Consolidated Financial Statements for the Fiscal Year Ended March 31, 2003

May 8, 2003

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in the United States (“U.S. GAAP”) except for Segment Information.

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Board of Directors meeting: May 8, 2003
U.S. accounting standards used: Yes

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Stock exchange listings: Tokyo, Osaka, Nagoya
Stock ticker number: 6645

1. Results for Fiscal 2002 (April 1, 2002-March 31, 2003)

(1) Sales and Income

Note: All amounts in these financial statements and the attachments thereto are rounded to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Income (loss) before income taxes (¥ million)	Year-on-year change (%)
Fiscal 2002	535,073	0.2	32,313	665.5	4,732	—
Fiscal 2001	533,964	(10.1)	4,221	(90.5)	(25,373)	—

	Net income (loss) (¥ million)	Year-on-year change (%)	Earnings (loss) per share (basic) (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Income (loss) before income taxes /total assets (%)	Income (loss) before income taxes /net sales (%)
Fiscal 2002	511	—	2.07	—	0.2	0.8	0.9
Fiscal 2001	(15,773)	—	(63.50)	—	(5.1)	(4.4)	(4.8)

Notes: 1. Equity in earnings of affiliates: -¥59 million (Fiscal 2001: ¥75 million)
2. Average number of shares outstanding (consolidated): 247,336,015 shares (Fiscal 2001: 248,401,803 shares)
3. Changes in accounting methods: No
4. Year-on-year change for net sales, operating income, income (loss) before income taxes and net income (loss) is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Shareholders’ equity (¥ million)	Shareholders’ equity/total assets (%)	Shareholders’ equity per share (¥)
Fiscal 2002	567,399	251,610	44.3	1,036.01
Fiscal 2001	549,366	298,234	54.3	1,201.23

Note: Number of shares outstanding at end of period (consolidated): 242,864,183 shares (Fiscal 2001: 248,272,947 shares)

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash used in investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2002	41,854	(30,633)	(1,996)	79,919
Fiscal 2001	33,687	(40,121)	(12,056)	70,779

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 132 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: 10 companies

(5) Changes in scope of consolidation and application of the equity method:
Consolidation: (New) 9 companies (Eliminated) 10 companies
Equity method: (New) 2 companies (Eliminated) 5 companies

2. Projected Results for Fiscal 2003 (April 1, 2003-March 31, 2004)

	Net sales (¥ million)	Income (loss) before income taxes (¥ million)	Net income (loss) (¥ million)
6 months ending 9/03	259,000	12,000	4,000
Fiscal 2003	560,000	38,000	19,000

Reference: Estimated earnings per share (fiscal 2003): ¥78.23
Note: Please see pages 8-9 of the attached materials regarding the above projected results.

May 8, 2003
Omron Corporation

Summary of Results for Fiscal 2002 (April 1, 2002 – March 31, 2003)

1. Consolidated results

(Millions of yen, %)

	Year ended March 31, 2003	Year ended March 31, 2002	Year-on-year change (%)
Net sales	535,073	533,964	100%
Income (loss) before income taxes [% of net sales]	4,732 [0.9%]	(25,373) [-4.8%]	— [+5.7]
Net income (loss)	511	(15,773)	—
Earnings (loss) per share (basic) (¥) (Note 3)	2.07	(65.04) (63.50)	+67.11 +65.57

Notes:
1. The financial statements are prepared in accordance with U.S. GAAP.
2. Includes 132 consolidated subsidiaries and 10 affiliated companies accounted for by the equity method.
3. The top figure in “Earnings (loss) per share (basic)” was calculated using income or loss before cumulative effect of accounting changes.
4. In the fiscal year ended March 2003, ¥18,968 million in personnel expenses in connection with an early retirement program are stated in “Other expenses.”

2. Non-consolidated results

(Millions of yen, %)

	Year ended March 31, 2003	Year ended March 31, 2002	Year-on-year change (%)
Net sales	350,459	347,223	101%
Ordinary income (loss) [% of net sales]	6,815 [1.9%]	(2,186) [-0.6%]	— [+2.5]
Net income (loss)	(10,291)	(8,840)	—
Earnings (loss) per share (¥)	(41.61)	(35.59)	(6.02)
Cash dividends per share (¥)	5.00 (interim) 10.00 (fiscal year)	6.50 (interim) 13.00 (fiscal year)	(1.50) (3.00)

Note: In the fiscal year ended March 2003, the following business structure reform expenses are stated in “Extraordinary loss.”
Personnel expenses in connection with an early retirement program ¥11,569 million
Loss in connection with business restructuring ¥1,827 million

(Attachment)

1. The Omron Group

The Omron Group consists of Omron Corporation and 132 consolidated subsidiaries (45 in Japan, 87 overseas) and 10 affiliates (7 in Japan, 3 overseas). Under the internal company system used by Omron Corporation, business activities are carried out by the Industrial Automation Business, Electronic Components Business, Social Systems Business, Healthcare Business and Others (Creative Service Business, etc.).

The following chart shows the position of the main companies that make up the Omron Group.

Customers

Marketing / Maintenance (Japan)

Industrial Automation
OMRON Two Four Service Co., Ltd.
Social Systems
OMRON Field Engineering Co., Ltd.

Marketing / Maintenance (Overseas)

Industrial Automation
OMRON Electronics Llc. (U.S.A.)
OMRON Canada Inc. (Canada)
OMRON Electronics S.A. (Spain)
OMRON Electronics S.r.l. (Italy)
OMRON Electronics Ltd. (U.K.)
OMRON Electronics Asia Ltd. (Hong Kong)
OMRON Taiwan Electronics Inc. (Taiwan)
OMRON Trading (Shanghai) Co., Ltd. (China)
Electronic Components
OMRON Electronic Components Europe B.V. (The Netherlands)
OMRON Electronic Components Pte. Ltd. (Singapore)
OMRON Electronic Components Co., Ltd. (Thailand)
Social Systems
OMRON Transaction Systems, Inc. (U.S.A.)
OMRON Business Systems Singapore (Pte.) Ltd. (Singapore)
Healthcare
OMRON Healthcare, Inc. (U.S.A.)
OMRON Healthcare Europe B.V. (The Netherlands)
OMRON Healthcare Singapore Pte. Ltd. (Singapore)
OMRON Industry & Trade (Dalian) Co., Ltd. (China)

