidiaries' tax rates	**6.7**	(1.7)	(2.0)
Change in the valuation allowance	**(7.1)**	0.4	0.6
Other, net	**(1.5)**	0.8	0.0
Effective tax rates	**26.8**	37.8	39.8

The approximate effect of temporary differences and tax credit and loss carry forwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		**2009**	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities	**Deferred tax assets**	**Deferred tax liabilities**
Inventory valuation	**¥ 6,145**	**¥ —**	¥ 7,788	¥ —	**$ 62,704**	**$ —**
Accrued bonuses and vacations	**4,626**	**—**	5,913	—	**47,204**	**—**
Termination and retirement benefits	**6,446**	**—**	7,023	—	**65,776**	**—**
Enterprise taxes	**—**	**246**	1,001	—	**—**	**2,510**
Marketable securities	**—**	**1,350**	—	3,673	**—**	**13,776**
Property, plant and equipment	**4,607**	**—**	849	—	**47,010**	**—**
Allowance for doubtful receivables	**3,018**	**—**	1,195	—	**30,796**	**—**
Pension liability adjustment	**28,544**	**—**	20,881	—	**291,265**	**—**
Other temporary differences	**13,683**	**3,888**	8,632	5,704	**139,623**	**39,673**
Tax credit carryforwards	**4,275**	**—**	5,025	—	**43,622**	**—**
Operating loss carryforwards	**13,691**	**—**	3,483	—	**139,704**	**—**
Subtotal	**¥ 85,035**	**¥ 5,484**	¥ 61,790	¥ 9,377	**$ 867,704**	**$ 55,959**
Valuation allowance	**(10,343)**	**—**	(8,591)	—	**(105,541)**	**—**
Total	**¥ 74,692**	**¥ 5,484**	¥ 53,199	¥ 9,377	**$ 762,163**	**$ 55,959**

The total valuation allowance increased by ¥1,752 million ($17,878 thousand) in 2009 and decreased by ¥235 million in 2008.

As of March 31, 2009, certain subsidiaries had operating loss carryforwards approximating ¥45,780 million ($467,143 thousand) available for reduction of future taxable income, the majority of which expire by 2015.

The Company has not provided for Japanese income taxes on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. Under Japanese Tax Reform on March, 2009, up to 95% of a dividend received by a company from the foreign subsidiaries is free of tax. As a result, the accumulated unremitted earnings of the foreign subsidiaries which the Company has not recognized deferred tax liabilities were ¥71,174 million ($726,265 thousand) and ¥63,180 million at March 31, 2009 and 2008, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

The Companies adopted FIN No.48 for the year beginning April 1, 2007. As a result of this adoption, the Companies decreased ¥266 million of the beginning retained earnings. The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2009 is not material to its result of operations, financial condition or cash flows.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of operations.

The companies file income tax returns in Japanese and foreign jurisdictions. With few exceptions, tax examinations in Japan for the year on and before ended March 31, 2007 have been finished. With few exceptions, tax examinations in foreign countries for the year on and before ended March 31, 2003 have been finished.

14. Foreign Operations

Net sales and total assets of foreign subsidiaries for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales	**¥ 299,127**	¥ 374,399	¥ 324,509	**$ 3,052,316**
Total assets	**¥ 205,199**	¥ 257,151	¥ 263,900	**$ 2,093,867**

15. Discontinued Operations

On April 1, 2007, the Company sold the entire business of Omron Entertainment Co., Ltd, which had been a consolidated subsidiary, to a third party. In accordance with SFAS No.144, the Companies presented the gains (net of tax) of its disposal business and the results of discontinued operations (including operations of subsidiaries that either have been disposed of or classified as held for sale) as separate line item in the consolidated statements of operations under "Income from discontinued operations, net of tax." Prior years' consolidated statements of operations including segment information and other related matters were restated to compare with the consolidated statements of operations for the year ended March 31, 2009. On the other hand, the cash flows attributable to the operating, investing and financing activities of the discontinued operations were not presented separately from the cash flows attributable to activities of the continuing operations.

The Companies have no continuing involvement with the business of Omron Entertainment Co., Ltd.

The following table summarizes selected financial information for the years ended March 31, 2008 and 2007 for the discontinued operations.

