

June 28, 2005

Company Name: OMRON Corporation
President and CEO: Hisao Sakuta
Stock ticker number:6645
Stock exchanges: Tokyo, Osaka, Nagoya
(First Sections)
Contact: Taeko Ogose, General Manager
Corporate Brand Communications
Department
Phone:+81-75-344-7175

Notice of Subsidiary Merger (Simple Merger)

OMRON Corporation (TSE: 6645; ADR: OMRNY), a global leader in automation, sensing and control technology has decided at a board of directors meeting held today, to merge its wholly owned subsidiary, OMRON Okayama Co., Ltd., by absorption. This merger will be implemented in line with “simple merger” procedures.

1. Object of merger

Omron Corporation’s internal Industrial Automation Business Company is currently strengthening its position as a globally competitive manufacturer. In this context, the merger is designed to take maximum advantage of Omron Okayama Co., Ltd.’s development and production human resources, technology and expertise. Please see the attached information for details.

2. Summary of merger

(1) Schedule

- | | |
|---|---|
| • Merger approval at board of directors meeting | July 28 th , 2005 |
| • Signing of merger contract | September 20 th ,2005(scheduled) |
| • Merger approval at shareholders meeting | |
| OMRON Corporation | Will not be held |
| OMRON Okayama Co., Ltd. | October 6 th , 2005 (scheduled) |
| • Date of merger | December 1 st , 2005 (scheduled) |
| • Merger registration date | December 1 st , 2005 (scheduled) |

(Note) Pursuant to the simple merger method set forth in Article 413-3 of the Commercial Code,

the merger will be completed without having to obtain approval for the merger agreement at a general shareholders' meeting of the Company.

(2) Merger method

The merger will be implemented by way of merger by absorption, in which OMRON Corporation will be the merging corporation and OMRON Okayama Co., Ltd. will be dissolved.

(3) Others

New stock will not be issued and no money will be delivered through the merger as this is a merger with a wholly owned subsidiary.

3. Outline of each company (as of March 31st, 2005)

(1) Trading name	OMRON Corporation (Merging Company) (non-consolidated)	OMRON Okayama Co., Ltd. (Predecessor company)
(2) Description of business	Development, manufacturing, sales and service for FA (Factory Automation) systems, control equipment, electric components, social systems, traffic systems and others.	Manufacturing of control system products for OMRON Corporation.
(3) Date of establishment	May 19 th , 1948	August 31 st , 1967
(4) Location of headquarters	Shiokoji, Horikawa, Shimogyo-ku, Kyoto 600-8530, Japan	2075 Miyoshi Okayama-City, Okayama Prefecture 703-8502, Japan
(5) Representative	President and CEO Hisao Sakuta	President Takuji Yamamoto *
(6) Capital	64,100 million yen	364 million yen
(7) Number of shares	249,121,372	728,000
(8) Capital stock	212,339 million yen	3,486 million yen
(9) Total assets	370,301 million yen	8,169 million yen
(10) Fiscal term	March 31st	March 31st
(11) Number of employees	4,115	413
(12) Main clients	Domestic and overseas manufacturing industries non-manufacturing private companies	OMRON Corporation

* Nobuo Hamamoto has been appointed President from 16 June, 2005.

	and government and other public offices.	
(13) Major shareholders and their equity participation	1.The Master Trust Bank of Japan, Ltd. (trust account) 8.23% 2.Japan Trustee Services Bank, Ltd. (trust account) 7.09% 3. The Chase Manhattan Bank N.A., London 3.62% 4. Bank of Tokyo-Mitsubishi, Ltd. 3.10% 5. Nippon Life Insurance Company 2.44%	OMRON Corporation 100%
(14) Main financing bank	Bank of Tokyo-Mitsubishi, Ltd. The Bank of Kyoto, Ltd Sumitomo Mitsui Banking Corporation	Bank of Tokyo-Mitsubishi, Ltd. The Chugoku Bank Sumitomo Mitsui Banking Corporation

(15) Relationship between the two companies	Capital ties	Omron Corporation owns 100% of shares in Omron Okayama Co., Ltd.
	Personal relationship	Two of Omron Corporation's Executive Directors also act as board members at Omron Okayama Co., Ltd.
	Trade relationship	OMRON Corporation purchases control system products manufactured by OMRON Okayama Co., Ltd.