Omron Corporation

Omron Corporation	
Industrial Automation	Electronic Components
Social Systems	Healthcare

Manufacturing / Research and Development (Japan)

Industrial Automation
OMRON Okayama Co., Ltd.
OMRON Izumo Co., Ltd.
OMRON Takeo Co., Ltd.
OMRON Aso Co., Ltd.
Electronic Components
OMRON Iida Co., Ltd.
OMRON Ichinomiya Co., Ltd.
OMRON Kurayoshi Co., Ltd.
OMRON Sanyo Co., Ltd.
OMRON Kumamoto Co., Ltd.
Social Systems
OMRON Nohgata Co., Ltd.
OMRON Software Co., Ltd.
Healthcare
OMRON Matsusaka Co., Ltd.
OMRON Institute of Life Science Co., Ltd.

Manufacturing / Research and Development (Overseas)

Industrial Automation
OMRON Manufacturing of America, Inc. (U.S.A.)
OMRON Manufacturing of The Netherlands B.V. (The Netherlands)
OTE Engineering Inc. (Taiwan)
OMRON (Shanghai) Co., Ltd. (China)
Electronic Components
OMRON Automotive Electronics, Inc. (U.S.A.)
OMRON Dualtec Automotive Electronics Inc. (Canada)
OMRON Malaysia Sdn. Bhd. (Malaysia)
P.T. OMRON Manufacturing of Indonesia (Indonesia)
Shanghai OMRON Control Components Co., Ltd. (China)
OMRON Electronic Components (Shenzhen) Ltd. (China)
Social Systems
OMRON Mechatronics of The Philippines Corp. (Philippines)
Healthcare
OMRON Dalian Co., Ltd. (China)

Note: The Social Systems Solutions and Service Business Company and the Advanced Module Business Company are included in the Social Systems Business.

(Attachment)

2. Management Policies

(1) Basic Management Policy

In the year ended March 31, 2002, Omron began implementing “Grand Design 2010” (GD2010), a vision that sets the basic policies for management of the Omron Group for the 10 years ending in 2010. In accordance with these basic policies, Omron has set the management objective of maximizing corporate value over the long term based on the Company's mission of contributing to the advancement of society, with the aim of becoming a 21st century company.

In the first phase of GD2010, in order to meet the challenge of global competition, we have the following three midterm targets, which we intend to achieve by March 2005: (1) achieve ROE of 10% as the baseline for becoming a company that creates corporate value on a global basis; (2) promote independent operation of each business, including spin-offs into separate companies, to maximize the strength of individual businesses; and (3) further raise our globally recognized management transparency with a view toward listing stock on overseas exchanges, including the New York Stock Exchange.

(2) Basic Policy for Distribution of Profits

Omron views the distribution of profits to shareholders as one of the most important tasks of its dividend policy. Omron intends to carefully consider consolidated fiscal year results in executing its dividend policy, which is based on providing stable and continuous dividends. Over the medium to long term, Omron also intends to systematically repurchase and retire Company stock using retained earnings while securing the internal capital resources required for future business expansion and to deal with future changes in the business environment.

(3) Policies on Lowering Stock Trading unit

Taking into account the present level of Omron's stock price and the minimum investment amount, Omron has established a fundamental policy of lowering the stock trading unit to make investing in Omron stock easier for shareholders, and thus increase the liquidity of the Company's stock and the number of shareholders. Based on this fundamental policy, Omron has decided to lower the minimum stock trading unit from 1,000 to 100 shares during fiscal 2003.

(4) Targets for Management Indicators

In the aforementioned GD2010, Omron has set return on equity (ROE) as a management indicator, and aims to achieve ROE of 10% by the year ending March 2005 through growth in earnings.

(5) Long-Term Management Strategies

To ensure achievement of the midterm targets established in GD2010, Omron will continue the policy of “Maximization of Business Strength” set in fiscal 2002 as its policy for the current fiscal year. During the first half, the Company will emphasize the policy of “Accomplishing Group Productivity Structural Reforms (VIC21)” carried over from fiscal 2002. “From Structural Reform to Creation” is a sub-division of the policy for the fiscal year that Omron will undertake in the second half to maintain and strengthen its earnings base and progressively prepare the foundation for growth.

Omron expects to successfully complete VIC21 by September 2003, and has the following objectives: (1) reducing group-wide fixed and variable costs by ¥30 billion; (2) increasing the overseas production and procurement ratios by 50%; and (3) eliminating unprofitable and low-profit businesses.

(6) Issues Facing the Company

A volatile international situation has increased the sense of upredictability in the economy. As a result, Omron does not see significant potential in the next fiscal year for market recovery and sales expansion in its core businesses of control systems equipment used in plant and equipment investment in manufacturing industries and electronic components used in manufacturing electronic and electrical equipment. Omron continues to place top priority on raising Group productivity based on a fundamental commitment to management that emphasizes optimum efficiency in the use of management resources. The Company's objective is to strengthen its risk management and steadily create an operating structure conducive to growth and profitability.

Omron intends to increase its share of overseas markets through strong gains in marketing and manufacturing operations in China that will contribute to the Company’s cost competitiveness and ability to accommodate changes in demand.

The Company is also deploying its strengths in sensing and control technology to enhance core businesses and develop new products and businesses. This will help to create the basis for future growth.

(7) Fundamental Corporate Governance Stance and Policies

Omron is aware that in a rapidly changing business environment, establishing a management structure that responds swiftly to the speed of changes, global standardization of management, and ensuring management transparency and fairness are essential measures for strengthening corporate governance.

(Attachment)

Omron has always been proactive in separating responsibility for management and execution. The Company also continues to make its corporate governance effective by separating the auditing system from the Board of Directors. At present, Omron has one outside director on the Board and two statutory auditors from outside the company, which represents half of the Company's auditors. Omron also intends to increase the number of outside directors. In the important area of business execution, Omron has an Executive Committee that is relatively small but effective as a deliberative council, and its beneficial effect on operating supervision will become more apparent. The Personnel Advisory Committee, chaired by an outside director, has been operating under the auspices of the Board of Directors, and Omron has also created a Compensation Advisory Committee to strengthen internal controls. Moving to further strengthen compliance throughout the Group during fiscal 2003, Omron has created the Compliance & Risk management Committee under the direct control of the Board of Directors. This committee audits and confirms awareness and implementation of compliance within Omron's business execution system.

