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Omron to Separate its Healthcare and Entertainment Businesses

January 28, 2003 – Omron Corporation (CEO: Yoshio Tateisi; Head Office: Kyoto, Japan) resolved at a board of directors meeting held on January 27, 2003 to separate its healthcare and entertainment businesses. Both split-offs are tentatively scheduled to take effect July 1, 2003.

A wholly owned subsidiary of Omron will be established to take over the business planning, marketing and sales functions of Omron's Healthcare Business Company as well as the business of wholly owned development subsidiary Omron Institute of Life Science Co., Ltd. (OLS).

In 2001, Omron launched Grand Design 2010 (GD2010), a set of guidelines for management strategies during the ten years up to 2010. To support the objective of maximizing the Omron Group's value over the long term, these guidelines include a medium-term target of 10% return on equity by the year ending March 2005.

Each business must strive for optimum operations in its market and bring out its peak performance to continue to raise the Omron Group's value. Therefore, GD2010 promotes business-driven split-offs to shift each business to an independent operating unit that can specialize in creating value for customers.

The separation of the healthcare and entertainment businesses will increase their independence to take advantage of their business potential. Specifically, it will free them to pursue the most suitable organizational form, decision-making system, workplace environment and work arrangements. Management decided that in this way, each business will realize its full power, and will thus be able to make its greatest contribution to maximizing the value of the Omron Group.

1. Separation of the Healthcare Business

1-1. Background and Purpose

Omron's healthcare business has established Omron as a leading world brand in the personal health equipment industry, as typified by Omron's 65% global market share for home-use blood pressure monitors. However, growth is slowing in existing markets for the company's products such as blood pressure monitors and thermometers. Meanwhile, soaring medical costs are prompting healthcare providers attempting to hold down these costs to increasingly focus on early detection and treatment of lifestyle diseases, especially by promoting positive lifestyle changes. These developments are creating new business opportunities in the medical equipment and healthcare management service sectors.

Against this backdrop, Omron has identified lifestyle disease monitoring as the new company's growth domain. The company must focus development resources on developing personal wellness products and healthcare services in the healthcare equipment and lifestyle disease monitoring markets while strengthening its ability to generate revenue growth.

To this end, Omron has concluded that its healthcare business should be conducted as a financially and managerially independent specialist manufacturer of medical equipment. This decision culminated in the resolution to separate its healthcare business and integrate it with wholly owned development subsidiary Omron Institute of Life Science Co., Ltd. (OLS). The new company will focus on building an optimal management infrastructure (including the personnel system, creation of a challenging workplace environment, information systems, and decision making systems) to increase its speed and maximize its business potential.

1-2. New Company Name

Undecided

1-3. Head Office Location

Kyoto (scheduled)

1-4. Content of Business to Be Separated

Development and sale of healthcare equipment and services

1-5. Separation Timetable

Board meeting to approve split-off reorganization plan: early May, 2003 (scheduled)

Authorization of split-off plan: early May, 2003 (scheduled)

Date of split-off: July 1, 2003 (scheduled)

Registration of split-off: July 1, 2003 (scheduled)

The assets and cash that will be transferred to the new company are currently under consideration, but Omron will carry out a simple separation as set forth in Article 374, Section 6 of the Commercial Code of Japan so that the amount transferred will not

exceed one-twentieth of the total assets of Omron. Accordingly, Omron will carry out the separation without obtaining approval from its General Meeting of Shareholders.

1-6. Separation Method

The new company will be established as a joint entity newly separated from both Omron and its wholly owned subsidiary Omron Institute of Life Science Co., Ltd. (OLS). Because Omron's separation will entail the split-off of a company while OLS's separation will entail business separation, Omron will be allocated all of the issued stock of the new company, which will be a wholly owned subsidiary of Omron.

1-7. Other Details

Omron plans to announce full details of the separation and integration after the separation plan is approved at the board meeting in early May, 2003.

1-8. Impact on Earnings

The split-off of the healthcare business will have no impact on consolidated or parent-company earnings for the current fiscal year ending March 31, 2003.

2. Separation of the Entertainment Business

2-1. Background and Purpose

Omron's entertainment business comprises the commercial game business, which mainly sells photo-sticker vending machines and prizes for crane games, and the mobile business, which provides content for mobile communications. However, these business areas are highly influenced by consumer tastes, making them obviously different from Omron's core businesses of control equipment and electronic components.

Achieving strong growth in the entertainment business hinges on two key factors. First, the business must be managed to foster an entertainment-oriented environment that places importance on ideas, design and sensitivity. Second, it requires a framework for keeping abreast of trends in the entertainment industry and gathering a broad variety of ideas and proposals from both inside and outside the industry to generate a steady stream of hit products. Omron concluded that to fulfill these conditions, it is necessary for the business to be able to respond in ways that go beyond Omron's corporate climate and structure, which is geared toward manufacturing. The resolution was therefore adopted to split off the entertainment business.

The new company will cultivate and recruit high-caliber, entertainment-minded personnel with outstanding creativity. It will also seek to gain recognition as a company specializing in entertainment and will step up collaboration with other companies in the entertainment industry. In addition, to facilitate broad expansion of its business in the field of entertainment, the company will establish a new brand different from the Omron brand of control equipment and healthcare equipment.

In this way, the separation will help to foster an environment and values suited to the entertainment industry and maximize profits by promoting the growth of the entertainment business, which in turn will enhance the value of the Omron Group.

2-2. New Company Name

Undecided

2-3. Head Office Location

Tokyo (scheduled)

2-4. Content of Businesses to Be Separated

Development and sale of commercial game equipment and consumer goods
Development of software and planning, development and supply, etc., of content for mobile phones.

2-5. Separation Timetable

Board meeting to approve split-off reorganization plan: early May, 2003 (scheduled)

Authorization of split-off plan: early May, 2003 (scheduled)

Date of split-off: July 1, 2003 (scheduled)

Registration of split-off: July 1, 2003 (scheduled)

The assets and cash that will be transferred to the new company are currently under consideration, but Omron will carry out a simple separation as set forth in Article 374, Section 6 of the Commercial Code of Japan so that the amount transferred will not exceed one-twentieth of the total assets of Omron. Accordingly, Omron will carry out the separation without obtaining approval from its General Meeting of Shareholders.

2-6. Separation Method

Omron's entertainment business will be split off and established as a wholly owned subsidiary.

2-7. Other Details

Omron plans to announce full details of the separation after the separation plan is approved at the board meeting in early May, 2003.

2-8. Impact on Earnings

The split-off of the entertainment business will have no impact on consolidated or parent-company earnings for the current fiscal year ending March 31, 2003.