	Millions of yen	
	2008	2007
Net sales	¥ —	¥ 12,785
Cost of sales and expenses	—	10,776
Income from discontinued operations before income taxes	—	2,009
Net gain on sales of business entities	5,177	—
Income taxes	2,123	823
Income from discontinued operations, net of tax	¥ 3,054	¥ 1,186

16. Per Share Data

The Company accounts for its net income per share in accordance with SFAS No.128, "Earnings per Share." Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution of convertible bonds and stock options, and has been computed by the if-converted method for convertible bonds and by the treasury stock method for stock options.

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income from continuing operations	**¥ (29,172)**	¥ 39,329	¥ 37,094	**$ (297,673)**
Diluted income from continuing operations	**¥ (29,172)**	¥ 39,329	¥ 37,094	**$ (297,673)**

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income from discontinued operations	**¥ —**	¥ 3,054	¥ 1,186	**$ —**
Diluted income from discontinued operations	**¥ —**	¥ 3,054	¥ 1,186	**$ —**

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net income	**¥ (29,172)**	¥ 42,383	¥ 38,280	**$ (297,673)**
Diluted income	**¥ (29,172)**	¥ 42,383	¥ 38,280	**$ (297,673)**

	2009	2008	2007
Weighted average common shares outstanding	**220,747,962**	228,005,106	232,059,070
Dilutive effect of:			
Stock options	**—**	61,624	153,918
Diluted common shares outstanding	**220,747,962**	228,066,730	232,212,988

17. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Interest paid	**¥ 1,257**	¥ 1,536	¥ 1,130	**$ 12,827**
Income taxes paid	**18,776**	27,216	24,591	**191,592**
Non-cash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	**1,567**	2,202	2,977	**15,990**
Fair value of securities contributed to retirement benefit trust	**—**	—	16,019	**—**
Decrease in retained earnings as a result of extinguishment of treasury stock	**—**	23,858	—	**—**

18. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Foreign currency translation adjustments:				
Beginning balance	**¥ (5,782)**	¥ 6,560	¥ (1,353)	**$ (59,000)**
Change for the year	**(16,537)**	(12,342)	7,913	**(168,745)**
Ending balance	**(22,319)**	(5,782)	6,560	**(227,745)**
Minimum pension liability adjustments:				
Beginning balance	**—**	—	(21,183)	**—**
Change for the year	**—**	—	1,658	**—**
Adjustment to initially apply SFAS No.158	**—**	—	19,525	**—**
Ending balance	**—**	—	—	**—**
Pension liability adjustments:				
Beginning balance	**(29,245)**	(22,169)	—	**(298,418)**
Change for the year	**(11,325)**	(7,076)	—	**(115,562)**
Adjustment to initially apply SFAS No.158	**—**	—	(22,169)	**—**
Ending balance	**(40,570)**	(29,245)	(22,169)	**(413,980)**
Unrealized gains (losses) on available-for-sale securities:				
Beginning balance	**6,501**	12,738	19,671	**66,337**
Change for the year	**(3,738)**	(6,237)	(6,933)	**(38,143)**
Ending balance	**2,763**	6,501	12,738	**28,194**
Net gains (losses) on derivative instruments:				
Beginning balance	**309**	(142)	(106)	**3,153**
Change for the year	**(927)**	451	(36)	**(9,459)**
Ending balance	**(618)**	309	(142)	**(6,306)**
Total accumulated other comprehensive loss:				
Beginning balance	**(28,217)**	(3,013)	(2,971)	**(287,929)**
Change for the year	**(32,527)**	(25,204)	2,602	**(331,908)**
Adjustment to initially apply SFAS No.158	**—**	—	(2,644)	**—**
Ending balance	**¥ (60,744)**	¥ (28,217)	¥ (3,013)	**$ (619,837)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen								
	2009			2008			2007		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:									
Foreign currency translation adjustments arising during the year	**¥(17,054)**	**¥ 517**	**¥(16,537)**	¥(12,384)	¥ 42	¥(12,342)	¥ 8,248	¥ (341)	¥ 7,907
Reclassification adjustment for the portion realized in net income	**—**	**—**	**—**	—	—	—	6	—	6
Net change in foreign currency translation adjustments during the year	**(17,054)**	**517**	**(16,537)**	(12,384)	42	(12,342)	8,254	(341)	7,913
Minimum pension liability adjustments	**—**	**—**	**—**	—	—	—	2,811	(1,153)	1,658
Pension liability adjustments									
Pension liability adjustments arising during the year	**(18,368)**	**7,530**	**(10,838)**	(11,369)	4,662	(6,707)	—	—	—
Reclassification adjustment for the portion realized in net income	**(826)**	**339**	**(487)**	(625)	256	(369)	—	—	—
Net change in pension liability adjustments during the year	**(19,194)**	**7,869**	**(11,325)**	(11,994)	4,918	(7,076)	—	—	—
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	**(11,393)**	**4,671**	**(6,722)**	(11,266)	4,619	(6,647)	(949)	389	(560)
Reclassification adjustment for losses on impairment realized in net income	**5,062**	**(2,075)**	**2,987**	2,229	(914)	1,315	144	(59)	85
Reclassification adjustment for net gains on sales realized in net income	**(5)**	**2**	**(3)**	(1,534)	629	(905)	(805)	330	(475)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	**—**	**—**	**—**	—	—	—	(10,141)	4,158	(5,983)
Net unrealized gains (losses)	**(6,336)**	**2,598**	**(3,738)**	(10,571)	4,334	(6,237)	(11,751)	4,818	(6,933)
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**1,333**	**(546)**	**787**	1,997	(819)	1,178	(2,047)	839	(1,208)
Reclassification adjustment for net gains (losses) realized in net income	**(2,905)**	**1,191**	**(1,714)**	(1,232)	505	(727)	1,986	(814)	1,172
Net gains (losses)	**(1,572)**	**645**	**(927)**	765	(314)	451	(61)	25	(36)
Other comprehensive income (losses)	**¥(44,156)**	**¥11,629**	**¥(32,527)**	¥(34,184)	¥ 8,980	¥(25,204)	¥ (747)	¥ 3,349	¥ 2,602