Omron is committed to swift disclosure, and in fiscal 2003 will implement measures including quarterly reporting. The Company will also enhance its web site and energetically engage in investor relations as part of its commitment to swift, accurate disclosure.

The activities discussed above are contributing to Omron's drive to further improve and strengthen corporate governance.

(Attachment)

3. Results of Operations and Financial Condition

(a) Results of Operations

(1) Overview of the Fiscal Year

General Overview

Summarizing economic conditions for the fiscal year ended March 31, 2003, during the first half the U.S. economy, which had been the growth engine of the global economy, drew support from continued firm consumer spending and housing investment. Inventory adjustment progressed in IT-related industries. The economies of Japan, Asia and Europe showed signs of recovery. However, the collapse of several large corporations in the United States negatively impacted the operating environment and consumption, which contributed to widespread concerns about a slowdown in the future. During the second half the situation in Iraq became more volatile, adding to economic uncertainty as oil prices rose and stock prices continued to decline. The problem of disposing of nonperforming loans continued to hamper Japan's economy, which sapped the power of consumer spending, capital expenditures and other mechanisms to expand domestic demand and heightened concerns about the future.

In this environment, sales of the Industrial Automation Business and the Electronic Components Business, Omron's core businesses, as well as the Healthcare Business, drew strength from a recovery in production and steady consumption. In particular, efforts to strengthen operations in the important Chinese market supported substantial growth. Challenging conditions persisted in the Social Systems Business (which includes the Social Systems Solutions and Service Business Company and the Advanced Module Business Company). Capital investment remained restrained, reflecting a severe business environment in financial markets and constrained investment by public entities. In the Others segment, tighter competition in the market for photo-sticker machines in the Business Development Group, coupled with the effect of the IT slump, resulted in challenging conditions. Overall, consolidated net sales for the fiscal year increased 0.2 percent to ¥535,073 million from ¥533,964 million for the previous fiscal year.

In income categories, sales of the core Industrial Automation Business and the Electronic Components Business increased, and improvements in Group productivity under the VIC21 structural reform program resulted in continued cost reductions. As a result, operating income improved substantially, increasing 665.5 percent to ¥32,313 million from ¥4,221 million for the previous fiscal year. Omron recorded non-operating expenses including retirement payments associated with the implementation of an early retirement program as part of the structural reform measures, a loss associated with the sale and disposal of idle assets, and loss on sale and impairment of investment securities. In addition, the imposition of new taxation standards increased the tax burden. Despite these factors, Omron returned to profitability for the fiscal year. Net income before income taxes totaled ¥4,732 million, compared to a net loss before income taxes of ¥25,373 million for the previous fiscal year. Net income totaled ¥511 million, compared to a net loss of ¥15,773 million for the previous fiscal year.

Segment Information

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

• Industrial Automation Business

Despite overall declines in capital investment in all types of control devices, machinery and equipment, sales in greater China and Southeast Asia increased. By industry, sales in the semiconductor and flat-panel display (FPD) industries recovered moderately, and sales to the automotive and food industries were firm. Among applications, sales related to equipment safety and advanced automation of inspection increased.

In the domestic market, although investment in production equipment remained restrained, overall sales increased marginally year-on-year. Omron strengthened its strategic activities in the semiconductor, FPD, automotive and food industries. Moreover, efforts to provide solutions that promote the use of IT among manufacturers supported a significant increase in sales of devices used for safety, information sensing equipment, displacement sensors, visual sensors, motion control devices and other products.

Overseas, sales in North America increased strongly, centered on sensing equipment. Sales in Europe were flat due to the influence of restrained investment in the electronics and electrical equipment industries. Sales in greater China and Southeast Asia increased strongly, supported by factors including direct marketing, efforts to strengthen sales channels and heightened emphasis on social infrastructure projects.

As a result, net sales of this segment increased 10.0 percent over the previous year to ¥202,518 million.

• Electronic Components Business

In the domestic market, the deflationary trend was a primary factor in reduced consumer spending and capital investment, but sales were firm overall. In particular, there was a rapid increase in sales of backlights for cellular phones and integrated circuit (IC) coin systems for the amusement industry, both of which were introduced in the previous fiscal year. Sales of automotive electronic components also rose, supported by increased exports of automobiles and the shift to the use of electronic components in automobile parts. In consumer and commerce components, exports of relays and switches for consumer appliances remained firm. In addition, Omron strengthened marketing of electronic components for mobile devices, and launched a new flash for cellular phone cameras.

As a result, net sales of this segment increased 5.3 percent over the previous fiscal year to ¥138,845 million.

• Social Systems Business

Sales in the electronic funds transfer system business decreased sharply because the delayed recovery in performance among financial institutions, the first signs of weaker results in the consumer credit industry, and other factors heightened restraint in investment.

In the public transportation systems sector, sales increased substantially due to the implementation of a major ticketing machine project in the Kanto region that had been deferred from the previous fiscal year.

In the traffic control and road information systems sector, despite large-scale demand in certain areas, sales decreased because of restrained public investment.

As a result, net sales of this segment decreased 8.9 percent compared with the previous fiscal year to ¥116,652 million.

• Healthcare Business

In the domestic market, concerns about employment and a decrease in disposable income led to continued consumer frugality. Despite increasingly selective consumption, overall consumption recovered nominally. In this environment, Omron made progress in retail support and strengthened efforts to stimulate and expand real demand. Moves to streamline and raise the efficiency of product distribution helped Omron maintain sales at about the same level as in the previous fiscal year.

Overseas, firm consumer spending in the United States and the rapid expansion of the Chinese market supported solid growth. In the United States, Omron moved to increase sales growth by strengthening relationships with large retail chains and focused on creating an efficient management structure. The Company also expanded the number of sales bases in China and enhanced user support to raise customer satisfaction. In Europe, Omron made progress in optimizing its network of sales agents. In Asia, Omron strengthened its activities in growing markets including Australia and Taiwan. These activities supported firm sales of core blood pressure monitors in each market, and overseas sales increased year-on-year.

