Unique Competencies, Profitable Growth

Annual Report 2000

Year ended March 31, 2000

Profile

OMRON develops and markets technologies that help customers offer more functional and effective products, which in turn help society function more safely and smoothly. A core area of emphasis is information sensing technology in the fields of vision sensing, light wave sensing, and fuzzy logic and human media. To retain the trust of shareholders, OMRON is improving its management structure, business structure and fixed cost structure, and has innovated its sales approach to make OMRON a customer-oriented solutions-providing business. While working to achieve growth, OMRON is also committed to protecting the environment and contributing to the communities it serves, with representative achievements including ISO 14001 certification of the environmental management systems of all domestic and overseas plants.

To realize its corporate motto of “At work for a better life, a better world for all,” OMRON focuses on six management philosophies:

- Offer maximum satisfaction to customers
- Consistently accept challenges
- Focus on gaining shareholders’ trust
- Respect individuals
- Become a responsible corporate citizen
- Maintain corporate ethics while promoting corporate activities

Contents

Financial Highlights

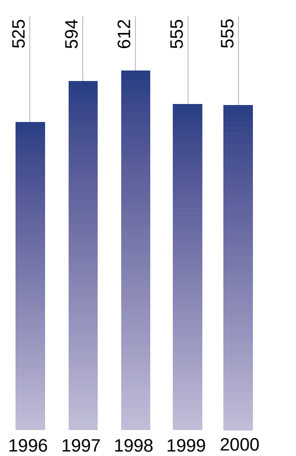
OMRON Corporation and Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	2000	1999	1998	**2000**
For the Year:				
Net Sales	**¥555,358**	¥555,280	¥611,795	**$5,239,226**
Income before Income Taxes and Minority Interests	**21,036**	8,249	42,243	**198,452**
Net Income	**11,561**	2,174	18,704	**109,066**
Net Income per Share (yen and U.S. dollars):				
Basic	**¥ 45.0**	¥ 8.3	¥ 71.4	**$ 0.42**
Diluted	**44.5**	8.3	69.8	**0.42**
Cash Dividends per Share (yen and U.S. dollars, Note 1)	**13.0**	13.0	13.0	**0.12**
Capital Expenditures (cash basis)	**¥ 31,146**	¥ 36,696	¥ 35,896	**$ 293,830**
Research and Development Expenses	**36,605**	42,383	39,914	**345,330**
At Year End:				
Total Assets	**¥579,489**	¥580,586	¥593,129	**$5,466,877**
Total Shareholders' Equity	**336,062**	321,258	343,066	**3,170,396**

Notes: 1. Cash dividends per share are 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, 2000, of ¥106=$1

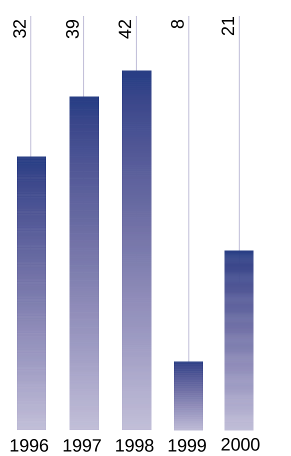
Net Sales

(Billions of Yen)



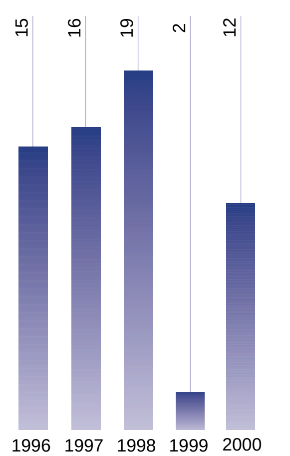
Income before Income Taxes and Minority Interests

(Billions of Yen)



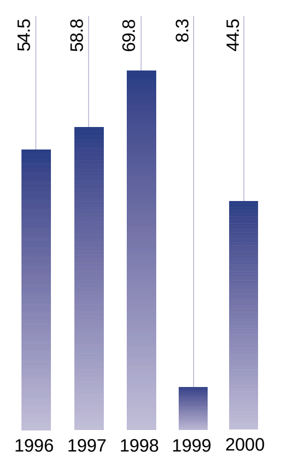
Net Income

(Billions of Yen)



Net Income per Share (Diluted)

(Yen)



To Our Shareholders

During fiscal 2000 (the fiscal year ended March 31, 2000), OMRON underwent a corporate transformation to raise the Company's speed and flexibility. In working to achieve sustainable recovery in earnings, we implemented a reform program covering our management structure, business structure and fixed cost structure, and innovated our sales approach to make OMRON a customer-oriented solutions-providing business. As a result of these initiatives, we were able to avoid a second successive year of declining profits, our primary focus for the fiscal year, and to make progress in generating long-term growth.

Activities and Results: Major Earnings Improvement

Consolidated net sales for the fiscal year of ¥555.4 billion were impacted by the transfer of a business division in the previous fiscal year and the appreciation of the yen. Absent the transfer of the business division, net sales would have increased approximately 4 percent year-on-year. Net income before tax increased 155.0 percent to ¥21.0 billion, and net income rose 431.8 percent to ¥11.6 billion. Reflecting this solid improvement in earnings, return on average total shareholders' equity (ROE) rose to 3.5 percent from 0.7 percent for the previous fiscal year.

The deterioration in OMRON's performance during fiscal 1999 (the fiscal year ended March 31, 1999) engendered a sense of crisis that spurred the Company to successfully implement three structural reforms. A restructuring initiated in fiscal 1999 and success in containing selling, general and administrative (SGA) expenses were key factors supporting the increase in earnings. Moreover, we transformed our approach to sales in emphasizing the solutions-providing business, particularly at the Industrial Automation Company. Private capital investment began to recover during the past fiscal year, particularly in the semiconductor and information and communication industries. OMRON was therefore well positioned to generate strong sales growth in the core control systems business.

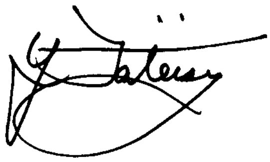
The introduction of the internal company system in April 1999 contributed to earnings that exceeded initial projections. Clearly more focused on meeting performance objectives, each company is also quicker and more purposeful, which has raised both responsiveness to customers and earnings.

In addition, by positioning the Y2K Problem as a management issue and implementing comprehensive countermeasures at all Group companies, we have been able to continuously carry out our business without any major disruptions.

Environmental protection has long been a critical management task. OMRON has already obtained ISO 14001 certification of the environmental management systems of all domestic and overseas manufacturing facilities, and we will continue to promote environmental protection throughout the OMRON Group.

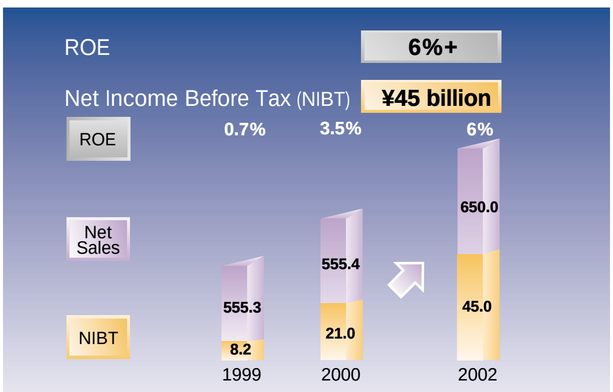
Management Tasks and Strategies: OMRON's Corporate Transformation under the Eighth Medium-Term Management Plan

The market is undergoing a winnowing process, with a challenging operating environment marked by factors such as ongoing globalization, the revolution in information technology and changes in the industrial structure. Amid these conditions, OMRON will realize a solid, long-term profit structure. The Company is moving forward with structural reform and implementing strategies for growth in working toward record earnings in a second consecutive year of higher sales and income during the year ending March 2001. The Eighth Medium-Term Management Plan, begun in April 2000, will guide OMRON in undertaking the required tasks. Essentially, the Plan calls for prioritization and focus to raise OMRON's corporate value, with the primary objectives of raising ROE to 6.0 percent and achieving record earnings. Continued structural reform during the year to March 2001 is crucial to achieving our objectives. In addition, OMRON will invest in future growth in entering and expanding its presence in new businesses, with each company working to expand earnings by thoroughly serving customer interests.



Yoshio Tateisi
Representative Director
and Chief Executive Officer

Goals of Eighth Medium–Term Management Plan –Performance Objectives



Note: Years ended March 31

Performance Objectives

The Eighth Medium-Term Management Plan emphasizes profitability. In the final year of the plan, the year ending March 2002, OMRON has targeted record net income before tax of ¥45.0 billion and ROE above 6.0 percent. Our profit-oriented approach will help strengthen shareholder trust in the Company, a core point of OMRON's management philosophy, and our objective of ROE exceeding 6.0 percent is the first step toward our next goal of raising it above 10.0 percent.

Core Strategies

Improving our profit structure and strengthening investment to enter new businesses and expand our presence in them are primary components of the Eighth Medium-Term Management Plan. In improving our profit structure, each company will bolster investment in existing businesses and embrace profit-oriented management. At the same time, we will continue to contain SGA expenses and expand profitable sales while improving the soundness of our financial structure. In entering new businesses and expanding our presence in them, we will focus investment on growth sectors according to clearly defined plans to generate future growth. While implementing these two core strategies, we will promote management that clarifies the functions and responsibilities of each company.

Growing the OMRON Group

OMRON's Grand Design 2000 Project is a long-term vision covering the 10 years through 2010 geared toward helping the Company answer the needs of the twenty-first century. The three main points of this vision are raising corporate value, organizational and individual self-reliance, and OMRON Group cohesion. Ultimately, this vision is designed to make the OMRON Group an attractive, innovative corporation that has admirable ideals and objectives.

In addition, we are working to further improve management by creating a new Group structure during fiscal 2002 in order to enhance the presence of an OMRON Group that is able to operate in global markets regardless of economic changes.

OMRON is maximizing value for shareholders by effectively restoring profitability, and we are counting on your continued support.

Objectives of OMRON's Eighth Medium-Term Management Plan

Main objective:

The main objective of the Eighth Medium-Term Management Plan is to strengthen OMRON's profit structure, so that it will be able to attain sustainable profit growth. Our ultimate goal in doing so is to enhance OMRON's corporate value. Specifically, we will actively invest corporate resources for future growth while concentrating on strengthening profitability. In addition, we will continue promoting structural reforms in the three area of management, business and corporate resources that we implemented during fiscal 1999.

Key strategies:

At the internal company level:

Strengthen OMRON's profit structure for sustainable profit growth

At the management level:

Invest in new, high-growth areas

Strengthening Profit Structure

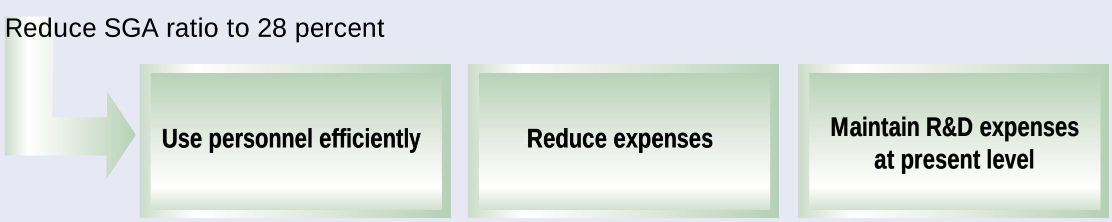
Strengthening profit structure is one of the core objectives of the Eighth Medium-Term Management Plan. The following programs covering sales, cost of sales and SGA expenses are contributing to better earnings.

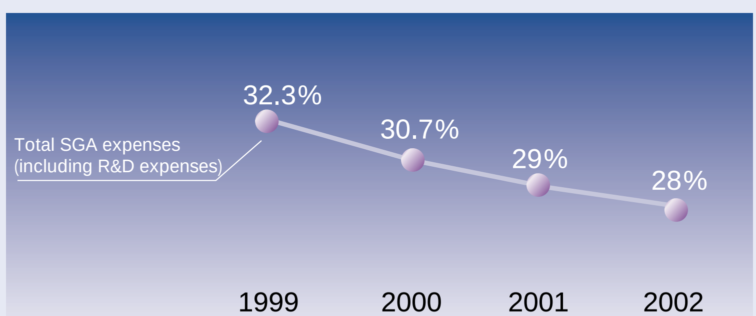
Reduce SGA Expenses to 28 Percent of Net Sales

SGA expenses accounted for over 32 percent of net sales in the fiscal year ended March 31, 1999 (fiscal 1999). In October 1998, OMRON began a concerted effort to lower this ratio, which stood at 30.7 percent for the fiscal year ended March 2000. The Company intends to continue improving operational efficiency, with the goal of reducing the SGA ratio to 28 percent by the end of March 2002.

We are aggressively cutting costs by reducing the number of employees to lower personnel expenses, consolidating offices and raising logistics efficiency, and promoting outsourcing. At the same time, OMRON will continuously spend 7 percent of net sales on R&D expenses, which will lead to future growth through the development of new products and businesses.

SGA Expenses



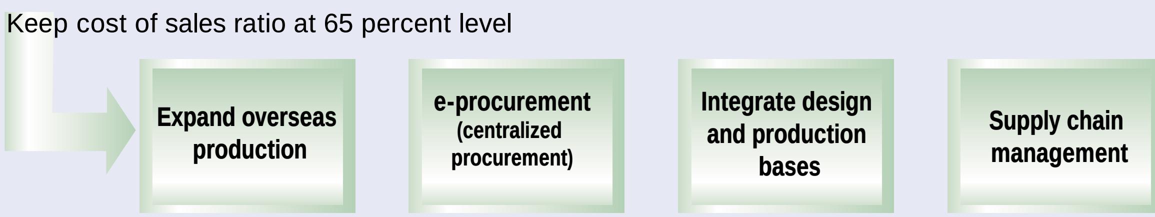


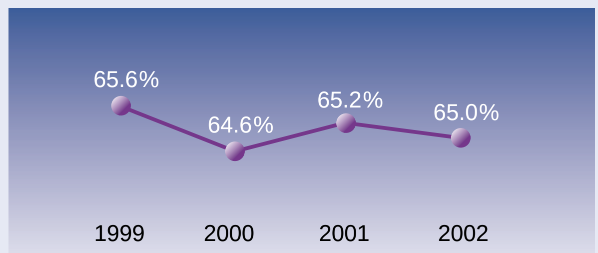
Maintain Cost of Sales Ratio at 65 Percent of Net Sales

OMRON has reduced the cost of sales ratio from a peak of 67.8 percent of net sales in the fiscal year ended March 31, 1994 to 64.6 percent for fiscal 2000. The Eighth Medium-Term Management Plan calls for maintaining this rate at 65 percent. We will continue to keep the cost of sales ratio at the 65 percent level by minimizing cost-increasing factors such as lower sales prices, exchange rate fluctuations and business mix.