(16) Financial results for the past 3 fiscal years

	OMRON Corporation (Merging company) (Non-consolidated)			OMRON Okayama Co., Ltd. (Predecessor company)		
Fiscal term	Fiscal year ending March 2003	Fiscal year ending March 2004	Fiscal year ending March 2005	Fiscal year ending March 2003	Fiscal year ending March 2004	Fiscal year ending March 2005
Net sales (millions of yen)	350,459	351,075	336,271	12,783	13,637	15,264
Operating income (millions of yen)	8,166	9,787	15,305	(1)	392	350
Ordinary income (millions of yen)	6,815	13,065	28,790	440	840	1,023
Net income (millions of yen)	(10,291)	6,273	18,898	(392)	471	603
Net income per share (yen)	(41.61)	25.46	78.75	(537.79)	648.31	828.13
Cash dividends per share (yen)	10.0	20.0	24.0	—	—	414
Equity per share (yen)	811.99	849.76	891.45	3312.64	3960.96	4789.09

Note: figures in () identifies negative

4. Status after merger

- | | |
|------------------------------|--|
| (1) Trading name | OMRON Corporation |
| (2) Description of business | Development, manufacturing, sales and service for FA (Factory Automation) systems, control equipment, electric components, social systems, traffic systems |
| (3) Location of headquarters | Shiokoji, Horikawa, Shimogyo-ku, Kyoto 600-8530, Japan |
| (4) Representative | President and CEO Hisao Sakuta |
| (5) Capital | 64,100 million yen (there will be no capital increase as a result of this merger) |
| (6) Total assets | Effect on our total assets from this merger will be minimal |
| (7) Fiscal term | March 31st |
| (8) Forecast | The effect to our financial results for the fiscal year ending March 2006 will be minimal. |

Restructuring IAB Development and Production Centers for internationally competitive manufacturing

Omron Corporation (TSE: 6645; ADR: OMRNY; President and CEO: Hisao Sakuta) is aiming to double its business value (compared with fiscal 2003) by the end of fiscal 2007 as part of the second stage of its long-term management strategy, Grand Design 2010 (GD2010). To achieve this goal, Omron plans to develop new growth areas (to produce a 50 billion yen increase in sales compared with fiscal 2003) and establish a robust profit structure that will ensure profit growth (achieving an operating margin of 10% by the end of fiscal 2007). In line with this strategy, each internal business company has set its own targets and is implementing various policies as part of a program of continual structural reform.

As part of the GD2010 second stage policies to increase business value, Omron Corporation's Industrial Automation Business (Company President: Fumio Tateisi; Internal Abbreviation: IAB) has decided to restructure its global production and development centers as outlined below, in order to further enhance its presence as a globally competitive manufacturer in the rapidly-changing IA (industrial automation) market.

[Outline of Restructuring]

IAB, our main business, is accelerating new product development and strengthening core technologies to realize greater production efficiency. At the same time, it is boosting cost competitiveness in a drive to further enhance its position as a globally competitive manufacturer. These policies are aimed at achieving IAB's GD2010 second stage commitment to realize an operating margin of 20% by fiscal 2007 (in existing and Greater China region; excluding new regions).

As one of its concrete measures to this end, IAB is shifting domestic production functions from Japan to Omron (Shanghai) Co., Ltd. (internal abbreviation: OMS), an existing subsidiary. In addition, the development and production functions of its Mishima factory, Okayama Development Center, Omron Okayama Co., Ltd., and the manufacturing technology function of Keihanna Innovation Center will be integrated into Kusatsu Factory by fiscal 2007. In line with this integration policy, Omron Corporation will absorb Omron Okayama Co., Ltd., effective of 1 December, 2005.

As a result of this restructuring and the shift of production functions to its Chinese manufacturing

subsidiary, OMS, by fiscal 2007, IAB's production capacity at the post-integration Kusatsu Factory is expected to equal approximately 80% of total current capacity at Mishima Factory and Omron Okayama Co., Ltd.

The post-integration Kusatsu factory, along with the facilities at Okayama and Mishima will be positioned as the global nucleus for concurrent engineering (in which development and production departments collaborate in new product development), core manufacturing technology development and its application, as well as quality control and technology servicing. 600 staff will be assigned to Kusatsu Factory by fiscal 2007, making it IAB's largest domestic development/production base in terms of manpower.