As a result, net sales of this segment increased 4.2 percent over the previous fiscal year to ¥42,331 million.

• Others

The Creative Service Business increased sales of outsourcing services, primarily business services for corporate administrative operations. However, headquarters rated each business in conducting an assessment as part of the Group structural reform program. With the objective of increasing Group productivity, specialized services were re-oriented to an in-company focus, and the Creative Service Business was discontinued as a company in March 2003.

The Business Development Group is responsible for exploring and nurturing new businesses, as well as developing and strengthening businesses that are not formally internal companies. New businesses include a container volume monitoring system for the machine-to-machine field and a vehicle anti-theft system, which are now on the market. The Business Development Group will assess additional market opportunities in these sectors.

As a result, sales in the Others segment decreased 29.5 percent compared to the previous fiscal year to ¥34,727 million. The decrease reflects the exclusion of subsidiary Omron Alphatech Corporation from the scope of consolidation in the second half of the fiscal year.

Distribution of Profits

Following the basic policy for shareholder dividends described earlier, taking into account results for the fiscal year under review and the previous fiscal year, Omron will pay cash dividends for the fiscal year ended March 31, 2003 totaling ¥10.00. This consists of an interim cash dividend of ¥5.00 per share and a year-end cash dividend of ¥5.00 per share.

(2) Outlook for the Fiscal Year Ending March 31, 2004

General Outlook

Looking ahead at the economic environment, the outlook for the U.S. economy is clouded by the continuing unsettled international situation. Consequently, decreases in capital investment and consumer spending are heightening concerns about the future outlook, and the risk of recession remains. These conditions are expected to have a ripple effect on the economies of Europe and Asia. In Japan, deflation is exerting stronger downward pressure on corporate earnings, and difficult employment conditions will cause consumers to remain frugal. A recovery in capital investment is not imminent, and there are concerns that exports, which have been supporting the Japanese economy, may taper off. Stagnation is likely to continue.

In this challenging environment, a significant rebound in sales during the current fiscal year resulting from market recovery cannot be expected for Omron, as its main businesses are control systems in fields where manufacturers are curtailing investment and electronic components used in the manufacture of consumer electronic and electrical equipment. The Company will continue working for a recovery in results by focusing on completion of structural reforms through VIC21.

Omron projects an increase in profits for the current fiscal year due to several factors. New product offerings in core business areas should support sales growth, and Omron expects the volume of business in China to increase. Demand is expected to increase in response to new ticketing machines, and expenses should decrease as a result of structural reform. However, Omron intends to incur expenses from investing in future growth and strengthening its businesses. The Company therefore projects net sales of ¥560,000 million, operating income of ¥43,000 million, income before income taxes of ¥38,000 million, and net income of ¥19,000 million. Omron projects that ROE will recover to 7.5 percent, and expects exchanges rates of US$1 = ¥120 and 1 euro = ¥125.

Outlook by Business Segment

The Automotive Electronic Components Business, which had been included in the Electronic Components Business, will be reported as a separate segment as of April 2003.

• Industrial Automation Business

Net sales are projected to increase 5 percent. While weakness in capital investment is projected to continue, Omron will secure sales in Japan by implementing and strengthening a domestic sales agent system. Overseas sales volume is projected to increase, particularly in China.

• Electronic Components Business

Net sales are projected to increase 12 percent. Restrained capital investment and consumption is projected to result in flat sales of consumer and commerce components. However, sales of backlights for cellular phones and IC coins for the amusement industry are expected to increase. Omron projects sales growth in China as well.

• Automotive Electronic Components Business

Net sales are projected to increase 7 percent. While unit sales of automobiles are projected to decrease, sales should draw support from the continuing shift to electronic components in automobile parts and firm demand for Omron products in Japan and overseas.

• Social Systems Business

Net sales are projected to increase 7 percent. The unfavorable operating environment characterized by restrained investment among financial and public institutions is not projected to change, but replacement demand for new ticketing machines is expected to support results.

• Healthcare Business

Net sales are projected to increase 3 percent. Improved consumer sentiment is expected to support domestic sales, primarily of chairs with a built-in massager. Overseas, sales in China are projected to expand significantly.

• Others

Net sales are projected to decrease 25 percent. The Business Development Group projects that the photo-sticker machine boom is subsiding and that other companies will enter the market, intensifying competition. Moreover, the Creative Service Business has been discontinued as a separate company and re-oriented to internal services.

Distribution of Profits

Following the basic policy for shareholder dividends described earlier, taking into account the effectiveness of structural reform in improving performance and the need for internal capital resources to create a solid earnings base, Omron expects to pay cash dividends for the fiscal year ended March 31, 2004 totaling ¥13.00. This will consist of an interim cash dividend of ¥6.50 per share and a year-end cash dividend of ¥6.50 per share.

(b) Financial Condition

(1) Financial Condition for the Year Ended March 31, 2003

While net income for the fiscal year ended March 31, 2003 was at a low level of ¥511 million, net cash provided by operating activities totaled ¥41,854 million. Primary factors included retirement payments during the past fiscal year in connection with the implementation of an early retirement program as part of the structural reform measures. Operating income totaled ¥32,312 million, and non-cash charges including losses on idle assets and securities did not reduce cash flow. Moreover, taxable income had decreased in the previous fiscal year, which reduced income tax payments during the fiscal year under review.

In investing activities, the Company curtailed capital expenditures and purchases of investment securities. In addition, the sale of idle assets and certain businesses and subsidiaries generated cash. As a result, net cash used in investing activities totaled ¥30,633 million.

Net cash used in financing activities totaled ¥1,996 million. Borrowings from financial institutions increased to fund outlays for structural reform and the construction of the Keihanna Innovation Center, and the Company repurchased shares.

As a result, cash and cash equivalents at the end of the fiscal year increased ¥9,140 million to ¥79,919 million.