OMRON is implementing a number of initiatives to contain cost of sales companywide. We are optimizing and expanding overseas production while concentrating on reducing raw materials costs for component production. Moreover, we are consolidating design and production bases to raise manufacturing efficiency, and are also improving logistics efficiency and reducing inventories in moving forward with supply chain management.

Cost of Sales Ratio



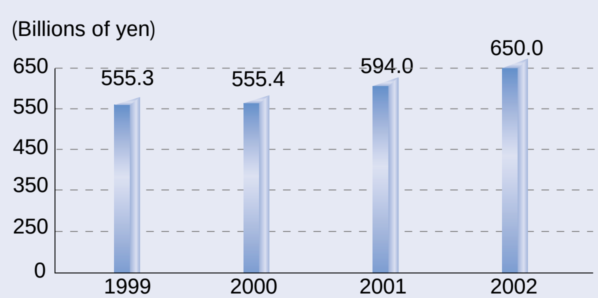


Net Sales of ¥650.0 Billion for Fiscal 2002

Our sales objective for the fiscal year ending March 31, 2002 is ¥650.0 billion. We intend to continue expanding sales internationally to achieve this goal, and are aggressively working to raise sales in Europe, the United States and Asia. In particular, overseas sales account for nearly 50 percent of Industrial Automation Company and Electronic Components Company sales, so we will continue investing corporate resources in the expansion of operations outside Japan. The Industrial Automation Company is emphasizing the safety market with its control components and systems and the Social Systems Business Company is entering and expanding its presence in new markets such as the convenience store sector.

OMRON is also rapidly expanding its solutions-providing business, which will innovate the Company's approach to sales to increase market share. We are strengthening our e-commerce business through subsidiaries as part of our new approach to markets.

Net Sales



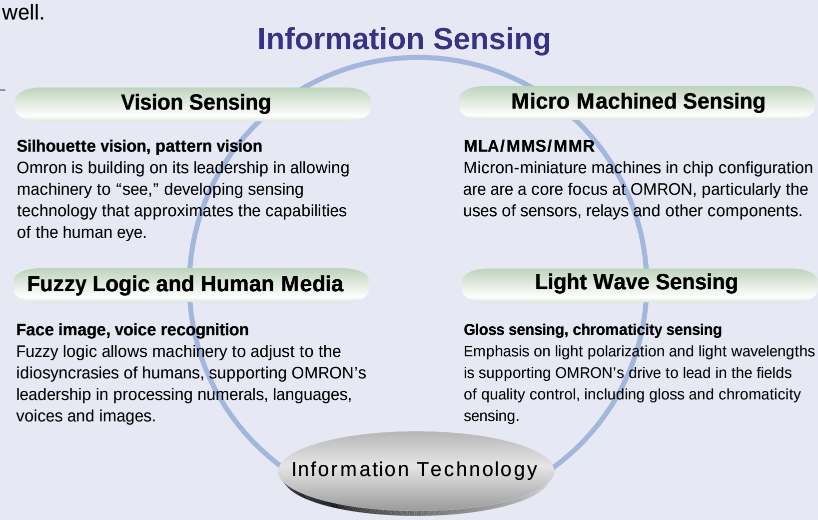
Investing in New, High-Growth Areas

In addition to improved earnings, investment to ensure future growth that is guided by the themes of prioritization and focus is a core tenet of the Eighth Medium-Term Management Plan.

Information Sensing Technology – A Key to Expansion in New Technology Markets

Information sensing technology is a core OMRON competency and a high-potential field in which we are concentrating investment. Our four primary fields of focus are vision sensing, encompassing shapes and written characters; light wave sensing, covering gloss and chromaticity sensing; semiconductor sensing, covering the production of chips that incorporate components such as sensors and relays used in semiconductor processes; and fuzzy logic and human media, encompassing face image and voice recognition. Information technology-related businesses and products will be a primary focus, and we intend to work with Internet companies in business development as well.

New Technologies

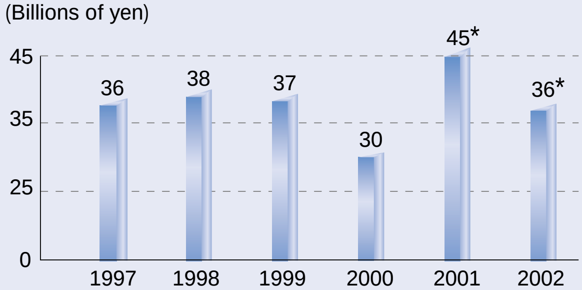


¥93.0 Billion in Capital Investment Over Two Years

The Eighth Medium-Term Management Plan calls for capital investment of ¥93.0 billion, which includes expenditures for manufacturing equipment within cash flow allowance. Main investment themes will be raising production efficiency and expanding manufacturing facilities outside Japan.

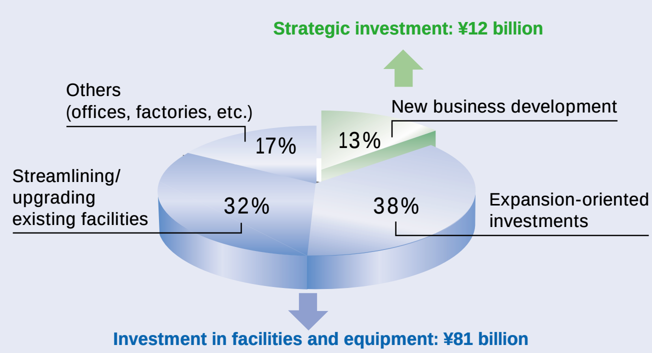
Focus of Planned Capital Investment

(Billions of yen)



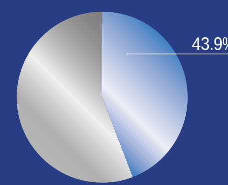
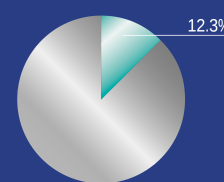
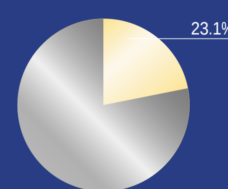
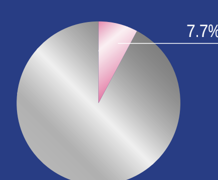
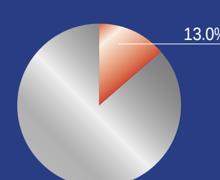
*Investment in facilities and equipment: ¥81 billion

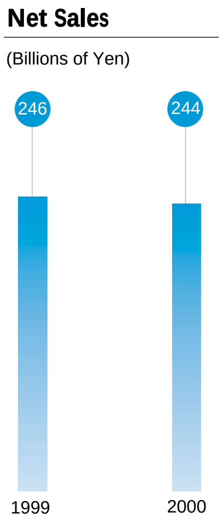
Allocation of Planned Capital Investment



Review of Operations

OMRON at a Glance

	Main Products	% of Net Sales
Industrial Automation Company	Programmable logic controllers, Programmable terminals, Photoelectric sensors, Proximity sensors, Printer circuit board automated solder inspection systems, Switches, Relays, Timers, Counters, Temperature and process controllers, Protective relay, Power supplies	¥243,604 million 
Electronic Components Company	Tactile switches, Dip switches, Trigger switches, General purpose relays, Multiplex Controllers, Laser Radars, Actuators, Buckle switches, Detection switches, Components for photocopier and printer (counterfeit detectors, tablets, paper handling machines, controller PCB units, sensors, relays, switches), Amusement components (Sensors, Keys, ICs, Game controllers)	¥68,328 million 
Social Systems Business Company	Banking systems, (ATMs, Cash dispensers, POS system, FET terminal), Automatic fare collection systems, Area traffic control systems, Parking systems, Totalizer systems	¥128,534 million 
Healthcare Company	Digital blood pressure monitor, Electric digital thermometers, Electronic pulse massagers, Body-fat monitors, Nebulizer, Chair massager, Pedometer, Healthcare services	¥42,640 million 
Others	Peripheral equipment for personal computer (Terminal Adapter, Modem, Cable-type modem for mobile phone, Uninterruptible power supply, Scanner) Card readers, Room access control system, Radio frequency ID systems, Photo-sticker vending machines, Speech recognition and voice authentication software.	¥72,252 million 



The superior capabilities of the E3Z light wave sensor offer excellent processability and reliability, setting the standard for next-generation environmental protection technologies.

The Micro PLC CPM2A/CPM2C is both ultracompact and highly functional, offering added value by allowing manufacturers to add capabilities to various kinds of machinery.

The G Compo Series supports miniaturization and reduced footprint by providing enhanced recognition and ease of use in operation. This communication technology contributes to the use of information in manufacturing.

Industrial Automation Company

- **Orientation toward semiconductor industry supports domestic growth**
- **Environmentally friendly, measure-of-safety components open new markets**

In fiscal 2000, demand for control components and systems for industrial automation leveled off as the economy in Japan remained sluggish. During the second half of the term, however, manufacturers began to implement more proactive capital investment strategies, which resulted in a recovery in demand for semiconductors and communications-related products. The Industrial Automation Company moved to benefit from this trend by strengthening marketing and its product lineup for the semiconductor industry. The company has also been steadily increasing the number of OMRON sales representatives dispatched to its major distributors since fiscal 2000. These efforts and the gradual upturn in the domestic economy supported a significant increase in domestic sales.

Sales outside Japan also grew steadily on a local currency basis in the Asian, European and U.S. markets. This sales growth was offset, however, by OMRON's sale of its semiconductor business in the first half of the fiscal year and exchange rate losses that resulted from the appreciation of the yen. Consequently, for fiscal 2000 total Industrial Automation Company sales amounted to ¥243.6 billion, a 1 percent decline from the previous fiscal year. Sales would have increased 3 percent if OMRON had not sold its semiconductor business. Environmentally-friendly and measure-of-safety components and advanced sensors designed to open new markets using innovative technology made notable contributions to sales.

Changes currently taking place in the global market present both opportunities and challenges to OMRON. While accurately accommodating these changes, we will implement strategies tailored to OMRON's market positioning for each region, product category, customer group and application to generate sustainable profit growth. Another focus will be strengthening and improving the efficiency of relationships with customers.

The ultracompact and high-quality XF2H connector and B3B tactile switch are used in portable multimedia equipment.

The compact G6K relay is used in Internet system equipment.

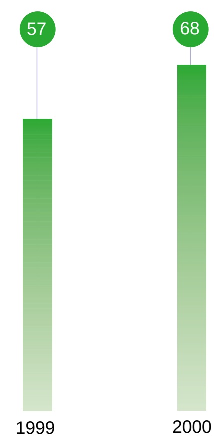
Keyless entry systems allow remote locking and unlocking of vehicle doors and trunks.

Electronic Components Company

- **Microlens arrays for liquid crystal projectors are a growth area**
- **Optimized global operations enhance synergy**

Net Sales

(Billions of Yen)



In Japan, the market for consumer and commerce (C&C) components was difficult due primarily to price cuts brought on by intense competition. Despite the challenging environment, the Electronic Components Company achieved solid sales growth because of increasing demand for its tactile switches, which effectively support the trend toward reduced size and energy consumption in home appliances and business equipment. Rapid sales expansion of microlens arrays for liquid crystal projectors also contributed to results. In addition, sales of components for specific industries also increased significantly due to such positive factors as greater demand for sensors in the amusement industry and growing production of compact cars that meet new vehicle regulations.

Outside Japan, the automotive electronic component business performed strongly in North America and the Korean economy staged a rapid recovery. Despite the appreciation of the yen, these favorable factors contributed to a 21 percent year-on-year rise in total Electronic Components Company sales to ¥68.3 billion.

In line with the company's mission to become a superior global electronic components supplier, we are committed to establishing a global sales network while simultaneously promoting low-cost operations and the use of standardized parts and materials. In addition, we are working to optimize global manufacturing and procurement to enhance synergy among our operating bases worldwide. The Electronic Components Company is also emphasizing the development or acquisition of new products, customers and applications to strengthen its presence in high-growth component markets such as digital household appliances.

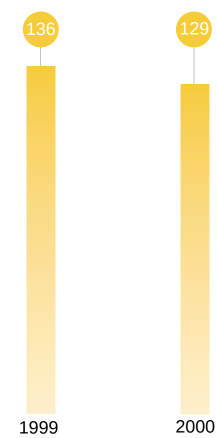
This multifunctional terminal can handle credit, debit and IC cards.

This boarding pass reader increases customer convenience at airline boarding gates.

The Cyber Gate VQ4511 offers users multiple services, including ATM functions and the ability to reserve and purchase tickets.

Net Sales

(Billions of Yen)



Social Systems Business Company

- **New Cyber Gate multimedia service terminal introduced**
- **Structural reform and overseas expansion support future growth**

The Social Systems Business Company expanded its presence in the market for electronic fund transfer systems by concluding a large-scale OEM contract for financial systems. OMRON also launched Cyber Gate, a multimedia service terminal that features ticket reservation and purchasing, merchandising functions based on customer relationship management (CRM), and conventional ATM functions. Designed primarily for the rapidly growing convenience store segment in Japan, Cyber Gate allows OMRON to benefit from the increasing accessibility of various services and information to the public, and has become a major contributor to the company's sales.