	Thousands of U.S. dollars		
	2009		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	$ (174,020)	$ 5,275	$ (168,745)
Reclassification adjustment for the portion realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	(174,020)	5,275	(168,745)
Minimum pension liability adjustments	—	—	—
Pension liability adjustments			
Pension liability adjustments arising during the year	(187,429)	76,837	(110,592)
Reclassification adjustment for the portion realized in net income	(8,428)	3,459	(4,969)
Net change in pension liability adjustments during the year	(195,857)	80,296	(115,561)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	(116,255)	47,663	(68,592)
Reclassification adjustment for losses on impairment realized in net income	51,653	(21,173)	30,480
Reclassification adjustment for net gains on sales realized in net income	(51)	20	(31)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	—	—	—
Net unrealized gains (losses)	(64,653)	26,510	(38,143)
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	13,602	(5,571)	8,031
Reclassification adjustment for net gains (losses) realized in net income	(29,643)	12,153	(17,490)
Net gains (losses)	(16,041)	6,582	(9,459)
Other comprehensive income (losses)	$ (450,571)	$ 118,663	$ (331,908)

19. Financial Instruments and Risk Management

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 2009 and 2008, of the Companies' financial instruments.

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:						
Long-term debt, including current portion	¥ (21,889)	¥ (21,897)	¥ (2,014)	¥ (2,014)	$ (223,357)	$ (223,439)
Derivatives:						
Included in other current assets (liabilities):						
Forward exchange contracts	(779)	(779)	1,221	1,221	(7,949)	(7,949)
Foreign currency swaps	(27)	(27)	12	12	(276)	(276)
Interest rate swap	(24)	(24)	—	—	(245)	(245)

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate that value:

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, short-term debt and notes and accounts payable: The carrying amounts approximate fair values.

(2) Investment securities (see Note 4): The fair values are estimated based on quoted market prices or dealer quotes for marketable securities or similar instruments. Certain equity securities included in investments have no readily determinable public market value, and it is not practicable to estimate their fair values.

(3) Long-term debt: The fair values are estimated using present value of discounted future cash flow analysis, based on the Companies' current incremental issuing rates for similar types of arrangements.