[Aim of Restructuring]

This restructuring is designed to accelerate new product development and strengthen core technologies for realizing greater production efficiency, as well as boosting IAB's cost competitiveness and enhancing its position as a globally competitive manufacturer. Domestically, the restructuring will allow IAB to continue strengthening its development system in order to facilitate the early generation of new, potentially major products, and the core manufacturing technological capabilities that drive OMS' cost competitiveness. The details are outlined below.

1. Acceleration of New Product Development by Strengthening Concurrent Engineering

IAB will speed up the product development process by further enhancing its concurrent engineering, in which development and production departments work together on new product development. Specifically, by combining the manufacturing expertise from Mishima Factory's major product, program controllers, and Omron Okayama Co., Ltd.'s main product, temperature controllers, along with the product technology resources from Okayama Development Center, IAB aims to accelerate the development of new products that meet clients' needs.

2. Realizing highly efficient production by strengthening core manufacturing technology

IAB's manufacturing technology department, currently in Keihanna Innovation Center, will be transferred to Kusatsu Factory, thus integrating development and production departments. This will accelerate development of core manufacturing technologies (high reliability surface mounting technology, demand-driven, mixed-model synchronized production technology/machinery etc) and their application on the factory floor. As a result of this restructuring, core manufacturing technologies will be developed at Kusatsu Factory, and then deployed throughout IAB's production bases including our Chinese subsidiary, OMS. This represents Omron Corporation's commitment to utilizing the core manufacturing technology accumulated in the group companies in order to develop new products.

3. Boosting Cost Competitiveness

Alongside the strengthening of core technological capabilities, IAB plans to expand its business in China and grow global profits by effectively differentiating its highly efficient production and products, and enhancing its design and production centers in China. A cost structure that can be adapted to the Chinese market and the foundations for expanding Chinese business are already under development at OMS, and IAB plans to go on to implement round-the-clock demand-driven, mixed-model synchronized production. Domestic production of general purpose products will continue to be shifted to China.

[Investment in Restructuring]

As part of this series of restructuring measures, the company will invest a total of 10 billion yen (5 billion yen in China, 5 billion yen in Japan) to upgrade each center's infrastructure and core manufacturing technology development.

[Financial Goals of Restructuring]

IAB expects to reduce fixed manufacturing costs by more than 9 billion yen (including depreciation on the investment mentioned above) every year from fiscal 2007 onwards through this series of restructuring measures. As a result, it expects to achieve an operating margin of 20% for fiscal 2007 (in existing and Greater China region; excluding new regions).

[Positioning of Okayama and Mishima facilities after restructuring]

As a result of this restructuring, our Okayama facility will be positioned as Omron Corporation's evaluation/analysis base, and purchasing/procurement base. Our Mishima facility will be positioned as IAB's customer service base. Both Mishima and Okayama will continue to play important roles in strengthening global core functions.

■Outline of Omron Okayama Co., Ltd.

Location: 2075 Miyoshi Okayama City, Okayama Prefecture, Japan

IAB business: Manufacture of temperature controllers, power supplies, timers, counters etc.

■Outline of Okayama Development Center

Location: 2075 Miyoshi Okayama City, Okayama Prefecture, Japan

IAB business: Development of temperature controllers, power supplies, timers, counters etc.

■Outline of Mishima Factory

Location: 66 Matsumoto Mishima City, Shizuoka Prefecture, Japan

IAB business: Development and production of programmable controllers, inverters, servomotors, networking equipment etc.

■Outline of Keihanna Innovation Center

Location: 9-1, Kizugawadai, Kizu-cho, Soraku-gun, Kyoto, Japan

IAB Business: Development of core manufacturing technology and precise inspection core technology

■Outline of Kusatsu Factory

Location: 2-2-1 Nishi-Kusatsu, Kusatsu-City, Shiga Prefecture, Japan

IAB Business: None at present.

■Outline of Omron (Shanghai) Co. Ltd. (OMS)

Location: No.789 Jinji Road, Jinqiao Export Processing Zone, Pu Dong New Area,
Shanghai, 201206, China

IAB Business: Development and production of programmable controller, sensors, temperature controllers.

#####