The restructuring of the banking industry accelerated, however, and banks and financial institutions continued to restrain investment in anticipation of the need to consolidate branches. This adversely affected OMRON's electronic fund transfer system business, causing a year-on-year drop in sales.

In the public transportation systems market, even though railway companies continued to restrain capital investment, sales rose due mainly to various new products tailored to the airline and amusement markets. These products were created by utilizing the know-how gained in developing OMRON's public transportation systems.

In the traffic control and road information systems market, OMRON secured an order for its electronic toll collection (ETC) system. Sales declined, however, because of the increasing unwillingness of municipal offices to invest in new projects.

Consequently, total Social Systems Business Company sales decreased 5 percent from the previous fiscal year to ¥128.5 billion.

We will continue promoting concurrent development and cost engineering to cut manufacturing costs, with a focus on strengthening existing businesses and establishing a more profitable business structure. At the same time, we will implement structural reforms by improving business processes and information systems. Another objective is expanding sales existing products and technologies in overseas markets, particularly Asia.

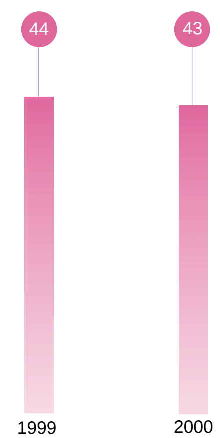
This small and lightweight nebulizer is easily portable and excels at relieving throat and nasal irritation.

The HEM-630 is the world's smallest and lightest blood pressure monitor, and encompasses advanced sensing and fuzzy control technologies.

The MC-509 needs just one second to record and display body temperature.

Net Sales

(Billions of Yen)



Healthcare Company

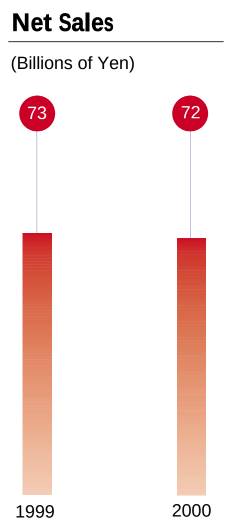
- **OMRON products respond to growing consumer health consciousness in Japan**
- **New services will offer greater added value to consumers**

Although consumer spending in Japan remained stagnant overall, sales of OMRON's mainstay healthcare products such as blood pressure monitors, digital thermometers, body-fat monitors, chair-type massagers and fitness equipment soared. The main factors contributing to this performance were the high level of personal health consciousness among Japanese consumers and OMRON's wide range of products that accurately respond to changing consumer requirements. New products performed impressively, particularly the ear-type digital thermometer, the upper-arm automatic inflation type blood pressure monitor with high-speed measurement capability, and the Bio Control Bike with an ergometer that automatically sets exercise programs optimized for each individual. Overseas sales as a whole slipped slightly, although conditions varied considerably by region. Negative factors included unsatisfactory sales during the Christmas season in the United States, increasingly fierce price competition in Europe and the adverse impact of the strong yen.

In healthcare systems and services, we promoted several new service businesses in an effort to respond to the trend in consumer demand toward software and service.

Total Healthcare Company sales amounted to ¥42.6 billion, down 2 percent from the previous fiscal year.

As the reorganization of the retail industry progresses both domestically and overseas with retail outlets polarizing at the high and low ends of the market, we will concentrate on managing our presence at individual outlets using our highly-trained sales force. Furthermore, we will promote healthcare consultation services that can help consumers improve both their diets and overall lifestyles by integrating OMRON's core vital sensing technology with behavioral science. This will allow us to offer consumers greater added value and benefits.



Fingerprint recognition systems are increasingly useful in raising security efficiency.

The ME64KTIN hyper cable modem can be used with a mobile phone to allow effective mobile computing.

Others

- **Creative Service Company meets needs for operations outsourcing**
- **Business Development Group makes strides in paper-handling equipment**

In other categories, sales totaled ¥72.2 billion, down 1 percent from the previous fiscal year.

The Creative Service Company received new consultation orders involving head office administrative reforms from two clients. There is a rising need among customers for operations outsourcing and business process redesign. OMRON has earned strong recognition among customers for its comprehensive ability to add a competitive advantage through outsourcing. In individual service markets as well, our efforts to promote solutions-based sales in the fields of information systems, human resource development, accounting, logistics and advertising draw on OMRON's extensive expertise in various service sectors. We also offer highly specialized services in the fields of energy-conservation and food catering through alliances with leading vendors.

In the Business Development Group, office automation equipment sales grew mainly because of concerted efforts to market paper-handling equipment for copy machines and printers as well as bank note recognition units. In the PC peripheral equipment market, sales of terminal adapters/home routers and hyper cable modems for mobile equipment increased in tandem with the expansion of the ISDN network and the continuing growth of the cellular phone market.

We will continue seeking greater profitability for businesses that do not belong to any of the OMRON internal companies but have high growth potential, while at the same time clearly identifying strategies for developing each business. The Business Development Group will also work on building the structure necessary to develop and strengthen new businesses in line with OMRON's group-wide growth strategies.

OMRON's Environmental Conservation Activities

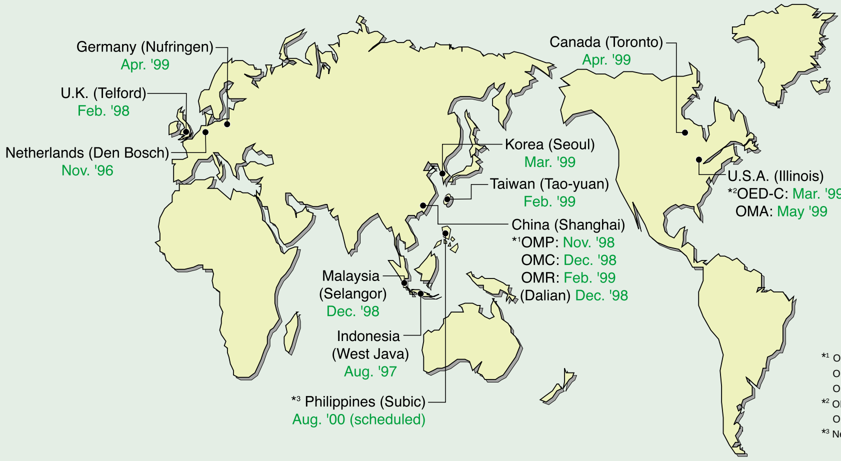
Environmental Vision System

Since its inception, OMRON has consistently remained committed to fulfilling its public responsibilities through its business activities and social contributions. OMRON considers an environmental commitment to be a social contribution of prime importance. Today, we are faced with the adverse effects created by the economy-driven society of the twentieth century. Now we must work to remedy these effects by improving the efficiency of producing and using resources. Therefore, our efforts to improve environmental efficiency along with an environmentally sound management system are more important than ever.

ISO 14001 Project

By May 1999, a total of 30 OMRON Group factories (16 sites in Japan and 14 sites overseas) had achieved ISO 14001 certification for environmental management systems. A newly established Filipino manufacturing company is also scheduled to acquire the certification by August 2000. With this accomplishment, all OMRON Group factories outside Japan will become ISO 14001 certified. In addition, since 1999 OMRON has been working to achieve ISO 14001 certification for its offices and laboratories, aiming for acquisition by the end of the present fiscal year.

ISO 14001-certified OMRON Group Factories (Outside Japan)
Factory locations are shown in parentheses



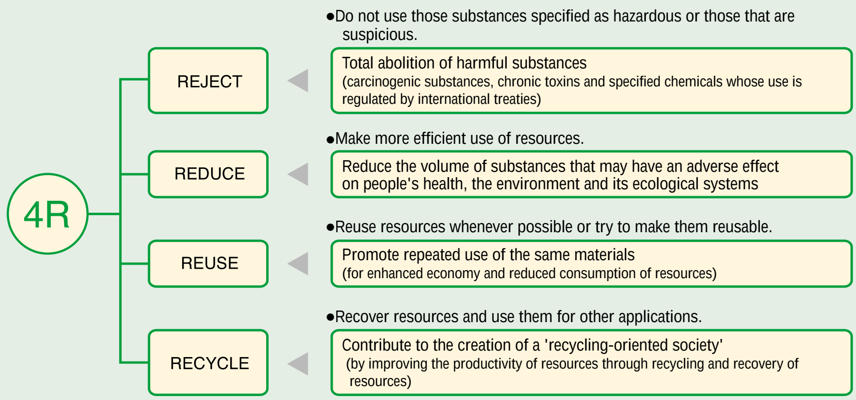
*1 OMP: Shanghai OMRON Automation System Co., Ltd.
OMC: OMRON (Shanghai) Co., Ltd.
OMR: Shanghai OMRON Control Components Co., Ltd.
*2 OED-C: OMRON Automation Electronics, Inc.
OMA: OMRON Manufacturing America, Inc.
*3 Newly established factory in the Philippines

Reduction in Impact of Corporate Activities on the Environment

Centering around the basic concept of "maximizing those beneficial and minimizing those harmful," OMRON is currently working to reduce the impact of its business operations on the environment by focusing on enhancing productivity of resources, recycling and reduction of waste, cutting resource consumption, prevention of global warming and energy conservation.

Environmental Performance Improvements

OMRON's efforts to reduce environmental impact cover virtually all of its business activities from development production to distribution, as well as the entire span of product life from input of materials to output of finished products, and even discarding. Toward this end, OMRON not only integrates its total efforts, but also tries to gain support from concerned public institutes, customers and associates wherever possible. Centering around the concept of "the 4Rs" (see chart), OMRON is committed to developing new technologies and refining existing technologies in order to achieve the goals set for reducing environmental impact.

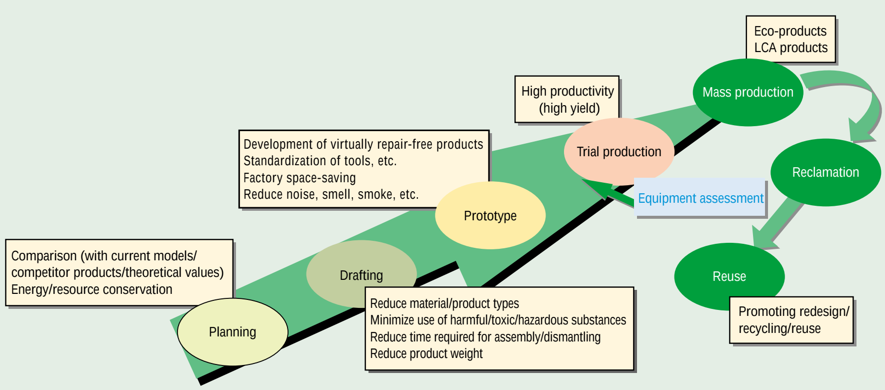


Eco-Products Certification System

In 1998, OMRON introduced an Eco-Products Certification System that meets the requirements of the ISO 14021 Environmental Label Assertion by Self-Declaration standards. This system is intended to award an OMRON eco-label to products that satisfy the Company's in-house environmental standards. By so doing, OMRON aims to promote the incorporation of energy- and resource-saving features and environmentally friendly functions into OMRON products to enhance their appeal and recognition. At the same time, this system will help to promote OMRON as an environmentally conscious company to both its customers and the public. By March 2000, a total of 36 products had been designated Eco-Products.

Product Assessment and LCA

With the Eco-Products Certification System and Eco Grand Prix awards, OMRON promotes the development of environmentally friendly products, while simultaneously incorporating the results of product assessment into these developments. Product assessment is linked to the Company's current development system in order to accommodate the need for inverse manufacturing and to create products that are easy to recycle, save energy and do not use hazardous chemical substances. The product assessment concept implemented for each development process is as follows:



Board of Directors

Seated (left to right): Nobuo Tateisi, Yoshio Tateisi
Standing (left to right): Akio Imaizumi, Tatsuro Ichihara, Norio Hirai, Hideki Masuda, Soichi Koshio

Board of Directors

Chairman and Representative Director

Nobuo Tateisi

Representative Director and Chief Executive Officer

Yoshio Tateisi

Directors and Executive Vice Presidents

Soichi Koshio
Hideki Masuda
Norio Hirai
Tatsuro Ichihara

Director and Senior Managing Officer

Akio Imaizumi

Corporate Auditors

Tomoaki Nishimura
Motoki Tamura
Takayuki Yamashita
Yoshio Nakano

Senior Managing Officers

Tsunehiko Tokumasu
Tsutomu Narita
Tadao Tateisi
Yoshifumi Kajiya

Managing Officers

Masaaki Sadatomo
Shingo Akechi
Hisao Sakuta
Minoru Tamura
Tsukasa Yamashita
Fujio Tokita
Yutaka Takigawa
Keiichiro Akahoshi
Fumio Tateisi
Shinya Tozawa
Kazuo Nomura
Yasuhira Minagawa
Akihiko Otani
Kuniyasu Kihira
Tsutomu Ozako
Toshio Ochiai
Masaki Kobayashi
Soichi Yukawa
Hiroki Toyama
Kojiro Tobita

(As of June 27, 2000)