(2) Outlook for the Year Ending March 31, 2004

During the year to March 31, 2004, Omron projects an increase in expenses in connection with investments in future growth and business reinforcement. However, the projected increase in operating income, coupled with the absence of the retirement payments of the fiscal year ended March 31, 2003, indicates that net cash provided by operating activities will increase.

In investing activities, Omron projects an increase in capital expenditures to strengthen its businesses, including the construction of the Keihanna Innovation Center.

In financing activities, while monitoring financial conditions, Omron will work to secure an efficient level of capital throughout the Omron Group while continuing to flexibly borrow and repay funds. In addition, Omron intends to systematically deploy retained earnings to repurchase shares.

(3) Cash Flow Indicators and Trends

(Years ended March 31)

	1999	2000	2001	2002	2003
Shareholders' equity ratio (%)	55.3	58.0	55.0	54.3	44.3
Shareholders' equity ratio on market value basis (%)	65.5	129.4	88.6	86.8	81.1
Debt repayment period (years)	2.9	1.2	1.3	1.7	1.7
Interest coverage ratio (times)	12.1	30.3	28.8	26.7	29.2

Notes:

Shareholders equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio on market value basis: Total market value of stock/Total assets
Debt repayment period: Interest-bearing liabilities/Net cash provided by operations
Interest coverage ratio: Net cash provided by operations/Interest expense

1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
3. Net cash provided by operations is as reported in the consolidated statement of cash flows. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid. Interest expense is as stated in the notes to the consolidated statements of cash flows.

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, (i) the economic conditions surrounding the Company's businesses in Japan and overseas, (ii) demand trends for the Company's products and services, (iii) the ability of the Omron Group to develop new technologies and new products, (iv) majors changes in the fund-raising environment, (v) tie-ups or cooperative relationships with other companies, and (vi) movements in currency exchange rates and stock markets.

(Attachment)

4. Consolidated Financial Statements

Consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2002		Increase (decrease)
Net sales	535,073	100.0%	533,964	100.0%	1,109
Cost of sales	327,413	61.2	353,429	66.2	(26,016)
Gross profit	207,660	38.8	180,535	33.8	27,125
Selling, general and administrative expenses	135,112	25.3	134,907	25.3	205
Research and development	40,235	7.5	41,407	7.7	(1,172)
Operating income	32,313	6.0	4,221	0.8	28,092
Interest expenses, net	348	0.1	223	0.0	125
Foreign exchange loss, net	575	0.1	1,506	0.3	(931)
Other expenses, net	26,658	4.9	27,865	5.3	(1,207)
Income (loss) before income taxes and minority interests and cumulative effect of accounting change	4,732	0.9	(25,373)	(4.8)	30,105
Income taxes:	3,936	0.7	(9,348)	(1.8)	13,284
Current	7,851		6,783		1,068
Deferred	(3,915)		(16,131)		12,216
Minority interests	285	0.1	132	0.0	153
Income (loss) before cumulative effect of accounting change	511	0.1	(16,157)	(3.0)	16,668
Cumulative effect of accounting change (after consideration of tax effect)	—	—	384	0.0	(384)
Net income (loss)	511	0.1	(15,773)	(3.0)	16,284

(Attachment)

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
ASSETS					
Current Assets:	295,113	52.0%	277,498	50.5%	17,615
Cash and cash equivalents	79,919		70,779		9,140
Notes and accounts receivable - trade	113,595		114,906		(1,311)
Allowance for doubtful receivables	(3,484)		(2,755)		(729)
Inventories	75,466		74,617		829
Deferred income taxes	20,139		13,001		7,138
Other current assets	9,498		6,950		2,548
Property, Plant and Equipment:	149,045	26.3	152,294	27.7	(3,249)
Land	46,094		46,979		(885)
Buildings	99,455		108,547		(9,092)
Machinery and equipment	137,710		133,672		4,038
Construction in progress	11,313		8,642		2,671
Accumulated depreciation	(145,527)		(145,546)		19
Investments and Other Assets:	123,241	21.7	119,574	21.8	3,667
Investments in and advances to associates	1,187		785		402
Investment securities	30,861		43,431		(12,570)
Leasehold deposits	9,173		10,653		(1,480)
Deferred income taxes	64,305		43,901		20,404
Other	17,715		20,804		(3,089)
Total Assets	567,399	100.0%	549,366	100.0%	18,033

(Attachment)

(Millions of yen)

	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
LIABILITIES					
Current Liabilities:	151,577	26.7%	129,445	23.6%	22,132
Bank loans	18,948		14,723		4,225
Notes and accounts payable - trade	67,773		60,000		7,773
Accrued expenses	24,394		22,748		1,646
Income taxes payable	4,095		3,832		263
Deferred income taxes	643		315		328
Other current liabilities	23,727		26,635		(2,908)
Current portion of long-term debt	11,997		1,192		10,805
Long-Term Debt	40,315	7.1	42,796	7.8	(2,481)
Deferred Income Taxes	643	0.1	436	0.1	207
Termination and Retirement Benefits	120,730	21.3	75,367	13.7	45,363
Other Long-Term Liabilities	52	0.1	291	0.0	(239)
Minority Interests in Subsidiaries	2,472	0.4	2,797	0.5	(325)
Total Liabilities	315,789	55.7	251,132	45.7	64,657
SHAREHOLDERS' EQUITY					
Common stock	64,082	11.3	64,082	11.7	—
Additional paid-in capital	98,705	17.4	98,705	18.0	—
Legal reserve	7,619	1.3	7,660	1.4	(41)
Retained earnings	153,134	27.0	155,069	28.2	(1,935)
Accumulated other comprehensive loss	(59,909)	(10.6)	(25,363)	(4.6)	(34,546)
Foreign currency translation adjustments	(9,407)		(7,402)		(2,005)
Minimum pension liability adjustments	(48,708)		(21,224)		(27,484)
Net unrealized gain (loss) on securities	(1,716)		3,331		(5,047)
Net unrealized loss on derivatives	(78)		(68)		(10)
Treasury stock	(12,021)	(2.1)	(1,919)	(0.4)	(10,102)
Total Shareholders' Equity	251,610	44.3	298,234	54.3	(46,624)
Total Liabilities and Shareholders' Equity	567,399	100.0%	549,366	100.0%	18,033

(Attachment)

