Consolidated Financial Statements for the Six Months Ended September 30, 2001

November 13, 2001

OMRON Corporation
Shiokoji Horikawa, Shimogyo-ku
Kyoto 600-8530, Japan

Annual closing date: March 31
Stock exchange listings: Tokyo, Osaka, Nagoya
Code number: 6645
Board of Directors meeting: November 13, 2001
U.S. accounting standards used: Yes

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1. Results for the six months from April 1, 2001 to September 30, 2001

Note: Japanese Yen amounts are rounded to the nearest million.

(1) Sales and Income (Millions of yen)

	Net sales	Year-on-year change (%)	Operating income	Year-on-year change (%)	Income before taxes	Year-on-year change (%)
6 months ended 9/01	256,184	-5.7%	5,130	-74.2%	3,577	-76.1%
6 months ended 9/00	271,591	5.8%	19,858	75.1%	14,995	98.3%
Year ended 3/01	594,259		44,349		40,037	

	Net income	Year-on-year change (%)	Earnings per share (basic) (¥)	Earnings per share (diluted) (¥)
6 months ended 9/01	2,154	-73.8%	8.67	8.67
6 months ended 9/00	8,221	104.6%	32.03	31.42
Year ended 3/01	22,297		87.43	85.33

Notes:
1. Equity in earnings of affiliates: Six months ended Sept. 30, 2001: ¥ 80 million
Six months ended Sept. 30, 2000: ¥ 9 million Year ended March 31, 2001: ¥ 75 million
2. Average number of shares outstanding (consolidated): Six months ended Sept. 30, 2001: 248,490,379 shares
Six months ended Sept. 30, 2000: 256,715,236 shares Year ended March 31, 2001: 255,031,698 shares
3. Changes in accounting methods: Yes
4. Year-on-year change for net sales, operating income, income before taxes and net income is based on the previous interim period.

(2) Financial Position (Millions of yen)

	Total assets	Total shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
6 months ended 9/01	535,379	316,338	59.1%	1,273.87
6 months ended 9/00	572,679	336,365	58.7%	1,310.86
Year ended 3/01	593,144	325,958	55.0%	1,311.12

Note: Number of shares outstanding at end of period (consolidated): At Sept. 30, 2001: 248,329,236 shares
At Sept. 30, 2000: 256,599,236 shares At March 31, 2001: 248,611,236 shares

(3) Cash Flows (Millions of yen)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of the period
6 months ended 9/01	4,679	-16,346	-9,882	63,500
6 months ended 9/00	16,797	-18,737	-3,730	82,074
Year ended 3/01	50,796	-32,365	-24,582	85,621

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 133 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: 12 companies

(5) Changes in scope of consolidation and application of the equity method
Consolidation: (New) 1 company (Eliminated) None
Equity method: (New) 1 company (Eliminated) None

2. Estimated results for the year ending March 31, 2002

(Millions of yen)

	Net sales	Income before taxes	Net income
Year ending 3/02	550,000	-8,000	-5,000

Estimated earnings per share (full year) ¥ -20.12

(Attachment)

1. Management Policies

(1) Basic Management Policy

As a company that proposes innovative solutions for industry, society and lifestyles, Omron aims to conduct a wide range of businesses providing products and services in the global market. We consider it our mission to contribute to the advancement of society through our businesses.

In connection with its goal of satisfying the expectations of its various stakeholders, including shareholders and investors in Japan and overseas, Omron has set the management objective of maximizing its corporate value in capital markets on a long-term basis. "Grand Design 2010" (GD2010), which sets the Company's basic policies and business direction for the next ten years, has already been announced both internally and publicly. The basic strategy of GD2010 is providing higher value to customers in the global market by focusing on our strengths in sensing and control technologies and know-how.

Omron will seek to meet the expectations of shareholders by practicing transparent management in areas such as disclosure of management information and maintaining sustained growth.

(2) Basic Policy for Distribution of Profits

For distribution of profits, the Company plans to place greater weight on consolidated results in its basic dividend policy. Additionally, we will seek to provide stable returns of profits to shareholders, after securing the retained earnings needed for future business expansion and earnings growth, and will continue working to maintain dividends at a fixed level.

To generate long-term returns for shareholders, we are retiring treasury stock, and will consider a wide range of measures for profit distribution, including the use of new systems such as acquisition of treasury stock.

(3) Long-Term Management Strategies

To clearly define our strengths and raise our brand power, we have made sensing and control technologies the core of all our businesses. This is because in the near future, we anticipate the era of the "Sensor Net," in which sensing technology will detect various types of information, and freely distribute that information via a network.

Assuming the arrival of such an era, one of our strategic visions is taking on the challenge of building growth businesses of the next generation. Therefore, we will concentrate allocation of investment resources on our core businesses, the Industrial Automation Company and the Electronic Components Company.

Given the progress of structural reforms in the Japanese economy, the mid-term outlook for recovery in private capital investment and consumer spending is not encouraging. At Omron, we are assuming that our business environment will also remain challenging. However, we will strive to overcome short-term fluctuations in results and pursue a management strategy geared to future growth.