Financial Section

Six-year Summary

OMRON Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	2000	1999	1998	1997	1996	1995
Net Sales (Note 2)**:**						
Industrial Automation	**¥243,604**	¥245,785	¥ —	¥ —	¥ —	¥ —
Electronic Components	**68,328**	56,673	—	—	—	—
Social Systems Business	**128,534**	135,872	138,203	145,172	125,623	127,382
Healthcare	**42,640**	43,729	40,793	36,388	31,618	28,790
Open Systems	**—**	—	50,131	50,187	38,621	34,672
Control Components and Systems	**—**	—	313,642	291,277	275,149	248,023
Specialty Products	**—**	—	47,263	46,533	38,687	42,465
Others	**72,252**	73,221	21,763	24,704	15,591	8,368
	555,358	555,280	611,795	594,261	525,289	489,700
Costs and Expenses:						
Cost of sales	**358,911**	364,314	387,445	388,005	342,500	324,666
Selling, general and administrative expenses	**133,662**	136,734	138,404	130,163	109,117	100,333
Research and development expenses	**36,605**	42,383	39,914	35,188	34,433	31,223
Interest expenses, net	**750**	862	682	1,591	2,044	5,102
Foreign exchange loss, net	**2,841**	2,766	4,419	860	5,027	3,657
Other expenses (income), net	**1,553**	(28)	(1,312)	(794)	(84)	(229)
	534,322	547,031	569,552	555,013	493,037	464,752
Income before Income Taxes and Minority Interests	**21,036**	8,249	42,243	39,248	32,252	24,948
Income Taxes	**9,048**	6,044	23,371	22,952	17,039	12,358
Minority Interests	**427**	31	168	557	626	438
Net Income	**11,561**	2,174	18,704	15,739	14,587	12,152
Net Income per Share (yen):						
Basic	**¥ 45.0**	¥ 8.3	¥ 71.4	¥ 60.1	¥ 55.7	¥ 50.8
Diluted	**44.5**	8.3	69.8	58.8	54.5	49.4
Cash Dividends per Share (yen, Note 1)	**13.0**	13.0	13.0	13.0	13.0	13.0
Capital Expenditures (cash basis)	**¥ 31,146**	¥ 36,696	¥ 35,896	¥ 29,956	¥ 34,079	¥ 30,954
Total Assets	**579,489**	580,586	593,129	610,930	612,929	587,414
Total Shareholders' Equity	**336,062**	321,258	343,066	333,102	318,194	297,035
Value indicators:						
Gross profit margin (%)	**35.4**	34.4	36.7	34.7	34.8	33.7
Income before tax/Net sales (%)	**3.8**	1.5	6.9	6.6	6.1	5.1
Return on sales (%)	**2.1**	0.4	3.1	2.6	2.8	2.5
Return on assets (%)	**3.6**	1.4	7.0	6.4	5.4	4.4
Return on equity (%)	**3.5**	0.7	5.5	4.8	4.7	4.6
Inventory turnover (times)	**4.56**	4.18	4.28	4.66	4.51	4.69
Price/earning ratio (times)	**64.9**	175.0	28.3	36.6	42.2	35.4
Assets turnover (times)	**0.96**	0.95	1.02	0.97	0.88	0.86
Debt/equity ratio (times)	**0.724**	0.807	0.729	0.834	0.926	0.978
Interest coverage ratio (times)	**14.64**	5.56	20.05	12.27	8.47	4.37

Notes: 1. Cash dividends per share are the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. Categories within net sales for 1998 and earlier reflect the categories used at that time, which can not be restated to conform to present categories following reorganization.

Management's Discussion and Analysis

Financial Strategy

During fiscal 2000, the year ended March 31, 2000, OMRON set up a financial policy of implementing and strengthening its financial structure to avoid a second consecutive year of lower earnings. This included improving asset efficiency, maintaining adequate liquidity to counter possible Y2K problems, and securing sufficient capital for operations. In addition, OMRON is investing capital in accordance with its original plan within the scope of cash flow, while concentrating the items and areas of capital expenditure to secure profits.

Overview of Operations

Although consumer spending remained restrained, the operating environment in Japan seemed to have bottomed out. Signs of recovery began to appear, with a partial rebound in private capital investment as a result of government fiscal policies and the stabilization of the financial system. Outside of Japan, the U.S. economy continued to grow strongly and economic conditions in Europe were favorable, while the economies of Asia recovered from the currency crisis of prior years and began staging a sharp rebound. In this environment, OMRON worked during fiscal 2000 to transform its identity and position while improving earnings to avoid a second consecutive fiscal year of declining profitability. The Company succeeded in improving competitiveness by consistently managing its businesses to build the foundation for improved performance, and focusing resources on optimizing the strengths of each of OMRON's internal companies.

These efforts were supported by a recovery in capital investment in the semiconductor, information and communication sectors, but net sales were essentially unchanged year-on-year. Factors restraining sales growth included the transfer of a business division in the prior fiscal year and the appreciation of the yen. Net sales would have increased 4 percent year-on-year excluding the effect of the transfer. Despite the impact of the disposal of ¥5.3 billion in bad debts at domestic subsidiaries, earnings improved markedly due to the results of restructuring, a lower cost of sales ratio and decreased selling, general and administrative (SGA) expenses. Income before income taxes and minority interests increased 2.6 times year-on-year to ¥21.0 billion, and net income rose 5.3 times to ¥11.6 billion.

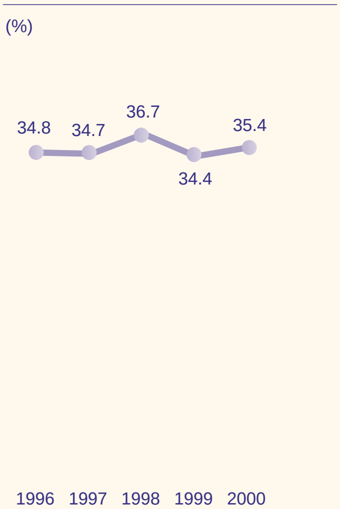
Sales

Consolidated net sales were essentially unchanged from the previous fiscal year at ¥555.4 billion. Private capital investment recovered in the semiconductor, information and communications sectors, which supported solid sales gains in OMRON's core control components systems business. The transfer of a business division in the prior fiscal year and the appreciation of the yen, however, held back sales growth.

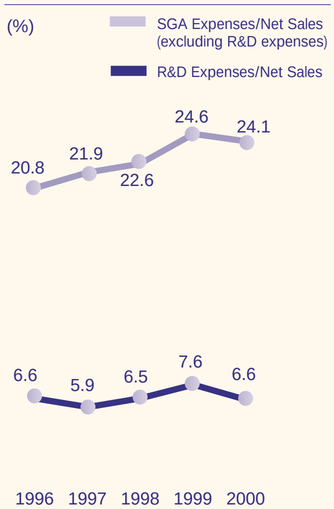
Cost of Sales, SGA Expenses and Income

Cost of sales decreased ¥5.4 billion, or 1.5 percent, over the previous fiscal year to ¥358.9 billion, and improved to 64.6 percent of net sales, compared to 65.6 percent for the previous fiscal year. Factors in the improvement included reduced raw

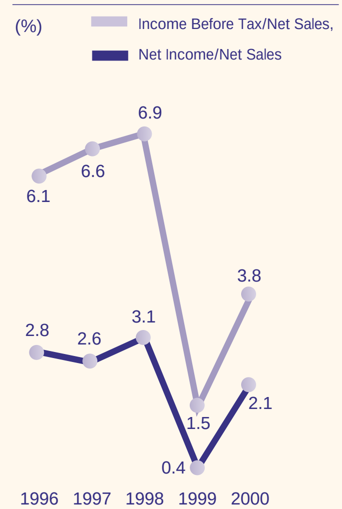
Gross Profit Margin



SGA Expenses/Net Sales
R&D Expenses/Net Sales



Income Before Tax/Net Sales
Net Income/Net Sales



material prices and efficiencies from restructuring initiatives such as the divestiture. As a result, gross profit increased 2.9 percent to ¥196.4 billion, and the ratio of gross profit to net sales improved by 1 percentage point to 35.4 percent. SGA expenses decreased ¥3.1 billion, or 2.2 percent, year-on-year to ¥133.7 billion, and improved to 24.1 percent of net sales from 24.6 percent for the previous fiscal year. Primary factors included a reduction in advertising expenses and in commissions for outsourcing. Research and development expenses decreased ¥5.8 billion, or 13.6 percent, to ¥36.6 billion, and represented 6.6 percent of net sales, compared to 7.6 percent for the previous fiscal year. OMRON reduced commission expenses for outsourced research and development by conducting it internally. R&D is central to OMRON’s growth strategy and the Company intends to maintain the ratio of R&D expenses at approximately 7 percent of net sales.

Main factors in non-operating expenses included a drop in interest expenses due to a reduction in short-term debt, and the disposal of ¥5.3 billion in bad debts at subsidiaries. Income before income taxes and minority interests increased ¥12.8 billion, or 155.0 percent, to ¥21.0 billion. Income taxes increased ¥3.0 billion, or 49.7 percent, to ¥9.0 billion, and the ratio of income taxes to income before income taxes and minority interests improved to 43.0 percent from 73.3 percent for the previous fiscal year. As a result of the above, net income increased ¥9.4 billion, or 431.8 percent, to ¥11.6 billion. The ratio of net income to net sales improved to 2.1 percent from 0.4 percent for the previous fiscal year, and return on average total shareholders’ equity improved to 3.5 percent from 0.7 percent for the previous fiscal year. Net income per share improved from ¥8.3 to ¥45.0, and fully diluted net income per share improved from ¥8.3 to ¥44.5.

Costs, expenses and income as percentages of net sales were as follows:

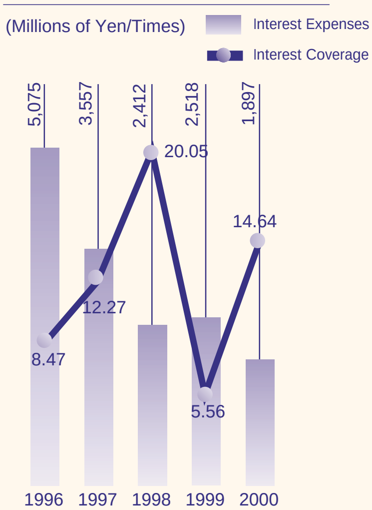
	2000	1999	1998
Net sales	100.0%	100.0%	100.0%
Cost of sales	64.6	65.6	63.3
Gross profit	35.4	34.4	36.7
Selling, general and administrative expenses	24.1	24.6	22.6
Research and development expenses	6.6	7.6	6.5
Interest expenses, net	0.1	0.1	0.1
Income before income taxes and minority interests	3.8	1.5	6.9
Income taxes	1.6	1.1	3.8
Net income	2.1	0.4	3.1

Review of Operations by Company

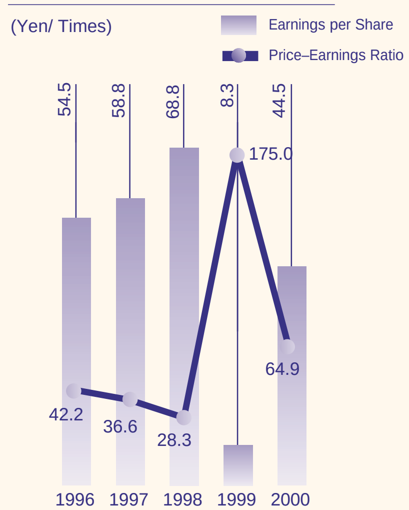
Industrial Automation Company

Net sales for the Industrial Automation Company, excluding intracompany transactions, decreased 0.9 percent year-on-year to ¥243.6 billion, and represented 43.9 percent of total net sales. The decrease was attributable to the transfer of OMRON’s

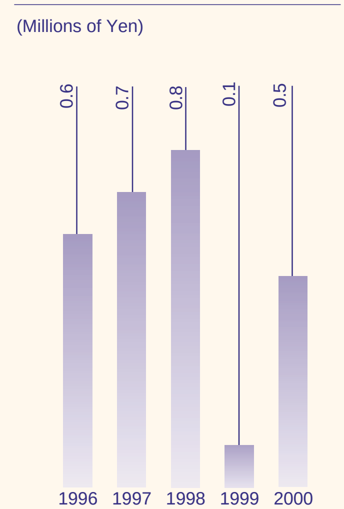
Interest Expenses and Interest Coverage



Earnings per Share and Price–Earnings Ratio



Net Income per Employee



semiconductor business and the appreciation of the yen. Net sales would have increased 3.0 percent absent the transfer of the semiconductor business. A number of factors supported results. Capital investment among manufacturers increased during the second half of the year, particularly among manufacturers of information- and communication-related products, for which demand was strong. Moreover, the introduction of an authorized distributor system and expanded cooperation with authorized distributors strengthened results, supporting a significant expansion in domestic sales. Outside Japan, the rapid and powerful recovery of the Asian economies and stable expansion in the European and U.S markets on a local currency basis also supported results.

Electronic Components Company

Net sales for the Electronic Components Company, excluding intracompany transactions, increased 20.6 percent year-on-year to ¥68.3 billion, and accounted for 12.3 percent of total net sales. Intense price competition led to lower sales prices in the domestic market, but the shift toward digitalization, miniaturization, reduced footprint and lower energy consumption in the home electronics and office automation markets supported demand for OMRON products. Moreover, sales of components to selected industries grew strongly, including sales of sensors and other components to the amusement industry and sales to the automobile industry to meet demand created by increased production of new models. Overseas, favorable conditions in the U.S. market, the successful launch of the automotive components business in Europe, and the solid recovery in the Republic of Korea helped the Automotive Components Division to increase sales despite the appreciation of the yen.

Social Systems Business Company

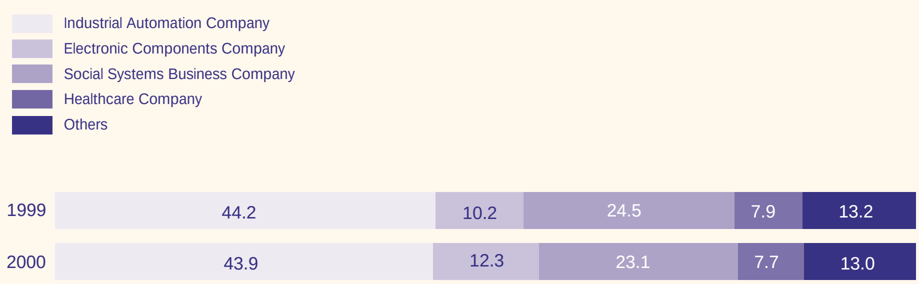
Net sales for the Social Systems Business Company, excluding intracompany transactions, decreased 5.4 percent year-on-year to ¥128.5 billion, and accounted for 23.1 percent of total net sales. The introduction of the multi-functional CyberGate, primarily in the rapidly growing convenience store sector, supported the results of the electronic fund transfer systems business. Continued restraint in investment by financial institutions, however, resulted in the year-on-year decrease in sales. Sales increased in the station management business as sales related to new systems that will be introduced in the Tokyo metropolitan area and the successful application of related technologies for the airport market compensated for continued restraint in investment among railway companies. Sales decreased in the traffic management systems business as orders for electronic toll collection (ETC) systems only partially offset sharply lower investment among local governments.