Derivatives
The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotes are available for most of the Companies' derivatives; otherwise, pricing or valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

20. Derivatives and Hedging Activities

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swap contracts to hedge foreign currency transactions (primarily the U.S. dollar and the EURO). The companies also enter into interest rate swap contracts to hedge interest-rate fluctuations. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of non-performance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties are major financial institutions.

Changes in the fair value of foreign exchange forward contracts, foreign currency swaps and interest rate swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into other expenses (income), net in the same period as the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to foreign exchange forward contracts and interest rate at March 31, 2009 is expected to be reclassified into earnings within twelve months.

The notional amounts of contracts to exchange foreign currency outstanding at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Forward exchange contracts	**¥ 63,784**	¥ 64,916	**$ 650,857**
Foreign currency swap	**¥ 2,646**	¥ 620	**$ 27,000**
Interest rate swap	**¥ 20,000**	—	**$ 204,082**

The fair values of derivatives as of March 31, 2009 were as follows:

Derivatives designated as hedges

Assets	Millions of yen	Thousands of U.S. dollars
	2009	
Forward exchange contracts	**¥ 875**	**$ 8,929**

Liabilities	Millions of yen	Thousands of U.S. dollars
	2009	
Forward exchange contracts	**¥ (1,654)**	**$ (16,878)**
Foreign currency swap	**(27)**	**(276)**
Interest rate swap	**(24)**	**(245)**

The effects on consolidated statements of operations in fourth quarter were as follows:

Derivatives designated as hedges Cash flow hedge	Profit and loss of other comprehensive income (loss) [Hedge effective part]		Transfer from accumulated other comprehensive income (loss) to profit and loss [Hedge effective part]	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2009			
Forward exchange contracts	**¥ 809**	**$ 8,255**	**¥ (1,714)**	**$ (17,490)**
Foreign currency swap	**(8)**	**(82)**	**0**	**0**
Interest rate swap	**(14)**	**(143)**	**—**	**—**

The amount of the hedging ineffectiveness was not material.

21. Commitments and Contingent Liabilities

The Company has commitments as of March 31, 2009 of approximately ¥16,727 million ($170,684 thousand) related to contracts for outsourcing computer services through 2013. The contracts require an annual service fee of ¥4,385 million ($44,745 thousand) for the year ending March 31, 2009. The annual service fee will gradually decrease each year during the contract term to ¥4,209 million ($42,949 thousand) for the year ending March 31, 2013. The contract is cancelable at any time subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

The Company and certain of its subsidiaries are defendants in several pending lawsuits. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such lawsuits, if any, would not have a material effect on the consolidated financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high-credit-quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 52% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

Guarantees

The Company provides guarantees for bank loans of other companies. The guarantees for the other companies are made to ensure that those companies operate with less finance costs. The maximum payments in the event of default is ¥712 million ($7,265 thousand) at March 31, 2009. The carrying amounts of the liabilities recognized under those guarantees at March 31, 2009 were immaterial.

Bank loans of ¥364 million ($3,714 thousand) of an unaffiliated company were jointly and severally guaranteed by the Company and six other unaffiliated companies. According to an agreement between the seven companies, any loss on these guarantees are to be borne equally among the companies.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 1,619**	¥ 2,190	**$ 16,520**
Addition	**1,475**	1,507	**15,051**
Utilization	**(1,593)**	(2,078)	**(16,255)**
Balance at end of year	**¥ 1,501**	¥ 1,619	**$ 15,316**

22. Fair Value Measurements

SFAS 157 "Fair Value Measurements" ("SFAS 157") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2— Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3— Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009.

Items	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investment securities	¥ 26,426	¥ —	¥ —	¥ 26,426	$ 269,653	$ —	$ —	$ 269,653
Derivative	—	875	—	875	—	8,929	—	8,929
Liabilities								
Derivative	—	1,705	—	1,705	—	17,398	—	17,398

Investment Securities

Investment securities mainly consist of listed stocks. These are classified as Level 1.Because the fair value of the investment securities is valued using a quoted market price in active markets for identical assets and can be observed.

Derivatives

Derivatives consist of foreign exchange forward contracts, foreign currency swaps and interest rate swaps. These are classified as Level 2. Because the fair value is valued using the observable market data such as foreign exchange rates or interest rates.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable investment securities with a carrying amount of ¥496 million ($5,061 thousand) were written down to their fair value of ¥153 million ($1,561 thousand), resulting in an other-than-temporary impairment charge of ¥343 million ($3,500 thousand), which was included in earnings for the fiscal year ended March 31,2009.