In Grand Design 2010, mentioned as an item in our management policy, we have set the concrete management objectives of return on equity of 10%, accelerating business divestitures, and listing on overseas stock exchanges by the year ending March 2005.

(4) Measures for Enhancing Corporate Governance

As a global company, Omron is implementing changes to establish corporate governance that meets international standards and is responsive to capital markets.

Therefore, in the period under review we began including non-executive directors on the Board of Directors to strengthen its function of representing shareholders and promote transparent management. At the organization level, Omron will clearly delineate the roles of the Board of Directors, Corporate Management and Business Operations, to create a structure that can respond swiftly to changes in the operating environment.

In promoting self-reliant management, Omron will accelerate divestitures to turn business units into autonomous "companies" so that each can manage its business in an optimum fashion.

(5) Issues Facing the Company

The products and services of Omron's core companies are industrial and consumer equipment and related services used mainly in the industrial field. Consequently, trends in industrial capital investment and the business conditions in industry cause changes in demand for Omron's products and services. In the current fiscal year, our business results have clearly been affected by such changes. An important issue therefore is improving our ability to generate earnings that withstand these changes in demand.

To resolve this issue, Omron will speed up expansion of production and sales in China and other overseas markets and develop new products and new businesses that can effectively use sensing and control technologies, Omron's area of strength, in fields such as safety and the environment.

(6) Other Significant Items in the Company's Management

None

(Attachment)

2. Results of Operations

(1) Summary of the First Half

① Overview

Following the rapid economic slowdown that started in the second half of the prior fiscal year, the Japanese economy continued to retreat sharply in the first half of this fiscal year, with lackluster consumer spending and a large drop in capital investment. Overseas as well, the long economic expansion in the United States slowed due to the collapse of the IT bubble. The effects of this were felt in Asian economies, while weakness continued in the economies of Europe.

In the domestic market, the slump in capital investment centered on the semiconductor and IT-related industries affected all private-sector capital investment. As for the market environment, demand for control system equipment, Omron's main product, was extremely challenging. As a result, despite Omron's efforts to increase sales through measures such as strengthening marketing and expanding new business fields and new products, net sales of the Industrial Automation Company and the Electronic Components Company declined. Although Healthcare Company sales grew slightly, Omron was unable to increase overall net sales. Consolidated net sales for the first half of the fiscal year ended September 30, 2001 totaled ¥256,184 million, a decrease of 6 percent from the same period in the previous year.

In income categories, other business companies were unable to offset the decline in profit due to the drop in sales of the main companies. Although Omron made efforts to secure profits by reducing fixed costs and other measures, factors such as the occurrence of devaluation losses due to the slump in the stock market led to consolidated income before income taxes of ¥3,577 million, a year-on-year decline of 76 percent, and consolidated net income of ¥2,154 million, a decline of 74 percent.

② Segment Information

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

- Industrial Automation Company

The slowdown in the global economy emanating from the collapse of the IT bubble had a major impact on overseas sales. In Japan as well, demand fell sharply due to the large decline in private capital investment, particularly in the IT-related and semiconductor industries. It is estimated that demand from electrical machinery and electronic equipment manufacturers in Japan was down 10 percent compared with the previous year. In the Industrial Automation Company, the large decline in demand from the electrical equipment and machinery industries led to net sales of ¥96.5 billion, a decrease of 14 percent from the same period in the previous year, and despite measures to cut costs, profits also declined substantially.

- Electronic Components Company

In the consumer electronic components market, there was a pronounced slowdown in demand both in the domestic market and overseas. Since the first half of the fiscal year, a growing oversupply of manufactured products and components has prompted adjustments of electronic component inventories, which trended further downward through the latter part of the first half.

On the other hand, the automotive electronic components sector recorded strong sales, with demand at the level of the previous year, and the amusement components sector also performed well.

As a result, net sales of the Electronic Components Company were ¥60.8 billion, a year-on-year decrease of 5 percent.

- Social Systems Business Company

In the banking systems business, demand fell as investment in automated equipment was restrained amid a difficult operating environment in the domestic banking market. However, replacement demand at some consumer finance companies accelerated significantly, and demand increased for ATMs at major convenience stores. Additionally, demand increased for debit/credit settlement terminals that accept IC cards in the credit market, as well as for equipment for the postal sector. Net sales in these businesses therefore increased over the same period in the previous year.

In the public transportation systems sector, net sales increased in the previous fiscal year because of the delivery of equipment for the implementation of the PassNet system in the Kanto region. Net sales declined for the current fiscal year following the completion of this large-scale equipment delivery.

As a result of these factors, net sales of the Social Systems Business Company totaled ¥53.8 billion, a year-on-year increase of 1 percent.

- Healthcare Company

In the domestic market, demand fell for nearly all products, including core products such as blood pressure monitors, reflecting the entry of foreign companies and the accelerating restructuring and winnowing of the distribution sector.