Healthcare Company

Net sales for the Healthcare Company, excluding intracompany transactions, decreased 2.5 percent year-on-year to ¥42.6 billion, and accounted for 7.7 percent of total net sales. Although domestic consumption remained slack, increased interest in maintaining and improving health among consumers supported firm growth in sales of relevant Healthcare Company products, including blood pressure monitors, thermometers, body-fat monitors, chair-style massagers and fitness equipment. Overseas, fierce competition in the United States during the Christmas season and intensified price competition in Europe led to a marginal decrease in sales. The appreciation of the yen also negatively affected sales.

Sales by Company

(%)



Others

Net sales of other divisions decreased 1.3 percent to ¥72.3 billion, and represented 13.0 percent of total net sales. The Creative Service Company expanded its business by working to commercialize new services and by raising competitiveness through improved efficiency.

In the copier and printer business, the trend toward digitalization and multi-functional equipment supported performance in the paper sorting equipment sector. In the PC-related equipment business, OMRON is moving to expand sales by swiftly developing communications equipment that incorporates the use of ISDN and mobile phones, and by emphasizing solutions for the open systems business.

The increase or decrease in sales of each internal business company was as follows:

	2000	1999	1998
Industrial Automation	(0.9)%	N/A%	N/A%
Electronic Components	20.6	N/A	N/A
Social Systems Business	(5.4)	N/A	N/A
Healthcare	(2.5)	N/A	N/A
Others	(1.3)	N/A	N/A

Note: Due to a restructuring in April 1999, figures for increase or decrease in sales corresponding to current internal companies are not available for 1999 and previous years.

The composition of net sales was as follows:

	2000	1999	1998
Industrial Automation	43.9%	44.2%	N/A%
Electronic Components	12.3	10.2	N/A
Social Systems Business	23.1	24.5	N/A
Healthcare	7.7	7.9	N/A
Others	13.0	13.2	N/A

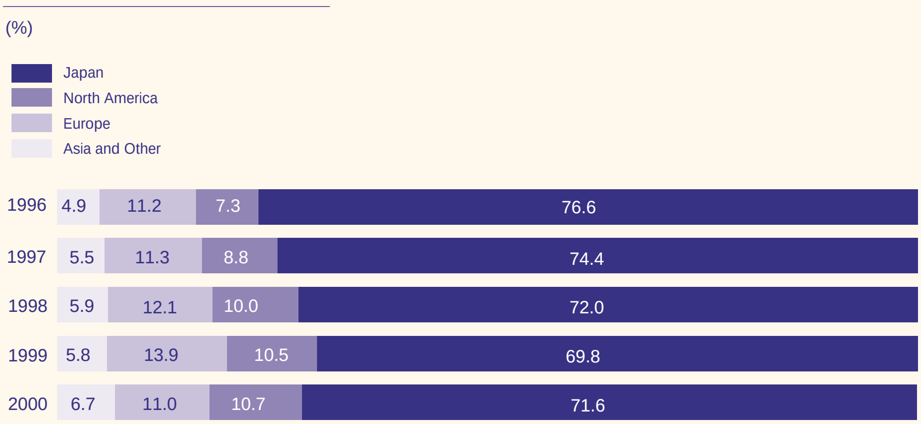
Note: Due to a restructuring in April 1999, figures for net sales corresponding to current internal companies are not available for 1998.

Review of Operations by Region

Japan

Although consumer spending remained restrained, a rebound in private capital investment in some sectors indicated that the economy had bottomed out and was beginning to recover. The Industrial Automation Company, the Electronic Components Company and the Healthcare Company performed solidly, and sales of the Social Systems Business Company decreased. Sales to external customers increased 2.5 percent to ¥397.2 billion.

Sales by Region



North America

Personal consumption and strong capital investment, centered on information technology (IT), supported continued solid economic growth. The Industrial Automation Company and the Electronic Components Company benefited from favorable demand in the IT, semiconductor and automobile industries. The Healthcare Company's performance was impacted by intense competition during the Christmas season. As a result, sales to external customers increased 2.1 percent to ¥59.5 billion.

Europe

The European economy drew support from the depreciation of the Euro and consequent increase in exports and from an increase in personal consumption. Recovery was particularly firm in Germany and the United Kingdom. The Industrial Automation Company and the Electronic Components Company benefited from the positive effect economic recovery had on orders from equipment manufacturers and other customers. Healthcare Company results were impacted by intensified price competition. The depreciation of the Euro, however, was a primary factor resulting in a 20.6 percent year-on-year decrease in sales to external customers to ¥61.3 billion.

Asia and Other

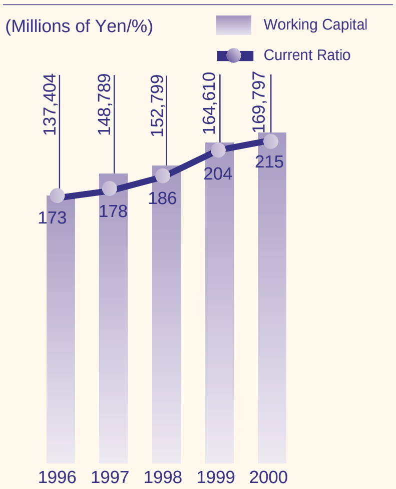
The economies of Southeast Asia and the Republic of Korea recovered strongly from the recession induced by the currency crisis. The economy of greater China also firmed. In Southeast Asia, the Industrial Automation Company benefited from a strong recovery in demand from semiconductor and electronics manufacturers, and the performance of the Social Systems Business Company also improved. The economy of the Republic of Korea recovered despite instability among the large corporate groups, contributing to strong performance gains by the Industrial Automation Company and the Electronic Components Company. In greater China, the Industrial Automation Company and the Healthcare Company in particular generated performance gains. As a result, sales to external customers increased 16.4 percent to ¥37.4 billion.

Assets, Liabilities and Shareholders' Equity

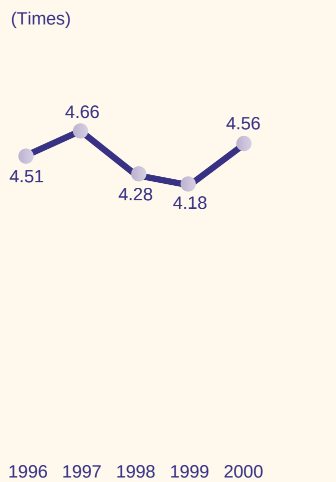
As of March 31, 2000, total assets decreased ¥1.1 billion, or 0.2 percent, from a year earlier to ¥579.5 billion. Current assets decreased ¥5.0 billion, or 1.5 percent, from a year earlier to ¥317.3 billion, with trade notes and accounts receivable, inventories and deferred income taxes lower. Trade notes and accounts receivable decreased ¥3.8 billion, or 2.9 percent, from a year earlier to ¥130.4 billion, mainly because of the appreciation of the yen. Inventories decreased ¥1.7 billion, or 2.2 percent, from a year earlier to ¥77.8 billion, primarily because of progress in improving supply chain management and the appreciation of the yen. Deferred income taxes decreased ¥2.3 billion to ¥9.0 billion.

Property, plant and equipment decreased ¥6.9 billion, or 4.2 percent, from a year earlier to ¥156.0 billion due to reductions in machinery and equipment and shortfalls in conversion amounts due to the appreciation of the yen. Investments and other assets increased ¥10.8 billion, or 11.3 percent, to ¥106.2 billion. While leasehold deposits and deferred income taxes

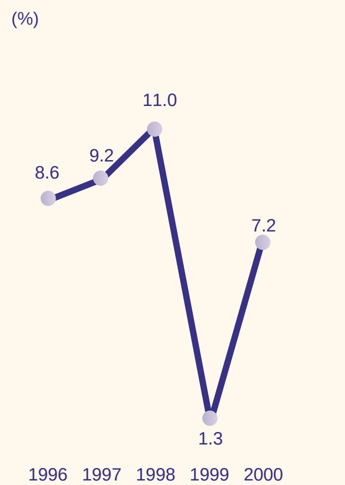
Working Capital and Current Ratio



Inventory Turnover



Return on Tangible Fixed Assets



decreased, the market value of investment securities increased ¥15.3 billion from a year earlier.

The total of current liabilities, long-term liabilities and minority interests in subsidiaries decreased ¥15.9 billion, or 6.1 percent, from a year earlier to ¥243.4 billion. Current liabilities decreased ¥10.2 billion, or 6.5 percent, from a year earlier to ¥147.5 billion. Short-term bank loans decreased ¥17.7 billion from the previous fiscal year-end to ¥10.2 billion, while trade notes and accounts payable increased. Income taxes payable increased, primarily due to higher parent company earnings. The current ratio improved to 215 percent from 204 percent, and working capital increased 3.2 percent to ¥169.8 million. Long-term debt increased 2.4 percent to ¥58.0 billion, mainly from additional loans from banks and other financial institutions. As a result, interest-bearing liabilities, defined as the sum of bank loans, the current portion of long-term debt and long-term debt, decreased ¥17.3 billion, or 19.9 percent, from a year earlier to ¥69.5 billion.

Shareholders' equity increased ¥14.8 billion, or 4.6 percent, over the previous fiscal year-end to ¥336.1 billion. The ratio of shareholders' equity to total assets improved to 58.0 percent from 55.3 percent a year earlier. The debt/equity ratio improved to 0.724 times from 0.807 times a year earlier. Return on average total shareholders' equity rose to 3.5 percent from 0.7 percent for the pervious fiscal year. In addition, net assets per share of stock issued and outstanding rose to ¥1,308.64 from ¥1,250.28 a year earlier. Foreign currency translation adjustments increased to ¥21.0 billion from ¥12.0 billion a year earlier due to the appreciation of the yen, and had the effect of reducing shareholders' equity and minority interests. Net unrealized gains on available-for-sale securities increased to ¥13.8 billion from ¥5.1 billion a year earlier. No minimum pension liability adjustments were booked on a consolidated basis.

Cash Flow

At March 31, 2000 cash and cash equivalents and short-term investments increased ¥5.0 billion, or 5.6 percent, from a year earlier to ¥95.0 billion. Fluctuations in the exchange rate had the effect of reducing cash and cash equivalents by ¥2.2 billion for the fiscal year.

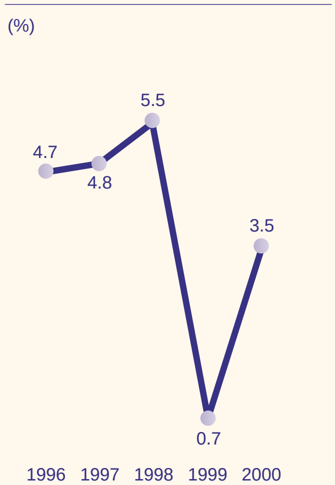
Cash provided by operating activities increased ¥30.3 billion, or 102.6 percent, to ¥60.0 billion, due mainly to the increase in net income. Depreciation and amortization increased ¥49.0 million, or 0.2 percent, year-on-year to ¥31.4 billion.

Cash used in investing activities increased ¥5.2 billion, or 17.8 percent, from the previous fiscal year to ¥34.2 billion, primarily because of a net purchase of short-term investments and investment securities. Capital expenditures decreased ¥5.6 billion, or 15.1 percent, year-on-year to ¥31.1 billion.

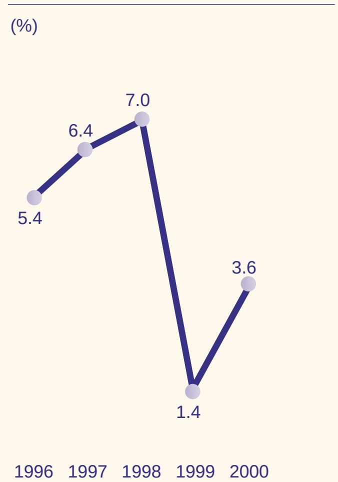
Free cash flow totaled ¥25.7 billion. While net income increased, lower accounts receivable and inventories reduced working capital and OMRON selectively deployed cash in investments.

Cash used in financing activities totaled ¥23.8 billion due to factors including the net repayment of bank loans.