These investments were classified as Level 3. Because these fair values were valued using unobservable inputs.

23. Business Structure Reform

The Companies established a new division, the "Emergency Measures and Structual Reform Headquarters," headed by Hisao Sakuta, President & CEO, in January 2009 in response to the rapid worsening of the business environment. Since February 2009, the Companies have been implementing "emergency measures" to generate profit, including cost cutting and the consolidation of unprofitable businesses, as well as "structural reform" aimed at strengthening the revenue base in the medium term through the reorganization of core businesses and closure/consolidation of sites. Major business structure reforms on March 31, 2009 are as follows;

[1] Electronic Components Business

The Companies decided to pull out of the large-size backlight business, which encompasses the development, manufacture and sales of large-size LCD backlights, dissolving three subsidiaries. According to this decision, the Companies recognized impairment losses on long-lived assets and other losses for the fiscal year ended March 31, 2009. The subsidiaries are planned to be liquidated by the end of March 2011. The Companies decided to reorganize semiconductor production sites and close a part of them in Japan. According to this decision, the Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2009. The closure of the site is planned to be completed by the end of March 2010.

[2] Automotive Electronic Component Business

The Companies decided to reorganize automotive electronic component production sites and dissolve the manufacturing subsidiary in the United Kingdom. According to this decision, the Companies recognized impairment losses on long-lived assets and other losses for the fiscal year ended March 31, 2009. The subsidiary is planned to be liquidated by the end of March 2011.

24. Subsequent Events

No significant event took place.

Deloitte.

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Independent Auditors' Report

To the Board of Directors and Stockholders of Omron Corporation

We have audited the accompanying consolidated balance sheets of Omron Corporation and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information," has not been presented in the accompanying consolidated financial statements. In our opinion, presentation concerning operating segments and other information is required for a complete presentation of the Company's consolidated financial statements.

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Omron Corporation and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

Osaka, Japan
June 8, 2009

Member of
Deloitte Touche Tohmatsu

Management's Report on Internal Control

NOTE TO READERS:
Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEL") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEL, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total sales for the previous year on a consolidated basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units" we tested business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL

1. Matters relating to the basic framework for internal control over financial reporting

Hisao Sakuta, President and Chief Executive Officer is responsible for designing and operating effective internal control over financial reporting of Omron Corporation (the "Company") and has designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in, "The Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)," released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2009 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Regarding a certain number of consolidated subsidiaries and equity-method affiliated companies, we concluded that the material impact they would have on the consolidated financial statements would be insignificant and, thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total sales for the previous year on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units" we tested business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

The aforementioned assessments determined that the Company's internal control over financial reporting was effective as of the last day of the current fiscal year examined.

4. Additional matters

Not applicable.

5. Particular matters

Not applicable.

Hisao Sakuta
President
Chief Executive Officer
Omron Corporation

Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:
Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total sales for the previous year on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units" we tested business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of Omron Corporation (the "Company"). Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 23, 2009

To the Board of Directors of Omron Corporation.

Deloitte Touche Tohmatsu

Designated Partner,Engagement Partner, Certified Public Accountant: Yuji Morita
Designated Partner, Engagement Partner, Certified Public Accountant: Teruhisa Tamai
Designated Partner, Engagement Partner, Certified Public Accountant: Kenichi Takai

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in net assets and cash flows, and consolidated supplementary schedules of Omron Corporation and consolidated subsidiaries for the fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Omron Corporation and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. However as described in Note 1 to the financial statements, certain segment information is presented in conformity with Article 15-2 of "Regulation concerning Terminology, Forms and Method of Preparation of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No.28, 1976) in place of Statement of Financial Accounting Standards No.131.

Audit of Internal Control over Financial Reporting

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Omron Corporation as of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Omron Corporation as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Corporate and Stock Information

As of March 31, 2009

Date of Establishment
May 10, 1933

Number of Employees (Consolidated)
32,583

Paid-in Capital
¥64,100 million

Common Stock
Authorized
487,000,000 shares
Issued
239,121,372 shares
Number of shareholders
36,811

Stock Listings
Osaka Securities Exchange
Tokyo Stock Exchange
Nagoya Stock Exchange
Frankfurt Stock Exchange

Ticker Symbol Number
6645

Custodian of Register of Shareholders
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
100-8212, Japan

Depositary and Transfer Agent for American Depositary Receipts
JPMorgan Chase Bank, N. A.
4 New York Plaza, New York, NY 10004, U. S. A.