In North America, net sales remained steady compared with the previous year due to strong consumer spending throughout the first half of the period. In Europe, solid sales were led by market expansion in the United Kingdom, Italy and France. Even in Germany, where price competition is severe, cooperation with a major distributor helped Omron achieve an increase in sales over the previous year. In Asian markets, despite strong sales in China owing to a favorable market for healthcare equipment, sales in other countries were nearly all down compared with the previous year.

As a result, despite the major impact from the deep slump in consumer spending in the domestic market, favorable conditions in overseas markets allowed the Healthcare Company to post net sales of ¥18.7 billion, an increase of 3 percent year-on-year.

- Others

Demand for the outsourcing business of the Creative Service Company expanded as companies pursued efficiency in administrative operations. However, market conditions deteriorated during the first half of the fiscal year due to the economic recession and increased competition with new market players.

In other main sectors of this segment, the entertainment business performed well, and the scale of this business is expanding with the steadfast popularity of photo-sticker vending machines, even amid the ongoing slump in consumer spending. Moreover, growing demand for automated voice response systems, especially in the finance and computer industries, resulted in an increase in sales. In the PC peripheral equipment business, sales declined due to the market slump and falling prices.

As a result of these factors, net sales of other businesses totaled ¥26.4 billion, a year-on-year increase of 10 percent.

③ Distribution of Profits

Following the basic policy for shareholder dividends described earlier, Omron will pay an interim dividend of ¥6.50 per share.

(2) Outlook for the Full Fiscal Year

① General Outlook and Revision of Results Forecast

Looking ahead, the Japanese economy will feel the pain of structural reforms. The immediate future will bring a continuation of lackluster conditions, and the weak economic environment is likely to persist during the second half, with no expectation of recovery in private capital investment or consumer spending. Furthermore, there are concerns about other factors such as additional corporate bankruptcies and an increase in the unemployment rate. In Omron's main market of control systems and equipment, it appears that market conditions will not recover until the second half of the next fiscal year.

In overseas markets, the effects from the terrorist attacks in the United States are expected to have a long-term negative impact on the world economy.

In such an environment, Omron will work to secure profits by focusing resources on profitable businesses, and restore future profitability by reviewing unprofitable businesses, reducing fixed costs, and continuing to expand business in new fields and new product categories.

With regard to the results forecast for the fiscal year, in addition to the severe business environment impacted by slumping markets, the Company expects to book extraordinary losses due to devaluation of stock holdings resulting from the stock market downturn, and charges associated with business restructuring such as the reorganization of unprofitable businesses. At present, the results forecast announced on August 27, 2001, is revised as follows:

Revised Forecast of Consolidated Results for the Year Ending March 31, 2002

(Millions of yen)

	Net Sales	Income before Income Taxes	Net Income
Previous forecast (A) (Announced 8/27/01)	570,000	25,000	15,000
Revised forecast (B)	550,000	-8,000	-5,000
Increase/decrease (B-A)	-20,000	-33,000	-20,000
Percentage increase/decrease	-3.5	--	--
Year ended March 31, 2001	594,259	40,037	22,297

(Attachment)

② Outlook for Distribution of Profits

For the year ending March 31, 2002, even with the expected worsening of results, the Company expects to maintain a sound financial structure, and therefore plans to take a long-term view in maintaining annual dividends at ¥13 yen per share, the same as in the previous year.

③ Outlook by Business Segment

- Industrial Automation Company

With the growing economic uncertainty in both the domestic and overseas markets, it is becoming increasingly difficult to predict the timing of recovery in private capital investment. As a rebound in market demand is not expected in the current fiscal year, Omron will speed up development and work to quickly recoup investments in business areas with good medium- to long-term growth prospects, such as environment- and safety-related products and advanced sensor products. In addition, we will continue measures to control fixed expenses.

Net sales of the Industrial Automation Company for the fiscal year are expected to decline 16 percent to ¥191.0 billion.

- Electronic Components Company

In the electronic components industry, there are concerns of a further worsening of the market environment due to the outlook for a continued downturn in the U.S. economy and weak consumer sentiment in Japan. Therefore demand conditions for consumer electronic components and equipment are expected to remain severe through the rest of the fiscal year. In addition, in the market for automotive electronic components, which had been strong, there are worries of a slowdown in demand from the U.S. auto industry.

In overseas markets, Omron has continued to build its global marketing network to move closer to customers, and this effort is expected to begin showing results.

Net sales of the Electronic Components Company are projected to decline 5 percent year-on-year to ¥123.0 billion.

- Social Systems Business Company

In the banking systems business, restrained investment continues in the banking industry, and the opening of new service outlets in the consumer finance market is slowing. In addition, replacement demand is being pushed back because of the uncertain outlook. Demand for ATMs for convenience stores continues to grow, but increasing competition is driving down prices and narrowing profits. However, demand for debit/credit terminals that handle IC cards is expected to remain firm.

In the public transportation systems sector, railway companies are restraining investment due to a decline in freight revenues. However, Omron has begun delivery of new ticket machines that have excellent system extendability to handle barrier-free and networking requirements, and this will contribute to sales.