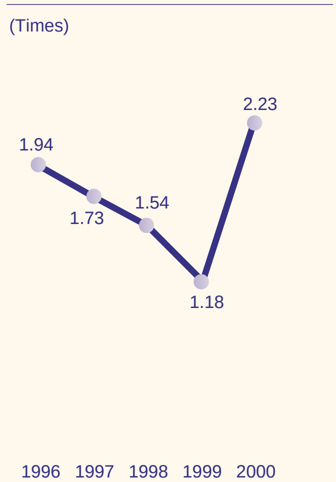
Return on Shareholders' Equity



Return on Assets



Price/Book Value Ratio



Consolidated Balance Sheets

OMRON Corporation and Subsidiaries
March 31, 2000 and 1999

ASSETS	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 2) 2000
Current Assets:			
Cash and cash equivalents	**¥ 88,670**	¥ 88,900	**$ 836,509**
Short-term investments (Note 4)	**6,300**	1,054	**59,434**
Notes and accounts receivable—trade	**130,355**	134,183	**1,229,764**
Allowance for doubtful receivables	**(2,001)**	(2,450)	**(18,877)**
Inventories (Note 3)	**77,807**	79,535	**734,028**
Deferred income taxes (Note 9)	**9,026**	11,336	**85,151**
Other current assets	**7,116**	9,705	**67,132**
Total Current Assets	**317,273**	322,263	**2,993,141**
Property, Plant and Equipment:			
Land	**51,082**	50,598	**481,906**
Buildings	**110,330**	111,263	**1,040,849**
Machinery and equipment	**129,639**	135,197	**1,223,009**
Construction in progress	**3,933**	4,326	**37,104**
Total	**294,984**	301,384	**2,782,868**
Accumulated depreciation	**(138,950)**	(138,489)	**(1,310,849)**
Net Property, Plant and Equipment	**156,034**	162,895	**1,472,019**
Investments and Other Assets:			
Investments in and advances to associates	**2,013**	1,770	**18,991**
Investment securities (Note 4)	**69,397**	54,114	**654,689**
Leasehold deposits	**10,608**	12,035	**100,075**
Deferred income taxes (Note 9)	**6,415**	8,834	**60,519**
Other	**17,749**	18,675	**167,443**
Total Investments and Other Assets	**106,182**	95,428	**1,001,717**
Total	**¥579,489**	¥580,586	**$5,466,877**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 2) 2000
Current Liabilities:			
Bank loans (Note 5)	**¥ 10,242**	¥ 27,946	**$ 96,623**
Notes and accounts payable—trade	**78,467**	70,971	**740,255**
Accrued expenses	**21,430**	20,924	**202,170**
Income taxes payable	**11,334**	9,020	**106,924**
Other current liabilities (Note 9)	**24,741**	26,625	**233,405**
Current portion of long-term debt (Note 5)	**1,262**	2,167	**11,906**
Total Current Liabilities	**147,476**	157,653	**1,391,283**
Long-Term Debt (Note 5)	**57,968**	56,610	**546,868**
Deferred Income Taxes (Note 9)	**3,725**	908	**35,142**
Termination and Retirement Benefits (Note 7)	**30,629**	40,076	**288,953**
Other Long-Term Liabilities	**1,114**	1,525	**10,509**
Minority Interests in Subsidiaries	**2,515**	2,556	**23,726**
Shareholders' Equity (Note 8):			
Common stock, ¥50 par value:			
Authorized: 495,000,000 shares in 2000 and 1999			
Issued: 257,109,236 shares in 2000 and 257,107,214 shares in 1999	**64,082**	64,079	**604,547**
Additional paid-in capital	**98,705**	98,702	**931,179**
Legal reserve	**7,250**	6,811	**68,396**
Retained earnings	**173,804**	166,020	**1,639,660**
Accumulated other comprehensive income (loss) (Note 13)	**(7,168)**	(14,012)	**(67,622)**
Treasury stock, at cost— 307,000 shares in 2000 and 158,000 shares in 1999	**(611)**	(342)	**(5,764)**
Total Shareholders' Equity	**336,062**	321,258	**3,170,396**
Total	**¥579,489**	¥580,586	**$5,466,877**

See notes to consolidated financial statements.

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999	1998	**2000**
Net Sales	**¥555,358**	¥555,280	¥611,795	**$5,239,226**
Costs and Expenses:				
Cost of sales	**358,911**	364,314	387,445	**3,385,953**
Selling, general and administrative expenses	**133,662**	136,734	138,404	**1,260,962**
Research and development expenses	**36,605**	42,383	39,914	**345,330**
Interest expenses, net (Note 5)	**750**	862	682	**7,076**
Foreign exchange loss, net	**2,841**	2,766	4,419	**26,802**
Other expenses (income), net	**1,553**	(28)	(1,312)	**14,651**
Total	**534,322**	547,031	569,552	**5,040,774**
Income before Income Taxes and Minority Interests	**21,036**	8,249	42,243	**198,452**
Income Taxes (Note 9)	**9,048**	6,044	23,371	**85,358**
Income before Minority Interests	**11,988**	2,205	18,872	**113,094**
Minority Interests	**427**	31	168	**4,028**
Net Income	**¥ 11,561**	¥ 2,174	¥ 18,704	**$ 109,066**

	Yen			U.S. dollars (Note 2)
	2000	1999	1998	**2000**
Net Income per Share (Note 11):				
Basic	**¥45.0**	¥ 8.3	¥71.4	**$0.42**
Diluted	**44.5**	8.3	69.8	**0.42**
Cash Dividends per Share (Note 11)	**13.0**	13.0	13.0	**0.12**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999	1998	**2000**
Net Income	**¥11,561**	¥ 2,174	¥18,704	**$109,066**
Other Comprehensive Income (Loss), Net of Tax (Note 13):				
Foreign currency translation adjustments:				
Amount arising during the year on investments in foreign entities held at end of year	**(9,044)**	(6,082)	(2,592)	**(85,321)**
Reclassification adjustment for the portion realized upon sale or liquidation of investments in foreign entities	**—**	40	—	**—**
Net change in foreign currency translation adjustments during the year	**(9,044)**	(6,042)	(2,592)	**(85,321)**
Minimum pension liability adjustments	**7,138**	(5,737)	745	**67,340**
Unrealized gains on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	**9,050**	(620)	(3,481)	**85,377**
Reclassification adjustment for losses on impairment realized in net income	**1,202**	—	—	**11,340**
Reclassification adjustment for gains realized in net income	**(1,502)**	(898)	(4)	**(14,170)**
Net unrealized gains (losses)	**8,750**	(1,518)	(3,485)	**82,547**
Other Comprehensive Income (Loss)	**6,844**	(13,297)	(5,332)	**64,566**
Comprehensive Income (Loss)	**¥18,405**	¥(11,123)	¥13,372	**$173,632**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Number of common shares issued	Millions of yen: Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, April 1, 1997	262,107,214	¥64,079	¥98,702	¥5,963	¥159,741	¥ 4,617	¥ —
Net income					18,704		
Cash dividends, ¥13 per share					(3,408)		
Transfer to legal reserve				351	(351)		
Other comprehensive loss						(5,332)	
Balance, March 31, 1998	262,107,214	64,079	98,702	6,314	174,686	(715)	—
Net income					2,174		
Cash dividends, ¥13 per share					(3,372)		
Transfer to legal reserve				497	(497)		
Other comprehensive loss						(13,297)	
Treasury stock							(342)
Share buyback and retirement	(5,000,000)				(6,971)		
Balance, March 31, 1999	257,107,214	64,079	98,702	6,811	166,020	(14,012)	(342)
Net income					**11,561**		
Cash dividends, ¥13 per share					**(3,338)**		
Transfer to legal reserve				**439**	**(439)**		
Other comprehensive income						**6,844**	
Treasury stock							**(288)**
Exercise of stock options							**19**
Conversion of convertible bonds	**2,022**	**3**	**3**				
Balance, March 31, 2000	**257,109,236**	**¥64,082**	**¥98,705**	**¥7,250**	**¥173,804**	**¥ (7,168)**	**¥(611)**

	Thousands of U.S. dollars (Note 2): Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 1999	$604,519	$931,151	$64,255	$1,566,226	$(132,188)	$(3,226)
Net income				**109,066**		
Cash dividends, $0.12 per share				**(31,491)**		
Transfer to legal reserve			**4,141**	**(4,141)**		
Other comprehensive income					**64,566**	
Treasury stock						**(2,717)**
Exercise of stock options						**179**
Conversion of convertible bonds	**28**	**28**				
Balance, March 31, 2000	**$604,547**	**$931,179**	**$68,396**	**$1,639,660**	**$ (67,622)**	**$(5,764)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999	1998	**2000**
Operating Activities:				
Net income	**¥11,561**	¥ 2,174	¥18,704	**$109,066**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**31,445**	31,396	31,129	**296,651**
Loss on sale of property, plant and equipment	**412**	458	268	**3,887**
Net gain on sale of short-term investments and investment securities	**(2,783)**	(1,725)	(1)	**(26,255)**
Loss on impairment of investment securities	**2,072**	—	—	**19,547**
Bad debt expenses	**5,638**	—	—	**53,189**
Termination and retirement benefits	**5,778**	4,178	2,004	**54,510**
Deferred income taxes	**(5,809)**	(6,358)	(634)	**(54,802)**
Minority interests	**427**	31	168	**4,028**
Loss on sale of business entities	**—**	286	—	**—**
Changes in assets and liabilities, net of effects of business entities sold:				
Notes and accounts receivable — trade, net	**2,507**	2,025	(3,537)	**23,651**
Inventories	**(534)**	10,529	(8,412)	**(5,038)**
Other assets	**(3,030)**	5,306	(7,004)	**(28,585)**
Notes and accounts payable — trade	**10,062**	(11,969)	(4,315)	**94,925**
Income taxes payable	**2,633**	(5,967)	(1,998)	**24,840**
Accrued expenses and other	**(585)**	(970)	4,425	**(5,519)**
Other, net	**132**	189	1,289	**1,245**
Total adjustments	**48,365**	27,409	13,382	**456,274**
Net cash provided by operating activities	**59,926**	29,583	32,086	**565,340**
Investing Activities:				
Proceeds from sales or maturities of short-term investments and investment securities	**32,289**	26,780	21,285	**304,613**
Purchase of short-term investments and investment securities	**(37,413)**	(22,275)	(1,427)	**(352,953)**
Capital expenditures	**(31,146)**	(36,696)	(35,896)	**(293,830)**
Decrease (increase) in leasehold deposits	**1,456**	(527)	5	**13,736**
Proceeds from sales of property, plant and equipment	**1,081**	1,895	1,335	**10,198**
Acquisition of minority interests	**(447)**	(186)	(2,933)	**(4,217)**
Proceeds from sale of business entities	**—**	1,998	—	**—**
Net cash used in investing activities	**(34,180)**	(29,011)	(17,631)	**(322,453)**
Financing Activities:				
Net borrowings (repayments) of short-term bank loans	**(18,087)**	15,515	(2,864)	**(170,632)**
Proceeds from issuance of long-term debt	**775**	25,413	648	**7,311**
Repayments of long-term debt	**(3,102)**	(8,956)	(18,013)	**(29,264)**
Dividends paid	**(3,371)**	(3,372)	(3,408)	**(31,802)**
Share buyback	**—**	(6,971)	—	**—**
Net cash provided by (used in) financing activities	**(23,785)**	21,629	(23,637)	**(224,387)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(2,191)**	(1,666)	(1,741)	**(20,670)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(230)**	20,535	(10,923)	**(2,170)**
Cash and Cash Equivalents at Beginning of the Year	**88,900**	68,365	79,288	**838,679**
Cash and Cash Equivalents at End of the Year	**¥88,670**	¥88,900	¥68,365	**$836,509**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

OMRON Corporation and Subsidiaries

1. Summary of Significant Accounting Policies

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 as generally accepted in the United States, except for the omission of segment information as required by the Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." The principal adjustments include accrual of certain expenses, accounting for termination and retirement benefits, accrual of deferred income taxes relating to these adjustments and accounting for prior years' stock dividends at market value.

Certain reclassifications have been made to amounts previously reported in order to conform to 2000 classifications.

Principles of Consolidation

The consolidated financial statements include the accounts of OMRON Corporation (the "Company") and its subsidiaries (together the "Companies"). All significant intercompany accounts and transactions have been eliminated. Costs in excess of the fair value of net assets acquired are amortized on a straight-line basis over five years.

The Companies' investments in companies in which ownership is from 20% to 50% (associates) are stated at cost plus equity in undistributed net income or loss.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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, securities purchased with resale agreements and money market instruments.

Short-Term Investments and Investment Securities

The Companies classify all their marketable debt and equity securities as available-for-sale and carry them at market value with a corresponding recognition of the net unrealized holding gains or losses as a separate component of other comprehensive income, net of related taxes, until recognized. 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

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Property, Plant and Equipment

Property, plant and equipment is 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.

Advertising Costs

Advertising costs are charged to earnings as incurred. Advertising expense was ¥8,428 million ($79,509 thousand), ¥9,822 million and ¥10,329 million for the years ended March 31, 2000, 1999 and 1998, respectively.

Termination and Retirement Benefits

Termination and retirement benefits are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and are disclosed in accordance with SFAS No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits." Provision for termination and retirement benefits includes those for directors and corporate auditors of the Company.

Stock Purchase Plan

In June 1998, the Company introduced stock-based compensation plans. Stock options are granted to directors and certain employees to purchase shares of common stock at a price not less than market price at the date of grant. Pursuant to SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has elected to account for its stock option plan under APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for this plan. Compensation cost for the plan determined based on the fair value of the options at the grant date consistent with SFAS No. 123 was immaterial.

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. 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.

Derivatives

Currency derivatives (foreign exchange forward contracts and currency option contracts) are used to manage currency risk. Gains and losses on hedges of existing assets or liabilities denominated in foreign currencies are recognized in income currently, as are the offsetting foreign exchange losses and gains on the items hedged. Gains and losses related to qualifying hedges of firm commitments denominated in foreign currencies are deferred and are recognized as adjustments to the hedged transaction when such transaction occurs. Derivative contracts that do not qualify as hedges are marked to market with the related gains and losses included in Foreign exchange loss, net in the consolidated statements of income.

Interest rate swaps are used to manage exposure to fluctuations in interest rates arising from the Companies' existing debt. The amounts receivable or payable under interest rate swap agreements are recognized as adjustments to interest expenses.

Cash Dividends

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the years 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.

Comprehensive Income

Comprehensive income consists of net income, foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on available-for-sale securities, and is presented in the consolidated statements of comprehensive income.

Nature of Operations

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: Japan, North America, Europe, Asia-Pacific and China. Products, classified by type and market, are organized into five internal companies and one business development group, as described below.

Industrial Automation manufactures and sells control components and systems including programmable logic controllers, sensors and switches used in automatic systems in industries. 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 manufactures and sells electric and electronic components found in such consumer goods as home appliances and automobiles as well as such business equipment as telephone systems, vending machines, and office equipment.

Social Systems Business encompasses the production and sale of automated teller machines, card authorization terminals and point of sales systems for both domestic and overseas markets. Passing gates and automated ticket machines and electronic panels and terminal displays for traffic information and monitoring purposes are also produced for the domestic market.