Consolidated Statements of Shareholders' Equity

(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)
Loss before cumulative effect of accounting change				(16,157)		
Cumulative effect of accounting change				384	(412)	
Cash dividends				(3,227)		
Transfer to legal reserve			8	(8)		
Foreign currency translation adjustments					6,310	
Minimum pension liability adjustments					(13,973)	
Unrealized loss on available-for-sale securities					(286)	
Unrealized gain on derivatives					344	
Acquisition of treasury stock						(725)
Exercise of stock options						18
Balance, March 31, 2002	64,082	98,705	7,660	155,069	(25,363)	(1,919)
Net income				511		
Cash dividends				(2,455)		
Drawdown on legal reserve			(41)	41		
Foreign currency translation adjustments					(2,005)	
Minimum pension liability adjustments					(27,484)	
Unrealized loss on securities					(5,047)	
Unrealized loss on derivatives					(10)	
Acquisition of treasury stock						(10,218)
Disposal of treasury stock				(32)		116
Balance, March 31, 2003	64,082	98,705	7,619	153,134	(59,909)	(12,021)

(Attachment)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002	Increase (decrease)
Operating Activities:			
Net income (loss)	511	(15,773)	16,284
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	29,676	33,569	
Net loss on sales and disposals of property, plant and equipment	11	1,314	
Loss on impairment of property, plant and equipment	4,231	6,815	
Net loss (gain) on sales of short-term investments and investment securities	1,221	(1,008)	
Loss on impairment of investment securities and other assets	2,269	17,199	
Bad debt expenses	465	520	
Termination and retirement benefits	(1,087)	2,616	
Deferred income taxes	(3,915)	(16,131)	
Minority interests	285	132	
Net gain on sale of business	(1,550)	—	
Cumulative effect of accounting change	—	(384)	
Changes in assets and liabilities:			
Notes and accounts receivable - trade, net	1,363	19,402	
Inventories	(1,918)	17,403	
Other assets	214	2,279	
Notes and accounts payable - trade	9,770	(22,291)	
Income taxes payable	232	(10,992)	
Accrued expenses and other	130	(1,082)	
Other, net	(54)	99	
Total adjustments	41,343	49,460	(8,117)
Net cash provided by operating activities	41,854	33,687	8,167
Investing Activities:			
Proceeds from sales or maturities of short-term investments and investment securities	1,388	3,111	(1,723)
Purchase of short-term investments and investment securities	(739)	(6,181)	5,422
Capital expenditures	(34,454)	(38,896)	4,442
Decrease in leasehold deposits	592	506	86
Proceeds from sales of property, plant and equipment	1,641	1,450	191
Acquisition of minority interests	(101)	(111)	10
Proceeds from sale of business	1,450	—	1,450
Payment for acquisition of business	(410)	—	(410)
Net cash used in investing activities	(30,633)	(40,121)	9,488
Financing Activities:			
Net borrowings of short-term bank loans	2,909	5,786	(2,877)
Proceeds from issuance of long-term debt	10,358	13,102	(2,744)
Repayments of long-term debt	(1,960)	(26,970)	25,010
Dividends paid by parent company	(2,855)	(3,230)	375
Dividends paid to minority interests	(230)	(37)	(193)
Treasury stock	(10,218)	(725)	(9,493)
Exercise of stock options	—	18	(18)
Net cash used in financing activities	(1,996)	(12,056)	10,060
Effect of exchange rate changes on cash and cash equivalents	(85)	3,648	(3,733)
Net increase (decrease) in cash and cash equivalents	9,140	(14,842)	23,982
Cash and cash equivalents at beginning of the year	70,779	85,621	(14,842)
Cash and cash equivalents at end of the year	79,919	70,779	9,140

Notes to cash flows from operating activities:			

Interest paid	1,431	1,264	167
Taxes paid	7,588	17,748	(10,160)
Notes to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	1,320	1,516	(196)
Fair value of equity in minority interests acquired through distribution of treasury stock	84	—	84

(Attachment)

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation and Application of the Equity Method

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

	Year ended March 31, 2003	Year ended March 31, 2002	Increase (decrease)
Consolidated subsidiaries	132	133	(1)
Unconsolidated subsidiaries accounted for by the equity method	—	—	—
Affiliates accounted for by the equity method	10	13	(3)
Total	142	146	(4)

Names of principal subsidiaries and affiliates

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

Affiliates accounted for by the equity method: Ryudensha Co., Ltd.

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

Consolidated subsidiaries

(New) 9 companies (FA Techno Corporation and eight others)

(Eliminated) 10 companies

Affiliates accounted for by the equity method:

(New) 2 companies

(Eliminated) 5 companies

2. Comprehensive Income

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

Year ended March 31, 2003:	(¥34,035 million)
Year ended March 31, 2002:	(¥23,790 million)

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

3. Major Components of Other Expenses, Net

The major components of “Other expenses (income), net” are as follows:

		(Millions of yen)
Year ended March 31, 2003	Personnel expenses in connection with an early retirement program	¥18,968
	Loss on impairment of investment securities and other assets	2,269
	Loss on impairment of property, plant and equipment	4,231
Year ended March 31, 2002	Loss on impairment of investment securities and other assets	¥17,199
	Loss on impairment of property, plant and equipment	6,815

(Attachment)

5. Segment Information

1. Business Segment Information

Fiscal 2002 (April 1, 2002-March 31, 2003) (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	202,518	138,845	116,652	42,331	34,727	535,073	—	535,073
(2) Intersegment sales and transfers	5,504	20,718	6,868	98	43,472	76,660	(76,660)	—
Total	208,022	159,563	123,520	42,429	78,199	611,733	(76,660)	535,073
Operating expenses	183,942	144,999	122,368	38,588	73,730	563,627	(60,867)	502, 760
Operating income (loss)	24,080	14,564	1,152	3,841	4,469	48,106	(15, 793)	32,313

Note: The Social Systems Solutions and Service Business Company and the Advanced Module Business Company are included in the Social Systems Business.