Nevertheless, because of the lack of demand for large-scale projects, net sales of the Social Systems Business Company are projected to decrease 3 percent year-on-year to ¥138.0 billion.

- Healthcare Company

With consumption in the domestic market unlikely to recover for some time, any increases in sales are expected to be limited in scope. In the area of income, however, the Healthcare Company is aiming for improvement over the previous year, due in part to favorable currency translations from exports.

In North America, it is unclear how the terrorist attacks in the United States will affect the market for healthcare products, but Omron is focusing on expanding business opportunities with a view to the end-of-year commercial season. Despite concerns about changes in the economic climate, the markets of Europe and China are expected to remain strong, and will offset slowing demand elsewhere in Asia.

Net sales of the Healthcare Company are projected to increase 4 percent year-on-year to ¥41.0 billion.

- Others

In the Creative Service Company, the market environment is expected to deteriorate further in the second half of the fiscal year, and customers continue to push for lower costs. The negative impact of these factors on profits is growing larger. Efforts will therefore focus on expanding the number of customers and reducing fixed costs.

In other businesses, the outlook for recovery in markets such as PC peripherals remains uncertain, and the pace of sales expansion will be slow. However, growing demand in the card reader business overseas and the steadfast popularity of photo-sticker vending machines are expected to continue.

Total net sales of other businesses are projected to increase 2 percent year-on-year to ¥57.0 billion.

(Attachment)

Note: Projections of results and future developments are based on information available to the Company at the present time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Major factors influencing Omron's actual results include, but are not limited to, the economic conditions surrounding the Company's businesses in Japan and overseas, demand trends for the Company's products and services, and movements in currency exchange rates and stock markets.

(Attachment)

3. Interim Consolidated Financial Statements

Interim Consolidated Statements of income

(Millions of yen)

	Six months ended September 30, 2001		Six months ended September 30, 2000		Year ended March 31, 2001	
Net sales	256,184	100.0%	271,591	100.0%	594,259	100.0%
Cost of sales	165,037	64.4	169,240	62.3	376,194	63.3
Gross profit	91,147	35.6	102,351	37.7	218,065	36.7
Selling general and administrative	65,720	25.7	63,600	23.4	131,203	22.1
Research and development	20,297	7.9	18,893	7.0	42,513	7.1
Operating income	5,130	2.0	19,858	7.3	44,349	7.5
Interest expenses net	114	0.0	162	0.1	111	0.0
Foreign exchange loss, net	1,304	0.5	1,161	0.4	1,389	0.3
Other expenses, net	135	0.1	3,540	1.3	2,812	0.5
Income before income taxes, minority interests and cumulative effect	3,577	1.4	14,995	5.5	40,037	6.7
Income taxes:	1,771	0.7	6,405	2.4	17,318	2.9
Current	[3,237]		[9,406]		[22,720]	
Deferred	[(1,466)]		[(3,001)]		[(5,402)]	
Minority interests	36	0.0	369	0.1	422	0.0
Income before cumulative effect	1,770	0.7	8,221	3.0	22,297	3.8
Cumulative effect of accounting changes						
Net income	384	0.1	—	—	—	—
	2,154	0.8%	8,221	3.0%	22,297	3.8%

(Attachment)

Interim Consolidated Balance Sheets

ASSETS (Millions of yen)

	As of September 30, 2001		As of September 30, 2000		As of March 31, 2001	
Current Assets:	279,572	52.2%	312,791	54.6%	328,879	55.5%
Cash and cash equivalents	63,500		82,074		85,621	
Short-term investments	—		5,013		—	
Notes and accounts receivable,						
trade	102,476		115,471		133,798	
Allowance for doubtful receivables						
Inventories	(2,031)		(1,923)		(2,194)	
Deferred income taxes	94,526		93,182		91,593	
Other current assets	11,661		10,473		12,186	
Property, Plant and Equipment:	9,440		8,501		7,875	
Land	156,847	29.3	153,733	26.9	159,119	26.8
Buildings	50,499		50,399		50,479	
Machinery and equipment	113,225		111,607		113,414	
Construction in progress	133,723		129,673		132,945	
Accumulated depreciation	5,605		3,524		5,680	
Investments and Other Assets:	(146,205)		(141,470)		(143,399)	
Investments in and advances to	98,960	18.5	106,155	18.5	105,146	17.7
associates						
Investment securities	977		873		853	
Leasehold deposits	43,662		67,144		57,500	
Deferred income taxes	10,820		11,298		11,159	
Other	24,547		10,723		17,986	
	18,954		16,117		17,648	
Total Assets	535,379	100.0%	572,679	100.0%	593,144	100.0%

(Attachment)

LIABILITIES AND SHAREHOLDERS' EQUITY (Millions of yen)