Healthcare sells blood pressure monitors, digital thermometers, body-fat monitors, nebulizers and infra-red therapy devices aimed at both the consumer and institutional markets.

Creative Service provides such outsourcing services as distribution, advertising and public relations, personnel, information systems, administration, employee benefit schemes and accounting.

Business Development Group consists of businesses with high growth potential. The group provides the peripheral equipment loaded in office automation equipment, card readers, modems, terminal adapters, scanners and uninterrupted power supplies.

New Accounting Standards

In June 1998, the FASB issued SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No.133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No.133 requires that an entity recognizes all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair market value. Changes in the fair market value of derivatives are recorded each period. The Companies expect to adopt SFAS No.133 for the year beginning April 1, 2001. The effect on the Companies' consolidated financial statements of adopting SFAS No.133 has not been determined.

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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of the readers and have been made at the rate of ¥106 to $1, the approximate free rate of exchange at March 31, 2000. Such translations 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
	2000	1999	**2000**
Finished products	**¥44,080**	¥47,653	**$415,849**
Work-in-process	**15,242**	14,107	**143,792**
Materials and supplies	**18,485**	17,775	**174,387**
Total	**¥77,807**	¥79,535	**$734,028**

4. Short-Term Investments and Investment Securities

Cost, gross unrealized holding gains and losses and fair value of securities, excluding equity securities with no public market value, by major security type at March 31 were as follows:

	Millions of yen							
	2000				1999			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Short-term investments:								
Debt securities	**¥ 5,008**	**¥ —**	**¥ —**	**¥ 5,008**	¥ 20	¥ —	¥ —	¥ 20
Equity securities	**410**	**896**	**(14)**	**1,292**	722	399	(87)	1,034
Total short-term investments	**5,418**	**896**	**(14)**	**6,300**	742	399	(87)	1,054
Marketable investment securities:								
Debt securities	**8**	**—**	**—**	**8**	11	—	—	11
Equity securities	**39,244**	**27,449**	**(2,698)**	**63,995**	39,070	16,562	(6,328)	49,304
Total marketable investment securities	**39,252**	**27,449**	**(2,698)**	**64,003**	39,081	16,562	(6,328)	49,315
Total	**¥44,670**	**¥28,345**	**¥(2,712)**	**¥70,303**	¥39,823	¥16,961	¥(6,415)	¥50,369

	Thousands of U.S. dollars			
	2000			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Short-term investments:				
Debt securities	**$ 47,245**	**$ —**	**$ —**	**$ 47,245**
Equity securities	**3,868**	**8,453**	**(132)**	**12,189**
Total short-term investments	**51,113**	**8,453**	**(132)**	**59,434**
Marketable investment securities:				
Debt securities	**76**	**—**	**—**	**76**
Equity securities	**370,226**	**258,953**	**(25,453)**	**603,726**
Total marketable investment securities	**370,302**	**258,953**	**(25,453)**	**603,802**
Total	**$421,415**	**$267,406**	**$(25,585)**	**$663,236**

Net unrealized holding gains on available-for-sale securities, net of related taxes, increased by ¥8,750 million ($82,547 thousand) for the year ended March 31, 2000 and decreased by ¥1,518 million for the year ended March 31, 1999. Debt securities classified as available-for-sale investment securities mature in various amounts through 2001.

Proceeds from sales of available-for-sale securities were ¥31,964 million ($301,547 thousand), ¥26,478 million and ¥21,160 million for the years ended March 31, 2000, 1999 and 1998, respectively.

Gross realized gains on those sales were ¥3,456 million ($32,604 thousand) and ¥3,001 million for the years ended March 31, 2000 and 1999, respectively, and were not material for the year ended March 31, 1998.

Gross realized losses were ¥867 million ($8,179 thousand) and ¥1,275 million for the years ended March 31, 2000 and 1999, respectively, and were not material for the year ended March 31, 1998.

5. Bank Loans and Long-Term Debt

The weighted average annual interest rates of short-term bank loans at March 31, 2000 and 1999 were 3.5% and 2.5%, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Unsecured debt:			
Convertible bonds at 1.7%, due in 2004	**¥29,735**	¥29,741	**$280,519**
Notes:			
Loans from banks and other financial institutions, generally at 0.6% to 6.0%, due serially through 2005	**29,199**	28,794	**275,462**
Other	**296**	242	**2,793**
Total	**59,230**	58,777	**558,774**
Less portion due within one year	**1,262**	2,167	**11,906**
Long-term debt, less current portion	**¥57,968**	¥56,610	**$546,868**

The annual maturities of long-term debt outstanding at March 31, 2000 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 1,262	$ 11,906
2002	26,053	245,783
2003	357	3,368
2004	24	227
2005	29,745	280,613
2006 and thereafter	1,789	16,877
Total	¥59,230	$558,774

The convertible bonds may be purchased at any time by the Company or its subsidiaries principally at any price in the open market or otherwise, and may be redeemed at the Company's option prior to maturity. The convertible bonds are redeemable, in whole or in part, beginning October 1997 at 106% of face value, decreasing 1% per year.

The number of contingently issuable shares of common stock related to the convertible bonds as of March 31, 2000 was 10,026,639 shares. The conversion price per share at March 31, 2000 was ¥2,965 ($27.97), subject to anti-dilutive provisions.

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 customary in Japan, the Company and domestic subsidiaries maintain deposit balances with banks with which they have short- or long-term borrowings. 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, 2000, 1999 and 1998 amounted to ¥1,897 million ($17,896 thousand), ¥2,518 million and ¥2,412 million, respectively.

6. Leases

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, 2000, 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:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥1,546	$14,585
2002	682	6,434
2003	662	6,245
2004	637	6,009
2005	631	5,953
2006 and thereafter	2,447	23,085
Total	¥6,605	$62,311

Rental expense amounted to ¥11,120 million ($104,906 thousand), ¥15,193 million and ¥13,917 million for the years ended March 31, 2000, 1999 and 1998, respectively.

The Company has a contract with an outside service organization for outsourcing computer services. The contract requires an annual service fee of ¥5,076 million ($47,887 thousand) for the year ending March 31, 2001. The annual service fee will gradually decrease each year during the contract term to ¥4,518 million ($42,623 thousand) for 2008. The contract is cancelable subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

7. Termination and Retirement Benefits

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees. Benefits are based on the employee's years of service, with some plans considering compensation and certain other factors. 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 have a contributory termination and retirement plan which is interrelated with the Japanese government social welfare program and consists of a basic portion requiring employee and employer contributions plus an additional portion established by the employers.

Periodic pension benefits required under the basic portions are prescribed by the Japanese Ministry of Health and Welfare, commence at age 60 and continue until the death of the surviving spouse. Benefits under the additional portion are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions.

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

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥180,467**	¥154,614	**$1,702,519**
Service cost	**10,147**	10,227	**95,726**
Interest cost	**6,316**	5,411	**59,585**
Plan amendments	**—**	1,030	**—**
Actuarial (gains) and losses	**(4,012)**	13,366	**(37,849)**
Benefits paid (including benefits paid by the Companies)	**(3,655)**	(4,181)	**(34,481)**
Benefit obligation at end of year	**¥189,263**	¥180,467	**$1,785,500**
Change in plan assets:			
Fair value of plan assets at beginning of year	**97,884**	92,927	**923,434**
Actual return on plan assets	**25,555**	(1,035)	**241,085**
Employers' contributions	**6,504**	6,448	**61,359**
Employees' contributions	**1,000**	1,012	**9,434**
Benefits paid	**(1,806)**	(1,468)	**(17,038)**
Fair value of plan assets at end of year	**¥129,137**	¥ 97,884	**$1,218,274**
Funded status	**(60,126)**	(82,583)	**(567,226)**
Unrecognized net actuarial loss	**30,232**	58,095	**285,207**
Unrecognized transition obligation	**1,078**	1,348	**10,170**
Net amount recognized	**¥ (28,816)**	¥ (23,140)	**$ (271,849)**
Amounts recognized in the consolidated balance sheets:			
Accrued liability	**¥ (28,816)**	¥ (38,379)	**$ (271,849)**
Intangible assets	**—**	1,348	**—**
Accumulated other comprehensive income (gross of tax)	**—**	13,891	**—**
Net amount recognized	**¥ (28,816)**	¥ (23,140)	**$ (271,849)**
Accumulated benefit obligation at end of year	**¥146,248**	¥136,263	**$1,379,698**

The provisions of SFAS No. 87, "Employers' Accounting for Pensions," require the recognition of an additional minimum pension liability for each defined benefit plan to the extent that a plan's accumulated benefit obligation exceeds the fair value of plan assets and accrued pension liabilities. The net change in the minimum pension liability is reflected as other comprehensive income, net of related deferred tax benefits. The unrecognized transition obligation and the unrecognized net actuarial loss are being amortized over 15 years.

Key assumptions utilized in calculating the actuarial present value of benefit obligation are as follows:

	2000	1999	1998
Discount rate	**3.5%**	3.5%	4.0%
Compensation increase rate	**3.6**	3.6	3.8
Expected long-term rate of return on plan assets	**4.0**	3.5	3.5

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

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Service cost	**¥10,147**	¥10,227	**$ 95,726**
Interest cost on projected benefit obligation	**6,316**	5,411	**59,585**
Expected return on plan assets	**(4,088)**	(3,252)	**(38,566)**
Net amortization and deferral	**2,652**	1,982	**25,019**
Employees' contributions	**(1,000)**	(1,012)	**(9,434)**
Net expense	**¥14,027**	¥13,356	**$132,330**

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits and 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 obligation.

The consolidated liability for the noncontributory termination plans as of March 31, 2000 and 1999 was ¥1,813 million ($17,104 thousand) and ¥1,697 million, respectively. The consolidated expense for the noncontributory termination and retirement plans for the years ended March 31, 2000, 1999 and 1998 was ¥1,041 million ($9,821 thousand), ¥84 million and ¥146 million, respectively.

8. Shareholders' Equity

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with the minimum of the par value thereof, to be recorded as common stock. The portion which is to be recorded as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock have been credited to additional paid-in capital.

Under the Code, the Company is required to record an amount at least equal to 10% of the amounts paid as an appropriation of retained earnings, including dividends and other distributions, to be appropriated and set aside as a legal reserve until such reserve equals 25% of the common stock. This reserve is not available for dividends but may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

The Company may transfer portions of additional paid-in capital and legal reserve to common stock by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to common stock by resolution of the shareholders.

Under the Code, the amount legally available for dividends is based on retained earnings as recorded in the books of the Company for Japanese financial reporting purposes. At March 31, 2000, retained earnings amounting to ¥91,132 million ($859,736 thousand) were available for future dividends, subject to legal reserve requirements.

9. Income Taxes

The provision for income taxes for the years ended March 31, 2000, 1999 and 1998 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Current income tax expense	**¥14,857**	¥12,426	¥24,579	**$140,160**
Deferred income tax expense (benefit), exclusive of the following	**(5,809)**	(8,591)	(1,305)	**(54,802)**
Change in the beginning of the year balance of the valuation allowance for deferred tax assets	**—**	(142)	(176)	**—**
Adjustments of deferred tax assets and liabilities for enacted changes in tax rates	**—**	2,351	273	**—**
Total	**¥ 9,048**	¥ 6,044	¥23,371	**$ 85,358**

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

	2000	1999	1998
Normal Japanese statutory rates	**42.0%**	48.0%	51.0%
Increase (decrease) in taxes resulting from:			
Permanently non-deductible items	**2.8**	30.2	6.0
Losses of subsidiaries for which no tax benefit was provided	**2.9**	10.1	1.0
Difference in subsidiaries' tax rates	**(3.0)**	(18.1)	(6.0)
Change in the beginning of the year balance of the valuation allowance for deferred tax assets	**—**	(1.7)	(0.4)
Effects of enacted change in tax rates	**—**	28.5	0.6
Recognition of tax credit carryforward of an overseas subsidiary	**—**	(28.5)	—
Other, net	**(1.7)**	4.8	3.1
Effective tax rates	**43.0%**	73.3%	55.3%

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 42.0% in 2000, 48.0% in 1999 and 51.0% in 1998. Amendments to Japanese tax regulations were enacted into law on March 31, 1998 and 1999. As a result of these amendments, the normal income tax rates were reduced from 51.0% to 48.0% effective April 1, 1998 and from 48.0% to 42.0% effective April 1, 1999, respectively. Deferred income tax assets and liabilities as of March 31, 1999 and 1998 were measured at the respective newly enacted tax rates.

The approximate effects of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2000 and 1999 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2000		1999		**2000**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory valuation	**¥ 1,477**	**¥ —**	¥ 1,676	¥ —	**$ 13,934**	**$ —**
Accrued bonuses and vacations	**3,224**	**—**	2,152	—	**30,415**	**—**
Termination and retirement benefits	**9,312**	**—**	6,266	—	**87,849**	**—**
Enterprise taxes	**896**	**—**	568	—	**8,453**	**—**
Intercompany profits	**2,208**	**—**	2,522	—	**20,830**	**—**
Marketable securities	**—**	**10,766**	—	4,429	**—**	**101,566**
Allowance for doubtful receivables	**879**	**308**	407	209	**8,292**	**2,906**
Bad debt expenses	**2,368**	**—**	—	—	**22,340**	**—**
Gain on sale of land	**—**	**1,076**	—	1,076	**—**	**10,151**
Minimum pension liability adjustment	**—**	**—**	5,834	—	**—**	**—**
Other temporary differences	**5,464**	**4,416**	4,709	5,169	**51,547**	**41,660**
Tax credit carryforwards	**3,245**	**—**	5,954	—	**30,613**	**—**
Subsidiaries' operating loss carryforwards	**5,104**	**—**	4,311	—	**48,151**	**—**
Subtotal	**34,177**	**16,566**	34,399	10,883	**322,424**	**156,283**
Valuation allowance	**(6,485)**	**—**	(4,804)	—	**(61,179)**	**—**
Total	**¥27,692**	**¥16,566**	¥29,595	¥10,883	**$261,245**	**$156,283**

The total valuation allowance increased by ¥1,681 million ($15,858 thousand) and ¥2,162 million in 2000 and 1999, respectively, and decreased by ¥1,689 million in 1998.