ADR Holder Contact :
JPMorgan
Service Center
P.O. Box 64504
St. Paul, MN
55164-0504 U.S.A.
Tel 1-800-990-1135
E-mail jpmorgan.adr@wellsfargo.com

Homepage
http://www.omron.co.jp (Japanese)
http://www.omron.com (English)

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Tel 81-75-344-7000
Fax 81-75-344-7001

Tokyo Head Office
3-4-10, Toranomon, Minato-ku, Tokyo
105-0001, Japan
Tel 81-3-3436-7011
Fax 81-3-3436-7035

Overseas Headquarters

Europe
Omron Europe B.V.
(The Netherlands)
Tel 31-23-568-1300
Fax 31-23-568-1391

North America
Omron Management Center of America, Inc. (Illinois)
Tel 1-224-520-7650
Fax 1-224-520-7680

Asia-Pacific
Omron Asia Pacific Pte. Ltd.
(Singapore)
Tel 65-6835-3011
Fax 65-6835-2711

Greater China
Omron (China) Co., Ltd.
(Shanghai)
Tel 86-21-5888-1666
Fax 86-21-5888-7633

Major Domestic Manufacturing, Marketing, and Research & Development Locations

Manufacturing

Kusatsu Factory
Tel 81-77-563-2181
Fax 81-77-565-5588

Ayabe Factory
Tel 81-773-42-6611
Fax 81-773-43-0661

Yasu Factory
Tel 81-77-588-9000
Fax 81-77-588-9901

Sales & Marketing

Osaki Office
Tel 81-3-5435-2000
Fax 81-3-5435-2030

Mishima Office
Tel 81-55-977-9000
Fax 81-55-977-9080

Nagoya Office
Tel 81-52-571-6461
Fax 81-52-565-1910

Osaka Office
Tel 81-6-6347-5800
Fax 81-6-6347-5900

Fukuoka Office
Tel 81-92-414-3200
Fax 81-92-414-3201

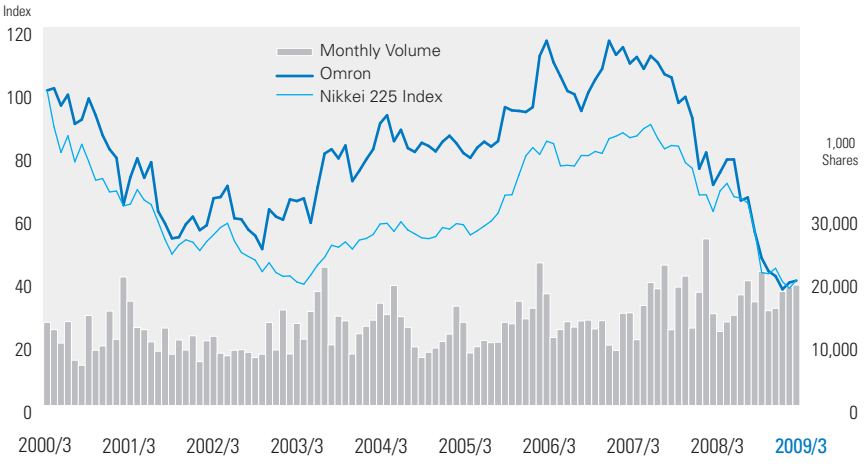
Research & Development

Keihanna Technology Innovation Center
Tel 81-774-74-2000
Fax 81-774-74-2001

Komaki Automotive Electronics Office
Tel 81-568-78-6160
Fax 81-568-78-6188

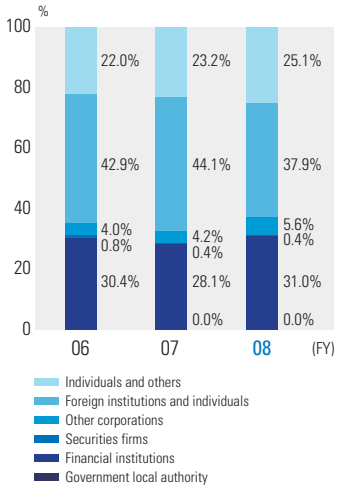
Okayama Office
Tel 81-86-277-6111
Fax 81-86-276-6013