	As of September 30, 2001		As of September 30, 2000		As of March 31, 2001	
Current Liabilities:	124,383	23.2%	163,011	28.5%	183,390	30.9%
Bank loans	14,050		9,167		8,916	
Notes and accounts payable, trade	58,972		69,927		82,225	
Accrued expenses	23,978		21,262		24,484	
Income taxes payable	3,400		8,661		14,797	
Deferred income taxes	572		572		579	
Other current liabilities	22,047		27,211		26,049	
Current portion of long-term debt	1,364		26,211		26,340	
Long-Term Debt	43,934	8.2	32,693	5.7	31,957	5.4
Deferred Income Taxes	88	0.0	3,630	0.7	23	0.0
Termination and Retirement Benefits	47,909	8.9	33,397	5.8	48,929	8.2
Other Long-Term Liabilities	302	0.1	701	0.1	370	0.1
Minority Interests in Subsidiaries	2,425	0.5	2,882	0.5	2,517	0.4
Total Liabilities	219,041	40.9	236,314	41.3	267,186	45.0
Shareholders' Equity:						
Common stock	64,082	12.0	64,082	11.2	64,082	10.8
Additional paid-in capital	98,705	18.4	98,705	17.2	98,705	16.6
Legal reserve	7,728	1.4	7,480	1.3	7,652	1.3
Retained earnings	174,541	32.6	180,127	31.4	174,077	29.4
Accumulated other comprehensive income (loss)	(26,895)	(5.0)	(12,791)	(2.2)	(17,346)	(2.9)
Foreign currency translation adjustments	(15,933)		(22,514)		(13,712)	
Minimum pension liability adjustments	(6,280)		—		(7,251)	
Net unrealized gain on securities	(4,669)		9,723		3,617	
Net unrealized loss on derivatives	(13)		—		—	
Treasury stock	(1,823)	(0.3)	(1,238)	(0.2)	(1,212)	(0.2)
Total shareholders' equity	316,338	59.1	336,365	58.7	325,958	55.0
Total Liabilities and Shareholders' Equity	535,379	100.0%	572,679	100.0%	593,144	100.0%

(Attachment)

Interim Consolidated Statements of Shareholders' Equity

Six months ended September 30, 2001 (Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2001	64,082	98,705	7,652	174,077	(17,346)	(1,212)
Income before cumulative effect				1,770		
Cumulative effect of accounting changes				384	(412)	
Cash dividends				(1,614)		
Transfer to legal reserve			76	(76)		
Foreign currency translation adjustments					(2,221)	
Minimum pension liability adjustments					971	
Unrealized gain (loss) on available-for-sale securities					(8,286)	
Unrealized gain (loss) on derivatives					399	
Acquisition of treasury stock						(629)
Exercise of stock options						18
Balance, September 30, 2001	64,082	98,705	7,728	174,541	(26,895)	(1,823)

Six months ended September 30, 2000 (Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2000	64,082	98,705	7,250	173,804	(7,168)	(611)
Net income				8,221		
Cash dividends				(1,668)		
Transfer to legal reserve			230	(230)		
Foreign currency translation adjustments					(1,516)	
Unrealized gain (loss) on available-for-sale securities					(4,107)	
Acquisition of treasury stock						(749)
Exercise of stock options						122
Balance, September 30, 2000	64,082	98,705	7,480	180,127	(12,791)	(1,238)

Year ended March 31, 2001 (Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2000	64,082	98,705	7,250	173,804	(7,168)	(611)
Net income				22,297		
Cash dividends				(3,284)		
Transfer to legal reserve			402	(402)		
Foreign currency translation adjustments					7,286	
Minimum pension liability adjustments					(7,251)	
Unrealized gain (loss) on available-for-sale securities					(10,213)	
Acquisition of treasury stock						(749)
Exercise of stock options						148
Share buyback and retirement				(18,338)		
Balance, March 31, 2001	64,082	98,705	7,652	174,077	(17,346)	(1,212)

(Attachment)

Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31, 2001
Operating Activities:			
Net income	2,154	8,221	22,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,364	15,350	32,217
Net loss on sales and disposal of property, plant and equipment	75	621	760
Net gain on sales of short-term investments and investment securities	(1,518)	(356)	(3,703)
Loss on impairment of investment securities and other assets			
Bad debt expenses	1,530	1,720	2,460
Termination and retirement benefits	189	2,041	3,810
Deferred income taxes	789	2,768	4,990
Minority interests	(1,466)	(3,001)	(5,402)
Cumulative effect of accounting changes	36	369	422
Changes in assets and liabilities	(384)	—	—
Notes and accounts receivable—trade, net			
Inventories	30,885	13,249	(5,593)
Other assets	(3,336)	(15,570)	(13,320)
Notes and accounts payable—trade	(569)	(1,135)	875
Income taxes payable	(23,188)	(7,964)	3,620
Accrued expenses and other	(11,372)	(2,663)	3,438
Other, net	(3,806)	2,530	4,140
	(704)	617	(215)
Net cash provided by operating activities	4,679	16,797	50,796
Investing Activities:			
Proceeds from sales or maturities of short-term investments and investment securities	2,687	5,746	9,746
Purchase of short-term investments and investment securities	(2,449)	(9,076)	(5,761)
Capital expenditures	(17,845)	(15,959)	(37,583)
Decrease (increase) in leasehold deposits	338	(689)	(538)
Proceeds from sales of property, plant and equipment	1,014	1,241	1,953
Acquisition of minority interests	(91)	—	(182)
Net cash used in investing activities	(16,346)	(18,737)	(32,365)
Financing Activities:			
Net borrowings (repayments) of short-term bank loans	5,151	(1,054)	(1,371)
Proceeds from issuance of long-term debt	12,765	727	715
Repayment of long-term debt	(25,534)	(1,084)	(1,650)
Dividends paid	(1,653)	(1,692)	(3,337)
Treasury stock	(629)	(749)	(749)
Exercise of stock options	18	122	148
Share buyback	—	—	(18,338)
Net cash used in financing activities	(9,882)	(3,730)	(24,582)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(572)	(926)	3,102
Net Decrease in Cash and Cash Equivalents	(22,121)	(6,596)	(3,049)
Cash and Cash Equivalents at Beginning of Period	85,621	88,670	88,670
Cash and Cash Equivalents at End of Period	63,500	82,074	85,621
otes to cash flows from operating activities:			
Interest paid	720	873	1,765
Taxes paid	14,634	12,079	19,257
Note to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	1,535	2,930	1,803

(Attachment)

Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation and Application of the Equity Method

① Number of consolidated subsidiaries and companies accounted for by the equity method

	Six months ended September 30, 2001	Year ended March 31, 2000	Increase (decrease)
Consolidated subsidiaries	133	132	1
Unconsolidated subsidiaries accounted for by the equity method	—	—	—
Affiliates accounted for by the equity method	12	11	1
Total	145	143	2

② Names of principal subsidiaries and affiliates

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

Companies accounted for by the equity method: SOURITSU ELECTRIC CORPORATION

③ Changes in scope of consolidation and application of the equity method:

Consolidated subsidiaries

(New) 1 company (OMRON Electronic Components Europe B.V.)

Affiliates accounted for by the equity method:

(New) 1 company

2. Accounting Policies

Changes in accounting methods are as follows.

(Application of new accounting standards)

Accounting standards for derivatives and hedging

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

The effect from the adoption of these statements at the beginning of the period, net of related taxes, is disclosed as "Cumulative effect of accounting changes" in the interim consolidated statements of income.

3. Comprehensive Income

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

Six months ended September 30, 2001: (¥7,395 million)

Six months ended September 30, 2000: ¥2,598 million

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

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

(Attachment)

4. Segment Information (This information is prepared in accordance with Japanese accounting standards.)

1. Business Segment Information

Six months ended September 30, 2001 (Millions of yen)

	Industrial Automation Business	Electronic Components Business	Social Systems Business	Healthcare Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	96,494	60,753	53,770	18,748	26,419	256,184	—	256,184
(2) Intersegment sales and transfers	2,742	11,430	4,134	108	23,304	41,718	(41,718)	—
Total	99,236	72,183	57,904	18,856	49,723	297,902	(41,718)	256,184
Operating expenses	90,654	67,851	60,735	18,410	47,612	285,262	(34,208)	251,054
Operating income (loss)	8,582	4,332	(2,831)	446	2,111	12,640	(7,510)	5,130

(Additional information)
Certain products and regions which had previously been included in intersegment sales and transfers of the Electronic Components business are classified directly as outside sales effective from the six month period ended September 30, 2001. In accordance with this change, sales to outside customers in the Electronic Components business increased by ¥7,069 million, and sales to outside customers in the Industrial Automation business decreased by the same amount. In addition, intersegment sales and transfers of the Electronic Components business decreased by ¥5,047 million.

Six months ended September 30, 2000 (Millions of yen)

	Industrial Automation Business	Electronic Components Business	Social Systems Business	Healthcare Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	118,541	57,594	53,260	18,152	24,044	271,591	—	271,591
(2) Intersegment sales and transfers	4,184	17,415	2,346	87	22,123	46,155	(46,155)	—
Total	122,725	75,009	55,606	18,239	46,167	317,746	(46,155)	271,591
Operating expenses	104,107	65,700	55,508	18,297	47,420	291,032	(39,299)	251,733
Operating income (loss)	18,618	9,309	98	(58)	(1,253)	26,714	(6,856)	19,858

Year ended March 31, 2001 (Millions of yen)

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

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

(Attachment)

2. Geographical Segment Information

Six months ended September 30, 2001 (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	170,612	31,304	30,925	23,343	256,184	—	256,184
(2) Intersegment sales and transfers	36,976	266	254	13,113	50,609	(50,609)	—
Total	207,588	31,570	31,179	36,456	306,793	(50,609)	256,184
Operating expenses	197,574	30,501	30,245	35,302	293,622	(42,568)	251,054
Operating income (loss)	10,014	1,069	934	1,154	13,171	(8,041)	5,130