(Supplemental information) The revision of sales routes for certain products and regions effective from April 2002 had the following effects:

		(Millions of yen)
Industrial Automation Business:	Decrease in sales to outside customers	¥2,470
Electronic Components Business:	Increase in sales to outside customers	3,597
	Decrease in intersegment sales	2,032
Social Systems Business:	Increase in sales to outside customers	3,302
	Increase in intersegment sales	1,193
Others:	Decrease in sales to outside customers	4,429
	Decrease in intersegment sales	1,537

Fiscal 2001 (April 1, 2001-March 31, 2002) (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	186,984	128,193	124,627	40,617	53,543	533,964	—	533,964
(2) Intersegment sales and transfers	6,426	19,701	8,990	218	47,323	82,658	(82,658)	—
Total	193,410	147,894	133,617	40,835	100,866	616,622	(82,658)	533,964
Operating expenses	181,296	139,950	136,648	39,210	98,278	595,382	(65,639)	529,743
Operating income (loss)	12,114	7,944	(3,031)	1,625	2,588	21,240	(17,019)	4,221

Note: “Others” includes the Creative Service Business, the Business Development Group and other divisions.

(Attachment)

2. Area Segment Information

Fiscal 2002 (April 1, 2002-March 31, 2003) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	340,575	67,886	73,513	53,099	535,073	—	535,073
(2) Intersegment sales and transfers	77,456	567	688	32,266	110,977	(110,977)	—
Total	418,031	68,453	74,201	85,365	646,050	(110,977)	535,073
Operating expenses	386,446	63,051	69,713	80,854	600,064	(97,304)	502,760
Operating income	31,585	5,402	4,488	4,511	45,986	(13,673)	32,313

Fiscal 2001 (April 1, 2001-March 31, 2002) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	357,868	65,559	65,305	45,232	533,964	—	533,964
(2) Intersegment sales and transfers	67,774	512	478	26,002	94,766	(94,766)	—
Total	425,642	66,071	65,783	71,234	628,730	(94,766)	533,964
Operating expenses	409,664	63,092	63,868	69,802	606,426	(76,683)	529,743
Operating income	15,978	2,979	1,915	1,432	22,304	(18,083)	4,221

3. Overseas Sales

	Fiscal 2002 March 1, 2002-April 31, 2003	Fiscal 2001 March 1, 2001-April 31, 2002	Increase (decrease)
North America (Percentage of total sales)	68,665 12.8%	67,068 12.6%	2.4%
Europe (Percentage of total sales)	75,270 14.1%	67,026 12.5%	12.3%
Asia (Percentage of total sales)	65,747 12.3%	55,016 10.3%	19.5%
Total (Percentage of total sales)	209,682 39.2%	189,110 35.4%	10.9%

(Attachment)

6. 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.

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 March 31, 2003
Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	44	—	—	44
Equity securities	27,947	4,000	(5,171)	26,776
Total investment securities	27,991	4,000	(5,171)	26,820

As of March 31, 2002
Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	33	—	—	33
Equity securities	31,185	8,346	(815)	38,716
Total investment securities	31,218	8,346	(815)	38,749

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

(Attachment)

7. Breakdown of Sales

Net sales by consolidated company

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2002		Increase (decrease)
Industrial Automation Business	202,518	37.8%	184,185	34.5%	10.0%
Electronic Components Business	138,845	25.9	131,862	24.7	5.3
Social Systems Business	116,652	21.8	128,057	24.0	(8.9)
Healthcare Business	42,331	7.9	40,617	7.6	4.2
Others	34,727	6.6	49,243	9.2	(29.5)
Total	535,073	100.0%	533,964	100.0%	0.2

Notes:

1) The Social Systems Solutions and Service Business Company and the Advanced Module Business Company are included in the Social Systems Business.

2) Certain products and regions for the year ended March 31, 2002 have been reclassified in accordance with the revision of sales routes effective from April 2002.

Projected net sales for the fiscal year ending March 31, 2004 by consolidated company

(Millions of yen)

	Year ending March 31, 2004		Year ended March 31, 2003		Increase (decrease)
Industrial Automation Business	213,500	38.1%	202,518	37.8%	5.4%
Electronic Components Business	88,500	15.8	79,365	14.8	11.5
Automotive Electronic Components Business	63,500	11.3	59,480	11.1	6.8
Social Systems Business	125,000	22.3	116,652	21.8	7.2
Healthcare Business	43,500	7.8	42,331	7.9	2.8
Others	26,000	4.7	34,727	6.6	(25.1)
Total	560,000	100.0%	535,073	100.0%	4.7

Notes:

1) The Social Systems Solutions and Service Business Company and the Advanced Module Business Company are included in the Social Systems Business.

2) The Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for the year ended March 31, 2003 have been reclassified in accordance with the change.

Results for the Fiscal Year Ended March 31, 2003: Supplemental Materials

Consolidated Performance

Net sales by business segment (Billions of yen)

		Year ended March 31, 2003	Year ended March 31, 2002	Year-on-year change (%)
IAB	Domestic	102.2	95.5	7.0%
	Overseas	100.3	88.7	13.2
	Total	202.5	184.2	10.0
ECB	Domestic	66.7	65.7	1.5
	Overseas	72.2	66.2	9.0
	Total	138.9	131.9	5.3
SSB	Domestic	104.8	116.3	(9.9)
	Overseas	11.9	11.8	0.5
	Total	116.7	128.1	(8.9)
HCB	Domestic	18.9	19.0	(0.2)
	Overseas	23.4	21.6	8.1
	Total	42.3	40.6	4.2
Other	Domestic	32.8	48.4	(32.2)
	Overseas	1.9	0.8	141.8
	Total	34.7	49.2	(29.5)
Total	Domestic	325.4	344.9	(5.6)
	Overseas	209.7	189.1	10.9
	[% of total]	[39.2%]	[35.4%]	[+3.8]
	Total	535.1	534.0	0.2%

Notes:
1) The following divisions are included in each business segment.
- IAB: Industrial Automation Business Company
- ECB: Electronic Components Business Company
- SSB: Social Systems Solutions and Service Business Company and Advanced Module Business Company
- HCB: Healthcare Business Company
- Other: Creative Service Business Company and Business Development Group

2) Figures for the fiscal year ended March 2002 have been restated in accordance with business restructuring.