Stock Price Osaka Securities Exchange



Note 1. Share index (1999/3E=100)

Ownership and Distribution of shares



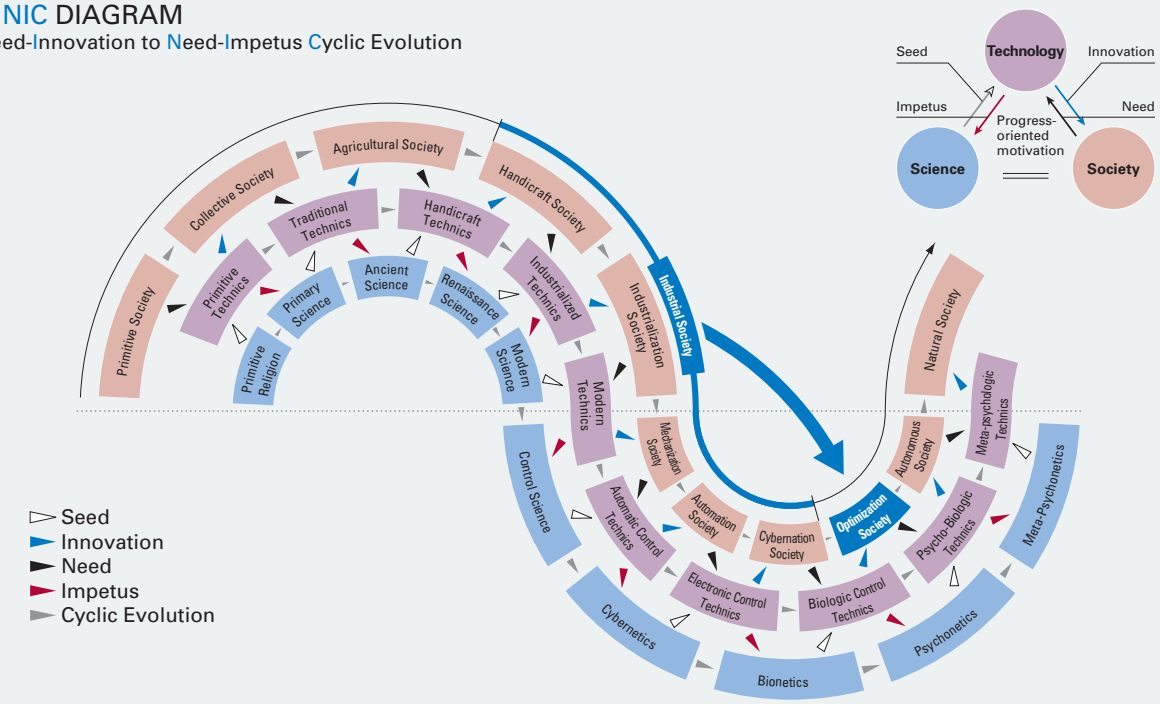
Yearly High and Low Prices

FY	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High (¥)	3,450	3,200	2,560	2,115	2,740	2,885	3,620	3,590	3,510	2,385
Low (¥)	1,500	1,702	1,390	1,320	1,648	2,150	2,210	2,615	1,950	940

* Closing price of Osaka Securities Exchange

Omron's Management Compass—SINIC Theory

SINIC DIAGRAM
Seed-Innovation to Need-Impetus Cyclic Evolution



What is SINIC Theory?

The SINIC theory grew from the idea that in order to manage a business by anticipating social needs, it is necessary to predict future society. Based on this theory, Omron has been able to continually make social proposals marked by foresight.

The SINIC theory is a future prediction method that Omron founder Kazuma Tateisi developed and presented at the International Future Research Conference in 1970. Announced in the midst of Japan's rapid-paced economic growth, before PCs and the Internet even existed, this theory drew a highly accurate picture of society up to the middle of the 21st century, including the appearance of the Information Society.