Six months ended September 30, 2000 (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	189,192	31,797	28,399	22,203	271,591	—	271,591
(2) Intersegment sales and transfers	38,973	285	313	11,918	51,489	(51,489)	—
Total	228,165	32,082	28,712	34,121	323,080	(51,489)	271,591
Operating expenses	208,996	29,877	26,407	31,531	296,811	(45,078)	251,733
Operating income (loss)	19,169	2,205	2,305	2,590	26,269	(6,411)	19,858

Year ended March 31, 2001 (Millions of yen)

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

3. Overseas Sales

(Millions of yen)

	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31, 2001
North America	31,805	31,982	64,960
(Percentage of total net sales)	12.4%	11.8%	11.0%
Europe	31,658	29,029	62,442
(Percentage of total net sales)	12.3%	10.7%	10.5%
Asia	29,099	27,086	54,886
(Percentage of total net sales)	11.4%	9.9%	9.2%
Total	92,562	88,097	182,288
(Percentage of total net sales)	36.1%	32.4%	30.7%

(Attachment)

5. Securities

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

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

As of September 30, 2001
Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	21	--	--	21
Equity securities	42,807	5,750	(12,012)	36,545
Total investment securities	42,828	5,750	(12,012)	36,566

As of September 30, 2000
Held-to-maturity securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	5,013	--	(5)	5,008
Short-term investments	5,013	--	(5)	5,008

Available-for-sale securities

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Equity securities	43,554	23,795	(5,243)	62,106
Total investment securities	43,554	23,795	(5,243)	62,106

As of March 31, 2001
Available-for-sale securities (Millions of yen)

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

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

(Attachment)

6. Sales

Net sales by consolidated company (Millions of yen)

	Six months ended September 30, 2001		Six months ended September 30, 2000		Increase (decrease)
Industrial Automation Company	96,494	37.7%	112,140	41.3%	-14.0%
Electronic Components Company	60,753	23.7	63,995	23.6	-5.1
Social Systems Business Company	53,770	21.0	53,260	19.6	+1.0
Healthcare Company	18,748	7.3	18,152	6.7	+3.3
Other	26,419	10.3	24,044	8.8	+9.9
Total	256,184	100.0%	271,591	100.0%	-5.7%

Note: Certain products and regions for the six months ended September 30, 2000 have been reclassified in accordance with the revision of sales routes effective from April 2001.

Net sales for the full fiscal year categorized by consolidated company (Millions of yen)

	Year ending March 31, 2002 (est.)		Year ended March 31, 2001		Increase (decrease)
Industrial Automation Company	191,000	34.7%	227,691	38.3%	-16.1%
Electronic Components Company	123,000	22.4	129,444	21.8	-5.0
Social Systems Business Company	138,000	25.1	141,928	23.9	-2.8
Healthcare Company	41,000	7.4	39,327	6.6	+4.3
Other	57,000	10.4	55,869	9.4	+2.0
Total	550,000	100.0%	594,259	100.0%	-7.4%

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

Semiannual Performance

Net sales by consolidated company (100Millions of yen)

		Six months ended September 30, 2001	Six months ended September30, 2000	Increase (decrease)
Industrial Automation Company	Domestic	498	646	-23.0%
	Overseas	467	475	-1.7
	Total	965	1,121	-14.0
Electronic Components Company	Domestic	321	374	-14.2
	Overseas	287	266	+7.7
	Total	608	640	-5.1
Social Systems Business Company	Domestic	481	484	-0.6
	Overseas	57	49	+16.1
	Total	538	533	+1.0
Healthcare Company	Domestic	93	101	-7.2
	Overseas	94	81	+16.4
	Total	187	182	+3.3
Other	Domestic	243	230	+5.5
	Overseas	21	10	+103.8
	Total	264	240	+9.9
Total	Domestic	1,636	1,835	-10.8
	Overseas	926	881	+5.1
	Total	2,562	2,716	-5.7

Note: Certain products and regions for the six months ended September 30, 2000 have been reclassified in accordance with the revision of sales routes effective from April 2001.

(Attachment)

Geographical Segment Sales

Domestic	Omron Subsidiaries	1,272 364	1,475 360	-13.8% +1.2
Total of domestic sales		1,636	1,835	-10.8
Direct exporting		70	57	+22.7
Overseas subsidiaries	North America	313	318	-1.6
	Europe	309	284	+8.9
	Asia and Others	234	222	+5.1
Total of overseas sales		926	881	+5.1

Average currency exchange rate (Yen - each of currencies)

USD	122.3	107.0	(+15.3)
EUR	108.1	98.6	(+9.5)

(Attachment)

Estimated results for the year ending March 2002

Net sales for the full fiscal year by consolidated company (100Millions of yen)