As of March 31, 2000, certain subsidiaries had operating loss carryforwards approximating ¥13,320 million ($125,660 thousand) available for reduction of future taxable income, most of which expire in various amounts through 2005.

The Company has not provided for Japanese income taxes on unremitted earnings of subsidiaries to the extent that they are believed to be indefinitely reinvested. The unremitted earnings of the foreign subsidiaries which are considered to be indefinitely reinvested and for which Japanese income taxes have not been provided were ¥41,900 million ($395,283 thousand) and ¥37,175 million at March 31, 2000 and 1999, respectively. It is not practicable to estimate the amount of unrecognized deferred Japanese income taxes on these unremitted earnings. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

10. Foreign Operations

Net sales and total assets of foreign subsidiaries for the years ended March 31, 2000, 1999 and 1998 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Net sales	**¥158,122**	¥167,546	¥171,181	**$1,491,717**
Total assets	**¥115,532**	¥122,039	¥143,247	**$1,089,925**

11. Amounts 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
	2000	1999	1998	**2000**
Net income	**¥11,561**	¥2,174	¥18,704	**$109,066**
Effect of dilutive securities:				
Convertible bonds, due 2004	**325**	—	292	**3,066**
Diluted net income	**¥11,886**	¥2,174	¥18,996	**$112,132**

	Number of shares		
	2000	1999	1998
Weighted average common shares outstanding	**256,841,987**	260,649,752	262,107,214
Dilutive effect of:			
Convertible bonds, due 2004	**10,028,349**	—	10,028,661
Stock Options	**28,106**	—	—
Diluted common shares outstanding	**266,898,442**	260,649,752	272,135,875

For the year ended March 31, 1999, the assumed conversion of convertible bonds, giving effect to the incremental shares and the adjustment to reduce interest expenses, was anti-dilutive and has, therefore, been excluded from the computation.

For the year ended March 31, 1999, the assumed exercise of stock options, giving effect to the incremental shares, was anti-dilutive and has been excluded from the computation.

Cash dividends per share are the amounts applicable to the respective year, including dividends to be paid after the end of the year.

12. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2000, 1999 and 1998 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Interest paid	**¥ 1,980**	¥ 2,450	¥ 2,347	**$ 18,679**
Income taxes paid	**12,543**	18,417	25,804	**118,330**
Non-cash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	**3,467**	5,559	4,547	**32,708**

13. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2000, 1999 and 1998 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Foreign currency translation adjustments:				
Beginning balances	**¥(11,954)**	¥ (5,912)	¥(3,320)	**$(112,773)**
Change for the year	**(9,044)**	(6,042)	(2,592)	**(85,321)**
Ending balances	**(20,998)**	(11,954)	(5,912)	**(198,094)**
Minimum pension liability adjustments:				
Beginning balances	**(7,138)**	(1,401)	(2,146)	**(67,340)**
Change for the year	**7,138**	(5,737)	745	**67,340**
Ending balances	**—**	(7,138)	(1,401)	**—**
Unrealized gains on available-for-sale securities:				
Beginning balances	**5,080**	6,598	10,083	**47,925**
Change for the year	**8,750**	(1,518)	(3,485)	**82,547**
Ending balances	**13,830**	5,080	6,598	**130,472**
Total accumulated other comprehensive income (loss):				
Beginning balances	**(14,012)**	(715)	4,617	**(132,188)**
Change for the year	**6,844**	(13,297)	(5,332)	**64,566**
Ending balances	**¥ (7,168)**	¥(14,012)	¥ (715)	**$ (67,622)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2000, 1999 and 1998 were as follows:

	Millions of yen								
	2000			1999			1998		
	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:									
Amount arising during the year on investments in foreign entities held at end of year	**¥ (9,044)**	**¥ —**	**¥(9,044)**	¥ (6,082)	¥ —	¥ (6,082)	¥(2,592)	¥ —	¥(2,592)
Reclassification adjustment for the portion realized upon sale or liquidation of investments in foreign entities	**—**	**—**	**—**	40	—	40	—	—	—
Net change in foreign currency translation adjustments during the year	**(9,044)**	**—**	**(9,044)**	(6,042)	—	(6,042)	(2,592)	—	(2,592)
Minimum pension liability adjustments	**13,891**	**(6,753)**	**7,138**	(11,032)	5,295	(5,737)	1,520	(775)	745
Unrealized gains on available-for-sale securities:									
Unrealized holding gains arising during period	**15,604**	**(6,554)**	**9,050**	(1,194)	574	(620)	(7,104)	3,623	(3,481)
Reclassification adjustment for losses on impairment realized in net income	**2,072**	**(870)**	**1,202**	—	—	—	—	—	—
Reclassification adjustment for gains realized in net income	**(2,589)**	**1,087**	**(1,502)**	(1,726)	828	(898)	(7)	3	(4)
Net unrealized gains	**15,087**	**(6,337)**	**8,750**	(2,920)	1,402	(1,518)	(7,111)	3,626	(3,485)
Other comprehensive income (loss)	**¥19,934**	**¥(13,090)**	**¥ 6,844**	¥(19,994)	¥6,697	¥(13,297)	¥(8,183)	¥2,851	¥(5,332)

	Thousands of U.S. dollars		
	2000		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	**$(85,321)**	**$ —**	**$(85,321)**
Reclassification adjustment for the portion realized upon sale or liquidation of investments in foreign entities	**—**	**—**	**—**
Net change in foreign currency translation adjustments during the year	**(85,321)**	**—**	**(85,321)**
Minimum pension liability adjustments	**131,047**	**(63,707)**	**67,340**
Unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period	**147,207**	**(61,830)**	**85,377**
Reclassification adjustment for losses on impairment realized in net income	**19,547**	**(8,207)**	**11,340**
Reclassification adjustment for gains realized in net income	**(24,425)**	**10,255**	**(14,170)**
Net unrealized gains	**142,329**	**(59,782)**	**82,547**
Other comprehensive income (loss)	**$188,055**	**$(123,489)**	**$ 64,566**

14. Financial Instruments and Risk Management

Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 2000 and 1999 of the Companies' financial instruments, both on and off the balance sheet.

	Millions of yen				Thousands of U.S. dollars	
	2000		1999		2000	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:						
Long-term debt, including current portion	**¥(59,230)**	**¥(68,213)**	¥(58,777)	¥(59,301)	**$(558,774)**	**$(643,519)**
Derivatives:						
Included in Other current assets (Other current liabilities):						
Forward exchange contracts	**269**	**269**	16	16	**2,538**	**2,538**
Interest rate swaps	**—**	**(45)**	—	(172)	**—**	**(425)**

The following methods and assumptions were used to estimate the fair value 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, bank loans and notes and accounts payable:
The carrying amounts approximate fair values.

(2) Short-term investments and 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 public market value, for which it is not practicable to estimate their fair values.

(3) Long-term debt:
For convertible bonds, the fair values are estimated based on quoted market prices. For other, the fair values are estimated using the 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.

(1) Interest rate swap contracts:

The Companies enter into interest rate swap agreements to manage exposure to fluctuations in interest rates. These agreements involve the exchange of interest obligations on fixed and floating interest rate debt without exchange of the underlying principal amounts. The agreements generally mature at the time the related debt matures. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expense. Notional amounts are used to express the volume of interest rate swap agreements. The notional amounts do not represent cash flows and are not subject to risk of loss. In the unlikely event that the counterparty fails to meet the terms of an interest rate swap agreement, the Companies' exposure is limited to the interest rate differential. Management considers the exposure to credit risk to be minimal since the counterparties are major financial institutions.

At March 31, 2000 and 1999, the notional amounts on which the Companies had interest rate swap agreements outstanding aggregated ¥4,000 million ($37,736 thousand) and ¥12,000 million, respectively. The estimated fair values of interest rate swap contracts are based on the present value of discounted future cash flow analysis.

(2) Foreign exchange forward contracts:

The Companies enter into foreign exchange forward contracts to hedge foreign currency transactions (primarily the U.S. dollar and the EURO), on a continuing basis for periods consistent with their committed exposure. Some of the contracts involve the exchange of two foreign currencies, according to local needs in foreign subsidiaries. The terms of the currency derivatives are rarely more than 10 months. The credit exposure of foreign exchange contracts are represented by the fair value of the contracts at the reporting date. Management considers the exposure to credit risk to be minimal since the counterparties are major financial institutions.

The notional amounts of contracts to exchange foreign currency (forward contracts) outstanding at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Related to receivables and future sales:			
Forward contracts	**¥15,374**	¥13,974	**$145,038**

The notional amounts do not represent the amounts exchanged by the parties to derivatives and are not a measure of the Companies' exposure through its use of derivatives. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The Companies hedge certain exposures to fluctuations in foreign currency exchange rates that occur prior to conversion of foreign currency denominated monetary assets and liabilities into the functional currency. Prior to conversion to the functional currency, these assets and liabilities are translated at the spot rates in effect on the balance sheet date. The effects of changes in spot rates are reported in earnings and included in Foreign exchange loss, net in the consolidated statements of income. Because monetary assets and liabili ties are marked to spot and recorded in earnings, forward contracts designated as hedges of the monetary assets and liabilities are also marked to spot with the resulting gains and losses similarly recognized in earn ings. Gains and losses on forward contracts are included in Foreign exchange loss, net in the consolidated statements of income and offset losses and gains on the net monetary assets and liabilities hedged. Gains or losses on forward exchange contracts and currency options purchased and written that do not qualify for deferral for accounting purposes are recognized in income on a current basis and recorded in Foreign exchange loss, net in the consolidated statements of income.

Concentration of Credit Risk

Financial instruments which 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 75% 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 with them funds to serve as security for ongoing credit sales.

Guarantees

Contingent liabilities at March 31, 2000 with respect to loans guaranteed were ¥2,502 million ($23,604 thousand), of which ¥1,400 million ($13,208 thousand) are jointly and severally guaranteed with other unrelated companies.

Independent Auditors' Report

Deloitte
Touche
Tohmatsu

To the Board of Directors and Shareholders of OMRON Corporation

We have audited the accompanying consolidated balance sheets of OMRON Corporation and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2000, 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 third 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000 in conformity with accounting principles generally accepted in the United States.

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 convenience.

Deloitte Touche Tohmatsu

Osaka, Japan
May 11, 2000

International Network

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Date of Establishment

May 10, 1933

Industrial Property Rights

Number of patents:
2,514 (Japan)
1,385 (Overseas)
Number of patents pending:
6,493 (Japan)
593 (Overseas)

Number of Employees

24,915

Paid–in Capital

¥64,079 million

Common Stock

Authorized: 495,000,000 shares
Issued: 257,109,236 shares
Number of shareholders: 25,058

Stock Listings

Osaka Securities Exchange
Tokyo Stock Exchange
Kyoto Stock Exchange
Nagoya Stock Exchange
Frankfurt Stock Exchange

Ticker Symbol Number

6645

Transfer Agent

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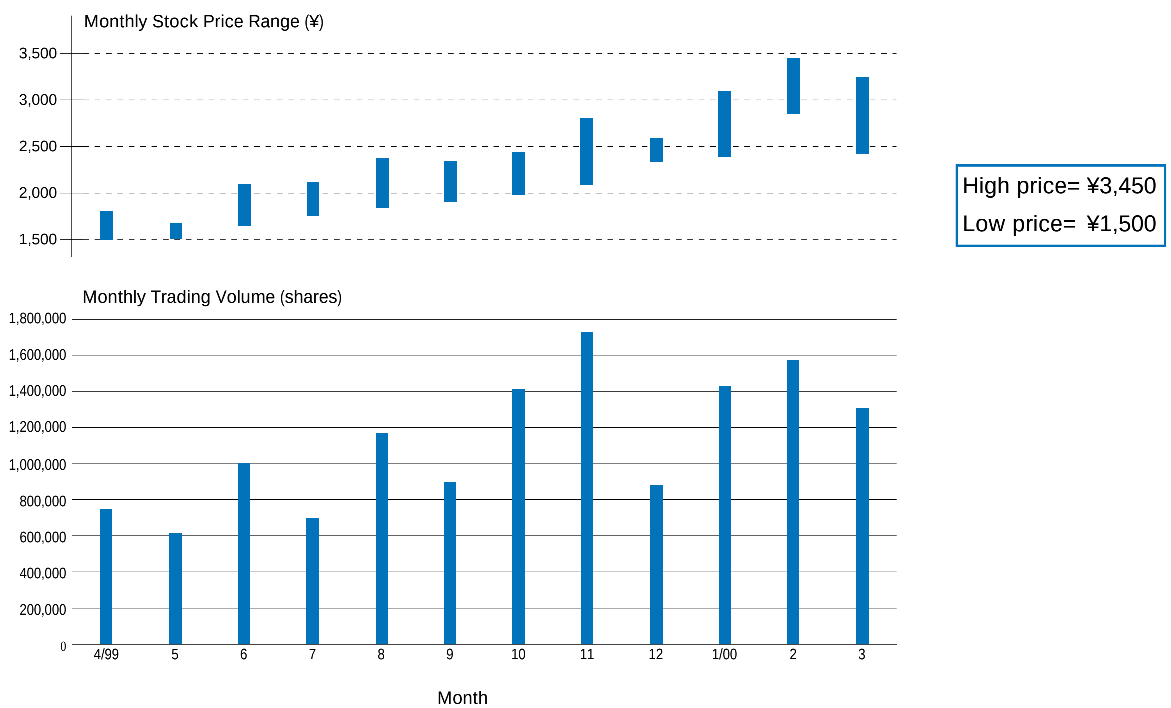
(As of March 31, 2000)

Stock Price Range/Trading Volume
(Osaka Securities Exchange)



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