Geographical segment sales

Domestic	Omron	251.4	268.4	(6.3)%
	Subsidiaries	74.0	76.5	(3.3)
Total of domestic sales		325.4	344.9	(5.6)
Direct exporting		15.2	13.0	16.7
Overseas subsidiaries	North America	67.9	65.6	3.5
	Europe	73.5	65.3	12.6
	Asia and Others	53.1	45.2	17.4
Total of overseas sales		209.7	189.1	10.9%

Average currency exchange rate (One unit of currency, in yen)

USD	122.1	125.7	[-3.6]
EUR	121.1	110.9	[+10.2]

Projected Results for the Year Ending March 31, 2004

Net sales by company (Billions of yen)

		Year ending March 31, 2004 (est.)	Year ended March 31, 2003	Year-on-year change (%)
IAB	Domestic	105.0	102.2	2.7%
	Overseas	108.5	100.3	8.1
	Total	213.5	202.5	5.4
ECB	Domestic	49.0	43.1	13.6
	Overseas	39.5	36.3	9.0
	Total	88.5	79.4	11.5
AEC	Domestic	25.5	23.6	8.2
	Overseas	38.0	35.9	5.8
	Total	63.5	59.5	6.8
SSB	Domestic	113.0	104.8	7.9
	Overseas	12.0	11.9	0.9
	Total	125.0	116.7	7.2
HCB	Domestic	19.5	18.9	3.2
	Overseas	24.0	23.4	2.4
	Total	43.5	42.3	2.8
Other	Domestic	26.0	32.8	(20.8)
	Overseas	0	1.9	(100.0)
	Total	26.0	34.7	(25.1)
Total	Domestic	338.0	325.4	3.9
	Overseas	222.0	209.7	5.9
	[% of total]	[39.6%]	[39.2%]	[+0.4]
	Total	560.0	535.1	4.7%

Notes: 1. AEC stands for Automotive Electronic Components Company.
2. The fiscal term ending in March, 2003 indicates the reorganization of a new segment.

Geographical segment sales

Direct exporting		14.0	15.2	(7.8)%
Overseas subsidiaries	North America	70.0	67.9	3.1
	Europe	80.5	73.5	9.5
	Asia and Others	57.5	53.1	8.3
Total of overseas sales		222.0	209.7	5.9%

Income and loss

Net sales	560.0	535.1	4.7%
Operating income	43.0	32.3	33.1
Income (loss) before income taxes	38.0	4.7	703.1
Net income (loss)	19.0	0.5	3,618.9%

Return on equity

	7.5%	0.2%	+7.3

Capital expenditures / Depreciation / R&D Expenses

Capital expenditures	36.0	34.7	3.9%
Depreciation	31.0	29.7	4.5
R&D expenses	44.0	40.2	9.4%

Average currency exchange rate

(One unit of currency, in yen)

USD	120.0	122.1	[-2.1]
EUR	125.0	121.1	[+3.9]

Fiscal 2002 Results and Outlook for Structural Reforms for Group Productivity (VIC21)

Omron Corporation is currently working steadily toward the complete implementation by September 2003 of the Structural Reforms for Group Productivity (VIC21) announced in November 2001. By completing measures equivalent in effect to a reduction of ¥26 billion, the Company has already established a firm footing toward achieving its original target of a ¥30 billion reduction in Group fixed and variable expenses. In addition, other targets, including disposal of unprofitable and low-profit businesses and a 50 percent increase in the overseas production ratio, are forecast to be achieved, since measures toward these targets have been completed or are in progress.

(1) Status of Progress toward Original Targets during Fiscal 2002

Original Targets (announced November 2001)	Progress during Fiscal 2002
¥30 billion reduction of Group fixed and variable expenses	Completion of measures equivalent in effect to ¥26 billion reduction in expenses compared to fiscal 2001 (Projected cumulative reduction in fiscal 2003 vs. fiscal 2001: ¥30.5 billion)
Consolidation and disposal of 5 or more domestic bases including production bases	6 bases
Consolidation or restructuring of 2 businesses/5 subsidiaries in Japan and overseas	8 busineses/10 companies
50% increase in overseas production ratio	45% increase compared with fiscal 2000 (from 20% in fiscal 2000 to 29% in fiscal 2002)

The six Structural Reforms for Group Productivity are: business structure reform, manufacturing structure reform, purchasing process reform, management productivity reform, head office structure reform and asset structure reform. Main measures for each of the structural reforms implemented during fiscal 2002 were as follows:

(1) Business Structure Reform

- Division of the former SSB (Social Systems Business) Company
- Restructuring of the CSB (Creative Service Business) business and dissolution of the CSB company
- Raising the status of the Automotive Division HQ to a new company under the umbrella of the ECB (Electronic Components Business) Company
- Conversion of relay manufacturing subsidiary into a product sales company
- Consolidation of paper handling business, transfer of parking systems business, consolidation of milliwave business
- Sale or consolidation of 4 companies under the umbrella of the Business Development Group, including OMRON Alphatech Corporation, etc.
- Consolidation, sale or restructuring of 6 subsidiaries in the CSB (Creative Service Business) Company and other reforms

In addition, the following two business spin-offs are scheduled to take place on July 1, 2003:

- Separation of the HCB (Healthcare Business) Company
- Separation of the entertainment business

(2) Manufacturing Structure Reform

- Production volume of ¥28 billion in China in fiscal 2002 (including consignment production)
- 20% decrease in domestic manufacturing personnel

(3) Purchasing Process Reform

- Strengthening of direct central purchasing of materials and establishment of a central purchasing center at regional headquarters in China

(4) Management Productivity Reform

- Reduction of management staff and overall job ranks

(5) Head Office Structure Reform

-Downsizing of head office from 11 to 7 divisions

-Establishment of OMRON Business Associates Co., Ltd. and creation of a shared service system

(6) Asset Structure Reform

-Consolidation and disposal of 3 R&D facilities and sale of idle assets

-¥7 billion asset downsizing (April 2002 evaluation); continuing ¥550 million annual reduction in expenses

(7) Early Retirement Program

-Early retirement of approximately 1,460 employees (total from OMRON Corporation and domestic subsidiaries)

The Company will provide updates on future measures for the progress of VIC21 as they are implemented.