		Year ending March 31, 2002 (est.)	Year ended March 31, 2001	Increase (decrease)
Industrial Automation Company	Domestic	1,010	1,308	-22.8%
	Overseas	900	969	-7.1
	Total	1,910	2,277	-16.1
Electronic Components Company	Domestic	665	747	-10.9
	Overseas	565	547	+3.1
	Total	1,230	1,294	-5.0
Social Systems Business Company	Domestic	1,255	1,318	-4.8
	Overseas	125	101	+23.8
	Total	1,380	1,419	-2.8
Healthcare Company	Domestic	200	208	-3.9
	Overseas	210	185	+13.4
	Total	410	393	+4.3
Other	Domestic	525	539	-2.5
	Overseas	45	21	+221.2
	Total	570	560	+2.0
Total	Domestic	3,655	4,120	-11.3
	Overseas	1,845	1,823	+1.2
	Total	5,500	5,946	-7.4

Geographical Segment Sales

Direct exporting		150	119	+26.5%
Overseas subsidiaries	North America	620	644	-3.7
	Europe	625	610	+2.4
	Asia and Others	450	450	-0.1
Total of overseas sales		1,845	1,823	+1.2

Income and loss

Net sales	5,500	5,943	-7.4%
Operating Income	135	443	-69.6
Income before taxes	-80	400	---
Net income	-50	223	---

Return on equity

	-1.6%	6.7%	(-8.3point)

Capital expenditure／Depreciation／Cost for R&D

Capital expenditure	350	375	-6.8%
Depreciation	320	322	-0.7
Cost for R&D	425	425	0.0

Average currency exchange rate

(Yen - each of currencies)

USD	118.0	110.8	(+7.2)
EUR	101.0	100.6	(+9.4)

(Attachment)

Omron to Launch New Structural Reform Initiative

Japan now faces some pretty tough challenges as a result of radical changes taking place in today's business environment. These include a global recession brought on by an economic slowdown in the United Sates, due primarily to the collapse of an IT-induced bubble economy and the September 11th terrorist attacks. Moreover, China continues to threaten Japan as it gains increasing power as an international production center. To effectively cope with this situation, Omron Corporation is determined to accelerate its global structural transformation called 'No Retreat Structural Reform.' Details are as follows.

First, Omron strives to boost the speed and efficiency with which ongoing reforms are implemented. This is being done as part of its long-term corporate vision, GD2010. These programs are intended to strengthen Omron's business operations*1, and promote business and cost structure reforms. In addition, Omron will attempt to transform itself in an entirely new way by implementing an initiative named the Group Productivity Improvement Reform over a time span of two years. Essential for making Omron a global winner, this reform initiative involves the following specific targets.

Ultimate Goal of the Group Productivity Improvement Reform
Cut group-wide fixed and variable costs by 30 billion yen over the next two years

Omron will declare a total cost of 30 billion yen over the next two-year period to implement this additional structural reform. To clarify management responsibilities, Omron has decided to cut remuneration for directors and executive officers by 10-20% along with yearly salary reductions for managerial-level personnel. With the launch of this Group Productivity Improvement Reform, a special committee chaired by Omron CEO Yoshio Tateisi has been established. Committee members will work on drafting concrete plans for promoting structural reform and lead the complete implementation of reform programs.

Group Productivity Improvement Reform Programs

1. Consolidation and integration of offices/facilities accompanied by the reallocation of personnel and reorganization of businesses

This effort will include consolidating or integrating at least five bases in Japan, including manufacturing facilities.

2. Acceleration of production overseas, particularly in China

Current level of overseas production (including outsourcing) will be increased by 50%. To increase the ratio of overseas production to total production to 30% over two years, manufacturing operations will be shifted to China where Omron is now strengthening semi-headquarters function.

3. Elimination of non/low-profit-yielding businesses

Restructuring of two or more businesses and five or more subsidiaries in and outside

Japan is now being planned.

4. Improvement of employee productivity

Through allocation of human resources in the most efficient way possible, Omron aims to cut group-wide personnel costs by 15 billion yen (approximately 10%) over two years.
1) Reallocate human resources:
Review of individual tasks/functions and reallocation of human resources will be conducted as necessary on a global basis.
2) Review remuneration system:
Adjustment of yearly salaries for managerial-level and above-ranked personnel will be performed. In addition, a revised evaluation system for non-managerial employees is now being planned to adjust a performance-based remuneration system.
3) Expand options for working styles/conditions and retirement plans.

*1 Strengthening Omron's business operations
Omron aims to maximize the competitive strength of its business operations by concentrating its resources on key, high-growth areas (products, business fields and markets).

Focused areas
Products: Optoelectronics, security/safety, automotive electronic components and systems
Business areas: Solutions services, M2M
Markets:
Domestic: End user segments (especially for IAB)
Overseas: China

- **Mid-term Consolidated Financial Results** (units in millions of yen)

Net sales	256,200 (94% from same period last year)
Operating income	5,100 (26% from same period last year)
Net income after taxes	2,200 (26% from same period last year)

- **Forecasted Consolidated Results**

Net sales	550,000 (93% from previous fiscal year)	
Operating income	13,500 (31% from previous fiscal year)	
Non-operating expenses	21,500	Currency exchange losses: 2,000 Close shareholding losses: 12,000 Structural reform costs: 7,500
Net (loss) before taxes	(8,000)	