SINIC stands for Seed-Innovation to Need-Impetus Cyclic Evolution. According to the SINIC theory, science, technology, and society share a cyclical relationship, mutually impacting and influencing each other in two distinct ways. In one direction, scientific breakthroughs yield new technologies that help society to advance. In the other direction, social needs spur on technological development and expectations for new scientific advancement. Thus, both of these factors affect each other in a cyclical manner, propelling further social evolution.

The Future Envisioned by Omron's Founder

According to the SINIC theory, the world established an Industrialized Society upon the foundation of a conventional Agricultural Society in the 14th century. The SINIC theory divides this Industrialized Society into five phases: first, there was a shift from a Handicraft Society to an Industrialization Society; then, 1870 saw the advent of a Mechanization Society; an Automation Society developed in the 20th century; and from the end of the 20th century until the dawn of the 21st century was an Information Society. According to the SINIC theory, the Optimization Society will follow the Information Society, the final phase of the Industrialized Society, in 2005, which will subsequently shift to the Autonomous Society in 2025. Presently, Japan is about to enter that Optimization Society.

While the Industrialized Society generated material wealth, it also left behind many negative factors. These included increasing energy and resource depletion, growing industrial waste, food shortages, as well as problems related to human rights and ethics among many others. In the Optimization Society, it is predicted that these negative effects will be redressed and people will shift from the values of the Industrialized Society, as typified by the pursuit of efficiency and productivity, to values in which psychological abundance is sought and the quality and true joy of life become increasingly important. With its unique technologies, Omron is well positioned to help the Optimization Society create a complete balance and harmonious relationship between individuals and society, between humans and the environment, and between people and machines.

Omron in the Optimization Society

In the Information Society, knowledge information could only be exchanged as numerical data in the form of ONs and OFFs or 1s and 0s. The Optimization Society will see further progress in technologies that support and extract knowledge and sensitivity, with the result that aspects such as natural language and human knowledge and sensitivity will be directly exchanged, expressed, and acted on. In other words, technologies that automate parts of our human intellect and sensations will form the foundation for future development.

In the Optimization Society, people and machines will find an ideal level of harmony. Instead of pursuing productivity and efficiency, people will then place more emphasis on finding new ways to live their lives and searching for self-fulfillment. When this happens, it is predicted that people will begin to place their priority on more fundamental desires, such as the desire to be healthy and live a long life, the desire for a comfortable life, the quest of lifelong learning, and the wish to enjoy leisure time.

In order to further advance the fields of safety/security, healthcare, and environmental preservation, Omron is also placing its priority on activities that bring technologies ever closer to people and fulfill these fundamental desires, while maintaining an optimal balance between individuals and society, between humans and the environment, and between people and machines.

Omron: Advancing Sensing and Control Technology

Core technology: Sensing & Control

Omron has a long history of developing and advancing a variety of sensing and control technology products that are ahead of our time. The company continues to apply the SINIC theory as a compass to anticipate social needs in various fields and offers leading-edge product and technologies.

Founding 1933

Microswitches

10th Year 1943

Electromagnetic Relays

20th Year 1953

Proximity Switches

Contactless Switches

Coin-operated Timers

Pressure Switches

30th Year 1963

Automatic Ticket Gates

Miniature Power Relays

Automatic Food Ticket Vending Machines

Automated Teller Machines (ATMs)

Photoelectric Switches

Calculators

40th Year 1973

Sequence Controllers

Electronic Blood Pressure Monitors

Electronic Temperature Controllers

Servomotors

Electronic Registers

Solid-state Relays

50th Year 1983

PCB Solder Inspection Equipment

Digital Thermometers

Radio Frequency Smart Entry Systems

Electric Power Steering Controllers

Travel Time Measurement Systems

60th Year 1993

Switch Mode Power Supplies

Smart Sensors

Ultra-small Pressure Sensors for Wrist Blood Pressure Monitors

LED Backlights

Body Composition Monitors

70th Year 2003

Current Business Divisions

IAB Industrial Automation Business

ECB Electronic Components Business

AEC Automotive Electronic Components Business

SSB Social Systems Business

HCB Healthcare Business

* ECB will be renamed as EMC (Electronic and Mechanical Components Business Company) on September 21, 2009.

This mark certifies the use of Green Power (solar power).

By using Green Power to print the Annual Report 2009, Omron Corporation is promoting the use of natural energy resources in Japan.

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